

# **This Month in Real Estate**

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# Green Shoots of Recovery



This month offers a lot of encouraging news for the U.S. housing market. Home sales have now shown a steady increase for four consecutive months. Housing inventory has decreased and home prices have edged up compared to last month.

Many economists still cite a recovery in real estate as key to economic stability—bringing more jobs, growth, higher income opportunities, and stronger, more stable tax revenues. The banking sector looks to stand on firmer footing as institutions begin repaying TARP funds. Yet the credit market remains tight, which presents challenges for mortgage applicants. Any sustained rebound will likely be tied to better credit availability for aspiring homebuyers.



# Green Shoots of Recovery



Consumer spending has slowed as consumers readjust their personal balance sheets and increase their savings. And in the past month the U.S. savings rate has actually moved above the Canadian rate. While their saved money is not directly benefitting the economy today, restored financial health will improve conditions for sustainable spending in the future.

Given firmer stability in the housing and financials sectors as well as a shift to consumer saving, the overall economy appears to be on a slow track to improvement. While any signs of progress must be weighed against the potential road bumps ahead, sustained economic recovery over the next year is expected to come in piecemeal fashion. Some uncertainty factors include unemployment numbers, rising mortgage rates, and new appraisal rules.

**Keller Williams Research**

# The Numbers That Drive Real Estate





# Home Sales

## In Thousands

Sales of existing homes trended upward for the fourth straight month, benefiting from favorable affordability conditions. The \$8,000 tax credit continued to draw in first-time buyers, who accounted for 29% of all transactions in May. Repeat buyers, who often sell their current house to first time buyers, are also coming back to the market in large numbers.



Latest data release: June 23, 2009

Source: National Association of Realtors

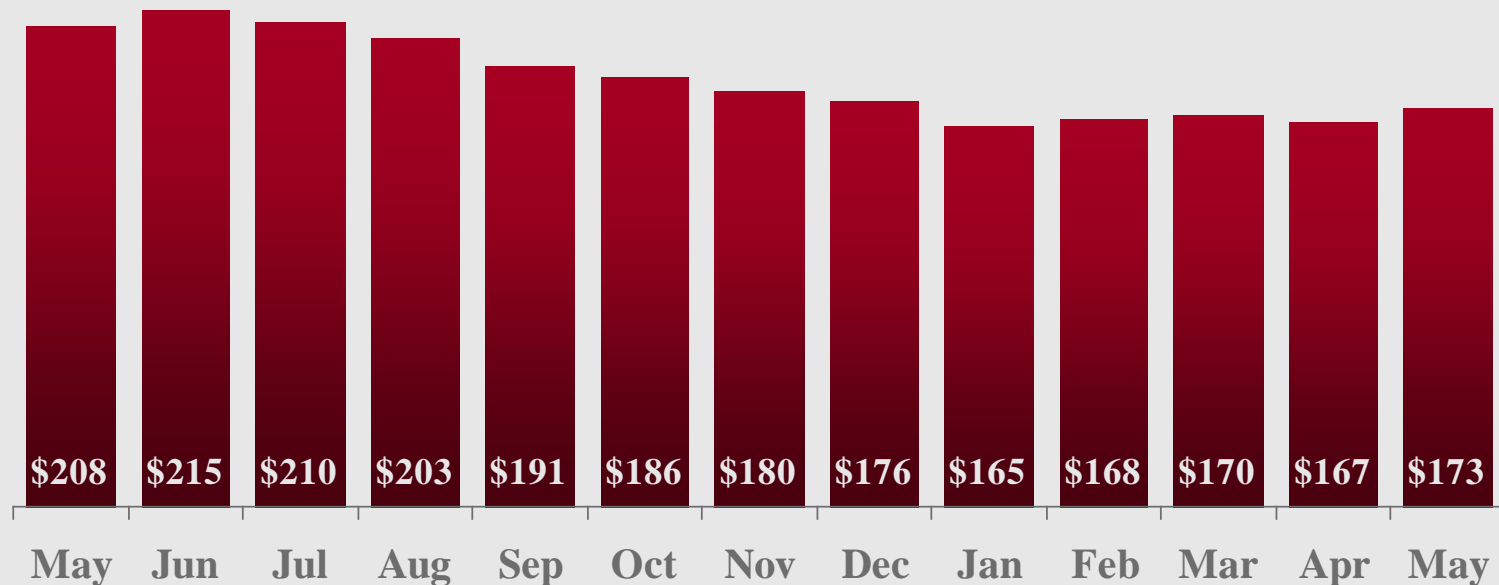
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# Median Home Price

## In Thousands



Existing-home price was \$173,000, up 3.8% from last month but still down 16.8% from the same time last year. Distressed sales, which accounted for a smaller 33% of sales in May, continued to weigh down the median price, as these properties are generally sold at a larger discount relative to traditional sales. However, the seasonal rise in number of repeat buyers who are generally spread across all price ranges helped to partially offset the downward pressures.



Latest data release: June 23, 2009

Source: National Association of Realtors

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# Inventory - In Millions

Number of homes available for sale



Housing inventory at the end of May fell 3.5% to 3.8 million, representing a 9.6-month supply at the current pace of sale, down from a 10.1-month supply in April. While sales have steadily increased over the past four months and pending home sales indicated even stronger activity, some poor appraisals are stalling transactions as faulty valuations inhibit buyers from securing financing.

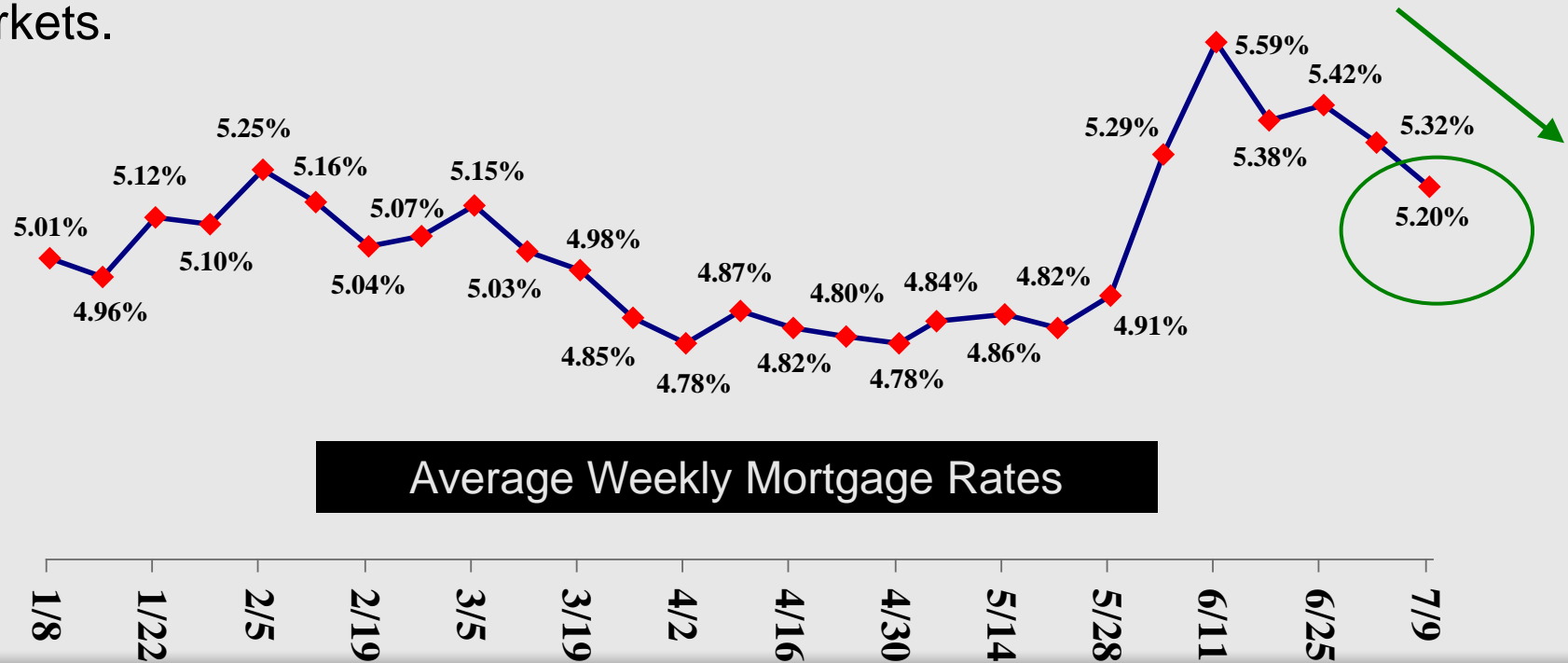


# Mortgage Rates

## 30-Year Fixed



Mortgage rates are settling back down after spiking in recent weeks following rising yields on long-term government debt, which are closely tied to mortgages rates, amid concerns over the government's deficit spending and inflationary pressure. Average rates for 30-year mortgages fell for the second straight week to the lowest level in six weeks on weak employment figures and declining home values in many markets.



Average Weekly Mortgage Rates

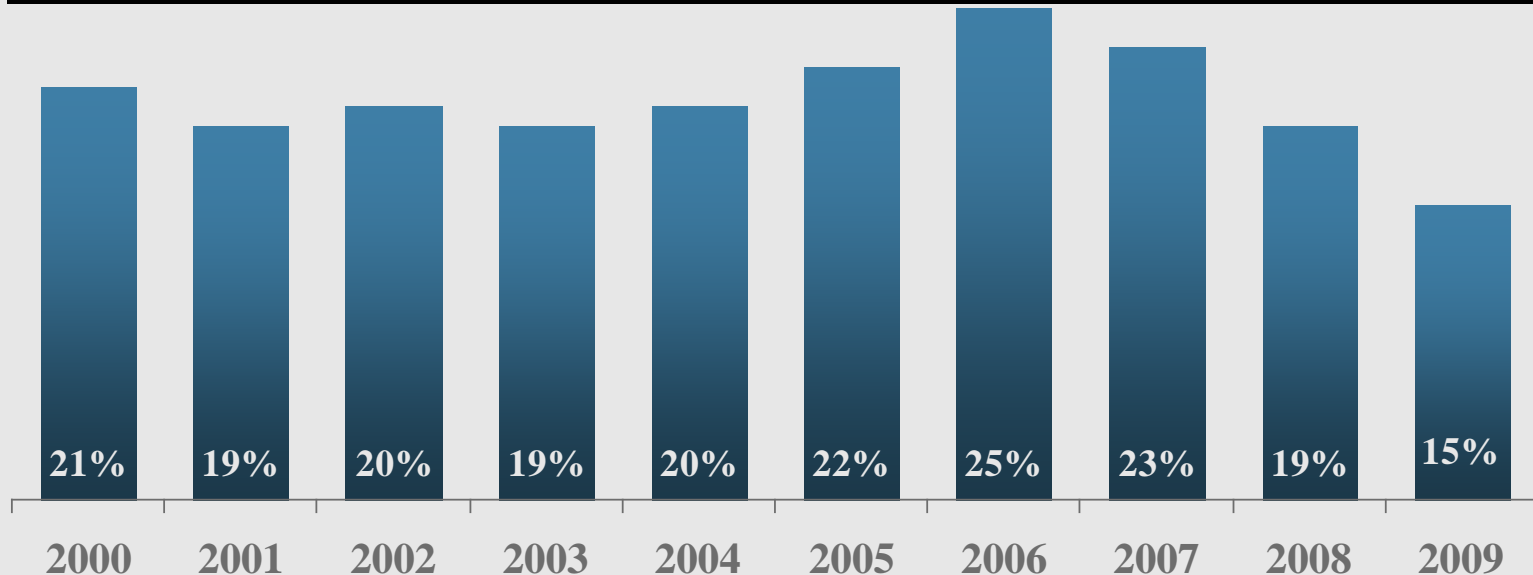


# Affordability - % of Income

*The percentage of a median family's income required to make mortgage payments on a median-priced home*

Housing affordability condition remained extremely favorable for home buyers. The median mortgage payment now consumes 15% of family income instead of 19% a year ago. According to Lawrence Yun, NAR chief economist, "Historically low mortgage interest rates clearly drew buyers into the market, and housing remains very affordable even with a recent uptick in rates."

## % of Income Required for Mortgage Payments on a Median-Priced Home



Affordability as of May every year. Calculations assume a 20% down payment.

Source: National Association of Realtors

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# Recent Government Action



# Fed Maintains Support for Economy

June 2009



In its last meeting, the Federal Reserve maintained the current record low interest rate. In a notably more positive report, the Fed sites signs of improvement but qualifies that the storm is not over yet.

The interest rate roller-coastered over the past few weeks prompting suspicion of further action by the Fed to stabilize rates. Walking the tightrope between the need for stimulus and the future potential for inflation, the Fed renewed its commitment to purchase \$1.2 trillion in mortgage-backed securities by the end of the year rather than taking additional measures.

Since the Fed began purchasing these securities last fall, the interest rate on mortgages has fallen to historically low levels. Although they have recently resurfaced from below the 5% range, rates remain at exceptionally advantageous levels and are expected to stay low from the Fed's purchase of additional securities.

Important to note is that mortgage rates are closely tied to long-term treasury securities, which are on the rise from the mounting level of U.S. debt. These rates will likely rise as the level of government debt and spending rise.

# Key Modification to Loan Modification Program

July 2009



Announced July 1, the Making Home Affordable Program will now allow homeowners who are up to 125% underwater to refinance their mortgage. Under the program, the previous limit was 105%. The industry norm requires at least 20% home equity to refinance.

The bulk of the program's initial criticism was that the administration did not provide enough support for the millions of homeowners who owed significantly more on their mortgages than their home is currently worth. With more than one in five homes underwater and home values in the hardest-hit areas dropping by up to 50%, this is a much-needed and welcomed change.

This program applies only to those mortgages held by Fannie Mae and Freddie Mac, representing half of all outstanding mortgages in the country.

# Transferred Employees Face Obstacle

June 2009



Fannie Mae recently changed its policy concerning job transfers. For some time, Fannie Mae considered the income of a transferred employee's spouse to qualify the couple for a larger mortgage even if they had not yet found a job. Given the tough job market, Fannie Mae has changed this policy so that income from a "trailing spouse" will not be considered in loan qualification unless a job has been secured and income has been verified.



This may mean that transferred families might need to rent until a second job is found or purchase a less expensive house. However, this prudent policy change should help build a more solid system of secure loans, promoting a healthy housing market and a sound financial sector.

Freddie Mac still considers a portion of income from the "trailing spouse" in the qualification process.



# FHA Plans to Expand Capacity

June 2009

Over the past three years, the percentage of FHA-backed loans has skyrocketed from 2% to 24% of all mortgages today.

To cope with the rapid expansion, FHA has requested authority to provide \$400 billion in additional FHA insurance. This is anticipated to allow 2.25 million additional mortgages to be endorsed by HUD.

Given additional funds, FHA will be able to keep up with the dramatically increasing demand, and consumers should continue to have access to FHA loans.



# Research for Buyers and Sellers



# Credit Scores: Decoded

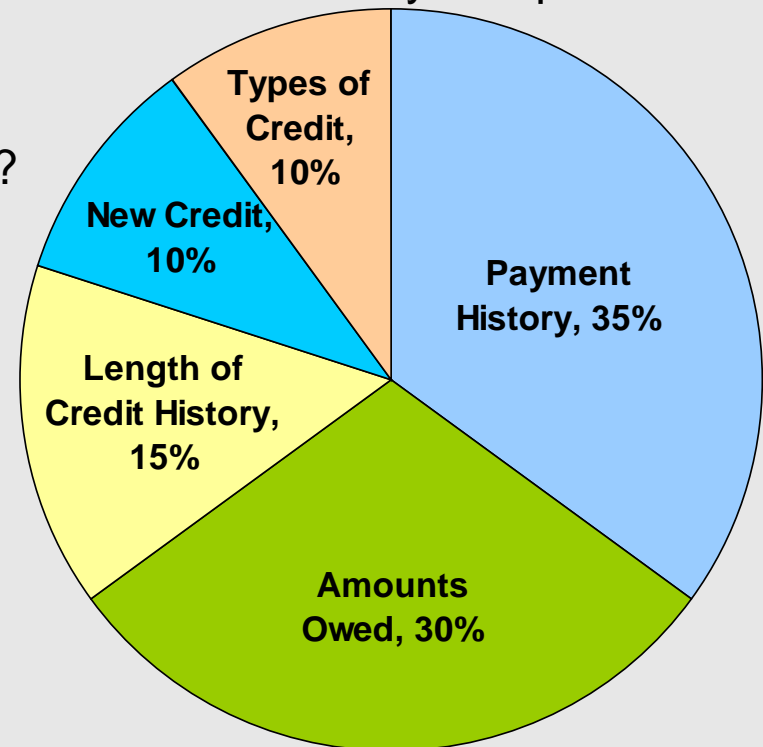


## *How are credit scores determined?*

In a market restricted by tightened lending standards, a solid credit score has played a much larger role in mortgage qualification than in recent years past.

What components determine your FICO score?

1. Payment History
2. Amounts Owed
3. Length of Credit History
4. New Credit
5. Types of Credit



Breakdown of the importance is for a *typical* consumer.

\*These percentages vary based on credit profiles.



# Tips From myFICO.com on Credit Scores

## *Important information to be aware of about credit scores:*

1. Don't be afraid to shop around for the best rate. Multiple inquiries about the *same type* of loan only count as one request if done within a *short* amount of time.
2. During the process of qualifying for and obtaining a mortgage, play it safe and wait until after your contract has closed and the mortgage is secured to open new credit.
3. Checking your own credit score will not harm your score if you order reports directly through the credit-reporting companies.
4. If you don't have a long history of credit, don't open too many cards too quickly. This can lower the average "account age."
5. Don't open or close credit as a short-term strategy for improving credit. Open what you need, when you need it. Pay your bills on time.



For more, check out: <http://www.myfico.com/CreditEducation/ImproveYourScore.aspx>

# Impress Buyers in a Flash

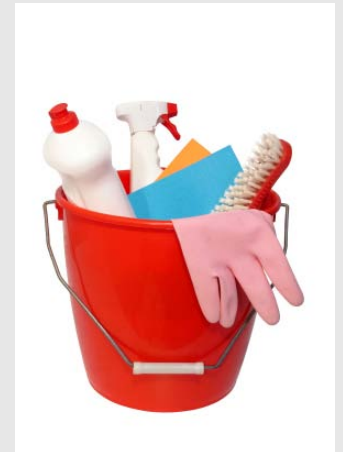


## *Crunched for time? Tips to prepare for buyers in a hurry!*

In a competitive market, having a home in the best possible condition can help attract buyers. A clean and clutter-free home often gives the impression of a well-kept home. When pressed for time, hitting these high notes can help leave a positive impression with buyers in twenty minutes or less.

1. **Kitchen**: wipe down counters and fixtures with baby wipes; put away toaster, coffee maker, and can opener; empty garbage.
2. **Bathrooms**: wipe down vanity and fixtures with baby wipes; wipe the mirror down with Windex; hide the garbage; put out fresh towels.
3. **Floors**: vacuum all carpet; mop tile and wood.
4. **Furniture**: run a dusting cloth over furniture.
5. **Clutter**: pick up and conceal all clutter. Place in a bag, and tuck away in a closet or garage.

For more tips on staging and preparing to impress buyers, check out [www.getreadygetsetgetsold.com](http://www.getreadygetsetgetsold.com).



# South Walton Market

Although it is important to stay informed about what is going on in the national economy and housing market, many different factors impact the real estate market in South Walton.

**Talk to Craig or Tracy Baranowski with Team Baranowski for assistance interpreting the conditions in South Walton.**

Team Baranowski is equipped with all the knowledge and information to help navigate you through the process of buying or selling a home in this challenging market.



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