

Media Advisory



[C.A.R. Mortgage Update](#)

This week's issue of *C.A.R. Mortgage Update* contains information about how mortgage rates are set, how to find a reputable mortgage modification company, and foreclosure suspensions by Fannie Mae and Freddie Mac.

How Rates are Set

- Over the last few months, the Federal Reserve has reduced its key interest rate to as low as 1 percent. However, mortgage rates have not declined as dramatically. One of the most commonly-followed indicators to determine where mortgage rates are headed is the yield on the 10-year United States Treasury note. During economic downturns, mortgage rates and yields on 10-year U.S. Treasury tend to decline. In recent months, the difference between the 10-year U.S. Treasury note and the 30-year, fixed-rate mortgage has been as high as 2.75 percentage points, largely due to lenders' attempts to recoup previous losses by incorporating a larger profit margin into the interest rate.

To read the full story, please click here:

<http://www.nytimes.com/2008/11/16/realestate/16mort.html?ref=realestate>

Facing foreclosure? Beware when looking for help.

- Due to the large number of foreclosures, many financial institutions have created mortgage modification programs to help homeowners in default modify their existing mortgage loans into fixed-rate, more affordable loans. Many banks are overwhelmed with borrowers applying for mortgage modifications, resulting in some private companies, real estate brokers, nonprofit organizations, and attorneys offering to serve as the liaison between the homeowner and the bank, sometimes for a fee. With the numerous options available to homeowners, it can be difficult to determine which consultants are reputable. Individuals and companies that charge a fee prior to providing the mortgage modification service must register with the California Dept. of Real Estate (DRE). Consumers can verify that a company's contract has been approved by visiting www.dre.ca.gov or by calling (916) 227-0770. Individuals and companies that charge fees after the service is performed are not required to register with the DRE.

To read the full story, please click here:

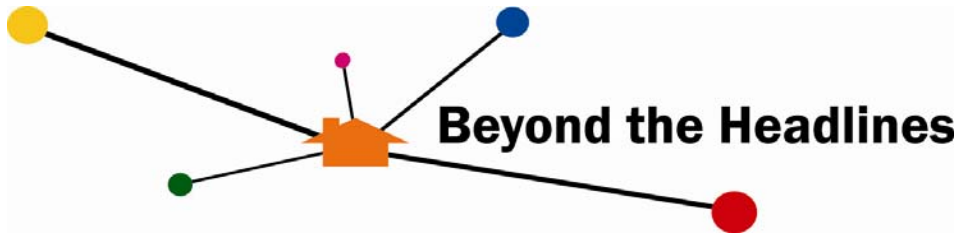
http://www.mercurynews.com/realestatenews/ci_11034787

Fannie, Freddie halt foreclosures for holidays

- Fannie Mae and Freddie Mac recently announced they will postpone foreclosure sales and evictions on occupied single-family residences that were scheduled to occur between Nov. 26, 2008 and Jan. 9, 2009. During this time, the companies will streamline their mortgage modification programs, scheduled to launch Dec. 15. Foreclosure attorneys and loan servicers will continue to contact borrowers who have defaulted on their mortgage loans owned or guaranteed by Fannie Mae or Freddie Mac, and continue to pursue workout options.

To read the full story, please click here:

<http://www.washingtonpost.com/wp-dyn/content/article/2008/11/20/AR2008112003309.html>



[The New York Times](#)

Suddenly, Stricter Appraisals

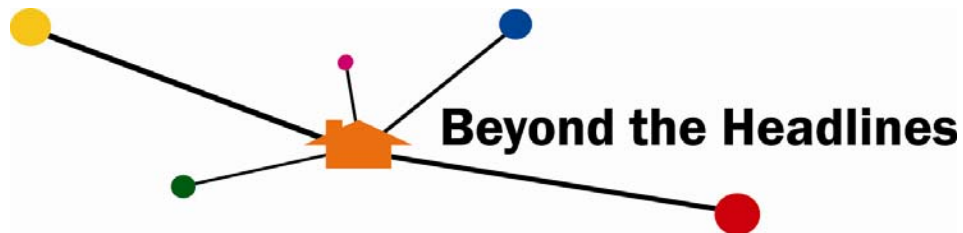
Hoping to mitigate losses, many lenders are requiring more thorough home appraisals and reviewing valuation figures more carefully than in previous years. If an appraisal does not include enough data to support the appraised value, some banks are reducing the loan amount for the property and, in some cases, rejecting the loan altogether, forcing some home buyers and sellers to renegotiate the sales price.

KEEP THIS IN MIND

- The rapidly changing real estate market has led many lenders to require “comps” – sales of comparable properties used to help determine a home’s value – that are no more than 60 to 90 days old, and within one mile of the property being appraised. In addition to searching multiple listing services, many appraisers are seeking fresh comps by talking to REALTORS® and reviewing public records of recently sold homes.
- Some appraisers determine the value of a property based on the neighborhood’s “absorption rate” – the amount of time it will take to sell that market’s entire housing inventory at the current sales pace. Absorption rates of six months or longer imply the demand for housing in that area is lower than the supply. In October, California’s absorption rate was 5.9 months, a substantial reduction from the 15.2 months’ supply of a year ago. The absorption rate can vary throughout the state, and in October, the rate ranged from 3.5 months in the Sacramento region to 6.9 months in the Orange County and Santa Clara regions. Traditionally, areas with a large number of distressed properties have larger volumes of inventory until the median price declines to a level that enables more home buyers to enter the market.
- Real estate markets are local and can vary from neighborhood to neighborhood. It is important that consumers and REALTORS® work with local appraisers that have knowledge of the region. This will help ensure a more accurate appraisal.

To read the full story, please click here:

<http://www.nytimes.com/2008/11/23/realestate/23wczo.html?ref=realestate>



[Los Angeles Times](#)

Foreclosures, delinquencies skyrocketing among “prime” borrowers

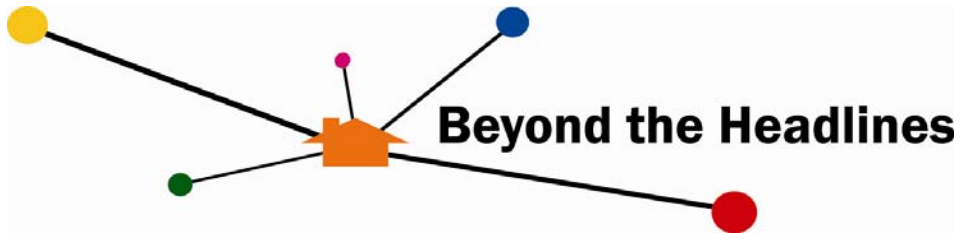
As the economy falters, and more companies are forced to lay off employees, some homeowners who were considered “prime” borrowers now are defaulting on their mortgages and facing foreclosure.

KEEP THIS IN MIND

- The economy is clearly impacting homeowners across all economic levels, including prime borrowers who were once perceived to be the least risky of all borrowers. Prime borrowers included those who documented their income, had higher FICO scores, and applied for a traditional 30-year, fixed-rate mortgage. However, as the economy falters and more middle-class workers are laid off, prime borrowers are being forced to dip into their savings accounts and apply for mortgage modification programs.
- Regardless of economic status and career stability, most financial advisors recommend all homeowners, regardless of their current economic circumstances, have at least three- to six-months’ worth of mortgage payments and other household expenses in reserve. In the event that a homeowner is unemployed, the cash reserve will help reduce the stress of making mortgage payments while the individual searches for a new position.

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-prime24-2008nov24,0,6174050.story>



[Los Angeles Times](#)

Earlier closings may be in home buyers' best interest

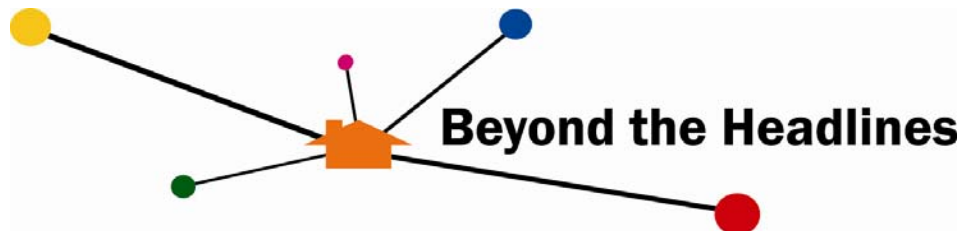
Many home buyers, especially first-time buyers, choose to close escrow as close to the end of the month as possible in order to avoid paying a large sum of cash at closing. However, waiting until the end of the month to close escrow can result in mistakes being made during the loan funding process due to the large volume of paperwork required when purchasing a home, and the short amount of time allotted to close.

KEEP THIS IN MIND

- Approximately 95 percent of all real estate closings take place during the last week in the month because mortgage interest is collected in arrears, meaning the principal and interest payment is due for the interest accrued during the previous 30-day period. The fewer days that are left in the month when escrow closes, the less upfront interest the borrower has to pay at closing.
- The later in the month that a loan closes, the earlier the first full mortgage payment will be due. To avoid paying a large sum of money at closing and then paying a full mortgage payment a few days later, some real estate experts advise clients to close earlier in the month if possible. Providing the lender with additional time to process the paperwork also will help ensure that mistakes aren't made that could jeopardize funding the loan on time.
- Cash flow can be a challenge for some borrowers; so many lenders offer a credit for the mortgage interest due at closing if the loan closes early in the month. The exact date differs by lender and is determined by the type of loan. If the mortgage is insured by the Federal Housing Administration (FHA) or guaranteed by the Dept. of Veterans Affairs, a borrower can receive a credit for closing by the 7th of the month. With a conventional mortgage, the credit is typically available if the borrower settles by the 10th of the month.

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-lew23-2008nov23,0,5616331.story>



In Other News...



[Los Angeles Times](#)

State Farm, Farmers to raise California homeowner insurance rates

To read the full story, please click here:

http://www.latimes.com/business/la-fi-insure21-2008nov21_0,2080970.story



[Los Angeles Daily News](#)

Home sales surge as prices plummet; foreclosures fed October market

To read the full story, please click here:

http://www.dailynews.com/ci_11017591



[CNN Money](#)

No job, bad mortgage – out of luck

To read the full story, please click here:

http://money.cnn.com/2008/11/20/news/economy/unemployed_foreclosure/index.htm?cnn=yes

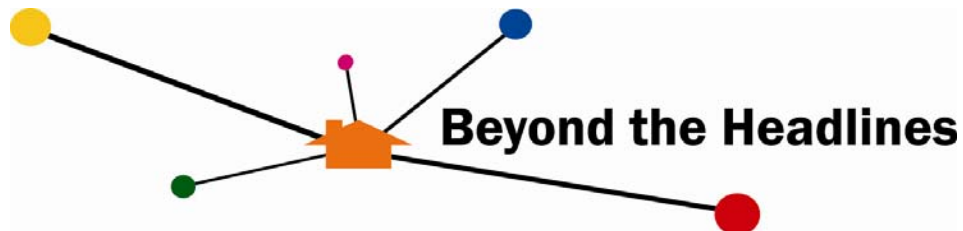


[San Francisco Chronicle](#)

Falling prices a bitter pill for homeowners

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/23/REC4141MVC.DTL>



[Los Angeles Times](#)

How new bank deposit coverage may affect you

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-perfin23-2008nov23,0,1500334.column>

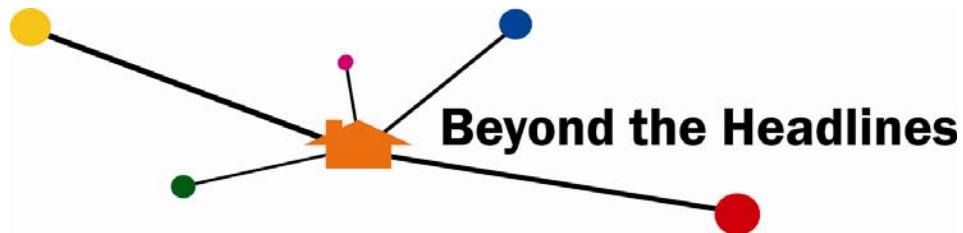


[San Francisco Chronicle](#)

Foreclosures boost home sales

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/21/BUHT148R9Q.DTL>



What you need to know about the market

- As homes in some affluent neighborhoods still are selling quickly, and in some cases also are garnering multiple offers, buyers may not realize the strategy of paying above the asking price for a home. Buyers looking for a specific property type, or for a home in an exact neighborhood, should work closely with their REALTOR® to determine a competitive offer, which may be above the seller's asking price. In the long run, a home in a desired community, if properly maintained, historically increases in value and is likely to garner a profit for the buyer when the home is resold.
- A recent survey of brokers revealed that first-time home buyers today expect more out of an entry-level home than did first-time home buyers 10 years ago. While most first-time home buyers will list "affordability" as their primary focus, the majority of brokers surveyed found that today's first-time home buyers desire "move-in ready" homes as opposed to fixer-uppers, which often are more affordable. Home buyers who wish to find the best deal possible while avoiding fixer-uppers should work closely with their REALTOR® to locate homes in communities that are desirable, and are within their budget.