

Generating Positive Market Moves

By Robert J. Flower, Ph.D.

It is highly unlikely that any firm has ever encountered a market such as this. Despite many warnings from as early as 2005, few believed and none listened.

Whether you believe this market will continue until 2010 or 2015, one thing is for certain — it will be weak. It can easily falter again. This is not something any of us want to hear, but a real possibility given the facts of the marketplace.

With consumers borrowing to the hilt for the last 20 years, it is unreasonable to assume that an immediate reversal is plausible. However, there are actions that can be undertaken to ameliorate the issues underlying the market.

Here is what I propose. First, establish a valuation assurance program. Here, property owners and the government would formulate an assurance fund to support property values. For example, an average of say \$500 per year per property owner to be marketed by the government would generate a significant fund to support prime levels, up to a certain point.

For example, a home valued at \$100,000 would receive an assurance that the value would be protected down to \$75,000 — the billions of dollars available through

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the assurance fund could act as an income stream to pay off an afflicted homeowner. The beauty of this program is that as this measure grows over time and the problem diminishes, we can be assured this type of disaster will not occur again. In addition, administration of this fund could be financed by membership fees from Realtors, builders, contractors, etc.

Second, formulate a Realtor bank or credit union. Approximately 1.2 million members investing an average of \$300 would establish a capitalization of over \$350 million. This idea would provide liquidity and favorable rates to the real estate market. In the past, the real estate industry has hesitated to do this out of fear of upsetting large mortgage lenders. If this ever was valid, it certainly is not the case now. By the way, \$350 million capitalization could be leveraged to one billion dollars of available capital.

Third, utilize the power of a large membership, with the government, to establish larger depreciation deductions on homes.

Fourth, use the huge real estate and construction membership, over 1.2 million, to better influence our government representatives. Instead of just using local chapter members to petition local representatives, we should utilize greater regions to petition. For example, instead of just members from Westchester petitioning congresspersons from Westchester, we should have members from New York state petitioning all the congresspersons from New York state. This will clearly and more dramatically communicate our issue.

This is no time for traditional thinking. Our industry should lead the way.

Robert J. Flower, Ph.D., has been a successful Realtor and financier for over 46 years, as well as an organizational systems expert and author of three books on achievement. He currently hosts a TV talk show, The Public Advocate, in Westchester County, NY, as well as a popular weekly Internet feature on investment and economics, The Master Pattern Report. He can be reached at drflower@att.net, or (914) 779-6299. ■

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Time to Buy a House

By Robert J. Flower, Ph.D.

With all the negative headlines concerning real estate these days, it would seem buying a home at this time is simply a wrong approach. Yet, with foreclosures at all time highs and bankruptcies pushing historical limits, there are several good reasons to act now.

INTEREST RATES

It's not so much that rates are at low, affordable levels that's important, but rather where they are headed over the next six to nine months — straight up! Smart money is betting rates are headed for significant levels, and soon! This makes the affordability of a mortgage a lot less desirable and attainable. For example, a \$100,000 mortgage today would cost approximately \$6,750 per year while the same amount in early 2010 could easily cost \$9,250, and even \$10,000 by this time next year.

QUALIFYING

While lending requirements are

tightening up currently, they most assuredly will escalate even more, and soon. This means that the loan to value (down payment) may well increase from 10% to 25-30%! On a \$300,000 home, your down payment could go from \$30,000 today to as high as \$90,000 in the near future. Further, the credit requirements will also be tightened so that a moderate credit score, of say 625, may not qualify for a loan, or, it may raise the rate of interest on your loan.

INFLATION

Historically, aside from precious metals, the best bet against inflation has been real estate. This holds true regardless of good or bad markets. As of today, the inflation rate is projected to rise dramatically! It's not that real estate prices will go up, it's also that your buying power will go down.

Even if home prices didn't rise, paying off a mortgage creates equity. Additionally, home ownership also generates tax savings. Rent receipts do nothing! ■

Women's Council of Realtors Announcement

Women's Council of Realtors (WCR) is a nationwide community of more than 19,000 real estate professionals who include many of the best and brightest in the business. WCR is an affiliate of the National Association of Realtors and is headquartered in Chicago, IL. For more information on WCR, please visit www.WCR.org.

MISSION

WCR is a network of successful Realtors that empowers its members to exercise their potential as entrepreneurs and industry leaders. Realtors and industry affiliates are invited to find out about the next networking luncheon in your area by contacting

one of the following local chapters:

- Dutchess County Chapter: Kim-Marie Mullin, President, (914) 419-0697 or kmullin71@aol.com
- Empire Westchester Chapter: Toni Chrystal, President, (914) 328-8400 or tchrystal@aol.com
- Greater Hudson Valley Chapter (covering Orange, Rockland, Sullivan and Ulster counties): Veronica Rodriguez, President, (845) 457-3040 or Veronica@HVPRealty.com. ■

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