

Media Advisory



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

This week's *C.A.R. Mortgage Update* contains information about a recent interest rate drop in fixed-rate mortgages, mortgage modification programs, and Freddie Mac's portfolio.

U.S. Mortgage Rates Drop Most in Seven Years on Fed Debt Plan

Interest rates last week on 30-year, fixed-rate mortgages fell to an average of 5.5 percent, the largest one-day decrease in at least seven years. The decline was prompted by news that the Federal Reserve plans to purchase \$600 billion of mortgage-related debt and set up a \$200 billion program to support consumer and small-business loans. Homeowners with sufficient equity in their homes may qualify for the lower rates and refinance into a new home loan.

To read the full story, please click here:

http://www.bloomberg.com/apps/news?pid=20601213&sid=akf9_ZmmdeTY&refer=home

Promises of help with mortgage, but foreclosure is still most likely outcome

Many banks and financial institutions have implemented mortgage modification programs to help homeowners stay in their homes. A recent survey of organizations approved by the federal government to provide mortgage counseling found that 55 percent of respondents stated that loan modifications were "somewhat common," up from 45 percent in April – the last time the survey was conducted. However, the survey also revealed that foreclosure tends to be the most common outcome for borrowers, especially those who owe more on their mortgage loan than their house currently is worth.

To read the full story, please click here:

http://www.mercurynews.com/ci_11074314

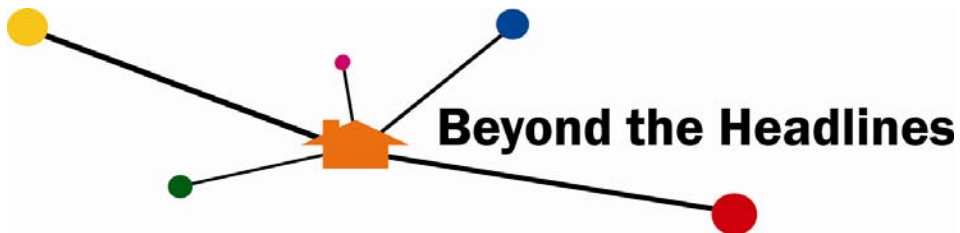
Freddie Mac Increases Home Loan Support

Freddie Mac purchased \$27 billion in mortgage-backed securities in October, increasing its portfolio at an annual rate of 44 percent. The company, which was placed into conservatorship by the federal government in September along with Fannie Mae, could grow its portfolio to \$850 billion by the end of next year under the government's plan.

Both Fannie Mae and Freddie Mac, commonly referred to as government sponsored enterprises (GSEs), purchase loans from lenders, insure them against default, and supply capital to lenders, enabling them to make new loans. Many analysts believe that Freddie Mac may have prevented mortgage rates from skyrocketing by purchasing the mortgage-backed securities in October.

To read the full story, please click here:

<http://www.washingtonpost.com/wp-dyn/content/article/2008/11/24/AR2008112401242.html>



[Wall Street Journal](#)

The Future for Home Prices

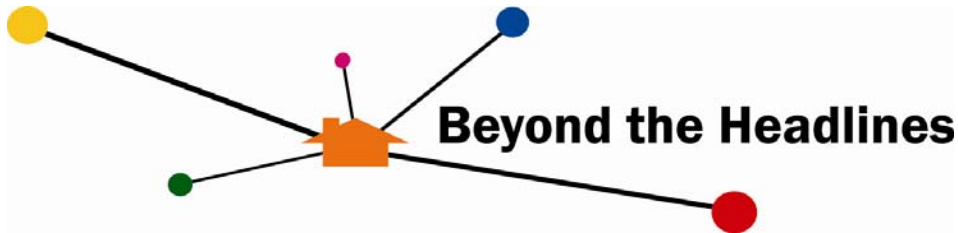
Home prices in some areas of the country have declined by as much as 35 percent, but most housing industry experts agree that the long-term trend of home price appreciation will continue.

KEEP THIS IN MIND

- According to several recent surveys, the majority of American homeowners believe that real estate still provides the best opportunity for increasing their wealth and net worth, and that home prices will rebound. However, most housing experts predict that home prices will not reach bottom until at least the second half of 2009.
- Historically, home prices tend to increase on average at an inflation-adjusted rate of 2.5 to 3 percent each year. Karl Case, co-creator of the S&P Case-Shiller home-prices indices, believes the same long-run pattern will continue, despite recent events in the market. Others speculate home prices will increase at a rate roughly 1 percentage point higher than inflation or at an average of 4 percent a year over the next two decades.
- Home prices often are driven by immigration, birth rates, the size and nature of households, and incomes – all of which are difficult to predict. Forecasting where jobs and income growth will be stronger and where immigrants and others will want to live is key. Areas with lower housing costs, modern industries, leisure businesses, well-diversified regional economies, mild climates, and other attractions likely will attract future homeowners and drive demand for housing.
- Coastal areas tend to be more volatile, and often have home prices that rise and fall much faster during booms and busts than do inland areas. Land shortages and building restrictions, which often are the case in crowded coastal areas, make it difficult for builders to respond quickly to sudden rises in housing demand. Inland areas tend to provide more vacant land, enabling builders to meet housing demands more quickly, minimizing sudden movements in prices.
- Some housing experts believe that baby boomers will be much less likely to settle in traditional retirement areas, such as Fort Lauderdale, Fla., after they retire and may prefer urban settings with cultural activities, friends, and family in close proximity. This could increase the housing demand and drive up home prices in urban neighborhoods. Additionally, the retirement of baby boomers over the next two decades – approximately 78 million boomers – may depress home prices in some areas, as more boomers sell their homes.

To read the full story, please click here:

<http://online.wsj.com/article/SB122764977315457619.html>



[San Francisco Chronicle](#)

Be persistent during ordeal of short sale

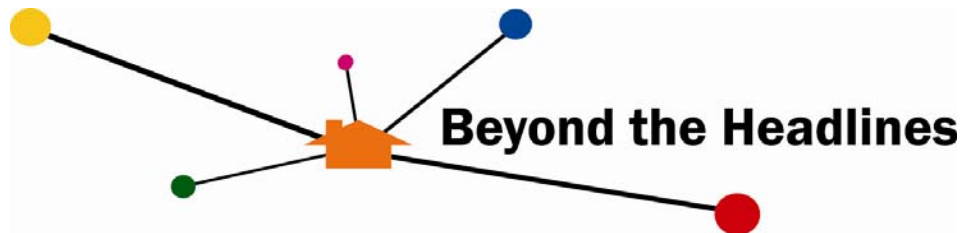
Approximately one in five homeowners is “underwater” – meaning they owe more on their mortgage than their home is currently worth. For borrowers in default or at risk of defaulting, selling their house for less than is owed, often termed a short sale, may be the only option. However, short sale offers must be accepted by the bank that owns the mortgage, and can take as long as a few months before an offer is accepted.

KEEP THIS IN MIND

- Some home buyers are submitting unrealistically low offers on bank-owned properties, hoping to purchase a home at a bargain price. Low offers often use valuable time and resources that could be dedicated toward more favorable offers more likely to garner bank approval. It is vital that home buyers work closely with their REALTORS® to submit appropriate offers, especially when dealing with a short sale property.
- Theoretically, short sales should be a win-win for the bank and the homeowner. Although the bank does not receive the full payment on the mortgage, it also does not incur the costs of foreclosure and/or eviction, if necessary. Many homeowners also prefer short sales because it does less damage to their credit score than a foreclosure. However, many real estate experts say that the majority of banks are reluctant to approve short sales, and often let properties go into foreclosure, even when there are reasonable offers on the property. In addition to considering the price, most lenders also take into consideration whether the homeowner can demonstrate financial hardship. If the homeowner is capable of making payments, many lenders will try to work out a loan modification, rather than a short sale.
- Short sales often are more time intensive than traditional transactions and often require additional paperwork. Due to the large number of short sale offers, many take as long as a few months to receive approval. If information or required forms are missing or incomplete, the bank may set the offer aside, which could delay the process and cause the property to go into foreclosure. To expedite the process, it is important that sellers work closely with their REALTOR® to provide all of the necessary paperwork.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/30/BUIQ14C4F5.DTL>



[Los Angeles Times](#)

U.S. recession could last into 2010

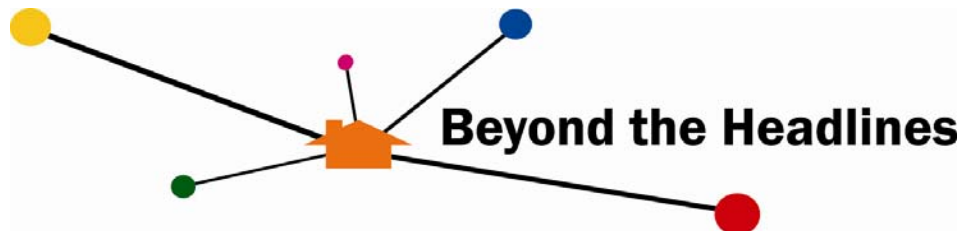
The cycle-dating committee of the National Bureau of Economic Research (NBER) this week announced the United States entered a recession in December 2007. Although NBER does not predict how long a recession will last, some analysts believe the current recession may not end until 2010.

KEEP THIS IN MIND

- The Federal Reserve's move to shore up the financial market by lowering its key interest rate to 1 percent will not directly affect long-term rates paid by borrowers; however, the Federal Reserve also is considering purchasing Treasury bonds on the open market, which could lower long-term borrowing costs.
- In most instances, approximately 100,000 jobs must be created each month to keep pace with population growth and maintain a healthy economy. However, through October, an average of 120,000 jobs per month were eliminated, bringing the national unemployment rate to 6.5 percent. Many economists believe the rate will increase to 8 percent or higher in 2009.
- Despite most economists being reluctant to say home prices have bottomed out, in many areas of California the median home price is declining at a slower pace in month-to-month comparisons. C.A.R.'s October sales and price report showed that the median price of an existing, single-family home in California declined 1.9 percent from September to October, compared to 9.6 percent from August to September.
- One conventional definition is that a recession takes place when the country has two consecutive quarters of negative gross domestic product growth. However, NBER defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months. The last official recession began in March 2001 and lasted eight months before ending in November 2001

To read the full story, please click here:

http://www.latimes.com/news/nationworld/washingtondc/la-fi-econ2-2008dec02_0,1860484.story



In Other News...



[Bloomberg](#)

Consumer Confidence in U.S. Increased in November

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601087&refer=home&sid=aoS5L54TQkml>



[San Francisco Chronicle](#)

Bay Area sees deals on homes for under \$100,000

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/01/MNCB147SV4.DTL>



[Reuters](#)

Consumers cut spending, durable goods orders fall

To read the full story, please click here:

<http://www.reuters.com/article/ousiv/idUSN2633812620081126>



[Wall Street Journal](#)

New-Home Sales Decline 5.3%

To read the full story, please click here:

<http://online.wsj.com/article/SB122771251156859761.html>

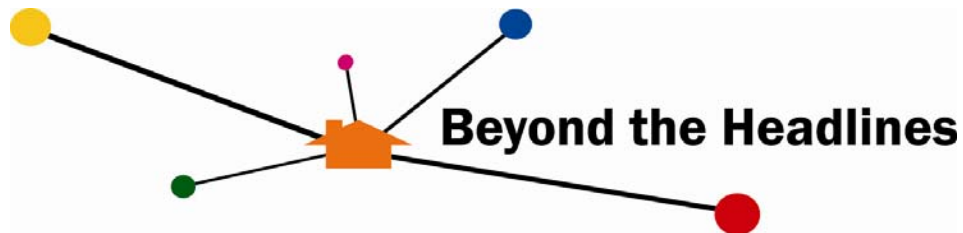


[San Francisco Chronicle](#)

Home prices down by record amount in September

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/26/BULG14C3F8.DTL>



What you need to know about the market

- While older homes often have great architecture and characteristics attributed to a certain time period, some buyers initially may be disappointed by their lack of modernity, so it is vital that sellers emphasize an older home's advantages. Many older homes often are built on larger lots with bigger backyards. Inside the home, sellers should draw buyers' attention toward amenities such as basements, attics, real hardwood floors, architectural details, and the like.

Correction: Due to an editing error, the Nov. 27 issue of C.A.R.'s "Market Matters" incorrectly stated that the Federal Reserve sets the London Interbank Offered Rate (LIBOR). The Federal Reserve sets the Federal Funds rate, which currently stands at 1 percent. The LIBOR is compiled daily by the British Bankers Association.

The correction has been made on the Web versions, including the consumer PDF. The revised versions are available by visiting: <http://www.car.org/newsstand/marketmatters/archive/112708advisory>.