

Media Advisory



[CALIFORNIA ASSOCIATION OF REALTORS®](#)

Fannie Mae and Freddie Mac Placed Into Government Conservatorship

Fannie Mae and Freddie Mac, government sponsored enterprises (GSEs), were placed into a conservatorship Sunday by the U.S. Dept. of the Treasury. The Federal Housing Finance Agency (FHFA) will serve as the conservator, and the CEOs of each company were relieved of their duties. Replacing them are Herbert Allison, former Merrill Lynch vice chairman, and David Moffett, former U.S. Bancorp CFO, who will now lead Fannie Mae and Freddie Mac, respectively.

KEEP THIS IN MIND

- Under the conservatorship, the FHFA has the authority to take up to an 80 percent stake in the companies, and will review both GSEs' financial condition quarterly. The federal government also may inject capital into Fannie Mae and Freddie Mac, if needed. Both GSEs will be allowed to increase their mortgage funding over the next year and a half, and their stock will continue to trade, with stockholders retaining all rights in the stock's financial worth. However, the plan does call for a 10 percent reduction per year to GSEs' portfolios, beginning in 2010, until they have been reduced to \$250 billion.
- Although the conservatorship has resulted in lower interest rates for consumers, and restored investor confidence, C.A.R. is concerned that the Treasury and the new CEOs will change the mission and role of GSEs. Without GSEs, mortgage capital eventually will be less predictable and more expensive. This may result in adjustable-rate mortgages becoming the standard loan for home buyers, as well as higher down payment requirements, and the possible disappearance of the 30-year fixed-rate mortgage.
- C.A.R. supports a structure that maintains GSEs in their current countercyclical roles and is urging lawmakers to support continued government involvement in supporting the institutional secondary market. As a result of these concerns, C.A.R. will be asking Congress to enact legislation to ensure GSEs continue to fulfill their congressional mission of supplying an affordable and stable flow of capital for home loans.

To view C.A.R.'s press release about the conservatorship, please click here:

<http://www.car.org/newsstand/newsreleases/keepfanniefreddie/>

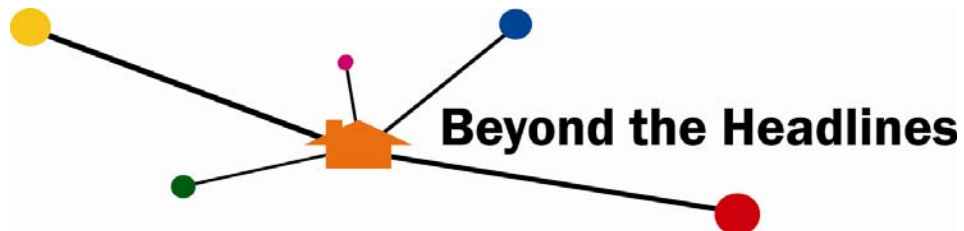
To view additional articles about the conservatorship, please visit:

How the Fannie and Freddie takeover affects you

<http://articles.moneycentral.msn.com/Banking/HomeFinancing/HomeFinancingDyn.aspx?cp-documentid=10172708>

It's a hard time to get new credit

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/09/07/MNJ612JCT8.DTL>



Additional Fannie Mae and Freddie Mac stories:

Fannie and Freddie 101

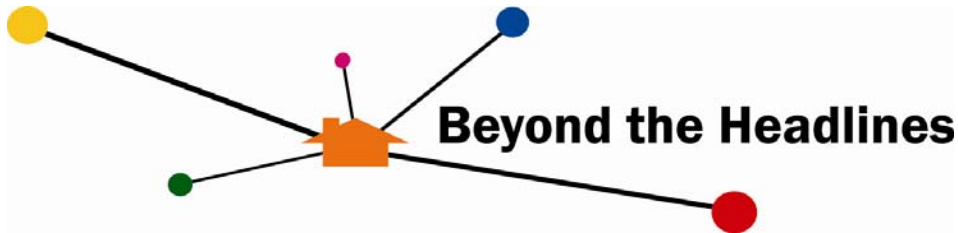
http://money.cnn.com/2008/09/07/news/economy/velshi_comments/index.htm?cnn=yes

Q&A about mortgage giants Fannie Mae, Freddie Mac

<http://www.latimes.com/business/la-fi-qanda8-2008sep08.0.3030600.story>

What rescue means for mortgage rates

http://money.cnn.com/2008/09/07/news/economy/fannie_homeowners/index.htm?cnn=yes



[CNN Money](#)

Your home: When it's wise to downsize

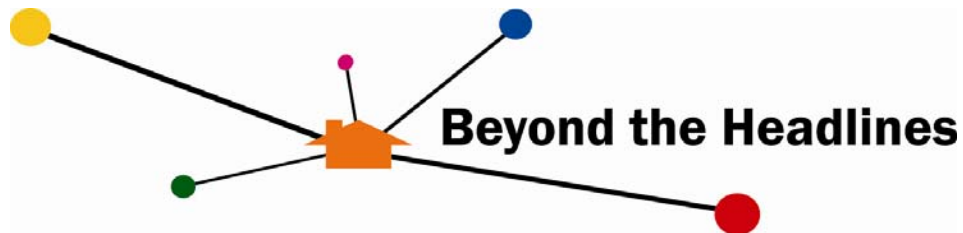
As a result of reaching retirement age and becoming empty nesters, more baby boomers are choosing to downsize from large, multi-room homes to ones with less square footage. While some buyers are choosing to downsize to save money, others -- especially those still in the workforce -- are opting for a lifestyle change, such as a shorter commute; the convenience of an onsite fitness center, often found in condominium communities; or energy savings.

KEEP THIS IN MIND

- Some buyers are choosing to downsize to condominiums, as they are often located in close-proximity to shops, restaurants, transportation; and everyday needs such as grocery stores, dry cleaners, or the pharmacy. Although this is convenient, buyers who wish to save money by downsizing should weigh all the facts before making the decision to downsize. While most single-family homes incur costs such as property taxes, utilities, and home maintenance, most condominium communities require owners to pay monthly homeowner association (HOA) fees, and sometimes special assessments. The monthly dues and special assessments are generally used for items such as replacing a swimming pool, upgrading the community clubhouse, or adding new amenities. Buyers concerned about these costs should ask how much HOA fees have risen over the past five years, and whether the association has plans for new assessments in the near future.
- Even with the added costs, many buyers will realize an annual savings when downsizing. Some experts estimate that the average annual savings in utility costs and property taxes could be as high as \$3,900 if a buyer downsizes from a 2,800-square-foot residence to one that is 1,800 square feet.
- Buyers who are at or near retirement should consider acquiring a mortgage loan with a 15-year maturity or a traditional 30-year, fixed-rate loan that does not charge a prepayment penalty. Although payments on a 15-year mortgage are higher and the interest rate is only about .10 percent lower than a traditional 30-year, fixed-rate loan, borrowers can save approximately \$141,000 in interest over the life of the loan.
- If a borrower elects for a traditional, 30-year, fixed-rate loan, they should consider one without a prepayment penalty. This allows the borrower to make extra payments each month and pay off the mortgage more quickly, without adding additional pressure should their financial situation change.

To read the full story, please click here:

http://money.cnn.com/2008/09/05/retirement/wise_downsize.moneymag/index.htm?postversion=2008090810



[San Francisco Chronicle](#)

Negotiating skills vital to home purchase

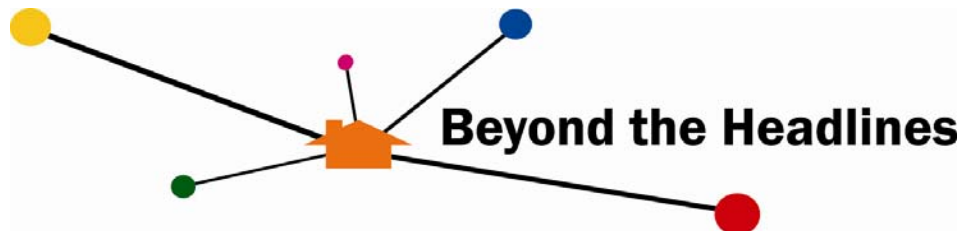
With the high inventory of homes on the market, and an average time on the market of about 50 days for an existing single-family home in California, buyers have more room to negotiate. Although sale price is a large factor during the negotiation process, many REALTORS® are advising their clients that the motto of "it doesn't hurt to ask" can be used to negotiate other contingencies, such as inspection reports, closing costs, and the like.

KEEP THIS IN MIND

- While there are many homes to choose from, buyers should understand that homes in many affluent neighborhoods are still selling quickly, and in some cases also are garnering multiple offers. Experts advise that a buyer work with their REALTOR® when negotiating the sale price, and also to ensure the offer is realistic when serious about purchasing a home in one of these communities.
- Buyers who are looking for the best-deal possible should consider homes that have been on the market for longer than is typical for their area and whose listing price has remained unchanged. Buyers also should consider making second offers on homes that the seller may have initially rejected. Due to seasonality and the length of time the home has been on the market, some sellers may accept a lower offer than they originally planned.
- In addition to the sale price, some REALTORS® are advising sellers to negotiate on inspection reports. In today's market, some sellers may be more willing to pay to repair, or negotiate credit for repairs that arise during the home inspection.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/09/07/RE8812NL7U.DTL&hw=Marni+Kottle&sn=001&sc=1000>



In Other News...



[Los Angeles Times](#)

Pending home resales fall 3.2%

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-econ10-2008sep10.0.5941728.story>



[The Mercury News](#)

House hunting with a mobile phone

To read the full story, please click here:

http://www.mercurynews.com/business/ci_10391605



[Press Enterprise](#)

Loan woes sting more borrowers

To read the full story, please click here:

http://www.pe.com/business/realestate/stories/PE_Biz_S_foreclose06.1a0a098.html

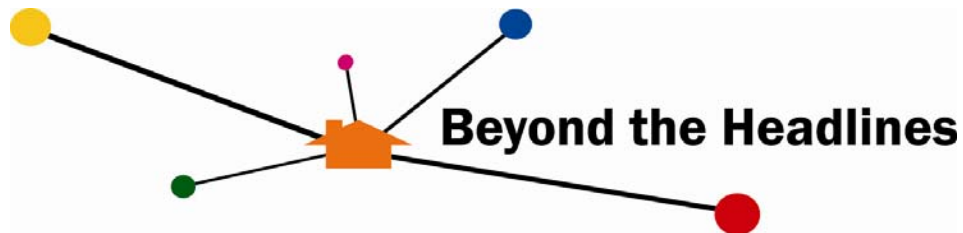


[Los Angeles Times](#)

Foreclosures accelerate to fastest pace in almost three decades

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-mortgage6-2008sep06.0.7546968.story>



Market Snapshot

This week C.A.R. is introducing *Market Snapshot*, a new feature that will appear monthly in *Market Matters*. Created by C.A.R.'s Research and Economics team, *Market Snapshot* offers REALTORS® information about the current market, and provides consumer-friendly charts and graphs. *Market Snapshot* is formatted in Microsoft Word enabling members to customize it with their photo, contact information, and other useful information. *Market Snapshot* can be found on C.A.R.'s Web site at www.car.org/economics/marketsnapshot.

This month's Market Snapshot features:

- Long-term value of Homeownership: Homeowners who purchase a house and keep it for at least five years have an average annual rate of return of nearly 12 percent, according to statistics gathered by C.A.R. over the last 40 years.
- Affordability: Lower home prices and historically low mortgage rates have increased affordability, enabling twice as many California households to become homeowners.

To read the complete version of *Market Snapshot*, please click here:
www.car.org/economics/marketsnapshot