

Media Advisory



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

This week's *C.A.R. Mortgage Update* contains information about the Federal Reserve's rate cut; and the difficulty some community banks may have issuing mortgages.

6 things to know about the Fed rate cut

The Federal Reserve this week reduced the federal funds rate to a range of zero to 0.25 percent. The rate cut likely will not impact 30-year, fixed-rate mortgages. The real impact will be on consumer loans tied to the prime rate, such as home-equity lines of credit and credit cards with variable interest rates. Borrowers with loans tied to the prime rate may see an interest rate decrease.

To read the full story, please click here:

<http://www.usnews.com/blogs/the-home-front/2008/12/16/6-things-to-know-about-the-fed-rate-cut.html>

U.S. regulator sees mortgage rate below 4%.

James Lockhart, director and chairman of the Oversight Board of the Federal Housing Finance Agency, which oversees Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks, is predicting mortgage rates to go "well below 4 percent," as a result of the government's efforts to ease consumer credit and jump-start home sales.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/11/BUOA14LOEK.DTL>

Home buyers look for their own bailout with a 4.5% mortgage rate

After hearing news that the U.S. Treasury Dept. is working on a plan that could reduce interest rates to as low as 4.5 percent, many consumers were reluctant to complete their applications for new mortgages, thinking they may receive a better rate in a few weeks. Consumers worried about missing out on a low rate can ask their broker or loan officer to lock in today's rate with the stipulation that they can receive a lower rate should one become available within 60 days. Some brokers offer 60-day locks with that option, while others may charge a fee.

To read the full story, please click here:

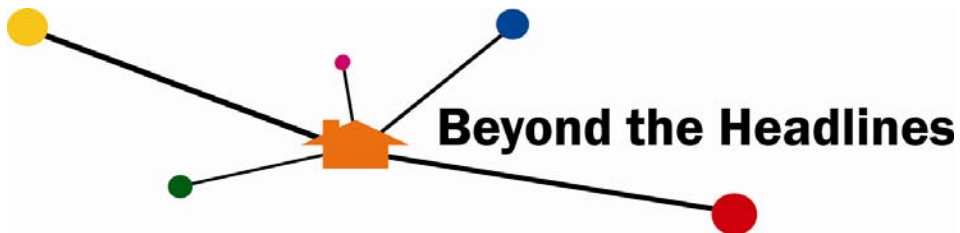
<http://www.latimes.com/business/la-fi-harney14-2008dec14,0,7407740.story>

A possible drag on bank lending

A proposal by the Federal Deposit Insurance Corporation to raise the insurance premiums on banks that finance loans through borrowing from the Federal Home Loan Banks could make it more difficult for consumers to get mortgages from small community banks.

To read the full story, please click here:

http://www.nytimes.com/2008/12/14/realestate/14mort.html?_r=1&ref=realestate



[CNN Money](#)

Home renovations on sale

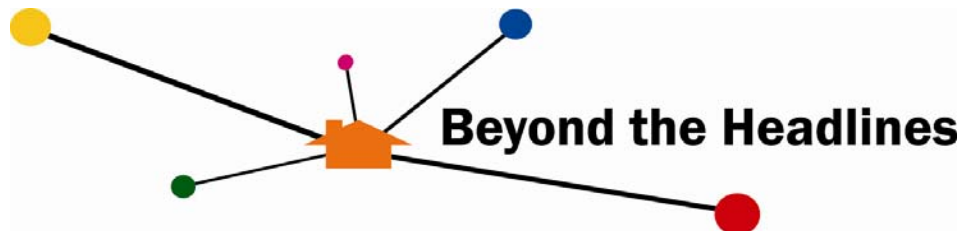
Homeowners who have postponed home renovation projects due to cost may want to reconsider. As the economy weakens, prices on many home renovations, including building materials and contractors' fees, have decreased. According to a study by Harvard's Joint Center for Housing Studies, consumer spending on home improvements is down by 12 percent, which could be an advantage to anyone looking to remodel their home.

KEEP THIS IN MIND

- Kermit Baker, a senior research fellow at Harvard believes the economy is providing consumers with the opportunity to hire better-quality contractors, negotiate better prices, and win other concessions that they may not have previously been able to receive. A survey by Angie's List says 70 percent of home builders and remodelers are willing to drop prices at least 10 percent, and 30 percent report they would be willing to offer even steeper discounts, depending on the project and the location.
- Selecting a remodeling project that will increase a home's value and help recoup the price can be difficult. A study conducted by "Remodeling" magazine in partnership the NATIONAL ASSOCIATION OF REALTORS®' "REALTOR®" magazine, says homeowners can expect to recoup approximately two-thirds of the cost on a typical home improvement if the house is sold within one year of completing the job. Recouping costs range from approximately 82 percent for the addition of a wood deck to about 57 percent for adding a sunroom. To view the "2008 Remodeling Cost vs. Value" report, please visit http://www.realtor.org/rmohome_and_design/articles/2008/0812_costvsvalue_2008?id=bcaa4b804bfb44b98fe18f66fe42bfc9&wcm_page.resetall=true&cache=none&contentcache=none&connectorcache=none&srv=page
- Experts advise homeowners to get at least three price quotes detailing all costs, including labor and materials. It is recommended that homeowners carefully scrutinize every bid, especially if one comes in significantly lower than the others. The contractor may be undercutting his competition because he does not have a general liability policy and/or workers' compensation. Should a member of the crew become injured on the job, the homeowner could be liable. Consumers can check contractors' work history, reputation, and references at www.contractorcheck.com. For a fee of \$13, consumers will receive information about licensing and insurance, as well as any legal actions taken.

To read the full story, please click here:

http://money.cnn.com/2008/11/18/real_estate/renovations_sale.moneymag/index.htm?postversion=2008120309



[Wall Street Journal](#)

Lower rates help sell houses, but market faces broader ills

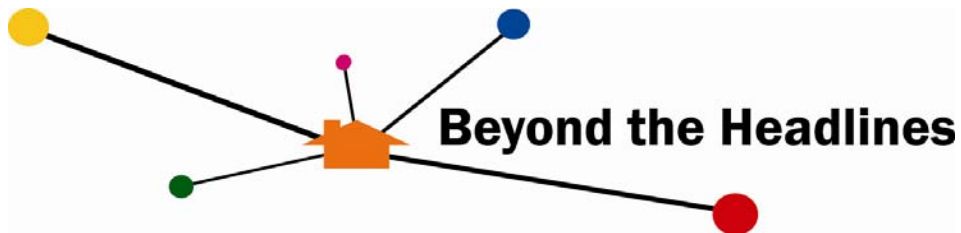
The Treasury Dept.'s plan to push down mortgage rates has led to increased optimism among many home buyers, REALTORS®, and economists; however, some believe other factors such as job losses, lack of sufficient down payments, and less than favorable credit scores will continue to hamper the market.

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- Homebuilders are hoping the government institutes additional plans to increase the housing demand. Two tactics homebuilders would like the government to consider include a \$22,000 tax credit for home buyers and a mortgage-rate buy down that would reduce rates to as low as 2.99 percent. According to the NATIONAL ASSOCIATION OF REALTORS® (NAR), each percentage-point reduction in interest could help sell between 500,000 and 800,000 homes.
- In addition to lower monthly mortgage payments, a lower interest rate also would allow more home buyers to qualify for larger mortgages with less income. Generally, a buyer applying for a 30-year, fixed-rate mortgage loan of \$400,000, with an interest rate of 5.5 percent, needs an income of \$92,000, assuming a 10 percent down payment. If the rate drops to 4.5 percent, the borrower would only need an income of \$84,000 to qualify for the same mortgage loan.

To read the full story, please click here:

<http://online.wsj.com/article/SB122843926299681671.html>



[CNN Money](#)

Home sellers suffer amid wave of foreclosures

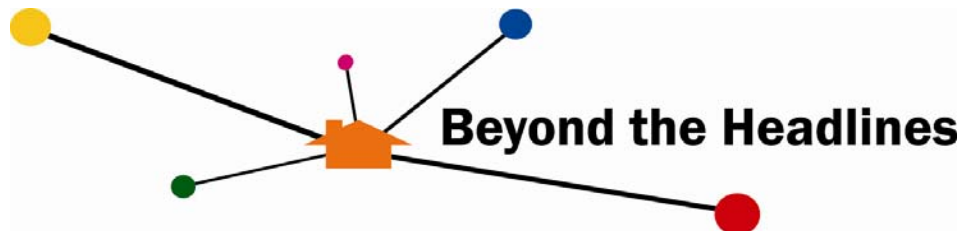
With many foreclosed homes priced well below current market value, traditional sellers are finding it difficult to compete with banks on price and still retain much equity in their property.

KEEP THIS IN MIND

- A Georgia Tech professor who testified before Congress on the impact of foreclosures on home prices believes having a large number of foreclosed properties for sale in a community hurts regional prices in three different ways. An increase in bank-owned properties increases inventory, which most markets have difficulty handling. Many vacant foreclosed properties fall into disrepair and can cause home values in the neighborhood to decline. Despite most home appraisers' attempts to disregard bank-owned properties when searching for comparable home listings, it can be difficult to avoid these types of properties when approximately 50 percent of a neighborhood's homes are bank-owned.
- Some economists advise traditional sellers – those who are not forced to sell due to foreclosure – to price their properties as aggressively as the lenders with whom they are competing. Homeowners should work closely with their REALTOR® to accurately price their home, and ensure it is listed at a competitive price that the market can support.

To read the full story, please click here:

http://money.cnn.com/2008/12/02/real_estate/REOs_tough_on_sellers/index.htm?postversion=2008120203



In Other News...



[CNN Money](#)

Consumer prices fall by record 1.7%

To read the full story, please click here:

<http://money.cnn.com/2008/12/16/news/economy/cpi/index.htm?postversion=2008121609>



[San Francisco Chronicle](#)

Fed: Households cut debt levels for first time

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/12/BUDV14MCRA.DTL>



[Los Angeles Times](#)

Fannie Mae to let tenants stay in foreclosed homes

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-fannie15-2008dec15.0.4271194.story>



[Bloomberg](#)

U.S. homebuilders' confidence held at record low in December

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aYN2fTt1vsoM&refer=home>

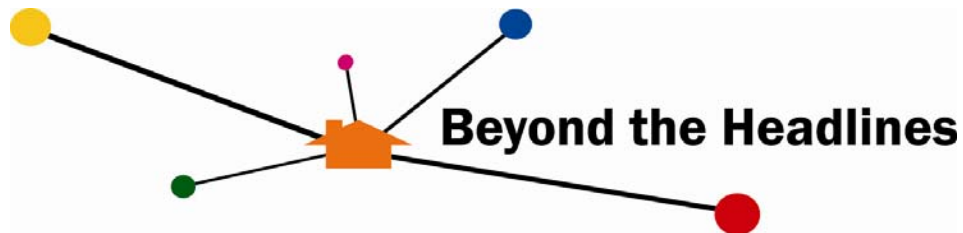


[San Francisco Chronicle](#)

Foreclosure activity drop to June levels

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2008/12/10/financial/f221241S62.DTL>



What you should know about the market

- Although many home renovations improve the look of the property, some may not increase the home's value, while others can actually make it more difficult for the homeowner to resell. Some renovations, like in-ground swimming pools may discourage a buyer who views it as requiring too much upkeep. While in-ground swimming pools may work in areas with warm climates year-round, like many areas of California, it is unlikely a homeowner will recoup the costs associated with installing it.
- First-time home buyers can easily become overwhelmed with the various loan choices available. Experts recommend first-time home buyers apply for a loan with an interest rate fixed for the duration of time the buyer plans to live in the home. Hybrid loans may be an option worth considering, as they are fixed for a certain period and later change to an adjustable-rate mortgage. This may be a viable option for a buyer planning to stay in the home for just a few years. However, most buyers should consider a 30-year fixed-rate loan.