

Media Advisory



[BusinessWeek](#)

The next real estate crisis

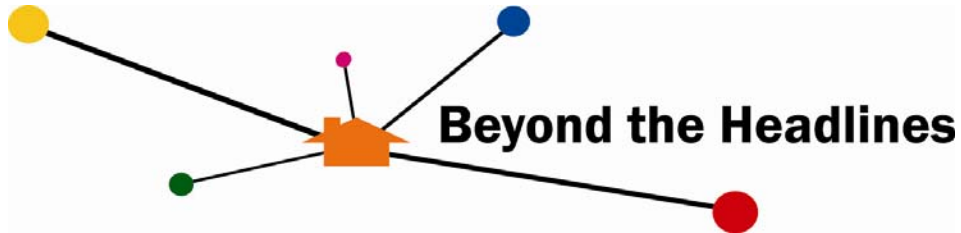
California is expected to be among the real estate markets that will suffer most when the next wave of so-called "option" adjustable rate mortgages (ARMs) begin readjusting to a higher interest rate in April 2009. Forecasters expect mortgage defaults and foreclosures to skyrocket if recent history is any indication.

KEEP THIS IN MIND . . .

- Monthly recasts of option ARMs are expected to accelerate starting in April 2009 and peak in January 2010. About 60 percent of the more than \$500 billion in option ARMs mortgages originated nationwide during the real estate boom were to California homebuyers.
- The subprime mortgage crash and declining real estate market has left an estimated 1 million option ARM borrowers facing the prospect of a higher interest rate, dramatically higher monthly payments, and a home that is no longer worth the amount owed.
- Option ARMs helped self-employed homebuyers with good credit and those who otherwise might not have qualified get into a mortgage with a low introductory rate and the option of making a minimum monthly payment covering only a portion of the interest and none of the principal. With housing prices expected to rise, buyers believed they would be able to sell their home or refinance into another loan product once their home had increased in value.

To read the full story, please click here:

http://www.businessweek.com/lifestyle/content/jun2008/bw2008065_526168.htm?chan=top+news_top+news+index_lifestyle



[The New York Times](#)

FHA. faces \$4.6 billion in losses

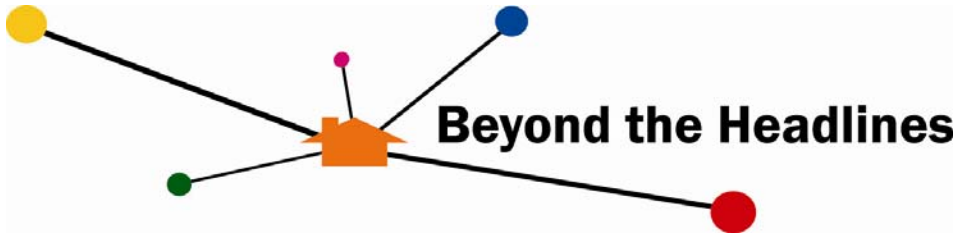
Stung by continued growth in delinquencies and foreclosures and the poor performance of its seller-financed downpayment program, the Federal Housing Administration says it has withdrawn \$4.6 million dollars from its \$21 billion capital reserve to cover losses. Officials said the self-funded agency faces either shutting its doors or relying on congressional appropriations to remain solvent in the future unless it ends the seller-financed downpayment program. The shortfall is more than four times greater than was attributed to the program last year. It raises concerns about the agency's ability to meet Congress' call for the agency to help millions of American homeowners facing foreclosure.

KEEP THIS IN MIND . . .

- Agency Commissioner Brian Montgomery Monday reassured the country that FHA is solvent but said that no insurance agency can continue to withstand such significant losses year after year.
- The seller-financed downpayment program blamed for the losses accounted for 35 percent of FHA loans last year but 60 percent of the anticipated losses. The program's foreclosure rate is three times that of traditional loans. However, dropping the program requires a change in rules. The agency has been unsuccessful in its efforts to shutter the program over the past three years.
- Both Congress and President Bush consider the FHA mortgage insurance program to be a lynchpin in their efforts to stave off foreclosures and stabilize the nation's mortgage markets. The FHA is expected to help half a million homeowners refinance into more stable loans by the end of 2008.

To read the full story, please click here:

<http://www.nytimes.com/2008/06/10/business/10housing.html?th&emc=th>



CNNMoney.com

Pending home sales up 6.3 percent; prices seen falling

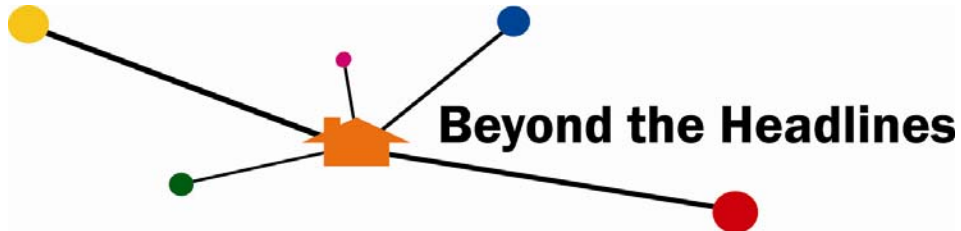
The index that measures pending sales of existing homes surprised industry-watchers in April by rising 6.3 percent from March as buyers looking for bargains found them in a plentiful supply of competitively priced foreclosures on the market. But the NATIONAL ASSOCIATION OF REALTORS® (NAR) which publishes the index, said it now expects home prices to fall by 6.4 percent for the year, down from the 2.4 percent price decline projected in its previous forecast.

KEEP THIS IN MIND . . .

- The N.A.R Pending Home Sales Index rose from 83 in March to 88.2 in April. A survey of economists had projected a slight decline in the sales index. An index reading of 100 is equivalent to the pending sales benchmark established in 2001, the first year the index was published.
- N.A.R. said it now expects home sales for the year to fall by 4.5 percent from 2007 levels, slightly better than the 4.7 percent decline expected in its last forecast. Economists say the increase in the index may indicate that home sales may be nearing the bottom of their decline. Prices, however, are expected to show continued weakness as long as inventories remain high.
- In the West, which includes California, the Pending Home Sales Index rose 8.3 percent from 91.2 in March to 98.8 in April. That figure was 4 percent higher than a year ago – and the West was the only region of the country to show an increase year over year.

To read the full story, please click here:

http://money.cnn.com/2008/06/09/news/economy/pending_home_sales/?postversion=2008060911



In Other News...



The Associated Press

Bernanke: Danger of 'substantial downturn' has faded

To read the full story, please click here:

<http://ap.google.com/article/ALeqM5gbB-yBIGYGpOLykwIKDn5wZrVP5wD916SJF00>



[CNN.com](http://www.cnn.com)

Renters profit from owners' pain

To read the full story, please click here:

<http://www.cnn.com/2008/LIVING/wayoflife/06/09/apartment.renters.ap/>



[Los Angeles Times](http://www.latimes.com)

Santa Maria house bought with no money down goes into foreclosure

To read the full story, please click here:

http://www.latimes.com/business/la-fi-santamaria5-2008jun05_0.540432.story



[The New York Times](http://www.nytimes.com)

About 1 in 11 mortgageholders face loan problems

To read the full story, please click here:

http://www.nytimes.com/2008/06/06/business/06mortgage.html?_r=1&th&emc=th&oref=slogin



[Orange County Register](http://www.ocregister.com)

Odd spring rush adds just 326 homes to O.C. supply

To read the full story, please click here:

<http://www.ocregister.com/articles/homes-inventory-market-2062409-year-percent>

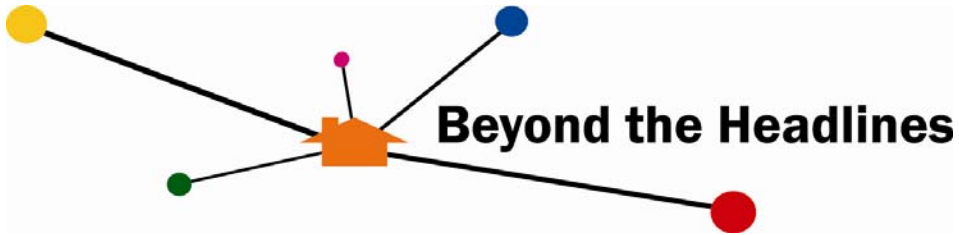


[Sacramento Bee](http://www.sacbee.com)

Squeezed older homeowners seek reverse mortgages to pay loans

To read the full story, please click here:

<http://www.sacbee.com/142/story/986998.html>



What You Need To Know About the Market

- The U.S. unemployment rate rose from 5 percent in April to 5.5 percent in May, the largest monthly jump in almost two decades and the fifth straight monthly increase. Leading the way, not surprisingly, was the construction industry, which lost 34,000 more jobs in May. Of the 8.55 million Americans unemployed in May, 1.55 million had reached the end of their 26 weeks of unemployment paychecks; however, Congress is considering adding another 13 weeks of unemployment benefits. The increase in unemployment may quiet expectations that the Federal Reserve might begin inching up interest rates to prop up the dollar and help counter rising fuel, food and other costs they fear will stimulate inflation.
- Worsening unemployment has some economists worried that foreclosure rates haven't yet hit bottom. One of every 11 mortgages were overdue or in foreclosure at the end of the first quarter – the worst quarter for foreclosures in nearly three decades, the Mortgage Bankers Association reports. Some 4.8 million loans, or 8.8 percent of all mortgages, were overdue, up from 7.9 percent the previous quarter. California and Florida accounted for nearly a third of all mortgages 90 days or more overdue, but industrial job losses have left the Midwest not far behind with 9.5 percent of past-due mortgages for the most recent quarter.
- With celebrity foreclosures in the news lately it is important to note that home prices in America's most expensive neighborhoods held up fairly well on average during the first quarter of 2008, according to RealtyTrac. Although not immune to the slowdown, home prices in some high-end communities like Atherton (on the San Francisco peninsula) even increased, albeit only by 5 percent. Even in places where pricey prices fell, it wasn't by much in California compared with other areas: Beverly Hills, for example, slipped only 2 percent for the quarter while Palm Beach, FL dropped a whopping 38 percent.