

Q&A: Louis Galuppo

Director of Residential Real Estate, University of San Diego Burnham-Moores Center for Real Estate

Melinda Young

Although the residential mortgage market continues to be associated with words such as "crisis" and "downturn," some market trends offer reason for optimism. Louis Galuppo, real estate and land-use attorney and director of residential real estate at the University of San Diego, offers insight from an academic and legal perspective.



How can brokers survive in this struggling market? By retooling themselves or trying to find another way to work within this environment. For example, one Realtor I work with has remade himself into a teacher on short-sale programs, lease options, foreclosures and auctions. Residential mortgage brokers and bankers also have to start looking to these [options] and other industry segments to do business.

What are the most-significant issues in single-family housing? One of the biggest issues the lending community is dealing with is how to manage defaults, foreclosures and real estate owned. Essentially, lenders are assessing what types of policies and procedures to put into place, what type of reserves to set aside and how to price their way through these reserves.

Given recent layoffs, what do you anticipate for employment in the housing sector? I think it will get worse before it gets better. Many bankers and brokers that survived this last major down spiral are barely hanging on. The same goes for some Realtors.

Title-insurance companies are typically one of the best barometers of the market in the immediate future. They're continuing to lay off people. And the construction industry is fighting for its life, particularly in California and Arizona and especially among subcontractors and general contractors.

What changes do you foresee happening in mortgage-lending practices? They're happening already. Pricing will be different because of issues regarding overall credit risk. Underwriting will be more stringent at the origination level.

Here's what I think should happen: Mortgage professionals, as part of the underwriting process, should be required to sit down with borrowers and not only go through the application forms but also have a discussion about risk tolerance and programs. At a minimum, borrowers need to understand what they're getting into.

What are the most-noteworthy trends of this past year that will continue into next year? I think the foreclosure rates unfortunately are going to continue to stay strong. I see a continuing drop in condo prices.

On the upside, deals will continue to get done. More baby boomers are hitting retirement [age] as each year goes on. So I see the markets for second homes in resort areas staying strong in some select locations.

Also, I believe there is a current shift in the way people are thinking with regard to "the greening of America" in real estate. Governing bodies throughout the country, including the federal government, are looking at ways of implementing policy that will require new homes and existing homes to

become more energy-efficient.

Melinda Young is an associate editor at Scotsman Guide. Reach her at (800) 297-6061 or melinda@scotsmanguide.com.