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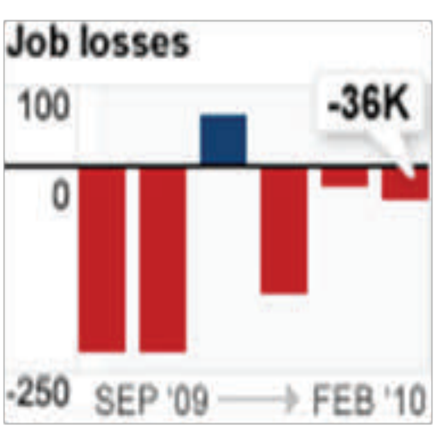
Real Estate Trends For Realtors, Homeowners and Professionals
April 2010

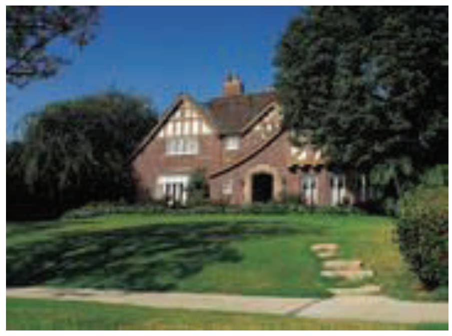
The Fed's Message

In response to our protracted recession and financial crisis, we have experienced a long period of fiscal stimulus from the Federal Reserve Board. In a typical cycle we focus on the Fed's actions with regard to rates. However, during this cycle their activity has extended far beyond traditional stimulus. Certainly, keeping short term rates near zero for over a year has been very significant. Remember at the beginning of the crisis we were focusing upon subprime loans and the lurking danger of rate increases because of rising adjustables. As most adjustable rate indices moved to less than 1.0%, this threat became secondary to many other issues within the housing sector.

The Fed has supplied hundreds of billions in stimulus to help stabilize the economy. Paramount has been their purchases of Treasuries and mortgage-backed securities (MBS). The Treasury purchase program has winded down and now the Fed says that they are on track to end the MBS purchase program. These actions have been significant in their efforts to keep long-term rates low to facilitate the recovery, especially in the housing sector. Now that the economy has stabilized and it looks like the recovery is beginning, the Fed is returning fiscal policies to normal.

The next action would be an increase in rates and the speculation has started in this regard, despite the fact that the Fed has indicated that rates will remain low for an "extended" period of time. The Fed also has indicated that because the recovery is expected to be fragile, they remain ready to reintroduce fiscal stimulus as needed. The more immediate question is, how much will home loan rates rise when the Fed stops purchasing securities? This will be a good test to see if the financial markets have indeed begun to return to normal...❑





Seniors Ready To Fuel The Market?

According to John Migliaccio, director of research for MetLife's Mature Market organization, more than 78 million baby boomers, born between 1946 to 1964, will reach age 55 over the next 10 years.

New Isn't Always Best

He and other trend spotters believe this dominant group of home owners will lead the industry out of its slump. Baby Boomers approaching retirement continue to be interested in buying into active-adult communities, but their moves are slowed due to a decline in the value of both their retirement savings and their current homes.

To encourage seniors to find a way, 51 percent of builders of active-adult housing cut prices in the third quarter of 2009 – often as much as 25 percent or more – according to a survey by the National Association of Home Builders.

Practitioners point out that new isn't always best. Buying an existing home in an active adult community can be a particularly good deal because these communities have extensive amenities, including golf courses and gyms. Some new construction projects on which builders have trimmed prices are not nearly as well equipped...❑

Source: Investor's Business Daily

Selected Interest Rates

March 18, 2010

30 Year Mortgages—— 4.96%
2009 High (June 11)——5.59%
2009 Low (April 30)——4.78%
15 Year Mortgages——4.33%
5/1 Hybrid ARMs———4.09%
1 Year Adjustables——4.12%
10 Year Treasuries——3.68%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Tax Credit Deadline Near

First-time home buyer and move-up tax credits worth $8,000 and $6,500, respectively, expire April 30. Buyers who qualify get a dollar-for-dollar reduction in taxes or a cash payment if they don't pay enough taxes to cover the credit. Other factors that should spur buyers include low rates. If the Federal Reserve stops buying securities backed by home loans at the end of March, 30-year rates will almost certainly rise. Finally, about 30 percent of U.S. markets are already experiencing price increases. Prices are falling in 12 percent of markets, says Fiserv, but that only helps if you want to live there.

Indeed, the percentage of U.S. home sellers who cut their asking price declined again in February and sellers made slightly smaller reductions in prices, real estate website Zillow.com reported. Nearly one in five homes, or 19.5 percent, listed for sale on the Zillow website had at least one price reduction as of the end of February, down from 19.8 percent in January. The percentage of homes on the market with price reductions has declined steadily for much of the past year...❑ *Sources: Reuters and Money Magazine*

Get with your loan officer quickly to act before the tax credit expires!

Did you know…

- The jumbo loan market is starting to thaw, making it easier for move-up buyers to borrow. Rates on jumbo loans of more than $729,750 in highest-priced markets rose during the financial crisis and lending standards tightened to the point where borrowers couldn't refinance or get a new loan. Last month, the average rate on a 30-year fixed-rate jumbo fell to 5.79 percent, a five-year low, according to rate tracker Informa Research Services. Rates are even lower on hybrid adjustables. The availability of these loans suggests that banks are feeling more confident since Fannie Mae, Freddie Mac, and the Federal Housing Administration do not insure them. *Source: Los Angeles Times*

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