

# Real Estate Digest

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## Housing Outlook in 2019 Federal Budget

**R**eluctantly, on March 23, 2018, President Donald Trump signed a \$1.3 trillion federal budget that will fund the government until September 30, 2018.

### Bill Restores Cuts from Trump's Proposed 2019 Budget

The budget includes \$42.7 billion for the Department of Housing and Urban Development (HUD), an increase of \$3.9 billion from 2017 and \$12 billion more than Trump's proposed 2019 budget for the agency.

The HUD appropriations spare many of the cuts that were part of the 2019 budget, which were "focused on moving more people toward self-sufficiency through reforming rental assistance programs and moving aging public housing to more sustainable platforms," according to HUD Secretary Ben Carson.

The original budget would have cut the rental assistance program 11.2 percent. It also would have eliminated the community development block grant program and the public housing capital fund for rehabilitating and creating new public housing units.

### Good News for Housing Sector, say S&P and Moody's

S&P and Moody's were upbeat about the increased funding in the signed budget.

"With demand for affordable rental units at a record high, increases in tenant-based and project-based rental assistance, increases in low-income housing tax credit allocation, and the income-averaging option will benefit the affordable multifamily housing sector," said Marian Zucker, S&P Global Ratings credit analyst.

"This includes multifamily properties' abilities to cover debt service obligations,



meet potential loan loss stresses, and improve their overall physical condition, which are all factors we consider in our ratings analysis," Zucker said. "Therefore, the omnibus spending plan's good news for the housing sector supports our stable outlook for 2018."

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A report by Moody's stressed the budget's financial benefits to the construction industry.

"With about \$18 billion in multifamily bond programs sponsored by 22 Moody's-rated HFAs funding more than 5,000 loans, the increase in tax credit authority bodes well for continued multifamily production," its report said.

### Bill Doesn't Go Far Enough, Say Home Builders

The National Association of Home Builders was disappointed that the budget appropriations did not include further improvements to the Low Income Housing Tax Credit (LIHTC).

"Bipartisan leaders in the Senate and House fell woefully short by agreeing to a budget compromise that significantly waters down any improvements to the LIHTC," said Randy Noel, NAHB chairman.

"The nation is facing a significant affordable housing crisis and the LIHTC is the premier program to help builders produce affordable rental housing units."

"Unfortunately, the spending bill does not do nearly enough to meet the affordable housing needs of this country, particularly in Texas, Florida and Puerto Rico, which are still struggling to recover from the devastating hurricanes of last year," he said. "NAHB will continue to push Congress to finish the job and quickly pass the Affordable Housing Improvements Act, which enjoys broad, bipartisan support on both sides of the Capitol. It would make a real difference by strengthening the LIHTC program and promoting the construction of hundreds of thousands of sorely needed affordable rental units over the next decade."

### Realtors Positive about the Bill

The National Association of Realtors praised the provisions in the 2,232-page bill that remove language weakening of the Low-Income Housing Tax Credit and extend the National Flood Insurance Program

through at least mid-summer.

"In addition to extending the NFIP through July, with the goal of passing a long-term reauthorization and reform of the program soon, this spending bill contains significant improvements for providing affordable housing options for low-income households," NAR President Elizabeth Mendenhall said. "Realtors were a key part of a larger coalition that fought for these necessary changes, and we're pleased to see the steps taken to strengthen the Low-Income Housing Tax Credit to address our country's housing needs."

### No Long-Term Expectations

The 2019 budget may have passed for now. But it expires in September. Keep in mind what Trump tweeted after he signed it. "I will not sign another bill like this."

### 2017 Homeownership Rate Increased In Spite of Shortage of Homes



Despite rumors of a housing market that is leaving growing numbers of would-be buyers behind, the homeownership rate is increasing once again.

According to a recent U.S. Census Bureau report, the annual homeownership rate increased to 63.9 percent in 2017, an increase of 0.5 percent from a year earlier. It has been more than a decade since the last time it increased, in 2004.

Homeownership rates are starting to increase again because they finally bottomed out, says Senior Economist Joseph Kirchner of realtor.com. "After eight years of recovery, home buyers have employment and confidence that they will keep their jobs, so that they can now take the plunge into homeownership."

A strengthening economy, fewer foreclosures, and millennials



who are transitioning from living at home and renting to becoming homebuyers are giving rates a boost. According to the report, millennial homeownership increased 1.3 percent annually fourth quarter over fourth quarter.

In the fourth quarter of 2017, only 36 percent of millennials owned homes, in comparison to 58.9 percent of those between the ages of 35 and 44 and 69.5 percent of those aged 45 to 54. Homeownership was at 75.3 percent for people age 55 to 64 and at 79.2 percent for people over the age of 65.

## RE/MAX Set to Launch Marketing Automation Tools for Agents



RE/MAX has announced a new service for RE/MAX agents: Design Center Automation. The service offers an easy way for agents to leverage marketing opportunities for their listings, helping them to attract more leads and referral business. The new tools are a follow-up to a refresh of the RE/MAX brand in August 2017.

“Design Center Automation ensures that we can reinforce the new brand across every print, digital and social media customer impression,” says Pete Crowe, Executive Vice President Business and Product Strategy at RE/MAX.

Design Center Automation delivers fully branded marketing packages to agents every time they take a new listing. The automation tool triggers around four major listing events: Just Listed, Open House, Price Reduced, and Just Sold. Agents can distribute the materials as-is or modify them using the Design Center. In addition, Design Center Automation delivers automated marketing packages for RE/MAX luxury listings using designs that are uniquely branded for The RE/MAX Collection.

“Outstanding technology is at the core of automation,” shares Renwick Congdon, CEO of Imprev. “It takes a robust platform to combine the volume and complexity of real estate data into multiple marketing workflows that then generate meaningful campaigns customized to each RE/MAX brokerage.”

Design Center Automation will generate over 2.9 million unique marketing pieces for active listings once it fully launches this year, according to Congdon.

## First U.S. Real Estate Deed Recorded Using Ethereum



Propy Inc. has achieved a major milestone for cryptocurrency by initiating the first U.S. deed recorded using only blockchain technology. The Propy pilot project, launched in January in partnership with the City Clerk’s Office in South Burlington, Vt., used Ethereum to transact and record contracts and documents instead of using the city’s recording system. City representatives say that Vermont’s legislation allows for the flexibility to use blockchain in real estate transactions.

“The Propy pilot will showcase the savings of blockchain distributed technology, furthering Vermont’s and the City of South Burlington’s goal to achieve more cost-effective government,” said Natalia Karayaneva, CEO of Propy. “In parallel to making land record management systems significantly more efficient, Propy’s additional safeguards ensure additional data integrity.”

If these blockchain pilot programs prove successful, real estate brokerages may become more open to cryptocurrency-based transactions. RE/MAX Action First, a real estate brokerage based in Tampa Bay, Fla., predicts that blockchain technology will disrupt the real



estate industry, noting that transactions could be settled in minutes instead of days or weeks.

Kenny Hayslett, president of RE/MAX Action First, believes that blockchain-based transactions could help to reduce fees and eliminate unnecessary delays. He added that blockchain could help to improve security for the real estate industry given that wire transfers have become particularly vulnerable to fraud in recent years.

## NAR Cheers Dodd-Frank Reform



The National Association of Realtors has announced its support for a Dodd-Frank reform bill, S. 2155 or the Economic Growth, Regulatory Relief and Consumer Protection Act, and urges Congress to pass it into law. Although the final vote was originally expected in March, it was pushed back in the Senate in order to consider the amendments.

“The Economic Growth, Regulatory Relief, and Consumer Protection Act contains some favorable provisions for the housing industry, including expanding Fannie Mae and Freddie Mac’s use of alternative credit scoring models; holding Property Assessed Clean Energy, or PACE, loans more accountable; and improving access to manufactured housing, as well as easing credit through reduced regulatory burdens on smaller community banks and credit unions,” NAR President Elizabeth Mendenhall said.

Mendenhall says that the NAR supports the bill because it will achieve the goal of balancing financial regulations with appropriate consumer protections. The bill, which was sponsored by Banking Committee Chairman Mike Crapo, R-Idaho, has nearly 20 Republican and Democratic co-sponsors. It is expected to pass in the Senate thanks to its bipartisan nature.

Other members of the housing industry have also voiced their

support for the bill, including the Mortgage Bankers Association, the National Association of Home Builders and the Independent Community Bankers of America.

## More Homebuyers Bidding on Homes Sight Unseen



Thirty-five percent of homebuyers last year said they made an offer on a home sight-unseen, up from 33 percent in May 2017 and 19 percent in June 2016. These findings are based on a Redfin-commissioned survey conducted in November and December 2017, which reviewed responses from 1,503 homebuyers who purchased their homes within the previous 12 months.

Out of all groups, millennial homebuyers were the most likely to make an offer sight-unseen with 45 percent in November and 41 percent in May reporting that they had done so. People who are unable to tour a home right away because they are busy or are relocating are turning to online tools like Redfin 3D Walkthrough and FaceTime®. In addition, there is also a vast array of reviews, statistics, maps, and articles online that buyers can use to explore a home and its surrounding neighborhood.

Los Angeles, Calif., San Diego, Calif., San Francisco, Calif., Chicago, Ill., and Austin, Texas were the top five cities in which buyers say they were successful in making an offer on a home they had not seen in person. In Los Angeles, 57 percent of respondents who bought a home last year said they made an offer without viewing the home in person first.



## Millennials Most Active Homebuyer Group



For the fifth consecutive year, millennials have been responsible for the largest share of home buying activity, according to the 2018 Home Buyer and Seller Generational Trends study from the National Association of Realtors.

Roughly one-third of all home purchases were made by millennials who held a market share of 36 percent over the past year, an increase of 2 percent from 2017. Baby Boomers at 32 percent ranked second, an increase of 2 percent from 2017. Next were Gen Xers, at 26 percent, a decline of 2 percent from 2017 and the Silent Generation with 6 percent, down 2 percent from 2017.

Over the past year, the typical millennial homebuyer's household income was \$88,200. The average size of a home purchased by a millennial homebuyer was 1,800 square feet.

However, millennials paid more for their homes at \$220,000 as compared to \$205,000 in 2017. Millennial buyers also reported higher levels of student debt in this year's survey than they did last year. There was also a slight increase in the number of millennials who reported that saving for a down payment was the biggest challenge they faced in buying a home.

## Homesellers Spy on Prospective Buyers During Open Houses



Real estate agents and homebuyers have noticed homesellers spying on them as they tour properties for sale. Tools for spying involve everything from old-fashioned security cameras to newer smart devices which track their conversations and actions during open house events.

"It's one of those things where it is the person's home, they have the right to do whatever — but you feel a little violated," says Andie DeFelice, broker with Savannah-based Exclusive Buyer's Realty, Inc., and the president of the National Association of Exclusive Buyer Agents.

The rise in the use of surveillance devices by homesellers raises concerns about privacy, courtesy, and legality in real estate transactions. The trend also comes at a time when, in most areas of the country, real estate markets are strongly in favor sellers. Gea Elika, principal broker of Elika Associates in New York, N.Y. says that she thinks that the technology will only become more prevalent in real estate.

The National Association of Realtors has already issued a best practices tutorial on the subject, along with a list of what is allowed in each state. For now, the NAR recommends that brokers consider hanging a sign in the home or notifying visiting homebuyers directly on the listing form that there are surveillance devices present on the property.

## Home Depot Donates \$50 Million to Reduce Home Construction Shortage



Home Depot has announced it will donate funds to a construction labor training program with the goal of helping to provide the talent needed to resolve the current home inventory shortage. The company plans to donate \$50 million to train 20,000 new construction workers at the Home Builders Institute over the next decade.

The Home Builders Institute, the industry's education arm, trains roughly 3,500 workers each year using funds received from the U.S.



Labor Department. With the new funding from the Home Depot Foundation, Home Depot aims to increase the number of trainees by 60 percent, or 2,000 per year. The initiative will focus on training high school students, disadvantaged youth, veterans, and current Army soldiers who will soon retire into civilian life.

“It’s important that we support the trades,” Home Depot CEO Craig Menear said in an interview. “Not only do we sell product to professionals like plumbers and electricians,” but the company also partners with service providers that install kitchen flooring, hot water heaters and other equipment in consumers’ homes.

Fortunately, things are starting to look up for the construction industry in 2018. New construction homes began at a strong pace this year and are on track for the best year since the 2008 housing crisis, according to data from the U.S. Census Bureau.

## Low-cost Tips to Improve Curb Appeal



Gorgeous and spacious interiors, including an updated kitchen and bathroom and plenty of storage, can help attract homebuyers. However, before they see these areas, they see the landscaping.

In fact, some buyers decide whether they want to purchase a home based on the looks of the outside of the home. Worse, they may not even bother to go inside if the home’s exterior doesn’t meet their expectations.

A cluttered front yard, chipped exterior paint, and a cracked driveway are examples of flaws that can drive away potential buyers. If homeowners want better results, they need to spend time cleaning up their homes and creating curb appeal.

**Get Rid of the Clutter and Dead Plants.** Start by removing the

debris and dead plants. Getting rid of these items will help to create space in the yard. With this additional space, you’ll be able to add a few potted plants and bring some color to the yard.

If there are fallen leaves, someone needs to rake and sweep up the yard regularly. Keep in mind that your client’s home is on the market every day, not just when you are hosting an open house. Upkeep of the home’s exterior should be a daily job. Buyers always want to see the house in its best condition and that begins at the street.

**Spray Paint the Lawn.** If there is dead grass, consider spray painting the lawn. Some cities are already using this method to fix lawns on foreclosed homes. Lawn paint is generally made from a non-toxic vegetable oil so that it won’t harm people or pets. Lawn paint is semi-permanent color, like hair dye. Although it fades over time, it lasts for about three months.

**Fix Broken Items.** If there are broken windows or dents in the garage door, fix them. Walk around the house and note the areas that need repairs. If there are places where the paint is peeling or chipped, then the homeowner should fix them. The costs of such repairs are generally minor, yet the payoff can improve the home’s value and desirability.

**Add Color.** Eye-catching color, such as a brightly painted front door, can do wonders. Even if the landscaping isn’t particularly attractive, adding eye-catching color can really make a home stand out.

The time and money you put into the landscaping will help attract more buyers and encourage them to more seriously consider your client’s home. Help your clients understand that all aspects of the home must be well maintained to attract as many potential buyers as possible. By upgrading the landscaping and exterior, you can make a great first impression.



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