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I have had a number of referrals already for the new year. As always, I truly appreciate you placing your trust in me. I will do everything in my power to not let you down with your referrals. Secondly, I am continuing with my \$50/transaction (John L. Scott encourages \$10/transaction) donation toward the Children's Hospital Foundation. Lastly, I am starting up our First-Time Homebuyer Seminar after a few year layoff. If you know of anyone interested just have them shoot me over an e-mail. Thanks!

Jay

Question & Answer

Q.

What happens when an earthquake occurs before the closing of a real estate transaction?

A.

Regarding pending closings delayed by the earthquake, when an act of nature prevents the performance of obligations under a contract, by operation of law the time for performance is automatically extended by the period of the delay. No extension amendment is legally required, although the closing agent probably will request one.

Regarding damages caused by the earthquake, the sellers are obligated to repair the damage as part of their obligation to maintain the property until the possession date. Although the buyers are not obligated to accept an escrow holdback, that is often a sensible solution. Most homeowners insurance policies do not cover earthquake damage, so do not assume that insurance will take care of the damage. The buyers probably have a right to have the property inspected solely for earthquake damage, regardless of whether the agreement contains an inspection contingency.

The buyers are obligated to pay for any additional inspections required by the lender, unless the original agreement required the sellers to pay. The sellers are obligated to repair any damage caused by the earthquake. No amended Form 17 (Seller's Disclosure Form) is required, because the sellers must repair any damage. The sellers are entitled to an extension of the closing date to make repairs and the buyers continue to be bound by the contract. A buyer's agent should encourage the buyers to have the property re-inspected before closing.

Greetings!

The first quarter of the year is quickly coming to an end and many people have been asking how this compares to previous years. What we are seeing are similarities in some price ranges and complete turn arounds in other price ranges. In the last 4 years, if a home was priced correctly, in a desirable neighborhood, and in good condition, it would sell within the first week with possible multiple offers. That scenario seems to only be taking place in the \$200K-\$400K price range. The higher price range is noticing longer market times and price reductions. If you're a seller, the key is to price your home correctly and have it show like a model home. If you're a buyer, opportunities exist in the higher price range and quick thinking exists in the lower price range.

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The Banks

BIG GRAB FOR REAL ESTATE

The Proposal

At the urging of some of the nation's largest and most aggressive banks, the Federal Reserve Board and the U.S. Treasury are proposing to allow financial service holding companies and national bank financial subsidiaries to offer real estate brokerage, management and relocation services. The banks' plan is to get the government to define real estate as a financial activity, rather than a commercial one,

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justthefacts

NWMLS Statistics for King, Pierce, & Snohomish counties Month of January 2001

Residential

	Closed Sales		Average Closed Price		% Increase in Closed Price	Market Time
	2001	2000	2001	2000		
King	1333	1245	\$ 310,795	\$ 303,788	2.31%	49
Pierce	622	565	\$ 165,802	\$ 152,996	8.37%	74
Snohomish	625	531	\$ 226,274	\$ 216,016	4.75%	60

Condo

	Closed Sales		Average Closed Price		% Increase in Closed Price	Market Time
	2001	2000	2001	2000		
King	389	380	\$ 191,872	\$ 209,889	-8.58%	53
Pierce	32	19	\$ 137,844	\$ 128,213	7.51%	83
Snohomish	71	102	\$ 144,623	\$ 137,511	5.17%	64

The Banks

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making it part of their ever-growing myriad of services.

The proposal was issued in December, and the public has until May 1, 2001 to submit comments to the Fed and Treasury on the measure. (The original cut-off date for comments was March 2, but thousands of letters opposing the proposal from NAR members helped to convince the agencies that they should at least extend the comment period.) REALTORS® from all over the country are telling these government agencies and Congress that the proposal is bad for the economy, for business and for consumers. Unless NAR is successful in convincing the government to withdraw or change the proposal, the rule could become final by early Spring.

Background

For almost 20 years, Congress debated the modernization of our nation's banking system.

After great public input and debate, the Gramm-Leach-Bliley Act created a new framework that mixed into the banking system financial activities such as securities and insurance.

Congress specifically determined that real estate was not financial in nature, and reaffirmed the historic separation of commerce from finance by prohibiting financial institutions from owning or operating non-financial, commercial firms.

After losing in Congress last session, financial institutions are trying another route. They have put intense pressure on the Fed and Treasury to expand the definition of "financial in nature." After getting securities and insurance authority, they now want real estate.

Essentially, they are trying to grab a huge share of the American economy by way of regulation after losing the fight in Congress.

A Bad Idea

Banks' core competency is not real estate. It's financing. They lack the invaluable experience in local real estate markets, the

highly professional customer-focus, the long tradition of customer service, the encyclopedic knowledge of real estate law, and the commitment to ethics that have been the province of REALTORS® for more than a century.

Also, banks would have little incentive to advance homeownership except as it profits their conglomerate's bottom line. They would have little incentive to promote government programs designed to encourage homeownership among low-income groups and other minorities. FHA, VA, rural housing programs, and community development incentives would become secondary to selling financial services.

Predatory lending practices, banking service to rural and urban core areas, and community reinvestment issues should not threaten the homeownership process. The real estate industry has just helped to raise the nation's homeownership rate to 67 percent, the highest in U.S. history. The current separation of home selling and financing is working.



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Another Fed Rate Cut?

Currently, the consensus is that the Fed will cut the fed funds rate by 0.50% at its next policy meeting on the 20th. The decline in stocks now makes it more likely that the Fed will have to make more cuts before the situation can be turned around.

One of the main economic indicators this week will be the release of the Producer Price Index for February. Following a strong 1.1% increase in January, analysts are looking for just a 0.1% increase in the latest report. The core index, which excludes the volatile food and energy components, is also expected to show a 0.1% increase after a 0.7% increase in January. The recent decline in commodity prices is cited as the reason for the lower estimates.

Housing starts report for February after a 5.3% increase in January, forecasters are calling for a pull-back of about 3%. Recent upward revisions to new home sales by the National Association of Realtors indicates that demand is still strong for new housing despite the economic slowdown.

February's report on industrial production and capacity utilization will also be released. A fifth consecutive negative reading is expected — this time for a 0.2%

decline after a 0.3% decline in January. Cap utilization, the ratio of output to production capacity, is expected to edge down to the 80.0% mark from 80.2%. And the preliminary take on this month's Consumer Sentiment Index will be released by the University of Michigan. An 87.0 reading is the latest estimate — down from the final 90.6 reading for February. The more than 600 point fall in the Nasdaq in February may have created more doubt in consumers' minds. The sentiment number will likely be closely watched since Fed Chairman Alan Greenspan last month identified consumer psychology as the key to a quick economic recovery.

Among the other releases...retail sales report for February is expected to show another increase, though less than the rise in January. Overall, sales are expected to have climbed 0.3% following a 0.7% rise in January. Excluding the volatile auto sector, sales are expected to have risen 0.1% after a 0.8% increase in January. The Philadelphia Fed Survey for March will provide the latest look at the manufacturing sector. Another negative reading is expected but the trend is up from -36.8 in January and -30.5 in February. Estimates are for a -25.0 reading on Thursday.



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