

# Orangevale House & Home

Buy/Sell • Finance • Remodel • Decorate • Landscape



## Time to Buy? Time to Sell? Time to Hang Tight?

I'm starting this column with a very unusual statement.

I do not consider myself to be a financial expert or any other kind of financial predictor. I have to wonder why the media continues to seek out the same kind of advisor to talk about the condition of the economy that told us everything was alright when we were in the throes of collapsing into the current mess they are telling us now.

With this having been said; about eight weeks ago, I addressed the national and local economic landscape with the statement, "You neither gain nor lose on an investment until that investment is either liquidated or destroyed." If you look at this statement, the answer to all three of the questions which make up the title of this article becomes obvious.

There are, of course, conditions which will change how these answers can be applied to you, but I am assuming that your personal financial situation has remained somewhat stable.

### Is It Time To Buy?

The real question is "Is it time to invest?" In my opinion, the answer is a resounding "YES!" Whether you are looking at stocks, real estate, insurance, or annuities, solid investments in

properties with the potential for growth are the best bargains I have seen since the 1970s. In both of these markets, if you only look at them in the short run—like the daily stock market reports on the 5:00 (disaster is upon us all) news—things are just getting worse. But if you consider that most of these investments are cyclic, and respond more to public opinion than they do to actual reality, you will understand that now really is the time to look at buying—just don't buy depreciable assets and don't buy on credit if this is at all possible.

I want you to read that last sentence again. The qualifications are that you only invest "hard" money—cash that you can afford to invest and sit on for the next three to five years. And this even applies to your primary personal residence. I don't think it is time to "buy up."

A word of caution: This is not the time to invest in depreciable assets. Commodities, or other highly volatile investments, are also things to avoid.

### Is It Time To Sell?

The real question here is "Will selling provide you with a positive financial result?" Go back to the economic fact that "You neither gain nor lose on an investment until that investment is either liquidated or destroyed." If

you had a house, for example, that was worth \$400,000 two years ago, selling now (to "stop loss") is not going to improve your financial position. The best thing you can do—even if your other finances are in shambles—is to hold out. Paying rent is not going to save you much, if anything. If you are liquidating because an employer wants you to move to another area, that employer may be willing to transfer your equity from your current home to one in the area to which you are moving.

As for the stock market, you have to look at another economic fact. If you are selling a stock, bond, or something else at a loss (which means at a price below that at which you purchased it), somebody else has to be buying it. Once again, I am not referring to hardship situations but I have often been in positions where stocks which I bought immediately dropped like a rock. But I held out and, two or three years later, I was able to sell them at a fairly reasonable profit.

### Is It Time To Hang Tight?

The real question here is "Are you able to weather the storm?" If the answer is yes, that is the answer to the headline question. Actually, "Holding Tight" is, in my mind, usually a good idea unless inactivity causes the condition

*Continued on page 12*

## Buying a Home: It's a Big Deal

Whether you're shopping for appliances or automobiles, groceries or gadgets, travel services or tax preparers, the Internet has changed the way most people gather information about products and services. For people who are thinking about buying a home, the change is apparent, as well. The Internet now is the source of information that traditionally came from real estate agents, with online listings of homes for sale featuring panoramic pictures, prices, information on neighborhoods and schools, comparable sales, taxes, financing options, and more. Indeed, potential buyers who choose to use the Internet to access new listings and narrow their search may be the best informed and most efficient that real estate professionals have ever dealt with.

It's no surprise that real estate professionals have responded with new sales models. For example, in a limited service model, some brokers might offer to list a home in the local Multiple Listing Service (MLS) for a fee, while they hand off other aspects of the sale to the seller. This kind of arrangement can reduce the cost of selling the home, which in turn, can result in a lower purchase price. Other brokers might offer a menu of services from which the seller can choose. Some agents may be reluctant to deal with brokers who are using non-traditional sales models, but the Federal Trade Commission (FTC), the agency that

works for a competitive marketplace, says these new sales models for buying and selling a home mean more choices for consumers.

The FTC says that the more consumers know about the home buying process before they start looking — either for properties or real estate professionals to help in the search — the more time and energy they can save.

### Agents and Brokers

Before you contact any real estate professional, it's important to know the difference between brokers and agents. Real estate brokers are licensed professionals who help sellers and prospective buyers of homes, and often operate as part of a brokerage firm or franchise. Real estate agents are licensed professionals who work under the supervision of a licensed real estate broker. In return, the broker pays the agent a portion of the commission earned from the sale or purchase of the property.

In a typical home sale, there are two real estate pros: one who works with the seller — called the listing agent — and one who works with the buyer — called the selling agent. The listing agent generally shares the sales commission with the selling agent who finds the buyer for the home. But the seller pays both agents, usually from the proceeds of the sale. Depending on where you live, your agent may not have any obligation to keep the information

*Continued next page*

## Putting Indymac In Perspective

The Federal Deposit Insurance Corporation (FDIC) was created by Congress in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 8,494 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. Contrary to common belief, a takeover by the FDIC is not the same thing as a bank failure as was seen in the 1920s and 1930s; nor is it a "bankruptcy,"

Despite the panic reported by the media last week, stockholders of Pasadena-based IndyMac Bank FSB, recently taken over by the FDIC, could well be the only major group at serious risk of loss. In the takeover process, The FDIC will transfer insured deposits and substantially all the assets of IndyMac to IndyMac Federal Bank, FSB. Brokered deposits will be held by the FDIC and those insured deposits will be paid off when the insurance determination is complete. IndyMac Bank, FSB had total assets of \$32.01 billion and total deposits of \$19.06 billion as of March 31, 2008. As conservator, the FDIC will operate IndyMac Federal Bank, FSB to maximize the value of the institution for a future sale and to continue maintaining banking services in the communities formerly served by IndyMac Bank, F.S.B.

Insured depositors and borrowers automatically became customers of IndyMac Federal, FSB and continued to have uninterrupted customer service and access to their funds by ATM, debit cards and writing checks in the same manner as before. Depositors of IndyMac Federal Bank, FSB did not have access to on-line and phone banking services over the weekend, however these services were operational again on Monday. Loan customers should continue making loan payments as usual and should be reassured that there is no danger of foreclosure so long as their mortgage payments continue to be paid in a timely manner.

As of Monday, July 14, IndyMac Federal Bank, FSB's 33 branches opened, observing normal operating hours, and continuing to offer full banking services, including on-line banking. For additional information, the FDIC has established a toll-free number for customers of IndyMac Federal Bank, FSB. The toll-free number is 1-866-806-5919 and will be operating daily from 8:00 a.m. to 8:00 p.m.

At the time of closing, IndyMac Bank, F.S.B. had about \$1 billion of potentially uninsured deposits held by approximately 10,000

*Continued on page 11*