

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

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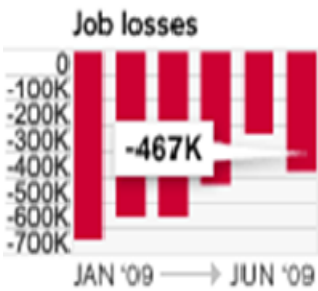
## Recovery, Where Art Thou?

At the beginning of last month, we were in the doldrums. Still reeling from a weak employment report, the stock market was falling and it looked like little pieces of the sky were coming down upon us. There was good news with regard to lower oil prices and rates, but the overall mood was gloom and doom. What a difference a week makes!



A few acceptable earnings reports, some encouraging words from the Federal Reserve Board and we were off and running. We even received our first positive news regarding home prices in some time, not that the Fed's remarks were that optimistic, mind you. The Fed expects the unemployment rate to top out at just over 10.0% and indicated that the tight credit conditions could cause any improvement to be gradual. However, the Fed did use the word "improvement" and the markets liked that word. As a matter of fact, the Fed raised its forecast for next year and 2011 as well—calling for economic growth of between 2.1% and 3.3% next year and growth of 3.8% to 4.6% the following year.

So we had a strong stock market rally and the mood is better. Meanwhile, the direction of the stock market, rates and oil prices seemed to be tied together. Rates and oil prices rose as the stock market rallied. We continue to warn that the markets will be volatile. We think the gradual recovery may temper any strong recovery in oil prices or rates. However, they will not be immune from spikes. For now, the markets seem to agree with the Fed that recovery is on the horizon. It is slow to get here and may be crawling, but we all look forward to positive growth. Speaking of growth, the first snapshot of the second quarter of the economy is to be released as we go to press. Any surprise could add to our forecast of volatility. □



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### Inside this Issue . . .

- Recovery, Where Art Thou?
- Home Prices Increase!
- Homeownership: More Than Dollars
- Underwater Refinancing

## Home Prices Increase!

For the first time since 2006, the nation posted positive quarter-over-quarter price increases, according to the July Home Data Index Report released by Clear Capital. Fueled by strong seasonal spring sales in the Midwest, which had a price increase of 5.3%, the overall US price growth increased by 1.7% in a quarter-over-quarter comparison. The South also added to the surge, climbing 2% from the previous quarter.



"We are encouraged to see the first quarterly national appreciation in three years," says Clear Capital President Kevin Marshall in the report. "Foreclosure moratoriums, first time home buyer incentives, and investment activity have contributed to this springtime appreciation of home price trends. Lively seasonal sales also helped Ohio's three largest cities to top rolling quarter-over-quarter price gains. Cleveland gained 19.6%. Columbus and Cincinnati prices climbed 15.6% and 12.9%, respectively. Las Vegas and Orlando posted the greatest losses at -12.4% and -9.3%.

The data and solutions provider for real estate asset valuation, investment and risk assessment released the report to offer a real-time look at pricing conditions. The July report considers data compiled through June 25. □

Source: HousingWire

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## Did you know...?

- The federal government and many states are launching plans to hook up buyers of repossessed properties with very attractive terms. The feds made nearly \$6 billion available for the Neighborhood Stabilization Program, which intends to combat blight by reducing the number of foreclosed homes on the market. The money will go to local housing authorities and non-profits involved in providing housing for middle and low-income families.
- According to an annual state of the nation's housing from Harvard University's Joint Center for Housing Studies, once the U.S. emerges from recession, strong demographic trends will restore health to the housing market. The key is echo boomers, the 75 million Americans born between 1979 and 1995. "There will be 5 million more echo boomers than there were boomers when they first started swelling housing markets," said Eric Belsky, Executive Director of the Joint Center. □

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## Homeownership: More Than Dollars

During the past few years, the prices of homes have been declining in most parts of the country. This trend has represented a major financial setback for many who considered their home their best investment and an integral part of their retirement. Of course, with the stock market moving down even more precipitously, consumer investment losses have not been limited to homes during this financial crisis.

Our focus for this article will not be the investment aspects of real estate. This is not to say that we think that homes have ceased to be a solid investment. One must remember that even with the drop in prices during the past two years, homes have more than tripled in value since 1980. In addition to the appreciation of real estate, one can add the tax benefits of owning a home as well as the fact that home mortgage payments do not increase as quickly as rent which makes the home a hedge against inflation. Therefore, in the long-run real estate will still be an important part of any financial plan.

Today we focus not on these economic advantages but on the psychological aspects of homeownership. Some time ago, mortgage giant Fannie Mae conducted a national survey regarding homeownership. Among other findings, they found that Americans would choose to work an additional decade in order to become a homeowner. Our interpretation of this answer really helps us see that there is more to homeownership than money.

Recently, an article appeared on the Internet that should remind everyone that the dream of homeownership extends far beyond dollars and cents. The article was written by a single mother who worked for a non-profit in a high cost of living area, Montpelier, Vermont. The Montpelier Pride's editor noted: *Single Mother Dorl Oatley writes about the thrill, pride and satisfaction of owning her own home.* Here are some quotes from the story:

*Homeownership is a wonderful experience. The stability that owning a home offers a family is invaluable. To realize that in a year, you will be here... that this first Christmas or this first birthday celebrated here will be the beginning of many provides a feeling of consistency and a sense of home that is hard to describe. As a renter, between rising costs or a landlord's decision to remodel or sell, I had moved a lot and never knew whether I would be celebrating the next year's milestone in the same home...The opportunity to start a stable home for my daughter who is now thriving in middle school, is a wonderful blessing...there comes with owning a sense of pride that caught me off guard. I have given more attention to the aesthetics both inside and outside the home since I have become a homeowner...*

Stability. Pride. Control. Permanence. These are all words that homeowners would use in describing their experience. With so many foreclosures taking place across the country, people again are being forced to move. There are many stories about the financial loss of banks and individuals, but what about the psychological damage of forced moves? What about the damage of not knowing if you will own again in the near future?

There is no doubt that those of us who are homeowners understand these feelings. It is one of the reasons that many immigrants want to come to our country. It is not only because the country is wealthier and perhaps may have more political and personal freedom. An important factor is the fact that, in many countries, homeownership is not possible.

Sometimes Americans take the right and ability to own a home for granted. Not so with immigrants. This financial crisis is an opportune time for all of us to take a second look at these benefits. As a matter of fact, as many have fallen behind with regard to their financial goals, being able to save their home is of primary importance from a psychological perspective. It is one thing to postpone retirement. It is quite another to change status from homeowner to renter at the same time, losing control of many other aspects of one's life.

We also understand that the government must take actions to shore up the financial systems of this country to help us out of this financial crisis and to prevent future calamity as well. Yet, as they change the rules, we hope that facilitation of the American Dream of Homeownership is still a major goal of our government. We can't afford to put too many barriers in place in the name of financial protections. The freedom and means to own a home is ingrained in our systems of democracy and capitalism. With the world in crisis, once again we must show the world the importance of our values. □



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## Selected Interest Rates

July 16, 2009

30 Year Mortgages	5.14%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.63%
5/1 Hybrid ARMs	4.83%
1 Year Adjustables	4.76%
10 Year Treasuries	3.54%

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.

## Underwater Refinancing

Fannie Mae and Freddie Mac have received the green light from their regulator to refinance underwater homeowners with loan-to-value ratios as high as 125%. The special refinancing plan that Obama administration officials unveiled in February limited the refinancing option to loans with LTV ratios of 80% to 105%. The 105% LTV limit did not offer any relief for borrowers who have seen the values of their home erode by 15% to 30%.

"The higher LTV refinancings will allow more homeowners to strengthen their finances by taking advantage of lower mortgage rates," Federal Housing Finance Agency Director James Lockhart said. Fannie Mae said it would accept delivery of the higher LTV loans starting Sept. 1. The financing program is only available to borrowers with loans that are owned or guaranteed by Fannie and Freddie and are current on their mortgage payments. Your loan officer can let you know if your loan is owned or guaranteed by these agencies. □

Source: National Mortgage News