

The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

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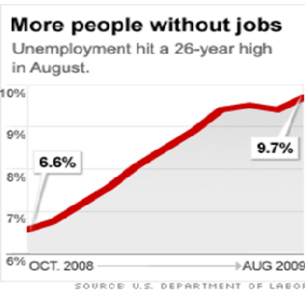
Big Numbers Ready for Release

Expect some major positioning by traders in the next few weeks as the big numbers are released. First, as we are going to press we have the third quarter snapshot of economic growth. Analysts have been estimating the first positive quarter in over a year. We can surmise that consumer spending, which is responsible for over two-thirds of economic activity, was positively affected by government programs such as "cash for clunkers" and the first time homebuyer tax credit. The release is a preliminary estimate, however any disappointment could affect the market negatively since the markets have built in some measure of optimism concerning the release. Of course, such a disappointment could also be positive for the bond market and result in lower rates.



The first week of November the news gets even more interesting. The monthly employment report will be released the first Friday in November. If the recession is officially to be declared over, we must move to positive employment growth. There are no indications that employment growth was positive last month, but we must make progress from the huge job losses that we saw earlier this year. This is the price we must pay for the sharp market rally we have witnessed since this Spring.

Theoretically, the markets have built in positive news and now it is time to see the results of this optimism. This is not to say that we are out of the woods. Sometimes the result of positive market news can present additional challenges. For example, higher oil prices due to a stronger economy can dampen future economic growth. Because of this, the end of the fourth quarter should be very interesting. For example, can we grow as the temporary effects of government stimulus wanes? □



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FHA to Move to 5% Down?

Some congressmen are becoming more concerned about the Federal Housing Administration's financial plight and they want to increase FHA's downpayment requirement to 5%. Rep. Ed Royce, R-Calif., said FHA is operating at the same dangerous leverage ratios that led to the takeover of Fannie Mae and Freddie Mac. Rep. Scott Garrett, R-N.J., said he has drafted a bill that would increase the FHA downpayment requirement to 5% from the current 3.5% level.



"There are increasing reports of the likely necessity of a taxpayer bailout for the FHA and this legislation aims to implement reforms to try to prevent such a bailout from occurring," Rep. Garrett said at a House Financial Services Committee hearing. The Garrett bill also calls for a General Accountability Office study to determine the appropriate leverage ratio for FHA.

In the early 1990s, Congress mandated that FHA maintain a minimum 2% capital ratio. A recent audit shows that the federal insurance fund has fallen below the 2% minimum. But FHA officials say the insurance fund should be able to maintain a positive capital position and FHA will not need taxpayer assistance. □

Source: National Mortgage News

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Did you know...?

- More people are becoming landlords in an economy where selling a home can be challenging. The nation's second-largest home insurer, Allstate Corp., says the number of homeowners converting their homeowners insurance to landlord policies rose 27 percent in the first quarter of 2009. Jim Bass of Jim Bass Real Estate Group in Frederick, MD., says he has begun offering property-management services for absent owners, many of whom are convinced it will be easier to sell in a couple of years. □

Source: The Wall Street Journal



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Obtaining the Best Appraisal in Any Market

This has certainly been an interesting ten years for the housing markets. The prices of homes have been anything but stable during the past decade. Early in the decade they were increasing at a frenetic pace. The past few years we have seen a drop in home prices in most areas of the country and this drop has been even more precipitous in those areas that experienced the largest increases earlier.

No one has been affected more by this "housing valuation yo-yo" than the real estate appraiser. Sworn to identify the accurate value of a property to support mortgage loans that are secured by real estate, the appraiser has to deal with a variety of factors. These factors include all parties of the transaction having a vested interest in supporting the sales price—including the seller and purchaser. The factors also include trying to nail down the right data to support the sale which is increasingly difficult when values are changing rapidly, especially in markets where there are distressed sales. Finally, in the era of tighter financial regulations, agencies have made it more difficult for appraisers to communicate with the participants to obtain up-to-date information for fear that the appraiser will be subject to undue influence.



What does this mean? It means that if you want to obtain the most accurate appraisal of your property, you must be proactive in the process. Here are some tips to help you further your goals in this regard.

Be at the property with your real estate agent when the appraiser visits. Don't just be there to greet them, be proactive during the inspection. Stay with the appraiser every step of the way and point out features that you feel are important. Make sure the appraiser does not miss anything of importance. It is understood that as a homeowner you may not know what is important and what is not important. That distinction does not matter. It is up to the appraiser to decide and if you do not give them all the information, they can't make a good decision.

Ask as many questions as you can. Does the appraiser have the right boundaries of the property and even the right boundaries of the neighborhood? Does the appraiser know distinctive information about your neighborhood that may make it more attractive, such as distance from schools and other amenities? If you have a recent survey of the property that would help.

You should have copies of other important documents ready to give to the appraiser. These might include the latest tax bill and copies of invoices for any major home improvements. While the cost of every improvement does not necessarily add the same amount to the value, knowing the cost will help the appraiser come up with the most accurate value for each improvement.

The real estate agent should play a role in providing information as well. A great determinant of the home's value will be determined by the use of what is called "comparables." Comparables are other properties that have sold that will determine the value of your property. If your next door neighbor sold his/her house for "x" dollars just a few weeks ago and their house is the same model, has the same improvements, is the same size and is in the same condition, you can see why this data would be important. On the other hand, even when everything seems to be the same, there can be differences. Perhaps your neighbor had to sell quickly because of a relocation and that means the price was discounted. With so many distressed sales out there, this fact could be very important.

Many times the information available on comparable sales are not accurate. Going back to your neighbor, perhaps you added an extra bedroom that they do not have, but it shows in the data as having that extra bedroom. Beyond the neighbor, this is why the real estate professional is so important. Your agent should know much about these comparables and should actually be suggesting the best comparables for your property.

When the appraisal does not come in at the agreed sales price, this does not mean that you should accept the value. The appraisal is the property of the lender and the purchaser. Will they provide you with a copy of the document for review? It is important to make sure the value is accurate and the purchaser has a vested interest in determining this as well. □

The Tax Credit to Be Extended?

Congress is considering proposals to greatly expand a soon-to-expire \$8,000 tax credit for first-time homebuyers—potentially applying it to all but the wealthiest homebuyers. Supporters say doing so would further boost home sales, stabilize housing prices and generate jobs. The credit now can be claimed by anyone buying a home who has not owned one for three years and who closes the deal by 11/30/09. Beyond extending that deadline, some lawmakers want to make the credit available to all homebuyers who meet income eligibility requirements. And some want to increase the amount of the credit from \$8,000 to \$15,000. By the end of November, the credit will have been used by 1.8 million homebuyers, at least 355,000 of whom would not have bought a house without the tax break, according to estimates by the National Association of REALTORS®.

Mark Zandi, chief economist of MoodysEconomy.com, favors extending the current credit until 6/1/10, and making it available to all home buyers regardless of income or at least to everyone except those at the highest end of the income scale. "The most fundamental argument for the credit is that nothing works in the economy if housing is falling, it hurts household wealth and credit becomes tight," Zandi said. □

Source: CNN Money



Fall Homebuyer Education—
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11/7 & 11/12

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and registration all online—check it out at
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Selected Interest Rates

October 22, 2009

30 Year Mortgages	5.00%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.43%
5/1 Hybrid ARMs	4.40%
1 Year Adjustables	4.54%
10 Year Treasuries	3.42%

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.