

Media Advisory



[MarketWatch](#)

Mortgage insurers slump again; defaults remain high

Continued high default rates among homeowners with mortgage insurance policies and uncertainty about future losses sent shares of the nation's major mortgage insurers tumbling and caused Freddie Mac to warn one insurer that it could lose its position as its top insurer if its rating doesn't improve within 60 days.

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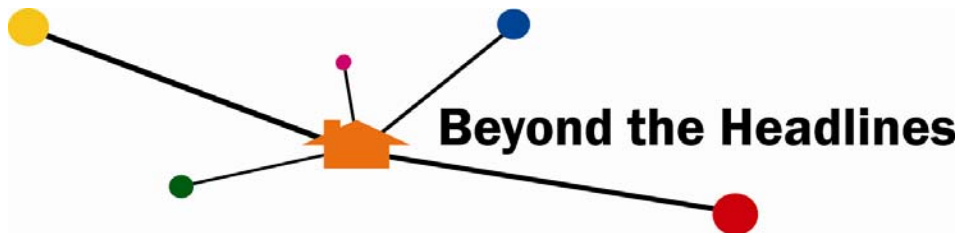
- In May, 67,967 homeowners with mortgage insurance were at least 60 days behind in their mortgage payments while 40,687 borrowers "cured" their overdue loan payments, according to the Mortgage Insurance Companies of America (MGIC), an industry group. In May 2007, the group reported 45,986 defaults. Mortgage insurance policies are designed to reimburse lenders if homebuyers who take on debt of more than 80 percent of a home's value subsequently default.
- Acting on fears that the major mortgage insurers will continue to experience increasing rates of default, Moody's Investors Service downgraded the credit ratings of GenWorth Financial's mortgage insurance business and Old Republic International, Freddie Mac's top mortgage insurer. Moody also lowered its rating on Triad Guaranty, the nation's seventh largest mortgage insurer, to junk status – meaning it has insufficient capital to support an investment-grade rating. Triad previously disclosed it is discontinuing the sale of mortgage insurance policies.
- MGIC, the nation's largest mortgage insurer with roughly \$28 billion of its \$177 billion in insured loans tied to sub-prime mortgages, reported Friday that its shareholders approved the sale of an additional 160 million shares in an effort to raise capital. Analysts warned that even a 20 percent loss on its subprime portfolio would erase the company's book equity.

To read the full story, please click here:

http://www.marketwatch.com/news/story/mortgage-insurers-slump-again-defaults/story.aspx?guid=%7B2DCFCB2E-1DEB-4F98-A1D4-42AAFFEF27AA%7D&dist=msr_39

To read a companion story, please click here:

http://www.marketwatch.com/news/story/mortgage-insurer-may-lose-top/story.aspx?guid=%7B80BB3381-EF1E-4958-AAC9-B1FF935353F3%7D&dist=msr_1



[The New York Times](#)

As housing bill evolves, crisis grows deeper

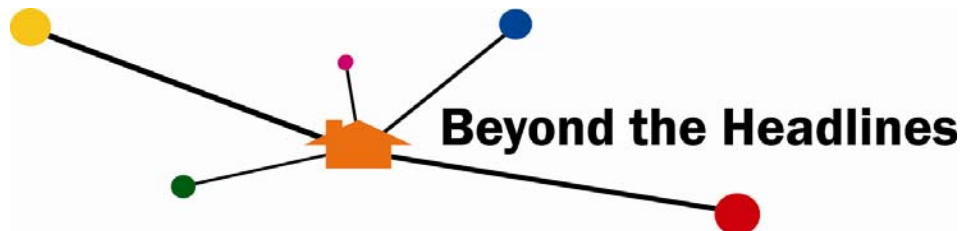
The mortgage rescue plan currently before Congress, which was designed to help only about 400,000 of the 2.6 million homeowners needing assistance at the time it was created, may fall far short of bailing out the thousands of additional Americans each month who join the ranks of mortgage borrowers in need thanks to an increasingly troubled economy, analysts say.

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- The Senate is expected to consider a bailout bill after the July 4 recess. That bill would allow banks and borrowers to refinance troubled adjustable-rate mortgages into 30-year fixed-rate loans backed by the government. Lenders would lower each loan amount to 85 percent of its current value while borrowers would pay a 1.5 percent annual mortgage insurance premium, and any gain in value would be shared when a home is sold.
- An estimated nine million homeowners currently owe more than the market value of their home. To qualify, borrowers would have to demonstrate that they can't afford their current mortgage payment but have the financial wherewithal to make payments on a new loan with new terms.
- Critics of the proposal suggest that the real estate market will correct itself without Congressional intervention, and that a weak economy, rising unemployment and higher mortgage interest rates could derail the usefulness of the program, which would be managed by the Federal Housing Administration and funded by the mortgage insurance fees, a 3 percent lender fee, and a tax on Fannie Mae and Freddie Mac.

To read the full story, please click here:

http://www.nytimes.com/2008/06/29/washington/29housing.html?_r=1&th=&adxnnl=1&emc=th&adxnlnx=1214794471-1wPUSIKP4CUyMb8ECvTjAg&oref=slogin



[Bloomberg.com](http://www.bloomberg.com)

Homes less affordable as prices fall, rates rise, Zillow says

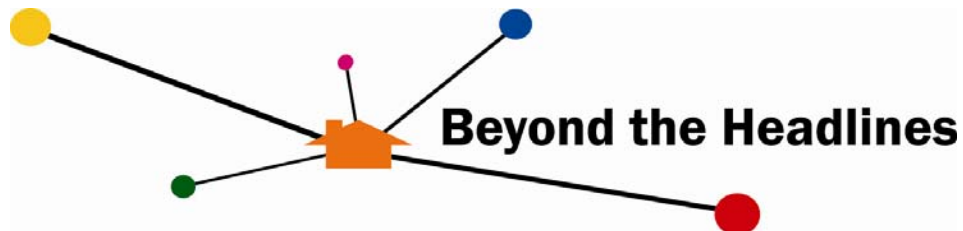
Higher interest rates are balancing out lower home prices and making home ownership less affordable in many U.S. real estate markets, according to a study of about 25,000 mortgage offers to potential homebuyers conducted by Zillow.com.

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- Monthly payments are 6 to 10 percent higher than they were two months ago in the 41 housing markets Zillow surveyed. On average, monthly payments have climbed \$131, or \$1,572 annually, since April 1.
- The situation is worse in high-cost markets like California. In Ventura, for example, the annualized cost of a 30-year fixed rate loan to buyers with credit scores of at least 680 is \$2,640 more than it was just 60 days ago. Without considering inflation, that increase alone costs a borrower an additional \$79,200 more over the life of the loan. The trend applies to most areas of the state.
- Californians also are suffering from the increasing cost of jumbo loans – those mortgages made on homes with loans of more than \$417,000. Despite rate cuts by the Federal Reserve, jumbo loan rates since June 2003 have increased by more than two percentage points; over the past nine months alone they have increased from about 7 percent to approximately 7.4 percent. What's more, the average spread between jumbo and conforming loans has jumped from 93 basis points to approximately 111 basis points.

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aRDMJGbadcWY&refer=home>



In Other News...



The Associated Press

Wachovia quits offering risky mortgage loan

To read the full story, please click here:

http://ap.google.com/article/ALeqM5grTw0_fHZ030KelzKI6bTUKU7WrgD91KJP7G7



[CNNMoney.com](http://www.cnnmoney.com)

Ailing home builders battling new foreclosures

To read the full story, please click here:

http://money.cnn.com/news/newsfeeds/articles/djf500/200806261633DOWJONESDJONLINE000751_FORTUNE5.htm



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

Down market gives rise to home-swap deals

To read the full story, please click here:

http://www.latimes.com/business/la-re-swap29-2008jun29_0,212545.story



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

OC riding an economic downturn

To read the full story, please click here:

<http://www.ocregister.com/articles/economy-housing-retail-2079115-banking-consumer>



[Pasadena Star-News](http://www.pasadenastarnews.com)

IndyMac appears close to collapse

To read the full story, please click here:

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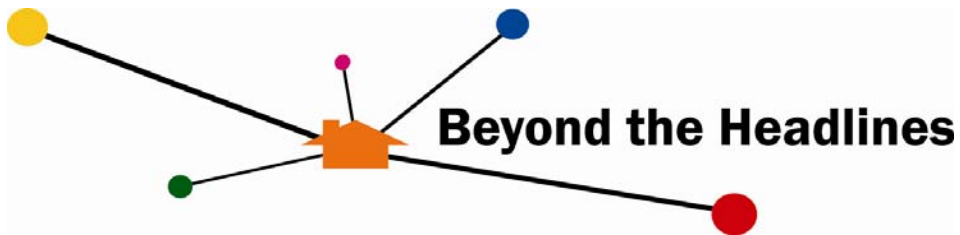


[San Diego Union-Tribune](http://www.sandiegouniontribune.com)

S.D. index points to a continuing economic slump

To read the full story, please click here:

<http://www.signonsandiego.com/news/business/20080627-9999-1b27sdecon.html>



What you need to know about the market

- June is the time when many investors and analysts take stock of how the economy has fared so far this year and compared with a year ago at this time. So how have we done? The almost-a-year-old subprime credit crunch has wiped out some \$3.3 trillion in stock market wealth in the first two quarters of this year alone. It was the worst first half for stocks since 2002, when the dot.com bomb was still exploding and we were working through our last brief recession. The Dow Jones average fell 14.4 percent through the end of June, while the NASDAQ fell 13.6 percent. Meanwhile, the mortgage meltdown has resulted in \$400 billion in write-downs by financial institutions. The result: tighter credit standards, which – along with falling home prices, rising unemployment and sharply higher energy and food prices – are pushing U.S. and other global economies closer to recession. While some observers believe the “bottom” is near or has been reached, still others fear there are more shoes to drop during the last half of the year and into early 2009.
- Some baby boomers may be wishing they had saved more for retirement and done a little less dipping into their home equity during the real estate boom, according to a report from the Center for Economic and Policy Research titled “The Housing Crash and the Retirement Prospects of Late Baby Boomers.” The study predicts that by 2009 the average household aged 45 to 54 years will have approximately 25 percent less wealth than the median household of that age group had in 2004, based on March S&P/Case-Shiller home price figures. What’s worse, these households could see another 10 percent lopped off their wealth should home prices fall by that amount before the end of the year. At a 20 percent additional decline, their wealth is 46 percent lower than in 2004. The study’s authors point out that renters actually fared better. Although they didn’t participate in the boom’s upside, renters tended to save more money toward retirement during what is considered the peak retirement savings years and have not suffered the fate of those homeowners who tapped into their home equity.
- The Federal Reserve Board’s decision last week to leave the federal funds rate static at 2 percent has so far failed to put the brakes on rising mortgage rates, which climbed to their highest level in over nine months to 6.45 percent for a 30-year fixed-rate loan, according to Freddie Mac. That was up from 6.42 percent the previous week and the highest rate since reaching 6.46 last September. Interest rates on fifteen-year fixed-rate mortgages rose from 6.02 percent to 6.04 percent last week. Adjustable-rate mortgages (ARMs) also climbed: a five-year ARM moved from 5.89 percent to 5.99 percent, while a one-year ARM rose from 5.19 percent to 5.27 percent. Even so, interest rates were still lower than they were for the same week in 2007. A year ago, 30-year fixed-rate mortgages were at 6.67 percent, 15-year fixed loans averaged 6.34 percent, five-year ARMs were at 6.3 percent and one-year ARMs were available at a 5.65 percent rate. Observers say the recent week’s increases reflect the market’s growing concern over inflationary pressures and uncertainty over how the Fed may react in the future.