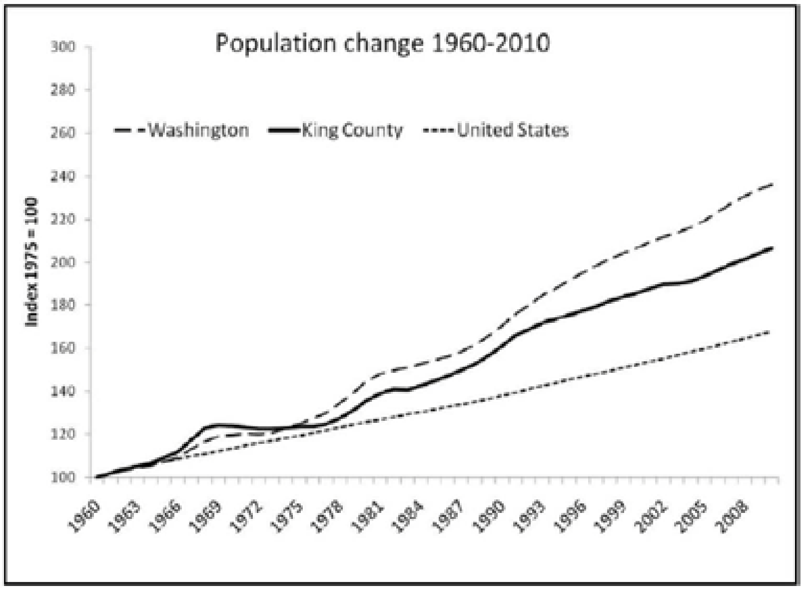
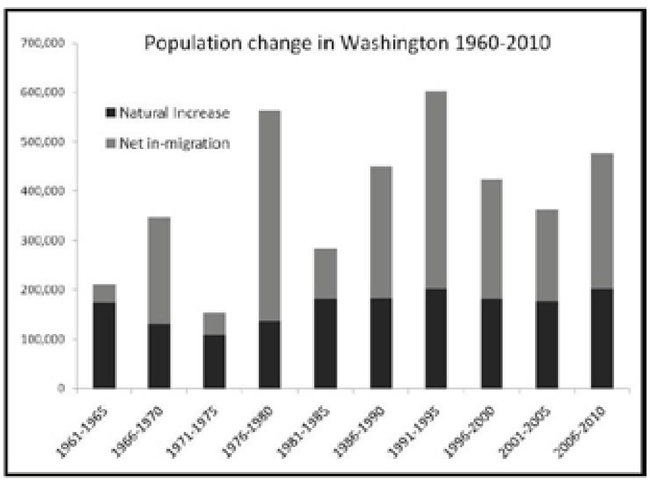
Growth and Housing in Washington and King County

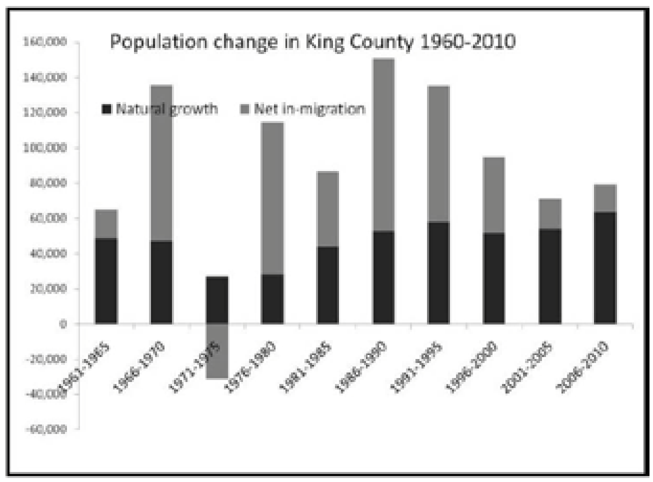
King County is growing more slowly than the state.

The chart at right shows growth for Washington, King County and the country as a whole from 1960 to 2010. Except for the years of the "Boeing Bust" from the late 1960s to the mid 1970s, King County has grown steadily, faster than the nation, but slower than the state. For every 100 people in the population in 1960, there are now 235 people in the state,207 in King County and 167 in the United States. King County has remained the job center of the region, with the adjacent counties picking up the resulting residential growth.



Most state growth comes from in-migration



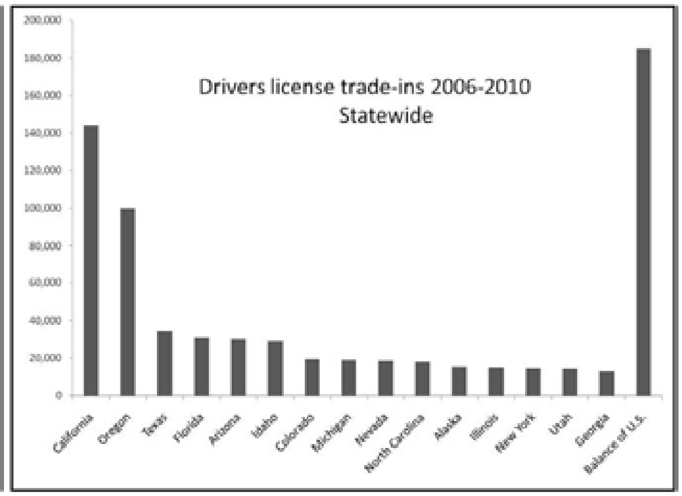


These charts show the impact of net in-migration (people moving in minus people moving out) on the population growth of Washington and King County in five-year increments since 1960. The dark part of the column is natural growth (births minus deaths) and the light part is net in-migration. Net in-migration to King County was very strong from the mid-1970s to mid-1990s, but has slowed since, with most in-migration to King County coming from other states, rather than from other parts of Washington. Since 1960, net in-migration has accounted for about 55 percent of the state's growth and 49 percent of King County growth.

Migrants come from all over the country

These two charts show the origins of people moving to Washington during the five years from 2006 to 2010, based on the trade-in of out-of-state drivers licenses. For the state as a whole, California is by far the largest source of in-migrants. Oregon is also a large source, but about half of those just moved across the river into Clark County. And while Western states are well-represented in the data, far away states such as Texas, Florida, Michigan and North Carolina also send large numbers of people to Washington. Then numbers are similar for King County. States with large aerospace and software industries, such as California and Texas, are the largest sources of in-migrants.

It is also interesting to observe various traits of those who tend to migrate between states. Migrants are generally:



Young. About half of migrants to Washington are in their twenties or thirties. Young people have fewer community attachments and can look for adventure and opportunity.

Single. Migrants are more likely to be single. Young couples tend to have two careers, and it can be difficult to shift both careers to a new state.

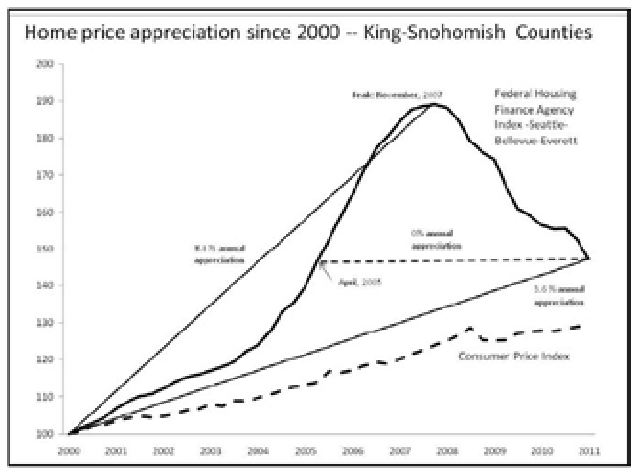
Well-educated. Migrants are far more likely to have college degrees than the general population. Most migrants moving to a new state have a job waiting for them, and employers tend to recruit nationally for jobs that require higher education.

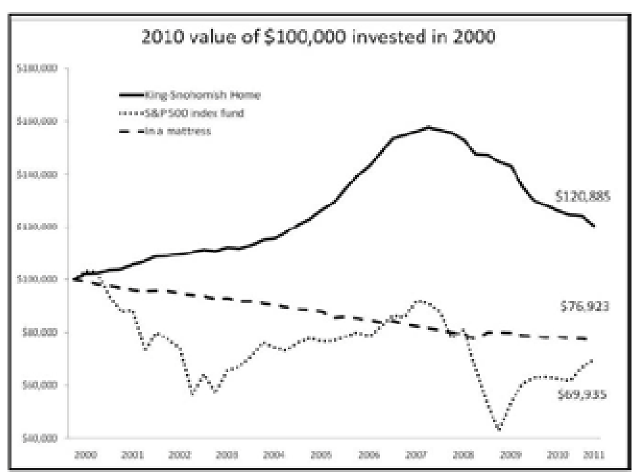
Washington has among the highest rates of net-inmigration in the country. But the state is unique in that most high-migration states have two characteristics that Washington does not share: warm winters and low costs. Washington seems to have enough attractive features to overcome its high housing costs and a climate that, at least by reputation, is not as pleasant as the Sunbelt.

Housing remains a good investment

With the fall in home prices over the past few years, some have begun to question whether residential real estate is still a good investment. Some commentators have suggested that many people would be better off renting homes and investing down payments and loan principal payments in stocks.

The charts are right show that, with the exception of the past few years, homes are a good investment in King County. The top chart shows the appreciation of the median-priced home in the King-Snohomish market since 2000. The median-priced home is now back to where it was in early 2005, so anyone who bought a home before that has likely kept above water. A home purchased in 2000 and sold today

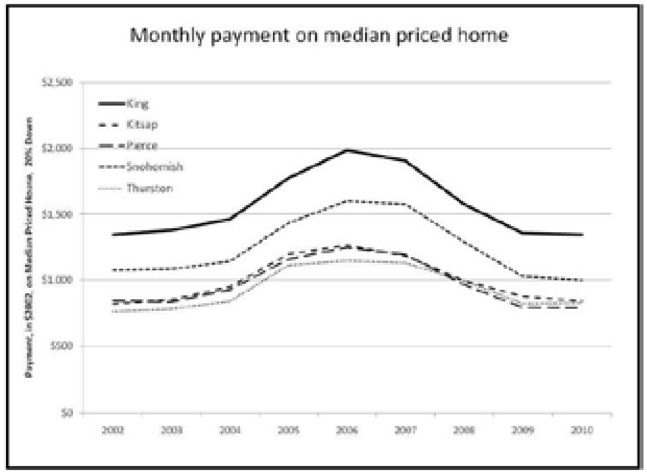




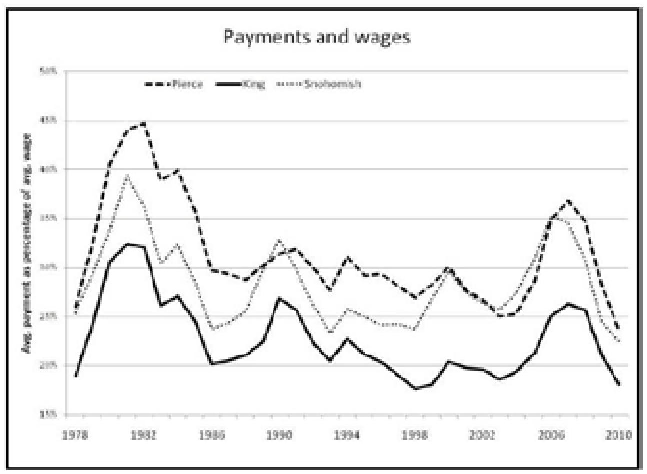
would net about a 3.6 percent annual return, which, while not spectacular, is above inflation.

The bottom chart shows what would happen with alternative ways to invest. Starting with $100,000 in 2000, investing in the median-priced King-Snohomish home would yield $120,885 in 2000 dollars. In contrast, investing in an S&P 500 index fund would lead to a significant loss. Doing nothing -- sticking cash in a mattress -- would allow inflation reduce the amount to $69,935 in 2000 dollars.

Of course returns on real estate investments cannot be guaranteed for any period of time, and these returns, as compared with other investment options, will vary. But that is not why people buy homes. Discussion of investment returns obscures the really important reasons to buy a home: community investment, security, self-reliance. In many areas of the country returns on housing are very low, yet ownership rates remain high.



The relationship between home ownership and migration is worth noting. Since migrants tend to be young and single, they may not be in the market for a home right away. But since they tend to be well-educated, they will have the earning power to purchase homes eventually. And many young people want to remain footloose for awhile, in case opportunities arise elsewhere. This suggests perhaps a lower tendency toward ownership among people in their twenties or early thirties. But there is no evidence that ownership rates, over a lifetime, have seen any shift beyond that forced by current credit conditions.



Housing is more affordable than ever

The combination of falling prices and low interest rates has made homebuying very affordable. In many markets in the state homes are more affordable than at any time since current records began to be kept in the 1970s.

The first chart shows the trend in monthly payments on the median-priced home in five Puget Sound counties from 2002 to 2010. While the region saw a major run-up in prices in the middle part of the decade, monthly payments have come down to just about their 2002 level.

The second chart relates these payments to average earnings in the county. It shows the percentage of the average paycheck taken up by the mortgage payment on the median- priced home. The chart shows the three Central Puget Sound Counties going back to 1978. By this measure of affordability, the region is more affordable than at any time during this 32-year period. (The King County line compares wages to payments on homes in the entire King-Snohomish market. The line would be higher if it included only King County homes.)

Improvements in affordability are largely owing to steadily falling interest rates. The bottom chart shows average rates for 30-year fixed conforming mortgages since 1978. It shows the huge run-up in rates in the early 1980s, but what is makes clear is that while rates fell somewhat in the late 1980s, they remained far higher than today. So while prices across the state were much lower in the late 1980s and early 1990s, money was quite expensive. With the national economy continuing to struggle, we can expect rates to remain low for some time to come, making this the best time anyone can remember to buy a home.

If you have questions or comments about this paper, please contact Michael Luis at 425-453-5123 or luisassociates@comcast.net

The views expressed in this paper are solely those of Michael Luis & Associates, an independent public affairs and research consultancy.

New FTC Rule May Impact Brokerages

The Federal Trade Commission ("FTC") has recently issued its Mortgage Acts and Practices - Advertising, or "MAP", rule ("Rule"). The Rule imposes requirements on those that provide information about mortgage credit products to consumers by prohibiting misrepresentations during these communications and also imposing recordkeeping requirements. The Rule will impact real estate professionals that provide this information to consumers, such as giving a consumer a lender's rate sheet. The Rule took effect on August 19, 2011.

FTC Rule text and accompanying commentary.

Background

The FTC published an Advance Notice of Proposed Rulemaking in 2009, and issued a proposed rule relating to unfair or deceptive acts and practices that may occur with regard to mortgage advertising in September 2010. NAR filed a comment letter seeking an exemption for real estate professionals from the Rule.

NAR comment letter

The Rule is intended to regulate unfair or deceptive practices in the advertising of mortgage products, and covers all entities involved in the process such as mortgage brokers, lenders, and home builders. The Rule will also cover real estate professionals when they are providing information about a mortgage credit product to a consumer, as outlined in this article.

Rulemaking authority for the Rule has now transferred to the Consumer Financial Protection Bureau ("CFPB"). Enforcement authority for the Rule rests with the CFPB, FTC, and state attorneys general.

Rule's Requirements

The Rule prohibits misrepresentations in a commercial communication about any term of a mortgage credit product. A "commercial communication" is broadly defined within the Rule, covering both oral and written statements designed to "create an interest in purchasing goods or services", which in this case would be a mortgage credit product. A "mortgage credit product" is "any form of credit" that is offered to a consumer and secured by the consumer's dwelling. The Rule's coverage will include information about all mortgage terms and the Rule contains an extensive list of possible mortgage terms, including interest rates, products sold in conjunction with a mortgage such as credit insurance, amount of taxes, variability of interest rates, and prepayment penalties.

Application of Rule to Real Estate Professionals

The Rule will apply when a real estate professional provides information about a specific mortgage product to a consumer. An example would be providing a consumer with rate sheets containing the current interest rate from a lender or providing a consumer with applications or other information for a specific mortgage product. All statements about the terms of a mortgage will be covered by the Rule, and will need to be retained for two years. In addition, the statements should have the disclaimer language discussed in this article in order to protect against later misrepresentation claims.

The FTC has stated in its comments that the Rule does not apply to purely informational communications not designed to cause the purchase of a good or service because these are not commercial communications. So, providing a consumer general information about market rates for different types of mortgages products will likely not be subject to the Rule because these are not related to a specific mortgage product. However, providing a consumer with the daily rates from a specific lender would trigger compliance with the rule. Similarly, going through the prequalification process with a consumer in order to determine the range of properties that a consumer may be eligible to purchase won't require compliance with the Rule; however, providing a consumer with the documentation needed to apply for a preapproval from a lender for a mortgage loan will be covered by the Rule.

Disclaimer or Qualifying Statement

In the preamble to the final Rule, the FTC notes that a disclaimer provided with a covered statement "may correct a misleading impression, but only if it is sufficiently clear and prominent to convey the qualifying information effectively". Therefore, real estate professionals should always include a disclaimer when providing information to consumers about the terms of a mortgage credit product, as a properly crafted disclaimer can protect against later misrepresentation claims.

The disclaimer will need to be prominent, as the FTC notes in its comments that disclaimers in small type placed at the bottom of a document will not protect against misrepresentation claims. The disclaimer text should be separated from the other text in the covered statement, as language buried within the text may not be effective to protect against misrepresentation claims.

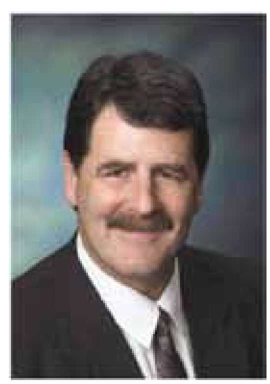
The disclaimer should be tailored to the type of information that you are providing to a client. If you are providing other services beyond transmitting basic mortgage information, you will need to tailor your disclaimer to cover those services.

Recordkeeping Requirements

If a real estate professional is subject to the Rule, the real estate professional is required to keep all covered commercial communications for 2 years from the date that the communication was made to the consumer. In order to comply with this section, the real estate professional should put all covered statements into writing and include the statements in each consumer's file (paper or electronic) with the brokerage. This record retention system should become part of the brokerage's overall record retention program.

Acquiring Multiple Replacement Properties

By Cris Anderson, Esq.



Selling one property and acquiring several replacement properties in a tax deferred exchange can have significant advantages over a simple trade of one income property for another. The following discussion describes some of those advantages and certain tax rules relating to exchanges involving multiple replacement properties. To set the stage, let's take a hypothetical case of an exchange scenario involving the acquisition of multiple replacement properties. Suppose a real estate investor in Los Angeles, California is selling a single family rental (SFR) that she acquired more than a decade prior. She is under contract to sell the SFR for $600,000. For the sake of simplicity, let's assume she has no debt on the property and will pay no closing costs. She has an adjusted basis in the SFR of $200,000. If she simply sells the property, rather than engage in a tax deferred exchange, she would incur a tax in the amount of $114,700.[1] Given the potential tax, this investor desires to engage in a 1031 exchange. In the process, she decides that she would also like to diversify her real property investments, take advantage of differing market conditions and improve her cash flow. Accordingly, she decides to acquire 6 replacement properties in Sunbelt states, 3 in Arizona and 3 in Florida.

Identification of Replacement Properties – 200% Rule

The Treasury Regulations under Section 1031 ("Regulations") require that an exchanger identify in writing replacement property to be acquired in a tax deferred exchange within 45 days following the closing of the sale of the relinquished property. These Regulations establish 3 different sets of rules that may be used to identify qualified replacement property. The rule most commonly used by real estate investors is the so called "3 property rule." Under that rule, an exchanger can identify up to 3 like-kind properties as replacement property *without regard to* value. Since our investor intends to acquire more than 3 replacement properties, the 3 property rule would not work. The second identification rule is the so called "200% rule." Under that rule, an exchanger may identify any number of replacement properties *provided that the aggregate value of all property on the identification list does not exceed 200% of the value of the relinquished property*. In this scenario, the relinquished property is worth $600,000, so our investor could identify any number of replacement properties provided that the aggregate value of identified properties does not exceed $1,200,000. Thus, if our investor desires to acquire 3 rental properties in Phoenix, Arizona - each worth $100,000, and 3 rental properties in Vero Beach, Florida - each worth $100.000, she would have identified replacement property worth $600,000, well within the limit imposed by the 200% Rule. Accordingly, our investor might identify alternate properties as fall back properties that would be available to her if any of her specific target properties do not pan out. Click here for more information on the Rules of Identification - the "3 property rule," the "200% rule" and the "95% rule."

Basis Calculation in Replacement Properties

Now, let's assume that our investor successfully acquires her 6 replacement properties in a 1031 exchange utilizing a qualified intermediary to hold the sales proceeds. Since she has exchanged into 6 replacement properties, she must apportion her original basis in the relinquished property (recall that her adjusted basis in the relinquished property was $200,000). Under the Treasury Regulations, an exchanger must generally allocate basis among replacement multiple replacement properties ratably, in proportion to their relative respective values. Since the values of the replacement properties in this simple example are all the same, each replacement property would receive a basis equal to 1/6th of her original adjusted basis[2] -- in this case, $33,333.[3] For more information on calculating the replacement property basis, click on Replacement Property Basis Calculation. So what has our investor achieved?

- 100% tax deferral on the sale of her relinquished property;
- Potentially increased cash flow since the six replacement properties can be rented for more total rental income than the single relinquished property;
- With six tenants, instead of one, more income is maintained when one tenant moves out;
- Diversification into 2 real estate markets in different states, one in the West and one in the East;
- Purchased at or near the market bottom for considerably more appreciation potential;
- Increased flexibility – e.g., if the exchanger decides to sell for cash down the road, she could sell 1 of the rental properties to generate cash while recognizing gain on only 1/6 of her original investment.

Footnotes:

[1] Depreciation recapture at 25% on the $175,000 = $43,750; plus Federal capital gain taxes of 15% on the remaining economic gain = $33,750; plus state taxes in California at 9.3% on the $400,000 gain = $37,200. $43,750 + $33,750 + $37,200 = $114,700.

[2] 6 properties x $100,000 = $600,000

[3] $200,000 basis in relinquished property / 6 replacement properties = $33,333 basis in each of the six replacement properties

Cris Anderson, Esq., Northwest Division Manager, Asset Preservation, Inc.
877.909.1031 Direct; 800.282.1031 Corporate

cris@apiexchange.com ; www.apiexchange.com

Northwest MLS Brokers Notch This Year's Best Monthly Tally of Sales During August

KIRKLAND, Wash. (Sept. 6, 2011) – August now ranks as this year's best month for both pending and closed sales around Washington state , according to the latest report from Northwest Multiple Listing Service. Last month's volume of pending sales was the highest number of mutually accepted offers since April 2010 when the homebuyer tax incentive expired.

Northwest MLS brokers reported 7,632 pending sales during August, a gain of more than 26 percent from the same month a year ago when they notched 6,037 pending sales. Last month's total for the 21 counties in the MLS service area surpassed July by 450 transactions.

Thirteen counties had double-digit gains from a year ago, led by Snohomish County where pending sales jumped more than 46 percent.

"For the first time in a long time, I can say with confidence that things feel better," said Northwest MLS director OB Jacobi, president of Windermere Real Estate. "We shouldn't get too distracted by the large increase in pending sales," he cautioned, noting, "It's a positive sign, but these figures are being compared to last summer's post-tax incentive doldrums. With that being said, we're excited about the positive momentum in the market."

"Interestingly enough," Jacobi remarked, "We're seeing the most activity in the $600,000 to $800,000 price ranges in King County, but low inventory continues to be an issue across the board." He also noted the company's mortgage reps are reporting a 50 percent increase in non-refinance loan applications, which he believes "is a positive indicator of things to come."

Closed sales during August climbed more than 35 percent from the same month a year ago, rising from 4,211 sales to 5,704. Through eight months, this year's completed transactions have outgained last year by 592 sales (36,918 versus 36,326, for an increase of more than 1.6 percent).

Northwest MLS members added 9,128 new listings to inventory last month, the fewest since February. With those additions, the selection at month end included 36,907 active listings, with about 86 percent of the inventory being single family homes.

Inventory has dropped more than 16 percent compared to a year ago (36,907 active listings at end of August versus 44,186 for same month a year ago).

"With a low level of home inventory for sale and historically low interest rates, we are seeing a healthy volume of sales activity causing multiple offers," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate.

Multiple offers are occurring below the one million dollar mark close to job centers in Seattle and Bellevue, and below the mid-price point elsewhere, according to Scott, who advised would-be buyers and sellers to get "buyer ready."

To get "buyer ready," Scott said potential purchasers "should get pre-approved for a home loan, understand the inventory level in your selected market area and price range, and sign up to receive daily email notifications of just-listed properties." Sellers should take similar steps, he suggested: "If you have a home to sell, start investigating the process."

Selling prices are still below year-ago levels. Area-wide, the median price for last month’s completed sales was $236,000, about 12.4 percent less than twelve months ago. Year-to-date through August, prices for sales of single family homes and condominiums (combined) are down about 9.4 percent.

In King County, last month’s median selling price was $315,000, down nearly 9.9 percent from a year ago. A year-to-date price comparison shows a decline of just under 8.4 percent.

Five counties show slight year-to-date price changes: Kitsap (-2.1%); Grant (-1.85%); San Juan (+2.6%); Okanogan (unchanged); and Whatcom (-0.65%).

Commenting on the latest numbers, NWMLS director Frank Wilson emphasized, “A real estate market is about activity and momentum.” He also noted historic affordability, with the cost of a home better matching income levels and extremely low interest rates contributing to favorable conditions. “We continue to live in a real estate market of extreme affordability, affordability levels that have not been seen in decades,” he stated.

Wilson, the branch managing broker at John L. Scott Real Estate in Poulsbo, noted Kitsap County is seeing slightly more new listings come on the market than a year ago, but total inventory is down about 6.6 percent.

“From a marketing prospective there is nothing better than motivated sellers who are willing to stage their home for sale and price it to be competitive in today’s market,” Wilson stated. “This market is now about serious buyers and serious sellers -- people who have a plan and goals in mind,” he observed, adding, “Our pending sales are up more than 15 percent which shows the activity of a healthy market.” He also noted a more balanced market, based on months supply (currently about 5.8 months supply compared to the year-ago figure of 7.1 months). However, he acknowledged, home prices continue to settle as they have dropped about 12 percent in Kitsap County compared to a year ago.

The National Association of Realtors® attributes much of the price drops around the country to sales of distressed homes, which are usually sold at deep discounts. NAR’s analysis shows 29 percent of sales nationwide are classified as distressed.

NAR officials also fault banks for “unnecessarily restrictive practices.” Such practices are restraining the housing recovery by denying loans to many creditworthy potential buyers, according to NAR. “Those declined buyers represent the difference between an uneven recovery, and a much more robust housing market that could stimulate the economy and create jobs,” the association declared.

Commenting on the Realtors’ most recent statistics, NAR Chief Economist Lawrence Yun described sales activity as underperforming. “The underlying factors for improving sales are developing, such as rising rents, record high affordability conditions and investors buying real estate as a future inflation hedge. It is now a question of lending standards and consumers having the necessary confidence to enter the market.”

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership includes more than 22,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 21 counties in Washington state.

Statistical Summary by Counties: Market Activity Summary - **August 2011**

Single Fam. Homes + Condos	LISTINGS		PENDING SALES	CLOSED SALES		
	New Listings	Total Active	# Pending Sales	# Closings	Avg. Price	Median Price
King	3,219	10,771	2,996	2,256	$396,533	$315,000
Snohomish	1,364	4,425	1,325	916	$255,925	$232,000
Pierce	1,409	5,283	1,290	952	$216,006	$186,750
Kitsap	455	1,925	333	270	$269,111	$235,000
Mason	175	949	83	55	$164,619	$141,000
Skagit	233	1,134	138	112	$235,977	$205,250
Grays Harbor	166	957	101	66	$136,859	$135,350
Lewis	124	824	89	60	$156,015	$134,750
Cowlitz	130	610	95	81	$147,892	$135,500
Grant	123	675	59	53	$170,485	$159,000
Thurston	482	1,813	370	240	$238,464	$225,500
San Juan	40	528	19	12	$458,000	$295,000
Island	182	1,132	120	107	$311,889	$268,000
Kittitas	97	621	48	57	$204,919	$172,000
Jefferson	79	652	36	24	$268,301	$239,000
Okanogan	69	495	17	19	$185,484	$168,000
Whatcom	414	1,915	296	250	$263,994	$234,750
Clark	62	281	55	52	$210,632	$177,500
Pacific	66	490	35	23	$129,003	$95,000
Ferry	5	61	4	2	$277,000	$277,000
Clallam	73	518	42	36	$219,735	$186,000
Others	161	848	81	61	$208,829	$179,000
MLS TOTAL	**9,128**	**36,907**	**7,632**	**5,704**	**$298,222**	**$236,000**

4-county Puget Sound Region Pending Sales (SFH + Condo combined)

(totals include King, Snohomish, Pierce & Kitsap counties)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	3706	4778	5903	5116	5490	5079	4928	5432	4569	4675	4126	3166
2001	4334	5056	5722	5399	5631	5568	5434	5544	4040	4387	4155	3430
2002	4293	4735	5569	5436	6131	5212	5525	6215	5394	5777	4966	4153
2003	4746	5290	6889	6837	7148	7202	7673	7135	6698	6552	4904	4454
2004	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
2005	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
2006	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
2007	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
2008	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
2009	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
2010	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
2011	4272	4,767	6049	5732	5963	5868	5657	5944				

NWMLS Forms Revisions

NWMLS recently revised 18 of its forms, which are now available in both hard copy versions for order as well as on Xpress Forms. Legal Bulletin 191 explains the revisions.

New forms should now be used, but brokers should not replace any existing agreements with the new forms. Please recycle prior versions of the forms.

- The revised forms include:
- Exclusive Listing Agreements (Forms 1A and 1B),
- The Purchase and Sale Agreements (Forms 20, 21, 23, 25 and 28),
- Buyer's Sale of Property Contingency Addendum (Form 22B),
- Optional Clauses Addendum (Form 22D),
- Short Sale Addendum (Form 22SS),
- Buyer's Pending Sale of Property Contingency Addendum (Form 22Q),
- Inspection Addendum (Form 35),
- Escalation Addendum (Form 35E),
- Back-Up Addendum (Form 38A),
- Notice to Back-Up Buyer (Form 38B),
- Notice of Rescission Pursuant to RCW 64.06 (Form 90A),
- Buyer's Request for Seller's Consent – Contingent Sale (Form 90L) and
- Notice Pursuant to Short Sale Addendum (Form 90SS)

Campaign Promotes Write-Down of Mortgages to Create One Million Jobs

By writing down all underwater mortgages to market value, the nation's banks could pump $71 billion per year into the economy, create more than one million jobs annually, save families $6,500 per year on mortgage payments, and fix the housing crisis once and for all, according to a new report.

The 9-page report titled "The Win/Win Solution: How Fixing The Housing Crisis Will Create One Million Jobs" is a publication of The New Bottom Line, a nationwide campaign representing 1,000 faith-based and community organizations.

The report calculates there are 238,746 underwater mortgages in Washington state, accounting for 16.9 percent of housing and nearly $12 billion in negative equity. If there was widespread principal reduction, the holders of these mortgages would save $495 per month. The reports' publishers claim more than $1.4 billion in annual stimulus could be achieved in the state, along with nearly 21,000 jobs.

One in five Americans owe more on their mortgage than their home is actually worth. Collectively, underwater homeowners will have to pay down $709 billion in principal before they can start building equity in their homes, the report states, noting, "Every effort to reboot the housing market to date has failed because it has not done the most essential thing: reduce the massive debt load carried by underwater homeowners."

By lowering homeowners' mortgage payments by an average of more than $500 per month--or $6,500 per year—the plan advocated by The Bottom Line would free up about six billion dollars per month currently earmarked for mortgage payments, and instead enable spending on groceries, school supplies and other household necessities.

As consumer demand picked up, businesses would start hiring again, the authors believe. For example, the plan would inject an annual stimulus of $20.5 billion in California and 300,000 jobs per year; $1.64 billion in Ohio and 24,000 jobs; and $12 billion in Florida and almost 180,000 jobs.

Last year, the nation's top six banks paid out more than twice the cost of the plan ($71 billion per year) in bonuses and compensation alone ($146 billion in 2010). Currently, the nation's banks are sitting on historically high levels of cash reserves of $1.64 trillion.

The grassroots organizations that make up The New Bottom Line are calling on state attorneys general who are investigating the banks for foreclosure fraud to stand firm for a settlement agreement that (1) includes large-scale principle reduction for underwater borrowers; and (2) does not release the banks from claims beyond the robo-signing scandal.

The New Bottom Line (www.newbottomline.com) is a national campaign fueled by a coalition of community organizations, congregations, labor unions, and individuals working together to build a movement that challenges established big bank interests on behalf of struggling and middle-class communities.

Washington State Ranks Second for Entrepreneurs

Washington is attractive to start-ups, ranking second behind New York on the latest State Entrepreneurial Index (SEI).

The study, conducted by the University of Nebraska-Lincoln, uses five key components to compare states. The SEI metrics include a state's percentage growth and per capita growth in business establishments, its business formation rate, the number of patents per thousand residents and gross receipts of sole proprietorships/partnerships per capita.

Nationally, New York held onto the top spot from 2008 with an index score of 2.34. Washington (2.17), Massachusetts (2.04), New Jersey and Oregon (both at 1.93) completed the top five. Oregon's jump to the top five marked an impressive gain from 2008, when it ranked 45th among the states.

Last last-place spot went to South Carolina, with an index of 0.07. Rounding out the "bottom five were Arizona (0.11) at No. 49, behind Mississippi (0.32), Nevada (0.33) and Alabama (0.41).

The State Entrepreneurial Index combines detailed data from the Bureau of Labor Statistics, the Internal Revenue Service Statistics of Income Bulletin, the U.S. Census Bureau and the U.S. Statistical Abstract. To view the full report, "including state-by-state rankings, go to http://bbr.unl.edu.

Local Governments, Builders Collaborate on "GreenTools" Conference, Festival

Sponsors of this year's Built Green Conference & Festival promise participants will "leave motivated and empowered to create resilient and healthy local communities."

As a prelude to the 2011 Built Green conference (scheduled for Sept. 14) attendees are invited to the King County GreenTools Government Confluence, a daylong showcase of resources at Pickering Barn in Issaquah on Tuesday, Sept. 13 to "spark community enriching strategies and policies.

The $15 registration fee covers admittance to a "kicked-back, casual hoe-down", which starts at 8:15 and concludes at 5 p.m. The line-up, featuring local talent and experts, includes:

- ***Food Cart Culture and Urban Agriculture –*** The city's place at the dinner table with policy and codes
- ***Permitting Strategies for the Next Generation:*** Beyond 5-star and more, Blackwater Reclamation and Living Buildings
- *Building Community in the Age of Climate Change* – Presented to you by King County Cities Climate Collaboration
- ***Eco-Charrette Training for Affordable Housing:*** Communities of equity and social justice

- ***David Johnston is back! Cutting Edge Building Inspection*** with energy expert David Johnston of What's Working **(limited space – reserve your spot early!)**
- ***Green Homes for all Families***: Grand opening tours of zHome and the YWCA Family Village **(limited space – reserve your spot early!)**

Local food cart vendors will also be on hand (bring cash). Attendees are also invited to hitch a ride via shuttles (check website for details).

Advance registration is required, and capacity is limited for both the inspector training and home tours. To register, go to: www.builtgreenconference.com.

Built Green is an environmentally friendly, nonprofit, residential building program of the Master Builders Association of King and Snohomish Counties. Now in its 11th year, Built Green was developed in partnership with King County, Snohomish County and other agencies in the state of Washington. Various pricing options are offered, including discounts for groups and savings for early registrations.

REALTORS® Devoting Day to Environmental Stewardship

Several dozen Realtors and affiliate members of SEATTLE *KingCounty* REALTORS® will spend Friday, Oct. 14 at Kirkland's Everest Park helping park officials meet their native plant restoration goals. Other volunteers are invited to join the effort.

Volunteers are asked work from 9:30 a.m. – 2:30 p.m. (with a lunch break) planting thimbleberry, sword fern, salal, snowberry or other assorted plants in targeted areas along the sides of Everest Creek. The park, comprising 21 acres, is part of Kirkland's 500 acres of park lands.

All volunteers are required to sign a participant waiver, and should wear layers of comfortable clothing, sturdy shoes/boots and if weather dictates, rain gear. Tools and gloves will be provided by the Parks Department.

The Oct. 14 event is this year's official "TREC" (The REALTORS® Environmental Council) project. TREC operates as a 501(c) 3 nonprofit organization and works to promote responsible environmental stewardship by REALTORS® and homeowners, and to support projects and policies that preserve a healthy, natural habitat.

Previous TREC projects have occurred at Seward Park, Hylebos Wetlands, Kelsey Creek and Mercer Slough.

To volunteer for this project or for additional information contact the Association at 425.974.1011 or nwrealtor.com.

Campaign Under Way to Install 12,000 Rain Gardens

More than 12,000 rain gardens will be installed around Puget Sound by 2016 if an ambitious campaign launched by Stewardship Partners succeeds.

The program, offered in partnership with Washington State University Extension, "stands to be a model for the entire nation demonstrating what one region can do to address polluted runoff and engage the public in an unprecedented way," Stewardship Partners proclaimed in a statement.

The campaign will engage the public in rain garden installation through workshops, demonstration sites, mentors, partnerships, incentives, and other resources. Through these resources, potential participants can obtain information on the environmental, aesthetic and economic benefits of rain gardens, including ways to:

- Reduce water pollution
- Prevent flooding
- Increase home values

- Make for beautiful, low-maintenance landscapes
- Help your community save millions of dollars in pollution clean-up and expensive stormwater projects.

The 12,000 Rain Gardens Campaign offers homeowners, city and county agencies, businesses and others free workshops and tours, providing a strong, research-based foundation to get started on building successful rain gardens.

The majority of the region's pollution is caused by rainwater runoff from streets, driveways, lawns and rooftops. An estimated 14 million pounds of toxins enter Puget Sound each year, according to Stewardship Partners, which emphasized our waterways are central to our food source and our local economies. "But toxic runoff, the number one source of pollution to Puget Sound, is threatening the health of our water," the organization stated in its campaign announcement.

"Rain gardens are a smart, proven, cost-effective way to help address the number one source of pollution in Puget Sound, reduce flooding, and potentially increase home values," said Curtis Hinman, WSU adjunct associate professor and Extension educator. The internationally recognized expert on low impact development and rain gardens explained such gardens act like native forests by collecting and absorbing rainwater that washes over hard surfaces, filtering out pollutants like motor oil, pesticides and heavy metals.

Studies have shown that streets with rain gardens can stop 90 percent or more pollutants running off of roads, driveways and other hard surfaces.

"These 12,000 rain gardens will soak up about 160 million gallons of polluted runoff each year," said David Burger, executive director of Stewardship Partners.

Rain gardens are a smart and proven way of using beautiful landscaping to: clean waterways, protect precious natural habitats, improve homes and neighborhoods, limit flooding and save millions of dollars in pollution clean-up and expensive stormwater projects, Burger noted.

The 12,000 Rain Garden Campaign includes the Rain Gardens Cluster Program, which has been implemented with great success in communities like Puyallup and Eatonville, with funding from the Boeing Charitable Trust. Under this program, homeowners who find six or more adjacent neighbors to participate can all be eligible for free rain garden installations. The program also helps put people in touch with experienced rain garden designers and contractors.

The 12 WSU county Extension offices in the Puget Sound region are providing information and educational outreach, and serving as a local contact point for those interested in rain garden installation.

Stewardship Partners is a widely respected nonprofit conservation organization helping businesses, landowners and homeowners achieve environmental protection.

Details about the campaign, including a 30-minute online video, answers to frequently asked questions, a place to register a rain garden, and other resources are online at www.12000raingardens.org.

All Rise to Leadership Now

The events of the past month, relating to the national borrowing limit and the nation's credit score, have provided one of the most dramatic wake up calls in American history. For both those who have understood the connection and those who have denied the growing evidence, there is now irrefutable proof that our nation, our real estate marketplace and our industry are deep in the throes of a revolution that will forever change our approach to democracy, free enterprise and real estate.

Virtually every American, and certainly those who are associated with the real estate industry, will, or should, over the next few months, find themselves engaged in an intense internal debate regarding what leadership role they will play over the next year as an individual, a citizen and a real estate business person or professional.

The following thoughts are offered for the purpose of activating and assisting this critical discussion. Agreement with the specifics is not necessary but the adoption of counterpoints is mandatory.

Start by focusing on the relationship between ongoing change and absolute loss. Over the past five years, much of our collective reasoning has gone into understanding the dynamics of change.

It is time that we, as a community, recognize that the mass array of changes that we have encountered over the past several years have come together to create a whole new American and real estate environment with its own dynamics. For those whose vision of the future has centered on a return to the good old days, that miracle is not going to happen. Recognize that it is grief from loss, rather than a dread of change, that we need to deal with first.

This redefinition of purpose becomes even more appropriate when we revisit the five stages of grief, (1) denial and isolation, (2) anger, (3) bargaining, (4) depression and (5) acceptance. We immediately recognize these stages as the behaviors we are currently witnessing in our friends, associates, clients and fellow REALTORS® as they struggle to accommodate the new political and market environment we are all facing every day.

Over the next several months, at various times and at individual paces, we will hopefully reach the point of acceptance from that juncture we will begin the task of rebuilding this great country and our dynamic industry. We will replace our current attitudes of denial and anger with the innovative spirit and creative energies that built our industry in the first place.

We must quickly come to the realization that that there is a very limited amount of time to do what has to be done. At the present time, a serious vacuum exists with respect to our industry and its response to the new environment. Even now would-be competitors are positioning themselves for the right moment to launch as a rehabilitative force into a dispirited and disorganized real estate industry and marketplace. By way of example, we have written previously about the Lowes organization whose presence now appears at every real estate function in the country, and who has already built tens of thousands of working relationships with consumers through intimate and highly scored home remodeling and renovation assignments.

The silver bullet for success and salvation in this new environment is both simple and impossibly complex. The solution is effective, applied and non-sanded down leadership at all levels of the culture. Only leadership can be the saving grace for both America and the real estate industry. This cannot be the canned noncommittal leadership of the past several years. Moreover, everyone, including the newest member, must rise to this leadership challenge.

At the present time the entrenched leadership elements within the American and REALTOR® cultures are comprised of six elements;

(1) those presently involved in leadership
(2) those in the leadership “chairs”
(3) past leaders
(4) dissidents
(5) the executives and
(6) the members.

Each of these players must determine whether their role will be positive, contributory, critical or opportunistic.

Together, these individuals have the power to carry the day. Individually, they and we are destined to continue the ineffective dog and pony show that we are currently witnessing and that has now become a part of our daily lives on both the local and national scenes.

Individuals currently in leadership must immediately step up and quit worrying about their next leadership role. Those coming up through the ranks must start acting like leaders and not actors in a green room waiting for their shot at the top.

Past leaders must also rise to the occasion, but only after undertaking to understand precisely how the present situation differs from the environment in which they last exercised leadership.

Dissidents who wish to make a positive difference in the situation must be willing to offer constructive solutions that can be utilized within an organizational framework as well as much needed constructive criticism that keeps projects on target. Dissidents whose real interests lie in other outcomes must be treated like the organizational terrorists that they are.

America's executives, including association CEO's, must rise to the leadership occasion by exercising leadership consistent with the roles set out in the *Race for Relevance*, by Harrison Coerver. The time for traditional management tactics, retirement as part of the solution or be identified as part of the problem.

Finally we come to the citizen and member. Over the last several years, every group discussed above has represented themselves as speaking for you. Today we see real examples of appropriate doubt of effective representation, and everyone involved knows that no one speaks for those who don't speak for themselves. You have as much or more to lose as any other group discussed in this article. If you fail to engage, you will find that the new order will simply leave you out of the equation.

Another challenge will arise out of the fact that this is the first American leadership crisis in which social media will be a participant. While the potential of social media to engage millions of new decision makers in the renovation is an incredibly rich and exciting opportunity, it is also fraught with dangers. We must revisit Charlene Li's comments in her book *Groundswell* in which she taught us that at any given time 25% of individuals acting within the social media sphere are in a critical mode while only 18% are in a contributory mode. While this formula has worked well for disenfranchised groups working within the initial scope and influence of the early history of the social media movement, it is not clear that an environment in which criticism outweighs creative and innovative solutions, will provide the level of original thought necessary to turn a nation and an industry around. This is a serious chapter in our history and it will require serious leadership to survive. Begin today to plan for an early fall leadership conference that addresses the real issues in a direct fashion. We can do this.

Bewildered by College Students' Mindset?

What began in 1998 as a witty reminder to faculty to be mindful of dated references when interacting with incoming freshmen has evolved into a global guide to the "cultural touchstones that shape the lives of students."

Since its creation at Beloit College, The Mindset List™ is now used for a variety of purposes, drawing more than a million hits a year on its website.

The list-makers note this year's entering college class of 2015, most of them born in 1993, is the first generation to grow up taking the word "online" for granted.

Today's freshmen came into existence as Bill Clinton came into the presidency. They see Jimmy Carter as an elderly smiling public man who appears occasionally on television doing good works. The only significant labor disputes in their lifetimes have been in major league sports.

The list is a creation of Beloit's former Public Affairs Director Ron Nief and Keefer Professor of the Humanities Tom McBride. The men recently applied their popular format to 10 generations of Americans over 150 years in their new book, *The Mindset Lists of American History: From Typewriters to Text Messages, What Ten Generations of Americans Think Is Normal* (Wiley and Sons.).

The Mindset List for the Class of 2015

1. There has always been an Internet ramp onto the information highway.
2. Ferris Bueller and Sloane Peterson could be their parents.
3. States and Velcro parents have always been requiring that they wear their bike helmets.
4. The only significant labor disputes in their lifetimes have been in major league sports.
5. There have always been at least two women on the Supreme Court, and women have always commanded U.S. Navy ships.
6. They “swipe” cards, not merchandise.
7. As they’ve grown up on websites and cell phones, adult experts have constantly fretted about their alleged deficits of empathy and concentration.
8. Their school’s “blackboards” have always been getting smarter.
9. “Don’t touch that dial!”….what dial?
10. American tax forms have always been available in Spanish.
11. More Americans have always traveled to Latin America than to Europe.
12. Amazon has never been just a river in South America.
13. Refer to LBJ, and they might assume you're talking about LeBron James.
14. All their lives, Whitney Houston has always been declaring “I Will Always Love You.”
15. O.J. Simpson has always been looking for the killers of Nicole Simpson and Ronald Goldman.
16. Women have never been too old to have children.
17. Japan has always been importing rice.
18. Jim Carrey has always been bigger than a pet detective.
19. We have never asked, and they have never had to tell.
20. Life has always been like a box of chocolates.
21. They’ve always gone to school with Mohammed and Jesus.
22. John Wayne Bobbitt has always slept with one eye open.
23. There has never been an official Communist Party in Russia.
24. “Yadda, yadda, yadda” has always come in handy to make long stories short.
25. Video games have always had ratings.
26. Chicken soup has always been soul food.
27. *The Rocky Horror Picture Show* has always been available on TV.
28. Jimmy Carter has always been a smiling elderly man who shows up on TV to promote fair elections and disaster relief.
29. Arnold Palmer has always been a drink.
30. Dial-up is soooooooooo last century!
31. Women have always been kissing women on television.
32. Their older siblings have told them about the days when Britney Spears, Justin Timberlake and Christina Aguilera were Mouseketeers.
33. Faux Christmas trees have always outsold real ones.
34. They’ve always been able to dismiss boring old ideas with “been there, done that, gotten the T-shirt.”
35. The bloody conflict between the government and a religious cult has always made Waco sound a little whacko.
36. Unlike their older siblings, they spent bedtime on their backs until they learned to roll over.
37. Music has always been available via free downloads.
38. Grown-ups have always been arguing about health care policy.
39. Moderate amounts of red wine and baby aspirin have always been thought good for the heart.
40. Sears has never sold anything out of a Big Book that could also serve as a doorstop.
41. The United States has always been shedding fur.
42. Electric cars have always been humming in relative silence on the road.
43. No longer known for just gambling and quickie divorces, Nevada has always been one of the fastest growing states in the Union.
44. They’re the first generation to grow up hearing about the dangerous overuse of antibiotics.
45. They pressured their parents to take them to Taco Bell or Burger King to get free pogs.
46. Russian courts have always had juries.
47. No state has ever failed to observe Martin Luther King Day.
48. While they’ve been playing outside, their parents have always worried about nasty new bugs borne by birds and mosquitoes.
49. Public schools have always made space available for advertising.
50. Some of them have been inspired to actually cook by watching the Food Channel.

51. Fidel Castro's daughter and granddaughter have always lived in the United States.
52. Their parents have always been able to create a will and other legal documents online.
53. Charter schools have always been an alternative.
54. They've grown up with George Stephanopoulos as the Dick Clark of political analysts.
55. New kids have always been known as NKOTB.
56. They've always wanted to be like Shaq or Kobe: Michael Who?
57. They've often broken up with their significant others via texting, Facebook, or MySpace.
58. Their parents sort of remember Woolworths as this store that used to be downtown.
59. Kim Jong-il has always been bluffing, but the West has always had to take him seriously.
60. Frasier, Sam, Woody and Rebecca have never Cheerfully frequented a bar in Boston during primetime.
61. Major League Baseball has never had fewer than three divisions and never lacked a wild card entry in the playoffs.
62. Nurses have always been in short supply.
63. They won't go near a retailer that lacks a website.
64. Altar girls have never been a big deal.
65. When they were 3, their parents may have battled other parents in toy stores to buy them a Tickle Me Elmo while they lasted.
66. It seems the United States has always been looking for an acceptable means of capital execution.
67. Folks in Hanoi and Ho Chi Minh City have always been able to energize with Pepsi Cola.
68. Andy Warhol is a museum in Pittsburgh.
69. They've grown up hearing about suspiciously vanishing frogs.
70. They've always had the privilege of talking with a chatterbot.
71. Refugees and prisoners have always been housed by the U.S. government at Guantanamo.
72. Women have always been Venusians; men, Martians.
73. McDonalds coffee has always been just a little too hot to handle.
74. "PC" has come to mean Personal Computer, not Political Correctness.
75. *The New York Times* and the *Boston Globe* have never been rival newspapers.

News In Brief

- **Lawmakers have introduced legislation to extend the loan limits for FHA, VA, and the two secondary mortgage market companies Fannie Mae and Freddie Mac.** The "Homeownership Affordability Act of 2011,'' S. 1508, would extend the limits until December 31, 2013. The FHA, Fannie, and Freddie limits expire September 30. VA limits expire December 31. The extension issue is becoming critical, with many lenders already rejecting applications at the higher limits out of concern the loan won't close prior to the reset. NAR has sent a letter of support for the legislation and is working with the House and Senate to extend the limits as soon as lawmakers return from the August Congressional recess.
- **Financial-data firm Fiserv reported that Tacoma home prices are expected to rise by nearly 25 percent by spring 2013, leading all U.S. cities in home appreciation over the next two years."** According to the Fiserv / Moody's Analytics forecasting model, homes in the Tacoma metro area are substantially undervalued," said David Stiff, Fiserv's chief economist. "Single-family home prices have dropped 32 percent from their peak level in 2007. Although the metro area's job market remains weak, the long-run prospects for job, income, and population growth in the Seattle-Tacoma area are good." The study showed that growth is regionally concentrated in the Pacific Northwest and Central Florida. Fiserv, which published the report along with Moody's Analytics, **also listed Seattle-Bellevue-Everett as its No. 3 pick.** Stiff said cities like Tacoma and Seattle have strong, diverse economies and should fare well over the next two years. Areas like Palm Bay-Melbourne, Florida; Tucson and Memphis that were hammered by price declines but now are seeing strong interest from investors, Stiff said. Despite the dismal picture for the national economy, Fiserv predicts U.S. home prices will finally start to turn around by early next year. It forecasts home prices in 384 U.S. metro areas will rise by an average of 2.7 percent between the first

quarter of 2012 and the first quarter of 2013, with 95 percent of those metro areas showing gains in that time period.

- **American Recovery and Reinvestment Act funding helped weatherize a record number of housing units and deliver energy-and-cost savings for low-income Washington families,** according to a newly released report.
  The Washington State Department of Commerce Weatherization program, in partnership with 25 local agencies, weatherized 7,474 homes from July 2009 through June 2010 – double the state's historical annual average, according to an evaluation by the Washington State University Extension Energy Program. The direct energy savings from this ramped-up weatherization effort is equivalent to the energy needed to heat about 1,350 homes for an entire year, according to Commerce energy experts.
  Residents save an average of 20 to 30 percent on their monthly heating bills after receiving weatherization improvements.
  The record-setting increase in production garnered praise from the U.S. Department of Energy, which recognized Washington as one of only 12 states "exceeding production expectations."
  The Recovery Act of 2009 provided $5 billion to states for weatherization and program administration through the DOE. About $60 million came to Washington to be spent through March of 2012. To date, the Recovery Act has funded weatherization of more than 11,000 low-income housing units in the state.

- **The University of Washington is the "coolest" school in the nation, at least according to Sierra Magazine**. The Sierra Club's magazine ranks the University of Washington number one for universities with initiatives to operate sustainability and limit any contributions to Global Warming. The magazine cites the LEED Gold rated buildings on the hydropowered campus, the Energy Star rated appliances, and the university's recycling program as reasons it's the coolest. Olympia's Evergreen State College also makes the list, at number nine.

Calendar of Events

Through October 14, 2011

Dates	Event	Clock Hours	Time	Location	Contact
SEATTLE-*King County* REALTORSÒ					
9/14	Board of Directors		10:30am-1:30pm	SKCR	(800) 540-3277
9/21-23	WR Fall Business Conference			Spokane, WA	(800) 540-3277
9/27	New Member Orientation		1pm-4pm	SKCR	(800) 540-3277
10/4	Gov't Affairs Committee		10:30-1:30	SKCR	(800) 540-3277
10/14	Environmental Restoration Project at Everest Park in Kirkland		9:30am-2:30pm	Everest Park Kirkland	(800) 540-3277
For updates visit: www.nwrealtor.com and click "events"					
SNOHOMISH COUNTY-CAMANO ASSOCIATION OF REALTORSÒ					
For updates visit: www.sccar.com and click "events"					