

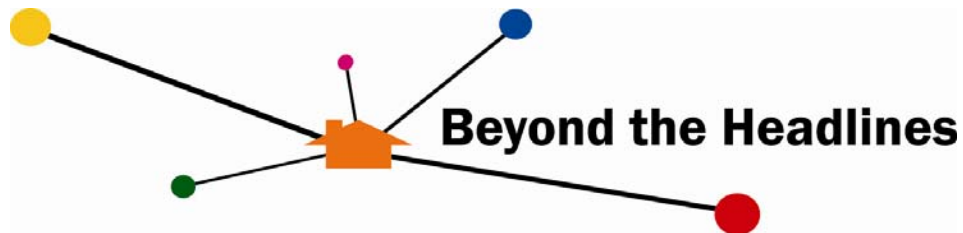
## News Flash

### **Obama Administration Announces Financial Incentives and Uniform Process for Short Sales**

The NATIONAL ASSOCIATION OF REALTORS® (NAR) today announced that the Obama Administration has added new incentives and uniform procedures for short sales under its new Foreclosure Alternatives Program (FAP), part of the administration's Making Homes Affordable plan.

Loan servicers may consider short sales or deeds-in-lieu of foreclosure for borrowers who do not qualify to have their loans modified on a permanent basis under the Making Home Affordable Loan Modification Program.

- Borrowers/homeowners qualify under the FAP if they meet minimum eligibility requirements for the Home Affordable Modification program, but don't qualify for a modification or do not successfully complete the three-month trial period. Before proceeding with a foreclosure, servicers must determine if a short sale is appropriate.
- Incentives include: \$1,000 for servicers for successful completion of a short sale or deed-in-lieu of foreclosure; \$1,500 for borrowers/homeowners to help with relocation expenses; and up to \$1,000 toward the cost of paying junior lien holders to release their liens (one dollar from the government for every \$2 paid by the investors to the second lien holders).
- The program will include streamlined and standardized documents, including a Short Sale Agreement and an Offer Acceptance Letter. The goal is to minimize complexity and increase use of the short sale option.
- Servicers will independently establish both property value and minimum acceptable net return, in accordance with investor requirements. The price may be determined based on an appraisal or one or more broker price opinions (BPOs), issued no more than 120 days before the date of the short sale agreement.
- In the Short Sale Agreement, servicers must give borrowers/homeowners at least 90 days to market and sell the property, or up to one year, depending on market conditions. Property must be listed with a licensed real estate professional with experience in the neighborhood. No foreclosure may take place during the marketing period (at least 90 days) specified in the Short Sale Agreement.
- The Short Sale Agreement must specify the reasonable and customary real estate commissions and costs that may be deducted from the sales price. The servicer must agree not to negotiate a lower commission after an offer has been received.
- Servicers may not charge fees to borrowers/homeowners for participating in the FAP.
- The program is in effect through 2012.
- Servicers have the option to require the borrower/homeowner to agree to deed the property to the servicer in exchange for a release from the debt if the property does not sell within the time allowed in the Short Sale Agreement (plus any extensions).



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

This week's *C.A.R. Mortgage Update* contains information about mortgage modifications, foreclosures, subprime lending, and underwater homeowners.

#### **Mortgage modifications are happening. Get yours.**

The Obama administration's "Making Home Affordable" program is beginning to have an impact. As of last week, Chase Mortgage, the servicing side of JP Morgan Chase, had modified 15,000 home loans under the program. Bank of America also has sent out 100,000 letters to borrowers whom could benefit.

Homeowners wanting to receive a mortgage modification should begin by visiting the government Web site, [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov). Once there, borrowers can take a quiz to find out if they are eligible for a mortgage modification under the "Making Home Affordable" program. At the end of the quiz, based on the answers provided, the site will tell borrowers if they are likely to qualify for a modification under the program.

The site also provides helpful tips about gathering the proper paperwork, including pay stubs; tax returns; savings account records; mortgage statements; second mortgage information, such a home-equity loan statements; credit card bills; and information on other debt, including student and car loans.

To read the full story, please click here:

[http://money.cnn.com/2009/05/08/real\\_estate/new\\_mortgage\\_mod\\_program/index.htm?postversion=2009050806](http://money.cnn.com/2009/05/08/real_estate/new_mortgage_mod_program/index.htm?postversion=2009050806)

To view additional articles about mortgages, please visit the following:

#### **Another sign of foreclosure trouble in California**

To read the full story, please click here:

<http://blogs.wsj.com/developments/2009/05/06/another-sign-of-foreclosure-trouble-in-california/>

#### **California had most subprime loans, study says**

To view the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=c/a/2009/05/07/MNF417FUBR.DTL&tsp=1>

#### **Affluent homeowners: underwater and sinking fast**

To view the full story, please click here:

<http://blogs.wsj.com/developments/2009/05/06/affluent-homeowners-underwater-and-sinking-fast/>

#### **Bailed-out banks enabled subprime lending, study contends**

To view the full story, please click here:

<http://www.latimes.com/business/la-fi-subprime6-2009may06.0.6489207.story>

#### **House price drop leave more underwater**

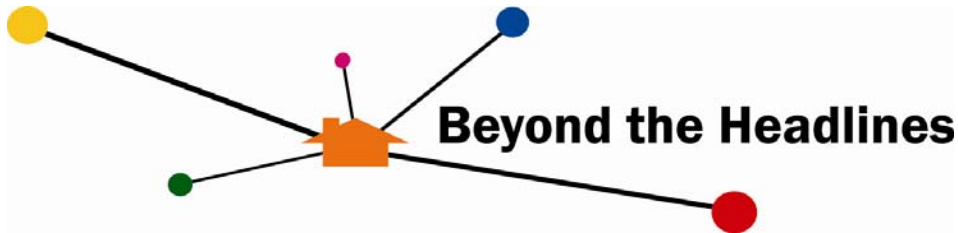
To view the full story, please click here:

<http://online.wsj.com/article/SB124156804522089735.html>

#### **U.S. fixed mortgage rates rise but hover near lows**

To view the full story, please click here:

<http://www.reuters.com/article/bondsNews/idUSN1446817820090514>



MSNBC

### **First-time home buyers benefit from slump**

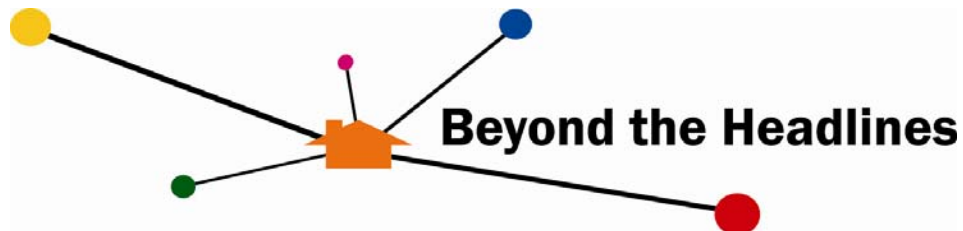
First-time buyers in many areas are finding that favorable home prices are enabling them to buy homes that previously may have been out of reach. According to the March report from the NATIONAL ASSOCIATION OF REALTORS® (NAR), 53 percent of all properties sold during March 2009 were purchased by first-time home buyers, an increase from the usual 40 percent or less level.

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

- In addition to favorable home prices in most areas, federal tax credits for first-time home buyers are motivating many “fence sitters” to enter the market. NAR estimates that tax credits could motivate as many as 300,000 first-timers to purchase homes this year.
- Another factor that may contribute to first-time buyers entering the market is their ability to use the \$8,000 federal tax credit for a down payment. According to Shaun Donovan, housing secretary for the Dept. of Housing and Urban Development (HUD), the Federal Housing Administration will soon publish a policy that will allow FHA-approved lenders, HUD-approved nonprofits, and state and local housing finance agencies to “monetize” the tax credit through short-term bridge loans.
- Many first-time buyers are taking advantage of foreclosures, short sales and bank-owned homes listed in some of the hardest-hit areas of the country. According to one homeowner who recently purchased his first home, he did not have reservations about purchasing a foreclosed home in a neighborhood with many foreclosures and bank-owned homes. He believes that mostly primary owners -- not speculators or investors -- will buy in today's market.
- The CALIFORNIA ASSOCIATION OF REALTORS® today released its First-time Buyer Housing Affordability Index (FTB-HAI) for Q1 2009. During the first quarter, 69 percent of households in California could afford to purchase an entry-level home in the state. The FTB-HAI has risen 23 percentage points from 46 percent in Q1 2008.

To read the full story, please click here:

<http://www.msnbc.msn.com/id/30551169/>



## In Other News...



Los Angeles Times

### **Bank 'stress test' results hint at economic recovery**

To read the full story, please click here:

[http://www.latimes.com/business/la-fi-stress-tests8-2009may08\\_0,6880257.story](http://www.latimes.com/business/la-fi-stress-tests8-2009may08_0,6880257.story)



San Francisco Chronicle

### **Families combine resources to buy homes**

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/10/RE1F17AJB5.DTL&type=realestate>



Mercury News

### **Just as spring selling season begins, inventory of homes for sale dropping**

To read the full story, please click here:

[http://www.mercurynews.com/realestatenews/ci\\_12275038](http://www.mercurynews.com/realestatenews/ci_12275038)

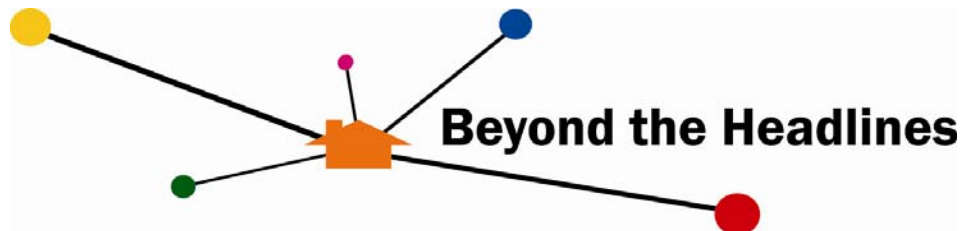


Mercury News

### **Sellers of high-end Silicon Valley homes put dreams on hold**

To read the full story, please click here:

[http://www.mercurynews.com/realestatenews/ci\\_12266803](http://www.mercurynews.com/realestatenews/ci_12266803)



CNN

### **Home prices slide 14%**

To read the full story, please click here:

[http://money.cnn.com/2009/05/12/real\\_estate/first\\_quarter\\_home\\_prices/index.htm?postversion=2009051210](http://money.cnn.com/2009/05/12/real_estate/first_quarter_home_prices/index.htm?postversion=2009051210)

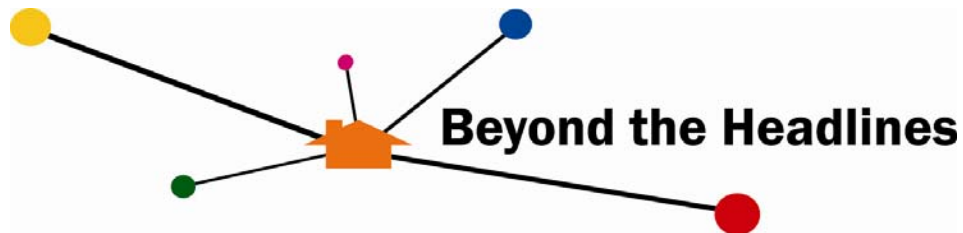


Sacramento Bee

### **Investors bidding for bargains at sale of tax-burdened property**

To read the full story, please click here:

<http://www.sacbee.com/business/story/1853086.html>



## What you should know about the market...

- Most lenders currently require down payments of 20 percent or more. The upside of making a larger down payment is that the borrower owes less money and usually receives better terms on the mortgage. If the down payment is less than 20 percent, most lenders require the borrower to take out mortgage insurance, which could cost \$100 or more a month, depending on the nature of the loan.
- Borrowers can find out the down payment required by the lender as part of the pre-approval process. The pre-approval process is typically a free service where a lender evaluates the borrowers' financial situation and determines the terms of the loan it is willing to offer. Most housing experts recommend that borrowers get pre-approved prior to house hunting.
- When holding an open house, it is important that the homeowners are not present while potential buyers are viewing the home. According to one broker, some sellers believe they are the best people to sell their house, so they want to be present. The truth is, if a seller remains at home during an open house, buyers may have an uneasy feeling, and that is the feeling that they will take away from the house.