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Commercial Corp Finance,
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Provides Real Estate Consulting and Lending Service.

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THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

THE MEYERS REPORT Economic Notes

2013 Economic Forecasts

(continued from January 14, 2013 newsletter)

27. Energy. US liquid fuel production will exceed Saudi Arabia by the end of 2014, if not sooner.
28. Senate. The Republicans will regain control of the Senate in 2014 elections.
29. Housing will see some improvement in terms of sales rates. However, price increases should rise 3.0% to 3.5%, with the greatest gains being in the worst bubble markets of Arizona, Florida, and California because their prices fell so low. However, declines will continue to occur in some markets. States with the worst tax and fiscal environments, such as Illinois, will find a housing recovery most difficult.
30. Unemployment rate should hold steady in the 7.7% to 8.2% as employer concerns about regulation, insurance costs, and the economy will hold back hiring. Continued incentives to not work also will prevent a serious drop in unemployment rates.
31. Retail sales should be steady or slightly down through April resulting from payroll tax increases and economic uncertainty. For the year, sales should grow by 4.0%, possibly 5.0%.
32. Consumer income, after inflation and taxes, will continue to trend downward.
33. Consumer expenditures should rise by 5% for the year, slightly higher than 2012.
34. Auto sales should rise in 2013 by 8%-9%, slightly slower than growth in 2012.

Congratulations Dr. "G"

We are proud to announce that Dr. Robert Genetski, Ph.D. for the fourth consecutive year was voted one of the top five economics speakers in the country. However, this year he was the top economics speaker and one of the top seven speakers in all categories.

HUMOR

"We could certainly slow the aging process down if it had to work its way through Congress." — Will Rogers

Case in point ...

Challenges: Bring long-term money to a rural market in south central Missouri when all national lenders looked away from this and other tertiary markets. The only capital available was short-term from local banks. Worse yet for the borrower, most all of the banks were at their lending limits, or were out of meaningful lendable funds, but $18.3 million was needed.

CCF Action: After four rejections by HUD, CCF and their correspondent, CCF used detailed market research and reason, was able to prove that the market had powerful hidden strength that not only justified the loan, but also showed financial opportunity.

Conclusion: CCF closed the $18.3 million non-recourse, multi-family apartment loan with a rate of 3.1%, fixed for 35 years. CCF didn't take no for an answer.

BOTTOM LINE
Call CCF 224-715-5555.

Negative Equity Drags Market

Amid talk of a housing recovery, the latest figures show that 22% of all homes with a mortgage are underwater. That is 19,763,550 US homes are worth less than the mortgages on them. Another 2,306,978 (4.8% of mortgages) are within 5% of being worthless according CoreLogic. They track over 48 million mortgages in the US, roughly 80%.

The eight states with the most under-water homes are: California (1,917,721), Florida (1,768,532), Georgia (574,490), Illinois (566,910), Ohio (511,426), Arizona (509,184), Michigan (435,700) and New Jersey (375,790). On a percentage basis, the worst eight states are Nevada (56.92%), Florida (42.07%), Arizona (38.55%), Georgia (35.58%), Michigan (31.98%), California (28.87%), Mississippi (25.41%) and Illinois (25.40%).

The major metro areas with the most negative equity homes are: Atlanta (485,802) Chicago (451,250), Phoenix (370,493), Los Angeles (336,183), Riverside (CA)-San Bernadino-Ontario (333,224), Tampa-St. Petersburg (287,217), Las Vegas (247,314) and Washington, D.C. (241,311).

Negative equity continues to restrain buyers and sellers alike. Here's how negative equity remains an ugly chain holding everything back:

1. Borrowers with negative equity are having problems selling their homes because they can't pay off their mortgages if and when they sell.
2. As such, buyers are not willing to pay more than they have to for a home.
3. Even if the buyer were willing to pay more for a house, getting an appraisal to justify the purchase price is difficult, if not impossible.
4. This means if buyers want a house, they may need to come up with a larger down payment than they may have.
5. For current owners to become buyers themselves, negative equity could mean mortgage defaults and other credit issues that then makes it tougher for them to be buyers.

The potential winners might be first-time home buyers. Their greatest opportunities will be in short-sales and of foreclosed properties, which are more complicated than making a traditional offer on a traditional property. However, the purchased home still has to appraise out for the buyer to get a mortgage.

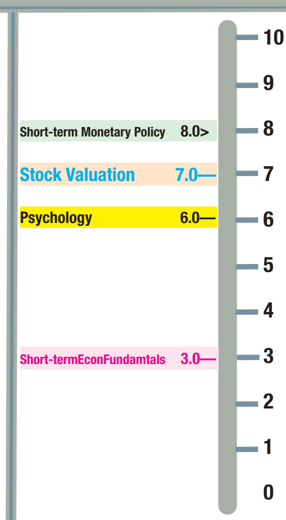
State	Mortgage Count	Neg. Equity Mortgage	Near Neg. Equity Mort.	% Negative Mortgage
AK	88,672	5,386	4,598	6.07%
AL	347,273	48,255	20,832	13.90%
AR	258,449	30,326	15,552	11.73%
AZ	1,320,712	509,184	67,775	38.55%
CA	6,784,724	1,917,721	302,070	28.27%
CO	1,153,354	205,511	76,553	17.82%
CT	827,449	111,959	28,439	13.53%
DC	100,108	10,384	3,591	10.37%
DE	188,873	29,855	8,860	15.81%
FL	4,203,696	1,768,532	173,302	42.07%
GA	1,614,579	574,490	101,233	35.58%
HI	234,996	24,301	6,806	10.34%
IA	379,012	35,707	15,750	9.42%
ID	247,881	55,183	13,048	22.26%
IL	2,231,876	566,910	103,604	25.40%
IN	668,784	62,923	25,849	9.41%
KS	309,216	29,240	14,859	9.46%
KY	304,072	28,630	13,777	9.42%
LA	283,683	46,554	12,273	16.41%
MA	1,490,409	228,315	49,558	15.32%
MD	1,350,922	309,244	64,662	22.89%
ME	59,193	4,719	1,695	7.97%
MI	1,362,525	435,700	64,928	31.98%
MN	616,774	103,987	31,932	16.86%
MO	784,958	122,493	42,474	15.61%
MS	47,041	11,951	3,656	25.41%
MT	119,338	8,858	4,063	7.42%
NC	1,596,380	220,898	102,756	13.84%
ND	65,003	3,866	1,419	5.95%
NE	231,661	26,546	14,499	11.46%
NH	223,457	45,378	12,099	20.31%
NJ	1,888,756	375,790	78,934	19.90%
NM	248,743	32,040	12,210	12.88%
NV	554,888	315,834	29,183	56.92%
NY	1,923,074	157,020	49,218	8.17%
OH	2,152,771	511,426	121,965	23.76%
OK	426,033	35,065	23,659	8.23%
OR	709,278	132,233	38,462	18.64%
PA	1,897,043	182,457	70,771	9.62%
RI	229,646	50,766	8,626	22.11%
SC	646,969	105,449	40,560	16.30%
SD	Information Not Avalable			
TN	975,105	163,116	63,739	16.73%
TX	3,395,392	298,571	152,869	8.79%
UT	480,854	88,803	29,634	18.47%
VA	1,329,351	266,192	72,425	20.02%
VT	Information Not Avalable			
WA	1,427,607	265,232	76,605	18.58%
WI	682,983	104,877	33,151	15.36%
WV	23,436	1,820	529	7.77%
WY	39,832	3,853	1,926	9.67%
U.S.	48,526,831	10,673,550	2,306,978	22.00%

The good news: CoreLogic reported that despite the large negative equity numbers, the average loan-to-value on US homes with mortgages is still 69%.

The Bottom Line. The moral is that those who keep their debt low can survive almost any financial crisis or bubble. (Now, if Congress and the President can only learn this.)

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.90	heading higher
Equities: S&P 500	2000	1495	heading higher
Equities: Dow Jones	16,000	13,825	heading higher



Ratings for forces impacting stocks: 10 is best; — means no change; > change for better; < the other direction

While there are technical reasons to expect some setback in stock prices, the odds continue to favor higher stock prices.

Market Outlook Stock prices continued to move higher this past week with most of the major indexes registering gains of roughly 1%. The Dow led the pack with a gain of 1.7% while the NASDAQ was slightly lower. A collapse in Apple's stock price brought the NASDAQ down.

Apart from Apple, stocks continued to move higher. Markets seldom move in one direction for very long. More and more people are joining the bullish camp. The VIX index (a measure of market volatility) is at its lowest point in over 5 years. My technical guru (Joe Barto) sees some resistance at 1500-1510 for the S&P 500. The market reached this point during the day Thursday before backing off.

Depending on your risk tolerance, a prudent course might be to reduce a bit of exposure to stocks at this point. You could then plan to either reenter the market at lower prices with the S&P at 1475ish or at higher prices if the S&P 500 moves through 1510 (next resistance is 1551). Given my personal risk tolerance, I'm inclined to stay with a maximum exposure to stocks and ride out any near-term dips.

Longer-term interest rates were essentially unchanged. As with stocks, the momentum for longer-term rates is in an upward direction. Given this momentum, the odds continue to favor further gains in both stock prices and longer-term interest rates in the period immediately ahead.