

DIVORCE REAL ESTATE BULLETIN

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HOW REAL ESTATE IS IMPACTED BY THE CORONAVIRUS

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In March 2020, the impact of the Novel Coronavirus hit critical mass. This pandemic's full effect on the market is still to be determined, but there are many lessons to be learned when a market shifts. How can you best serve your clients, and how will changes in the market affect you?

MORTGAGE PAYMENTS

Many are comparing the current challenges to the recession of 2008. While there will be similarities, let's focus on the differences. The vast majority of houses have equity, meaning that if banks foreclose on homeowners, these lenders will recapture value, and they have less incentive to offer payment forgiveness or to delay a foreclosure. However, many banks are offering some payment arrangements with their borrowers, since their cooperation with government plans can be a requisite for government assistance. The government's authority over individual mortgage programs depends on whether it was

a public or private loan and how it was structured. You should advise your clients to contact their mortgage company about their specific policies and not to assume anything.

MORTGAGE APPROVALS

The Fed has dropped interest rates, which many people misunderstand to mean that mortgage rates have also dropped. The mortgage rate and fed rates are not correlated, as lenders choose mortgage rates based on their own view of the market's current risk level. Thus far, lenders have (on

THE EFFECT ON REAL ESTATE PRACTICE

Even if buyers are approved and both sides want to move forward, the transaction still has to close. While real estate is deemed an "essential business" in many states, many buyers and sellers are sheltering in place. Agents must be creative in how they lead transactions, using virtual tours, FaceTime, and video-conference closings to move transactions forward. Sales still can happen, yet the likelihood of

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aggregate) not dropped their rates to match the Fed's move, largely due to market uncertainty, so increased buying power has not reached most buyers. Additionally, many buyers are seeing credit challenges at the same time that lenders are tightening their requirements. Any of your clients who are looking to buy property should keep close track of their credit and should reach out to lenders to check for altered regulations.

COVID-19 contingencies and delayed closings has increased.

In the end, the most important thing to understand is how your own clients are doing. How is their employment? If they have potential buyers for their property, how are those buyers weathering the storm? Find out from the Realtor how they are structuring the process for success.



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THE IMPACT ON APPROVALS

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In order to move forward, it is essential that transactions close, because divorcing families rely on proceeds from a sale to move forward. Similarly, Family Law attorneys also are often financially dependent on these closings. Many attorneys are paid out of the net proceeds of the property sale. Even if not paid out of equity, many clients pay for attorney fees with credit cards, trusting they will be able to pay those off after closing.

Thus, real estate affects both attorneys and clients. When the market doesn't cooperate, it can put families, businesses, and jobs at risk. Here are three items to look for in any case that has the sale of real property involved. You may become more reliant on the buyer's ability to complete the transaction than before.

INCOME AND DEBT

In the wake of this pandemic, our nation has seen layoffs and reduced unemployment at unprecedented levels. If potential buyers lose their job, or see hours cut, their approval can disappear. Additionally, consumers can see debt

increase as they hold cash or make minimum payments on credit lines. Either way, buyers who could qualify no longer can, and deals fall apart.

LENDING RESTRICTIONS

Even if buyers' circumstances don't change, lenders may face challenges that alter the loans they can offer. It's not abnormal for the loan policies themselves to change, potentially stopping a loan in its tracks due to no fault of the borrower. Additionally, if other agencies or companies slow or stop their operation, lenders will be impacted. For example, when the IRS recently stopped accepting new 4506-T orders, lenders were no longer able to verify the accuracy of tax returns or W2s.

CREDIT SCORES

As income is less secure and more payments are missed, credit scores can drop. Despite some payment reduction and forbearance programs, the actions (and inactions) of buyers will impact their credit. As credit scores fall and requirements rise, buyers will fall out of approval ranges.



What is a CDRE?

A CDRE handles the sale of real property in family law cases as a neutral expert. A CDRE has knowledge and special skills to handle the effects of the family law process on divorce listings.

Complimentary Services:

- Title Documents
- Property Profiles
- Chain of Title
- Expert Advice to Attorneys with Solutions to Real Property Issues

CASE STUDY

SELLING THE HOUSE OR SHELTER IN PLACE?



CLIENT SCENARIO:

Ralph was the in-spouse in a contentious relationship. He fought the home sale every step of the way, even though the home was ordered to be sold. Ralph denied 90% of showing requests. While each reason may have had some merit, the excuses were relentless. He claimed his son was traumatized by the whole experience and couldn't bear to have people in the house. Other times he claimed to be meeting a contractor, or that he wanted 48-hours notice for any showing.

The agent had just started to get more showings approved by Ralph when the Novel Coronavirus hit. He immediately latched onto the excuse. He wanted no one to enter the house, and claimed any entrance into his house would put his son and him at risk.

AGENT RESPONSE:

The agent had several options to respond.

- Agree to wait until the virus abated to take action on the house
- Go against Ralph's wishes and push for in-person meetings
- Go virtual

The agent decided that virtual showings was the best. While 90% of a real estate transaction can be handled via technology, there are a few pieces of the sales lifecycle that require a physical visit to the

property. The agent set up virtual tours and held Zoom meetings with potential buyer agents, signed forms electronically, and used screen-sharing software to review data and contracts. The agent was able to secure an offer that was contingent on an inspection. The husband vacated for an inspector who was well-versed in proper protocols for COVID-19, and the sale closed.

