

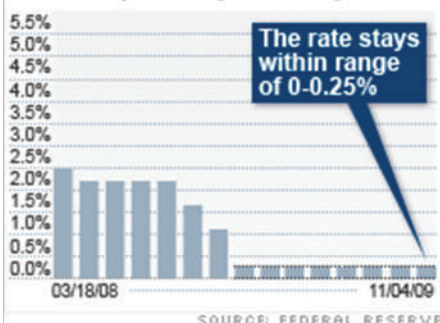
Something To Be Thankful For

It has been a rough year for many around the world. The economic crisis which started three years ago as a downturn in an overheated U.S. real estate market has spread worldwide. Many would ask what they have to give thanks for in a year in which so many have lost their jobs and houses. We believe there is a lot to give thanks for. For one, after declaring that the economy could withstand the downturn, the government soon came to realize that we must apply strong medicine. Starting in 2008, we did apply this medicine in a variety of ways from record low interest rates to making sure that the banking system did not collapse. We have not addressed the long-term issue of deficit spending, but most would agree strong measures were warranted.

In every challenge there lies opportunities. For example, the down market has made real estate a bargain and millions are becoming owners for the first time. The recent extension and expansion of the tax credit shows the government will continue to apply strong medicine. Low rates, low prices and a government subsidy point to a bargain that many have not seen for many years. Even the recent lull in housing starts bodes well for the long-term prospects of real estate because analysts agree that the market will not rebound permanently until the excess inventory is off the shelves. As the bad news has brought opportunities, the good news of a rebounding real estate market can also create problems. For one, don't expect record low rates to be with us forever. The Federal Reserve Board has kept short-term rates close to zero and also has brought long-term rates down by purchasing mortgage securities. As the market rebounds, less help will be needed and when the government backs off, the record sale on real estate we have witnessed may be over... ▢

Fed rate moves

The Fed's target for the fed funds rate, a key overnight lending rate.



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Home Market Rebounds

Most states continued to experience rising existing-home sales in the third quarter, with prices moderating in many metro areas, according to the latest survey by the National Association of Realtors®.

5.3 Million Units

Total state existing-home sales, including single-family and condo, increased 11.4 percent to a seasonally adjusted annual rate of 5.30 million units in the third quarter from 4.76 million units in the second quarter, and are now 5.9 percent above the 5.01 million-unit pace in the third quarter of 2008. Sales increased from the second quarter in 45 states and the District of Columbia; 28 states and D.C. saw double-digit gains. Year-over-year sales were higher in 32 states and D.C. Lawrence Yun, NAR chief economist, said the tax credit is a significant factor.

"We can't underestimate just how powerful a catalyst the first-time home buyer tax credit has been for the housing sector," he said. "It's given buyers the confidence they needed to get off the fence and take advantage of extremely affordable housing conditions. The buying conditions this year are the most favorable on record dating back to 1970, but the tax credit is allowing buyers to set aside any reservations about waiting for a better deal..." ▢ Source: NAR

Selected Interest Rates

November 19, 2009

30 Year Mortgages—4.83%
2009 High (June 11)—5.59%
2009 Low (April 30)—4.78%
15 Year Mortgages—4.32%
5/1 Hybrid ARMs—4.25%
1 Year Adjustables—4.35%
10 Year Treasuries—3.34%

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 Is Expanded!

Great news for homebuyers courtesy of the government. The President has signed legislation that extends the \$8,000 homebuyer tax credit to contracts signed by April 30 and closed by June 30 of next year. The credit, which many say has boosted home sales in recent months, was set to expire after Nov. 30 of this year. The bill also creates a \$6,500 credit for those who buy a home after living in their current house at least five years. That measure would also apply to contracts signed by April 30 and closed by June 30. The current credit defines a first-time homebuyer as someone who has not owned a residence within the past three years.

Both credits are available only for the purchase of principal residences priced at \$800,000 or less. The bill also raises the adjusted gross income cap to \$125,000 for single filers and \$225,000 for joint filers. The amount of the previous credit began to phase out for taxpayers whose adjusted gross income was more than \$75,000, or \$150,000 for joint filers.

"It's going to put people back to work, both home builders and people in the real estate business," said Sen. Chris Dodd, D-Conn. "The kind of jobs that can make a difference." The extension will cost \$10.8 billion over 10 years, according to the Joint Committee on Taxation... ▢ Source: CNN/Money

Did you know...

Buyers of new homes can expect much healthier and more energy-efficient properties. Tom Molidor, president of Molidor Custom Builders in Illinois, recommends installing a high-efficiency furnace close to the family-use area, instead of the basement. A 3,000-sq-ft. home that is top-rated for energy efficiency can be heated in the greater Chicago area for less than \$50 a month, estimates R.A. Faganel Builders. Other common energy-friendly features include double- or triple-paned windows that keep out cold air and make homes quieter... ▢ Source: Chicago Tribune

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