

Valley of the Sun Real Estate Update

August, 2007

Keeping a bad situation from getting worse

An old saying has it that if you owe the bank \$1,000 you have a problem, but if you owe the bank \$1,000,000 it is the bank that has a problem. These days, it is clear that plenty of banks are having problems, including the bankruptcy filing of First Magnus, an Arizona-based lender that closed unexpectedly earlier this month. The lenders' troubles are rooted in the troubles of their past clients, who borrowed more than they could really afford during the market frenzy of a few years ago and are now struggling to keep up with rising payments.

As more and more borrowers face this situation, lenders are looking at a growing problem. Another way of looking at it would be to say that if one borrower owes the bank \$1,000 that borrower has a problem, but if hundreds of thousands of people owe the bank \$1,000 the bank has a really big problem. As a way of trying to mitigate the worst-case scenario that this could lead to, banks are often willing to work with their clients to take on some of the debt that borrowers can not repay when they sell their home. This is what we call a "short sale".

Why would a lender be willing to take less than what they are owed? Simple: if the borrowers can't continue to make payments, the lender's only other option is to foreclose on the home and sell it to someone else. This will likely be a long and expensive process, at the end of which the home will sell well below its market value. The lender would prefer to take the loss now and be free of the encumbrance rather than let the problem fester, leaving a non-performing asset on their books for many months.

Because short sales are going to become more and more common over the next year, we have recently developed a relationship with a company that specializes in handling this type of transaction. The total cost to the seller for that service is \$500. Using their program, the lender will cover not just the shortfall between the loan amount and the sales price, but also realtor fees, closing costs, and most other expenses of the sale. That can mean a savings of tens of thousands of dollars for the sellers, as well as a means to avoid a looming foreclosure.

It is important to note that a short sale is not a magic bullet or a get-out-of-jail-free card for the borrower. There are significant tax implications, and it will cause a large drop in their credit score. However, these issues will only be magnified if the borrower's circumstances deteriorate and lead to foreclosure, which would likely keep them from re-entering the housing market for many years. If someone you know is having difficulty keeping up with their house payments, please have them give me a call while there is still time to take constructive action. Even painful options can be better than no options.

On the Home Front



As always, the focus of our home life is the kids. Despite all the normal issues and momentary crises, they're pretty great little folks. Taran is showing more interest in Bryn these days—he even likes to hold her hand when we go out for stroller rides.

We had a nice family vacation to Colorado earlier in the month, spending lots of time with family. We also had a chance to climb a mountain, ride a train, and get caught in a fierce afternoon thunderstorm while we were out biking!



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Recipe of the Month

Pan-Steamed Tilapia

Tilapia is a whitefish that can be found in many places around the globe, and it has become very popular in recent years. For commercial fish farms, the species is relatively cheap to raise, so it has become a staple at grocery store meat counters everywhere. As consumers, we get to enjoy a plentiful supply of a gently flavored fish with a firm texture that cooks easily and can adapt to a wide variety of preparations. Here is a pan-steaming recipe that is quick to prepare, simple to modify, and impressive to look at if your dinner guests peek in the kitchen while you are cooking.

4 tilapia filets, fresh or thawed, about 4 ounces each
 4 green onions, chopped
 2 tablespoons chopped fresh ginger (or minced from a jar)
 2 tablespoons soy sauce
 2 teaspoons sesame oil

1. In a large covered skillet, bring about 1" of water to a boil over medium-high heat.
2. Meanwhile, mix the green onions, ginger, soy sauce and sesame oil in a small bowl.
3. Place each filet on a square of tin foil, about 12"x12". Spoon a quarter of the mix over each filet. Wrap the foil around the filet, creasing several times to seal, and fold up the ends tightly.
4. Place packets in boiling water and cook for about 8 minutes, until fish is tender & flakes easily. Serves 4.

Serve with rice & fresh vegetables for an easy & nutritious dinner. A little fresh bread on the side will go nicely. If you are getting ready for a dinner party, you can cut the preparation time even further by preparing the fish packets ahead of time and keep them in the fridge until they are ready to cook.

The same basic technique can be adapted to almost any marinade you might like to try. For a lighter flavor, replace the ingredients above with the following:

8 grape tomatoes, sliced
 2 tablespoons white wine
 2 tablespoons lemon juice
 2 teaspoons butter, melted

If you try any combinations of your own, let me know how it goes—maybe we can have a follow-up article to share everyone's favorite variations later in the year.

Culture Corner

Quick reviews of some recent favorites

Food: I had a nice lunch recently at **Cyprus Pita Grill**, in the Town & Country Center at 20th & Camelback. It has all the Greek basics covered, with good meals in a casual atmosphere. Perhaps as important as the food is the location, in the fun-to-wander plaza by Trader Joe's. And the clientele is top-notch, as well: I went for lunch with one friend, and met another in the parking lot!

Movies: Pixar's latest effort, **Ratatouille**, tells the tale of some unlikely partnerships that spring up in a Paris restaurant. It lives up to the lofty expectations the studio has set with their remarkable string of hits: vivid characters, a strong story, and fabulous animation combine in a film that provides lots of fun for moviegoers of all ages. Show up on time to see the opening short.

Beverage: A nice new shop opened up near my house, offering a pleasant alternative to Starbucks. **Maui Wowi** offers some great Hawaiian-inspired fruit smoothies along with the usual coffee treats, all with friendly service and a comfortable place to sit & use their wireless hub. Just west of the 101 and south of Ray.



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