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BANKER & TRADESMAN

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OUTSTANDING DEBT

Banking On A Quarter Billion

Patrick Cuts Buckets of Money, While Banks Dispute More Than \$250 Million In Corporate Taxes The Commonwealth Says They Owe

BY AMY WYETH | BANKER AND TRADESMAN STAFF WRITER

Maybe Gov. Deval Patrick – who earlier this month announced a thousand layoffs and \$1 billion in cuts to government services were necessary to close a \$1.4 billion deficit – should get an update on the \$250 million in corporate tax disputes the state has outstanding with banks and financial institutions.

The cases involve between six and 10 financial institutions as defendants, said state Department of Revenue spokesman Robert Bliss. More than half, by dollar amount, are centered on Real Estate Investment Trusts, a strategy that about 70 Massachusetts banks once used



GOV. DEVAL PATRICK

to use to pay less in taxes.

Under the REIT structure, banks would transfer interest income from real estate loans to out-of-state entities that would then pay them back to the bank as income taxable at a lower rate.

In one recent decision involving a REIT, Bank of America was ordered to pay the state \$53 million after the state's Appellate Tax Board found that it and its predecessor, Fleet Bank, had improperly used the structure to avoid certain taxes. The bank is appealing the February judgment.

REIT Stuff

DOR General Counsel Kevin Brown said many banks adopted REITs because the structure was marketed to them by accountants. Since 2003, REITs are no longer allowed as a tax-avoidance strategy under Massachusetts code.

"Banks have engaged in some fairly extensive tax planning," Brown said, while noting that strategies to minimize tax payments are

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COMMERCIAL INTERESTS

School Of Thought On City's Fortunes

Boston's Educational Axis May Be Construction's Savior

BY SCOTT VAN VOORHIS
BANKER & TRADESMAN COLUMNIST

Bashing our local colleges and universities is the other favorite blood sport in Boston.

But with the economy looking scarier by the day, it's time to shelve the all-too-predictable and tired lamentations about university expansion.



Scott Van Voorhis

Amid the carping about rowdy students, other cities getting hammered hard by the downturn are looking enviously at Boston. When your downtown is a ghost town of empty condo high-rises as in Miami, putting up with a few inebriated undergrads might seem a small price to pay for hundreds of millions in economic activity.

That's what Larry DiCara, the former Boston city councilor and now a high-powered downtown lawyer, found recently at a conference in Miami, ground zero of the this real estate driven recession. A former newspaper publisher pointed to Boston's thriving institutional sector as one reason our city just may escape the worst of the coming downturn, he noted.

Institutional Investors

"Boston will come out of the recession far earlier than many other cities," DiCara said of the view of Boston down in Miami.

If so, it's looking increasingly like it will be the colleges and uni-

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Sales Man In A Woman's World

Male Realtors Talk Minority Status, See More Men in the Ranks

BY LAURA SCHREIER | BANKER AND TRADESMAN STAFF WRITER

Women often have to fight to carve out a niche in male-dominated professional fields, but residential real estate is a different animal: Energetic, pant-suited hordes of women have long held sway here, at least in terms of pure numbers.

Ladies in most professions, such as finance or accounting, are distinctly in the minority. But residential real estate is a different story. It's occurred to Springfield-based Realtor Kevin Sears, for example, that men are often outnumbered at the professional gatherings he attends.

The male-to-female agent ratio nationally falls roughly 40 percent to 60 percent, according to the National Association of Realtors' 2008 numbers. Female agents and brokers say they're happy to be in a profession so well-suited to women's strengths, but what's it like to be a man in the girls' club?

Men in the profession are more likely to

be in leadership roles in the industry, and are in a sizable enough minority to keep a noticeable male presence – so, they mostly just shrug and say they either don't mind, or don't really notice.

While women are common in leadership roles in the profession, men are more likely to own real estate offices: nationally, only 40 percent of women are listed as brokers or owners.

Even outside leadership roles, men are much in evidence, filling in the ranks of many Massachusetts offices. Connecticut's male-to-female ratios are slightly more skewed, with men making up about one-third of the state's retail Realtors.

But Ken DelVecchio, Connecticut's association president, said those numbers don't give the full picture of day-to-day business. Many real estate agents work part time, and women – at least in his experience – tend to do so more than men.

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Banking With Your BlackBerry

According to a study by Celent, currently less than 1 percent of banking customers use mobile banking. However, the group expects that number to change dramatically with 30 percent of all retail online banking households using mobile banking by 2010. **PAGE 10**

One Home Many Hopes

A Boston-based charity benefiting an orphanage in Kenya is trying to raise \$60,000 for a new home for the abandoned girls. "We are talking about a long-term impact on a country here, one girl at a time. When we've told people the story, we have found that we don't need to ask for money. They give," says OHMH co-founder Thomas Keown. **PAGE 4**



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POINTS

EDITORIAL

A Different Type Of New Home

A police officer found the 6-month-old twins abandoned in a mud shack. They'd been there for 2½ weeks and left for dead. Agnes and her twin brother, Macharia were so malnourished they weighed less than two pounds. The boy had also developed a deformation because he had been left on the hard ground for so long without being moved that his backbone had bent completely: his neck was no longer able to support his head. The twins also had sores all over their bodies.

The extreme poverty level in Mtwapa, Kenya was the reason: Their mother had reportedly been out searching for food. But all was not lost just yet for the twins. The police officer called former journalist Anthony Mulongo, and set in motion another round of rescue he has become all too familiar with.

"It was too difficult to even hold them, there was nowhere to hold, really," Anthony told Banker & Tradesman by phone last week. "We took them to the hospital, and the doctor advised they should receive antiseptics. He suspected they had HIV, but they were negative. We struggled with them, but two months down the line we saw GREAT, GREAT, GREAT improvement. Agnes started eating on her own. The boy was a bit slower to recover, but everyone was relaxed after two months. Everybody thought it would be just a matter of time."

Then one evening, Macharia developed a cold. Anthony's team of supporters rushed him back to the hospital where he stayed for two weeks. The boy did not survive.

"We got beautiful Agnes – she's so beautiful – but we lost Macharia."

Hope For Many

Something even more beautiful is happening in that Kenyan village, and it has caught our attention here at Banker & Tradesman: It's an orphanage for abandoned girls, run by Anthony Mulongo. He has been saving children for more than a decade, currently taking care of 33 girls of all ages and four house mothers.

"I got interested in helping children while I was covering stories for the International Justice Mission. Around 1995, I stopped and started just taking care of the children."

He describes his small attempt as a drop in the ocean. But it has its rewards: Agnes has been adopted.

Seven thousand miles away, Boston-based writer Thomas Keown is doing all he can to raise money for Anthony and the girls after visiting the orphanage last year.

A Northern Irishman with a thick accent and quick wit, Thomas helped establish "One Home Many Hopes" in the United States and United Kingdom last December, and is determined to build Anthony a new, three-story building and provide enough funds to replace their current inadequate and overcrowded facility, and to cover expenses and medication. They're off to a good start: At a silent auction held last month, OHMH raised more than \$3,200.

"What separates OHMH from other wonderful homes is our long-term vision of educating girls from extreme poverty to and through university so they can become the women who change the political structures that perpetuate the cycle of poverty we lifted them from. If we can get even 15 girls through college in the next 15 years, we can transform the political culture of Mombasa, [Kenya]."

"This is a matter of life and death for these girls. It doesn't take much in Boston to mean a life in Mtwapa. If we all give a little, no one has to give it all."

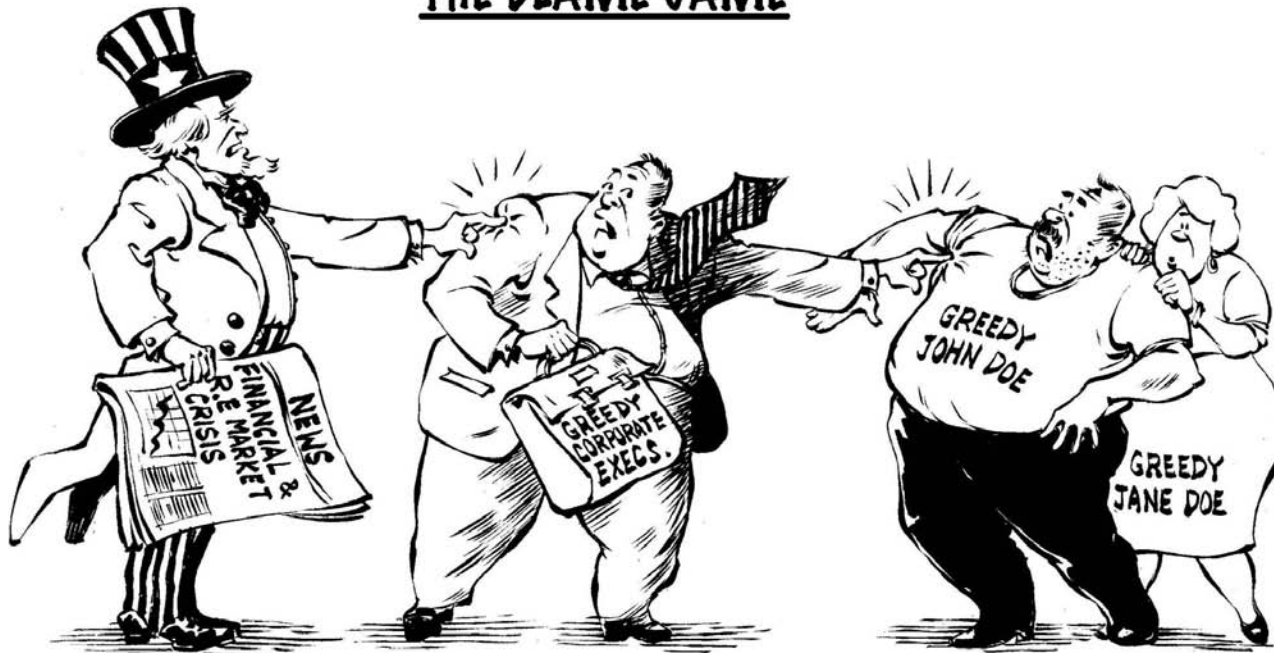
Thomas and his volunteer staff at One Home Many Hopes are trying to raise \$60,000 to build a new home for Anthony and the girls. They have set themselves the challenge of raising the first \$20,000 in the next 30 days. They hope to do this by securing corporate matching gifts of \$10,000 if they can get 1,000 individuals to give \$10 each. Banker & Tradesman would be honored if you joined in their effort:

One Home Many Hopes, c/o Thomas Keown
12 Rhodes Ave., Sharon, MA 02067
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thomaskeown@onehomemanyhopes.org ■

CHECK and BALANCE

by Eskay

THE BLAME GAME



ADVISORY BOARD

Stricter Rules Are The Right Way To Go



LORRIE BEAUMONT
is owner of Westwood-based LB Appraisal Assoc. and former president of the Massachusetts Board of Real Estate Appraisers.

The real estate appraisal profession began the process of policing its own behavior a few years ago.

Now that the bailout rescue plan has been implemented, how will it affect the real estate business? Will the financial institutions that survived be able to lend money? And who will they be lending to?

Washington has the authority to purchase bad mortgage-related assets from U.S. financial institutions for the next two years. The government will hold on to these securities until the market improves or home prices increase. When the government sells these securities, it is hopeful that the market won't already be flooded with inventory causing home prices to decline even further.

Sen. John McCain wants the president to instruct his treasury secretary to buy up bad loans on homes that have plunged in value. Then the government would renegotiate the terms of those mortgages so they were affordable according to McCain.

But Congress needs to continue its efforts to tighten regulations in the mortgage and banking sector and it appears as though they have already begun the process. Mandated by the Housing and Economic Recovery Act of 2008, the Federal Housing Administration is in the process of implementing changes to the FHA roster.

The roster is a list of real estate appraisers that are qualified to perform appraisals for the FHA. These appraisers must have in-depth knowledge of FHA's specific policies and stay up-to-date with their procedures. As part of the changes, their first step is to remove all of the licensed appraisers from the list. Their goal is to use only certified appraisers to value the homes that are applying for this financial insurance. In Massachusetts, this will affect some 337 licensed appraisers that are currently on FHA's roster and immediately remove them as qualified. There are approximately 1,297 Massachusetts appraisers currently approved and this would reduce that number by 26 percent.

Faster Freddie

Freddie Mac has been implementing its own changes. It is now requiring an appraisal update from 60 days of delivery of the mortgage. That used to be 120 days and 60 days on the conversion of a construction loan to permanent financing. It is also requiring an appraisal on streamline mortgages that did not originate with Freddie. That used to have no appraisal requirement.

The real estate appraisal profession began the process of policing its own behavior a few years ago when it stepped up the qualifications to become licensed. These new guidelines require twice as much education and many more

hours of experience to become a licensed or certified appraiser.

All of these efforts are attempts to attack the underlying problem – bringing back confidence in the system. The real estate profession must become part of the solution by convincing lenders that the valuation of the property for which they are lending large sums of money is valid.

Real estate appraisals should be the basis for the amount of the mortgage – not the mortgage being the basis for the appraisal.

Now Congress needs to step up and impose conditions to further protect the public. Lenders should be penalized for loans that were made based on fraudulent appraisals of the past or abusive practices by lenders. Borrowers of mortgage loans need a substantial down payment, proof of their earning potential and good credit.

We should learn a hard lesson from this and protect the value of our homes by sticking with the conventional mortgages of years past and making sure mortgage payments are made on time. This assumes there is money to lend, of course! ■

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