

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* looks at unexpected movement in home improvement share prices. A casual statement by a Director of one company has resulted in a lot of rumours, and significant share price increases of another.

Contact us any time for a subscription.

### Canadian Building Permits

The total value of permits rose 7.5 per cent to \$6.5 billion in February, following an 11.4 per cent decline in January, Statistics Canada said Thursday. The advance in February was the result of an increase in the non-residential sector, which offset the decrease in the residential sector.

In the non-residential sector, the value of permits increased 36.2 per cent to \$2.5 billion, after decreasing 20.6 per cent in January. The increase resulted from higher non-residential construction intentions in seven provinces. British Columbia, Quebec and Alberta were largely responsible for the advance.

In contrast, the value of residential permits declined to \$3.9 billion, 5.3 per cent less than in January. [READ MORE](#)

### US Employment Figures

Claims for US unemployment benefits dropped last week to the lowest level in four years, adding to recent reports showing signs of health in the economy.

Jobless claims fell 6,000 to 357,000 in the week ended March 31, the fewest since April 2008, the Labor Department reported Thursday in Washington.

The number of people on unemployment benefit rolls also fell, by 16,000 in the week ended March 24, to 3.34 million. While those getting extended payments increased.

The previous week was revised up to 354,000 from 351,000. [READ MORE](#)

### Texas Tornadoes

At least two tornadoes tore through the Dallas-Fort Worth metropolitan area in Texas on Tuesday, ripping apart buildings, tossing tractor trailer trucks into the air and grounding planes in the region.

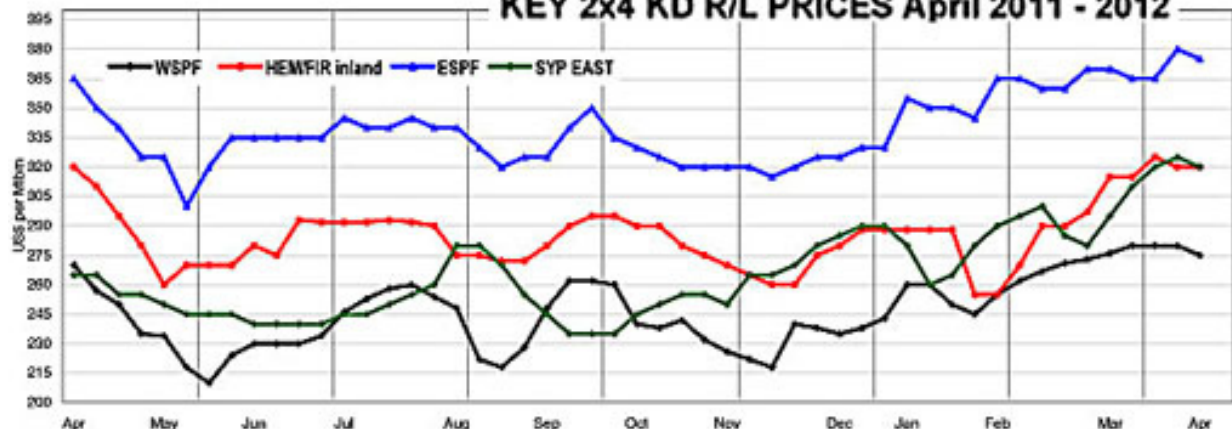
There were no reports of deaths or serious injuries, according to police Tuesday, although the storm was still active at the time.

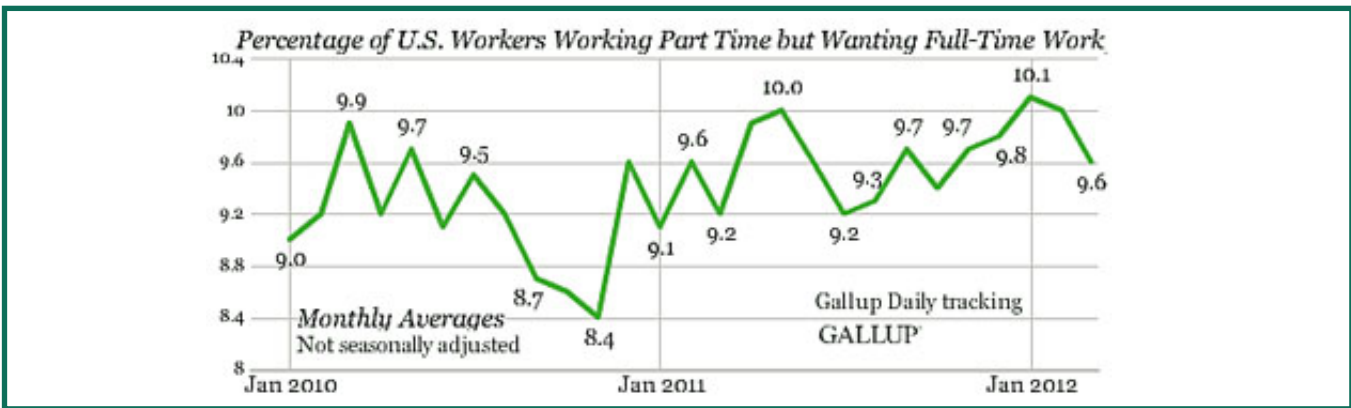
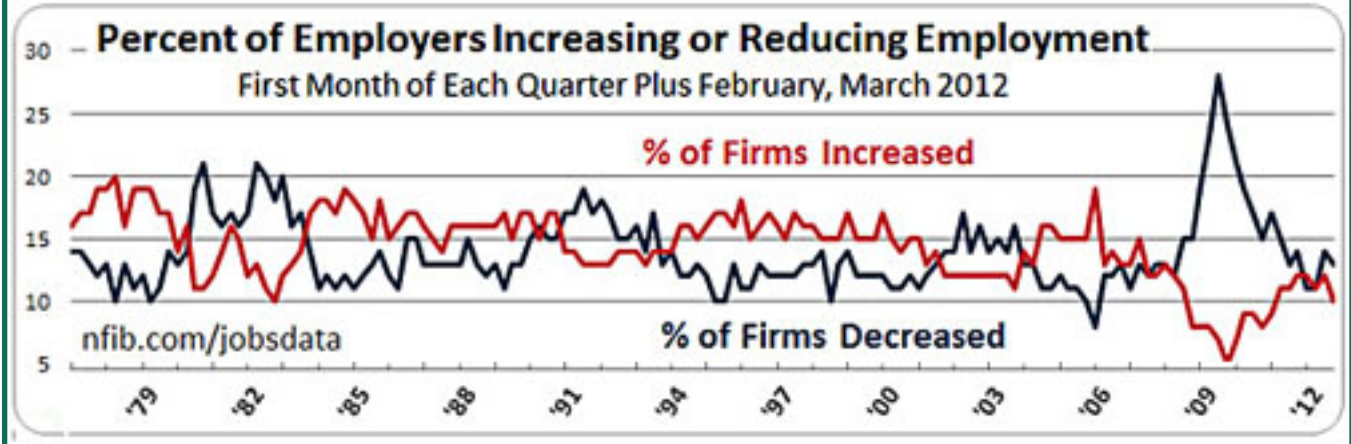
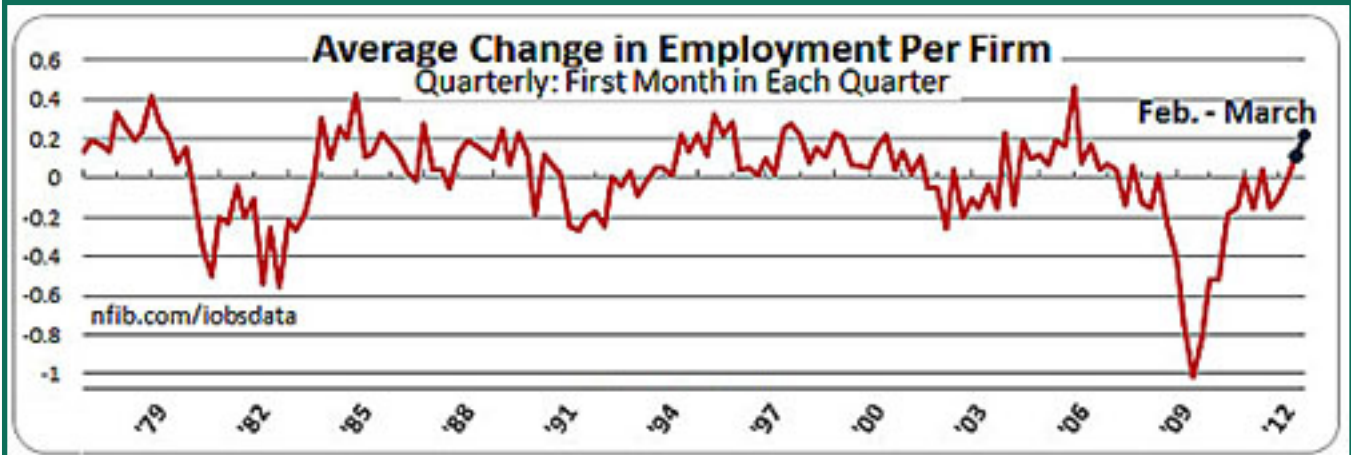
National Weather Service meteorologist Amber Elliott confirmed that two separate tornadoes had touched down, one in Arlington, Texas and another in Dallas. Nine separate tornado warnings have been issued by the weather service for the Dallas area so far on Tuesday, she said. [READ MORE](#)

### US Mortgage Policy Developments

Between 2008 and 2011, US banks completed 3.2 million foreclosures, and half again as many may currently lurk in a 'shadow inventory.' These homes are often vacant and sell for about one-third less than similar properties, on average. [READ MORE](#)

KEY 2x4 KD R/L PRICES April 2011 - 2012





## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	275	280	-5	276	-1	270	+5
WSPF KD R/L 2x6	283	288	-5	288	-5	250	+33
WSPF KD R/L 2x8	267	272	-5	272	-5	260	+7
WSPF KD R/L 2x10	309	314	-5	314	-5	310	-1
WSPF KD PET 2x4 Stud	285	285	0	280	+5	270	+15
WSPF KD PET 2x6 Stud	310	245	+65	235	+75	300	+10
Douglas Fir Green R/L 2x4	242	252	-20	250	-8	270	-28
Douglas Fir Green R/L 2x10	270	290	-6	315	-45	295	-25
ESPF KD 2x4 8ft Stud	350	355	-5	360	-10	330	+20
OSB Ontario 7/16" (CDN\$)	205	220	-15	215	-10	205	0
CSplywood Toronto 3/8" (CDN\$)	340	350	-10	343	-3	322	+18

## Weekly News

### Canada Building Permits

**CONTINUED** After three consecutive monthly declines, the value of permits in the industrial component rose 151.1 per cent to \$714 million in February, the highest level since February 2011, said StatsCan Thursday.

In the institutional component, the value of permits grew 64.8 per cent to \$517 million. The advance followed three consecutive monthly declines. February's increase was the result of higher construction intentions for a variety of structures in several provinces, including government buildings, educational institutions and medical buildings.

The value of commercial building permits rose 3.4 per cent to \$1.3 billion, following a 19.7 per cent decline in January.

Contractors took out \$2.3 billion worth of building permits for single-family dwellings in February, down 6.7 per cent from January and the second consecutive monthly decline.

Construction intentions for multi-family dwellings fell 3.3 per cent to \$1.6 billion in February.

Canadian municipalities approved the construction of 17,259 new dwellings in February, down 2 per cent from January. The decrease was attributable to single-family dwellings, which declined 6.9 per cent to 6,922 units. Multi-family dwellings, however, rose 1.6 per cent to 10,337 units.

The total value of permits was up in 23 of the 34 census metropolitan areas.

### Employment, US

US Companies are retaining workers and hiring amid robust sales and growing consumer confidence. Manufacturing expanded at a faster pace in March from a month earlier, the Institute for Supply Management reported this week, and a measure

of employment rose to the highest level since June. Cars and light trucks sold at a 14.3 million annual rate in March, capping the strongest quarter in four years.

In addition to the jobless claims, the number of Americans receiving extended benefits under federal programs increased by about 17,000 to 3.26 million in the week ended March 17.

The unemployment rate among people eligible for benefits, which tends to track the jobless rate, held at 2.6 per cent, today's report showed.

Twenty-six states and territories reported a decline in claims, while 27 reported an increase.

### More US Storms

The US tornado season has started early this year. Tornadoes have been blamed for 57 deaths so far in 2012 in the Midwest and South, raising concerns that this year would be a repeat of 2011, the deadliest year in nearly a century for the unpredictable storms.

In 2011, there were 550 tornado deaths with 316 lives lost on April 27 in five southern states, and a massive tornado that killed 161 people in Joplin, Missouri on May 22.

Tuesday's tornadoes in Texas could prove more costly than a hailstorm nearly a year ago in the Dallas area that caused more than US\$100 million in insured losses. That April 15, 2011, storm was less damaging in terms of hail and winds.

### Centurion Announces

Ralph Dawson has joined Centurion Lumber Manufacturing (1983) Ltd. as Manager Plywood Sales. Ralph will be responsible for the sales and marketing functions of Thompson River Veneer Products Ltd. and will operate from a newly opened office in Vernon, BC.

## Calendar

April 2012

**BC Saw Filers Association 2012 AGM**  
April 20 - 21 - Prince George, BC  
<http://www.bcsawfilers.com/>

**Québec Forest Industry Council 2012**  
April 26 - 27 - Québec City, QC  
<http://www.cifq.qc.ca/fr/nouvelles-et-evenements/evenements/ateliers-conferences-sur-le-sechage-du-bois>

**NAWLA Leadership Conference**  
April 29 - May 1 - Colorado Springs, CO  
<http://www.nawla.org/>

May 2012

**Pulp and Paper Products Council International Pulp Week**  
May 6 - 9 - Vancouver, BC  
<http://www.internationalpulpweek.com/>

**Wood Markets Global Softwood Log and Lumber Conference**  
May 9 - Vancouver, BC  
[http://www.woodmarkets.com/conf\\_conferences.html](http://www.woodmarkets.com/conf_conferences.html)

**PricewaterhouseCoopers 25th Annual Global Forest and Paper Industry Conference**  
May 10 - Vancouver, BC  
<http://www.pwc.com/gx/en/forest-paper-packaging/forest-paper-packaging-events.jhtml>

# US Mortgage Regulations

## Ongoing Battle

About 11 million US homeowners are 'underwater' – meaning they owe more on their mortgage than their home is worth – and borrowers have lost about US\$7 trillion in wealth since the housing bubble

by Kéta Kosman

began to burst in 2006, says economist Celia Chen

at Moody's Economy.com. By 2013, the number of distressed sales will still be high, but their share of total home sales will decline, allowing home prices to rise. The speed of this recovery depends on how big a market share distressed properties represent.

Online foreclosure marketplace RealtyTrac estimates that while foreclosures dropped slightly nationwide in February from January 2012, and from February 2011, they rose in 21 states and jumped sharply in cities like Tampa and Miami, FL, up 64 per cent and 53 per cent respectively, and Chicago, IL, up 43 per cent.

RealtyTrac CEO Brandon Moore said the "numbers point to a gradually rising foreclosure tide as some of the barriers that have been holding back foreclosures are removed."

Real estate company Zillow Inc expects the resurgence in foreclosures this year, combined with excess inventory of unsold, bank-owned homes will contribute to a 3.7 percent national decline in prices before the market hits bottom in 2013 and stays there until 2016.

[sad map of mortgages]

"The hangover from this crisis will far outlast the party of the boom years," said Zillow chief economist Stan Humphries.

According to leading broker dealer Amherst Securities, some 9.5 million

homes are still at risk of default and in February Amherst said it expected to see the uptick in foreclosures start to hit in March and April.

From the start of October, the US Federal Reserve began to use funds from principal mortgage payments on agency debt and agency mortgage-backed securities (MBS) it holds, to reinvest in agency MBS in an effort to hold down mortgage interest rates and support the US housing market.

Principal reduction involves reducing the amount borrowers owe in order to make a loan modification affordable for struggling homeowners. Republicans and the FHFA oppose principal reduction due to the risk of 'moral hazard' – that homeowners who do not need help will seek to abuse largesse and have their mortgages reduced as well.

This week Reuters reported that Federal Housing Finance Agency Acting Director Edward DeMarco blocked Fannie and Freddie from reducing principal on the mortgages they hold, saying it would drive up the cost of a taxpayer bailout that has topped US\$150 billion. The housing regulator overseeing Fannie Mae and Freddie Mac Wednesday said a final decision is expected later this month on whether or not it will implement an Obama administration plan that forces the two companies to reduce the principal value of mortgages they hold.

FHFA is not yet convinced principal reductions are the best answer, DeMarco said, in part because the agency still must examine how offering loan writedowns would affect the behavior of underwater borrowers who are still making their payments on time.

The mortgage regulatory agency is considering financial incentives offered by the White House to help offset any increased costs Fannie Mae and Freddie Mac might face if they wrote off debt on

homes that have lost value. The US Treasury Department's financial bailout would be applied to those costs, and the loan forgiveness would be carried out under the administration's signature Home Affordable Mortgage Program (HAMP).

Some insiders question the method of this reduction process, especially concerning homeowners who may have taken out a second mortgage.

Treasury official Michael Stegman issued a statement in response to critics, saying, "Of course, not all underwater government-sponsored loans have second liens. But if they do, under HAMP, where a first lien mortgage is modified, then the holder of an eligible second lien must modify that lien proportionately if they are a participant in the Second Lien Modification Program (2MP). Most major servicers are participants in 2MP, so most will be obligated. Thus, any HAMP modification that includes principal reduction would trigger an obligation on the part of a participating second lien holder to write an eligible second down to the same degree. It is also worth noting that Treasury-paid incentives to first lien holders apply to matched second liens, though those incentives are less than the ones for first lien modifications, in light of their subordinated status."

David Dayen, of FireDogLake, rightly points out, "This represents anything but a violation of accepted lien hierarchy. The seconds are supposed to take the full hit before the firsts get touched. That's why they are considered junior liens in the first place."

Meanwhile, non-profits across the US are intensifying calls for the FHFA to drop its opposition to allowing the government-backed mortgage giants Fannie Mae and Freddie Mac to regulate to reduce principal for underwater homeowners.

Empowering & Strengthening Ohio's People (ESOP) hands letters to Chase bank managers – the group says Chase is one of the least accommodating major bank when it comes to working with struggling homeowners – calling on chief executive Jamie Dimon to lobby DeMarco for principal reductions.

A Chase spokesperson said the bank has made "extensive efforts" to work with homeowners, helping 775,000 borrowers stay in their homes since early 2009, avoiding foreclosure "more than twice as often as we have had to foreclose."

Housing groups like ESOP maintain, as they have throughout the housing crisis, that unless the FHFA embraces widespread principal reduction, many more underwater borrowers face losing their homes.

"Until banks engage in meaningful principal reduction as a matter of course," ESOP's Mark Seifert said after a recent protest at a Chase branch in Cleveland, "this crisis will not end."

The FHFA will release its final decision on this thorny issue later in April.

