

# REAL ESTATE TRENDS

FOR REALTORS. HOMEOWNERS AND PROFESSIONALS

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## The Treasury's 4.5% Solution

Nothing gets the markets more excited than the government talking about lowering rates to record levels. Ever since the Treasury floated a plan that would have the government buying loans at 4.5%, it has caused a stir that we have not seen for some time in the real estate markets. Many questions remain. For example, who would be eligible for these loans? Preliminary information would indicate that these loans would be for purchases only. The government could also restrict these loans to those with good credit, first-time buyers and/or low-to-moderate income buyers.

The most important question is, what would this plan do for interest rates on other loans? We already have that answer. Rates have hit their lowest level in over 35 years. Why? It is more than the fact that the Federal Reserve has lowered short-term rates to near zero. The government backing loans on real estate gives the markets confidence. The markets are reacting to the possibility and this means that the general public can already take advantage of these great rates. It is not a certainty that the proposal will even come to fruition. Who cares when we have rates that are prompting many to act right now?

Meanwhile, Congress is busy formulating a stimulus package that is likely to focus on help for the housing industry. Possible proposals include an expansion of the previously passed tax credit and eliminating the requirement that the money be paid-back to the government. Some Congressional leaders are pushing for a halt to the January 1st roll back of FHA and conforming loan limits. The higher these limits the easier it is for homeowners to achieve low-rate financing. Regardless of final details of the package, the result is likely to be good news for real estate... □



## Has The Time To Buy Arrived?

Five or 10 years from now, when the financial crisis has ended and housing prices are up smartly once more, we will look in the rearview mirror and realize that we missed a golden age for first-time home buyers. Then, everyone who sat on their down payment savings accounts for a few years too long will kick themselves for not taking advantage of what may turn out to be the buying opportunity of a lifetime for those who can qualify for a mortgage.

Unfortunately, we do not know when this golden age will begin because, only with the benefit of hindsight will we be able to identify a bottom to the housing market. As it will with stocks, the moment will probably arrive when everyone is feeling the most pessimistic. That moment is certainly getting closer.

Housing prices have fallen drastically from their peak levels in many areas of the country. Rates on 30-year fixed-rate loans are already close to 5.0 percent, a truly incredible figure to be able to lock in for three decades. First-time home buyers have the advantage because they do not have to sell their old place before buying a new one. That is an added advantage in areas where many available houses simply are not moving and there is bidding against you. *Source: Your Money*

## Selected Interest Rates

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30 Year Mortgages	5.25%
2008 High (July 24)	6.63%
2008 Low (Dec 18)	5.19%
15 Year Mortgages	4.92%
5/1 Hybrid ARMs	5.60%
1 Year Adjustables	4.94%
10 Year Treasuries	3.20%

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.

## A Silver Lining For The Slump

If you're struggling to see a silver lining in the beaten-down real estate market, consider this one: It may not be a good time to sell your house, but if you've postponed a much needed renovation project on your home, now just might be the best time in years to tackle that task. The reason: Costs are starting to drop, in some cases sharply, on everything from building materials to contractors' fees as the economy weakens.

In fact, consumer spending on home improvements is off by 12% since peaking last year, according to Harvard's Joint Center for Housing Studies and that works to the advantage of anyone willing and able to remodel now. Kermit Baker, a senior research fellow at Harvard, states "With contractors hungrier for business, you'll be able to negotiate better prices, win other concessions and hire better-quality contractors than you could a year or two ago." Overall, experts say, you can expect to save at least 10% on the cost of a renovation and possibly a lot more, depending on where you live and the project you choose. The cost of home improvements could fall even further. Another benefit: Putting money into needed repairs and updates should help your home maintain its value even if other house prices continue to fall. *Source: Money Magazine*

## Did you know...

◆ News reports have been packed with stories about declining home values, but a recent government report shows that the situation is not nearly so dire as some reports make it sound. Despite big loses in some areas of the country, the majority of markets continue to show growth in home value over the last five years. According to the third-quarter survey released by the Federal Housing Finance Agency, out of 292 metropolitan markets, 273 showed positive net home values in the last five years. Only 19 percent were negative. While home values declined 4 percent on average in the last year, values were up nearly 29 percent over the past five years. *Source: The Nation's Housing*

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