



[November Issue](#)
[Current Links](#)
[Past Articles](#)
[Address Changes](#)

SELLING

[Personal Marketing](#)
[Property Marketing](#)
[Prospecting](#)
[Listing](#)
[Working With Buyers](#)
[Negotiating](#)
[Closing](#)
[Follow Up](#)
[Handouts for Customers](#)
[For Rookies](#)
[Personal Assistants](#)
[Sales Coach Column](#)

TECHNOLOGY

[Ask Mr. Internet](#)
[Build a Better Web Site](#)
[Buyer's Guides](#)
[Cool Tools](#)
[Tech Watch](#)

TOOLS

[Architecture Guide](#)
[Book Blog](#)
[Online Exclusives Archive](#)
[Quizzes](#)

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[Today's News](#)
[Regional News](#)
[Commercial News](#)

BROKERAGE

Daily Real Estate News | November 13, 2007

Sound Fundamentals Promise Improved Housing

Market

It was a mystery that only the crack investigators at RSI — the REALTOR® Scene Investigation — could uncover.

Faced with the conundrum of consumers staying on the homebuying fence in the midst of solid U.S. economic performance, NAR President Pat V. Combs, in a spoof of the hit TV show "CSI: Crime Scene Investigation," dispatched her "trusted advisors" to gather the facts behind this inexplicable consumer behavior.

During a spirited presentation at the 2007 REALTORS® Conference & Expo in Las Vegas, she revealed the investigation's findings: The national media, seduced by a few vocal but misinformed analysts, have been painting the U.S. housing markets as one huge national market in the clutches of a meltdown, even though the facts paint a very different picture.

Solid Fundamentals Help, Subprime Problems Hurt

Using undercover investigative work that would make CSI's Dr. Albert Robbins proud, NAR Chief Economist Lawrence Yun reported that other national sales downturns in the last 30 years were spurred by broad economic problems. This year, by contrast, economic fundamentals remain solid, with the U.S. gross domestic product expected to grow by a respectable 2 percent, supported by 2 million job gains in the last two years and continuing low interest rates.

Yun said 2007 existing-home sales will exceed 5.5 million, close to the level in 2002, a record-setting year. At the same time, home prices remain near record highs despite drops in a few markets.

Yun told Combs' lead investigator (played by President-Elect Dick Gaylord) that much of the cooling in real estate markets over the last year is attributable to risky subprime loans. A tightening in credit standards, though much needed, has made it harder for some borrowers to close on their financing in a timely manner.

Help on the Way for Lending Troubles

Posing as undercover agents, NAR Chief Lobbyist Jerry Giovaniello and Vice President of Regulatory Affairs Joe Ventrone, told "investigator" Charles McMillan (2007 First Vice President) that these difficulties are having less of an impact than analysts thought they would. That's thanks in part to the increased attractiveness of federally backed FHA loans. More help is on the way, too.

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NAR is keeping several initiatives on the front burner in Congress, including reforms that will make FHA more competitive in markets throughout the country and a tax law change that would make it easier for troubled borrowers to refinance into more appropriate financing. Congress is also looking at raising the Fannie Mae and Freddie Mac conforming loan limits, which have been too low to help buyers in high-cost markets like many in California.

"Reports of real estate's demise have been greatly exaggerated," said Combs at the spoof's denouement. The performance took place during "59-1/2 Minutes," the member forum that opened NAR's 2007 meeting, the association's 100th. "All of the evidence points to one conclusion: Real estate is alive and well and there are plenty of opportunities for consumers and our members."

REALTORS® in their local markets can help keep the media from perpetuating the bad-market myth by conducting their own investigations, Combs said. "Take time during the conference to consider the evidence and gather the information you need to help REALTORS® in your state refute inaccurate stories and build confidence in the market," Combs said.

NAR's Plan for Its Second Century

In addition to watching the sleuthing of RSI, REALTORS® learned of the association's plans for helping its members succeed into NAR's second century through a number of large-scale initiatives, including the launch of a federal credit union and efforts to reach out to home owners and educate them on the issues they share with REALTORS®.



The credit union, which has been more than a year in planning and will be presented at the Board of Directors meeting for approval, is intended to make member-friendly financing available to REALTORS®. Among other things, it would seek to offer financing options that aren't typically available from other lenders because of real estate professionals' irregular, commission-based income.

Some 30,000 members, guests, and vendors are in Las Vegas to attend governance meetings and educational sessions, and to learn about the latest products and services available to the industry from hundreds of vendors at the REALTORS® Expo.

— *REALTOR® Magazine Online*

The 2007 REALTORS® Conference & Expo is Nov. 13-16 at the Venetian Resort Hotel & Casino in Las Vegas. The meeting, with some 30,000 attendees, features more than 200 conference sessions and 744 exhibitors.

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