



Southern Building Material Association's
Management Newsletter

July 1, 2011

"The Voice of the Carolinas, Tennessee and Virginia Building Material Industry."

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SUMMERTIME is Here!!

Time to Register for SBMA's EVENT OF THE YEAR!!

July 4th 2011 will soon be a memory. We're in mid-summer. BUT, it won't be many more weeks before the kids are back in school and going back to college! We have one last event for you to share with your family before all those changes take place! Join us at Virginia Beach for our EVENT OF THE YEAR!

Bring your family and spend time. Gather new ideas from others who understand where you are coming from and where you hope to go. This vacation can be the best of both worlds for you. Reinvigorate your mind with new ideas, visit with friends and relax!

Don't miss it!! Call us if you have any questions, need additional forms or need help in making your plans! Or you can go to www.southernbuilder.org and print the forms directly from our website!



Housing Czar In The House?

The Obama Administration needs to appoint a "housing czar" with the single purpose of clearing the market of distressed houses, a prominent West Coast economist said. "We need easier credit standards, we need to raise consumer confidence, and a forceful foreclosure abatement policy," Ken Rosen, chair of the Fisher Center for Real Estate and Urban Economics at the University of California Berkeley, said at the Pacific Coast Builders Conference in San Francisco. "And we need one person, someone where the buck stops here, to get this done."

Housing Shortage?

What the math proves is that while supply and demand may be housing economics' most basic building blocks, debt and deleveraging can at least temporarily suspend their sway. In other words, real demand for housing is as suppressed now at least as much as fake demand for housing was juiced by global liquidity's need for yield in the last decade. *The Atlantic's* Daniel Indiviglio charts



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out, in un-hyperbolic terms, the ways that overbuilding, underbuilding, steadily growing population, and delayed household formation add up to some pretty promising demographic probabilities over the next few years. His kicker line? "If residential construction remains at its current very low rate in the near- to medium-term, once home building does rise again, it may do so quite strongly. When the economy is again running near full strength, we'll probably have a noticeable residential housing shortage on our hands." Good reasons all for home builders to act like their most obstinate, optimistic selves as they weather the next part of this agonizing push for survival. <http://www.builderonline.com/builder-pulse/housing-shortage.aspx?cid=NWBD110624002>

Women 'Drive Housing's Future'

The *Orange County Register's* Jon Lansner caught up with Reach Advisors' principal James Chung at the Pacific Coast Builders Conference in San Francisco, and reports this brainstorm on an opportunity for housing players: "There is a bright spot in American demographic trends. Digging deep into demographics, single, childless women in their twenties are much more likely to graduate from college than their male counterparts. Furthermore, these young women now earn 108% of their male peers. Their better educational credentials make them thrive in the new knowledge-based economy. What this means with respect to new housing is that more thought has to be given to making communities more welcoming to young women. Safety and social connections of like-minded people are a big issue. This also means different housing features than those produced for the traditional nuclear family." Read more at <http://www.builderonline.com/builder-pulse/women--drive-housing-s-future--according-to-reach-advisors--james-chung.aspx?cid=NWBD110624002>

The Ideal House

Keeping up with the Joneses may never again be what it once was. Still, comparisons never cease. CNNMoney's Les Christie compiled a data analysis whose contrarian premise is this: average is ideal. Christie writes, "Nowadays, the real dream house is a family-friendly, four bedrooms, with two-and-a-half bath, 2,200 square-foot home. But as Coldwell Banker's 2011 Home Listing Report shows, what you pay for these more down-to-earth dwellings can vary dramatically depending on where you live. The report compared average prices of the homes in 2,300 town and cities across North America. Among the findings: At an average cost of \$80,000, buying a four bedroom in Lithonia, Ga. is only a fraction of what you'd pay for a similar-sized dwelling in Newport Beach, California where the homes average \$2.5 million." Proof again: all real estate is local, and local where jobs are rules Read the full article at <http://www.builderonline.com/builder-pulse/four-bedrooms--2-200-square-feet--11-markets--one-american-dream.aspx?cid=NWBD110624002>

Tidbits

- ◆ Spencer's Hardware Farm & Garden Center earned the Small Business of the Year Award from the Marion (N.C.) Business Association.
- ◆ The number of borrowers defaulting on their mortgages has dropped considerably compared to a year ago, according to Lender Processing Services'



The percentage of mortgage applications rejected by the nation's largest lenders increased last year. They denied 26.8% of all applications in 2010.

"First Look" report, which analyzed nearly 40 million mortgages. Nearly 8 percent of mortgages were 30 days past due--but not in foreclosure--in May, a significant difference compared to last year at that time. In May 2010, 18.3 percent of mortgages were 30 days past due

◆ A final rule published in the *Federal Register* on June 14 implements section 404 of the Pension Protection Act of 2006. Section 404 amended Title IV of ERISA to provide that when an underfunded, PBGC-covered, single employer pension plan terminates while its contributing sponsor is in bankruptcy, sections 4022 and 4044(a)(3) of ERISA are applied by treating the date the sponsor's bankruptcy petition was filed as the termination date of the plan. (JJ Kellar)

◆ According to Mercer's new *What's Working*TM survey, half of all U.S. employees are unhappy with their current employment. Thirty-two percent of U.S. workers are seriously considering leaving their organizations at the present time, up sharply from 23 percent in 2005.

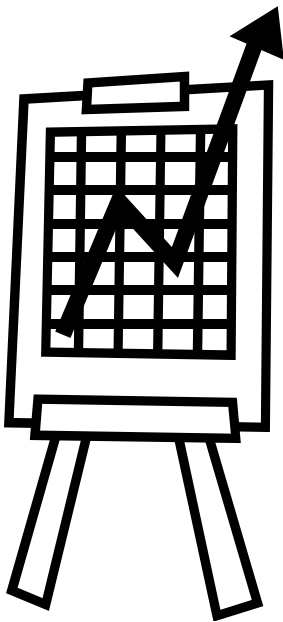
◆ **APA-The Engineered Wood Association** has issued Voluntary Product Standard, PS 2-10– Performance Standard for Wood-Based Structural-Use Panels. The updated standard provides requirements for producing and specifying wood-based structural-use panels. Click here for more information.

◆ Poll results from the National Association of Home Builders show that more than 70 percent of 2,000 respondents--home owners and non-owners alike--support home ownership tax incentives and oppose proposals to end the MID.

◆ "All builders are working in challenging times." However, those that are building green have told us they are not experiencing as much difficulty as others in finding a market for new homes," said Kevin Morrow, NAHB Senior Green Building Program Manager. Read More at <http://www.investors.com/NewsAndAnalysis/Article/576271/201106231537/Green-Building-A-Green-Shoot-In-Construction-Slump.aspx>

Over-Correction in Lending Standards

Has the pendulum swung too far? A *Wall Street Journal* report by Nick Timiraos and Maurice Tamman offers an interactive state-by-state breakdown of mortgage application denials. Timiraos and Tamman writes, "The percentage of mortgage applications rejected by the nation's largest lenders increased last year, spotlighting how banks' cautious lending practices are hampering the nascent housing market recovery. In all, the nation's 10 largest mortgage lenders denied 26.8% of loan applications in 2010, an increase from 23.5% in 2009, according to an analysis by the *Wall Street Journal* of mortgage data filed with banking regulators. Although lenders were expected to pull back from the freewheeling conditions that helped inflate the housing bubble, some economists argue they are now too conservative, and say that with the U.S. economy still wobbly, mortgages need to be easier to obtain for qualified borrowers, not harder." Also, *National Mortgage News* reports that a new Office of Comptroller of the Currency survey shows that 40% of the largest national banks tightened their underwriting standards on residential mortgages during the past year ending in February. Only 8% of the 54 national banks in the 2011 survey eased their



On a seasonally adjusted basis, the CPI-U increased 0.2 percent in May after rising 0.4 percent in April. The index for all items less food and energy rose 0.3 percent in May after increasing 0.2 percent in April.

underwriting standards during that period and 52% left them unchanged. "Qualifying buyers, especially in the entry-level, have been a major issue for builders. Said one home building executive in the halls of the Pacific Coast Builders Conference last week in San Francisco, "I've bought more cars and paid off more peoples' credit cards than I want to think about in the past year." Cancellation rates are obstinately high for this reason too. Read more at: <http://www.builderonline.com/builder-pulse/over-correction-in-lending-standards-leads-to-denial-of-26-8--of-mortgage-applications.aspx?cid=NWBD110627002>

Real GDP Growth – 2011 First Quarter

The Bureau of Economic Analysis released the final estimate of real GDP growth for the first quarter of 2011, revising growth up to a seasonally adjusted annual rate of 1.9%. This is a sharp deceleration from the growth rate of 3.1% in the fourth quarter of 2010. The leading causes were a slowdown in personal consumption expenditures, from 4.0% to 2.2%, and an increase in imports (which subtracts from GDP growth), which rose by 5.1% after declining by 12.6% in the fourth quarter of 2010. Declining government spending at the federal, state, and local levels also subtracted from GDP growth. NAHB

A Way to Make Your Team Smarter.... Add More Women

There's individual intelligence and team intelligence, and the sum of the former often doesn't equal the total of the latter. It's the assertion of *Harvard Business Review* contributors Anita Woolley and Thomas Malone that "There's little correlation between a group's collective intelligence and the IQs of its individual members. But if a group includes more women, its collective intelligence rises." Fact is, most home building organizations, be they father-and-son, mom-and-pop, small outfits, medium-sized firms, or Fortune 100 public enterprises, have too few women in the ranks, particularly on the design, operations, and management front. A good challenge to address when times are slow, and each head count spot is critical. Harvard Business Review full article at <http://www.builderonline.com/builder-pulse/over-correction-in-lending-standards-leads-to-denial-of-26-8--of-mortgage-applications.aspx?cid=NWBD110627002>

Leadership Tip – Put Your Phone Away

Last night my wife and I were out for dinner at a local Mexican restaurant. I couldn't help but notice a young couple and their children settle at a table near ours. Mom and kids were dressed in summer attire and dad was still in his business clothes complete with white shirt and tie. The kids, ages two and six were well behaved ... but the dad wasn't.

Dad sat there at the table, working his 'smart phone' pretty hard. Seemed to me he was looking at and responding to email while ignoring his wife and kids for about ten minutes - quite the multi-tasker.

Dad isn't the only person multi-tasking these days. Have you ever seen a television camera shot of the fans at a major league baseball game? There always seems to be a handful of people on their cell phones or texting, tweeting, emailing or something - maybe they're playing a game?



There is a small respite from the recent glut of melancholic economic news: home prices inched upward. On Tuesday, the widely watched Standard & Poor's/Case-Shiller index posted a rise of 0.7% for April.

We see these preoccupied multi-tasking people everywhere. While we're driving, shopping, at movie theatres, walking down the street at social gatherings ... seemingly everywhere!

Maybe dad should put his phone away and engage in conversation with his family. Maybe he should listen to what they have to say and answer their questions instead of those from an email message that can probably wait until later that night or first thing in the morning.

My leadership tip for you this month is to put your phone away. Engage in conversation with those around you - listen ... watch the ballgame or the movie. If no one is around, take the time to think ...yes to think ... and to plan. There is too much 'doing' and not enough thinking or planning going on these days. Great leaders are masters of thinking and planning.

If you can be disciplined to put your phone away ... others will follow your lead.
Randy Goruk
Leaders Edge 360 - The Randall Wade Group, LLC, 800.308.4002

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Updated PS 2 Product Standard Now Available

The National Institute of Standards and Technology (NIST) has recently approved *Voluntary Product Standard, PS 2-10 – Performance Standard for*



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Cindy, Kathy and Larry

Wood-Based Structural-Use Panels. The updated standard provides requirements for producing and specifying wood-based structural-use panels and replaces Voluntary Product Standard PS 2-04 – Performance Standard for Wood-Based Structural-Use Panels.

The APA edition of the updated standard, Form S350, is published with typical APA trademarks and provides information on performance requirements, adhesive bond performance, panel construction and workmanship, dimensions and tolerances, marking, and moisture content of structural-use panels. The brochure is available in printed form or can be downloaded from the Publication Library.

Metropolitan Area Employment and Unemployment – May 2011

Unemployment rates were lower in May than a year earlier in 274 of the 372 metropolitan areas, higher in 85 areas, and unchanged in 13 areas, the U.S. Bureau of Labor Statistics reported today. Ten areas recorded jobless rates of at least 15.0 percent, while 17 areas registered rates of less than 5.0 percent.

Two hundred one metropolitan areas reported over-the-year increases in nonfarm payroll employment, 157 reported decreases, and 14 had no change. The national unemployment rate in May was 8.7 percent seasonally adjusted, down from 9.3 percent a year earlier. For complete report.

<http://www.bls.gov/news.release/pdf/metro.pdf>

Has Your Market Hit Bottom?

According to a statistical analysis performed for The Wall Street Journal by the online real-estate information and search firm Zillow, home values in a handful of communities are where they were just before the most frenzied days of the real-estate bubble. Focusing on communities with sufficient sales activity to produce statistically valid value estimates, Zillow spotted 25 places that are within single-digit percentage points of their home-value peaks. (Zillow found no communities where values have surpassed their high-water marks.) Not bad considering that home values in some major metropolitan areas are at half their bubble-era peaks. *For full article go to:*

http://online.wsj.com/article/SB10001424052702303657404576363143130774406.html?mod=W_SJ_RealEstate_LeftTopNews

Cedar Creek Promotes Two into Newly-created Positions

Cedar Creek announces the creation of two **Regional General Manager** positions to oversee multiple branches.

Mark Porter is named **Regional General Manager** for all Texas branches. In addition to his current responsibilities over DFW and Houston, the Branch General Managers for Harlingen and San Antonio will now report to Mark.

Mike Wilson is named **Regional General Manager** for the Eastern branches. In addition to his current Little Rock responsibilities, the General Managers for Milan Monroe, Statesville, and IWL will now report to him.

Cedar Creek is a leading wholesale building material distribution company with



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Changes to Medicare Enrollment Periods

PPACA continues to have a ripple effect concerning health care coverage not only for employees but for seniors as well. Historically, someone who is enrolled in Medicare Parts A and B is given an Annual Open Enrollment Period (AEP) from 11/15 to 12/31 to make changes to their Medicare coverage by either enrolling in a Medicare Advantage Plan or enroll in a Medicare Supplement. With the addition of Medicare Part D (drug coverage) in 2004, seniors also can change their prescription drug vendor during AEP.

This fall, seniors will have a dramatically shortened AEP period of 45 days which begins on October 1st – December 7th. The term Open Enrollment is a bit of misnomer as now the only options during AEP will be to “Disenroll” from a Medicare Advantage Plan. Medicare Beneficiaries who Disenroll from a Medicare Advantage Plan will be allowed to enroll in a Part D (Stand Alone PDP) during OEP.

Lots of changes forthcoming with HealthCare Reform, so we recommend that you educate those employees who are over 65 and enrolled in Medicare of their options or allow a Muneris representative to provide our free Medicare consultative services. We have attached a summary of the AEP time line for your convenience.

<http://www.medicarerights.org/pdf/New-Open-Enrollment-and-Disenrollment-Periods-2010.pdf>

A Stronger U.S. Economy

Economist and analysts are saying the economic growth in the US will brighten in 2-H of this year. The reason is that the 2 Key causes of the slowdown: high crude oil prices, and manufacturing delays because of the disaster in Japan, have begun to fade.

“Some of the headwinds that caused us to slow are turning into tail winds,” said Mark Zandi, chief economist at Moody's Analytics.

For an economy just inching ahead 2 yrs. after the "Great Recession" ended, 1-H of Y 2011 cannot end soon enough, as the natural and commodity market events that slowed growth in the US in January ,February and March to an annual rate of 1.9% fade into the history books.

The current Quarter is shaping up a little better; the average growth forecast of 38 top economists surveyed is 2.3%.

The economy has to grow 3% a year just to hold the unemployment rate steady, and keep up with population growth. And it has to average about 5% growth for a year to lower the unemployment rate by a full percentage point. It is holding at 9.1% now.

As welcome as the stronger growth eyed in 2-H is, the improvement will likely be small. For the final 6 months of the year economists forecast a growth rate of 3.2%.

Quote of the Week

Many people fail in life, not for lack of ability or brains or even courage, but simply because they have never organized their energies around a goal." - Elbert Hubbard



This year, high gasoline and food prices have discouraged people from spending much on other things, from furniture and appliances to dinners out and vacations. That kind of spending fuels economic growth.

The report confirmed the toll that high gas prices, Japan-related disruptions and high unemployment have taken a toll on personal spending in Q-2.

Relief is in sight though, as the Crude Oil price has been falling since Memorial Day. The drop has lowered the price of regular unleaded gasoline by 0.23 gal in the past month, to a national average of 3.57 gal at the pump according to AAA. The timing of the drop in gasoline prices is good because they usually rise during the Summer driving season.

And the bottle necks in the Global manufacturing chain are starting to clear as the Japanese factories that make cars and electronics resume production. That means that auto sales should improve later this year because the lost production from the earthquake is coming back faster than had been expected by many.

A sign of that rebound came when the Federal Reserve Bank of Chicago reported Monday that manufacturing in the Midwest rebounded in May after falling sharply in April.

The US government said orders for machinery, computers, cars and other durable goods rose a bit in May after dropping in April. Economists attributed the turn around, in part, to Japanese factories that started to rev up early. The US economy is also expected to get a slight 2-H boost from reconstruction in flood-ravaged sections of the South and Midwest.

Construction workers will be employed rebuilding homes and businesses. People will replace destroyed cars and other possessions. Analysts predict the economic losses from the floods in the April-June Quarter will be reversed in the July-September Quarter. <http://uk.ibtimes.com/news/170519/20110628/forex/us-dollar/a-stronger-us-economy.htm>

How Are New Homes' 300,000 Buyers Different Today?

They plan to live in the homes they buy. That changes the math from your prospective customer's viewpoint. It changes the quality, the service, the role of home builder--from seller to life solutions provider. Ultimately, it changes value altogether, because, when people plan to stay where they buy, they give a neighborhood sustainable life. It changes the game. *Big Builder*

Home Prices Rise, Snapping 8-month Drop Streak

By Les Christie June 28, 2011, CNNMoney

The downward cycle in home prices broke in April after eight consecutive months of decline, according to a survey released Tuesday.

According to the S&P/Case Shiller 20-city index, prices rose 0.7% compared with March, although they fell 0.1% when adjusted for the strong spring selling season. Prices were down 4% year-over-year.

Charting A Course to Recovery...

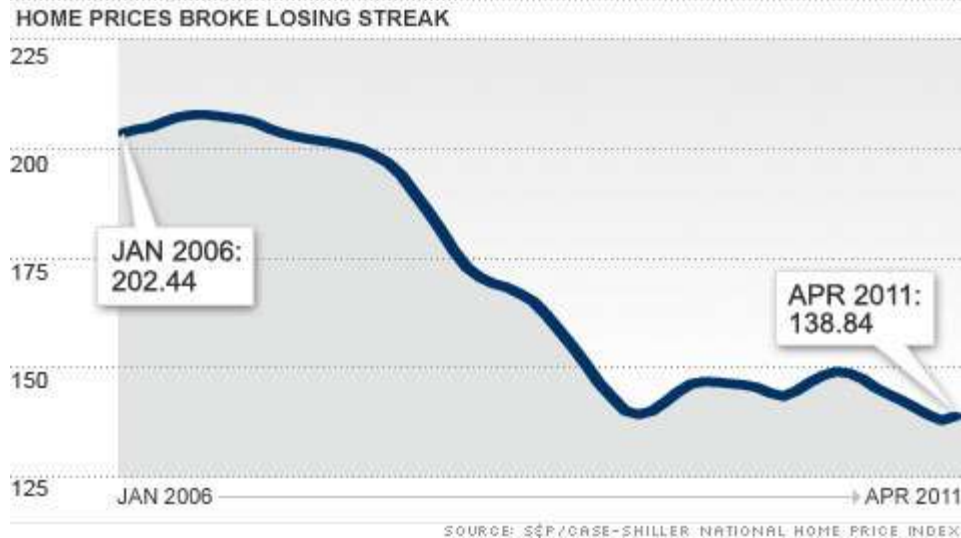


SBMA's Summer Conference and Exhibit Program

July 28-31,
2011

The Wyndham
Hotel on 57th
and
Oceanfront,
Virginia Beach,
VA

Mark your
calendars! Details
at
www.southernbuilder.org.



"In a welcome shift from recent months, this month is better than last -- April's numbers beat March," said David Blitzer, S&P's spokesman, in a statement. "However, the seasonally adjusted numbers show that much of the improvement reflects the beginning of the spring-summer home buying season."

"It is much too early to tell if this is a turning point or simply due to some warmer weather," Blitzer added.

Any hint of good news in the troubled housing market will likely bring cheer to the industry, and there are some signs that market conditions are not quite as dire as some of the other statistics may indicate. Foreclosures, for example have been falling.

That has translated in a decline of 16% in the sales volume of distressed properties this year, while volume of non-distressed sales rose 11%, according to Joseph LaVorgna, chief economist for Global Markets Research.

That's good news because much of the price drop over the past year can be blamed on severe price slashing for homes in foreclosure, as Federal Reserve Chairman Ben Bernanke pointed out in a press conference last Wednesday. Prices for homes sold by regular sellers have held up much better. "That suggests," said Bernanke, "if we can reduce the current number . . . maybe 40% of home sales, which are on a distressed basis, that would do a lot for stabilizing the market and helping give people confidence that they can buy and not be buying into a falling market."

Metropolitan Washington continued to be the strongest of the 20 cities covered by the report. Prices rose 3% in April there and have been on the plus side year-over-year, up 4%.

Continuing Signals of Improvement in the Multifamily Market

With the economy suffering from weak job creation and households focused on improving household finances, a sustained improvement in housing construction



Nearly nine in 10 Americans say homeownership is an important part of the American dream, according to the latest New York Times/CBS News poll.

will take hold in the multifamily sector before the single-family market. NAHB estimates that there are approximately 2.1 million potential households that constitute pent-up housing demand, and these deferred household formations will emerge as renters before existing renters and first-time homebuyers have a significant impact in the for-sale housing market. *NAHB*

As Comps Turn Favorable: Pending Home Sales Are Up Year-on-Year

For anyone wondering whether the housing market is a headline or two away from a psychological inflection point, here could be one of those headlines: "Pending Home Sales Jump, Point to Stability." Home building company operators know better than to let expectations get ahead of themselves at this stage, especially as seasonality turns tougher, and potential buyers wait for confirmation on whether housing's falling knife has hit the ground before they commit. The long, hard work ahead is to get per-community per-month sales counts to do more than wave at an average better than two. One home sale more per community per month and the landscape starts to feel more like itself. Keep saying it, because it's true: buyers are local; and they want what your neighborhoods offer right now. *Big Builder*

CNBC Survey Ranks Best, Worst States for Business

Virginia is for lovers, and folks who like to get the job done too. CNBC, in its annual ranking of states for business competitiveness, gives Virginia the No. 1 spot over No. 2 Texas. CNBC's Scott Cohn writes, "Our fifth annual study once again puts all 50 states to the test, measuring them on 43 different metrics in ten key categories of competitiveness. We weight those categories based on how frequently the states use them as selling points to attract business. That way, we hold the states to their own standards, and tell you how they measure up." Business, jobs, homes ... a lot to look at here.

North Carolina ranked 3rd just behind Texas. Tennessee ranked 18th and South Carolina ranked 37th. <http://www.cnbc.com/id/43381920>

The Economy

Final estimates for first quarter gross domestic product came in slightly higher than preliminary estimates. The data still showed that economic growth slowed to begin the year. The U.S. economy grew 1.9% during the first quarter which is stronger than the 1.8% pace in the preliminary first quarter report but noticeably weaker than the 3.1% growth during the previous quarter. This is the slowest pace of growth since the second quarter of last year. However, this marks the seventh straight quarter that the U.S. economy has expanded. Improvements in trade activity and business spending offset declines in government spending to push economic growth slightly higher.

IRS Increases Mileage Rate to 55.5 Cents per Mile

The Internal Revenue Service today announced an increase in the optional standard mileage rates for the final six months of 2011. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an



**One man
with courage
makes a
majority.**

Andrew Jackson

automobile for business and other purposes.

The rate will increase to 55.5 cents a mile for all business miles driven from July 1, 2011, through Dec. 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011, as set forth in Revenue Procedure 2010-51.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2011. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"This year's increased gas prices are having a major impact on individual Americans. The IRS is adjusting the standard mileage rates to better reflect the recent increase in gas prices," said IRS Commissioner Doug Shulman. "We are taking this step so the reimbursement rate will be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by 4.5 cents to 23.5 cents a mile, up from 19 cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in Announcement 2011-40 on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Mileage Rate Changes

Purpose	Rates 1/1 through 6/30/11	Rates 7/1 through 12/31/11
Business	51	55.5
Medical/Moving	19	23.5
Charitable	14	14

Federal Reserve Delays, Dilutes Swipe Fee Relief

The Federal Reserve Board voted to approve a final rule that would institute a 21-cent cap on interchange, or "swipe" fees, rather than the 12-cent cap initially proposed in December. Moreover, the Board delayed the effective date of the new regulations from July to October 1 in the face of intense lobbying campaigns by big banks. The fees currently average 44-cents per transaction. Small financial institutions with assets under \$10 Billion will be exempt from the new caps.

Consumer Confidence Remains Fragile

The Conference Board reported a weaker reading on its Consumer Confidence Index (CCI) for June. Consumers' views of their current situation and their expectations for business conditions over the next six months have been quite negative. Indeed, approximately 86% of respondents anticipate that future prospects for job and income growth will be either the same or worse over the next six months. Ebbing energy prices did cause consumers to rein in their expectations for inflation over the next 12 months somewhat, but the rate of inflation they are anticipating remains close to three-year highs.

Tight Credit Continues to Shut Buyers Out

With the tightening of credit over the last few years by banks, more potential buyers find they are being shut out of home ownership, unable to obtain financing for their home purchase. And it's not just buyers with poor credit histories being rejected for home loans--some buyers are even coming with stellar credit scores and big down payments, experts say.

For example, Amy Menell told The Wall Street Journal how a bank denied her for a home loan, despite her credit score being above 800, no debt, and having a down payment of more than 50 percent of the cost of the \$400,000 home. However, Menell, who was in the process of finalizing a divorce, works as a real estate agent and didn't have much income in 2009. While her business has picked up since then, she did not have the two years of documented income the banks wanted to process her loan application.

Other qualified buyers coming with good credit scores and credit histories are also finding themselves unable to get a home loan. Those who are having the toughest time are those who have seen their incomes drop or interrupted by a time of unemployment and self-employed applicants.

The percentage of mortgage applications rejected by the nation's largest lenders increased last year: The country's 10 largest mortgage lenders denied 26.8 percent of loan applications in 2010, which is up from 23.5 percent in 2009, according to an analysis by The Wall Street Journal.

The analysis showed denial rates for loans were highest in Miami, Detroit, and New Orleans. In Miami, for example, nearly 44 percent of home loan applications were denied last year (home prices in Miami have dropped by 50 percent since their 2006 peak), according to The Wall Street Journal. Lenders denied the fewest loans in Raleigh, NC, Bethesda, MD and San Jose, California.

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