

Media Advisory



CALIFORNIA ASSOCIATION OF REALTORS®

Proposed \$700 billion plan moves forward

A proposed rescue plan that was initially submitted by the U.S. Dept. of the Treasury last Friday and received numerous edits and additions throughout the week appears to have made significant progress today, with members of both parties announcing they have reached general agreement to move forward with a \$700 billion federal rescue plan.

If the plan announced today is approved, it would allow the U.S. Dept. of the Treasury to purchase troubled residential and commercial mortgage-related assets, including mortgage-backed securities and loans – up to \$700 billion, which would promote stability in the U.S. financial markets.

C.A.R. strongly supports the intent of Congress and the federal government to calm the financial markets, address liquidity issues and begin to restore confidence in our financial system as outlined by Congress this afternoon. C.A.R. looks forward to examining the proposed plan in greater detail as more information becomes available, and wants to be certain that the needs of Californians are addressed in the final legislative package, and that housing's critical role is recognized in the legislation.

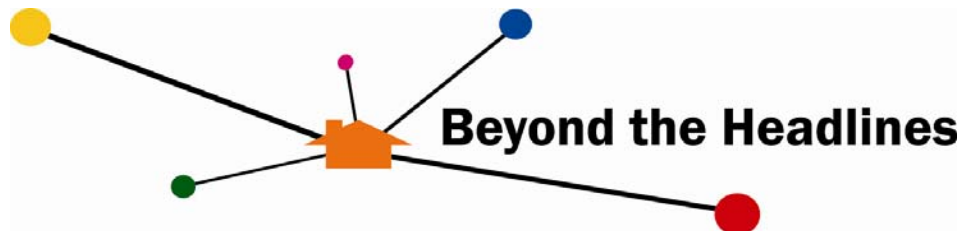
C.A.R. also is encouraged by reports of additional provisions providing a greater level of protection to both consumers and taxpayers, and the addition of stricter oversight protocols than what was initially proposed by the Treasury Dept.

Some of the key components of the current federal rescue plan as outlined today include:

- Providing the U.S. Dept. of the Treasury authority to issue up to \$250 billion of treasury securities to finance the purchase of troubled residential and commercial mortgage-related assets, including mortgage-backed securities and loans, right away. If needed, the Treasury could request an additional \$100 billion; however, the Treasury would need Congressional approval to receive the remaining \$350 billion.
- Cash received from liquidating the assets will be returned to the Treasury's general fund for the benefit of taxpayers.
- Funding for the program will be provided directly by the Treasury from its general fund by increasing its debt by \$700 billion.
- Help for troubled homeowners to avoid foreclosure;
- Limiting compensation to executives of troubled firms receiving assistance;
- Greater oversight than the limited bi-annual reporting mechanism in the current proposal; and
- Allowing the government to take an ownership stake in companies;

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- Although the rescue plan is not yet finalized, lawmakers and the Treasury would appear to agree on provisions that would provide assistance to many homeowners facing foreclosure. Earlier this week, the National Association of REALTORS® announced the creation of a Presidential Advisory Group to address this critical issue. Five California REALTORS® (NAR) were appointed to the 20-person Presidential Advisory Group. Both C.A.R.'s and NAR's Leadership Teams are in close contact with elected officials and other key leaders in Washington to ensure that interests of the real estate industry are represented.
- One of Congress' primary goals as this proposal moves forward is to minimize the financial impact of this rescue on the U.S. taxpayers. The current proposal would allow the Treasury not only to sell the acquired mortgage assets at a later date, but also to acquire an equity stake in the companies that participate in the program. The stocks could be sold at a later date, which could enable Congress to recoup some – if not all – of the \$700 billion.



To view articles about the plan, please visit:

Lawmakers agree on outline of bail

<http://www.nytimes.com/2008/09/26/business/26bush.html?hp>

How we got here: It's housing, stupid

<http://money.cnn.com/2008/09/17/news/economy/housing/index.htm?postversion=2008091809>

Bloomberg News Video

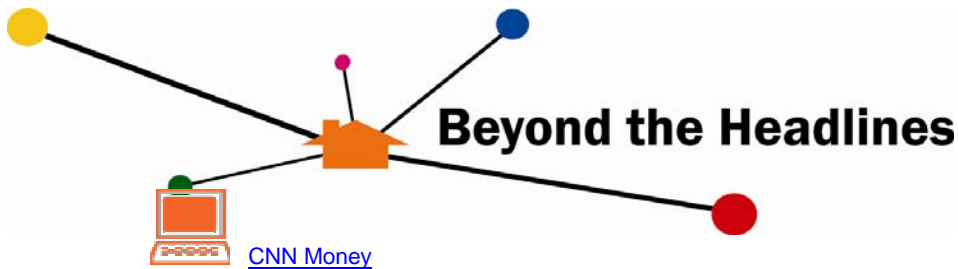
http://www.bloomberg.com/avp/avp.htm?clipSRC=mms://media2.bloomberg.com/cache/v.MGBzI6_8rM.asf#

Lenders to FHA: Thanks but no thanks for your help

http://money.cnn.com/2008/09/17/real_estate/Hope_for_homeowners_hearing/index.htm?postversion=2008091716

Giant Investment Banks Grasp for Government Safety Net

<http://www.washingtonpost.com/wp-dyn/content/article/2008/09/21/AR2008092102340.html?hpid=topnews>



Can't anyone afford my home?

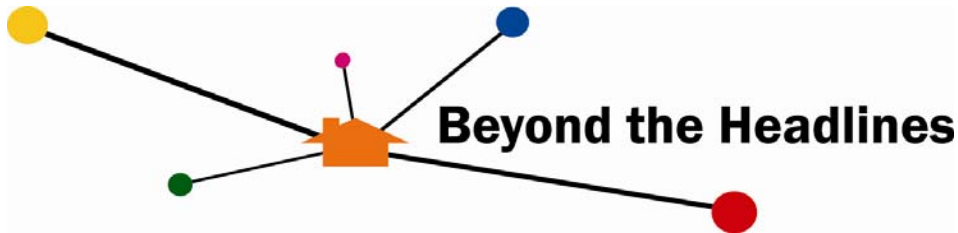
Although affordability set a record high in the second quarter of this year, when 48 percent of the state's households could afford to purchase an entry-level home in California, factors other than price – primarily tighter lending standards and availability of credit -- are influencing consumers' confidence and ability to purchase homes.

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- The median price an existing home has decreased approximately 40 percent in California from its peak in 2006; however, many potential home buyers still view asking prices as too high compared with their annual household incomes. Despite the decline in home prices, many homes in California are still priced 33.5 percent higher than they were in 2001. During the previous real estate cycle, the ratio of home prices to income hovered at approximately 10:1, meaning that consumers were paying approximately 10 times their annual salary for homes. The current ratio of home prices to income is approximately 6:1, indicating that home prices are better aligned with incomes today than they have been in the past.
- Tighter loan underwriting guidelines by lenders worried about declining home prices and the rising rate of foreclosures have led to many consumers finding it difficult to secure loans. Approximately 85 percent of lenders have tightened their requirements for borrowers in the past three months, according to the Federal Reserve Board. In November, Fannie Mae and Freddie Mac, which set the lending criteria for most loans, will require a credit score of 740 or higher – an increase from the previous credit score of 680 – for borrowers to avoid a loan surcharge that generally increases their interest rate. Consumers can raise their credit scores numerous ways, including reducing their credit card debt to less than 50 percent of their available credit; making payments on time; and minimizing credit inquiries. Experts recommend that consumers check their credit profile annually to ensure accuracy and to clear up any mistakes. Consumers are entitled to one free credit report each year from each of the three major credit reporting bureaus. Reports can be requested by contacting each bureau.
- The majority of lenders are requiring a full 20 percent down payment in order to qualify for a fixed-rate mortgage loan. Additionally, some lenders are restricting a homeowner's monthly principal, interest, taxes and insurance (PITI) to 32 percent or less of a family's pre-tax income. If a lender determines that a home's PITI will exceed 32 percent of the family's income, the loan often will not be approved. As a result of the Housing and Economic Recovery Act of 2008, beginning Oct. 1, 2008, home buyers with loans insured by the Federal Housing Administration will no longer be eligible for seller-funded down-payment assistance. However, home buyers still can receive assistance from family, friends, and employers. Many first-time home buyers also can receive down-payment assistance from non-profit organizations. Borrowers with good credit, who issue a down payment higher than 20 percent, will likely qualify for a home loan, often with lower interest rates.
- Some economists believe that owning a house is a risky asset, but in reality, homeownership historically has provided homeowners with long-term value, and often can be a consumer's best investment. According to statistics gathered by C.A.R. over the last 40 years, homeowners who purchase a house and keep it for at least five years have an average annual rate of return of nearly 12 percent. For a complete assessment of the long-term value of homeownership, please visit www.car.org/economics/marketsnapshot.

To read the full story, please click here:

http://money.cnn.com/2008/09/19/real_estate/afford_myhome.moneymag/index.htm?postversion=2008092210



[USA Today](#)

Anxiety rises as the era of easy credit comes to an abrupt end

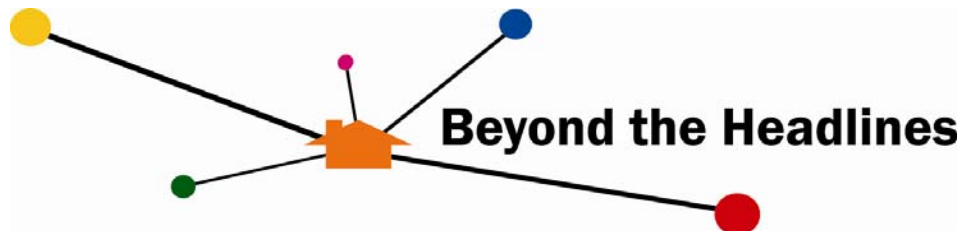
Many consumers, some who acquired high levels of debt compared with their repayment capabilities, are feeling the effects of the tightened lending standards, and are concerned that the new standards will negatively impact their 401 (k) savings plans, credit cards, and ability to secure new loans.

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- Many consumers, especially those who rely on their 401(k) savings plans for retirement, may be discouraged by recent shakeups on Wall Street. The initial reaction of some consumers is to stop contributing to their 401(k)s or to move their money out of stocks and into money funds. Analysts often offer three tips to consumers about retirement accounts: keep contributing, even in a down market; do not transfer all money out of stocks and into money funds, which could result in missed profits when the market rebounds; and rebalance stocks and bonds so they are better aligned with the consumers' target for investments.
- As obtaining new lines of credit becomes more difficult, many consumers are turning to the use of their existing revolving lines of credit, especially credit cards, for everyday needs such as gas and groceries. Aside from racking up high levels of debt, some consumers inadvertently may be increasing their interest rates, even though they are making their payment on time. If balances suddenly increase to higher levels than in previous months, or if balances remain at a high level for consecutive months, some credit card companies – concerned that the borrower may not repay the debt -- may raise the credit card's interest rate. Those who miss a payment, make a late payment, or exceed their credit limit may receive a penalty rate as high as 32 percent.

To read the full story, please click here:

http://www.usatoday.com/money/perfi/credit/2008-09-17-tight-credit_N.htm?loc=interstitialskip



In Other News...



[Mercury News](#)

Home prices fell 5.3 percent in July, now at 2005 levels

To read the full story, please click here:

http://www.mercurynews.com/breakingnews/ci_10537508?nclick_check=1



[Wall Street Journal](#)

The Finest Foreclosures

To read the full story, please click here:

<http://online.wsj.com/article/SB122177752165254337.htm>



[CNN Money](#)

Builder sentiment rises from record lows

To read the full story, please click here:

<http://money.cnn.com/2008/09/16/news/economy/bc.builder.sentiment.ap/index.htm>



[Los Angeles Times](#)

Census: Housing costs eat up half of more than 7 million Americans' incomes

To read the full story, please click here:

<http://www.latimes.com/business/nationworld/wire/ats-ap-cash-strapped-homeownerssep23,1,1396136.story>



[Press Enterprise](#)

Inland home prices fall steeply as number of sales jumps

To read the full story, please click here:

http://www.pe.com/business/local/stories/PE_Biz_S_dataquick18.1784bac.html



[Los Angeles Times](#)

California unemployment rate rises sharply to 7.7%

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-caljobs20-2008sep20,0,2251371,print.story>