Open House: Location matters when it comes to the housing market

by Jim_Woodard

Location, location, location - those are the three most important factors in determining the value of real estate, so the old saying goes.

Recent studies have pointed up the great variety in real estate market areas across the country. For example, the average price of homes sold in Beverly Hills, Calif., is now about $2.21 million, whereas in Killeen, Texas, the average price is $136,700.

Of course, that's an extreme contrast. Beverly Hills is the most expensive major housing market in the nation, while Killeen (next to Fort Hood army base) is the least expensive, according to a recent survey and report from Coldwell Banker Real Estate.

The survey evaluated average selling prices in 317 markets for single-family homes of about 2,220 square feet with four bedrooms, two-and-a-half baths, a family room and a two-car garage. The overall average sales price they came up with was $422,343 - considerably higher than the median home price of $218,200 for all existing homes as reported by the National Association of Realtors.

Other highest priced markets, as gleaned from the survey, are California cities Palo Alto, Newport Beach, Santa Barbara and San Francisco. Other exceptionally low priced markets are Minot, N.D., Arlington and Fort Worth, Texas, Canton, Ohio, and Muncie, Ind.

The fastest growing housing market in the nation is Pinal County, Ariz., (in the central area of the state where cities of Kearny and Arizona City are located), according to a report from the U.S. Census Bureau. In the Phoenix metro area, new housing units jumped by 16.6 percent in the past year, the report noted.

At the state level, Florida added the highest number of homes, followed by Texas and California.

Q: Are many home mortgage default cases related to investment properties?

A: Yes. Many cases of home mortgage payment delinquencies and foreclosures are loans made to investors who do not live in the residence, according to the Mortgage Bankers Association. This constitutes a major segment of all defaults.

Mortgages on non-owner occupied properties in Nevada accounted for 32 percent of prime mortgage defaults by mid-summer, as well as for 24 percent of subprime loan defaults, the MBA reported. As for the rest of the country, non-owner occupied homes accounted for 13 percent of prime defaults and 11 percent of subprime defaults.

"Defaults are on the rise in most parts of the country, but it should be recognized that it is not always a case of a homeowner losing his or her home," said Doug Duncan, MBA's chief economist. "Rather, it's often the case of an investor gambling on a continued increase in home values and losing that gamble," he said.

Defaulted mortgages are those that are at least 90 days past due or in the process of being foreclosed.

Q: I've heard that some firms are profiting from defaulted mortgages. Correct?

A: Some firms are indeed profiting from today's growing number of defaulted mortgage loans. They are buying them at deeply discounted prices.

For example, Dalton Investments LLC announced it is offering a new distressed-mortgage strategy that will buy defaulted loans from mortgage servicing companies at significant discounts and restructure them, providing affordable monthly payments for homeowners. At the same time, it will create a real estate-backed investment vehicle for their investors, a company report stated.

Dalton's program is being implemented as a joint venture with Beach Front Property Management Inc. in Long Beach, Calif.

"This strategy will build on our existing management platform and will only invest in mortgages after we have done a thorough analysis of their underlying assets," said Kyle Dazan, president of Beach Front. "There will be tremendous opportunities for buying loans at significant discounts and turning them into profitable investments while allowing homeowners to stay in their homes with more affordable monthly payments."

The program is initially being implemented in Southern California, Las Vegas and Phoenix - markets where easy credit and investor speculation have led to problems, despite excellent long-term prospects for real estate development, Dazan noted.

Q: I'm a mortgage broker. What's a good source of information about current fraud schemes related to home mortgages?

A: A 30-minute dramatic video has been produced to make mortgage professionals aware of fraud schemes being perpetrated in today's real estate financing market. It's available free to mortgage practitioners who request it.

"FSI: Fraud Scheme Investigation" is the title of the training DVD video. It was produced and is currently distributed by Interthinx Inc., a provider of risk mitigation and regulatory compliance tools for the mortgage industry. The firm is based in Westlake Village, Calif.

"The current mortgage market and subprime collapse illustrates a need for improved and effective mortgage fraud detection training tools," said Mike Zwerner, senior vice president of Interthinx. "We purposely created as a parody of a popular prime time crime scene investigation TV series. We were inspired by actual events to yield maximum viewer learning retention."

At this writing, more than 5,000 videos have been sent to mortgage professionals who requested it.

For more information about the award-winning training video, visit the firm's Web site: www.interthinx.com, or phone 800-333-4510.

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