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Commentary

Why Pocket Listings Can Damage the MLS

Has the real estate industry lost sight of the importance of the MLS?

Steve Murray, publisher

Throughout government, business and society we have become accustomed to leaders who mislead, obfuscate or—the more common word—spin a story. It has gotten to the point that many of us do not know whom to trust, where to turn or how to get the real story. Mainline media outlets promise that they have the real story, but it seems that each puts out its own spin on things or leaves out details that may not dovetail into their sense of the subject.



What has this got to do with our business? We can recall when real estate professionals and the media who covered the real estate industry turned to the National Association of REALTORS® (NAR) as their main source of information about the housing market. When in the early days of the housing downturn, NAR (along with others including the Federal Reserve Board chairman) said that the downturn would be short-lived and mild, the trust between professionals and housing consumers was harmed. Into the void stepped Case-Shiller, Zillow and others. While NAR is still a respected voice, it is not the only one and in

Commentary cont. on p2

Dodd Frank

The Impact on Core Services

The ability of brokerage firms to engage in mortgage and other core services has been hampered by legislation.

Steve Murray, publisher

Once upon a time brokerage firms looked to growth in earnings from mortgage, title insurance and other core services to make up for the decline in brokerage operating margins. In the early 1990s, core services were seen as the very future of the business.

Now, due in part to Dodd Frank and various state regulatory bodies, the ability of brokerage firms to engage in mortgage and other core services has been dampened significantly. Where once three to four major national banks and a variety of other regional and local financial institutions offered joint venture or marketing services agreements to brokerage firms, now

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Commentary cont. from p1

some quarters, not the most trusted source of information about housing markets. Be careful or the same thing will happen to the MLS.

Now the focus shifts to the MLS. In virtually every study done in the past quarter century, consumers and real estate professionals state clearly that the MLS is the most important trusted source for information about housing. Regardless of which entity is doing the study, the MLS is seen as the most effective marketing tool for the sale of residential housing. Period. In every study REAL Trends has done over the past 10 years, consumers said that having their homes on MLS is the most important and most effective marketing tool that a sales professional can offer.

Now we have a market that is short on supply and long on demand. Prices and sales have moved higher for 25 months in a row. In some markets, we're seeing an explosion in off-market or pocket listings. Why? Did housing consumers suddenly decide that the MLS is old-fashioned and out of date? Did consumers suddenly decide that they didn't need the MLS? Perhaps consumers decided it wasn't private enough?

We think not. The majority of consumers did not wake up two years ago and decide that the MLS wasn't needed anymore. Real estate professionals decided that they didn't need MLS anymore. With the market this hot, they didn't need to share the listing with others when they could sell it themselves. Perhaps they will cooperate with only those whom they deemed experienced enough to do so. At least this is one way to read this sudden shift to keeping listings off the MLS.

“In some markets we’re seeing an explosion in off-market or pocket listings. Why? Did housing consumers suddenly decide that the MLS is old-fashioned and out of date?” —Steve Murray

Consumers and real estate professionals have trusted the MLS as the fairest and most effective marketing tool for over four decades. Should sales professionals continue to push off-market listings, they may undermine the entire reason for the MLS. That opens the door to others who may take the place or supplement the central role of the MLS in the marketing of residential real estate. We would encourage MLSs and real estate industry leaders to think carefully about the long term impact of sales professionals doing so. ■

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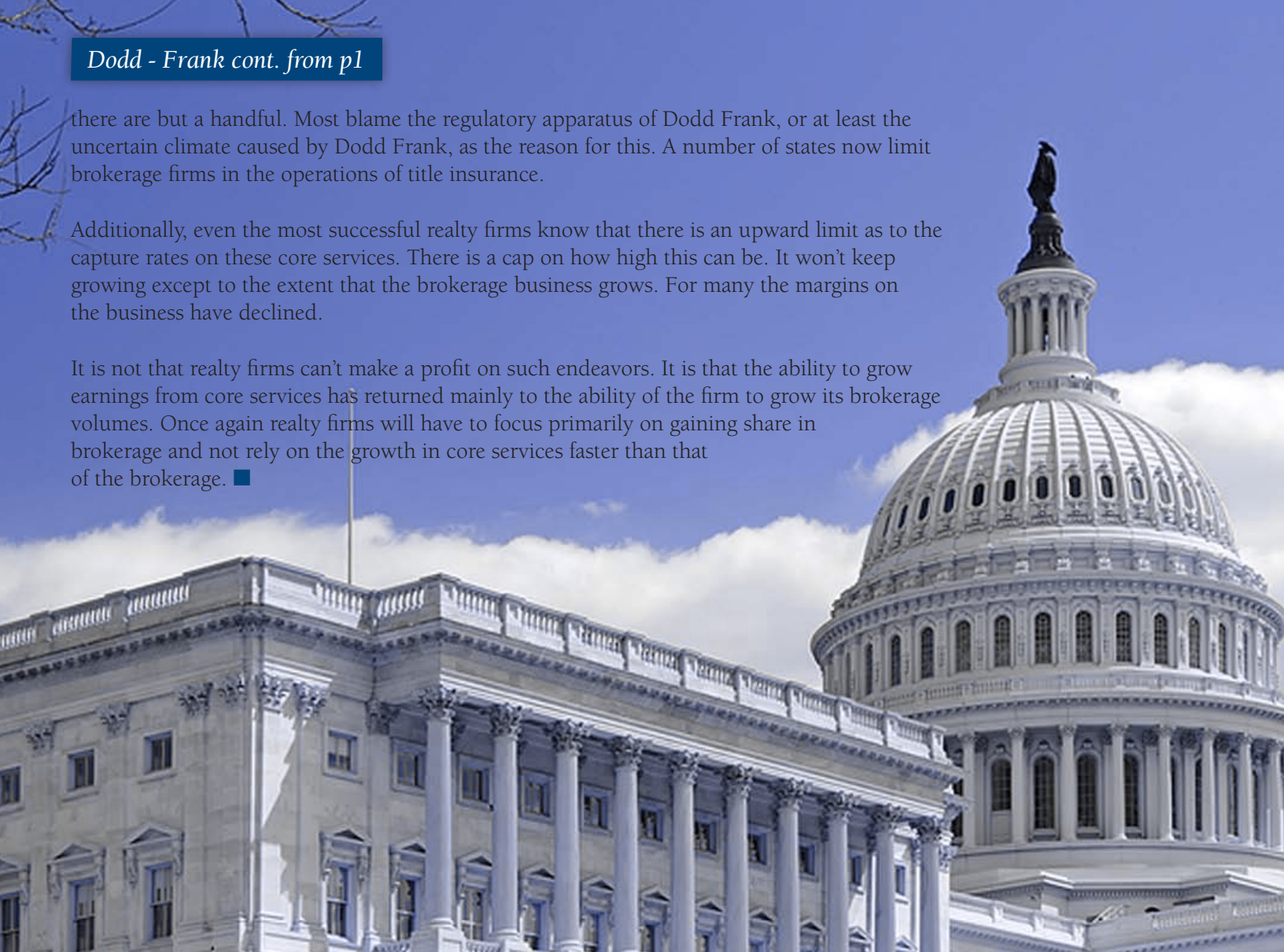


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there are but a handful. Most blame the regulatory apparatus of Dodd Frank, or at least the uncertain climate caused by Dodd Frank, as the reason for this. A number of states now limit brokerage firms in the operations of title insurance.

Additionally, even the most successful realty firms know that there is an upward limit as to the capture rates on these core services. There is a cap on how high this can be. It won't keep growing except to the extent that the brokerage business grows. For many the margins on the business have declined.

It is not that realty firms can't make a profit on such endeavors. It is that the ability to grow earnings from core services has returned mainly to the ability of the firm to grow its brokerage volumes. Once again realty firms will have to focus primarily on gaining share in brokerage and not rely on the growth in core services faster than that of the brokerage. ■



NOW YOU KNOW

Want to know how much health insurance premiums may cost under the new healthcare reform? Use this Kaiser Foundation calculator to see an estimate of 2014 premiums for health insurance through the Affordable Care Act's federal exchange.
<http://kff.org/interactive/subsidy-calculator/>



Are We About to Be CFPBoed?

Where has this regulatory upstart been hiding and how will it impact real estate?

Jeremy Conaway, contributing editor

In an announcement that read more like a declaration of war than a press release, the Consumer Finance Protection Bureau (CFPB) said that it was considering expanding its already uncertain jurisdiction to the consumer credit reporting industry.

So what is this not-so-mild mannered regulatory upstart and where has it been hiding? Created in 2011, the Consumer Financial Protection Bureau (CFPB) is an independent federal agency that holds primary responsibility for regulating consumer protection with regard to financial products and services. The CFPB was created following passage of the Dodd–Frank Wall Street Reform and Consumer Protection Act, the government’s response to the financial crisis of 2007-2008 that played a significant role in creating the Great Recession. Following a novel attempt by Republican lawmakers to block his appointment, Richard Cordray from Ohio was named CFPB director.

The Impact on Mortgages

The CFPB’s somewhat unclear jurisdiction includes but is apparently not limited to, banks, credit unions, securities firms, payday lenders, mortgage-servicing operations, foreclosure relief services, debt collectors and other financial companies. Its most pressing concerns to date have been mortgages, credit cards and student loans.

The Bureau has spent the past year investigating every aspect of the mortgage industry and is prepared to unleash a bundle of more than 900 separate mortgage-related regulations—many of which will become effective in January 2014.

Even the most cursory review of these proposed regulations and their probable impact upon the real estate marketplace makes it clear that consumer protection may favor denying consumers the ability to qualify for a mortgage. This approach suggests that the agency assumes that the mistakes made by the mortgage industry in the early 2000s were being made throughout the past 25 years. Accordingly, the new regulations seem to protect consumers, not against practices that existed for a relatively short period of time, but rather from the worst mortgage practices that could happen. It’s like designing driving rules that assume most drivers are drunk.

By way of example, the proposed regulations may include a provision that if, at closing, a HUD-1 statement varies more than \$100, the transaction must be delayed for at least three more days. One can only imagine how thankful consumers and their small children living in hotels with their belongings on a truck will feel especially during high activity seasons when closing agents may not be available for another week. The myriad collection of potentially punitive regulations includes coverage of underwriting standards (they’ll be stricter), an ability-to-pay rule (stricter on the consumer), a cap on income-servicing debt, a prohibition against balloon

payments and yet-to-be-defined lender compensation rules.

Controversial QRM

One of the most active areas of controversy has been over the term qualified mortgage (QM or QRM). The agency’s original recommendation was quickly deemed to be draconian. In response, and to their credit, the various stakeholders returned to the bargaining table. The proposed new QRM rule, now



Illustration: Kirk Anderson

approved jointly by six government agencies, may eliminate stricter down payment rules that the initial version of QRM would have created. Under the revised

The proposed regulations may include a provision that if, at closing, a HUD-1 statement varies more than \$100, the transaction must be delayed for at least three more days. One can only imagine how thankful consumers and their small children living in hotels with their belongings on a truck will feel especially during high-activity seasons when closing agents may not be available for another week.

proposal, borrowers must provide income documentation that they can repay the loan and that their debt-to-income ratio does not exceed 43 percent, among other seemingly reasonable requirements.

Brokerage Impacts

Another target of the CFPB regulatory blitz may be decades old mortgage marketing arrangements by some of the nation's most prestigious brokerage firms. Somewhere in the 900 regulations these arrangements are significantly impacted. Information and analytics provider CoreLogic has suggested that some versions of the proposed regulations would have a chilling effect on as many as 50 percent of loans issued in 2011.

Time to Monitor

Only history will determine whether CFPBs sense of consumer protection ultimately protects or prohibits. In the meantime, the real estate industry should closely monitor these new regulations and prepare for a possibly unpleasant sales season in spring 2014. It is inconceivable that the mortgage industry will be in a position to comply with the hundreds of new regulations. These regulations are still undefined and subject to final approval. There is no grace or forgiveness period attached to the regulations. Considering the penalties attached to any violation of these new regulations, it is safe to say that the mortgage industry will think carefully about launching into operations under this new regulatory pattern without a long period of training and work process review. Some experts suggest that an industry shutdown during January and/or February may be necessary. ■

Possible Impacts of Dodd-Frank

There's a New Sheriff in Town

Jeremy Conaway, contributing editor

The mortgage industry is about to go through some major changes that will impact everyone. Here are some things to think about:

- **Per-transaction profits have been steadily falling.** The figure in the third quarter of 2012 was \$2,465. For the fourth quarter of 2012, it was \$2,256, and for the first quarter of 2013 it was \$1,772. Regulatory compliance is an expensive activity, and there is no way that these new regulations won't add significantly to the cost of a mortgage for the next few years, especially as the parties work through lawsuits, regulatory enforcement actions and attempts at legislative reform.
- **Mortgage interest levels may rise.** While most baby boomers can clearly recall the 13 to 15 percent mortgage rates of 1980, most of the millennial generation considers anything above 4.5 percent to be armed robbery. Moreover, it isn't clear that their precarious financial balancing act would survive a 6 percent mortgage environment. A couple of very successful 28-year-old trial attorneys (closely related to our family) with a current combined income of over \$130,000 per year are wondering if their house-owning aspirations will survive their student loan payments.

- **There may be increased regulation.** There is one more factor that the real estate industry might want to monitor. The real estate industry has been quite fortunate with respect to regulation over the past many years. RESPA turned out to be a bookkeeping challenge and state licensure morphed into a state government cash cow leaving the industry largely unregulated. There is a new, very ambitious, sheriff in town. This new sheriff has spent the past 18 months microscopically examining the circumstances that led to the housing crash. One might suspect that this examination has yielded a number of conclusions, including the fact that most consumers who listened to their mortgage lender also listened to their real estate professional. It is possible that this new sheriff might take a closer look at agent practices, such as off-MLS marketing and the success of this new market. Just a thought. ■



Broker Builds Program to Recruit Military Vets

Vets to Reps

Interview with Tracey Velt

Metro Brokers Inc., Better Homes and Gardens Real Estate in Atlanta rolled out an innovative training program aimed at military veterans who want to build a career in real estate. REAL Trends spoke with Craig McClelland, COO, to find out how the program works. Here's what he said:

REAL Trends: How did the Vets to Reps program come about?

McClelland: The program came together quickly. We started working on it in January 2013 and rolled it out in February. Some firms we were working with talked about how many companies were marketing to vets but that those programs aren't working out.

“We saw a need as more vets were coming back to high unemployment. We felt we could help out a little by creating a program” —Craig McClelland

We also saw that CareerBuilder was doing some programs focused on vets. We saw a need as more vets were coming back to high unemployment. We felt we could help out a little by creating a program. We'll front the money to help these vets get licensed and up and running.

The truth is that vets are a hard working, disciplined group of individuals who have a can-do attitude. We realize that this program isn't anything new; it just opens doors to people who don't have money or capital to get into the business.

REAL Trends: How does the program work?

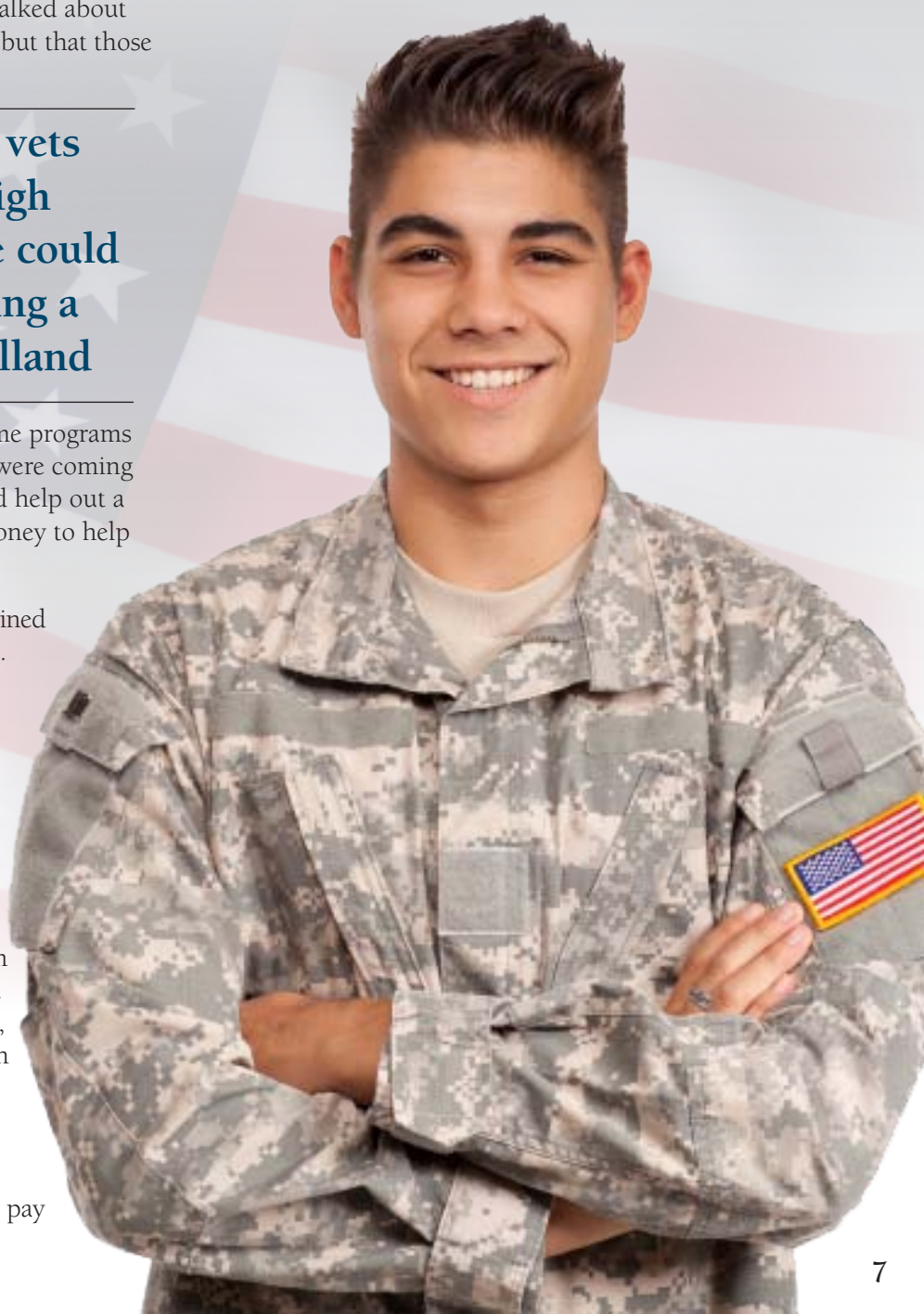
McClelland: We take care of all the school costs and six months worth of real estate costs for veterans in the program. These soldiers needed support systems. They were coming from active duty. Working with civilians was a big leap. This provided a transition. After they get licensed, they come through our training program, which is wrapped around our Accelerator training.

There is a vetting process. We're looking for discharge paperwork or military ID. That's all they need to be qualified for the program. We pay

to bring them through our Metro Brokers Academy. Once they graduate, they sign a 24-month commitment to stay on with us.

We don't pay to market the program because we made a conscious decision to spend the money on the vets. We spent a lot of time talking to military transition coaches and recruiters who told us to reach out organically. It's a grassroots program.

For more information, go to www.metrobrokers.com/careers/veterans ■



Focus On: Bruce Zipf

President and Chief Executive Officer, NRT LLC

Interview with Tracey Velt

Zipf focuses on guiding the strategic direction of the organization, including the company's finance, acquisitions, marketing, legal and human resources functions. REAL Trends spoke with Zipf about his career.

REAL Trends: Tell us about your career path.

Zipf: My family has been in real estate for a long time. My father was a developer and always built and sold his own homes. He didn't believe in using a real estate broker to sell. I would clean the houses to get them ready to sell. I would also sit at the house for open houses. If it sold, I got \$1.

After college, I worked as an accountant at Ernst and Young. One of my accounts was a large regional real estate brokerage, and they offered me a position as chief financial officer. So, I started on the financial side but eventually was embedded on the operational side. Coldwell Banker acquired that company in 1991. I worked closely during that period with Bob Becker, the former chief executive officer. He took me under his wings and formulated a strong relationship with me. Before I knew it, I was doing his job.

REAL Trends: How do you do business differently? What makes NRT unique?

“Our focus has always been on making sure that we cultivate and develop the best real estate people because our quest is to be viewed as the place to be in real estate.” —Bruce Zipf

Zipf: My business philosophy has been that people make the biggest difference. Our focus has always been on making sure that we cultivate and develop the best real estate people because our quest is to be viewed as the place to be in real estate. We focus a lot on making sure from quantifiable level that we have the right people, so we're maximizing the performance of the company. If that's enhanced everyone prospers. That's fundamental to the way I manage the business.



NRT is unique is because of our reach. We're a national real estate company operating in 35 of major metro markets in the United States. That is unique to the industry because real estate has been a cottage industry, local and regional. We've been able to understand that it is about relationships. It's a local business, but our national reach as the world becomes more global is unique.

REAL Trends: Do you have any hobbies outside of your career? Family?

Zipf: I am a Jersey shore guy. I grew up down the shore, so it's in my blood. I am an avid fisherman and get out on the ocean as often as I can. I've been married for almost 30 years to Marianne. We have a son, Michael, who is in public accounting.

REAL Trends: What are you passionate about as it relates to your business?

Zipf: I'm most passionate about making a positive difference. I view my role as setting the direction but making sure our company makes the difference in people's lives. We want to make a difference in the lives of sales associates, employees and buyers and seller.

I want to make a positive impact on the people we touch and that's a drive and focus I always have. ■

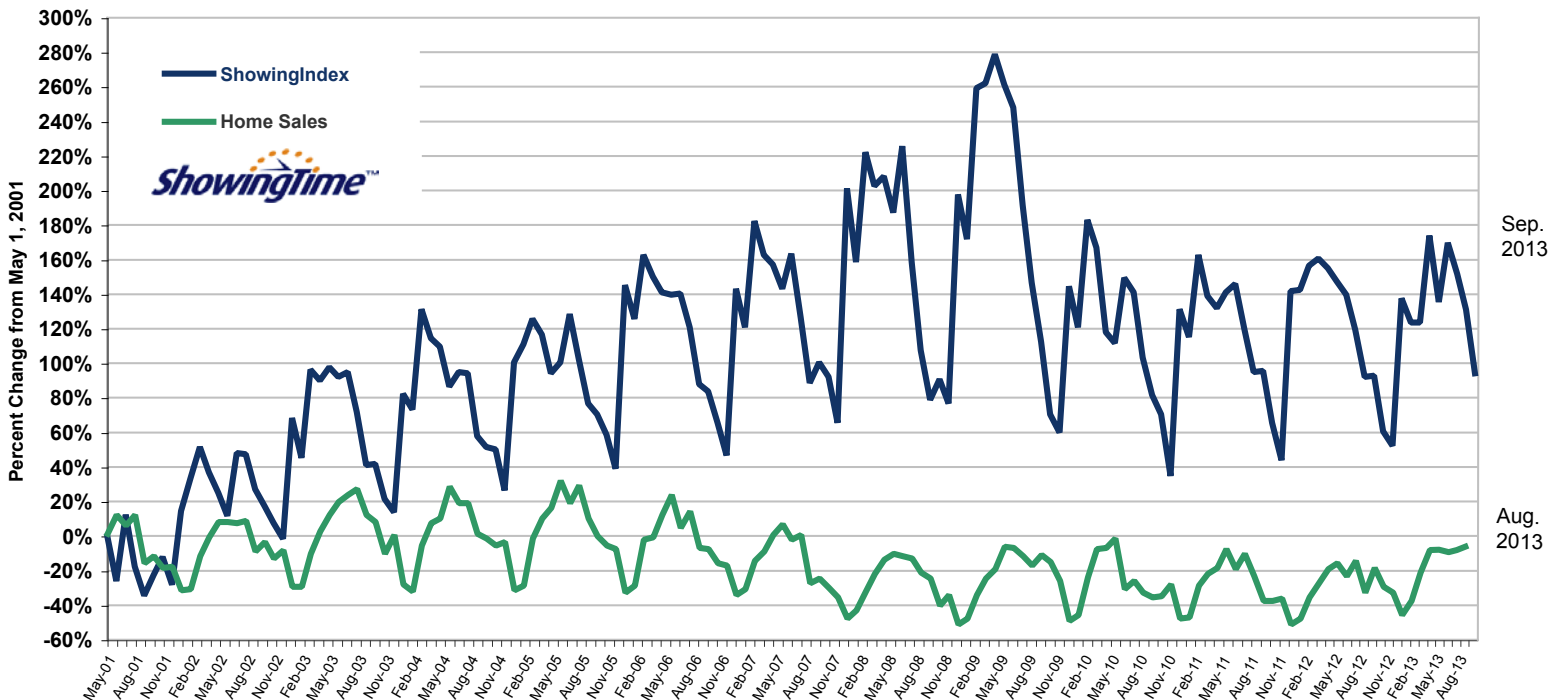
Looking for tips and strategies on everything from business practices to marketing and technology? Check out the REAL Trends blog at www.realtrends.com/blog.

NOW YOU KNOW

One of the basic dynamics in a negotiation is the Need/Power Dynamic, according to Larry Kendall of Ninja Selling (ninjaselling.com) In multiple offers, the buyer starts out in the High Need/Low Power position and the seller is in the Low Need/High Power position UNTIL a contract is signed. Then the positions suddenly reverse and the buyer is in the Power position. Remember this when you are negotiating.



ShowingIndex - Leading Indication of Home Sales



Source : "Housing Sales" is the actual property sales statistic as reported by the National Association of REALTORS. The "ShowingIndex" is a moving trend statistic that tracks the rate of showing appointment requests from the websites of more than 60 real estate companies throughout the U.S. 40 of the companies are Top 100 companies as reported by REAL Trends.

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REAL Trends

HOUSING MARKET REPORT SEPTEMBER 2013



The REAL Trends Housing Market Report for August 2013 shows that the rate of housing sales increased strongly in August 2013, growing 13.7 percent from August 2012. This is a continuation of the powerful surge in housing sales that started in September 2011.

Home Sales Surge in August

“August 2013 sales of new and existing homes were surprisingly strong, especially in view of the rise of mortgage rates over the past few months,” said Steve Murray, editor of the REAL Trends Housing Market Report. “Historically when a recovery drives rates up buyers increase their buying activity to beat the rise in rates. We saw that in the July 2013 results. August results showed a decrease in the annualized rate of homes sales, which was also expected. Inventories continue to constrain sales as well and although homes available for sale have increased they remain below historical levels of balanced housing markets.”

“Historically when a recovery drives rates up, buyers increase their buying activity to beat the rise in rates. We saw that in the July 2013 results.” — Steve Murray

The annual rate of new and existing home sales for August 2013 was 6.344 million up from 5.581 million recorded in August 2012 but down slightly from the rate in July 2013.

The average price of homes sold increased by 9.3 percent in August 2013 compared to August 2012 and up from the year over year increase of 7.2 percent recorded in July 2013.

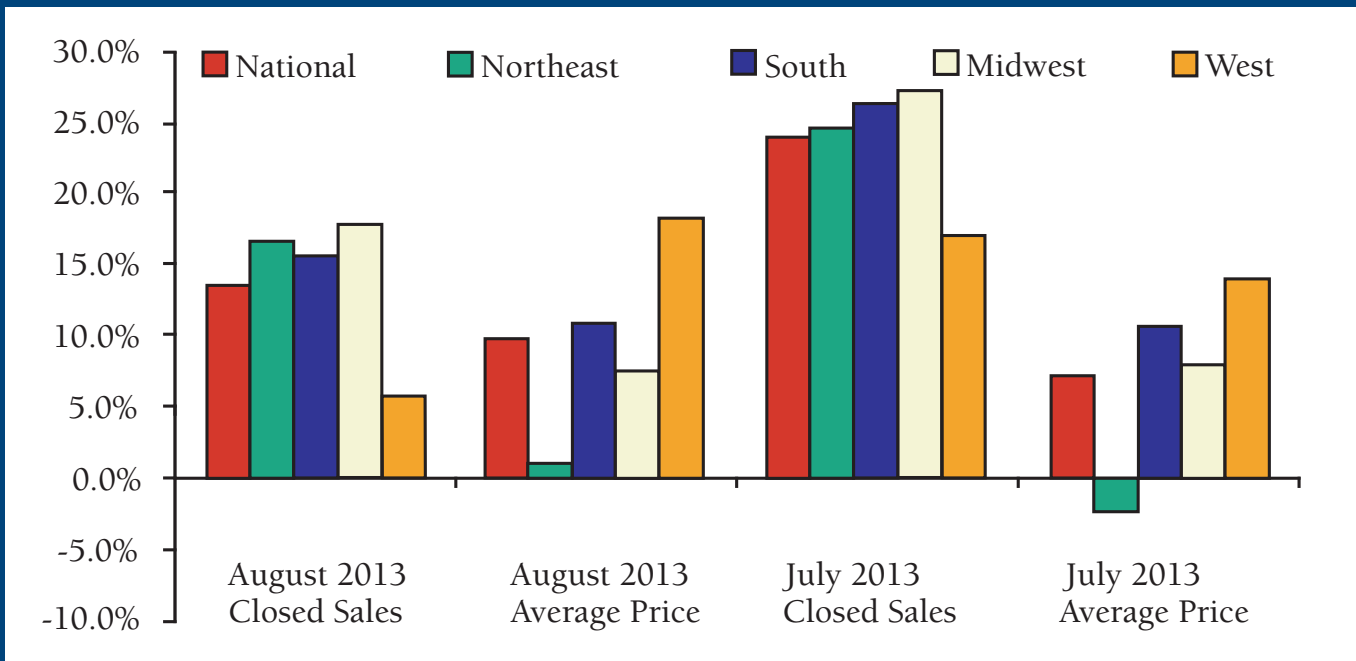
Housing unit sales for August 2013 were up 17.7 percent in the Midwest, the strongest showing in the country. The next highest region was in the Northeast region at 16.7 percent, the South region was up 15.4 percent and the West was up 5.5 percent.

The average price of homes sold in August 2013 increased 9.3 percent across the country, up significantly from the results in July 2013. The West had the best results with the average price of homes sold increasing 18.2 percent followed by the South region at 10.7 percent and the Midwest at 7.6 percent. The Northeast region saw prices move upward by just 0.9 percent, which was an improvement over the prior month. ■



REAL Trends August/July Housing Market Report (Versus same month a year ago)

	August 2013 Closed Sales	August 2013 Average Price	July 2013 Closed Sales	July 2013 Average Price
National	+13.7%	+9.3%	+23.8%	+7.2%
Regional Report				
Northeast	+16.7%	+0.9%	+24.5%	-2.3%
South	+15.4%	+10.7%	+26.3%	+10.7%
Midwest	+17.7%	+7.6%	+27.1%	+7.8%
West	+5.5%	+18.2%	+17.0%	+13.9%



Advertising Opportunities in REAL Trends

Contact Doniece Welch at dwelch@realtrends.com or 303-741-1000.

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Introduction to Remarketing

Find out how this smart browser technology can help your brokerage.

Travis Saxton, REAL Trends technology and marketing manager

You're browsing a website or checking your Gmail, and an ad for something you were just looking at is displayed on your screen. You're a golfer, how do they know to display a gadget that's similar to one you were just looking at? A little creepy, right? Do you feel like you're being watched? Enter Google Remarketing.

This is a highly effective and highly targeted form of online advertising. With so many real estate sources and websites out there, when you get a visitor to your website, you want to remind that person to keep using your site—even after they leave. Remarketing does that. By tying in your website with Google Adwords, remarketing allows you to be particularly

Remarketing helps you turn unconverted visitors into new business opportunities.

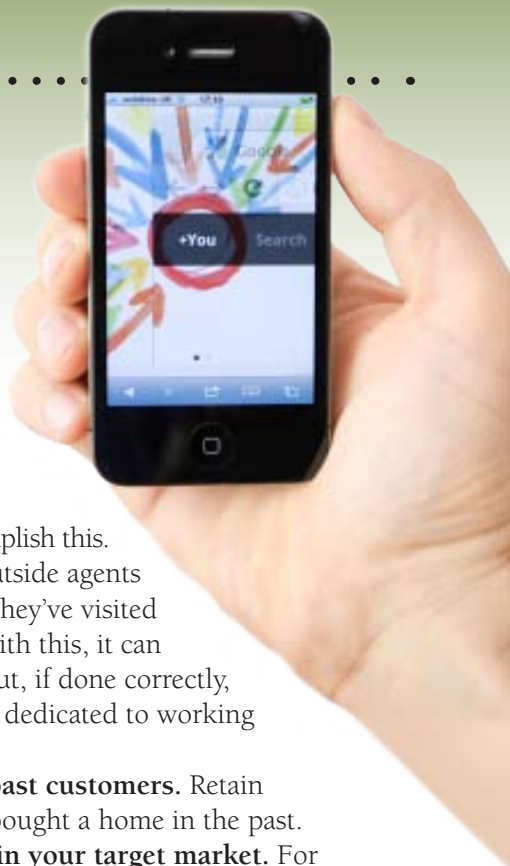
smart with your online advertising. It's a cost effective way to broaden your reach, bring potential customers back to your site, lower your cost per click and increase conversion rates. Remarketing helps you turn unconverted visitors into new business opportunities. After a visitor visits your site and leaves, they have been added to your bucket of potential users that can be added to a targeted list. When they are visiting other sites, you can show them display ads based on the targeting that you set, which increases the likelihood that they will return to your site and perform a goal conversion.

How it Works

First, you access the Google Analytics data you have for these customers. This is data from their previous visits, like goal completions and pages viewed. That will allow you to show them targeted ads on the Google Display Network (via Google Adwords) for the products or services in which you know they're already interested.

Here are some of the highly targeted real estate Adwords campaigns you can create:

- **Bring them back.** Bring real estate searchers back, those who were browsing but did not contact you.



- **Target similar properties.** They may have looked at a \$500,000 home but missed a few similar properties. Advanced remarketing can accomplish this.
- **Recruiting.** Follow outside agents around the web after they've visited your site. Be careful with this, it can border on annoying but, if done correctly, can show that you are dedicated to working with them.
- **Keep in touch with past customers.** Retain customers who have bought a home in the past.
- **Win new customers in your target market.** For example, narrow your list to include Northern California visitors who have watched one of your latest videos.

To employ remarketing, you may either select from predefined remarketing lists in Google Adwords or create your own customized lists in Google Analytics. Then, you choose from your custom remarketing lists within Adwords and create your targeted campaigns. For those of you who aren't do-it-yourselfers, REAL Trends employs these strategies for several brokerages and delivers an effective lead generation tool. Contact us today for more information—303-741-1000 or tsaxton@realtrends.com ■

Benefits of Google Remarketing

- 300 to 400 percent Conversion Rate Boost (compared to standard ads based on Google 2012 data)
- Lower Cost Per Action and Higher Click Through Rate
- Expand your reach and influence users to return to your website (re-engage lost customers).
- Connect with exactly the right customers using rich online insights.
- Deliver targeted Google Display Network ads based on your specific customer segments.
- Reach more than 2 million websites on the Google Display Network.
- Google Analytics tracking codes now have built-in compatibility for remarketing. This means that websites using Google Analytics will now only require one tracking code, rather than two.

Regulatory Demand for Data

Adapting to the new world of financial services investigations.

By Anthony DeSantis, principal and
Mike Brodsky, director, Deloitte

“[W]e need C++ programmers, algorithmic high-frequency trading people, people who worked on trading desks working on models . . . people with a level of technical and market expertise that’s somewhat unprecedented.”

Someone could easily interpret the talent call above as describing the IT-and-analytics wish list of a sophisticated investment firm dealing in exotic instruments. The reality, however, is quite something else.

The words come from Gregg E. Berman, who was named associate director of the Office of Analytics and Research in the U.S. Securities and Exchange Commission (SEC) Division of Trading and Markets in early 2013. Established in 2012, the Office of Analytics and Research has both the mandate and tools to assemble “an unprecedented aggregation of trading information data”. Berman oversees “research and analysis that will help inform the Commission’s policies on markets and market structure.”

The high-powered technical team taking shape in the Office of Analytics and Research is supporting the SEC’s drive to gain “dramatically better insight into the function of a market that moves many millions of dollars in millionths of a second.” Such insight could lead to faster identification of troublesome or illegal behavior, as well as help improve understanding of events such as mini-flash crashes.

The SEC’s increased analytics and research activity could raise the likelihood of more rigorous, real-time monitoring of markets and financial services organizations’ business operations and trading activities, as well as the potential for investigations, regulatory inquiries, and overall demands for company data. Companies can be better prepared for such possibilities by gaining greater understanding of their data and their information technology (IT) systems from both business operations and compliance perspectives. Additionally, continuous monitoring of their trading activities can help demonstrate to the SEC that they not only have a rigorous compliance program in case something goes wrong, but that they also police that program regularly to confirm its effectiveness — an effort that can hold weight with the SEC should an investigation be launched.

Applying the MIDAS Touch

Employing its new Market Information Data Analytics System (MIDAS), the SEC’s growing team of technical and market specialists can capture and analyze data on “all orders posted on the national exchanges, all modification and cancellation of those orders, all trade execution of those orders, and all

off-exchange executions.” This analysis could help provide a more holistic view of organizations’ activities, including possible issues associated with trading or market timing.

Among transactions likely to receive scrutiny are trades in complex instruments, such as mortgage-backed securities, which may not trade openly in active markets. Large financial institutions may also be a particular focus because of their role in the 2008 financial crisis.

A claimed violation of wage and hour laws might lead to requests from state and federal labor agencies for hourly wage data for thousands of employees.

Regulators other than the SEC may also want data residing in enterprise systems. For example, a claimed violation of wage and hour laws might lead to requests from state and federal labor agencies for hourly wage data for thousands of employees.

Potential Compliance Problems

The availability of so much data in the hands of regulators who have sophisticated analytics and research capabilities could lead to a significant increase in overall disclosure requirements and, of perhaps greater concern, more short-notice requests for information about an organization’s activities. For example,



the SEC and other government agencies might initiate investigations into how organizations record and treat the accounting of certain trades and other activities.

For some organizations, such requests could be difficult to fulfill for several possible reasons:

Data control issues. Various factors can affect the quality of data available to meet discovery demands. For example, an organization may receive a regulatory request for the entire population of a certain type of transaction or transaction series. However, a lack of adequate data controls, data

For some organizations, such requests could be difficult to fulfill for several possible reasons.

standards, and integration between systems may result in certain people or divisions within the company using different data fields, populating fields using data types and attributes that others don't use, or data simply being "lost" as it flows from one system to the next. Queries of this data universe may produce robust information in some instances, and far less helpful data from others.

The "free text field," which allows inclusion of notes and commentary related to a dataset, illustrates the risks involved for three reasons. One, certain areas of a financial institution may actively use the free text field as a helpful tool to capture pertinent information about a trade, business transaction, or the intent of a transaction. However, other areas may not use the field, or may characterize transactions in a different manner. Two, the absence of standardized values for free text can create problems in accurately diagnosing or reporting on situations and issues requested by authorities. This situation thus may lead authorities to question why different parts of the business can't communicate and provide consistent

data. And, third, free text fields can hold clues provided by employees who enter comments that, intentionally or unintentionally, point to trading problems before or after the fact. These fields should be monitored regularly for potential red flags that directly or indirectly point to potential issues.

Inability to recreate actual transactions. As part of their inquiries, regulators may request to see the full life cycles of the transactions they are interested in – i.e., from the buy to the sell and the ultimate accounting of each trade. This often means that organizations need to recreate actual transactions in a manner that their systems are not designed to do. Such barriers to compliance with the request, while explainable, may hold little sway with authorities.

Order processing-related issues. Problems can arise simply from not understanding how a transaction is routed through the organization. Once a trade is entered on a terminal, the associated data passes from the front office where the trade took place, to the middle office for recording and trade execution, and then on to the back office for accounting. It's not uncommon for data inconsistencies to arise or data not to be passed from one system to the next, as the system interactions in the course of this journey may have different intended purposes than that of the regulatory request, making it difficult to explain exactly what took place. Moreover, the systems for order entry, processing, and recording transactions may be different, and the types of data from each may vary depending on business requirements.

M&A and divestiture complications. An organization that has grown through acquisitions and mergers may have difficulty responding to information requests simply because systems can't talk to one another. Or, an organization could have spun off a division whose transactions had only been coded in the name of the parent company. Regulators could request transaction information related to the spun-off company, but the organization's data library isn't granular enough to determine which piece of the institution it was. As a result, considerable time and effort could be required to figure out exactly what operations were involved and provide the required information.

Operational and system flaws. Some organizations may have systems that have been modified to adapt to new needs. Or, lack of forethought regarding what regulatory purposes systems will be used for can lead to problems. For example, organizations have faced penalties for underpayment to exchanges because their systems captured all transaction participants as "customers," rather than assigning them to categories such as market maker or broker.

Addressing the Issues

The SEC's drive to understand and address trading issues is akin to other government initiatives that are compelling companies to improve their data analysis capabilities. The

SEC enforcement of the Foreign Corrupt Practices Act (FCPA) is compelling companies across industries to perform analytics and implement processes, procedures, and controls that reflect good faith efforts to comply with FCPA anti-bribery provisions.

Whether the issues relate to foreign operations, or securities trading, companies subject to increased government oversight face a common reality: ignorance of legal and regulatory requirements is no longer a defense, and the belief that the regulators only go after big cases is invalid, as recent insider trading cases demonstrate. For their part, financial services companies facing potentially greater scrutiny because of the work of the SEC's Office of Analytics and Research can benefit from:

Assessing data in advance. Examine the availability, content, and depth of data. Look for instances where similar types of data in various silos can lead to inconsistencies in data treatment across the company. Even if your organization has confidence in the completeness and accuracy of the numbers themselves, it's important that the data which is ultimately reported and the underlying data fields are consistent. As you assess your data, consider whether disparate data can be centralized to aide in consistency and responding to regulator requests.

Taking inventory of and knowing systems.

Understanding what systems you have, their capabilities, their potential weaknesses, how they're utilized, and how they communicate with one another can help you respond more quickly, effectively, and completely to discovery and regulatory requirements.

Testing controls. When issues such as exchange fees or transaction accounting surface in news accounts or elsewhere, it can be a good time to get ahead of the game. Examine your data and related controls to determine whether you face similar exposures. Ask yourself, could we respond to a request to produce this type of information? Then monitor these controls regularly and record the results so you can demonstrate to investigators, if necessary, that you both have controls in place and test them consistently for effectiveness on an ongoing basis.

Having the right people at the table. An institution facing a regulatory request or inquiry may just bring the business side to the table and look to the information technology (IT) function to provide extracts and incremental information. Instead, it is important to involve not only people on the business side who understand the bigger picture and can help in strategizing beyond the immediate requirements but also the IT personnel who can provide information about what data is available, what systems should be reviewed and what the challenges may be. Having IT personnel aware of the issue or

purpose of the request may allow them to suggest alternative strategies or more completely fulfill the request based on their understanding of the systems and their capabilities.

Being ready on day one. If your organization engages in a merger or acquisition, you often assume liability for the accuracy and completeness of the acquired company's data immediately upon closure of the deal. Everything the company has done in the past often becomes your responsibility, so know what you're acquiring in terms of data and systems, test existing controls, and put an integration plan in place. Also, involving people in the transition who understand the interplay of data between systems, as well as the fundamentals of data archiving and data warehousing, can help make data retrievable and usable in the future. At the very least, assessing and inventorying the data environment is important to being able to respond to future inquiries.

At the very least, assessing and inventorying the data environment is important to being able to respond to future inquiries.

Get help if you need it. Meeting regulatory demands requires reasoned, timely, and thorough response. Organizations that lack the experience and resources to do so can benefit from obtaining a range of outside support for the process.

Staying Ahead

Regulators are assembling the resources and expertise to gain an unprecedented view of the data flow that powers today's financial markets. Market participants, and the data they'll be expected to provide, will be key resources in the government's efforts. Organizations that understand regulator expectations, carefully assess their own data profiles and needs, and implement processes, controls, and mechanisms for ongoing monitoring that equip them to meet compliance requirements can be better positioned for an era of more intense oversight and scrutiny.

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DOES YOUR WEB SEARCH NEED WORK?

A recent study by Citi shows that real estate buyers who search the Internet want more details.

First-time buyers rely on online searching to find properties and gain control of the process. They also experience more difficulties, according to a recent Citi Bank Study entitled "Path to Purchase," which says that 33 percent of those polled think that online sources have room for improvement. More detailed and current information and visuals would have helped them.

Here's what you can improve on your website:

Property information 54%

- More complete/clear descriptions of the property
- Up-to-date listings
- Accurate/not deceptive
- Square feet of rooms/lot
- Uniform format of information

Pictures / graphics 25%

- More pictures that are more detailed and current

Website 17%

- Easier to use, search, navigate
- Easier to filter/sort properties

Financial information 10%

- Information about price, tax assessment, fees for homeowner/condo association

Base: 327 who found something lacking in the online sites. ■



Home Shopper Survey: Property search hits and misses

Numbers are percentages combining "strongly agree" and "somewhat agree"

■ First Time Buyer ■ Experienced Buyer

My online search helped me better define desirable property features



I spent many hours searching for properties online



Online search significantly broadened the number of properties for consideration



My online search made me feel in control of my home-buying process



Most online databases provide reliable information about properties



There are too many online real estate sources



Searching online was difficult and confusing



Base: Buyers who searched online and intenders who selected property and searched online.

Young Money Entering the Luxury Real Estate Market

Wealthy younger buyers are twice as likely to be considering a residential property purchase next year compared to those age 55 and older.

A new survey by Coldwell Banker Previews International® and the Luxury Institute finds that wealthy younger buyers are driving the luxury real estate market, and they are willing to pay more than similar wealthy buyers age 55 and older.

According to the survey of Americans age 21 or older with a minimum gross annual household income of \$250,000, 43 percent of younger wealthy consumers are considering the purchase of residential property in the next 12 months, compared to 21 percent of those age 55 and older. On average these younger wealthy consumers spent more than \$2.1 million on their most recent purchase of residential property, approximately twice the average amount spent by older and similarly wealthy luxury buyers, which was \$1.1 million.



43 percent of wealthy buyers age 21-54 are considering a home purchase in the next 12 months, compared to 21 percent of wealthy buyers age 55 and older.

So what are they buying? The survey found:

- Younger buyers are significantly more likely than wealthy buyers age 55 and older to want homes with amenities such as a pool, outdoor kitchen, home gym, home theater, wine cellar and four or more garages.
- Wealthy consumers under age 55 are more than twice as likely (23 percent) to value Green or LEED certified residential properties than their older counterparts (11 percent).
- Open floor plans and a fully automated and “wired” home environment are the top features wealthy consumers, regardless of age, say have become important to them in the last three years. Less importance is placed

on staff quarters, tennis/sports courts and separate catering kitchens.

Additional Survey Findings

- They may jet set internationally, but they are buying in the United States. Only 6 percent of wealthy homeowners surveyed own residential property located outside the United States.
- For the majority of luxury buyers, location is the most important factor when considering the purchase of residential property. Seventy (70) percent of wealthy consumers identified location as the most important factor in their last residential purchase. Other elements included the condition of the property—brand new with no work required, as opposed to needing major renovations (10 percent), price (8 percent), home amenities (6 percent) and view (6 percent). The most commonly cited reason for wealthy consumers not considering the purchase of a residential property was the desire to keep assets liquid (24 percent).
- However, nearly one in four have the freedom to choose a property anywhere. Overall, 22 percent of wealthy consumers, and 24 percent of wealthy consumers with a net worth of \$2 million and greater, have more freedom to choose a residence that truly fits their lifestyle and will not limit their search based on location.
- The wealthier they are, the more they spend on real estate (by far). On average, wealthy consumers with a gross annual household income of at least \$400,000 spent 225 percent more on their most recently purchased residential property than those with incomes between \$250,000 and \$399,999 (\$2.58 million vs. \$792,000).
- Interest rates matter, even for the wealthy. More than one in three (39 percent) wealthy consumers listed low interest rates as a reason for considering a residential real estate purchase, making it the most commonly cited motivation amongst wealthy consumers. Other frequently listed motivations were the desire to own a property in a specific location (35 percent), viewing the purchase of residential property as a good investment (32 percent) and the desire to own another residence (31 percent).

Find the full survey findings at <http://previewsinsideout.com/news/previews-wealthy-consumer-survey>. ■

UPCOMING EVENTS:

January 22-24, 2014

2014 REAL Trends Institute for Emerging Leaders
The Westin Denver Downtown

In January, join us for the REAL Trends Institute for Emerging Leaders—a conference for future leaders in our industry. The program features expert advice about policies that have worked in the real world in several key areas. Attendees will participate in workgroups and be given case studies to work on and report back to the conference as a whole. The goal is that each participant will be given the benefit of working with other young professionals and hearing the collective input of many bright minds in tackling the toughest issues of the day.

Emerging Leaders is limited to no more than 60 individuals. There are no age limits or experience requirements.

April 30-May 2, 2014

Four Seasons Resort, Dallas at Las Colinas

President George W. Bush is the keynote speaker at this can't-miss event! General session topics include moderated discussion on second generation leaders, developing leaders in your firm and the benefits of private franchising of your brand.

For more details on these events, please contact Daniele Stufft, conference manager, at dstufft@realtrends.com or call 303-741-1000.

REAL Trends Launches New E-Newsletter

Check your inbox for the REAL Trends Tech Touch, a weekly e-newsletter highlighting technology reviews, performance studies, brokerage tech case studies, product launches and more. For more info, or to subscribe, go to <http://www.realtrends.com/technology/tech-touch>. ■



Last Chance!

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The 2013 REAL Marketing and Tech Summit “Collaboration with the Best”

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