

Media Advisory



Barron's

Bottom's up: This real-estate rout may be short-lived

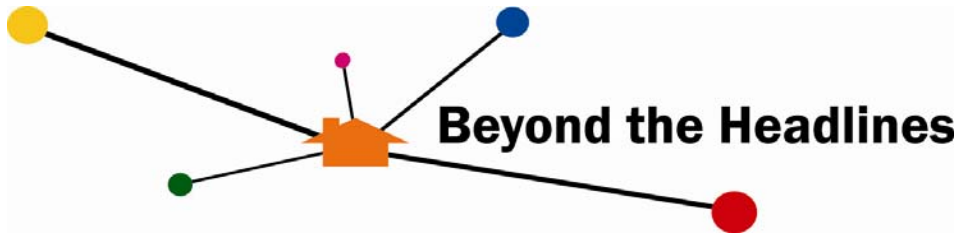
Home sales and prices may be down, foreclosures may be mushrooming and the blowback from the subprime mortgage crisis may be threatening banks and secondary mortgage lenders, but there are some early signs the real estate market is trending in a more positive direction -- although you may not know it if you rely on the mainstream media for your real estate news.

KEEP THIS IN MIND...

- Recent data suggest real estate market pessimism may be overblown. Even economist Karl Case, father of the S&P/Case Shiller Home Price Index, admits many industry pundits and members of the media are ignoring key facts – as demonstrated by their focus on negative year-over-year price figures rather than more recent monthly data. An example: Home prices actually increased slightly in eight of 20 Case Shiller markets between March and April. Instead, the focus of most media reports was on year-over-year figures, which continue to support the notion that the market may not have hit bottom, let alone begun to improve.
- Transaction-related indices may be skewed at present by a far larger than normal share of subprime-derived default and distress sales. In the San Francisco Bay Area, for example, more expensive homes (those priced over \$721,548) have dropped in price by only about 10.7 percent from their peak, compared with homes priced under \$473,711, which have tumbled by 40.9 percent.
- Even new housing construction numbers suggest an improvement, according to Case. He notes that housing starts, which fell to 975,000 in April from 2.27 million in January 2006, have fallen by similar percentages three times during the last 35 years. Case observes that each previous time this has occurred the market has staged a surprising upturn within a quarter. Only a slide into a recession would temper his optimism about the potential for a similar recurrence of this trend.

To read the full story, please click here:

http://online.barrons.com/article/SB121581623724947273.html?mod=googlenews_barrons&page=sp



[Los Angeles Times](#)

Fed stiffens restrictions on mortgage lenders

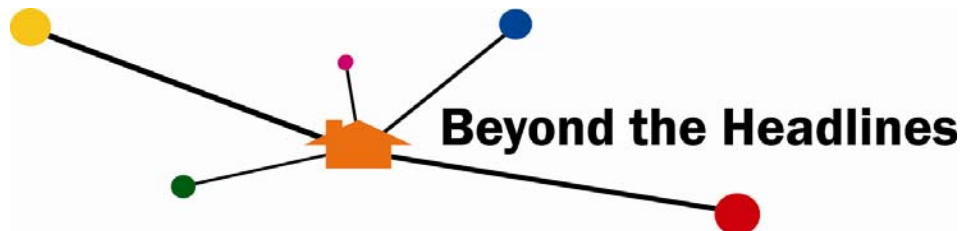
The Federal Reserve is clamping down on what it called “deceptive acts and practices” by some mortgage lenders that it says helped lead to the subprime mortgage crisis. The new rules, which apply to all banks and other lenders and specifically target subprime loans and borrowers, will take effect Oct. 1.

KEEP THIS IN MIND...

- The new rules “are intended to protect consumers from unfair or deceptive acts and practices in mortgage lending, while keeping credit available to qualified borrowers and supporting sustainable homeownership,” said Federal Reserve Chairman Ben Bernanke.
- The new rules will prohibit loans to borrowers who can’t repay the loan from income and assets other than the home’s value and will require lenders to verify the borrower’s income and assets. Prepayment penalties are banned for the first four years of any adjustable rate subprime loan and for the first two years on other subprime loans. Lenders also must establish escrow accounts for property taxes and insurance for all first-lien loans
- Also banned are seven misleading advertising practices, including use of the word “fixed” to describe a rate or payment that changes at any time during the loan term. Other prohibited practices include loan comparison advertising (unless all payments and rates are disclosed), foreign-language ads where disclosures are presented in English, and encouraging appraisers to misrepresent a home’s value. The rules also will require lenders to credit payments on the date of receipt, prohibit pyramiding of loans, and require a good faith estimate of costs and payments on any loan application for a home secured by its value (including home equity loans and refinancings) within three days. Further, borrowers cannot be charged any fees other than to obtain a credit report before receiving that estimate.

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-fed15-2008jul15.0,6482071.story>



[The New York Times](#)

Bush offers plan to save Fannie, Freddie

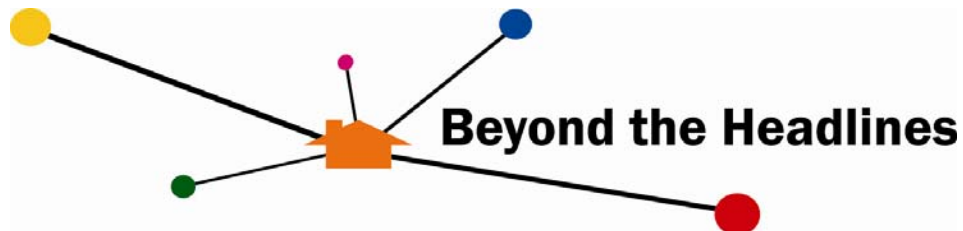
Eroding confidence in the nation's two largest mortgage finance companies led President Bush to ask Congress to approve a rescue plan that would provide billions of dollars in investments and loans to the two companies. Separately, the Federal Reserve said it would make funds available to Fannie Mae and Freddie Mac on a short-term basis, if necessary. The dual rescue efforts came over the weekend after stock prices for the two quasi-governmental companies plunged late last week, potentially jeopardizing a planned debt offering by Fannie Mae and sending shock waves through the nation's equity markets.

KEEP THIS IN MIND...

- The White House plan calls on Congress to raise the national debt limit and to allow the Federal Reserve to determine how large a cash reserve the two companies must have on hand. The proposals are expected to be attached to a housing bill that will be voted on by Congress as early as this week.
- Both Fannie Mae and Freddie Mac have existing credit lines of \$2.25 billion that were set 40 years ago by Congress when Fannie Mae held about \$15 billion in outstanding debt. It now has about \$800 billion in debt; Freddie Mac debt totals about \$740 billion.
- Despite concerns that the program will protect shareholders and investors while asking taxpayers to foot the bill, Treasury Secretary Henry M. Paulson, Jr. reiterated that the failure of either Fannie Mae or Freddie Mac would have a devastating impact on the world economy because their debt is held by investors around the globe.

To read the full story, please click here:

<http://www.nytimes.com/2008/07/14/washington/14fannie.html?ref=business>



In Other News...



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

Foreclosures rose 53% in June, bank seizures tripled

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601068&sid=aoF2SSDy4Ja4&refer=home>



[CNNMoney.com](http://money.cnn.com)

Calm down: Beyond the Fannie and Freddie panic

To read the full story, please click here:

<http://money.cnn.com/2008/07/11/markets/thebuzz/>



[Riverside Press-Enterprise](http://www.pe.com)

Inland condo projects shut down as single-family home foreclosures flood market

To read the full story, please click here:

http://www.pe.com/business/local/stories/PE_Biz_S_condos13.2ff32a8.html



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

Feds' aid for mortgage giants is said to aid Sacramento market

To read the full story, please click here:

<http://www.sacbee.com/103/story/1082711.html>

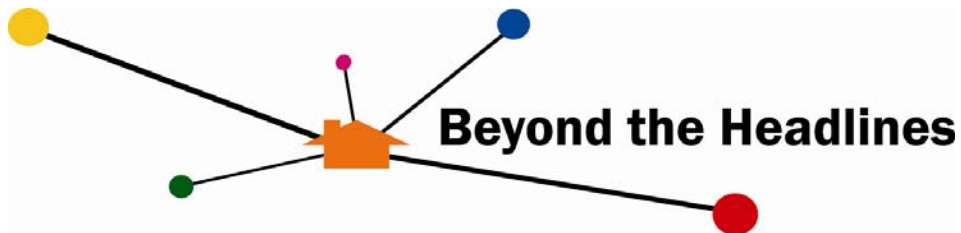


[San Francisco Chronicle](http://www.sfgate.com)

No sign of slump in S.F. rental market

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/07/12/RECT11MC47.DTL>



Talking Points

- The nation's banks are in less danger of failing today than they were during the savings & loan crisis of the late 1980s and early 1990s, when more than 1,000 financial institutions failed and taxpayers funded a bailout totaling more than \$125 billion. How does the current crisis compare? To date this year, only six lenders have failed and the Federal Deposit Insurance Corporation (FDIC) has only 90 banks on its "watch" list, compared with 575 banks in 1994. However, former FDIC Chair William Isaac recently called bank failures a "lagging indicator" rather than a "leading indicator" and predicted there will be more bank failures this year as lenders cope with subprime lending losses.
- Banks and loan servicers may be beginning to catch up with troubled loan workouts, but the numbers of borrowers who require assistance continues to rise. During the first six months of this year, Countrywide says it modified the terms of 86,000 loans, and Bank of America, which recently acquired Countrywide, reports that counselors are completing more than two workouts for every completed foreclosure. Hope Now, an alliance of lenders, says it conducted 70,000 loan modifications in May, although an estimated 85,000 families lost their homes that month. Even if loans are modified borrowers still may not be able to make their mortgage payment if they have lost a job, for example. According to a working group of the Conference of State Bank Supervisors, 32,000 loans that were modified in recent months already are delinquent again. That may be because few loan modifications actually result in lower monthly payments due to a cut in the principal loan balance. In California, only 1.3 percent of loan modifications involved such a reduction.
- IndyMac Bancorp's new management, the Federal Deposit Insurance Corporation (FDIC), has halted foreclosures and said it is focusing on modifying existing loans to make them more affordable for IndyMac borrowers. The bank has about \$15 billion in mortgage loans in its own portfolio and manages servicing for another \$185 billion in mortgages owned by other institutions. FDIC officials said they were examining troubled loans contained in the broader servicing portfolio loan by loan to determine whether they can be modified. However, borrowers serviced by IndyMac who need help may want to move quickly: The FDIC hopes to sell the troubled thrift and its assets within 90 days. IndyMac reopened under federal oversight on Monday after regulators closed its doors on Friday. Last year, it ranked as the tenth-largest mortgage lender and eight-largest mortgage servicer in the country.