

C.A.R. Mortgage Update

This week's *C.A.R. Mortgage Update* contains information about down payments; the Obama administration's Making Home Affordable program; concerns about the viability of the Federal Housing Administration; and low interest rates keeping homes affordable

A Down Payment Anomaly

Despite home buyers being advised to issue down payments of at least 20 percent, many home buyers are finding that smaller down payments result in better interest rates—but also higher payments.

Rules put in place in late 2008 by Fannie Mae and similar rules adopted by Freddie Mac are less favorable to borrowers who put down 20 percent to 25 percent—partially because the GSEs consider these borrowers to be more of a credit risk since they are not required to purchase private mortgage insurance.

According to Fannie Mae, borrowers benefit from this industry practice because they are able to leave themselves a financial cushion by not issuing larger down payments, and can instead save the extra money for emergencies.

It is important to note though that smaller down payments mean higher monthly payments because the loan itself will be larger.

To read the full story, please click here:

<http://www.nytimes.com/2009/09/06/realestate/06mort.html?ref=realestate>

To view additional articles please visit the following:

Obama's mortgage relief program growing

The Obama administration's \$50 billion mortgage relief program is finally picking up speed after a sluggish and disappointing start: Nearly one in five eligible homeowners has been offered help so far, the Treasury Dept. said Wednesday.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2009/09/09/financial/f073010D13.DTL&type=business>

Behind FHA Strains, a Push to Lift Housing

As it tried to help shore up the ailing housing market during the past year, the Federal Housing Administration increased its exposure, particularly to mortgages in high-cost states that have also seen some of the sharpest price declines.

To read the full story, please click here:

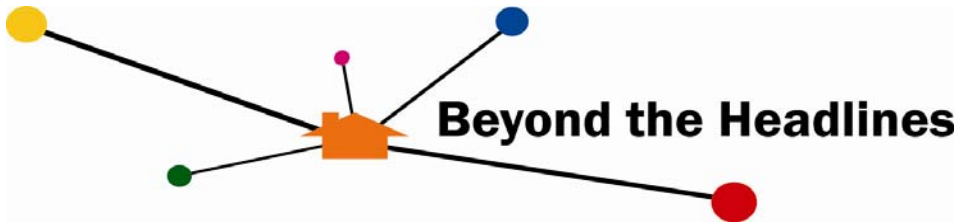
<http://online.wsj.com/article/SB125211204270688031.html>

Low rates keeping homes affordable

Falling interest rates are fueling a rise in home mortgage applications and refinancings in the Inland region, though experts aren't yet ready to declare the beleaguered local housing market on the road to full recovery.

To read the full story, please click here:

http://www.pe.com/business/local/stories/PE_Biz_S_mortgages04.38b40b4.html



San Francisco Chronicle

New normal for home sales: Buyers have the power

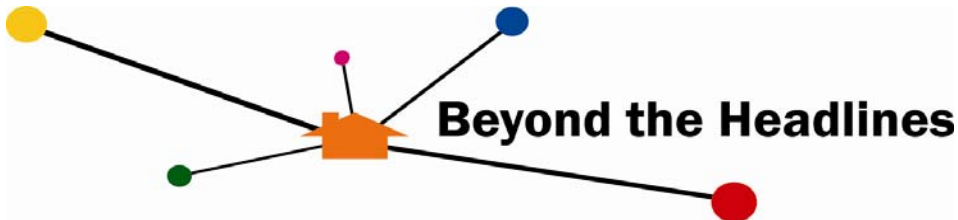
Following the downturn in the housing market, lenders started requiring more money up front, higher credit scores, proof of income, and all paperwork in order—quite different than earlier this decade when subprime mortgages were rampant and buyers purchased homes deemed unaffordable by today's standards. For sellers, the standards are different too: Be patient and maybe lower the asking price, because the balance of power has swung strongly to buyers. Many REALTORS®, mortgage brokers, economists, and home buyers across the country say they've noticed a shift in attitudes that they expect will last for years.

KEEP THIS IN MIND

- Traditional sellers are finding that the number of offers received is not nearly as high as those received on REO properties, which often receive multiple bids. The negotiation process also differs between traditional sellers today and traditional sellers during the height of the market. According to one REALTOR®, if a house is not being shown, then it is overpriced. The record number of foreclosed homes on the market gives buyers even more leverage.
- Resulting from the credit crisis, lenders now often require much more paperwork and thoroughly review borrowers' credit histories, bank statements, tax returns, and job histories. The average mortgage applications today starts three times thicker than what it was at the start of the housing boom, and often gets thicker as the process moves along. One mortgage broker reports that now lenders want to know everything about the buyer, "It's a true and full underwriting process on every particular loan."
- It is not uncommon nowadays for closings to take 60 days. One reason is because of the adoption of the Home Valuation Code of Conduct (HVCC), which often results in appraisers evaluating homes in areas they are not familiar with and often using comparables that are inaccurate. This has caused delays in closing sales, and in some cases, undermining sales because appraisals are coming in too low.
- Just about everyone in the real estate industry agrees that another dramatic boom-bust cycle isn't going to happen again anytime soon. Albert Saiz, assistant real estate professor at the University of Pennsylvania's Wharton School, expects that new regulations and a different consumer mind-set will help real estate return to a more traditional cycle.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2009/09/08/national/a133722D85.DTL&type=realestate>



In Other News...



The Wall Street Journal

Home price increases depend on foreclosure sales

Where will home prices head this fall? It depends, in large part, on how many more foreclosures are made available for sale, as a new study by LP Applied Analytics, a real-estate research firm, makes clear.

To read the full story, please click here:

<http://blogs.wsj.com/developments/2009/09/08/home-price-increases-depends-on-foreclosure-sales/>



Press Enterprise

FDIC may extend debt guarantee program for banks

Federal regulators may offer a limited emergency extension of a temporary rescue program that guarantees hundreds of billions of dollars in U.S. banks' debt.

To read the full story, please click here:

http://hosted.ap.org/dynamic/stories/U/US_FDIC_BANK_GUARANTEES?SITE=CARIE&TEMPLATE=BUSINESS.html&SECTION=HOME



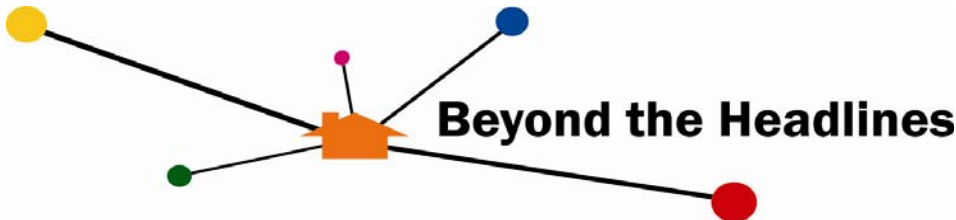
Los Angeles Times

Beware of foreclosure prevention scams

How's this for a business plan? A company buys or rents lists of recent default filings from across the country—thousands of people who have been notified by lenders that if they don't get their mortgage payments back on track, the next step will be foreclosure.

To read the full story, please click here:

<http://www.latimes.com/classified/realestate/news/la-fi-harney6-2009sep06,0,5702980.story>



San Francisco Chronicle

Fix the house, but don't conceal things

Fixing your house up for sale is highly recommended in the current market if you hope to sell within a reasonable period of time and for an acceptable price. Today's buyers want houses that they can move into without having to do much work.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/09/06/RE4O19DL7S.DTL&type=realestate>



Los Angeles Times

Housing market may be nearing equilibrium, latest price numbers indicate

Nationwide, the average price of both new and existing homes sold in the second quarter fell 1 percent from the same quarter a year ago, according to the latest government figures.

To read the full story, please click here:

http://www.latimes.com/classified/realestate/news/la-fi-lew6-2009sep06_0,1876550.story



Los Angeles Times

Economy is stabilizing but still fragile, Fed says

An economic recovery may well have arrived, but a Federal Reserve report released Wednesday shows just how varied it is proving to be by industry and region.

To read the full story, please click here:

http://www.latimes.com/business/la-fi-beige-book10-2009sep10_0,3079013.story



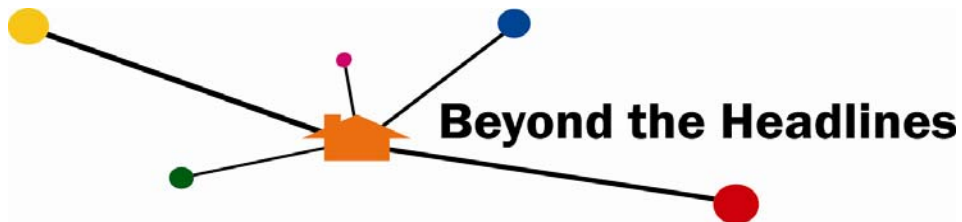
Wall Street Journal

Credit Scores: What You Need to Know Now

Credit scores have been getting a lot of attention lately, as lenders tighten credit standards and contend with new legislation that has, among other things, reined in how credit-card issuers can raise rates.

To read the full story, please click here:

http://online.wsj.com/article/SB10001424052970204348804574400700026852702.html#mod=WSJ_hpp_sections_personalfinance



What you should know about the market...

- With the advent of new companies offering to provide a free credit score, consumers may believe that the credit score they receive for free is the same score lenders use when deciding whether or not to issue credit. However, many free scores are not the FICO scores that lenders request. Consumers can purchase their FICO scores from Equifax and TransUnion—but not Experian—on MyFico.com for \$15.95 each. Even then however, the score may differ slightly from the one lenders use.
- While higher FICO scores do open doors to borrowers for lower rates and more favorable loan terms, a score of 800 or more does not necessarily make the consumer more attractive to lenders. Every 20 points on a credit score can mean a slightly lower mortgage rate or better car loan, but only up to the mid-700s. So consumers whose scores are in the 600s or low 700s have plenty of room for score fluctuation.