

## Media Advisory



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

This week's *C.A.R. Mortgage Update* contains information about federal tax liens and lower mortgage rates.

#### **IRS to give break to distressed homeowners**

The Internal Revenue Service (IRS) last week announced it is “subordinating” federal tax liens and allowing primary mortgage holders to take precedence when a mortgage is refinanced or the home is sold. Homeowners with federal tax liens tied to their properties may find it difficult to refinance or sell. The new IRS program allows homeowners to refinance or sell a home without first having to pay any federal tax liens. The IRS is not forgiving the debt though, and homeowners must pay any back taxes owed.

To read the full story, please click here:

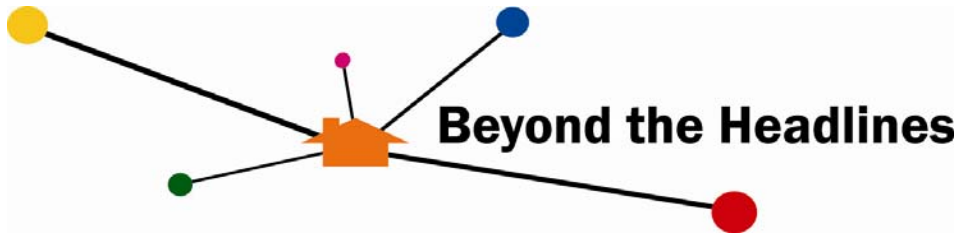
<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/17/BUL814PEF5.DTL>

#### **Mortgage rates at 37-year low**

Rates on 30-year, fixed-rate mortgages dropped to 5.19 percent last week, the lowest level in 37 years, according to Freddie Mac. The lower rates have led to a surge in homeowners seeking to refinance. However, homeowners who have defaulted on their mortgage payments or are “underwater”—owe more on their loan than their home is currently worth—may not be eligible for the new rates.

To read the full story, please click here:

[http://www.mercurynews.com/realestatenews/ci\\_11262992](http://www.mercurynews.com/realestatenews/ci_11262992)



[MSNBC](#)

### **Refinancing 101: Is it the right move for you?**

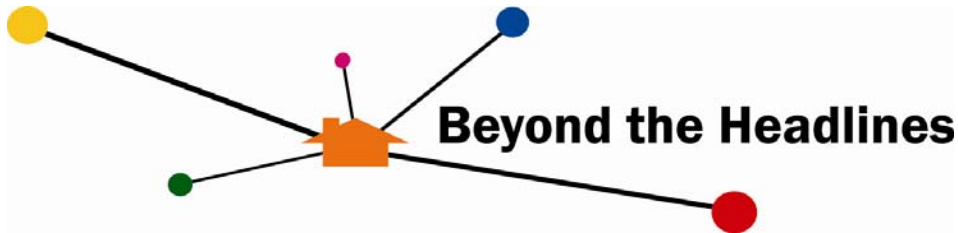
Homeowners who are current on their mortgage payments and have equity in their homes may want to consider taking advantage of the lower mortgage rates offered by many financial institutions. However, refinancing may not be the best choice for all homeowners.

#### **KEEP THIS IN MIND**

- Refinancing often requires fees for title insurance, a new appraisal, document processing, and a fee for the mortgage broker or lender. While it may appear the refinance is free, the costs often are added to the total loan amount or the borrower is charged a higher rate. Because there are fees typically associated with a refinance, many financial industry specialists recommend borrowers not refinance unless they plan to occupy the house for at least two years. Although there will be a reduction in the monthly payment, it can take a few years to break even on the refinance.
- Loan options are more limited today than a few years ago. Generally, the best rates are offered on traditional loans, such as 15-year and 30-year, fixed-rate mortgages, and loans for borrowers with at least 20 percent for a down payment for buyers or existing home equity for those seeking to refinance.
- Some subprime loans made during the house boom carry prepayment penalties—a fee or percentage the homeowner pays the lender in the event the mortgage is paid early. Some lenders may waive prepayment penalties and allow the borrower to refinance with another lender if doing so prevents foreclosure.

To read the full story, please click here:

<http://www.msnbc.msn.com/id/28302078/>



[San Francisco Chronicle](#)

**REALTORS®: State home prices have a brutal 2008**

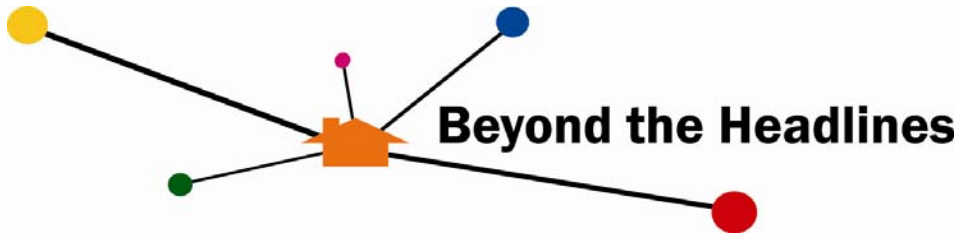
According to a recent report by the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R), 2008 marked a year of rising home sales, declining home prices, stricter loan underwriting standards, and the financial market meltdown. However, despite the negative media coverage, many home buyers realized that current low mortgage rates and lower home prices provided an opportunity to purchase a home that previously may have been out of reach.

**KEEP THIS IN MIND**

- The most-recent survey from Freddie Mac shows interest rates on 30-year, fixed-rate mortgages averaged 5.19 percent last week, the lowest level in 37 years. While lower interest rates have resulted in a dramatic jump in homeowners seeking to refinance, now also is a great time to purchase a home. The lower interest rates also are making mortgage payments more affordable, especially on larger homes that previously may have been out of reach.
- In addition to lower monthly mortgage payments, a lower interest rate also allows 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 need an income of \$84,000 to qualify for the same mortgage loan.
- Despite the increase in the number of homeowners who sold their homes at a loss, home sellers who owned their properties for a longer period of time were less likely to experience a loss from their home sale, according to the "State of the California Housing Market 2008-2009" report.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/17/BURR14Q2QI.DTL&type=business>



[Wall Street Journal](#)

### **Home buyers turn to USDA for mortgages**

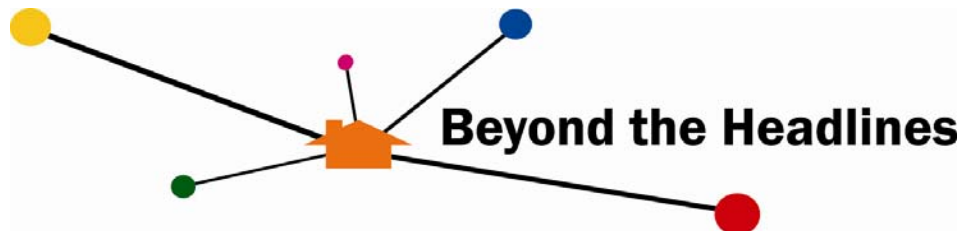
Stricter loan underwriting standards and cash-strapped borrowers have led to an increase in the number of borrowers applying for a home loan offered by the U.S. Dept. of Agriculture (USDA). The program, "Rural Development Guaranteed Loan" was designed to boost homeownership in rural areas, but some home buyers, even in non-rural areas, are qualifying.

#### **KEEP THIS IN MIND**

- The USDA program insured \$7 billion in loans during the 2008 fiscal year, an increase from \$3.6 billion the previous year. In Scottsdale, Ariz., the program has accounted for 40 to 50 percent of home sales in October and November.
- Eligibility is based on a number of factors, including the borrower's income and the population of the city where the home is located. Borrowers' income must not exceed 115 percent of the median county income, and the loans are restricted to areas with lower population density—generally towns with no more than 25,000 residents.
- Unlike most mortgage loans offered by private lenders, the Rural Development Guaranteed Loan program does not require borrowers to issue a down payment. Loans made through the USDA program are made by private lenders, then insured by the government and sold to Ginnie Mae. A 2 percent USDA insurance fee also is added to the loan—which can be as much as 100 percent of the home's value—to cover loan losses. Monthly payments usually are lower on USDA loans, because they do not require borrowers to pay for monthly mortgage insurance.
- Despite some lawmakers' concerns that borrowers should not be allowed to receive loans for 100 percent or more of the home's value (including the USDA insurance fee), an administrator with the USDA says the concerns are unwarranted. According to Philip Stetson, the USDA administrator, rural areas are less prone to big increases in home prices, so the program is less susceptible to large-scale losses. The default rate on USDA loans is 11.35 percent, compared with a 13.6 percent delinquency rate for FHA-backed loans.

To read the full story, please click here:

<http://online.wsj.com/article/SB122937640286608173.html>



## In Other News...



[Reuters](#)

### **U.S. credit card rule changes approved by regulator**

To read the full story, please click here:

<http://www.reuters.com/article/ousiv/idUSTRE4BH3Y82008121>



[Press Enterprise](#)

### **Inland housing sales show signs of life**

To read the full story, please click here:

[http://www.pe.com/business/local/stories/PE\\_Biz\\_S\\_homesales17.3a7b3e9.html#](http://www.pe.com/business/local/stories/PE_Biz_S_homesales17.3a7b3e9.html#)

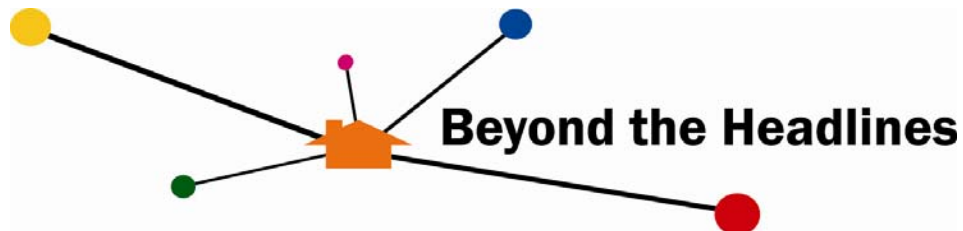


[San Diego Union-Tribune](#)

### **Homeowners refinance, put savings in piggy banks**

To read the full story, please click here:

<http://www3.signonsandiego.com/stories/2008/dec/07/new-mortgages-economy-120708/?zIndex=20078>



### ***Market Snapshot***

*Market Snapshot* provides information about the current market with consumer-friendly charts and graphs. *Market Snapshot* can be found on C.A.R.'s Web site at [www.car.org/economics/marketsnapshot](http://www.car.org/economics/marketsnapshot).

### **This month's *Market Snapshot* features:**

- **Affordability:** declining median home prices have led to an increase in affordability. C.A.R.'s Housing Affordability Index for First-Time Buyers rose to 53 percent in the third quarter, meaning that just over half of all California households have sufficient income to afford an entry-level home in the state.

To read the complete version of *Market Snapshot* that you can share with your clients, please click here: [www.car.org/economics/marketsnapshot](http://www.car.org/economics/marketsnapshot)