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## STOP THE INSANITY!

To coin an old phrase by Diet Guru Susan Powter, "Stop the Insanity!" Susan was telling us to stop eating so much – we need to cut the fat and get fit. The same thing is happening through out parts of America in the real estate market today – we ate too much, got fat, and now it's time to cut the fat. In addition, there's an entire national media telling us the sky is falling, and some believe what they're saying. My advice is the same as Susan's: "Stop the Insanity!"

We've known for the last nearly three years across America that this market correction was coming. I kept hearing, "These housing prices in California are insane! They just can't keep going up, can they?" And my stock answer has been, "Yes they are [insane]," and "no, they can't [keep going up]. Eventually the market will correct itself"

Voila! Fast-forward to 2008. As a nation we are in the middle of a housing "correction" I don't consider it a housing "crisis", let me tell you why:

1. Interest rates have been hovering around the mid-5 to mid-6% range for the last several years, with a slight dip down into the 4's which was a temporary "bleep on the screen" as I call it. Get over it, and be thankful we're not in the 16% range like back in the 80's. 10% would still be a gift from God, and the mid 6's are great.
2. People who don't put at least 20% down are statistically higher risk borrowers. That's why lenders require PMI (Private Mortgage Insurance)-to prevent against default by these borrowers. Therefore foreclosures in this sector tend to be higher. Which brings me to...
3. Foreclosures ARE indeed up...in the **subprime** sector ( those folks who bought homes and maybe shouldn't have-they really didn't make enough money to buy the house, or maybe they got ARMs that are adjusting upward...the list goes on...). Foreclosures in the **PRIME** sector remain consistent with where they've been over the last several years.



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4. Here are some comments from our local lenders: "Like so many of our community bank brethren, our foreclosure record reflects our natural stewardship of the community which we live, work, and play. Our number of residential foreclosures within the last 12 months has been zero." – **Jeff Hammes President of People's Bank of Kankakee County** "I recently read that 89% of the sub-prime loans nationwide were made by mortgage companies and large regional and money center banks. Only 11% were made by community banks. It is my belief that very few subprime mortgage loans were made by local banks" – **Jeff Smith President of First Trust Bank**, and regarding foreclosures, **Pat Martin President of HomeStar Bank** said, "We are on average where we are every year. The other thing to make clear is that we have 0 sub prime as we do not offer that product. When you have the volume of loans that we have things happen but... this is business as usual for us."
5. There's a slew of great homes on the market right now, and prices have never been better, with interest rates about 6%. So where does the problem lie? I believe in public perception.
6. Homes are still selling! The trick is to be AHEAD of the market, not BEHIND it. There is a price at which every home will sell, and we just need to get it right the first time. Marketing is also very important after price, so make sure you hire a high octane agent to get the exposure you need.

I am no rocket scientist, but I have enough common sense to know (1) that what goes up must come down, and (2) not to believe all that I hear on the evening news. We've got a good, strong local economy here in Kankakee County. Call us for all your real estate needs & "Experience the Difference!"