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Performance Report

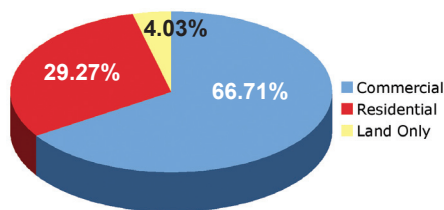
as of 1/31/11

- Last Month's Annualized Return: 7.2%
- Year to date: 7.2%
- Number of loans: 115
- Gross loan portfolio dollars: \$41,628,833
(74% in 1st and 26% in 2nd position)
- Average loan to value: 45.65%
- Average loan amount: \$361,990

Past 12 Month's Annualized Returns:

Month	Income Partner	Growth Partner
Feb '10	7.2%	7.4%
Mar '10	7.2%	7.4%
April '10	7.2%	7.4%
May 10	7.2%	7.4%
June '10	7.2%	7.4%
July '10	7.2%	7.4%
Aug '10	7.2%	7.4%
Sept '10	7.2%	7.4%
Oct '10	7.2%	7.4%
Nov '10	7.2%	7.4%
Dec '10	7.2%	7.4%
Jan '11	7.2%	7.4%

Property Types



Homebuyers Search Out Smaller Homes

First-time buyers are making new waves in the housing market as they opt for smaller and less expensive homes.



With an economy slowly making its way out of a recession, this comes as no surprise to many. Buyers are redefining their spending across all segments of the economy. Everyone from executives to busy families are changing the way they spend. Instead of nights out, they are cooking family meals. Instead of long vacations, families are opting for local destinations. And instead of large McMansions, buyers are choosing smaller, more economical houses.

In the housing market right now, it's about buying small. Homeowners surveyed by Better Homes and Gardens magazine say downsizing was becoming a bigger priority.

So, how are builders responding to this change in demand? First-time buyers are a growing market segment, with 41 percent of buyers between 2007 and 2009 being first-timers. (source: *Characteristics of New and First-Time Home Buyers*). That's a big segment.

The National Association of Home Builders (NAHB) reports that first-time buyers bought homes averaging 1,874 square feet, significantly below the 2,549 square foot home purchased on average by those trading up. Forty-six percent of first-timers bought homes smaller than 1,500 square feet. And The Wall Street Journal reports that "...just 9 percent of the people surveyed by Trulia said their ideal home size was over 3,200 square feet. Meanwhile, more than one-third said their ideal size was under 2,000 feet."

"Builders are increasingly gearing their homes to the needs of first-time buyers, and we expect the trend to continue in the period ahead as the economy begins generating more jobs and more people in their 20s form households," said Bob Jones, chairman of NAHB and a home builder from Bloomfield Hills, MI.

"New homes are a better match for the needs of the population in general," Jones said. "Compared to what is typically available in the existing housing stock, they are more energy-efficient, easier to maintain and have designs better suited to today's lifestyles."

Time.com reports that the change is generational, as well, with Generation Y *cont. p2*

Smaller Homes... (cont.)

(those born between 1982 and 1995) shoppers looking for simple starter homes, with minimal, but efficiently used space.

Kermit Baker, the chief economist at the American Institute of Architects, notes, "We continue to move away from the McMansion chapter of residential design, with more demand for practicality throughout the home." In today's market, McMansions are simply out of place for both those looking for economical and environmentally friendly choices. **S**

*by Carla Hill
excerpted from realitytimes.com*

Featured Loan: Mt. View, CA

Our featured property this month is located at 2490 Old Middlefield Way in Mountain View, CA. It consists of a one-story 11,200sqft concrete block service commercial building on a 30,987sqft lot. There is retail show-room space in the front, a service/repair space in the rear, and ample on-site parking on the side of the building.



Our borrower has owned the building and the business there for over 30 years and has done well. They had expanded to the East Bay and needed some additional working capital for that location. They owned the Mountain View property, which we valued at \$2,130,000, free and clear of any liens. With the borrowers long track record in business and excellent credit, we felt very safe providing them with a line of credit of \$850,000 in 1st position. This put us just under 40% loan-to-value! **S**

Tax Incentives Benefit Younger Households

Younger Americans may now have added incentive to enter the housing market. New research reported by the National Association of Home Builders (NAHB) shows that certain mortgage tax deductions may decline with age, and thus favor the younger set of the nation, specifically those aged 18 to 45.

Recently released Statistics of Income (SOI) data from the Internal Revenue Service (IRS) shows, according to the NAHB, that "...the descriptive statistics ... demonstrate that the housing-related tax deductions, the mortgage interest and real estate tax deductions, strongly benefit younger households who tend to be recent homebuyers with larger mortgage debt."

These findings could affect how tax codes changes are proposed in coming years, as an ailing housing market needs first-time and Generation Y homebuyers to enter the market.

"Opponents falsely argue that the [mortgage interest] deduction is only for the wealthy but it is clear that the mortgage interest deduction is also of great value to younger homeowners," said Robert Dietz, Assistant Vice President for Tax and Policy Issues for NAHB. "Any tampering with this deduction would have a disproportionate impact, as a share of household income, on younger homeowners who have relatively higher mortgage interest payments. These are households who have growing demand for homeownership due to marriages and children."

According to the research, the average mortgage interest deduction was highest for the 35 to 45 age group, and then declined with age. Those under the age of 35 had the second largest deductions, at around \$12,000 average. The same trend is seen for mortgage insurance deductions. NAHB research shows "...as is expected, the largest shares for this deduction, associated with homebuyers with less than 20% of the home price as a down payment, are for those aged 18 to 45."

These tax advantages, along with more affordable pricing and historically low interest rates are even more reason that new buyers should consider entering the market at this time. **S**

*by Carla Hill
excerpted from realitytimes.com*