

# courtney's oahu newsletter

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Jack Tyrrell & Company a real estate corporation



Jade, Josh, Courtney and Kaya Heimowitz

## Beyond the Hype: The Credit Crisis and What it Means to You *-the hot topic in the media*

Barry Bonds may have broken the all-time home-run record recently, but you wouldn't know it by looking at the headlines. The only "Bonds" the media seems interested in are mortgage bonds - specifically mortgage-backed securities.

To date, subprime mortgages have been credited for bankrupting well over 110 lenders and seriously damaging operations at many major mortgage firms. They've reportedly wiped out 5 hedge funds, tens of thousands of jobs, and have led to millions of foreclosures with millions more on the way. And, as if that weren't enough, subprime mortgages are also blamed for massive volatility in the stock, bond, credit, futures, and real estate markets here in the US. And it's this volatility that is now spreading like a virus into other major financial sectors around the globe. Some say losses in the mortgage securities market alone could reach hundreds of billions of dollars this year.

This means that, for any American looking to buy, sell, or refinance their home, they are confronting a very different market from the one that existed just 6-12 months ago. The US Federal Reserve has already begun pumping billions of dollars into the US banking system in order to address what is clearly a credit crisis that will change how we borrow money for years to come.

### How did this happen?

The recent real estate boom was fueled by a period of record home appreciation and historically low interest rates Banks, in order to compete, loosened guidelines

and began offering more funding to riskier non-conforming or "exotic" mortgages.

These ideal lending conditions persisted for several years, supported by high demand, historical real estate data, home prices, and massive trading volume/profits on mortgage-backed securities and other financial instruments on Wall Street.

Then, in 2006, a slowdown in real estate led to a deterioration of home values, an increase in inventories, and ultimately to today's tightening of credit guidelines, leaving many investors unable to sell or refinance out of their existing positions. Many Americans who had tapped into their equity were suddenly tapped-out and overextended as home values fell. Foreclosures followed in record numbers and a revaluation of mortgage bonds and other financial instruments created the credit/liquidity domino effect we're now experiencing.

Unfortunately, it's going to get a lot worse before it gets better. According to the latest estimates, over 2 million subprime and Alt-A adjustable rate mortgage (ARM) holders will face payment increases of up to 30%-100% when their loans reset in the next 2 to 18 months. These loans make up less than 40% of the total mortgage market, but the negative effects, as we have seen, of increased foreclosure activity can have a ripple effect throughout the industry and around the globe.

### What does this mean to you and your mortgage?

**Sellers:** If you're planning on selling your home, be prepared for an even smaller pool of qualified buyers. While some experts predict a settling of this credit crisis over the coming year, tightened credit guidelines and diminishing mortgage products could knock out as many as 15%-30% of potential qualified buyers. Now is not the time to sit

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and wait for the best possible price. Have a serious talk with your Real Estate Agent. Having experienced buying/selling transactions in your area, he or she can help you price your home accordingly. He or she can also help ensure that your buyers are pre-approved and stay pre-approved throughout the entire transaction.

**Buyers:** Get pre-approved by your mortgage professional. While there are a lot of great deals out there, getting credit is becoming tougher and tougher, and it's taking longer and longer to complete a transaction. Remember, what you qualify for today could change tomorrow in a volatile market. For those looking to refinance, keep this in mind. There is no time to delay! Communicate with your lender. Don't do anything that could negatively affect your credit, and make sure you get all your documentation in on time.

**ARMs Borrowers:** If your ARM is scheduled to reset in the next 2-18 months, you need to schedule an appointment with a mortgage profes-

sional right away. Whether your ARM is subprime, Alt-A, or even if you have a pre-payment penalty, don't let a default or foreclosure situation sneak up on you. Did you know that your monthly payments can increase anywhere from 30% to 100% once your loan resets? At the very least, give yourself the peace of mind of knowing what your adjusted payment will be. A good loan officer can help calculate the numbers.

**Borrowers with less-than-perfect credit:** Each week it seems lenders are shedding more and more mortgage products. Many lenders have stopped offering No-Doc loans and are reducing all forms of Stated-Income loans. While it might be challenging, borrowers with credit issues need to see a loan expert. Often they have credit repair resources and other strategies to help you reach your financial goals.

Finally, don't let the headlines get to you. While all looks bleak and scary now, there's an important concept to embrace: all markets, while cyclical in nature, are self-correcting, be

it credit, real estate, stocks, or bonds. For the last 6 or 7 years, real estate was booming and riding high. The correction we're experiencing now - while it seems harsh and could get much worse - is, in a sense, "natural" and directly related to the extremely loose guidelines and perhaps overzealous lending and leveraging during the boom cycle.

Your home and your financing are just too important, and times have changed. I am here to help and advise during these volatile times - and would welcome calls from you, your friends, family, neighbors or coworkers.

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### Featured Property



91-216 Omeo Place 59, Ewa Beach  
\$425,000 fee simple, 3bed, 2bth,  
huge master bedroom, wood laminate flooring downstairs Central AC, Low association fees. 1226sq.ft. Built in 1999 with a 2006 remodel MLS# 2711252

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Alii Court in Ewa Beach or Sea Country Community in Maili? Both affordable, a nice size and approximately \$2,600/month with 100% financing. Did you know that Sea Country has actually been approved as a second home location for those who are currently residing on the Honolulu side of Oahu. It is surrounded by mountains, and has a pool, kids center and a shopping center being built now. Alii Court is of course close to the entrance of Fort Weaver Road and the H1 freeway and growing Kapolei.

(808) 216-9366

### Featured Property



87-1980U Pakeke St. 95, Waianae  
\$425,000 fee simple, in the Sea Country Community. Interior designer chosen paints and window treatments. Top of the line appliances. Professionally landscaped yard and patio. 1235sqft. MLS#2708436

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## 2007 Second Quarter Residential Resales Statistics

The Honolulu Board of REALTORS® released resale figures for the second quarter of 2007. According to the analysis conducted by the Board, using data collected from its computerized Multiple Listing Service

Single Family Home Resales				
	Number of Sales	This Quarter Compared To	Median* Sales Price	This Quarter Compared To
2nd Quarter, 2007	1,037		\$665,000	
1st Quarter, 2007			\$620,000	up 7.3%
2nd Quarter, 2006	1074	dn 3.4%	\$640,000	up 3.9%

Condominium Resales				
	Number of Sales	This Quarter Compared To	Median* Sales Price	This Quarter Compared To
2nd Quarter, 2007	1,617		\$328,000	
1st Quarter, 2007			\$320,000	up 2.5%
2nd Quarter, 2006	1,830	dn 11.6%	\$305,000	up 7.5%

*\*Median price means half the prices were above and half below the given price*

During the second quarter, the number of sales declined from last year, but the median prices increased. The total dollar volume of sales was \$1.455 billion in the second quarter, a decrease of just \$14 million, or 0.9%, from the \$1.469 billion in sales achieved in the same quarter last year.

### Foresight Real Estate Education

Aloha and welcome to the Foresight Section. We are Foresight Education LLC. We specialize in financial education around the real estate world. We find the need for education becoming greater each day. Our market has shifted and the lending world has begun to become somewhat chaotic. We'll address the financial issue that we are most asked about in subsequent issues of this newsletter.

It seems every day right now one of our clients calls us to ask us about what effect the chal-

lenges in the lending industry may have for them. For most of our clients there won't be a lot of changes. There may be a change in lenders as their mortgage company has sold their mortgage to someone else. They will be notified if something like this happens. They would also receive a notice if their lender went out of business. While these things may be concerning there is no need for panic!

The most intriguing scenario that could happen to our clients with more exotic loans (ARMS, etc.) is that they could potentially be

offered a restructure of their current mortgage. We caution that if you receive one of these proposals to talk to a professional that can analyze the proposal to see if it is truly better for you than continuing what you have. If any of these things have happened to you please take advantage of the free analysis and consultation Foresight Education provides. You can reach us at 853-8621 or let Courtney's office know you'd like us to contact you. Please be sure to mention you saw us in this newsletter!

Aloha from the Foresight Education team.

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*A Real Estate Corporation*

## Courtney's words...

Like any profession, if you are unfamiliar with its nature, you wonder what someone in that particular profession does all day? Ever wonder what a Realtor does all day?

We continue our education by attending seminars, workshops and classes such as ...CRS, ABR, current housing trends and forecasts by community economists, engage in discussions on how to properly educate the general public, meet monthly with Realtors of the North Shore, Central, Windward and Leeward Oahu to discuss trends in those areas, network with handymen, builders and lawmakers. Outer island and mainland and folks abroad are included! Yes, like consultants in different professions, networking is and can be a full time job spreading the word about your property, hearing about a new property, new zoning laws or flood

insurance costs to a particular area are a few examples. Network with Loan officers on current loan programs and forecasts and it how affects your current property or future property investments. Visit and view properties in different areas to know how homes are priced and what competition is like. And in this current market, it can change quarterly and even monthly. Market your property appropriate to current trends.

And most importantly, negotiate before an offer is accepted and throughout the entire process of the sale and even after your transaction has successfully closed, there are usually a few things still left to cover, like an ongoing shoreline survey, house repair, cleaning, removal of items and more! Overall, your Realtor works full time for you and has the time to do it!



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