

Media Advisory



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

This week's *C.A.R. Mortgage Update* contains information about common mistakes borrowers make when applying for a mortgage; interest rates on jumbo loans; an increase in late payments in affluent communities; and rising interest rates.

The new rules of mortgage lending

Current mortgage rates and changes in loan underwriting standards have led some borrowers to make mistakes when applying for a mortgage loan. One old adage that many borrowers fall into is not paying up-front points. In previous real estate cycles, paying one percentage point was equivalent to shaving off approximately a quarter of a percentage point of interest. In today's market, one percentage point can lower the interest rate by as much as 1 percent, changing a 6 percent interest rate into one that is 5 percent.

Another common mistake some borrowers make is not locking in an interest rate, especially when the rates are at historic lows, as they are currently. Many borrowers believe that if a favorable rate is available this week, a lower one will likely be offered next week. Mortgage experts advise clients to lock in a rate if the numbers work and not try to wait for a better rate that may not come.

To read the full story, please click here:

http://money.cnn.com/2009/02/03/real_estate/new_rules_for_mortgage_borrowing/index.htm?postversion=2009020413

Larger mortgages still carry higher rates

Some homeowners, especially in high-cost areas, are finding that the best interest rates are only available for conforming loans, those that are below \$417,000. In high-cost areas, many homes fall into the jumbo conforming loan category -- \$417,000 to \$625,500 or the jumbo loan category -- above \$625,500.

Last year, Congress created the jumbo conforming loan category as the intermediate category of loans, hoping to stimulate the mortgage market. Congress' intent was to lower rates for loans below the jumbo loan limit of \$625,500; however, that did not happen, and many jumbo conforming loans and jumbo loans still carry higher interest rates than true conforming loans.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/02/10/BUG715QM5I.DTL&tsp=1>

To view additional articles about the mortgages, please visit:

Mortgage crisis spreads to more affluent areas of Silicon Valley

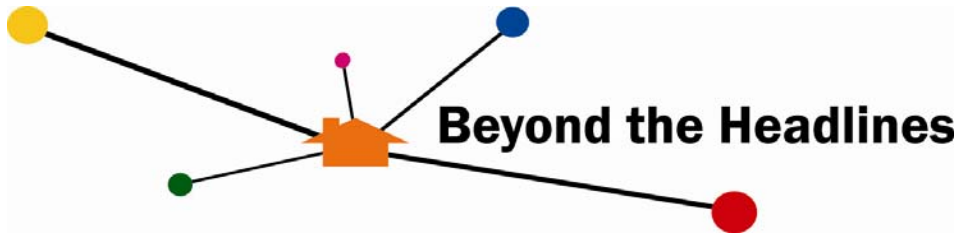
To read the full story, please click here:

http://www.mercurynews.com/realestatenews/ci_11583658

Mortgage rates rise despite the Fed's efforts to push them down

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-mortgage6-2009feb06,0,927806.story>



[CNN Money](#)

How stimulus can help your wallet

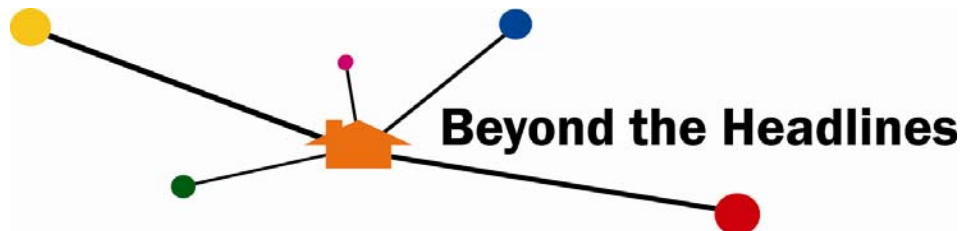
Last week the House of Representatives passed its version of the stimulus package; on Tuesday, the Senate passed its version. Yesterday, the two groups announced they have reached a compromise and are expected to vote on the package this week. President Obama has urged lawmakers to present him with the bill prior to President's Day, which is Monday, Feb. 16.

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- It is likely that the final stimulus bill will closely resemble that of the Senate's approved version, due to the number of votes needed. The Senate version garnered three Republican votes, while the House's version did not receive support from any Republicans. If the package is too different than that of the Senate's, the bill may not be passed.
- Some of the provisions under consideration are a \$500 credit per worker and a \$1,000 credit per dual-earner couple to be paid to people making \$70,000 or less; a one-year provision to protect middle- and upper-middle-income families from having to pay the Alternative Minimum Tax; a temporary tax credit to allow those who buy a car in 2009 to deduct the interest they pay on their car loan as well as the sales tax charged in the purchase; a \$2,500 credit for higher education expenses; as well as health care, unemployment, and needy family provisions.
- Another provision under consideration is a temporary \$15,000 tax credit for home buyers. This would double the size of the existing temporary home-buyer credit, eliminate the first-time home buyer restriction, and remove the requirement that the credit be paid back. The CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) and the NATIONAL ASSOCIATION OF REALTORS® (NAR) are lobbying for this provision's inclusion in the final bill.
- The House version of the stimulus package also contained a provision to increase the Fannie Mae, Freddie Mac, and FHA loan limits in every county in the state to 2008 levels. C.A.R. has long advocated for higher conforming loan limits, and believes this stimulus package is a step in the right direction for California's homeowners. If approved, the conforming loan limits in high-cost areas would be increased from \$625,500 to \$729,750, enabling more home buyers to purchase at favorable interest rates.

To read the full story, please click here:

http://money.cnn.com/2009/02/11/news/economy/stimulus_individuals/index.htm?postversion=2009021107



[Reuters](#)

U.S. housing market bottom within sight

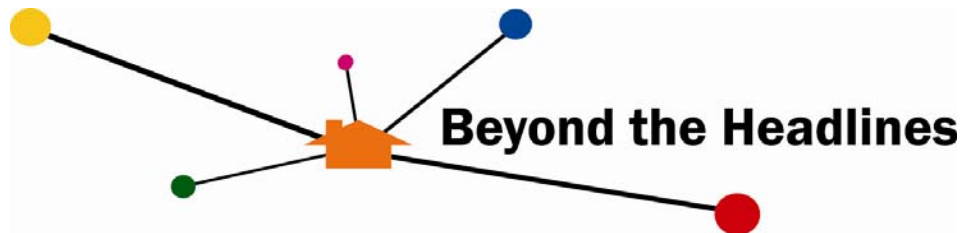
Although some housing markets across the nation have experienced price declines of 50 percent or more from their peaks, namely in high-cost states such as Florida and California, it appears a bottom is in sight. According to a report from Moody's Economy.com, the bottom, in terms of home prices, will likely take place in the fourth quarter.

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- The report states that nearly 62 percent of the nation's 381 metropolitan areas will have experienced double-digit-percent declines in home prices, peak-to-trough, before bottoming out.
- Housing inventories are falling, sales are rising, and home prices are becoming better aligned with incomes, which will help lead to a housing correction. Although lawmakers are working on plans to help stabilize the market, the report forecasts that even with further government intervention, the recession will keep the housing market from fully recovering until the end of the year.
- According to the report, home sales will have declined by 40 percent and housing starts by 70 percent nationwide from peak to trough. However, California's home sales tell a different story. C.A.R. economists project sales for 2009 to increase 12.5 percent to 445,000 units, compared with 395,600 units (projected) in 2008.

To read the full story, please click here:

<http://www.reuters.com/article/newsOne/idUSTRE5140H420090205>



[New York Times](#)

A batch of new tax breaks on your home

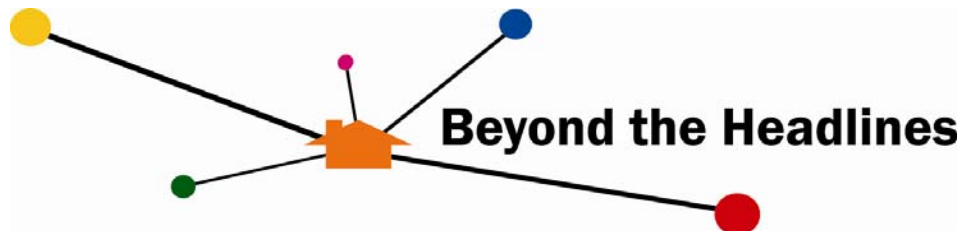
Owning a home has many benefits, including new tax breaks that could help many homeowners this year. Among the tax breaks are a \$7,500 first-time home-buyer credit; a tax break for widows and widowers; and residential energy credits.

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- First-time home buyers – those who have not owned a home in the previous three years – can reduce a couple's taxes for 2008 or 2009 by as much as \$7,500, or a single-filer's by up to \$3,750 if they purchase a home between April 9, 2008, and July 1, 2009. Eligible home buyers can receive a one-time credit of 10 percent of the purchase price, capped at the \$7,500 or \$3,750 limit.
- Although it is called a refundable tax credit, it actually is an interest-free loan that must be repaid in equal amounts over 15 years, starting the year after the credit is claimed. The credit is available to joint filers with modified adjusted-gross income below \$150,000. The modified adjusted-gross income for single filers is \$75,000.
- Previously, widows and widowers who sold a principal residence in which they had lived two of the previous five years could exclude capital gains of up to \$250,000, if the sale occurred within two years of a spouse's death. Now, widows and widowers are eligible to exclude capital gains of up to \$500,000, provided all criteria are met.
- Certain home improvements to increase energy efficiency also are available to homeowners. Capped at \$500 to \$2,000, depending on the improvement, homeowners may be eligible for residential energy credits of up to 30 percent of the cost. Qualified improvements include expenditures on equipment for solar electric power, solar water heating, fuel cells, wind energy, and geothermal heat pumps. More traditional energy-saving improvements, such as increasing insulation to use less heating oil or natural gas, are not eligible for the credit.

To read the full story, please click here:

http://www.nytimes.com/2009/02/08/business/yourtaxes/08tips.html?_r=1&em



In Other News...



[Los Angeles Times](#)

Tips for navigating the new 2008 tax rules

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-perfin8-2009feb08,0,7662996.column>



[CNN Money](#)

Consumer credit: Third straight monthly drop

To read the full story, please click here:

http://money.cnn.com/2009/02/06/news/economy/consumer_credit/index.htm



[San Diego Union-Tribune](#)

Aid will turn renters into owners

To read the full story, please click here:

<http://www3.signonsandiego.com/stories/2009/feb/06/1b6foreclose21481-aid-will-turn-renters-owners/?zIndex=48783>



[Los Angeles Times](#)

Sales of million-dollar plus homes plummet

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-homes4-2009feb04,0,3681348.story>

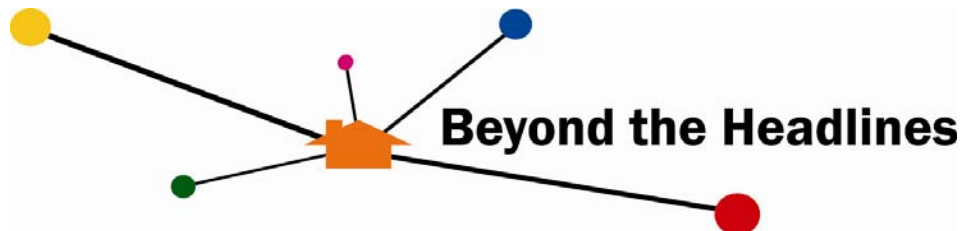


[San Francisco Chronicle](#)

Foreclosures auction lures bargain hunters

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/02/08/BAV415PKET.DTL>



[CNN Money](#)

Foreclosures dominate home sales

To read the full story, please click here:

http://money.cnn.com/2009/02/03/real_estate/foreclosures_dominate_housing_market/index.htm?postversion=2009020307

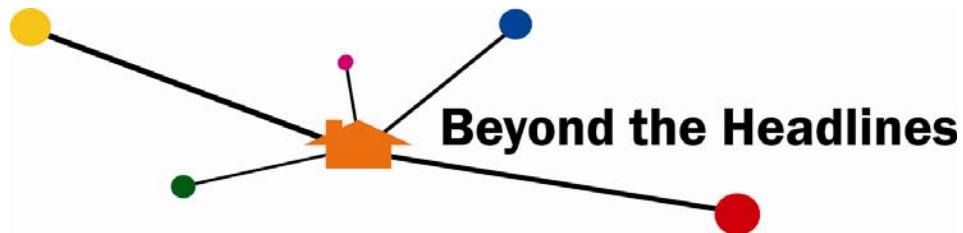


[San Francisco Chronicle](#)

Another tool to escape foreclosures

To read the full story, please click here:

<http://www.sfgate.com/columnists/harney/>



What you should know about the market

- Converting to energy-efficient appliances and lifestyles during an economic slow down can be a challenge, but there are some relatively inexpensive ways to achieve this goal without hurting the pocketbook. One way is to install low-flow showerheads and faucets that limit the volume of water received and thus help to lower water, electric, or gas bills. Most low-flow showerheads cost about \$30, while faucet aerators start at \$2. The payback is almost immediate for aerators in energy-bill savings, while for showerheads the payback can be a few months.
- Homeowners not wanting to refinance into a new 30-year loan, because they plan to pay off the house in full, should consider making biweekly payments rather than monthly mortgage payments. Sending in half the monthly payment every two weeks instead of once a month will cancel out years of mortgage payments later on because it speeds up paying off the principal. A homeowner who makes biweekly payments on a \$500,000, 30-year, fixed-rate loan with a 6.5 percent interest rate would shorten the loan by five years and pay \$150,000 less in interest over the life of the loan.