

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

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## Market Pause & Treasury Dilemma

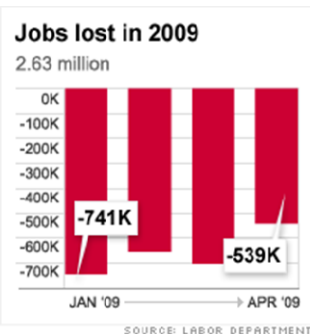
The stock market has rallied for over two months while oil prices have risen. It is not surprising that the market paused to take a breather in the middle of this past month. The reports were fairly negative with higher jobless claims and slower than expected retail sales. Even the good news, slow consumer inflation, was indicative of a slower economy. The markets have been reacting positively through a lot of negative economic news. Why pause now?



It would not be out of the question to view this period as a breather or period of consolidation. The markets are not likely to turn back down unless there are some really surprising negative statistics. We don't rule that out. For now, the breather and lower rates are a great opportunity for homeowners and consumers to take advantage of what might be the last chance to obtain the lowest rates of our generation. At this point rates on home loans have stayed steady despite higher rates on Treasuries and that can't last forever.

Can the Federal Reserve Board keep the rates on Treasuries down? The Fed has been buying U.S. Treasuries in the past several weeks in order to do just that. A day before the Fed said on March 18 that it would begin buying Treasuries, the yield on the 10-year was about 3.0%. Following the announcement, bonds rose and the yield fell to about 2.5%, exactly what the Fed wanted. The Fed's success was temporary though. Even though the Fed reiterated it would finish purchasing \$300 billion in Treasuries by this

autumn, the 10-year sell-off continued until the yields again crossed over the 3.0% mark. The slow economy and government support both will serve to keep rates down. Meanwhile, government spending to spur the economy will cause rates to increase. The tug of war continues. □



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## FHA: Tax Credit for Down Payment?



The U.S. Department of Housing and Urban Development is rolling out guidelines permitting HUD-approved lenders, public housing finance agencies, and some nonprofit organizations to make bridge loans to home buyers. The loans would be collateralized by the \$8,000 tax credit, which would give buyers the upfront funds for a down payment.

The inability to use the credit for the down payment has been a major stumbling block for using this vehicle. The National Association of Realtors has been calling for HUD to use its authority to allow the bridge loans. During a recent Realtor summit, HUD Secretary Shaun Donovan announced that HUD has decided to allow bridge loans.

"We want FHA consumers to access the credit to use as a down payment," Donovan said. "I want to thank the National Association of Realtors for its partnership with FHA." More details on the guidelines will be released shortly, he said. Donovan said the credit is expected to stimulate 100,000 first-time homebuyer purchases and 60,000 move-up purchases this year before it expires Dec. 1. Note: as of the date of publication of this story, the credit details had not been released. □

Source: Realtor Magazine

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## Did you know...?

- ▶ The nation is becoming even more diverse: More than one third of its population belongs to a minority group, and Hispanics represent the fastest-growing segment. The U.S. Census Bureau reported our minority population reached an estimated 104.6 million, or 34% of the nation's total population, on July 1, 2008, compared to 31% when the Census was taken in 2000. Nearly one in six residents are Hispanic, the agency reported. Even more telling for the future: 44% of children under age 18 and 47% of children under the age of five are now from minority families. (Source: Money)
- ▶ The federal government will take major steps to boost lending and prevent a meltdown in the commercial real estate market, representatives from the U.S. Treasury Department said. The number of new loans for commercial properties sank 70% in the first three months of 2009 from a year earlier, the Mortgage Bankers Association reported this week. □ (Source: MBA)

June Homebuyer Education—  
Don't Miss Out!

Planning to buy a home? Know someone who is? Dates, times, locations, and registration online at [www.MtVernonMortgage.com](http://www.MtVernonMortgage.com) — check it out!



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## So You Want to Modify Your Loan?

**I**t is official. The government is behind the movement to encourage banks to modify the mortgages of many Americans. The President's foreclosure prevention plan sets out standards for these modifications as well as financial incentives for the banks to move forward. So you want to have your own loan modified? Who would not want a lower payment on their mortgage! Obtaining new loan terms is not necessarily easy and it is definitely not for everyone. In this special report we will present what criteria is likely to give you the best chance at success.

**First, what is a loan modification?** In simple terms, a loan modification is a temporary or permanent change to the terms of your mortgage. A loan modification can result in a lower payment through an interest rate reduction, increasing the length of the loan, lowering of the principal balance or setting up payments for back-interest owed. A modification may include one or more of these elements.

**Why would the bank modify my loan?** The cost of modification is much less than the cost of foreclosure. If the bank forecloses, it will incur the costs of carrying the property, marketing and maintaining the home, and legal expenses. After foreclosure the bank still must sell the home at or below today's market value which is likely to be lower.

**Who is likely to get a modification?** There are two criteria that are essential in order to obtain a loan modification. First, the homeowner must have a hardship. This means that the homeowner must not be able to make the present payment. Evidence of a hardship would include being behind on the payment but the homeowner can be current and in danger of falling behind. The President's plan specifically encourages the banks to work with those who are current but can show that the payment is a burden. Note that a hardship can occur because of a loss of income or the payment rising in the case of an increased rate with an adjustable rate mortgage. The fact that the home has gone down in value by itself is not considered a hardship.

The second criteria necessary to achieve modification would be for the homeowner to be able to make a lower payment. There is a balance here in which the higher payment is not affordable, but a lower payment would be affordable. That is why the bank will verify all debts and the income of the homeowner. Each bank has its own criteria but you should ask yourself if you would adjust the payment for someone who can't make this new payment? The goal here is to prevent foreclosures and the bank must make sure the payment has a reasonable chance of being made in the future.

The President's plan has additional criteria for those who qualify to participate. The homeowner must have obtained his/her mortgage before Jan. 1, 2009, have a primary mortgage of less than \$729,500 and live in the property.

Note that participation in the President's plan is voluntary for banks. That is the bad news. The good news is that most banks are participating in the plan and if you don't meet the President's criteria, the bank still has the ability to modify your mortgage.

**Your expectations must be reasonable.** Do not expect the bank to cut your payments in half or lower the principal you owe by hundreds of thousands of dollars. The bank still must make a profit on the loan and the resulting loan must make economic sense.

**The keys to getting the deal done.** Navigating the waters of a bank modification department is very tricky. These are large organizations and they are inundated with requests because of the present housing crisis. The keys are to make sure you meet the criteria up-front, have reasonable expectations, reach the right personnel and get the paperwork in promptly. Following up is a key because of the back-log at financial institutions.

**Not an expert? Consider getting help.** Should you contact your bank yourself or get help? Many could obtain a divorce themselves but there is a reason to have attorneys or a mediator involved. With modifications, it makes sense to have representation. Remember, the bank has an incentive to give back as little as possible. Unless you are a professional negotiator, it is not likely you will obtain professional results. Another way of looking at it: how much would you pay to gain another \$200 per month in relief? If you hire someone, make sure you select them carefully. Check out the organization, its experience level and track record. The President has warned that there are many scams out there and you should be careful. Just make sure you act because saving your home is a worthy goal. □

Sources: Insurance Information Institute, MSN Money and Motley Fool.

## Worldwide Sale on Real Estate

**A**s countries worldwide face declining real estate sales, a growing number are easing restrictions that prevent foreign ownership of property. For instance, Beijing suspended a one-year residency requirement for foreign nationals who want to buy a home. In March, the Cayman Islands lowered transfer taxes from 7.5 percent to 5 percent on waterfront properties and the Cayman Islands Real Estate Brokers Association announced that it would rebate 20 percent of commissions on sales to foreigners.

Michigan-based developer David Johnson, who is building Oil Nut Bay in Virgin Gorda, is benefiting from a new 90-day automatic approval for a landholder license. Johnson says his willingness to hire Virgin Gorda residents in senior management positions was one of the things that persuaded the island's government to make the change. □

Source: The Wall Street Journal

## Selected Interest Rates

May 14, 2009

30 Year Mortgages _____	4.86%
2008 High (July 24) _____	6.63%
2008 Low (Dec 31) _____	5.10%
15 Year Mortgages _____	4.52%
5/1 Hybrid ARMs _____	4.82%
1 Year Adjustables _____	4.71%
10 Year Treasuries _____	3.10%

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.



**\$8000 Tax Credit for first-time buyers is just one great reason why NOW is the right time to buy a home! Low rates, inventory, and stable prices are three more!**