

The Associated Press

Median prices drop in many cities

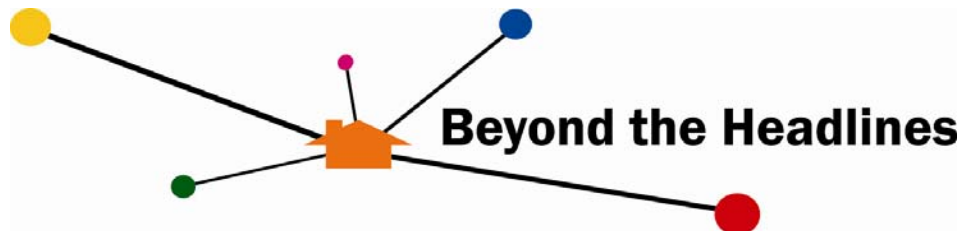
Two-thirds of the nation's 149 metropolitan real estate markets experienced lower home prices during the first quarter of 2008 – the largest number of declines ever reported – and 46 states saw declining sales, according to figures issued Tuesday by the NATIONAL ASSOCIATION of REALTORS® (NAR). Nationally, the median price fell 7.7 percent to \$196,300 in the first quarter, down from \$212,600 a year ago, while sales fell 22.2 percent from the first quarter a year ago.

Keep this in mind...

- The slowdown is most pronounced in high-cost markets. In the West, which includes California, the median price was down 12.3 percent to \$296,300 compared with a year ago. That's due, in part, to the limited availability of mortgage financing in response to the subprime mortgage crisis. NAR believes recent increases in Fannie Mae/Freddie Mac loan limits to encompass jumbo loans will improve the situation somewhat in the months to come, although qualifying criteria will remain stringent.
- Home price and sales declines vary dramatically by neighborhood and are largely based on the extent of a neighborhood's exposure to subprime mortgages. Neighborhoods with a high percentage of subprime loans are experiencing a higher rate of foreclosures, which typically drives prices down.
- NAR emphasized that the average buyer today intends to stay in the home they purchase for 10 years, which should position them to receive long-term benefits from home ownership. Homes purchased six years ago, for example, would have increased in value by 23.8 percent over that period, based on the difference in national median price between the first quarter of 2002 and first quarter 2008.

To read the full story, please click here:

<http://ap.google.com/article/ALeqM5hL1BztOWFNmmclQ6aOP-BAz9FIMgD90KSLC00>



[The Economist](#)

Map of Misery: America may well be only halfway through the house-price bust

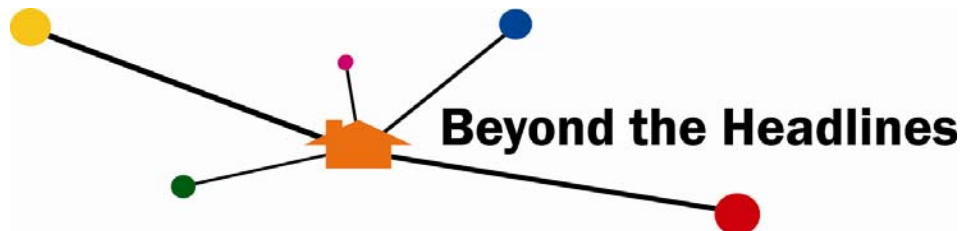
Colorful maps of the United States showing the change in home values, foreclosures and other economic measures by state paint a clear picture of where the housing market has suffered the most severe declines. It is more difficult to visualize the extent of further declines before prices begin to stabilize or improve.

Keep this in mind...

- The impact of the housing downturn varies dramatically by region, with California, Nevada, Arizona, Florida, Hawaii and portions of the Midwest among the states showing price declines or no change between the fourth quarter of 2006 and the fourth quarter of 2007, according to the federal Office of Federal Housing Enterprise Oversight (OFHEO). Even so, some 13 states in the nation's center experienced price increases of more than 5.47 over the same period and another dozen states showed increases of between 4.17 and 5.47 percent.
- Assessing future price declines is trickier. Based on prices of futures contracts linked to the Standard & Poor's/Case-Shiller index, investors expect a 20 percent decline in home prices. And Goldman-Sachs expects another drop of 11 to 13 percent based on a model that looks at home prices, disposable incomes and long-term interest rates – although that model suggests the decline could be as much as 25 percent or more for six states, including California.
- A new study from the University of Wisconsin suggests that home prices need to fall by between 10 and 15 percent over the next 18 months for another measure, the rent/price yield, to return to equilibrium. From 1960-1995, that measure, which compares annual rents as a percentage of home price, ranged from 5 to 5.5 percent, but fell to an historic low of 3.5 percent at the peak of the market boom.

To read the full story, please click here:

http://www.economist.com/finance/displaystory.cfm?story_id=11333030



[Los Angeles Times](#)

In mortgage market, “walkaway” homeowners may be urban myth

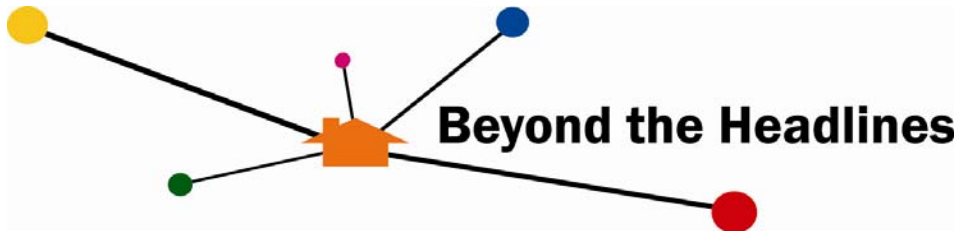
True or false: More and more homeowners who owe more than their house is worth are giving their house keys back to the bank? While anecdotal evidence suggests that mailing the keys back to the bank is occurring, there doesn't appear to be any evidence that the practice has become widespread.

MAKING SENSE OF THE STORY FOR CONSUMERS

- Data on the number of “walkaway” homeowners is lacking. The Mortgage Bankers Association and major banks believe the practice is increasing but don't have any numbers to back up this supposition.
- Lenders suggest the practice is more prevalent among investors and “flippers” than among homeowners who live in their home. Bankers confirm that most borrowers are interested in working out a solution when they fall behind in their payments or when their home value is “under water” or their interest rate is about to reset.
- There is no sign that walking away from a mortgage obligation is becoming more “socially acceptable,” observers say. Homeowners historically have been known to do whatever it takes to avoid losing their home to foreclosure.

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-walkaway11-2008may11,0,1641820.story>



[San Francisco Chronicle](#)

Jumbo mortgage rates becoming affordable

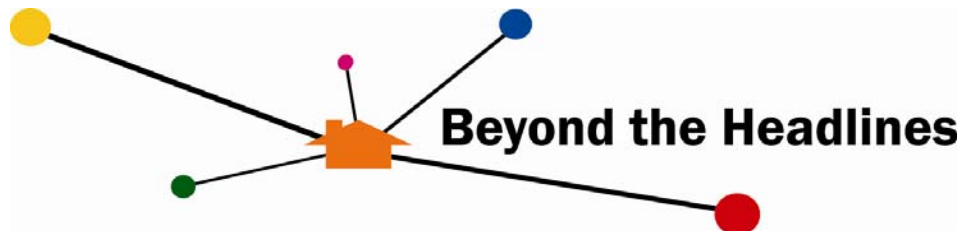
In the past week, jumbo conforming loans have become almost as affordable as standard conforming loans thanks to higher loan limits and a drop in bank interest rates. That's good news for high-cost markets and homeowners with equity in their homes who may be able to refinance to a lower-cost standard conforming rate. However, borrowers still face tightened lending requirements.

Keep this in mind...

- Last week, a 30-year fixed-rate jumbo conforming loan with no points averaged 6.125 percent, compared with 5.875 percent for a standard conforming and 6.75 percent for a regular jumbo loan. Jumbo conforming loans are used for home purchases between \$417,000 and \$729,750, while standard conforming loans apply to homes with a purchase price below \$417,000. Conforming loans are those that meet certain underwriting criteria and can be guaranteed by Fannie Mae and Freddie Mac. A lower rate could save borrowers several hundred dollars a month in mortgage costs.
- Both Fannie Mae and Freddie Mac require jumbo loan borrowers to make a higher downpayment (in the 10 percent to 15 percent range); require higher credit scores; provide income documentation; and typically have lower debt-to-income ratios than standard conforming loans.
- Congress recently increased the maximum loan amount to 125 percent of an area's median home price up to \$729,750. The new higher rates were intended to more accurately reflect home prices in high-cost markets and to stimulate housing market activity by allowing lenders to package more loans for sale to Fannie Mae and Freddie Mac.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/05/13/BUBV10L0PG.DTL>



In Other News...



[The New York Times](#)

Mortgage holders find it hard to walk away from their homes

To read the full story, please click here:

<http://www.nytimes.com/2008/05/10/business/10housing.html?th&emc=th>



[Nightly Business Report \(PBS\)](#)

A tale of five cities: Silicon Valley, California

To read the full transcript, please click here and scroll down:

<http://www.pbs.org/nbr/site/onair/transcripts/080508f/>



[San Francisco Chronicle](#)

Timing may be right for real estate investors

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/05/09/BUOA10FFMO.DTL>



[San Francisco Chronicle](#)

Brentwood the poster child for housing bust

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/05/11/MNGE1095FT.DTL>



[San Diego Union-Tribune](#)

Analysts inching toward 'R' word

Economic trends in county seen as recipe for recession

To read the full transcript, please click here:

http://www.signonsandiego.com/uniontrib/20080508/news_1b8econ.html



[Victor Valley Daily Press](#)

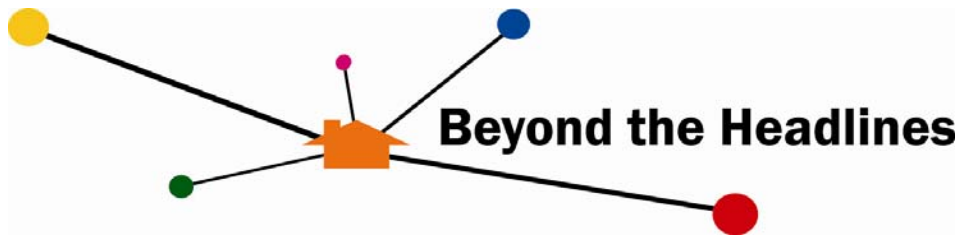
Single female homebuyers on the rise in Victor Valley

To read the full story, please click here:

http://www.vvdailypress.com/news/single_6305_article.html/valley_female.html

May 15, 2008

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What you need to know about the market

- Today real estate is less about “location” and more about “duration,” according to a recent *San Francisco Chronicle* analysis based on the Standard & Poor’s Case-Shiller home price index. Californians who bought their house two years ago face the reality that it may be worth less than they paid, but those who bought four years ago probably are not “under water.” Those who bought eight years ago, in 2000, on paper have made a tidy profit assuming they haven’t spent all the equity in the meantime. For those who have forgotten that real estate is an asset that matures in value over time, consider this: The recent nationwide decline in home prices was preceded by a decade of year-over-year increases. Nationwide, home prices in February 2008 were 75 percent higher than they were in February 2000 and 15 percent above where they were in February 2004. In the San Francisco Bay Area, prices are down except in San Francisco year over year but up in all metro counties and down slightly in outlying counties compared with 2004. However, the eight-year change skyrockets to a home price that is 94 percent higher today in San Francisco than it was in 2000. Of the nine Bay Area counties, the lowest eight-year gain was 48.8 percent in Santa Clara County.
- Sacramento-based ForeclosureS.com reports a 5 percent drop in foreclosures and a 7.52 percent drop in preforeclosures nationwide between March and April. California recorded the highest number of filings year-to-date with 6.2 per 1,000 households but ranked fourth behind Nevada, Arizona and Florida in the number of preforeclosures (13.9 per 1,000 households) and was down 17.58 percent from March to April. Seventeen states recorded a drop in foreclosure filings between the last quarter of 2007 and the end of the first quarter of 2008. Nationally, 3.8 per 1,000 households have lost their homes to foreclosure so far this year.
- For anyone questioning the role of Fannie Mae and Freddie Mac in mortgage lending today and the urgency of protecting their financial well-being, consider these facts from a recent *New York Times* article: The two government-sponsored companies each year purchase more than 80 percent of all home loans made by banks and other lenders. As a result, at the end of 2007 the two had chalked up more than \$5 trillion in debt and other financial obligations.