

CAREPA NEWS

CAREPA NEWS

華裔房地產專業協會新聞

2010年八月號

August 2010

President's Message ~ 會長的話



Summer is about to end and children will soon be returning to school. Hope that in the last few months you have enjoyed a successful real estate business as well as happy time with your family.

Last month, our speaker, Paul Tecson, talked about global real estate land investment. For those who have investors interested in expanding their portfolio, this is a unique way for future immigrants to put their foot into a piece of U.S. land. The opportunities are there as many new infrastructure projects are being contemplated. This month, our speaker, Mary Kay, will speak about "Home Inspection".

In August, our Board of Directors will not be meeting. Nominations for our new 2011 Board will be due on August 11. Please make sure to read the qualifications and responsibilities for the candidates. If you qualify, want to participate and become part of CAREPA directorship, we welcome you. If you know of anyone who you think will be good, nominate him. Leadership starts with the confidence to work in a team.

HOPE Award is seeking applications for outstanding contributors to minority homeownership through December 17, 2010. Winners receive \$10,000. In the last couple of years, it has become increasingly hard to deal with real estate purchase and lending obstacles. And with the lack of federal, state and local assistance, it has been even more difficult to help those in need. Nevertheless, there are those out there who have extended a lending hand, spent a lot of patience and time to help and should be recognized for their efforts. For more information, please go to www.hopeawards.org.

Please enjoy the remainder of this summer. See you at our general meeting dinner.

PHILIP HSU 徐一飛
華裔房地產專業協會
2010 CAREPA President

Compliance Information for the Public Pool and Spa Safety Act - Assembly Bill 1020



[Assembly Bill 1020](#), a law to implement new requirements to prevent entrapment hazards in public swimming pools and spas, was recently signed by Governor Arnold Schwarzenegger. The purpose of this new law is to ensure that California law is in conformance with new federal safety standards

[\(Virginia Graeme Baker Pool and Spa Safety Act\)](#) designed to prevent entrapment hazards associated with public swimming pools and spas. More specifically, this new law will increase the safety of public swimming pools and spas by 1) adopting the federal swimming pool and spa drain cover standard, and 2) ensuring that public swimming pools and spas are equipped with proper safety devices. An [informational side by side](#) document of AB 1020 shows the difference between the federal act and state law.

The new safety measures required by Assembly Bill 1020 include the following elements and are also depicted in the [Compliance Guide for Assembly Bill 1020 \(Flowchart\)](#). On or after January 1, 2010, all newly constructed public swimming pools shall be equipped with drain covers that comply with the applicable ASME/ANSI performance standard.

- Public swimming pools with a single main drain that is not an unblockable drain shall be further equipped with at least one more safety device that would prevent physical entrapment by pool drains.

2010 CAREPA BOARD OF DIRECTORS

感謝所有理事會成員為本協會所做出的貢獻

Thank to the Board of Directors for their voluntarism

Gracias a la Junta de Directores por ser voluntarios.



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Carina Pang
Nancy Lin
Lucia Tam
Lucia Tam

AUGUST GENERAL MEETING

AUGUST 11, 2010

6:30PM

SPEAKER

MARY KAY

Marketing Director

Advanced Group Property Inspection Co.

TOPIC

Property Inspection

EMPRESS HARBOR RESTAURANT

111 N. Atlantic Blvd. 3rd floor
Monterey Park, CA 91754

For reservations and information,
contact Nancy Lin @ 626-285-8333

SEPTEMBER GENERAL MEETING

SEPTEMBER 8, 2010

6:30PM

SPEAKER

HOWARD TING

YK America Group

TOPIC

EB-5 ALIEN INVESTOR

EMPRESS HARBOR RESTAURANT

111 N. Atlantic Blvd. 3rd floor
Monterey Park, CA 91754

For reservations and information,
contact Nancy Lin @ 626-285-8333

5 reasons why the California real estate market will weaken from August to December of 2010: California budget delay, inventory growth, and three other important factors.

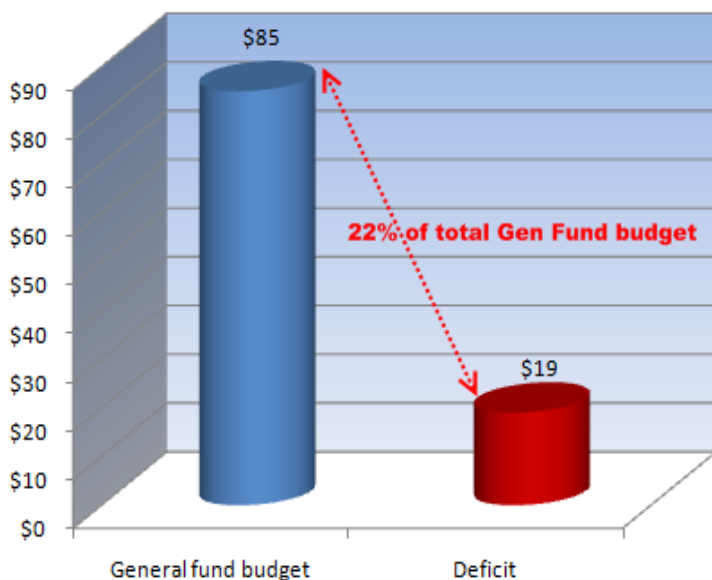
The party is largely over for California real estate. Lost in the mix of all the economic news is the grim reality that we still don't have a budget for the state. We are facing another five weeks delay and days closer to [issuing IOUs yet again](#). Yet this information is still flying underneath the media radar. It is relegated to page nine if you can even find it. The [Federal Reserve](#) and government have taken the advice from banks in virtually every policy move; suspend mark to market, inject trillions of dollars into the [banking sector](#), provide loan modification options, purchase mortgage backed securities, and more tax credits and all this combined merely served as a stop-gap for the real estate price adjustment. Why? Home prices in many areas are still too expensive because incomes are weak and employments (especially good paying jobs) are hard to come by. The major budget deficit we face (like many other states) is a reflection of a weak economy.

Not much has changed in 2010 at least for [California real estate](#). In fact, from August to December of 2010 California real estate is going to face much tougher waters ahead. Let us list five important reasons why.

Reason #1 – California budget delayed yet again

We currently face a \$19 billion budget deficit which comes out to 22 percent of the current general fund budget. This is a massive amount of money. The buck stops in Sacramento and virtually no one has a clear direction of where we are heading. In fact with an election year our amazing representatives are planning

California budget figures (2010-11 revised)
billions of USD\$
www.doctorhousingbubble.com



their election campaigns for November instead of dealing with the pressing issue at hand. We can blame the tactics on an election year but the budget has been in the red for over three years now. This crisis did not come on as a shock.

Now why would the budget crisis be an issue on real estate? First, there are only a couple of ways to plug the gap. You either raise revenues through higher taxes or simply having a better economy and collecting more. Clearly the fact that we are in a massive hole tells us that revenues are not coming in. The temptation for elected officials will be to tax even more although California is already massively taxed. In L.A. County many are already paying close to 10 percent in sales taxes! Need we mention city officials making \$800,000 for tiny working class areas like Bell?

The other option you have is to cut. And this is an option the Governor is taking:

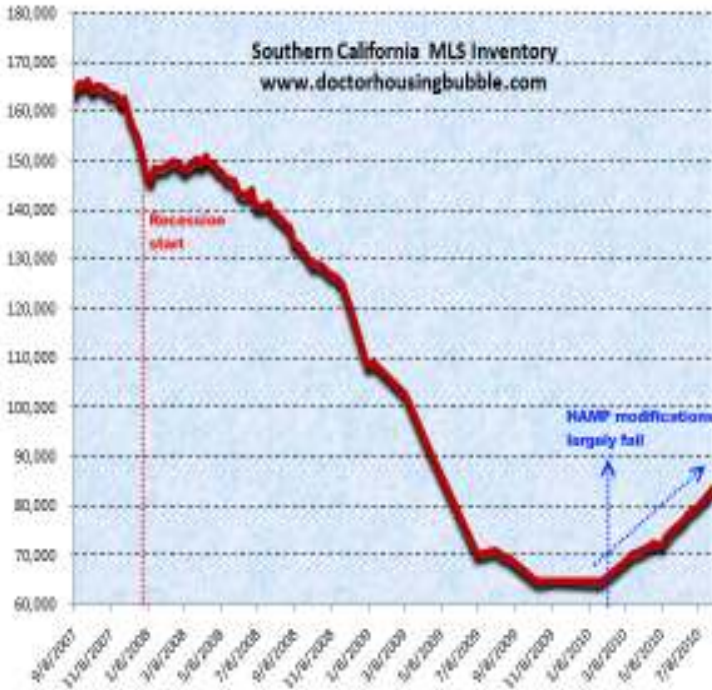
“([Business Spectator](#)) Schwarzenegger has proposed slashing spending to balance the state's books, an approach rejected by Democratic lawmakers. Their leaders in the state Senate and Assembly are trying to draft a joint plan likely to include proposals for tax increases to rival the governor's budget plan.

By ordering furloughs, which he also did last year, Schwarzenegger is bringing pressure on state employee unions allied with Democratic lawmakers on the heels of losing a courtroom battle to cut state employees' pay to the federal minimum wage to bolster the state's finances.

Schwarzenegger's new furlough order was instantly condemned by labor officials as a political ploy.”

I'm surprised that some of the better coverage on the California economy is coming from out of the country. Either way, you can see where the line is being drawn in the sand. Both of the above outcomes are not positive for California housing. More layoffs equates to less people able to afford homes. Higher taxes and people have less to spend on housing. The problem stems from the [California economy relying on real estate](#) for both jobs and spending and all this happened in a once in a lifetime bubble. That bubble has now burst yet the state budget structure is still relying on bubble revenue figures.

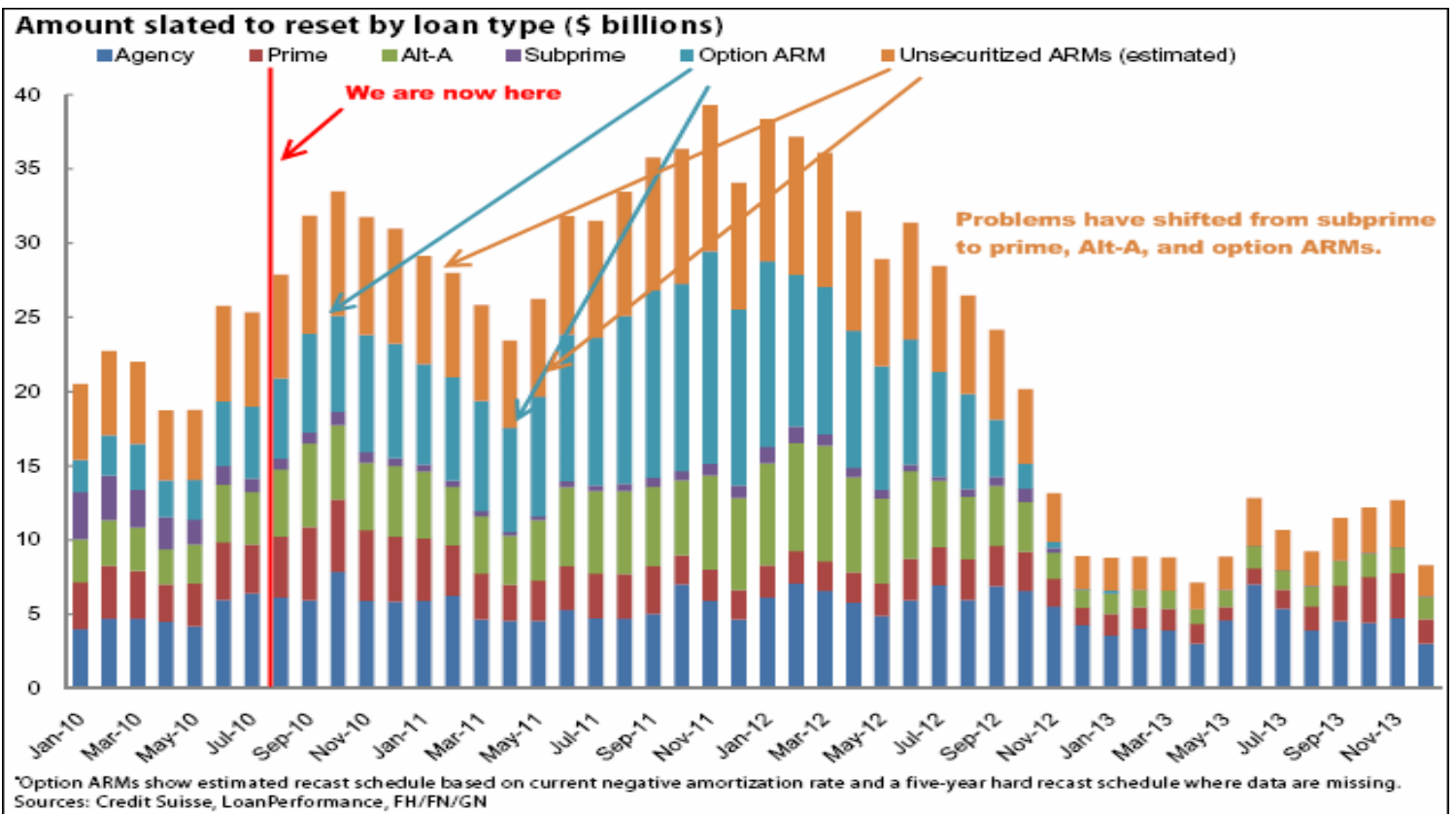
Reason #2 – Inventory growing



actually were. Now we are seeing more and more distressed property hitting the market. Keep in mind that the above chart is based on MLS data and this heavily understates the actual [shadow inventory](#) of problematic real estate. Not much has changed the calculus of toxic mortgages:

I've annotated the above chart to give a clearer view of where we are. Keep in mind that some banks have reworked option ARM loan products (50% of [option ARMs](#) are here in California) yet problems are still extremely high:

Now the above data is fascinating. California is home to half of these loans so it will be worth our time to look at this closely. From March of 2009 to March of 2010 we went from having 714,018 performing [option ARMs](#) in the U.S. to 513,000 option ARMs in March of this year. As of today, roughly 34% of all [option ARMs](#) are not even current. These are toxic waste products. Why the big drop? Many of these ended up as fore-closures but many got pushed into interest only loans that buy a few more months (maybe a year or two)



Source: MLS

The amount of inventory in Southern California has been growing steadily. In fact, we can pinpoint the actual growth to roughly March when we started to realize that [programs like HAMP](#) were merely smoke and mirrors operations to make the numbers appear better than they

but these will default as well.

So inventory keeps growing because of problems in the system. I've kept meticulous data on the MLS for Southern California for close to four years. Let us examine the shift in makeup over the last few years:

Table 12. Performance of Option ARMs (Percent)

	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	1Q %Change	1Y %Change
Current and Performing	72.9%	70.3%	67.7%	66.2%	66.3%	0.1%	-9.1%
30-59 Days Delinquent	4.5%	4.5%	4.4%	4.0%	3.5%	-13.1%	-22.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	3.0%	2.6%	2.7%	2.4%	2.0%	-15.1%	-32.8%
90 or More Days Delinquent	9.5%	10.9%	11.4%	13.4%	12.6%	-6.3%	32.2%
Bankruptcy 30 or More Days Delinquent	1.3%	1.7%	1.9%	2.0%	2.0%	0.0%	50.4%
Subtotal for Seriously Delinquent	13.9%	15.2%	16.0%	17.8%	16.6%	-6.8%	19.7%
Foreclosures in Process	8.7%	10.0%	11.8%	11.9%	13.6%	14.2%	56.9%
Performance of Option ARMs Loans (Number)							
Current and Performing	714,018	647,480	580,512	536,633	513,534	-4.3%	-28.1%
30-59 Days Delinquent	44,527	41,366	38,103	32,713	27,175	-16.9%	-39.0%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	29,719	24,074	22,745	19,461	15,804	-18.8%	-46.8%
90 or More Days Delinquent	93,284	100,068	97,789	108,853	97,577	-10.4%	4.6%
Bankruptcy 30 or More Days Delinquent	12,912	15,746	16,392	16,073	15,363	-4.4%	19.0%
Subtotal for Seriously Delinquent	135,915	139,888	136,926	144,387	128,744	-10.8%	-5.3%
Foreclosures in Process	84,782	92,523	102,182	96,389	105,261	9.2%	24.2%

September 2007

MLS listings: 166,514
 Short sales + foreclosures: 9,711
 Distressed inventory as percent of total MLS: **5.53%**

September 2008

MLS listings: 133,388
 Short sales + foreclosures: 48,951
 Distressed inventory as percent of total MLS: **36.44%**

September 2009

MLS listings: 69,936
 Short sales + foreclosures: 19,702
 Distressed inventory as percent of total MLS: **28.33%**

August 2010

MLS listings: 83,677
 Short sales + foreclosures: 25,562
 Distressed inventory as percent of total MLS: **30.54%**

So if we look at the above, from September of 2009 to August of 2010 you can see that distressed MLS inventory has jumped. But overall inventory has also increased. The earlier chart shows a steady increase at a time when typically inventory is depleted because of the spring and summer selling season. With tax credits finished and big MBS purchasing programs over, where do we go from here?

Reason #3 – California employment growth anemic

California unemployment still stands at 12.3 percent. What this means, is that the equivalent underemployment rate for the state is closer to 23 percent. If you look above, only three sectors actually experienced any jobs added over a 12 month period. How can [overpriced areas](#) in California maintain high prices without having a solid employment base? We know how we did it last time and it was through high leverage products like [Alt-A and option ARMs](#). What do we have in our arsenal this time? Sure you can purchase a home with a 3.5% down payment via [FHA insured loan products](#) but you need to have verifiable income. And just because you can buy with government metrics, this doesn't mean that it is a good reason to do so. The exponential growth in FHA insured loan defaults should explain why low down payments are not a good enough reason to purchase a home.

California employment growth is weak. And as we mentioned, the government is actually looking at slashing payrolls. The last decade had a massive amount of jobs that were built around the housing bubble and real estate consumption. Those are largely gone and won't be coming back. What industry will step in? For these reasons betting on housing in California for the next few months is a losing bet.

PAYROLL EMPLOYMENT, SEASONALLY ADJUSTED DATA²
(Amounts in thousands)

Industrial Classification	June 2010 (prelim.)	May 2010 (revised)	June 2009	Change Over 12 Months (Percent)
Nonagricultural Wage and Salary Workers	13,880.7	13,908.3	14,066.8	-1.3
Mining and logging	25.5	24.9	25.7	-0.8
Construction	543.3	551.8	617.7	-12.0
Manufacturing	1,248.0	1,240.7	1,276.5	-2.2
Trade, transportation and utilities	2,584.7	2,579.1	2,639.9	-2.1
Information	447.9	448.1	444.9	0.7
Financial activities	778.3	780.0	796.0	-2.2
Professional and business services	2,044.2	2,042.7	2,038.7	0.3
Educational and health services	1,761.1	1,760.3	1,739.2	1.3
Leisure and hospitality	1,483.2	1,482.8	1,499.5	-1.1
Other services	475.5	480.0	486.5	-2.3
Government*	2,489.0	2,517.9	2,502.2	-0.5
Agriculture	364.6	362.0	383.3	-4.9

*Includes all civilian employees of federal, state, and local governments.

momentum is burning out because there is no such thing as a free lunch (or home in this case).

There are only so many ways you can juice the market without having a healthy economy. At least during the housing bubble, people could get jobs in virtually any industry because credit was flowing like beer at a frat party. Anyone and everyone could get whatever they wanted. It reminded me of the dot come craze and any company with a webpage and dot com after their name would get a few million dollars in seed money. Those days are over. People now have a better understanding of real estate simply because they have been forced to pay attention instead of believing the “real estate always goes up” mantra.

Reason #5 – California buyer psychology

The fact that people have to pay full price on a mortgage is stunning to many. Those teaser rates created a big class of people that believed in the 5 or 7 and move up crowd. You know what I’m talking about here; these people believed that you buy a starter home, stay put for 5 to 7 years, let the magical David Blaine like effects of real estate appreciation work, and then you can sell and move into your McMansion. It was a clear path (at least it seemed that way). So five year [option ARMs](#) weren’t such a bad idea in their mind. Who cares

Applications for First-Time Buyer Credit received as of 07/29/10		
As of	Estimated Total First-Time Buyer Applications Received	57% of Estimated Requested Credit
05/04/10	430	\$ 2,351,000
05/11/10	2,470	\$ 13,283,000
05/18/10	4,830	\$ 25,473,000
05/25/10	7,330	\$ 38,357,000
06/01/10	9,760	\$ 50,948,000
06/08/10	12,740	\$ 65,787,000
06/15/10	15,220	\$ 78,108,000
06/22/10	17,860	\$ 91,404,000
06/29/10	20,760	\$ 105,898,000
07/06/10	23,680	
07/09/10	25,120	
07/12/10	25,790	
07/13/10	26,260	
07/14/10	26,670	
07/15/10	26,980	
07/16/10	27,230	
07/19/10	27,620	
07/20/10	27,960	
07/21/10	28,270	
07/23/10	28,800	
07/26/10	29,160	
07/27/10	29,500	
07/28/10	29,800	
07/29/10	30,100	

Reason #4 – Government incentives burning out

In the time honored tradition of pandering, the California government pushed an incentive for new and first time home buyers in California. As would be expected, the money was eaten up quickly. This is \$200 million that the state clearly does not have to spend (did we mention the \$19 billion budget gap). So now, the state has combined the Fed tax credit with the state tax credit and low money down payment [FHA insured loans](#) for the maximum effect. The only next step available is to give away homes to anyone that would want one. Clearly this

that the loan exploded on the first day of year five because some other schmuck would be in the home with a new loan. The home buyer won. The mortgage broker and agent made out like bandits with giant commissions. The state made out like a champ by taxing those commissions. It seemed to be the perfect shell game. Those days are over and now the only game in town is the 30 year fixed mortgage (or the 15 year fixed but that is rare in California).

Given current prices in niche markets like the [Westside](#), many people are simply vying to rent. Or the more

realistic reason, they simply don't qualify for a [\\$600,000 loan](#) on a tiny place in a prime location. There is no guarantee prices will go up. We did a [comparative analysis between Japan and the U.S.](#) and Japan had [has] weak prices for over two decades. Don't take my word for it; listen to the Fed chief of St. Louis:

“(Barron’s) IN WHAT MAY BE PREPARATORY STEP for a major shift in the U.S. monetary policy, St. Louis Federal Reserve Bank President James Bullard warned the U.S. is closer to succumbing to a Japanese-style deflation than any recent time, which he urged be countered with “quantitative easing.”

Quantitative easing, or QE, is economists’ jargon to describe the Fed’s massive purchases of \$1.7 trillion in

Treasury, agency and mortgage-backed securities, a program that started in March 2009 and ended a year later. The purchases were part of the doubling of the size of the central bank’s balance sheet as the key component of the Fed’s efforts to prevent the meltdown of the financial system in late 2008 and early 2009.”

In other words, there is little reason to believe home prices in California will go up. With so much uncertainty with interest rates, jobs, and the budget why would people buy when we are entering the typically weak fall and winter seasons? Yet I’m sure there are many itching to dump their money into the real estate game; after all, this is California and the [gold rush mentality](#) will always be here even after the money is gone.

California Department of Real Estate Revokes Record Number of Real Estate Licenses

Revocations Increase for Fourth Straight Year

SACRAMENTO, Calif.--([BUSINESS WIRE](#))--The California Department of Real Estate (DRE), the state department that issues real estate licenses and protects consumers through enforcement of the Real Estate Law, revoked a record number of licenses for cause in the fiscal year ending June 30th, 2010. The DRE also accepted another record number of license surrenders from licensees facing disciplinary action. All told, over 886 licensees had their license revoked, suspended or they simply surrendered their licenses while facing accusations.

“The DRE will continue to vigorously pursue and revoke the licensees of errant operators and get them out of the real estate business”

Disciplinary actions taken by the DRE have risen 60% over the past three years. Over the past two fiscal years, the DRE took 1,712 actions which represent a 36% increase over the 1,258 actions taken in fiscal years 06/07 and 07/08. And, the trend is likely to continue as the DRE currently has nearly 5,400 open investigations.

DRE License Disciplinary Actions

	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
License Revocations	394	497	574	633
License Surrenders	46	72	106	90
Suspension Orders	113	136	146	163
Totals	553	705	826	886

The down turn in the real estate market has uncovered abusive practices which has caused the number of disciplinary actions to rise. “Until recently, loan modification scams were the most problematic, but now we are uncovering schemes that center on short sales,” DRE Commissioner Jeff Davi said. “The DRE will continue to vigorously pursue and revoke the licensees of errant operators and get them out of the real estate business,” Davi added.

Consumers should be aware that the DRE maintains a searchable licensing database on its web site that shows if a person or company has a valid real estate license and whether the license has ever been disciplined or revoked. In addition, the DRE posts a monthly composite of all of the disciplinary actions taken by the Department. Real Estate Commissioner Davi encourages consumers to “log on, look em up and check em out” before engaging the services of a real estate agent or broker.

In addition to providing licensing and disciplinary actions, the DRE routinely issues Consumer Alerts, warning consumers about scams that DRE has uncovered. Most recently, the DRE issued an alert on short sale fraud and loan modification scams which have also been posted on the DRE’s web site. The alerts also provide useful information on how to avoid becoming a victim and how and where to file a complaint.

For more information about DRE and its programs, visit [www.dre.ca.gov](#). While on the DRE’s web site, be sure to subscribe to the DRE’s RSS feed and you will be notified when the DRE issues alerts, bulletins, news releases or other important information.

EDITOR MESSAGE:

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"CAREPA News" is newsletter published by CAREPA, Chinese American Real Estate Professionals Association with the goal to facilitate and serve our membership needs. CAREPA may or may not agree with the views of the writer.

If you would like to contribute an article, include an advertisement, make a comment and/or sponsor any program, please contact Lucia Tam at 626-221-2888 or e-mail to luciatam@yahoo.com or contact CAREPA President, Philip Hsu, at 626-230-9655.

ADVERTISING OPPORTUNITIES

You may want to put an ad in our monthly CAREPA NEWS: 1/4 PAGE AD \$25 ~ 1/2 PAGE AD \$50 ~ FULL PAGE AD \$100
Feel free to contract Lucia Tam at 626-221-2888 or luciatam@yahoo.com for further information.

ARTICLES/WRITE-UP

If you have an interesting article you would like to submit, please send to luciatam@yahoo.com by the 20th day of the month before the article is to appear.

華裔房地產專業協會

CHINESE AMERICAN REAL ESTATE
PROFESSIONALS ASSOCIATION

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