

Media Advisory



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

This week's *C.A.R. Mortgage Update* contains information about mortgage delinquencies; self-employed individuals receiving mortgages; modifying Fannie Mae and Freddie Mac; and the proposed interest rate drop's impact on consumers.

Mortgage delinquencies rise for seventh straight quarter

The rate of delinquent mortgages rose to 3.96 percent in the third quarter, a 12 percent increase compared with the second quarter, according to the latest report from credit reporting agency TransUnion. The report shows seven consecutive quarters of rising mortgage delinquency rates. TransUnion classifies borrowers as delinquent when they are 60 days or more past due on their home loans.

To read the full story, please click here:

http://money.cnn.com/2008/12/08/news/economy/mortgage_rates/index.htm?cnn=yes

Self-employed are froze out of mortgages

Although the credit freeze has thawed for many well-qualified borrowers, those who are self-employed and cannot fully document their income still are facing a credit squeeze despite having pristine FICO scores and sizable down payments. Most financial institutions are reluctant to approve loans for borrowers who cannot provide W-2 forms from an employer to fully document their wages.

To read the full story, please click here:

http://www.mercurynews.com/ci_11074314

Modifying the mortgage giants

Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac have altered their focus from maximizing returns to investors to concentrating on servicing the secondary market. Tactics being employed including modifying the terms of a large number of mortgages to make them more affordable; and a plan by the Treasury Dept. to purchase 30-year, fixed-rate mortgages, which could drive down interest rates to 4.5 percent.

To read the full story, please click here:

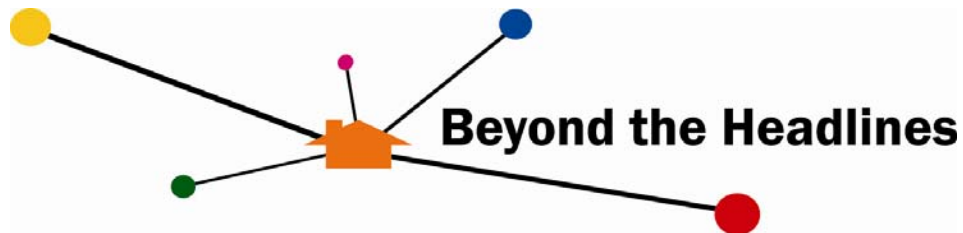
http://www.washingtonpost.com/wp-dyn/content/article/2008/12/07/AR2008120702378.html?sid=ST2008120702908&s_pos=

Rate drops are of little help to many in California

The proposed plan by the U.S. Treasury Dept. to have Fannie Mae and Freddie Mac purchase mortgage loans with interest rates of 4.5 percent spurred many homeowners to apply for refinancing, and some home buyers to apply for new loans. However, the proposed plan, if approved, would not help homeowners and home buyers in California or other high-cost areas with jumbo loans, because Fannie Mae and Freddie Mac only can purchase mortgage loans up to \$729,750 – the current conforming loan limit. The current loan limits expire Dec. 31, 2008 and the “new” conforming loan limit will be lowered to \$625,500 in January.

To read the full story, please click here:

http://www.latimes.com/business/la-fi-mortgage5-2008dec05_0,7289395.story



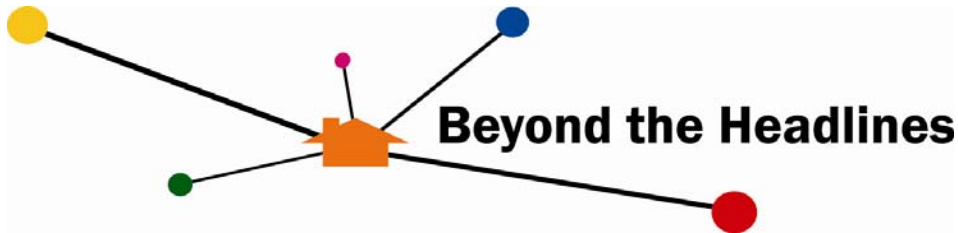
Proposal could drop mortgage rates to 4.5 percent

The U.S. Treasury Dept. is considering a plan proposed by the Financial Services Roundtable, an industry trade group, to purchase mortgage-backed securities from Fannie Mae and Freddie Mac in an attempt to restore confidence in mortgage-backed securities and encourage banks to make additional loans.

Under the plan, the Treasury Dept. would purchase 30-year, fixed-rate mortgages, which should restore confidence in mortgage-backed securities and encourage banks to make more loans. As a result, banks could lower the rates on mortgage-backed securities, which could lower mortgage rates for consumers.

To read the full story, please click here:

http://www.mercurynews.com/ci_11133357



[Yahoo! News](#)

Homeowners who modified loans are in trouble again

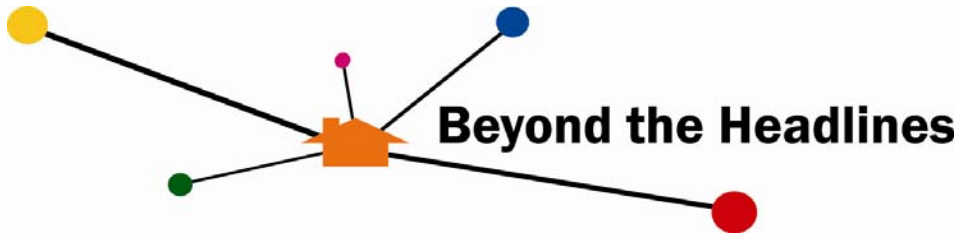
Approximately 53 percent of homeowners who modified their mortgages during the first quarter of the year redefaulted within 6 months of the modification, leading some to question whether government money may be better spent on creating jobs rather than averting foreclosures.

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- Some analysts speculate that many borrowers with modified mortgages are in default because lenders did not modify the mortgages with terms or payments that were affordable for the borrower; however, data provided by the government does not provide enough detail about the types or quality of loan modifications made.
- If foreclosures maintain their current pace, the U.S. is on track to have 2.25 million foreclosures this year. As more companies are forced to layoff employees and homeowners find it difficult to meet their debt obligations, additional families could lose their home to foreclosure. New Jersey Gov. Jon Corzine called for a three- to six-month halt on foreclosures while the government works out a more aggressive plan to keep families in their homes. In November, Fannie Mae and Freddie Mac announced they are halting foreclosure sales on single-family, occupied homes until at least January 2009.
- Some consumer advocates, lawmakers, and think tanks are advocating a dramatic government response, similar to the Home Owners' Loan Corp. created in 1933 to help borrowers refinance troubled home loans. The Home Owners' Loan Corp. was used to extend loans from shorter terms to fully amortized, longer term loans. Through its efforts, more than one million people facing foreclosure were granted long-term mortgages and were able to keep their homes. The Home Owners' Loan Corp. turned a small profit in 1951 when it liquidated its assets.

To read the full story, please click here:

http://news.yahoo.com/s/ap/20081208/ap_on_bi_ge/financial_meltdown



[Los Angeles Times](#)

Most local markets show net growth in home values,

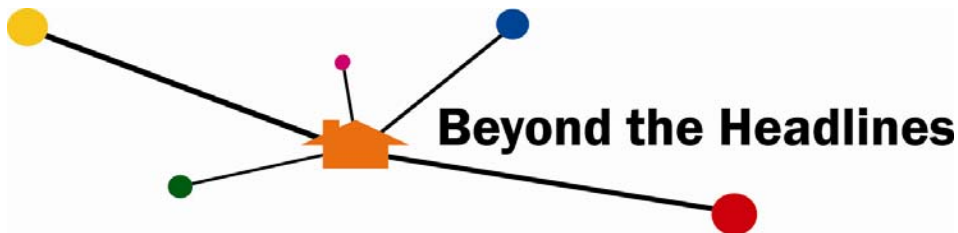
Although news stories report nationwide declines in home values, a recent survey by the Federal Housing Finance Agency (FHFA) shows the majority of homes in metropolitan markets gain in net value over the course of five years, demonstrating the long-term value of homeownership.

KEEP THIS IN MIND

- According to the Federal Housing Finance Agency's (FHFA) third quarter survey, 273 metropolitan markets, out of 292, showed positive net home values over a five-year period, with only 19 markets showing home value depreciation during the same time. Unlike stocks, which can change dramatically from one day to the next, house values tend to appreciate and depreciate at a slower rate and prove to be more durable over extended periods of time. Most owner-occupied homes increase in value over a five-year period, except for those areas with a severely depressed local economy. Homes owned and occupied 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.
- Although homes have declined in value over the past year, many homes purchased five years ago or earlier are net positive overall. In Los Angeles, homes purchased five years ago or earlier have declined approximately 18.8 percent in value over the last year, but have gained an average of 31.9 percent over a five-year period. In San Francisco, despite home values declining an average of 8 percent over the past year, the average home has gained in value an estimated 31.9 percent over five years.

To read the full story, please click here:

http://www.latimes.com/business/la-fi-harney7-2008dec07_0,5500307.story



[The New York Times](#)

It may be time to think about buying a house

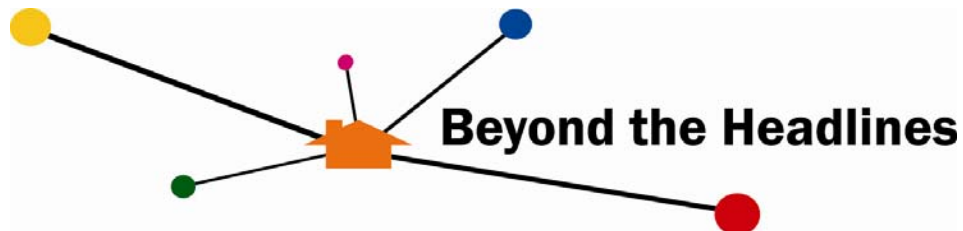
Lower mortgage rates and increased affordability is presenting an opportune time for home buyers, especially first-time home buyers, who continue to have the advantage and ability to move quickly on a home purchase without having to first sell their current home.

KEEP THIS IN MIND

- Some housing experts believe the recovery of the housing market is dependent upon first-time home buyers. When houses are affordable for first-time buyers, the supply of available homes dwindles, bringing the supply and demand into alignment, which generally leads to an increase in median home prices. First-time buyers also have the benefit of not relying on their current home to sell prior to purchasing a new one. As first-time buyers purchase homes, the sellers of those homes also are able to move up, further shrinking the supply of available homes.
- Some home buyers may be reluctant to purchase a home while prices continue to decline. One study, "The Changing Prospects for Building Home Equity," predicts that buyers in 33 of the 100 largest metropolitan areas may see a decline in their home value by 2012. It is important to note though that over the long term, most homes increase in net value. The study also was conducted before the government's most-recent efforts to lower borrowing costs for home buyers.
- Credit scores continue to be an important factor in determining not only a borrower's eligibility, but also the interest rate offered by the bank. Most financial institutions offer the best mortgage rates to borrowers with FICO scores above 720. John Ulzheimer, president of consumer education for credit.com, recommends borrowers stop using credit cards and pay down debt balances several months before applying for a loan. Ulzheimer also states that the credit scoring system may penalize borrowers using their lines of credit frequently, even if balances always are paid in full. Consumers can check their three credit reports for free at annualcreditreport.com.
- Borrowers without a 20 percent down payment for a median-priced home still may qualify for a home loan if they purchase a less-expensive property, which often require smaller down payments. By conducting research on various neighborhoods and working closely with a REALTOR® some buyers still may qualify for a home in a desired community.

To read the full story, please click here:

http://www.nytimes.com/2008/12/06/business/yourmoney/06money.html?_r=1&em



In Other News...



[Reuters](#)

Regulators preparing rescue of credit unions: report

To read the full story, please click here:

<http://www.reuters.com/article/newsOne/idUSTRE4B81S220081209>



[CNN Money](#)

Foreclosures soar 76% to record 1.35 million

To read the full story, please click here:

http://money.cnn.com/2008/12/05/news/economy/mortgage_delinquencies/index.htm?postversion=2008120512



[Reuters](#)

Bernanke says need to do more to halt foreclosures

To read the full story, please click here:

<http://www.reuters.com/article/newsOne/idUSTRE4B354T20081204>

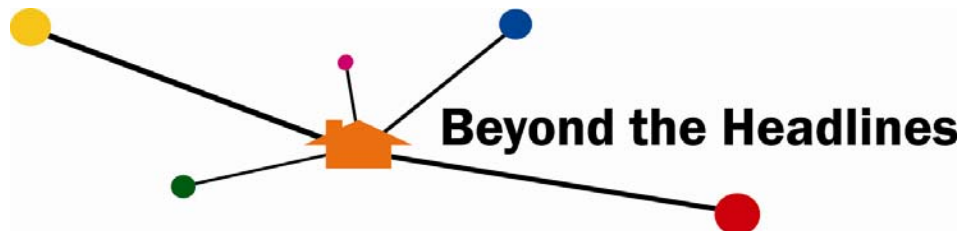


[San Francisco Chronicle](#)

Employers cut 533K jobs in Nov., most in 34 years

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2008/12/03/financial/f214220S93.DTL&tsp=1>



[Los Angeles Times](#)

Chinese tour groups go house-hunting in U.S.

To read the full story, please click here:

http://www.latimes.com/business/la-fi-chinahomes7-2008dec07,0_6321372.story

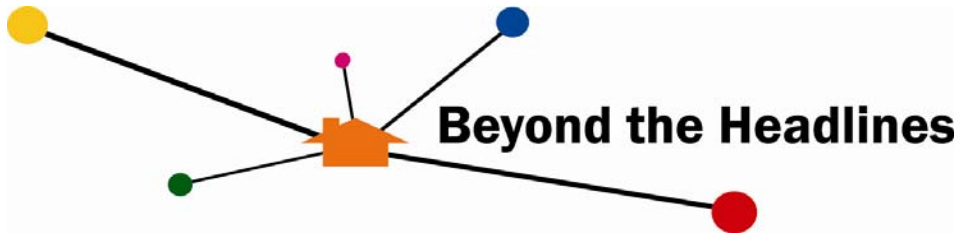


[CNN Money](#)

October pending home sales slip 1%

To read the full story, please click here:

http://money.cnn.com/2008/12/09/real_estate/October_home_sales_slump/index.htm



What you need to know about the market

- Many consumers make common mistakes concerning their credit score. Common misperceptions include closing credit card accounts to decrease the amount of credit available, and maintaining zero balances on open, unused credit cards. Experts advise consumers to keep credit cards open, but to limit the outstanding balance to less than 50 percent of the available credit. This helps demonstrate to lenders that the consumer is financially responsible and capable of making payments.
- Some homeowners may be unaware that neglecting to pay their property taxes, homeowners' insurance, or fire insurance; allowing the home to fall into disrepair; or demolishing the property without lender approval could result in their home being foreclosed upon. Two possible scenarios could play out if a homeowner fails to pay property taxes. The county could repossess the home and sell it at auction, or the lender could pay the tax bill and pass along the premium to the owner. Most lenders will choose the latter so they do not lose money should the house be sold at auction. If the lender pays debt tied to the property, they may pass along the premium to the owner, increasing the monthly mortgage payment. The lender may do the same if the homeowners' insurance is not maintained on the property.