



EASTERN MASSACHUSETTS Real Estate Investors Association

Eastern Mass Extra

Volume II Issue 2

A Genuine **THANK YOU** to each of you referring Eastern Mass REIA to your Friends and associates. We Truly Appreciate it.

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REO Is The Way To Go!!! Thursday February 12th 2008

February 2009

Frustrated with near retail prices, lack of response and underwriting criteria??? You've been asking HOW?? John Ingram, Attorney Jeffrey Sill, and team, along with local investors who are working in the world of REOs will answer your questions. This will be a straight forward no holes barred approach to what is working for them. Learn how these investors are finding instant equity and creating cash flow. You will learn how to:

- Control the property
- Structure offers that work
- Control the closing
- Wholesale the deal
- And Much More!!!

We'll review numbers of



over the past year and analyze the opportunities in the next year ahead!!!

John Ingram will also be hosting another REO Boot Camp to kick off the spring market. The REO Boot Camp has been a huge success,

and is now back by popular demand. Log onto www.easternmassreia.com to register your seat today as space is limited.

The event will be April 25th and 26th, hands on training with John!

Eastern Mass REIA Hits the Airwaves, LIVE Broadcast 95.9 WATD Sat. Feb 14 8:30am

John Ingram of Eastern Mass REIA will be co-hosting McNamara on Money Weekly Broadcast this Valentines Day live on 95.9 WATD at 8:30 am. This broadcast will also be aired live via web-

cast.

Mike McNamara is one of the South Shores most respected financial advisors.



If you have any questions and want to call in to the radio show, the number is 781-837-4900 during the show, or 781-834-2010 after the show.

About The Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit (LIHTC or Tax Credit) program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate-income households, and has been in operation since 1987. Until 2000, each state received a tax credit of \$1.25 per person that it can allocate towards funding housing that meets program guidelines (currently, legislation is pending to increase this per capita allocation). This per capita allocation was raised to \$1.50 in 2001, to \$1.75 in 2002, and adjusted for inflation beginning in 2003. These tax credits are then used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing.

The tax credits are determined by the development costs, and are used by the owner. However, often, because of IRS regulations and program restrictions, the owner of the property will not be able to use all of the tax credits, and therefore, many LIHTC properties are owned by limited partnership groups that are put together by syndicators. In this manner, a variety of companies and private investors participate within the LIHTC program, in-

vesting in housing development and receiving credit against their federal tax liability in return.

Tax Credits must be used for new construction, rehabilitation, or acquisition and rehabilitation, and projects must also meet the following requirements:

- 20 percent or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 50 percent or less of area median gross income *or* 40 percent or more of the residential units in the project are both rent restricted and occupied by individuals whose income is 60 percent or less of area median gross income.
- When the LIHTC program began in 1987, properties receiving tax credits were required to stay eligible for 15 years. This eligibility time period has since been increased to 30 years.

These are minimums. Because of the way states award credits, it is in the interest of developers to exceed these minimums, as most states look more favorably on projects serving a higher percentage

of income-eligible households.

Other Methods

Some states supplement the qualified basis method with other methodologies. Texas, for example, will make an alternate calculation based on the gap between equity and funding in addition to the qualified basis method, and a third alternative calculation can be submitted by the applicant. The state will then determine the actual tax credit by choosing the lowest amount generated by these three methods.



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84% of cities in money trouble

More than eight in ten cities are in financial trouble, up from 64% six months ago, according to a survey released Wednesday.

The recession is straining cities' ability to meet their financial needs, according to the National League of Cities. Some 84% of cities reported facing fiscal difficulties, the highest percentage since the group starting doing surveys in 1985.

The nation's cities are counting on billions of dollars from the economic stimulus package now being debated in the Senate. Mayors gathered in Washington, D.C., to meet with White House advisors and House Speaker Nancy Pelosi, D-Calif., on Wednesday to urge Congress to pass the recovery bill.

"When the snow hits we've got to get it off the street," said Donald

Plusquellic, mayor of Akron, Ohio. "We've got to get the garbage picked up. We have to respond to police and fire. There are immediate needs in our society right now."

Things will remain tough in 2009. Some 92% of the cities surveyed expected to have trouble meeting their city needs during this year. To cope, they are implementing hiring freezes and layoffs, delaying capital expenditures and instituting service cuts.

Some 69% have instituted hiring freezes or layoffs, while 42% are delaying or canceling infrastructure projects. Another 22% have instituted across the board cuts.

Cities are seeing their tax revenues decline as property values drop, shopping slows and unemployment rises. On top of that, nearly one in two city finance officers report difficulties in

access to credit and/or bond financing.

To bring in more revenue, they are adding to raising fees. Nearly half are increasing charges for services, while 28% are increasing the number of fees. Fewer are raising taxes. Some 14% have increased property taxes, while 6% have hikes sales taxes.

"Cities are responding as best they can," said Donald Borut, the league's executive director. "Their citizens have increasing needs for services just at the same time that revenues are declining."

City finances tend to lag the overall economy by 12 to 24 months, the league said. The weakening economic conditions will be felt by cities through 2009 and likely through most of 2010, the league said.



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ForeclosuresABC is a Website founded by local long term creative investor Neil Kaplan

Eastern Mass REIA Presents REO Is The Way To Go Boot Camp April 25th

Join us as we take to the road and enter, analyze and assess a variety of bank-owned properties. This two day event will feature state licensed home inspector Brian McDonough and state licensed residential appraiser Sheila DaSilva whom will accompany us through these properties. Learn how to find the local players in the REO world and how to establish those relationships that will yield for years to come. Everyone has a few to offer, who's holding the big numbers???

Day 1: Our students will have the unique opportunity for first hand instruction on what to look for while conducting their own diligence. Brian is federally licensed in mold assessment and remediation, carries state certification for pest and wood-boring insects, title V (septic) compliance, is a past member of the Bockton Department of Health and is a Massachusetts General Contractor. We will prepare a cost to repair estimate in order to properly structure and justify offers to the banks. Who knows, maybe you'll find one that

makes sense to you.

Day 2: Features Massachusetts licensed appraiser Sheila DaSilva who will provide us an insiders look at the world of residential appraisals. Learn the guidelines followed by all appraisers as they inspect and prepare their reports for the bank's underwriters. We will prepare an "as is" appraisal and an "after repair" appraisal on 2 properties to help us understand the margins that we have to work within.

Queally's Corner

"ACTION IS THE REAL MEASURE OF INTELLIGENCE." Napoleon Hill. Last week was definitely action packed, though only time will tell how intelligent each action was - here are the highlights.

On Wednesday, the Fed announced that it decided to keep the Fed Funds Rate steady at the current 0 - .25% range, the lowest ever. They also indicated that "economic conditions are likely to warrant exceptionally low levels of the Federal Funds Rate for some time" and that "inflation pressures will remain subdued in coming quarters".



Also last week, the Federal Deposit Insurance Corp (FDIC) announced that it may set up a "bad bank" as a vehicle to buy toxic or illiquid assets from banks. What does a "bad bank" do? No, it doesn't talk back to you, give you attitude and treat you with disrespect. Lenders and the entire financial sector are struggling with "mark-to-market" accounting issues, and in the absence of a repair of the mark-to-market system, lenders are forced to sell assets in a market where there are few buyers. Hence the bad bank plan, to create an entity that will purchase the assets that no one else will buy, which is yet another very creative way for the government to breathe life back into the financial sector. This action is not finalized, so we'll keep watching closely to see how it plays out in the days ahead.

In other news, the House of Representatives passed President Obama's \$819B stimulus package, by a vote of 244-188, being split fairly cleanly by party lines. Existing Home Sales did surprisingly come in a bit better than expected, but 4th Quarter Gross Domestic Product (GDP) numbers showed the economy contracted in the 4th quarter, as you can see in the chart below. While the numbers were better than estimates, the economy was still at its slowest pace in 26 years.

Last week was indeed action packed, and Bonds and home loan rates felt the effect, **with rates ending the week about .25% worse than where they began.**

TAKING ACTION TO MAKE SURE YOUR BUDGET IS IN ORDER IS CERTAINLY AN INTELLIGENT MOVE DURING THESE CHALLENGING ECONOMIC TIMES. CHECK OUT THIS WEEK'S SPECIAL MORTGAGE MARKET VIDEO VIEW FOR FIVE GREAT TIPS!

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About Patrick... In 1994 Patrick started his career in the Mortgage Industry as a Loan Processor. Through his hard work and dedication to continuing education within the industry he quickly moved up to become an Underwriter and eventually became Vice President of Residential & Commercial Mortgage Lending for a local Community bank. Later, Patrick also became a Regional Sales Manager, responsible for training and managing a team of Loan Officers. A consummate mortgage professional, Patrick is a Certified Mortgage Planning Specialist and an expert in all areas of Residential and Commercial Real Estate financing.

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The New Rules of Mortgage Lending

If you're shopping for a mortgage these days, it's a whole new world out there. "There have been a huge number of changes over the past few years in mortgage borrowing," said Gibran Nicholas, founder of the CMPS Institute, which trains and certifies mortgage advisors. Of course, many of the subprime loans that helped fuel the housing boom - those that didn't require borrowers to show any proof of income, or that let homeowners make minimum payments - are simply no longer available. But even buyers looking for a traditional mortgage are now faced with different factors to consider. Here is what you need to know:

Paying up-front points. Borrowers can pay points - one-time, up-front fees - in order to reduce their mortgage's interest rate over the life of the loan. One point represents 1% of the mortgage value. But they often assume that they should never pay points, according to Alan Rosenbaum, founder of mortgage broker Guardhill Financial. That's a mistake, in his opinion. When interest rates were high, paying points didn't make sense because borrowers were very likely to refinance after rates dropped. They wouldn't hold their original loans long enough to recoup their up-front costs. But now borrowers can get a lot more bang for their buck.

The old rule of thumb was that paying one point at closing could lower their mortgage's interest rate by a quarter percentage point or so. "Today the spread is worth a half point to a full point on the rate," said Rosenbaum. It means paying \$2,000 on a \$200,000 mortgage at closing can shave as much as a whole percentage point off the loan's interest rate, changing a 6% loan to 5%. That would save \$126 a month, and pay for itself in 16 months. Even if the rate were only lowered to 5.5%, that would still save \$64 a month, paying for itself in 32 months. Still, not everyone is convinced. Rosenbaum recently had a client who chose a 15-year fixed rate loan at 5.875% with zero up-front points on a \$800,000 loan, instead of paying a point to get a 5.375% loan. Had the borrower chosen to pay that point, he would have recouped that cost in about three years, and then gone on to save more than \$200 a month for the remaining 12 years of the loan. Of course, there are caveats. Buyers who are planning to refinance or sell within a few years shouldn't pay points, since the strategy simply doesn't pay in the short term. **Making more than the minimum down payment.** If you can afford to put 25%, 30% or more down, should you do it?

Most lenders require a minimum down payment of 20%; anything less and borrowers will need to obtain private mortgage insurance. And if a buyer could afford to put more than 20% down, it was generally assumed that they should.

The traditional thinking was, "If you have the capital to commit, why not?" said Keith Gumbinger of mortgage research firm HSH Associates. "It will give you a smaller balance to pay off. But now, in light of declining home markets, not everyone would agree with that."

High down payments can be wiped out in severely declining markets. Nicholas said he knows of a couple in Arizona who put a whopping \$400,000 down on a million dollar house a couple of years ago. That gave them, they thought, a nice home equity cushion should they run into financial trouble. "But prices are down so much, the couple still fell underwater," he said. "It would have been better to conserve that cash in case home prices continue to decline."

Locking in the mortgage rate. Many borrowers choose not to lock in when rates are falling, as they have been, since they assume that the deals will only get better. But that's often a mistake. "We almost always recommend that if you have the numbers that make your deal work, then lock it in," said Gumbinger.

His reason: Interest rates tend to jump up much faster than they inch down, meaning that buyers are much more likely to get stuck with a higher mortgage rate than they are to get lower one because they waited.

Besides, locking in at the currently very affordable rates can give borrowers peace of mind, which is no small matter when you're trying to buy a house.

"You'll sleep better at night," said Gumbinger.

TARP Funds' Second Half Set for Release as Senate Signs Off on Request

By: Deborah Soloman and Greg Hitt

WASHINGTON -- The Senate cleared the way for President-elect Barack Obama to access the second half of the \$700 billion financial rescue fund, alleviating some concern on Wall Street by setting the stage for another infusion into the weakening financial sector.

To overcome political objections, the incoming Obama administration pledged to spend \$50 billion to \$100 billion on a "sweeping" foreclosure-prevention effort. It also said it would impose tougher restrictions on banks that receive government aid, including requirements on banks to lend money, increased restrictions on executive compensation and curtailed dividend payments for some firms.

Mr. Obama said he was "gratified" by the vote, an early test of Democratic loyalty to the president-elect. "Now my pledge is to change the way this plan is implemented and keep faith with the American tax payer" by imposing new conditions and regulations, he said in a written statement.

Congress's release of the TARP funds, which wasn't a certainty, comes amid continuing woes in the banking sector. The government is crafting a plan to give billions in aid to [Bank of America](#) Corp. to help close its acquisition of [Merrill Lynch](#) & Co. Banks have begun reporting dismal earnings, with [J.P. Morgan Chase](#) & Co. on Thursday saying it managed to earn a profit but that loan losses are rising. The current Treasury has made commitments in excess of the first half, making release of the second an imperative.

The Senate voted 52-42 to defeat a "resolution of disapproval" designed to block release of the money. Both chambers needed to approve the resolution for it to succeed, rendering any House vote irrelevant. The total was closer than the 74-25 Senate vote in October that authorized the Troubled Asset Relief Program, reflecting public anger over it.

The Obama team hasn't detailed where it will direct the next \$350 billion beyond foreclosure efforts. It is expected to continue purchasing equity in financial institutions and might also buy troubled assets clogging the financial system.

Mr. Obama is trying to turn public sentiment toward the financial bailout, which has become politically toxic in the hands of the Bush administration. Lawmakers and much of the public say they are upset at how the money has been spent and accounted for, and the lack of conditions placed on those receiving aid.

Lawrence Summers, Mr. Obama's pick to head the National Economic Council, said in a letter to Congress that healthy banks with good capital will be required to increase their lending and that Treasury will track such activity. Firms that receive money would also be precluded from using government funds to buy healthy firms instead of lending the money.

In a nod to concerns about how the bailout has expanded beyond financial firms to include the U.S. car business, Mr. Summers said the second half of the funds would be used to help prevent "systemic consequences in the financial and housing markets," not to implement an "industrial policy" that would aid various troubled industries. To assuage Republican concerns, the Obama team also agreed to provide additional support to the auto industry only "in the context of a comprehensive restructuring."

Those assurances, combined with a full-court press by Mr. Obama, helped convince lawmakers to release the money, including some Democrats who voted against the first iteration of the plan last year.

Sen. Debbie Stabenow of Michigan said she decided to support the release of the funds after speaking with Mr. Obama. "He has persuaded me that his administration will focus this where I believe it should have been originally, on jobs and housing," she said.

Sen. Bob Corker of Tennessee voted against release of the funds, after supporting the program last fall. "I'm very torn," he said later. He said he fears the new limits being considered for banks that receive aid are inadequate and that the funds may not be enough. "They're going to come back for more money."

TARP Funds' Second Half Set for Release as Senate Signs Off on Request

Six Republicans voted to release the funds, while nine Democrats went the other way.

In the most significant break with the current administration, the Obama team plans to quickly implement a plan to help prevent foreclosures.

The incoming team hasn't yet settled on a particular policy. Options include forcing down interest rates, persuading lenders to cut borrowers' principal and using mortgage giants [Fannie Mae](#) and [Freddie Mac](#), which are now controlled by the government, to jump-start the housing market.

The new administration is also considering a version of a proposal championed by Federal Deposit Insurance Corp. Chairman Sheila Bair to have the government share in the loss of any modified loan that falls into default.

The Obama team's main goal is to craft a plan that will reduce mortgage payments for borrowers struggling to pay their loans. It would likely extend to those who are struggling financially because of the recession, not only those whose homes are worth less than their mortgages.

In securing passage, the Obama team agreed to other conditions, too. Executive compensation above a certain level will have to be paid in restricted stock or another instrument that couldn't be sold until the government's investment was repaid. Similarly, all firms would have to get dividends approved by their primary federal regulator. Firms receiving "exceptional assistance" would have to limit their quarterly dividend payments to one cent a share until the government is repaid.

REIA Resources

Eastern Mass REIA is very excited to have partner up with www.ReiaResource.com, your guide to Real Estate Investing Resources. Whether you're a newbie or a seasoned investor looking for real estate investing Courses, Books, Software and Services, you will find it here. All listed resources are Rated and Reviewed not by the "Experts", but by investors themselves. ReiaResource.com has also partnered up with ReiaWebinar.com and will host live Webinars periodically. If you happen to miss a live Webinar, ReiaResource.com has you covered as you can watch a replay online!!!

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Will the Housing Markets Roar Back in 2009?

The nation's foreclosure hemorrhage has finally slowed and 2009 should see a significant decline in foreclosures as buyers return, pushing home prices up and fueling a real estate recovery.

"Recovery is underway. Affordable is back in the housing market," says Alexis McGee, real estate expert, educator. "In 2009, housing will not only recover, but we'll see buyers leap into this market in droves, depleting our housing oversupply, and actually put higher price pressures on the market."

"With 5.0% fixed mortgage rates, housing prices lower than they were 'pre-housing bubble', commodity prices lower, tax credits available for homebuyers, and the government eager to stimulate our economy, for the first time in years I can see prices rising again in 2009," adds McGee. "This is a great time to buy properties for investors -- to buy properties at

wholesale prices below today's already low prices -- rent them out for positive cash flow and then sell them for big profits in late 2009 once price appreciation kicks in."

The latest U.S. Foreclosure Index by ForeclosureS.com shows a slight drop from 84,534 to 84,291 in the number of properties repossessed by lenders following foreclosure last month over October. These are REOs or lender-owned real estate. But that's off nearly 21% from September's 106,415 REO filings. (Year to date 12.6 of every 1,000 households nationwide have been lost to foreclosure.)

"Certainly some of the drop reflects growing results of government and private efforts to keep homeowners in their homes," says McGee. "But the recovery takes shape when you factor in other things like what the National Association of Realtors calls 'solid' gains from a year ago in existing home sales in some key areas, and the fact that many of the same areas are seeing dropping home prices. Fewer foreclosure actions were initiated in the last quarter,

too, according to the latest Mortgage Delinquency Survey from the Mortgage Bankers Association," McGee adds.

"California is a great example of what's happening now and what lies ahead for the housing sector. Long a leader in the subprime mortgage mess and rising numbers of foreclosures, the state's foreclosures have slowed significantly," says McGee. *Cont. pg 10*

The logo for RJ Services, featuring the letters 'RJ' in a large, bold, serif font above the word 'Services' in a smaller, bold, serif font. The text is in a dark brown color.

Private Lending

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Upcoming Events

February 12th

Eastern Mass Monthly Meeting

Subject: REO's

REO Is The Way To Go hosted by Eastern Mass' own John Ingram

Where: Holiday Inn 929 Hingham Street Rockland MA

Time: Networking begins 6:00pm
Meeting 6:30pm

February 14th

Eastern Mass Hits the Airwaves

Subject: McNamara on Money

Where: Live Radio show on 95.9 WATD with John Ingram from Eastern Mass REIA

www.959watd.com

Time: 8:30-10:30

April 25 & 26

REO Boot Camp

Hit the road with REO specialist John Ingram

Where: Holiday Inn 929 Hingham Street Rockland MA

Time: Check In at 8:00am - 5:00 Saturday and Sunday

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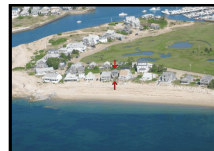


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Empowering your Future

We're on the web

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Eastern Massachusetts Real Estate Investors Association (EasternMassREIA) provides a relaxed, casual networking and educational venue for the new and seasoned investors alike. Our Association meets on the second Thursday of each month and we welcome all to participate in the exciting fast paced world of Real Estate Investing. Along with our monthly meetings we sponsor educational field trips, seminars and mentoring programs for investors of all levels. We are the #1 Resource in the Greater Boston and South Shore areas to network and get deals done. Please join us at our next meeting.

[Rockland Holiday Inn, 929 Hingham St. Rockland, MA](#)

Housing Markets will Roar Back in 2009

Continued from page 8.

The latest U.S. Foreclosure Index numbers show November REO filings in the state down to 15,978 in November, down 6.55% from October and off nearly 50% from September. Home prices there have come down, too, as much as 39.4% from the third quarter from a year ago in some areas like Riverside-San Bernardino-Ontario, according to National Association of Realtors numbers. That's left many homeowners that bought their homes at high price points with upside down mortgages--they owe more than the value of the home. But it's also made homes more affordable for plenty of other people. Solid and in many cases rising existing homes sales support that, adds McGee.

In November, another perennial leader in foreclosures, Arizona, saw its REOs and pre-foreclosure filings drop (down 5.19% and 5% respectively), according to U.S. Foreclosure Index numbers.

The pre-foreclosure picture when averaged nationally isn't quite as bright. Pre-foreclosures include notice of mortgage default and/or foreclosure auction. Amid all the negative eco-

omic news across the nation, pre-foreclosures for November were up 5.57% from October with 27.1 of every 1,000 households across the country facing some kind of foreclosure action (177,254 vs. 167,906 filings in October). But that's still down nearly 2% and more than 7.5% from March's high, according to U.S. Foreclosure Index analysis.

"Pre-foreclosure numbers likely climb in early 2009 (albeit at a much slower rate than in 2008)," says McGee. "Too many homeowners already are just too overextended and likely won't seek help to work out their delinquent mortgages until after a pre-foreclosure filing against their property. That filing, it seems, is the wake-up call for many to get the help they need and sell," McGee adds.

"Potential homebuyers and investors on the other hand, will find the bargains growing in 2009," says McGee. "As the year progresses more bright spots will emerge, too, both in terms of foreclosure numbers and housing markets as efforts to work with strapped homeowners really begin to take root."

"I wish my crystal ball could pinpoint everything that's going to happen with housing markets in the next 12 months, but there are just too many variables. What I can tell, though, is that hardest hit housing markets have already hit bottom and others will follow in 2009. Third-quarter National Association of Realtor numbers actually show existing home sales picking up in about 20 percent of the areas studied. And, given the uncertainty and volatility of the stock market combined with all time low interest rates, extremely affordable low priced homes, and all the choices out there, 2009 is an excellent time to buy real estate. Properties, especially foreclosed ones, will be highly discounted, lenders are motivated to work with buyers, and the opportunities are abundant. The bottom line to keep in mind: What goes down absolutely positively will go back up again.

"The return of solid housing markets is an important part of restoring stability to financial markets. The market will return when mortgage rates and home prices are down, and that's exactly what is happening now in the hardest-hit areas of the country," adds McGee.