

C.A.R. Mortgage Update

### **New rules coming soon**

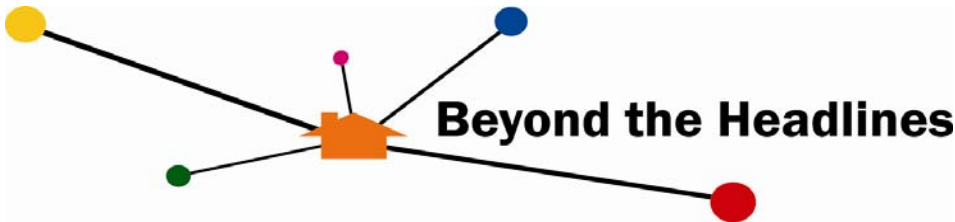
Beginning Oct. 1, new rules adopted by the Federal Reserve will go into effect, requiring greater diligence on the part of mortgage lenders and brokers who issue high-cost loans for borrowers with less than favorable credit. The interest rates on these loans are at least 1.5 percentage points greater than the average prime mortgage rate. The regulations, which were finalized in July 2008, prohibit lenders from making a high-cost mortgage without verifying that a borrower could repay the loan in the conventional way, and not through a foreclosure sale.

During the height of the market, subprime lenders often would offer loans without requiring borrowers to provide proof that they could make the monthly payments. In some cases, borrowers used stated income loans, which allowed some borrowers to fabricate annual income figures and buy homes without down payments.

Although many believe the Federal Reserve's new rules represent one of the more substantial efforts on the part of the federal government to combat such lending practices, some consumer advocates are concerned. According to a policy associate at the Center for Responsible Lending, the new regulations do not cover option ARMs, which enable borrowers to choose from several monthly payment options during the loan's early years.

To read the full story, please click here:

<http://www.nytimes.com/2009/09/27/realestate/27mort.html?ref=realestate>



The Wall Street Journal

### **Seeking real estate bargains? Try looking at the high end**

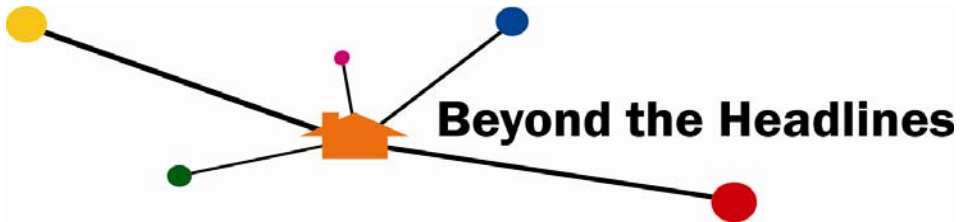
Buyers hoping to purchase deeply discounted homes may want to consider purchasing homes in the high end—especially those priced \$2 million or more. In some cases, buyers may be able to command even lower prices on these homes, as financing continues to be a challenge for buyers of luxury homes.

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

- While data from the Federal Housing Finance Agency (FHFA) showed that average home prices rose 0.3 percent nationwide between June and July, including a 1.6 percent increase on the west coast, the data only relate to homes purchased with conforming loans guaranteed by the FHFA. These loans are mortgages of up to \$417,000 or up to \$713,000 in the country's most expensive regions. The outlook for homes priced above that amount remains bleak.
- In many areas across the country there is a new level of value being established. According to one broker, homes that used to sell for \$8 million now are selling for \$6 million, while homes previously priced in the \$10 millions are selling for \$8 million. The price adjustment in the high end appears to be about 20- to 30 percent lower.
- A recent survey by Trulia.com showed that sellers listing homes for more than \$2 million have reduced their asking prices by a total of \$7 billion, with an average price reduction of 14 percent.
- Chip Case, economics professor at Wellesley College and coauthor of the Case-Shiller index, says that some of the markets finally may be catching up to the wider housing market downturn. "That level was more in the hold-out category," he says. "Up until recently, the foreclosures weren't hitting that level. But they are now. There's no question about that. You're seeing some contagion from the prime level to the luxury end."
- Sooner or later, even high-end homeowners need to sell. And, when they get tired of waiting, they reduce their asking prices. Factoring in taxes, upkeep and the opportunity cost of keeping money in a non-performing asset, an empty luxury home may be costing owners a lot just by sitting there, giving them a powerful incentive to make a deal.

To read the full story, please click here:

<http://online.wsj.com/article/SB10001424052970204488304574429311693264646.html>



## In Other News...



Los Angeles Times

### **First-time buyers, it's time to take advantage of housing tax credit**

If ever there was a great time to buy a first home, it's now. Interest rates and housing prices are low, and the federal government is giving money to buyers in the form of an \$8,000 tax credit.

To read the full story, please click here:

[http://www.latimes.com/business/la-fi-perfin27-2009sep27\\_0,2876588.column](http://www.latimes.com/business/la-fi-perfin27-2009sep27_0,2876588.column)



Sacramento Bee

### **Index shows home prices rose for 3<sup>rd</sup> month in July**

Home prices rose for the third month in a row in July, new data showed, more proof a fragile housing recovery is underway.

To read the full story, please click here:

<http://www.sacbee.com/business/nation/story/2217216.html>



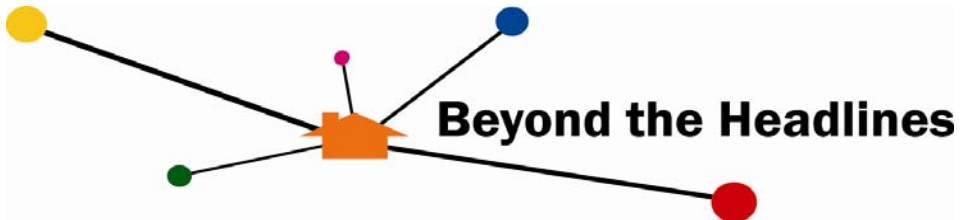
CNN

### **New home sales rise for 5<sup>th</sup> straight month**

Sales of newly constructed homes rose for the fifth straight month in August, a government report said Wednesday.

To read the full story, please click here:

[http://money.cnn.com/2009/09/25/real\\_estate/new\\_home\\_sales\\_august/index.htm?postversion=2009092511](http://money.cnn.com/2009/09/25/real_estate/new_home_sales_august/index.htm?postversion=2009092511)



Los Angeles Times

### **Home buyer tax credit might be extended for service members**

Will Congress extend the wildly popular \$8,000 home buyer tax credit beyond its Dec. 1 expiration date? That's a question generating huge pressure on Capitol Hill from would-be buyers who haven't found the right house as well as from realty agents, builders, lenders, and squads of lobbyists working on their behalf.

To read the full story, please click here:

[http://www.latimes.com/classified/realestate/news/la-fi-harney27-2009sep27\\_0.65703.story](http://www.latimes.com/classified/realestate/news/la-fi-harney27-2009sep27_0.65703.story)



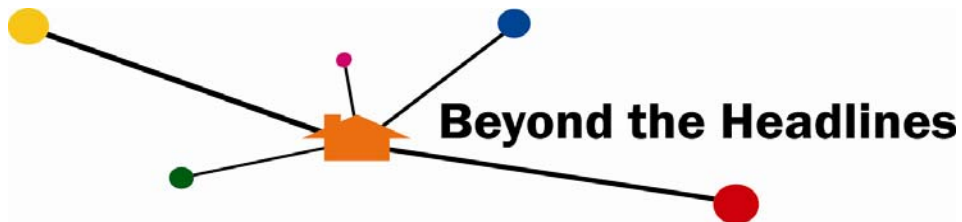
Sacramento Bee

### **Study: Housing more affordable for "move up" buyer**

According to a study by Coldwell Banker, 2,200 square-foot-homes with four bedrooms, 2 ½ baths and attached garages are becoming more affordable. About a third of the markets in the survey boast an average price below \$200,000, the highest number in the past five years.

To read the full story, please click here:

<http://www.sacbee.com/308/story/2203345.html>



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

- The U.S. Dept. of Housing and Urban Development (HUD) offers an online guide to preventing foreclosure. The guide provides consumers with information such as how to contact a housing counselor; when and how to talk to their lender, how to find foreclosure resources, tips on avoiding foreclosure and foreclosure scams, as well as information for consumers who cannot keep their home. The guide to preventing foreclosure can be accessed by visiting <http://www.hud.gov/foreclosure/>.
- First-time home buyers can easily become overwhelmed with the various loan choices available. Experts recommend first-time home buyers apply for a loan with an interest rate fixed for the duration of time the buyer plans to live in the home. Hybrid loans may be an option worth considering, as they are fixed for a certain period and later change to an adjustable-rate mortgage. This may be a viable option for a buyer planning to stay in the home for just a few years. However, most buyers should consider a 30-year fixed-rate loan.