

# THE PAPER SOURCE

# Journal

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*The Paper Source*  
The Voice of the Note Business

# The Most Useful Tool You've Never Heard Of

*Hardly anyone knows about this — which puts you light-years ahead of your competition.*

By Bill Broadbent, S.E.C.

If you are a note broker, note and/or real estate investor, and/or real estate broker, and you're not using stepped payments, you're missing out on one of the most useful tools in the mortgage marketplace.

Yet hardly anyone knows about this — which puts you light-years ahead of your competition.

If you make presentations to real estate agents, you can help carry the message of stepped payments to the real estate industry. The widespread use of stepped payments should increase the number of seller-held mortgages.

If you are a private investor in mortgages, or if you work with them, you will find stepped payments make longer-term mortgages much more attractive investments. A long-term note (20 to 30 years at the beginning) with stepped payments that increase annually is worth more than a level-payment note that runs for 20 to 30 years.

Long-term notes with stepped payments can provide a retirement income that may keep pace with the decline in purchasing power of the dollar. It often yields a higher return than alternative investments available to the average person.

And since protective equity is built faster with stepped payments than a level-payment note, it is safer to hold.

*"A long-term note with stepped payments that increase annually is worth more than a level-payment note that runs for 20 to 30 years."*

If someone wants to sell a stepped-payment note, you will be in a position to help them if you have the right software program and know how to use it.

If you are an agent representing a seller who carries back a note, you can use stepped payments to avoid the uncertainty of a balloon payment.

A real estate agent representing a buyer and negotiating stepped payments can help the buyer avoid a costly, forced refinance. And it improves the chances of a seller being willing to carry a longer-term mortgage.

## What is a Stepped Payment Note?

It is a note in which the regular payment (usually monthly) increases annually by a fixed percentage or dollar amount. The rate of interest on the note remains the same. The result is a shorter amortization period. Let's see how it applies in a specific situation and what advantages might accrue.

Bob Buyer purchases a home from Sam Seller for \$200,000. Bob pays \$20,000 cash down and takes out a new loan at Insecurity Bank for \$160,000 and asks Sam to carry a second mortgage for \$20,000 payable \$161.00 per month including 9% interest, all due and payable in five years. (These are the typical terms for many seconds.)

The terms of Bob's first mortgage at the bank are a 30-year term at a fixed rate of 7%, which means Bob's payment will be \$1,065 per month.

When the balloon payment comes due on the second mortgage in 60 months, the balance due will be \$19,170. Experience has shown it is very unlikely that Bob will have saved money to meet the balloon obligation on his second mortgage to Sam. Unless Sam will extend his note, Bob is forced to refinance and will need a new loan of about \$170,000 to cover the payoffs on his first and second loans, plus prepayment penalties on the first mortgage and finance charges on the new loan.

What if current interest rates on first mortgages are 8% at the time of the refinance? His new first mortgage payment will be \$1,247.40 per month for the next 30 years.

If Bob had been able to get Sam to carry the original second for \$20,000 with starting payments of \$161.00 per month including 9% interest and stepped-payment increases of 12% per year (a forced savings plan), the second mortgage would fully amortize in 118 months (a little less than 10 years). Bob would have \$20,000 more equity in his house and only 25 years left on his first mortgage at an attractive 7% interest rate.

Sam would have all of his money back plus interest on the mortgage he carried and thereby avoided the uncertainty of a balloon payment.

## Why Aren't Stepped Payments Used More Often?

Most real estate agents are not familiar with seller carrybacks in any form. They have been taught to list property, look for a buyer with a cash down payment, then send the buyer to Insecurity Bank to apply for a new loan for the balance of the purchase price. Unfortunately, this simplistic formula doesn't always work.

Sometimes the buyer fails to qualify; sometimes the property fails to qualify. Property owners who will carry the financing find that more buyers are takers. Their property sells faster than if they waited for that elusive "all-cash" buyer. Some buyers with reasonable credit still don't qualify, or they just don't want to put up with Insecurity Bank's "picky policies."

The biggest obstacle to stepped payments may be that it has been difficult to produce an amortization schedule. T-

Value, a computer software program used frequently by accountants, can produce such a schedule.

Now that these mechanical problems have been solved, more note and real estate brokers, property and note investors should learn how to properly structure seller-carried notes and use stepped payments where applicable.

*Bill Broadbent (1934–2015) was an active real estate broker and consultant in California for over 40 years. In 1976, he became a charter inductee into the Exchangor's Hall of Fame and won state and national recognition for his exchange transactions. Bill was the first broker in America to achieve both the prestigious S.E.C. and CCIM designations. He coined the term "Single Agency" in the late 1970s. Insiders who had seen his work considered him "one of the best" in transaction structuring.*

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# Purchasing Notes

## NATIONWIDE

**Second Home in Brookings, OR** - \$344,202 - No Credit

**Commercial Property in Farmingdale, NY** - \$533,050 - 671 Credit

**Farmland in Sandusky, MI** - \$181,376 - 777 Credit

**Multi-Family Home in Cottonwood, CA** - \$87,380 - 673 Credit

**Single-Family Home in Camano Island, WA** - \$224,334 - No Credit

**6 Acres of Vacant Land in Hobbs, NM** - \$97,642 - 647 Credit

**Mixed Use Property in Rocky Mount, VA** - \$75,833 - 783 Credit

**Condo in Las Vegas, NV** - \$101,084 - 598 Credit

**Mobile Home in Ocala, FL** - \$134,625 - 695 Credit

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## Negotiating — Not Just the Numbers



By Jeff Armstrong

Most people believe that the goal of negotiation is to get all you can — to vanquish the “opponent” as if you were at war. But negotiation isn’t war. It’s trying to reach an agreement. And the goal should always be to make both sides come out winners — because that way you can continue to work together smoothly.

So, after you have collected the pertinent information on your mortgage worksheet and received a couple of bids from your favorite investor or master buyer, as you prepare yourself to call back the potential note seller and negotiate a price, ask yourself the following questions:

### Are You Assuming the Other Party Wants the Same Thing You Do?

My brother liked brown M&Ms, and I liked the green ones. The beauty of life is that sometimes you can get exactly what you want because the other person’s interest lies elsewhere. Take the time to find out what they really want, and you may be surprised to find out how easy it is to give.

Paula, a note seller, wanted to sell her entire note. The investor only wanted to buy a partial because of the poor credit of the payor. I knew Paula did not want to sell part of the note and thought that negotiations would be over when I told her the offer. Paula accepted the partial offer price for the entire note!

*“The most successful negotiations are collaborative rather than adversarial.”*

### Can You Sweeten the Deal for the Other Party?

My sister’s taste in M&Ms was less easily solved. Like me, she loved the greens. But she also hated the yellows. So one day I offered her a “package deal.” I said I’d take all the yellows off her hands if we could split the greens. That was our last fight over M&Ms — and it gave me terrific insight about how to overcome resistance in business negotiations.

Bill, a note seller, wanted to sell his entire note but still needed some income for a while. I offered the seller a price for his entire note now, and the investor would pass through the next 12 payments to him. The overall price for the note was lower, but Bill was happy that I figured out a way for him to keep some income and sell the note now!

### Can You Leave Something on the Table?

Joseph Kennedy Sr. observed, “Only fools go for the last dollar.” Do you know why? Because most negotiations mark the beginning of the relationship, not the end — and it’s tough to develop a close working relationship with someone who feels screwed.


James note seller had many properties that he was starting to sell off and carry notes on. He didn’t have a need for cash now, but he also did not want to deal with the headache of collecting all the payments after he had sold all of his properties. I thought if I could buy a few notes and keep a small commission for myself (\$500), he would eventually trust me and come to me first with all the notes he would carry back in the future. The plan worked, and James sold me about 12 notes over a span of about 2 years. If I had tried to take even just a \$2,000 commission on the first note, I don’t think I would have even done one transaction with him.

Now, don’t get me wrong. I am not advocating that you negotiate from a position of weakness. You need to know your interests and be sure they get met. But this is a business of negotiation, not a bar fight, and the most successful negotiations are collaborative rather than adversarial. Remember, in the words of an English proverb, “A lean compromise is better than a fat lawsuit.”

I believe the winning strategy for negotiating with a potential note seller involves the following: Don’t just focus on the close, but rather seek to cultivate a relationship. To be successful in negotiating and in the note business, I believe you’ve got to be part professor, who knows the product and options available (including calculator skills) better than anyone else; part detective, who can find out the who, what, when, where, why, and how; part networker, who knows how to get things done; and part schmoozer, who knows how to make a potential client feel important.

Remember, success demands action! Keep on marketing — it’s going to work!

*Jeff Armstrong of Armstrong Capital has been a note broker and investor specializing in the seller-financed note industry since 1991. He can be reached at [info@armstrongcapital.com](mailto:info@armstrongcapital.com). For information on how he can help you with your note business, your note investments, or to request a quote on a note you currently have, visit [www.armstrongcapital.com](http://www.armstrongcapital.com)*


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# Beyond the Direction Letter

## The Checkbook IRA LLC for Note Buyers



by Ted Erickson

In April's Journal, Dale Morrison laid out the basics of Self-Directed IRAs and walked through the three steps: pick your investment, open and fund the SDIRA, and direct the Custodian to fund the deal. Dale got it right, and his three-step framework is the foundation this article builds on. We pick up at Step 3, the Direction Letter, where most note buyers run into a problem Dale didn't have room to address.

The problem has a name: time.

### The Custodian Clock

Most active note buyers will recognize this scene. A seller agrees to your terms on a discounted note. You've got the cash in your SDIRA. You go to fund the deal.

You send your Buy Direction Letter to the Custodian. They review the request. They review the underlying documents: the promissory note, escrow instructions, title policy, assignment forms. They send back questions. You resubmit. They review again. Eventually, they cut the check or initiate the wire.

The whole process typically takes 5 to 10 business days. Sometimes longer.

In a normal real estate transaction, that's manageable. In note investing, where motivated sellers want to close, it's an eternity. By day eight, your seller has often accepted an offer from someone who could move faster, usually with personal funds. The deal you negotiated is gone.

This isn't a knock on Custodians. They're doing their job, which is making sure you stay compliant with the federal regulations governing your retirement account. The Direction Letter exists for good reason. But for note buyers, especially the ones chasing discounted, distressed, or short-fuse paper, the Custodian's timeline costs real deals.

*"By day eight, your seller has often accepted an offer from someone who could move faster."*

### A Tool Hiding in Plain Sight

There's a structure that solves this problem. It's been around for over thirty years. It's called an IRA LLC. Some people call it a "Checkbook Control IRA" or "Checkbook IRA LLC." The name describes how it works.

You form a Limited Liability Company. Your SDIRA becomes the sole member of that LLC — in other words, your SDIRA owns 100% of the LLC. You (the IRA account holder) become the LLC's manager. Once the SDIRA has funded the LLC, you can write checks or send wires directly from the LLC's checking account to acquire investments.

What this means in practice: you go from waiting 5 to 10 days for the Custodian to issue a wire to writing a check or sending a wire that same business day. From the seller's perspective, you're as fast as a cash buyer.

You still have a Custodian. Your SDIRA continues to hold the LLC as an asset, and the Custodian still reports your account value every year to the IRS. What changes is whose name is on the check. Under the standard model, it's the Custodian's. With an IRA LLC, it's your LLC that writes the check and is the 'buyer' of the note.

### "Wait, Is This Legal?"

The first question every note investor asks when they hear about this is some version of: wait, is this allowed?

Short answer: Yes. The foundational case is *Swanson v. Commissioner*, decided in 1996 by the United States Tax Court. James Swanson formed an entity owned by his SDIRA and served as its executive. The IRS challenged the arrangement, arguing that it was a prohibited transaction. The Tax Court disagreed. It found that an IRA's ownership of a newly formed entity, by itself, doesn't create a prohibited transaction.

In the thirty years since *Swanson*, additional case law has reinforced the framework. When properly set up, the Checkbook IRA LLC is well-established as compliant.

The structure is widely used in self-directed real estate circles. Plenty of investors who acquire rentals, fix-and-flip projects, and syndication LP positions use IRA LLCs as their standard play. Among note investors? Less common. That's the gap I'm writing about here.

### What "Properly Set Up" Means

The structure has guardrails, and they matter.

The IRC 4975 prohibited-transaction rules Dale covered in his April piece apply with full force to an IRA LLC. You can't transact with disqualified persons. You can't personally benefit from the LLC's activities. You can't draw a salary for managing the LLC. The LLC can't acquire prohibited assets like life insurance contracts, collectibles, or S-corporation stock.

Done right, those guardrails get documented in the LLC's operating agreement and into the IRA-funding paperwork. Done wrong, the IRS can disqualify the entire structure, with significant tax consequences. This is why the structure has to be set up by someone who knows what they're doing.

## How It Works, Side by Side

For a note investor, the practical benefit is simple. Once the structure is set up — typically 10 to 15 business days from initiation to a funded LLC — every deal after that moves at your pace, not the Custodian's.

Here's what acquiring a note looks like under each model:

### **Custodian-Controlled SDIRA:**

- Identify the note
- Negotiate terms with the seller
- Submit a Buy Direction Letter and supporting documents
- Wait 5 to 10 business days for Custodian review and funding
- Custodian issues the check or wire
- Note acquired in the name of your SDIRA

### **Checkbook IRA LLC:**

- Identify the note
- Negotiate terms with the seller
- Write a check or send a wire from the LLC's checking account, same day
- Note acquired in the LLC's name, same day or next business day

## When It Makes Sense, and When It Doesn't

Not every note investor needs this structure. If you buy one or two notes a year, the Custodian timeline may be acceptable, and the setup cost of the LLC may not pencil out. If your strategy is long-dated performing paper from patient sellers, you have time to wait on the wire.

The Checkbook IRA LLC starts to pay for itself in a few specific situations: you're transacting actively, several deals a year or more; you're going after discounted or distressed paper where speed matters; you're competing with buyers who can write personal checks; or you've built up meaningful IRA balances and want operational control over deploying that capital into notes.

If you're sitting on retirement capital and watching deals slip away because the Custodian's clock doesn't match the market's, the Checkbook IRA LLC is the fix.

## Closing

Dale's April piece made the case that you can take control of your retirement. This article makes a narrower one. For note investors, there's a tool that lets you control the timing and execution of the purchase yourself, using retirement account funds to close on your deals. It's been around and compliant for thirty years. Most note investors just haven't heard of it.

It isn't right for everyone. But if you're an active note investor who's lost a deal to the Custodian's clock, the Checkbook IRA LLC is worth understanding before the next one slips away.

*Ted Erickson is the founder of MyDirect IRA, where he sets up Checkbook IRA LLC and IRA Trust structures for self-directed retirement investors. With over a decade in the self-directed IRA space, he focuses on helping real estate investors and note buyers deploy retirement capital. Contact him at [ted@mydirectira.com](mailto:ted@mydirectira.com) or 760-303-5909.*



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# How Much Equity Can Homeowners Lose in a Tax Sale?

## The Supreme Court Is About to Decide

By Kelly Phillips Erb  
[Forbes.com](https://www.forbes.com)

When the government takes your home to collect a tax debt and sells it, how much does it actually owe you? That's a question now before the U.S. Supreme Court. And while a similar case was resolved last year — *Tyler v. Hennepin* — a big question about valuation remains unanswered.

### Background

Thirty-five years ago, Timothy Scott Pung purchased a 3,000-square-foot house in Isabella County, Michigan, for \$125,000. While he was alive, the property benefited from the state's Principal Residence Exemption, which reduces some school-tax obligations for qualifying homes. After his unexpected death in 2004, followed by the death of his wife in 2008, his son Marc remained in the house with his family. He believed that under Michigan law, the tax exemption continued automatically as long as family members lived in the home.

A local tax assessor saw things differently and retroactively denied the exemption for three years (2007, 2008, and 2009), arguing that Marc should have resubmitted paperwork. The Pungs challenged the move in court. An administrative law judge at the Michigan Tax Tribunal agreed with the family and ruled in their favor. During the challenge, the assessor continued to deny the exemption for 2010 and 2011. The tax tribunal reversed the denial for the 2007–2011 tax years, holding that no further paperwork was ever necessary.

The assessor disagreed. Despite the ruling, she labeled the property as delinquent, and the county moved to foreclose. The alleged delinquency was just \$2,241.93 (the house was assessed at \$194,400). The county evicted the family and sold their home at a tax auction for just \$76,008.

After the foreclosure, Pung's estate sued, arguing that the county had taken property in violation of the Fifth Amendment's Takings Clause and had also imposed an excessive fine in violation of the Eighth Amendment. The district court gave the estate a partial victory, concluding that the estate was entitled to the surplus proceeds, plus interest, from the auction — that is, the auction sale price minus the tax debt. The estate, however, argued that the recovery should be measured by the property's fair market value minus the amount owed, not simply the auction amount.

*"The alleged delinquency was just \$2,241.93. The house was assessed at \$194,400."*

That distinction may sound technical, but it is worth a lot of money. If compensation is based on the auction price, the estate would receive roughly \$76,008 minus the tax debt. If compensation is based on fair market value, the estate's recovery could be closer to \$194,400, minus the debt. Here, the dispute is not whether the government may collect taxes, but whether the government can return only what a tax auction produces, even if that sale price is far below market value.

That question has now landed in the U.S. Supreme Court, where the Pungs are represented pro bono by the Pacific Legal Foundation, a public-interest law firm.

### The Case That Set the Stage: *Tyler v. Hennepin County*

To understand why Pung matters, you have to go back three years to a 94-year-old grandmother named Geraldine Tyler. In 1999, Tyler bought a modest one-bedroom condo in Minneapolis. By 2015, she had racked up \$2,311 in unpaid property taxes on the condo, with interest, penalties, costs, and fees bringing the total to roughly \$15,000. Hennepin County seized her condo and sold it for \$40,000. The county kept every dollar, even though it was owed only \$15,000, pocketing a \$25,000 windfall that, by any reasonable measure, belonged to Tyler.

That practice was perfectly legal in Minnesota. In fact, 12 states and the District of Columbia allowed some version of it, with nine other states permitting it in limited circumstances. The Pacific Legal Foundation called it "home equity theft" and took Tyler's case pro bono.

The Supreme Court unanimously ruled in Tyler's favor under the Takings Clause. Chief Justice John Roberts, writing for the Court, explained that while the government may seize and sell property to recover unpaid taxes, it may not use that tax debt to confiscate more property than it is owed.

But Tyler was also an easy case in one respect: the surplus was obvious. The county sold the condo for \$40,000 and was owed about \$15,000. The \$25,000 difference was a windfall. The Court did not need to decide what happens when the government sells the property for less than its fair market value. Nor did it have to decide whether a tax foreclosure auction price is a constitutionally adequate measure of just compensation. Tyler left those questions unanswered.

### The Auction-Price Problem

Tax foreclosure auctions are not like ordinary real estate transactions. They often attract a narrow pool of buyers — primarily investors and speculators who understand the process — and government sellers have little incentive to

maximize value. In many cases, properties sell for well below what a motivated seller would get on the open market.

If governments can use the auction price as the constitutional benchmark for “just compensation,” then they could technically comply while still allowing much of a homeowner’s actual equity to disappear. That’s what’s driving Pung. Tyler says the government cannot profit beyond the amount it is owed. Pung asks what the government owes when its own process may convert a more valuable asset into a lower sale price.

### Why It Matters Beyond Michigan

In Minnesota before Tyler, more than 4,300 properties were seized and sold between 2014 and 2020. Among the more than 1,200 that were family homes, owners on average lost 92% of their property’s value beyond the tax debt — a gap of roughly \$207,000 per family, against an average tax debt of \$17,000. In Washington, D.C., a 76-year-old veteran with severe dementia lost a \$200,000 home over a \$133.88 tax bill. In Michigan, before state courts intervened in a separate case, a property owner lost his property after underpaying by \$8.41.

A ruling for Pung could require state governments to calculate just compensation based on fair market value, fundamentally reshaping the economics of tax-foreclosure cases. A ruling for Isabella County would leave governments with a much narrower obligation: return the auction surplus with interest, but bear no responsibility for the gap between what the auction produced and what the home was allegedly worth.

### When to Expect a Decision

Oral argument in Pung concluded February 25, 2026. The Court typically works through argued cases before breaking for the summer, meaning a decision is expected before the end of the Court’s term, likely by late June.

Given that Tyler was unanimous, and that Pung presents the natural follow-on question the Court left open three years ago, the justices aren’t likely to skirt the valuation issue. The harder question is how far they will go. Tyler and Pung ask the Court to consider a bigger constitutional problem: when the government enforces public debts like tax bills, where is the line between collection and confiscation?

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*The case is Michael Pung, Personal Representative of the Estate of Timothy Scott Pung, Petitioner v. Isabella County, Michigan.*



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# Real Estate vs. Stock Market

## Which Is the Better Investment Right Now?

By [Dina Sartore-Bodo](#)  
[Realtor.com](#)

All eyes are on the economy in America as prices continue to surge, the war in Iran rages on, and the housing market feels like it's stalled again.

Recent polling data from CNN, via SSRS, highlights a growing anxiety among Americans as the cost of living and soaring prices become the primary financial burdens for families. Nearly 70% of those surveyed admitted they're bracing for a recession within the next year, with many struggling with the daily reality of managing expenses.

And the stock market isn't looking much better. Continued surging gas prices combined with already-high tensions concerning inflation have the market resting on a knife's edge. In April, the consumer price index rose 0.6%, putting the annual inflation rate at 3.8%, according to the Bureau of Labor Statistics.

For investors looking to put their money to the best use, the question becomes whether now is the right time to buy real estate or the stock market is still the place to go.

### The Outlook for the Real Estate Market

Experts agree that investing in real estate is still a solid bet, especially if you're willing to commit for the long term.

"Put simply: You can't live in a stock," says Realtor.com senior economist Joel Berner. "There is so much uncertainty in both the stock and housing markets right now, stemming primarily from the conflict in Iran, which has sent stocks plummeting and ended the descent of mortgage rates. You could easily lose money in either investment right now, and you could easily be buying the dip and make a handsome profit by investing in either right now. The main case for real estate is that it has practical value outside of its potential financial returns."

*"Put simply: You can't live in a stock."*

As proven by the recent Realtor.com Generational Wealth report, purchasing a home by age 30 is associated with a 22.5% higher net worth (+\$119,000) at age 50 compared to buying in one's 40s, highlighting how a longer accumulation window compounds financial security.

Let's put this in practical terms: Say you bought a home in March 2020 for the median home price of \$319,000. By March 2026, the median home price rose to \$415,450, marking a 31% increase in value. Appreciation is forecasted

to continue rising through 2026, but by 2.2%, according to Realtor.com economists.

"Home prices climbed significantly during the [COVID-19] pandemic as buyer demand outstripped supply," Hannah Jones, Realtor.com senior economic research analyst, explains. "Homeowners, especially those who bought pre-pandemic, saw and continue to see significant returns from selling their homes."

The caveat that Jones points out is that even before market fluctuations, the returns on property had become immobile. "Still-high home prices and elevated mortgage rates mean that it is relatively expensive to finance a home purchase today," she adds.

### U.S. Median Home Prices, March 2020–2026:

- March 2026: \$415,450
- March 2025: \$424,900
- March 2024: \$424,900
- March 2023: \$424,000
- March 2022: \$399,450
- March 2021: \$352,450
- March 2020: \$319,000

Because of this, buying property as a short-term investment might not be the right move. "Still-high home prices and financing costs mean that buying a home purely as an investment may not be advantageous today," Jones explains. "Rental prices have also leveled off or fallen across much of the country, which means that today's investors may not be able to cover their monthly costs via rental income."

Having said that, if you're a first-time homebuyer or someone looking to lay down roots, buying a home is still a good investment. "Real estate holds value beyond simply being an investment vehicle," Jones adds. "For homeowners who live in the home they own, having a place to live is valuable apart from the potential return on a home investment."

### ...Versus the Outlook for the Stock Market

The collective advice from most financial advisers right now is very much the same as real estate: sit tight, because the investments will come back.

"Market fluctuations are normal," explains Melissa Murphy Pavone, certified financial planner and founder of Mindful Financial Partners. "Staying invested is key. History shows that the worst days in the market are often followed by some of the best. Trying to time the market usually does more harm than good."

Case in point: After surging 26.3% in 2023 and 25.0% in 2024, the S&P 500 index brought in a lower 17.9% in 2025. But despite the dip, that's still three consecutive years of

high performance, and before the start of the Iran war, Goldman Sachs forecasted the index to rally 12% in 2026.

"It's really hard to predict the future," says Cynthia Meyer, a financial planner at Real Life Planning in Gladstone, NJ. "If you take the long view and you're really well diversified across investments, so you don't own one stock, you own hundreds of stocks... some of those cylinders are always going to be firing."

Moreover, if you're in the position to buy, now might be the best time to jump into investing. Never forget Warren Buffett's famous quote from his 2008 op-ed in *The New York Times*, published at the peak of the Great Recession: "In short, bad news is an investor's best friend. It lets you buy a slice of America's future at a marked-down price."

### Buy Real Estate or Stocks?

So, which is better right now to buy: real estate or stocks? While both will likely provide a return in the long run, you stand a better chance of increasing your investment with real estate, especially if the country does move into a recession.

"If the economy moves toward a recession, we would expect to see higher unemployment, which would lead to falling demand and perhaps more homes for sale," Jones explains. "Climbing inventory met with falling demand would put downward pressure on home prices. A recession usually leads to lower mortgage rates as well. Falling prices and low mortgage rates could create an investor-friendly housing market, but the economic conditions that created that sort of environment — low growth, high unemployment — would undermine the opportunity for many."

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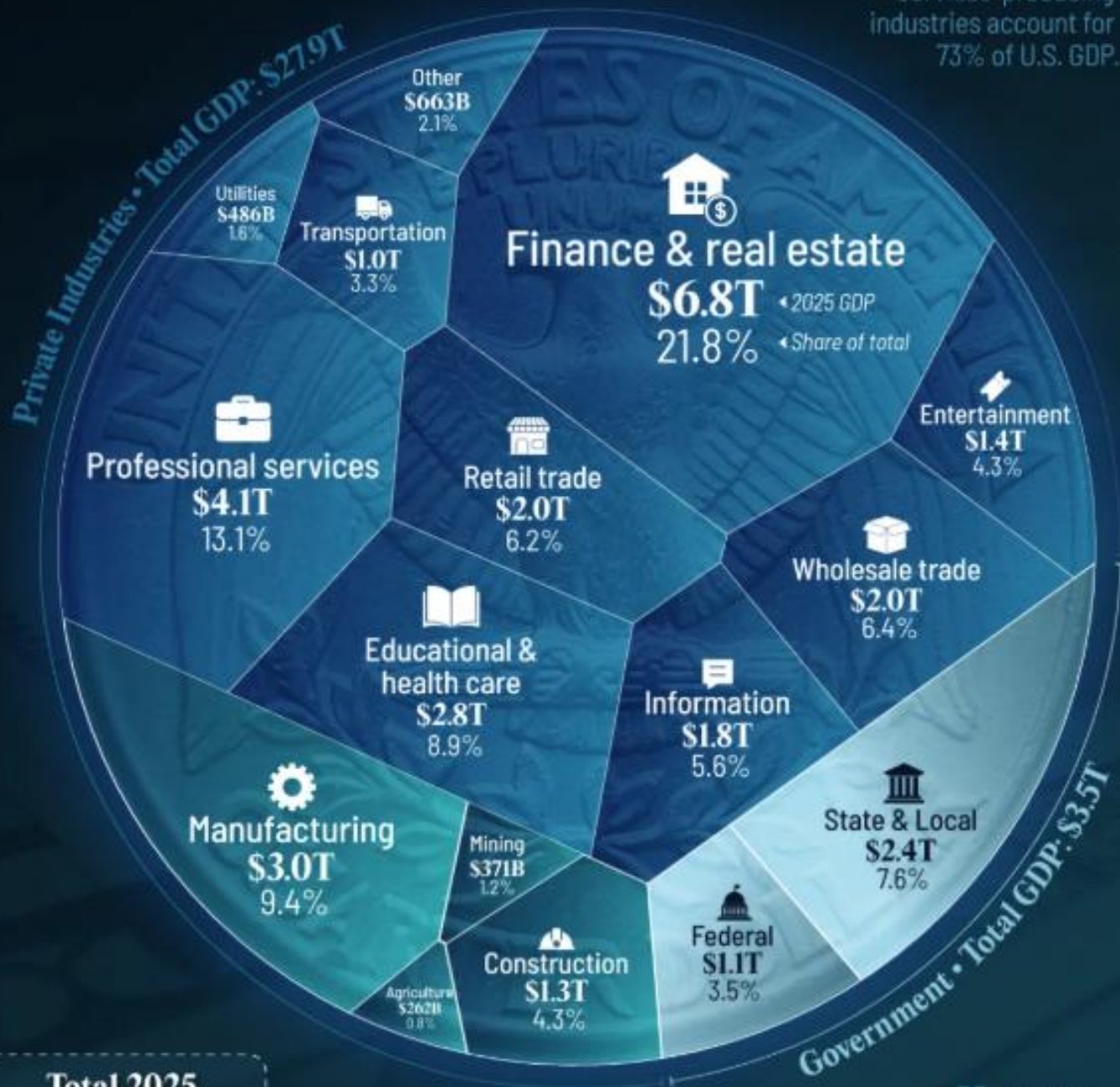
# The Entire U.S. Economy

Value added by industry in 2025

## Category

- Services
- Goods
- Government

Services-producing industries account for 73% of U.S. GDP.



Total 2025 U.S. GDP: \$31.4T



Totals may not sum exactly due to rounding. Source: Bureau of Economic Analysis

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## Industry News & Updates

### SpaceX IPO to Trigger Massive South Texas Housing Boom

By Julie Taylor | [Realtor.com](https://www.realtor.com)

SpaceX made its stock market debut, minting a fresh crop of millionaire employees who are expected to fuel a real estate boom near the company's South Texas headquarters.

"It is certainly hard to believe that a little company that started in a warehouse in El Segundo is now going public," CEO Elon Musk told employees in Starbase, TX, ahead of the opening bell ceremony at the Nasdaq exchange in New York.

The SpaceX debut under the ticker SPCX marks the largest initial public offering in Wall Street history, with the company targeting a \$135 share price and a valuation of nearly \$1.8 trillion. According to some estimates, the IPO will create 4,000 new millionaires among SpaceX employees — from engineers to cafeteria workers — who hold employee stock options as part of their compensation.

In the small town of Brownsville, TX, near SpaceX headquarters, real estate agents are preparing themselves for a gold rush. The median listing price in Brownsville is \$290,000, which is down 7.9% year over year and far below the national median of \$425,000. In April, there were 1,617 active listings in Brownsville — with only 67 of those listings priced above \$1 million.

"Brownsville's luxury segment is modest by national standards," says Realtor.com senior economist Hannah Jones. "Only 4.1% of active listings are priced above \$1 million, and the 95th percentile sits just under \$925,000, well below comparable thresholds in Austin or Houston."

Jones calls the upcoming SpaceX IPO "the biggest wild card on the horizon. Because SpaceX has historically compensated employees with equity over cash, much of that wealth has been illiquid. With luxury supply this constrained, even modest demand from newly liquid employees could move prices at the top of the market quickly."

Brownsville real estate agent Bob Torres recalls the 2021 boom that followed Musk's call for SpaceX employees to relocate: "It was an absolute boom. A bunch of the buyers were SpaceX employees — and you had co-workers bidding against each other for properties that were all going for above asking. Prices have skyrocketed for tracts of land out there that you couldn't give away five or six years ago."

Torres expects the IPO's effect to unfold gradually rather than overnight: "I don't see an immediate boom when the SpaceX workers get their payday. I think they will need time to absorb it first, but they'll eventually start buying."

### NYC's Proposed 9.5% Real Estate Tax Hike Hits a National Nerve

By Kelly Phillips Erb | [Forbes.com](https://www.forbes.com)

In New York City, property taxes are back in the headlines. Mayor Zohran Mamdani has floated the idea of raising them — by 9.5% — as part of this year's budget. Mamdani says it's a last resort, claiming that if Albany won't raise taxes on millionaires, the city may have to raise them on property instead.

The proposed hike has raised eyebrows across the country, not just in New York City. Property taxes have long been a political land mine because of their impact on household finances — including on your federal income tax return.

According to the Tax Foundation, in fiscal year 2022, property taxes accounted for 27.4% of total state and local tax collections in the United States — more than any other category of tax revenue. Local governments rely even more heavily on them: property taxes accounted for 70.2% of local tax collections that year.

State and local governments favor property taxes because they provide a relatively steady income stream. The tax base doesn't move, and it rarely shrinks significantly. Houses and commercial properties don't relocate across state lines, and over time, property values tend to rise rather than fall.

*"Property taxes remain one of the most stable revenue sources for local governments. Cutting them is politically appealing, while raising them is politically difficult."*

From 2020 through 2025, U.S. house prices climbed roughly 55% nationwide, with many markets seeing even larger gains. That appreciation increased homeowners' equity, but it also raised assessed values and, in many cases, tax bills. To limit sharp spikes, some states impose caps on annual increases. California's Proposition 13 generally caps annual increases at 2%. Florida caps annual growth in taxable value for homesteaded property at the lesser of 3% or inflation. Texas also limits how quickly a home's taxable value can increase.

If you believe your property has been overvalued, you usually begin by contacting the assessor's office to correct factual errors. If that doesn't resolve the issue, you can file a formal appeal with a local board of assessment review, and in many jurisdictions, you can also take the case to court. Deadlines are often strict — in many jurisdictions you have just 30 to 60 days from the date of an assessment notice to file an appeal.

The impact of property taxes also shows up on your federal income tax return. If you itemize deductions, you can deduct certain state and local taxes paid during the year, including

property taxes — known as the SALT deduction. Before 2017, there was no limit. The Tax Cuts and Jobs Act capped SALT at \$10,000 per year. A compromise vote during the One Big Beautiful Bill Act negotiations in 2025 temporarily increased the cap to \$40,000 for most filers, with adjustments for inflation through 2029. The cap will drop back to \$10,000 in 2030 unless Congress acts.

Immediately after the pandemic, some states opted for property tax relief using budget surpluses. As revenue growth has slowed, holding onto or deepening those cuts becomes more difficult. Wyoming lawmakers are considering expanding property tax relief while exploring alternatives such as higher sales taxes to replace the revenue. In Florida, Governor Ron DeSantis has pushed to end property taxes entirely, drawing pushback from local leaders concerned about cuts to fire and emergency departments. In Texas, a \$10 billion property tax relief package relies mostly on one-time surplus funds to make up the revenue school districts would lose.

New York City's proposed hike is an example of how this might play out. Property taxes remain one of the most stable revenue sources for local governments. Cutting them is politically appealing, while raising them is politically difficult. Figuring out how to balance those things is the trickiest part of all.

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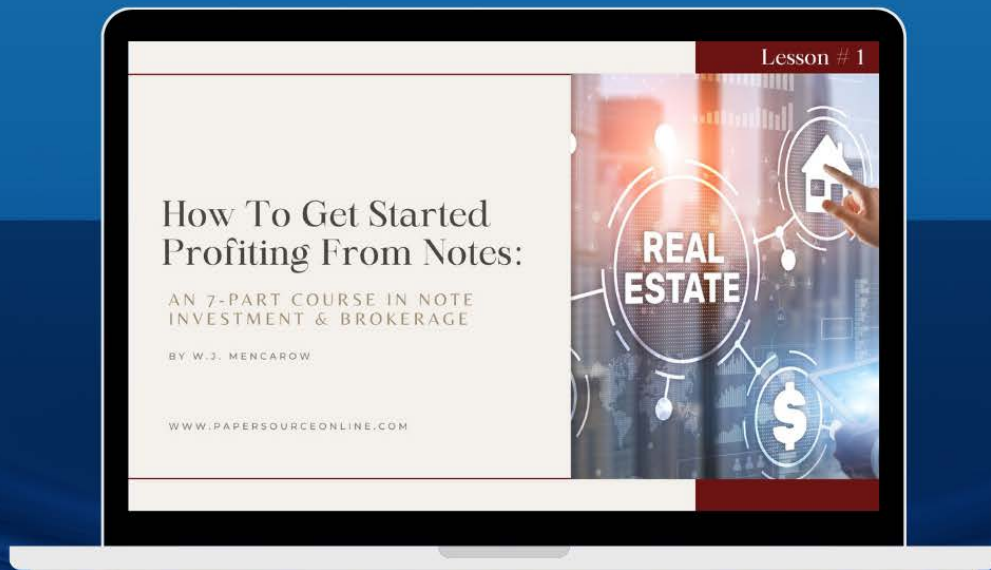
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