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September 22, 2008

Vulture funds may lift real-estate market in South Florida 305-936-2489

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MIAMI – For about a year, so-called vulture funds have circled South Florida's besieged real-estate market, waiting for enough carnage to force deep discounts on large blocks of unsold condominiums. Some think last week's meltdown on Wall Street may herald the arrival of that moment.

As many as 100 investment funds are shopping for South Florida real estate, hoping to buy extremely low during the current crisis. Their main target: condominium towers where developers and their lenders can't sell enough units to pay off the loans used to build them.

"The bottom fishers, if you will, have been standing around the sidelines," said Victor Lopez, a former Hyatt development executive now assembling commercial deals. 'A lot of people out there are saying: 'This is our time to get in.'"

If he's right, it would be one of the clearest signs yet that South Florida's beleaguered real-estate market had bottomed, bringing the region closer to a recovery. If vulture investors are buying, the view goes, it's safer for others to start buying as well.

The funds come to the table with cash, but also a catch: a demand that the developers and banks accept a deep discount, typically between 40 and 50 cents on the dollar.

Despite all the attention these funds receive in the media and in real-estate circles, only one or two significant bulk condo deals have actually closed, according to several people involved in the market.

"Literally, a day doesn't go by that I don't get a call from potential investors," said Ramiro Ortiz, president of Coral Gables-based BankUnited Financial. "The problem is that the price is 50 cents on the dollar. I've got enough clarity to know that's not what I want to do."

Real-estate analyst Michael Cannon sees the fund industry overstating the crisis facing developers and their lenders. So far, he is seeing enough condo buyers closing on their units to let most developers pay off their construction loans as well as some of the secondary loans needed to build the projects.

"Nobody is panicking," Cannon said. "It's not there."

But after concluding the most dangerous week for the U.S. financial system since the Great Depression, fund managers think they are left with more leverage.

"Two very large hedge funds called me yesterday. Literally, they're flying into Miami," said Gregory Rumpel, a hotel broker at Jones Lang LaSalle, the day after Lehman Brothers filed for bankruptcy. "These guys are saying, 'Well, that's probably the shock to the market – with Lehman and all the other jitters out there – we need to see some stuff released.'"

Vulture in lipstick

One senior lending executive at a major South Florida bank that wanted to keep anonymous said his staff so far has refused offers from the so-called vulture funds. But he predicts that resistance won't last much longer.

"The market conditions don't seem to be improving. At some point, you've got to cut and run," said the executive, who spoke on the condition that his name not be published. "That vulture is starting to look a little bit like it has some lipstick on it."

Some think Wall Street's grim news will prove a wake-up call to the fund managers themselves, prompting them to decide that the debacle has climaxed and that it's time to deal.

"When you talk to most of these vulture-type investors, they all say they want to buy when there's blood on the streets," said Peter Zalewski, a partner at Condo Vultures, which brokers sales of distressed condominium towers. "This is really the sign they've been looking for."

Turning point

An actual turning point wouldn't reveal itself for months as the complicated deals, involving dozens of condominiums, get finalized.

"We've been active in this market for almost two years now," said Matthew Martinez, whose Coral Gables firm, Pangea Select, is helping funds shop for South Florida real estate. "We've made about 32 offers. And we're closing on the first one as we speak."

Fluctuating currency markets add to the urgency for many of the funds with investment dollars from overseas. "Israel's here in a big way," said Adam Greenberg, managing director of BayBridge Real Estate Group, which is representing about a dozen funds.

Peter Wells wants to spend about $600 million in investor dollars and borrowed money on Miami-area real estate, but so far, he can't find a motivated seller. He's a partner in Condo Capital Solutions, a Denver-based fund that is looking for bulk deals in Florida and Arizona.

"We're starting to see a few deals that are starting to make sense," he said. Banks "are now starting to get a little bit more realistic."

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Posted by South Florida Realtor at [03:35 PM]

Bush team, Congress negotiate $700B bailout

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[Miami Real Estate Information]

Miami – The Bush administration asked Congress on Saturday for the power to buy $700 billion in toxic assets clogging the financial system and threatening the economy as negotiations began on the largest bailout since the Great Depression.

The rescue plan would give Washington broad authority to purchase bad mortgage-related assets from U.S. financial institutions for the next two years. It does not specify which institutions qualify or what, if anything, the government would get in return for the unprecedented infusion.

Democrats are pressing to require that the plan help more strapped borrowers stay in their homes and to condition the bailout on new limits on executive compensation.

Congressional aides and administration officials are working through the weekend to fill in the details of the proposal. The White House hoped for a deal with Congress by the time markets opened Monday; top lawmakers say they would push to enact the plan as early as the coming week.

"We're going to work with Congress to get a bill done quickly," President Bush said at the White House. Without discussing specifics, he said, "This is a big package because it was a big problem."

The proposal is a mere three pages long, but it gives sweeping powers to the government to dispense gigantic sums of taxpayer dollars in a program that would be sheltered from court review.

"It's a rather brief bill with a lot of money," said Sen. Chris Dodd, D-Conn., the Banking Committee chairman. "We understand the importance of the anticipation in the markets, but we also know that what we're doing is going to have consequences for decades to come. There's not a second act to this – we've got to get this right."

Lawmakers digesting the eye-popping cost and searching for specifics voiced concerns that the proposal offers no help for struggling homeowners or safeguards for taxpayers' money.

The government must stabilize the financial system "because if we don't, it will have a tremendous impact on American consumers, homeowners, taxpayers and the rest," House Speaker Nancy Pelosi, D-Calif., said in San Francisco.

But, she added, "We cannot deal with this unless this bailout helps families stay in their homes."

Senate Majority Leader Harry Reid, D-Nev. said, "We cannot allow ourselves to be in denial about the threat now facing the world economy. From all indications, that threat is real, and the consequences of inaction could be catastrophic. Every single American has a stake in preventing a global financial meltdown."

The proposal would raise the statutory limit on the national debt from $10.6 trillion to $11.3 trillion to make room for the massive rescue.

"The American people are furious that we're in this situation, and so am I," the House's top Republican, Ohio Rep. John A. Boehner, said in a statement. "We need to do everything possible to protect the taxpayers from the consequences of a broken Washington."

Signaling what could erupt into a brutal fight with Democrats over add-on spending, Boehner said, "Efforts to exploit this crisis for political leverage or partisan quid pro quo will only delay the economic stability that families, seniors, and small businesses deserve."

Bush said he worried the financial troubles "could ripple throughout" the economy and affect average citizens. "The risk of doing nothing far outweighs the risk of the package. ... Over time, we're going to get a lot of the money back."

He added, "People are beginning to doubt our system, people were losing confidence and I understand it's important to have confidence in our financial system."

Neither presidential candidate took a position on the proposal. GOP nominee John McCain said he was awaiting specifics and any changes by Congress.

Democratic rival Barack Obama used the party's weekly radio address to call for help for Main Street as well as Wall Street.

His language reflected a tricky balance that politicians in both parties are trying to strike, just six weeks before Election Day: Back a plan that doles out hundreds of billions to companies that made bad bets and still identify with the plight of middle-class voters.

Besides mortgage help and executive compensation limits, Democrats are considering attaching middle-class assistance to the legislation despite a request from Bush to avoid adding items that could delay action. An expansion of jobless benefits was one possibility.

Bush sidestepped questions about the chances of adding such items, saying that now was not the time for posturing. "I think most leaders would understand we need to get this done quickly, and you know, the cleaner the better," he said about legislation being drafted.

Treasury officials met congressional staff for about two hours on Capitol Hill on Saturday. Discussions centered on how the plan would work, and Democrats proposed adding the executive compensation limits and new foreclosure-prevention measures. Details of those changes were not available Saturday. Bush and Treasury Secretary Henry Paulson conferred by phone for about 20 minutes in the afternoon, gauging how the negotiations were unfolding.

Among the key issues up for negotiation is which financial institutions would be eligible for the help. The proposed legislation doesn't make it clear, leaving open the question of whether hedge funds or pension funds could qualify.

In a fact sheet released Saturday night, Treasury said it was seeking latitude for the secretary and the Federal Reserve chairman to expand the bailout to non-U.S. companies if they determined it was necessary to stabilize markets, but the original request sent to Congress is limited to firms headquartered in the United States, according to a copy obtained by The Associated Press.

The proposal does not require that the government receive anything from banks in return for unloading their bad assets. But it would allow Treasury to designate financial institutions as “agents of the government,” and mandate that they perform any “reasonable duties” that might entail.

The government could contract with private companies to manage the assets it purchased under the rescue.

Paulson says the government would in essence set up reverse auctions, putting up money for a class of distressed assets – such as loans that are delinquent but not in default – and financial institutions would compete for how little they would accept.

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Posted by South Florida Realtor at 03:27 PM

September 18, 2008

Short sales: A win-win or a minefield ? Call The Miami Short Sale Exprets 800-819-5466

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MIAMI, FLORIDA – Short sales are a financial tactic that appears only in real estate downturns. Such sales are supposed to be a win-win that gets the seller out of a tight spot, a buyer a good deal and the bank off the hook.

But what sounds like a logical alternative to the usual outcome of defaults - foreclosure - can be a minefield. Critics charge banks with being shortsighted and a menace to neighborhood home values. Banks say they have obligations to their investors. Some say inexperienced real estate agents forward irrational offers and incomplete paperwork, then expect fast miracles from their inundated staff members.

The result inside this real estate downturn has often been frustration for sellers, buyers and banks. Banks have been resistant, operating in a new financial landscape that requires permission from global investors and other parties. Many real estate agents simply avoid short sales, steering buyers to bank repos. And sellers have become frustrated by complications and 60- to 90-day timetables.

"We did everything we could do, to do the right thing, and we're not getting anywhere," said Chris Britton of Orangevale, Calif. He said he's waited five months for his lender to respond to an offer.

The lender, Bank of America, insists that he pay thousands of dollars in late fees, he said, for accepting a short sale.

Britton's real estate agent, Kathy Gheen of Fair Oaks, Calif., said it's unreasonable. Meanwhile, Britton's buyer waits. All agree the house is headed to foreclosure if nothing changes.

Agents who try short sales often accuse banks of being shortsighted, even harming the market.

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"If we could get to a point where a quarter of sales ... were short sales, we would see price stabilization more quickly. The neighborhoods would be maintained and the properties would not be invitations to crime," said Scott Thompson, partner in Mortgage Resolution Services in Carmichael, Calif.

Thompson, one of the Sacramento region's most successful short sale specialists, said banks too often ignore short sale offers, then lose $40,000 foreclosing and more selling the home in a declining market.

Bankers agree about foreclosure losses and say it may partly explain rising short sale numbers reported to the state.

But in places like California, where 78 percent of defaults end in foreclosure, according to DataQuick Information Systems, they say short sales are troublesome.

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"All the lien holders have to release it. It may be palatable to us. It may not be palatable to another lender. That's one of the realities of short sales. It's a practical legal reality that has to be met," said David Bradley, spokesman for Bank of America and its recent Countrywide acquisition.

Banks prefer loan modifications over short sales, said Robert Satnick, president of the California Mortgage Bankers Association. Freezing or lowering interest rates helps people who want to stay with the house. Short sales aim at owners who just want out. He also cited problems with incomplete short sale applications.

"The banks are inundated," he said. "If you give them an incomplete application, it's going to the bottom of the pile."

Pepperdine University finance professor Len Rushfield, a former bank president, said short sales may be rising but are still too much work for most banks.

"It's easier to foreclose. There's a direct process there," he said. "It may be financially a better result if you get it done through a short sale, but getting it done is the blockage."

What's the No. 1 secret to getting a short sale done successfully?

"The first thing is to contact your servicer and let them know you intend to sell," said David Knight, vice president for Wells Fargo & Co.'s default and retention division.

"In this challenging environment, if you let us know early, we can get things ready, go through the financials and get ahead of the offer. Then we can make a decision quickly."

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He said too often, people submit the entire packet with their first offer. Sometimes it's incomplete.

"If you have done your paperwork, you are significantly better off to benefit from the deal that comes in," he said.

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Posted by South Florida Realtor at 05:59 PM

How the financial meltdown affects mortgage rates. Miami Real Estate 800-819-5466

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MIAMI BEACH – The meltdown in the financial and housing markets continues to create a series of good news/bad news scenarios for consumers who either already own their own home or would like to buy one. Here's how areas of the market are affected:

Fixed-rate mortgages: Interest rates on conventional fixed-rate mortgages continue to slip, as investors move their funds from stocks to safer vehicles like 10-year Treasury notes, the yields of which help set mortgage rates. Last Wednesday, the average rate on 30-year fixed loans was 5.73 percent, and mortgage bankers question how much lower it can really go.

That means if you can qualify for a loan under the tighter underwriting standards - and yes, they are tight - it may be time to buy.

However, real estate agents say many potential first-time buyers, the segment of consumers needed to jump-start the entire market, remain on the sidelines, guessing that housing prices will fall further. Some researchers have predicted that prices will continue to fall this year.

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Adjustable-rate mortgages: Dig out your documents and carefully read the terms of that adjustable-rate mortgage you received a few years ago. Find out if it's tied to the LIBOR, the London Interbank Offered Rate, and if it is, whether it's linked to the three-month, six-month or one-year LIBOR. Also check when the next adjustment will be made and then keep track of LIBOR fluctuations until then.

LIBOR rates, a benchmark for interbank lending rates, are used to help set adjustments on some ARMs, and the financial market's undoing is causing wild swings in LIBOR.

"Many borrowers look at the initial rate (but) an ARM like a LIBOR can really devastate you quickly," said Michelle Collins, senior vice president, mortgage lender, ShoreBank.

Don't automatically assume that if you qualified for a fixed-rate loan or an ARM a few years back, you can convert the loan or refinance yourself into better terms now.

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Mortgage bankers say because homes have depreciated in value, credit scores need to be stellar. Customers who want to buy a home need to make significant downpayments and those who want to refinance or convert their loan have to show they still have substantial equity in what is now a depreciating asset.

"The old rules don't apply," said Jeff Slater, vice president of Bank Group Mortgage in Palos Hills, Ill.

One other warning from lenders: Don't bother asking about refinancing for the purpose of taking cash out of the house because it's largely off the table.

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Posted by South Florida Realtor at 05:53 PM

The upside of Florida real estate: 20 market positives

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Let's take a look at some of the opportunities and positive indicators for the future of Florida's real estate market.

1. Long-term economic and demographic trends continue to favor Florida. By 2010 it has been forecast that Florida will be the third most populated state in the country. Florida's population is expected to increase about 75 percent by 2030. Florida demonstrates a long history of strong growth. It has been one of the 10 fastest-growing states in the U.S. for each of the past seven decades, and often it has been in the top four, according to census data. Population growth will continue to provide a foundation for other economic growth such as new jobs and growing incomes. All of which is good for real estate.

2. People continue to move here. It's estimated that 900 people move here every day. Based on recent trends, Stan

Smith, director of UF Bureau of Economic and Business Research, said he expects Florida to add about 300,000 residents a year during the next two to three years unless there is a recession.

3. Five of the top 15 cities in the Milken Institute's 2007 "Best Performing Cities" survey, which looks at sustainable economic growth, are in Florida, including the No. 1 city, Ocala. A total of 13 Florida cities are in the top 50.

4. Low unemployment. Almost 120,000 jobs were created in Florida in the year between August 2006 and August 2007. Florida's unemployment rate has hovered at or under 4% for a long time; and was 4% in August 2007, according to the latest data available from the U.S. Department of Labor. That not only puts it well below the national unemployment average, it also is the lowest unemployment rate among all ten of the most populous states.

5. Jobs are plentiful, and that trend will continue. A recent study by Bizjournals called "Where the Jobs Are" found that 7 of the hottest 15 job markets are in Florida.

6. Let's take a look at the weather. If you think the hurricanes we experienced are going to have long-term effects on the Florida real estate market, consider this tidbit from Fortune Magazine. It recently reported, "Economists and geographers who have studied how natural disasters affect real estate values have generally found there to be no lasting impact." Example #1: When Hurricane Hugo hit Charleston, S. C., home values were actually higher one year later. Example #2: That same year, 1989, a huge earthquake made big news in San Francisco, and the same thing happened—house prices went up.

7. Grant Thrall, a professor of what's called Economic Geography, explains this phenomenon this way—residents move away and home prices fall only when natural disasters start becoming regular occurrences in an area, not when they happen periodically. And while the hurricane seasons of 2004 and 2005 may still be fresh in our minds, the fact is, historically it was a fluke. Eight storms hit the Florida mainland in those two years. But if you look back at the 50 years prior, only six Category 3 or higher storms hit the Florida mainland in half a century.

8. Gov. Charlie Crist, state lawmakers and business groups are committed to finding real solutions to the escalating costs and shortage of property insurance in Florida, as well as much-needed property tax reform. Florida Realtors will continue working closely with lawmakers to help resolve these complicated issues and keep the state's economy moving forward. For example, 2007 FAR President Nancy Riley sits on the governor's property tax reform commission, and 2005 FAR President Frank Kowalski served on the governor's insurance reform commission.

9. Interests rates currently are still low, on a par with interest rates in the 1960s. And thanks to the Fed's recent rate cut, we're already seeing lower rates on home equity and mortgage loans, including jumbo loans. The Fed's action effectively increases the number of homebuyers able to make a purchase, which should increase demand, and also help support home prices. Home prices continue to stabilize, inventory is plentiful and homebuyers have lots of options.

10. Homeownership has value: Realtors believe… and research supports that belief … that homeownership provides a variety of benefits, tangible and intangible, to the community as well as the individual homeowner.

11. Studies show that home equity is still the largest single source of household wealth, both for the individual homeowner and for homeowners as a group. Home value is the most important single aspect for homeowners.

12. Owning a home leads to increased personal well-being. Research shows that people who own their own homes tend to show higher levels of personal esteem and life satisfaction, which in turn helps to make homeowners and their children more productive members of society.

13. Studies show that children raised in homes owned by their families are more likely to stay in school and more likely to graduate high school. They're also shown to have a higher lifetime annual income.

14. People who own homes have a strong financial stake in what happens to their community and tend to become more involved in community and civic affairs. Studies show that homeowners also interact with their neighbors to gain wider influence over their neighborhoods and communities.

15. Homeowners join up to 41 percent more civic and/or nonprofessional organizations than renters, such as the PTA or Scouts; vote in local elections 15 percent more often; enhance their neighborhoods with gardens 12 percent more often; attend church about 10 percent more often; and have a 3 percent greater chance of being interested in public affairs.

16. 2007 Florida Association of Realtors® (FAR) President Nancy Riley says, "Florida Realtors know buying a home is a very personal investment – an investment in a family's future. Although research shows it is the largest single investment most families make and helps to provide security for the future, owning a home isn't just a financial investment. Ownership is about having a place to call home: a place where families build a future and become part of a community."

17. Over the past five years, the average homeowner has seen an increase of 50 percent in value, according to the National Association of Realtors® (NAR). Here in Florida, the statewide median home price has shown an increase of 52.5 percent from November 2002 to November 2007, according to FAR records. NAR housing industry analysts project that prices will rise about 2 percent next year, and in coming years, average home price appreciation should return to historical averages of around 6 percent.

18. Florida is a great place to live and work. According to Enterprise Florida Inc., the Sunshine State has one of the nation's strongest tourism industries; it is fourth in the nation in high-tech jobs; is the third largest exporter of high-tech goods and services; and is ranked as one of the best states in the nation to be an entrepreneur.

19. Orlando-based economist Dr. Hank Fishkind recently said in several media reports he believes that "the worst of the so-called housing crisis has probably been mitigated by the actions of the Fed. Recovery will take a while, but it has begun." Another economist, Dr. Lawrence Yun, chief economist with the National Association of Realtors, predicts that the Florida housing market will get stronger in 2008 and will be booming again by 2010.

20. And let's not forget the things that brought people to Florida in the first place, and will continue to attract them – beautiful beaches, fabulous weather and a friendly business climate, with no state income tax. It's no wonder that Florida's combination of temperate climate, outstanding recreational amenities and economic opportunity has consistently put us at the top of Harris Poll's "most desirable places to live" survey.

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Posted by South Florida Realtor at 11:49 AM

Miami Real Estate Housing-price economist sees market as near bottom. Aventura Homes 305-936-2489

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Miami – Wellesley College economist Karl Case presented a paper at the Brookings Institution on Sept. 11 that suggests the housing market may be close to bottoming out. He cited modest gains in residential prices in nine of the 20 markets covered by the S&P/Case-Shiller home price index and a narrowing of the gap between incomes and home prices that occurred during the end of previous property downturns.

Also at the Brookings Institution, Goldman Sachs economist Jan Hatzius presented a paper that uses state-level data from the Mortgage Bankers Association from 1998 to the 2008 second quarter and estimates $473 billion in overall mortgage losses if the Case-Shiller index holds steady at June levels.

Hatzius calculates that losses would rise to $636 billion if home prices drop another 10 percent and to $868 billion if prices plunge 20 percent, with lenders shaving $2 trillion off available credit in the event of a 10 percent decline.

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Posted by South Florida Realtor at 11:42 AM

Cities to get $4 billion in foreclosure aid

WASHINGTON – The Foreclosure Prevention Act, which passed in July, allocates $4 billion to cities and states that have been hardest hit by the surge in foreclosures over the last year. Recipients will be able to use the money - which is an addition to the usual funding for the Community Development Block Grant (CDBG) program - to buy foreclosed properties to stabilize property values. Now, the U.S. Department of Housing and Urban Development (HUD) is devising a formula for distributing the funds for communities in need.

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The help comes just in time for cities like Cleveland, which, in 2007, demolished nearly 1,000 abandoned properties, a 400 percent increase over the number demolished in 2006, according to Mayor Frank Jackson. The city also saw a 78 percent increase over the last two years in the number of vacant and abandoned properties it had to clean up, from 27,000 in 2005 to 48,000 in 2007. "The funds expended by the City of Cleveland to abate the nuisances caused by vacant and abandoned property, the increased public safety risk, as well as the money spent to help its residents prevent foreclosure, are monies that are being diverted from other services that the city could be providing its residents," Jackson wrote in his report.

The Washington-based National League of Cities (NLC) is pleased with the bill's passage, says Mike Wallace, NLC's senior legislative counsel. "The bill is very beneficial to cities," he says. "Now, we're working with HUD and other stakeholders ... to make sure this roll out goes as smoothly as possible because of the really tight time frame that Congress has given HUD to turn this money around."

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When the bill was signed into law on July 30, HUD was given 60 days to determine how to disburse the funds, and the first grants should go out 30 days after the formula is announced. HUD is seeking reliable data on the nation's entire housing market to determine communities' shares of the $4 billion. "As far as I know, there's no single data that covers 100 percent of the housing market across the country," Wallace says.

HUD requires that cities and states submit their plans for the money, similar to the CDBG process, Wallace says. However, by late August, the specifics of that process had not yet been determined. "The bill gives HUD wide latitude in terms of additional regulations and requirements, so we just want to make sure that the funding allows cities to do what the bill intended to do, and that there's no additional regulations that would prove prohibitive to cities accomplishing their goals of purchasing these homes and returning them to market, or making them rentals, or doing whatever they want to do with them," Wallace says.

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Florida, Nevada, California, Ohio and Michigan also are likely to be prime recipients, Wallace says. "Those are states that have well-documented problems with these subprime mortgages and foreclosure rates," he says. "To be a player with this funding, you really have to get the ball rolling now, because there's such a quick turnaround time in terms of distribution of the funds," he says.

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Posted by South Florida Realtor at 10:46 AM

September 17, 2008

Miami Real Estate group says public awareness of credit scores has improved but still poor

South Florida Real Estate Information

Americans can save billions of dollars annually on credit card and other interest payments by raising their credit scores, but many consumers still don't know enough about the complex numerical values that represent their credit risk.

Although awareness of credit scores has increased in the past year, it remains poor, the Consumer Federation of America and Seattle-based bank Washington Mutual Inc. found in an annual survey released Thursday.

The scores, which generally range from 200 to 800, play an increasingly important role in consumers' finances.

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They are used by banks and insurance companies to determine rates for mortgage loans, credit cards, auto loans and other financing. Utilities, landlords and employers also are increasingly checking credit scores.

Washington Mutual estimates that consumers could reduce credit card finance charges by $105 annually if they boosted their credit scores by 30 points. If all consumers did so, total annual savings would reach $28 billion since financial institutions offer lower interest rates to consumers with better scores.

One way to raise a credit score is to avoid charging above the maximum limit on a credit card, or coming close to the limit, the study said.

But credit card issuers, including banks such as WaMu, have recently cut limits on many cards as financial institutions seek to reduce their credit risks. That can hurt credit scores because they are based partly on the amount a consumer has on a card compared to its overall limit.

If a consumer has charged $4,000 on a card with a $10,000 limit, their so-called "utilization rate" is 40 percent. But if a card issuer reduces the limit to $5,000, that bumps a consumer's utilization rate up to 80 percent.

The Consumer Federation recommends credit card users keep their utilization rates below 50 percent, said Stephen Brobeck, executive director of the group.

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Anthony Vuoto, president of WaMu's card services unit, downplayed the impact of banks' reduction of credit limits, saying it likely affects only a "small minority" of consumers who already have a "credit blemish" that caused the bank to lower the limits.

To improve their credit scores, consumers should also avoid opening multiple new accounts quickly, and pay off debt rather than moving it around, the study said.

Brobeck said the good news is that "most Americans know why credit scores rise and fall."

Two-thirds of consumers know that paying off a large credit card balance improves credit scores, up from 62 percent in 2007, and almost 80 percent know that missing a monthly credit card payment reduces their score, compared with 71 percent, the survey found.

But less than a third of Americans understand that a credit score reflects the risk that a consumer won't pay back a loan, the report said. Many Americans believe it reflects other factors, such as overall financial resources, and most also wrongly believe that demographic factors like income, age and education affect their score, Brobeck said.

Another positive sign is that 49 percent of Americans have obtained their credit score in the past two years, up from 42 percent in 2007, according to the survey of 1,000 adults nationwide.

The scores are compiled by three credit reporting bureaus – Equifax Inc., TransUnion LLC and Experian Group – and consumers can obtain a free copy of their credit report from all three once a year. But Americans must pay about $15 to see the actual scores.

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Posted by South Florida Realtor at 08:58 AM

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Demise of Lehman Brothers could impact South Florida's real estate industry

Aventura-Homes.Com

MIAMI – When large South Florida developers needed money, they often turned to Lehman Brothers.

That role ended in dramatic fashion when Lehman filed for bankruptcy protection. But Lehman still controls nearly $2 billion in large loans throughout the region, meaning the bank's demise will play out across South Florida's besieged real estate market.

Among the local projects Lehman backed: Miami Beach's new Canyon Ranch resort; Ian Schrager's investment in the Riande hotel chain; the Donald Trump condo tower under way in Hollywood; a recent expansion at the Aventura Mall; and the Related Group's Icon Brickell on Biscayne Bay.

Local industry

Within the local real estate industry, executives and analysts predicted a minor effect on Lehman's local holdings, since another lender would likely buy the loans at a discounted price designed to make money even in a depressed market.

“They have more room to maneuver,” said Carlos Rodriguez, whose hotel development firm, Driftwood Hospitality, used Lehman for about a third of its projects. “You’re playing with profits rather than playing with losses.”

Rodriguez said all of Driftwood’s projects are generating enough cash to make loan payments, so swapping Lehman for another lender won’t affect his company.

But developers battered by the collapse of South Florida’s condominium market could face bigger consequences in Lehman’s exit.

If condo sales aren’t enough to pay off a Lehman loan, a bankruptcy court could decide to dispose of the troubled note as quickly as possible. That could mean a fire sale – with the unsold condo units valued at pennies on the dollar.

A liquidation “would mean selling those units well, well below what their value is,” said Jack Winston, a condominium analyst for Goodkin Consulting in Miami. “What that’s really going to hurt is the condo [buyers] who have already closed.”

Don Peebles, a Coral Gables developer who did not do deals with Lehman, said the accounting that will come with the firm’s bankruptcy could prove that many of Lehman’s stakes in local condo deals have no financial worth.

“They’ll have to value all the assets of the company, [and] they’ll be going on a project-by-project basis,” he said. “The challenge going forward is: What is the actual value of these units.”

Peter Zalewski, whose firm Condo Vultures tracks distressed real estate projects, predicted Lehman’s South Florida holdings would easily find buyers.

Of the $965 million in outstanding loans listing Lehman as the lead lender for large Miami-Dade projects, Zalewski said most were issued to “solid, steady” borrowers and attractive projects. Zalewski noted about 75 percent of Lehman’s Miami-Dade loans came after 2006, as the real estate market crested and the lending climate tightened. That means Lehman probably exacted higher interest rates from developers, increasing the profit potential for the loans.

“It’s probably going to be a pretty attractive loan portfolio,” given the discounts a bankruptcy will bring, he said.

Lehman has about $900 million outstanding on large Broward loans, as well, according to a Condo Vultures analysis.

Analysts blame Lehman’s real estate holdings for causing the firm’s collapse, after it misjudged how much damage a declining housing market would do to a bank that survived the Great Depression.

Lehman had a reputation for aggressive lending in South Florida, now one of the country’s worst real estate markets.

‘Very valuable’

“They were very valuable for people who could not capitalize their projects as they needed to,” said Miami developer Edgardo Defortuna, who said his firm, Fortune International, usually found cheaper interest rates than Lehman offered. “They were somewhat expensive if you could not get regular financing,” Defortuna said.

Matthew Allen, Related’s chief operating officer, said Lehman was a reliable partner in the condominium giant’s projects. But since Lehman has already paid its loan into Related’s Trump project in Hollywood and Icon Brickell, the company’s abrupt exit will have little financial effect.

“It’s not going to stop me from building my building,” he said.

Posted by South Florida Realtor at 10:52 PM