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# MORTGAGE NOTES<sup>TM</sup>

FOR HOMEOWNERS, HOME BUYERS & REAL ESTATE PROFESSIONALS

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## NAR says stimulus bill will help stabilize housing and mortgage markets

**C**ONGRESS moved closer to passing The Foreclosure Prevention Act the second week of March, a move that will "help bring stability to the housing market and stem the rising rate of foreclosures", the National Association of Realtors said.

NAR has expressed ongoing support for all the major features in the House housing package. "Our members appreciate the House's hard work and bipartisan effort in bringing forth legislation that will go a long way toward helping people become and remain homeowners," said NAR President Dick Gaylord. "We are pleased with the comprehensive nature of this bill."

## Mortgage rates steady, may rise

DESPITE a soft housing market, a stronger than expected economy kept mortgage rates steady in early March. "The economy still has some staying power," said Freddie Mac Vice President and Chief Economist Frank Nothaft. "Job losses lessened in April and conditions in both the manufacturing and service industry outperformed market forecasts. Worker productivity also rose in the first quarter as increases in labor costs diminished. "The housing market is still struggling amid falling house prices and stricter lending standards. Coupled with higher delinquency and foreclosure rates, a smaller share of families own their homes this year. The national homeownership rate held at 67.8 percent in the first quarter of 2008, down from its recent peak of 69.0 percent in the third quarter of 2006 and was the lowest rate since 67.6 percent in the second quarter of 2002, according to the Census Bureau." Homeowners and homebuyers who are sitting on the sidelines should not wait for better rates before buying or refinancing a home. The National Association of Realtors projects that the 30-year fixed-rate mortgage is likely to rise gradually to 6.2 percent by the end of the year, and may climb higher in 2009.

Realtors have long advocated modernizing Federal Housing Administration programs that will simplify and make FHA-backed mortgages more available, and expanding FHA to allow more homeowners to refinance their mortgages. Additional bill components that NAR has long supported include reform to the government-sponsored enterprises (Fannie Mae and Freddie Mac) and permanent increases to both GSE and FHA loan limits. The proposed tax credit of \$7,500 for first-time home buyers would help stimulate a weak housing market, and FHA stabilization should help thousands of families to refinance existing mortgages and keep their homes.

"This is meaningful legislation that can have a major impact. We look forward to working with the House and Senate to finalize an aggressive bill that will ensure that every American who can afford to own a home and aspires to do so will have that opportunity, and that every American who responsibly owns a home is able to keep it," said Gaylord.

**Mortgage rates are near historic lows but may rise. Call to see if now is the time to refinance your home**

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## THIS ISSUE

- NAR says stimulus bill will help stabilize housing and mortgage markets
- Mortgage rates steady, may rise
- Soft existing home sales expected to rise
- Market Watch

## MORTGAGE NOTES™

BACK PAGE

## Soft existing home sales expected to rise

A flat pattern in home sales activity should continue for the next couple of months before improving over the summer, according to the latest forecast by the National Association of Realtors.

NAR Chief Economist Lawrence Yun said the extent of an expected recovery hinges on better access to affordable loans. "Things are beginning to improve, but the availability of affordable mortgages is uneven around the country and sometimes within metropolitan areas," he said. "As anticipated, we continue to look for a soft first half of the year, for both housing and the economy, before notable improvements in the second half. Some time is needed for FHA and new conforming jumbo loans to become widely available."

NAR President Richard F. Gaylord said additional costs in many markets are hindering a recovery. "Our members are telling us that more buyers are looking at homes but are slow in signing contracts, and that's contributing to the weakness in pending home sales," he said. "In many cases buyers are waiting for greater access to affordable credit,

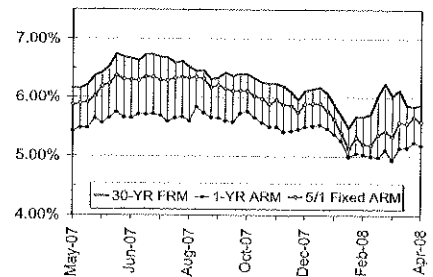
especially in higher cost areas, but some are disappointed with what appears to be unnecessarily restrictive lending requirements. The good news this week is there is some discussion toward relaxing some of the burdensome lending practices."

NAR expects existing-home sales to rise 6.1 percent next year. "Although more than half of local markets are expected to see price growth this year, the aggregate existing-home price will decline 2.4 percent in 2008, driven by a relatively few markets that are oversupplied," Yun said.

Some areas already are seeing sales increases, underscoring that all real estate is local. "Although some market adjustments are necessary, a downward overshooting of the housing market would cause unnecessary loss in economic output, income and jobs," Yun said. "It is critical to stimulate housing demand by inducing fence sitters back into the market. A homebuyer tax credit on any home purchase would accomplish that."



### 52-Week Mortgage Rate Performance



### Current ARM Indices

05/15/2008	TERM	RATE
1-YR Treasury Sec.	APR	1.74%
11th Dist COFI	FEB	3.28%
1-MO LIBOR	MAR	2.81%
Prime	4/30/08	5.00%

Sources: FHLMC, Federal Reserve Bank, HSH, bd

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