

Mortgage Market Weekly: Interest Rates Drop Again

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In This Week's "Good News":

3.5 Percent Offered by "Fannie" for Home Buyers Purchasing an REO

According to news just released by the government owned mortgage financier, Fannie Mae is offering 3.5 percent in seller assistance to the borrower, if the borrower purchases one of its previously foreclosed **HomePath** properties.

The offer is good for any **owner-occupant** who purchases an REO (Real estate owned) home listed on Homepath(dot)com. The purchase must be completed by May 1st of this year.

According to Fannie Mae, the 3.5 percent of the final sales price may be used toward either for closing costs or the buyer's choice of appliances.

"Attracting qualified buyers to the market and reducing the inventory of vacant homes is critical to stabilizing neighborhoods and helping the market recover" said Terry Edwards, Executive Vice President of Credit Portfolio Management, in a press release. He went on to state that "many families are taking advantage of the federal homebuyer tax credit to buy a new home so this is a great time for Fannie Mae to offer some additional help."

I will note here, that many of the Fannie Mae-owned properties also offer special financing, allowing borrowers to purchase a home with as little as three percent down. Feel free to contact me if you would like more specifics.

FHA Suspends Nationwide Lender and Others

As the FHA promised, saying that it would crack down on FHA approved lenders that were not meeting FHA mortgage lending guidelines, the FHA revoked the FHA lending ability of three companies and suspended another from the program.

FHA approval completely withdrawn for:

- Americare Investment Group Inc. (d/b/a **Premier Capital Lending** and **TopDot Mortgage**)
- **Strategic Mortgage** Corporation (Strategic)
- **ProMortgage Inc.**

FHA suspension is applied to:

- **HMI** (Home Mortgage, Inc. of Burr Ridge, IL)

Major offenses leading to the revocation and suspension of the above companies ranged from charging borrowers excessive fees, to making false certifications, to keeping owners in place that were accused of bank fraud.

It was even reported that ProMortgage Inc. allowed borrowers to submit verification of employment directly to the lender, which as you may guess is a big no-no, as it pretty much allows anyone to manipulate and falsify documents.

FHA Commissioner David Stevens stated in the report that: “FHA takes its oversight role very seriously and will move swiftly and decisively to protect borrowers from unscrupulous lenders”. He went on to say: “Any lender who refuses to comply with FHA requirements will simply no longer enjoy the privilege of participating in FHA programs.”

By enjoy, he means exist, because there is a large majority of mortgage lenders in the U.S. that rely only on the origination of FHA loans to stay in business. I will note here that two other lenders; **Action Mortgage Corp.** of Cranston, RI and Cooper and Shein, LLC (d/b/a **Great Oak Lending Partners**) of Timonium MD, were placed on probation for a period of six months for misleading advertising.

I have a feeling that this is just the ‘tip of the iceberg’ when it comes to the number of mortgage lenders/brokers that will have their FHA approval revoked, suspended or placed on probation in the near future.

I will keep you posted on the companies that are under scrutiny, as the FHA is investigating numerous organizations.

I have written this article for this week’s newsletter to help yourselves and/or clients steer clear of these companies.

In This Week’s “Take It How You Will” News:

Existing Home-Sales Numbers

As some of you may have heard, after a rise in existing home sales that went from September through November, existing-home sales fell as expected in December. There is some good news for December, however, according to numbers released by the National Association of Realtors this week shows that home prices increased and annual sales improved in 2009 over December 2008.

Here is how the numbers breakdown:

Existing-home sales – including single-family, townhomes, condominiums and co-ops – fell 16.7 percent to a seasonally adjusted annual rate of 5.45 million units in December from 6.54 million in November, but remain 15.0 percent above the 4.74 million-unit level in December 2008.

Moreover, for year ending December 31st of 2009 there were 5,156,000 existing-home sales, which was 4.9 percent higher than the 4,913,000 transactions recorded in 2008. ***This is the first annual sales gain since 2005.***

Lawrence Yun, NAR chief economist, said there were no surprises in the data. “It’s significant that home sales remain above year-ago levels, but the market is going through a period of swings driven by the tax credit,” he said. “We’ll likely have another surge in the spring as home buyers take advantage of the extended and expanded tax credit. By early summer the overall market should benefit from more balanced inventory, and sales are on track to rise again in 2010. However, the job market remains a concern and could dampen the housing recovery – job creation is key to a continued recovery in the second half of the year.”

A National Association of Realtors practitioner survey shows first-time buyers purchased 43 percent of homes in December, down from 51 percent in November. Repeat buyers rose to 42 percent of transactions in December from 37 percent in November; the remaining sales were to investors.

The national median existing-home price for all housing types was \$178,300 in December, which is 1.5 percent higher than December 2008. “The median price rose because of an increased number of mid- to upper-priced homes in the sales mix,” Yun said. It was the first year-over-year gain in median price since August 2007.

National Association of Realtor President Vicki Cox Golder, owner of Vicki L. Cox & Associates in Tucson, Ariz., said market conditions are

challenging in some areas. “There’s a shortage of lower priced homes for sale in much of the country, resulting in multiple bids in some areas,” she said.

“Raw unsold inventory has been trending down. As the market heats up again this spring, buyers may need to be prepared to move quickly on a particular home – the best advice is to begin working with a Realtor now to be able to use the tax credit and benefit from the increased buying power in the current market,” Golder said.

Total housing inventory at the end of December fell 6.6 percent to 3.29 million existing homes available for sale, which represents a 7.2-month supply⁴ at the current sales pace, up from a 6.5-month supply in November. Raw unsold inventory is 11.1 percent below a year ago, is at the lowest level since March 2006, and is 28.2 percent below the record of 4.58 million in July 2008.

Distressed homes, which accounted for 32 percent of total home sales last month, continue to downwardly distort the median price because they generally sell at a discount relative to traditional homes in the same area. For all of 2009, the median price was \$173,500, down 12.4 percent from \$198,100 in 2008; distressed homes accounted for 36 percent of total sales last year.

Single-family home sales fell 16.8 percent to a seasonally adjusted annual rate of 4.79 million in December from a pace of 5.76 million in November, but are 12.7 percent above the 4.25 million level in December 2008. For all of 2009, single-family sales rose 5.0 percent to 4,566,000.

The median existing single-family home price was \$177,500 in December, which is 1.4 percent above a year ago. For all last year, the single-family median was \$173,200, down 11.9 percent from 2008.

Existing condominium and co-op sales fell 15.4 percent to a seasonally adjusted annual rate of 660,000 in December from 780,000 in November, but are 34.7 percent higher than the 490,000-unit pace a year ago. For all of 2009, condo sales rose 4.8 percent to 590,000 units.

The median existing condo price⁵ was \$183,700 in December, up 1.0 percent from December 2008. For all of last year, the median condo price was \$176,100, which is 16.1 percent below 2008.

Regionally, existing-home sales numbers breakdown as follow:

Northeast: sales dropped 19.5 percent to an annual level of 910,000 in December but are 21.3 percent above a year ago. **Median price: \$241,700 - up 3.2 percent from December 2008.**

Midwest: sales down 25.8 percent in December to a level of 1.15 million but are 8.5 percent higher than December 2008. **Median price: \$143,200 - up 1.8 percent from December 2008.**

South: sales dropped 16.3 percent to an annual pace of 2.01 million in December but are 15.5 percent above December 2008. **Median price: \$152,000 - down 1.0 percent from a year ago.**

West: sales down 4.8 percent to an annual rate of 1.38 million in December but are 15.0 percent higher than a year ago. **Median price: \$236,000 - up 2.7 percent from December 2008.**

Update on FHA's New Changes

FHA loans with case numbers (originated) on or after April 5, will have the new UFMIP (Up Front Mortgage Insurance Premium) assigned to them. The UFMIP is rising to 2.25%. This change will include all loan types: purchases, refinances and streamline transactions. The annual premiums, which are included in the borrower's monthly payment will not change at this time.

If you need further details regarding the upcoming changes, please do not hesitate to contact me.

New Information for Home Modifications Pending

According to news just released Lenders/Serviceirs will have until January 31st (a few days from now) to review their book of "trial modifications" and in the coming week the Department of the Treasury will be issuing new guidelines for lenders/serviceirs – due to the fact that loan modification are not going through. I will keep you abreast of any updates as they are released.

In This Week's U.S. Market News:

Well, it looks like we might be seeing some market pullback. The pullback that many economists feel is necessary to further actual economic growth, versus corporate growth by ‘profit-taking’. Major U.S. markets have been on the negative side when assessing January day-by-day.

Numbers of interest this week were Initial jobless applications, which declined to 470,000 in the week ended Jan. 23, down from 478,000 the prior week, Labor Department figures showed today. The total number of people receiving unemployment insurance dropped to the lowest level in a year and those receiving extended benefits also fell, albeit slightly

Also of interest this week was the GDP (Gross Domestic Product), which came in at an increase of 5.7 percent. On top of this news, the Dollar Index has attained a growth rate achieved a 6 month high.

Markets ended the week like this: DOW down @ 10067.33 (-53.13), NASDAQ down @ 2147.35 (-31.65) and the S&P down @ 1073.87 (-10.66). This is Great news for mortgage rates.

Next week’s Calendar of Economic announcements:

Week of February 1 - February 5

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 1	8:30	Personal Income	Dec	0.2%	0.3%	0.4%
Feb 1	8:30	Personal Spending	Dec	0.3%	0.3%	0.5%
Feb 1	10:00	Construction Spending	Dec	-0.5%	-0.5%	-0.6%
Feb 1	10:00	ISM Index	Jan	56.1	55.2	55.9
Feb 2	10:00	Pending Home Sales	Dec	-3.2%	1.1%	-16.0%
Feb 2	2:00	Auto Sales	Jan	NA	NA	4.14M
Feb 2	2:00	Truck Sales	Jan	NA	NA	4.49M
Feb 3	7:30	Challenger Job Cuts	Jan	NA	NA	-72.9%
Feb 3	8:15	ADP Employment Change	Jan	-60K	-40K	-84K
Feb 3	10:00	ISM Services	Jan	51.2	50.9	50.1
Feb 3	10:30	Crude Oil Inventories	1/29	NA	NA	-3.89M
Feb 4	8:30	Initial Jobless Claims	01/30	460K	454K	470K
Feb 4	8:30	Continuing Jobless Claims	01/30	4550K	4600K	4602K
Feb 5	8:30	Productivity-Prel	Q4	6.2%	6.0%	8.1%
Feb 4	8:30	Unit Labor Costs - Preliminary	Q4	-2.0%	-2.5%	-2.5%

Date	ET	Release	For	Briefing.com	Consensus	Prior
Feb 4	10:00	Factory Orders	Dec	0.1%	0.6%	1.1%
Feb 5	8:30	Nonfarm Payrolls	Jan	-40K	13K	-85K
Feb 5	8:30	Unemployment Rate	Jan	10.1%	10.0%	10.0%
Feb 5	8:30	Average Workweek	Jan	33.2	33.2	33.2
Feb 5	8:30	Hourly Earnings	Jan	0.2%	0.2%	0.2%
Feb 5	3:00	Consumer Credit	Dec	-\$12.3B	-\$9.5B	-\$17.5B

*** Remember, typically, weaker than expected news is beneficial to a mortgage rate decrease and an increase in bond yields, and more positive than expected news will cause mortgage rates to increase and stocks to increase in value.**

In This Week's "Not So Good Right Now" News:

Bank of America Smelling Like Rotten Fish

Yes it's true, Bank of America seems to have done it again – foreclosed on the wrong property.

Upon visiting an investment property owned by a construction worker and his wife (slated to be their primary residence upon retirement) the owner noticed that the property was secured against his entry – the locks had been changed and the contents of the property removed. Of no surprise, they said they were shocked to learn earlier this month that Bank of America had locked them out and removed their clothing and furniture from the property.

"All the love I put in that house -- I fix things up every time I go there," Charlie Cordoso, the owner said in a statement. "Bank of America or somebody should apologize."

The Cordosos' are Portuguese immigrants who are in their 50s, and are now suing Bank of America for allegedly seizing the wrong home, and they're not alone: Two other homeowners, one earlier this month in Texas and another last October in Kentucky, also have filed lawsuits alleging that Bank of America attempted to foreclose on their homes even though the bank did not own or service mortgages for the properties.

In fact the property that was supposed to be foreclosed on (in the Cordosos' case) was 10 houses away from their home.

Bank of America has yet to file a response to the Cordosos' claim and to the Texas claim, in which the homeowner alleges that the bank cut power to his property during the faulty foreclosure, leaving it reeking of fish, which were stored in his refrigerator and freezer. (The homeowner had left 75 pounds of fish at the home after a successful fishing trip to Alaska, according to the lawsuit.)

Way to go BofA.

Private Mortgage Insurance Company MGIC Posts Huge Loss

Just released numbers for **MGIC Investment Corp.**, the parent of **Mortgage Guaranty Insurance Corp.** (MGIC), showed a \$280.1m net loss – a loss of \$2.25 per share of its stock – for the fourth quarter 2009. Total net losses for the company in 2009 were \$1.3 billion.

MGIC Chairman and CEO Curt Culver attributed the staggering losses to rising unemployment and falling house prices.

Of note, as of year-end 2009, 15.46% of MGIC-insured loans were delinquent compared with 9.51% a year earlier.

The **Office of the Commissioner of Insurance** (OCI) in Wisconsin recently waived until Dec. 31, 2011 a requirement that the company maintain a certain minimum regulatory capital to write new mortgage guaranty policies. It was part of MGIC's plan to continue to write new business partly through wholly-owned subsidiary **MGIC Indemnity Corp.** (MIC), which was recently capitalized by MGIC with \$200m.

Not helping the huge 2009 losses for MGIC, the company was recently sued by **Bank of America's** Countrywide Home Loans unit over allegedly denying millions of valid insurance claims. In essence, not paying claims for privately insured mortgages that went into foreclosure that MGIC was collecting insurance premiums on.

Mortgage Rate Trends: As a whole, rates this improved again!

Conforming Loan Interest Rate Averages (overnight averages as of market close):

30 year fixed: 4.76%

15 year fixed: 4.25%

5/1 ARM: 4.13%

30 year Jumbo: 6.38%

15 year Jumbo: 6.06%

*** Remember to keep in mind that these rates are national averages' and take into account an average between Fannie Mae/Freddie Mac interest rates at par. Rates may be lower in your region of the country. If you would like a 'real time' quote, give me a call, or drop me an e-mail.**

FHA/VA 30 year fixed interest rates were upgraded into the “excellent” range - expect rates to be in the range of 4.875 to 5.125 percent.

Rural Housing (USDA) rates were also upgraded to the “excellent” range. Look for the 30 year fixed to be in the range of 5.00 to 5.375 percent.

If you or your clients need purchase or refinancing assistance, or if you have any questions regarding mortgages or the new home loan purchase or refinance programs -- I would be happy to assist.

Sincerely,

Richard Shreeve, Editor

Toll Free Direct: 1-800-466-1809

(“Your Mortgage Information Source and Lender for Life”)

The purpose of this newsletter is to help all real estate professionals, their potential clients and current mortgage borrowers stay up-to-date with current market news. So, feel free to post this newsletter to your website (all I would ask is that you post it in its entirety).

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