

C.A.R. Mortgage Update

Banks bite bullet on loans

A new report from the Office of the Comptroller of the Currency and the Office of Thrift Supervision shows that the portion of loan modifications in the second quarter that involved reducing the principal increased to 10 percent from 3.1 percent in the first quarter.

While strategies such as lowering interest rates or extending mortgage terms can temporarily help borrowers struggling to make payments, reports show that often times borrowers redefault because the modifications do not lower payments to a truly affordable level. Of loans modified in the first quarter of 2009, 28 percent were in default again within three months, according to the Office of the Comptroller of the Currency. Among those modified in last year's second quarter, 56 percent were in default again a year later.

Banks are beginning to reduce mortgage principal due, in part, to prodding from the Obama administration, whose housing plan includes financial incentives for mortgage-servicing firms that modify loans. At the same time, banks now have more flexibility to modify loans because of their success in stabilizing their balance sheets and, in some cases, raising fresh capital.

To read the full story, please [click here](#).

To view additional articles that also may be of interest to clients in the market for a new home loan, loan refinance, or loan modification, please visit the following:

Homeowners in financial trouble often default again

To read the full story, please [click here](#)

More mortgage modifications result in lower payments

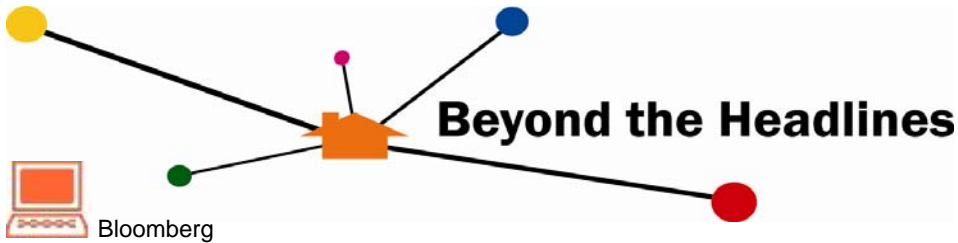
To read the full story, please [click here](#).

FHA reverse mortgage applicants may be affected by limits on payouts

To read the full story, please [click here](#).

Military home buyers find VA loans a roadblock

To read the full story, please [click here](#).



California House Prices Forecast to Rise in 2010, Realtors Say

This week, the CALIFORNIA ASSOCIATION OF REALTORS[®] released its annual housing forecast. C.A.R.'s annual housing forecast details what consumers, REALTORS[®], and the real estate industry can expect to happen next year in terms of median prices and existing home sales. C.A.R.'s forecast is closely followed by the news media, and the Association's leadership and economists often are called upon to discuss the forecast. This year, coverage by the news media produced nearly 200 newspaper articles, Web stories, and blog entries, in addition to extensive television and radio coverage. The 2010 California Housing Market Forecast was presented Wednesday at CALIFORNIA REALTOR[®] EXPO 2009 in San Jose.

KEEP THIS IN MIND

- The median home price in California is expected to rise 3.3 percent to \$280,000 in 2010 compared with a projected median of \$271,000 this year, according to the forecast. Sales for 2010 are projected to decrease 2.3 percent to 527,500 units, compared with 540,000 units (projected) in 2009.
- "After experiencing its sharpest decline in history, we expect the median price to rise modestly next year," said C.A.R. President James Liptak. "2010 will mark the beginning of the 'new normal' for California's housing market. This 'new normal' likely will feature a steady stream of sales driven by distressed properties in the low end of the market, coupled with moderate home-price appreciation."
- "Housing in California has become a tale of two markets," Liptak said. "The low end continues to attract first-time buyers and investors, with a resulting shortage in the number of homes for sale. Sellers at the high end, however, continue to be challenged by the ability of home buyers to secure financing as well as their concerns about where prices are headed. While demand from first-time buyers for low-end properties will continue throughout next year, sales could be impacted if discretionary sellers do not return to the market by the second half of 2010."
- "Although it appears at this time that lenders are closely monitoring the flow of distressed properties onto the market, there could be an exertion of downward pressure on home prices should a heavier than expected wave of foreclosures come to market next year," said Leslie Appleton-Young, Vice President and Chief Economist for the CALIFORNIA ASSOCIATION OF REALTORS[®]. "The wild cards for 2010 include foreclosures, loan resets, the labor market, and the California budget crisis, as well as the actions of the federal government."

To read the full story, please [click here](#).

To read additional stories about C.A.R.'s 2010 Housing Market Forecast, please visit the following:

Decline seen in home sales

To read the full story, please [click here](#).

Bargain-priced homes expected to drive Silicon Valley market next year

To read the full story, please [click here](#).

State median home price to increase next year, Realtors group says

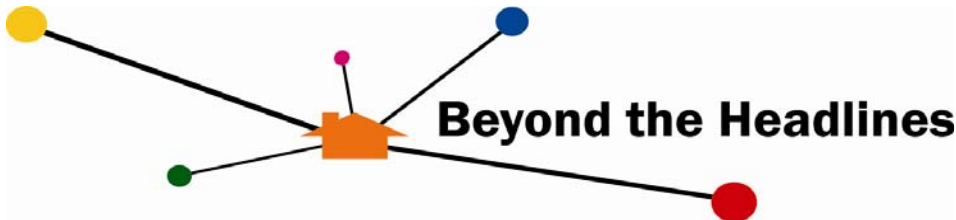
To read the full story, please [click here](#).

Economist expects California existing-home sales to fall in 2010

To read the full story, please [click here](#).

Realtors see home prices up in 2010

To read the full story, please [click here](#).



In Other News



San Francisco Chronicle

Signs of hope housing market may be stabilizing

Sales of existing homes increased a larger-than-expected 7.2 percent in July compared with the previous month, according to the NATIONAL ASSOCIATION OF REALTORS®.

To read the full story, please [click here](#).



The Wall Street Journal

The foreclosure pain may drag on for years

Delays in dealing with home foreclosures are stretching out the pain for the U.S. housing market. That has stirred lots of debate over whether it is better for the nation to face the pain of millions of foreclosures immediately—to get it over with fast—or to draw the process out over several years in hopes that the economy and housing demand will recover.

To read the full story, please [click here](#).



San Francisco Chronicle

First-time home buyer tax credit set to expire

The \$8,000 federal tax credit for first-time home buyers is soon to expire, causing anxious house hunters to hustle and prompting a debate in Congress over extending a program that some say is central to the fragile real estate recovery.

To read the full story, please [click here](#).

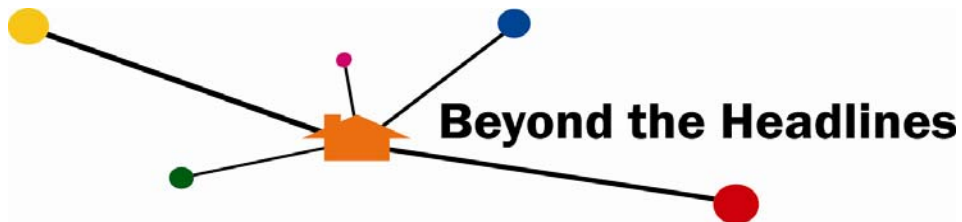


Los Angeles Times

Too many palatial homes, too few princely buyers

As more sellers decide to cut their losses and move on—or are compelled to do so by their lenders—the most expensive homes could slip from their perch at the top rung of the market.

To read the full story, please [click here](#).



What You Should Know About the Market...

- When looking for a new home, it is important to research the neighborhood, traffic patterns, and proximity to amenities, such as “big-box” stores, grocery stores, and medical resources. One useful online tool for doing just that is Google Maps, which uses satellite imagery to pinpoint property locations. Using this tool also can help determine if the home is located on a busy or cross-through street, a quiet cul-de-sac, or a rarely traveled road.
- Determining the price-per-square-foot of a home can be helpful for buyers in narrowing down home choices. According to one real estate professional, it is not uncommon to find that a smaller home costs more per square foot than a mid-sized property in the same neighborhood. If the price-per-square-foot is not shown on the listing, a REALTOR® may be willing to pre-screen the property and take measurements for the buyer.