

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

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## The "Good News" from Europe

With all the uproar concerning the European crisis, we must spend a few minutes to look at the bright side. The market's reaction has brought us two very important pieces of good news. First, oil prices have moved significantly lower. Just a few weeks ago we were looking at gas prices hitting \$3.00. Now the price of oil is down around 20 percent from its recent peak. What is really extraordinary about this is that the retraction is happening while oil is spilling out into the open waters in one of the largest oil disasters in our history. Ordinarily oil would be skyrocketing, not because of the immediate loss of oil, but because the long-term prospects of off-shore drilling has dimmed. Why are lower prices good news? Lower energy costs not only take the pressure off inflation, it gives the consumer more money to spend. Consumer spending helps "fuel" the economic recovery.



The second present is comprised of lower rates. Everyone was talking about higher rates being a foregone conclusion. Well, it just goes to show that you can never predict the future. Lower rates free up more money for spending just like lower oil prices. With the recovery in the real estate markets underway, but on very shaky ground because impending foreclosures and "shadow inventory," lower rates are absolutely necessary to help the recovery continue.

The Federal Reserve Board has indicated several times that this is the case. Lower rates provide opportunities to refinance debt and purchase homes at incredibly low bargain prices. They help car sales and also small businesses throughout the nation. The stock market may not like what is happening overseas as a fiscal crisis is painful. However, there is good news that will help our economy in the long-run. Homeownership continues to be a bargain! □



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## Did you know...?

➤ Convenient and comfortable laundry rooms are an increasingly popular feature among homebuyers. Tom Byrne, President of Maryland-based Chadsworth Homes Inc., says they are more popular than such features as studies and media rooms. "In the past few years, 30 percent of the homes we build have a laundry room with granite countertops, a single-level kitchen-style faucet, and the laundry tub will be an under-counter sink," Byrne says. Stephen Melman, Director of Economic Services for the National Association of Home Builders, concurs. "These rooms are becoming larger and more multifunctional, with organizers, a table for folding, ironing stations, and windows with a view." □

Source: Washington Times

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## Prime Time for Owning A Home

It's prime time for house hunters. Nearly anyone with a decent job and a good credit score can afford to buy in their home towns. More than 72% of American families making the nation's median income of \$63,800 a year, could afford to buy a home during the first three months of 2010, according to a report from the National Association of Home Builders and Wells Fargo.

The national median home price for the quarter was \$175,000. "Homeownership continues its more than year-long trend of remaining within reach of more households than it has for almost two decades," said NAHB chairman Bob Jones. "With interest rates still hovering at low levels, companies starting to hire new employees and the economy beginning to rebound, this should encourage more home buyers to enter the market and help further stabilize housing and the economy."

The NAHB judges a home to be affordable if a family making the metro area's median income could devote no more than 28% of their take-home pay toward housing costs. Indeed, since this report was released the European debt crisis has forced rates lower and increased affordability even more (see related story). This is truly a once-in a life-time buying opportunity. □

Source: CNN / Money.com

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## How to Buy A Foreclosure

**Y**ou want to buy a foreclosure? Remember, there are both great opportunities and great pressures and pitfalls in this market. First, you have to decide at what stage of foreclosure you want to buy. There are three options: 1. pre-foreclosure; 2. sheriff's auction; 3. repossession, called REO (for real estate owned by the bank).

The safest and best way to buy is when it's a bank-owned property," said Rick Sharga, a spokesman for RealtyTrac, the online marketer of foreclosure properties.



**Pre-foreclosure:** These homes are in the foreclosure process, but they have yet to be sent to auction. Owners are typically trying to unload them because they are "underwater," owing more on the homes than they are worth. As a result, potential buyers must negotiate a deal with the lender as well as the owner. That makes buying at this stage of foreclosure complicated and slow. But, you have the advantage of being able to inspect the home before purchase, which isn't the case in other types of foreclosure sales. Sharga warned, that prices are usually higher than at other stages of foreclosure.

**Sheriff's auction:** These sales yield the lowest prices, but they are fraught with difficulties. Often the house is unavailable for inspection, leaving buyers with a long list of expensive repairs, and a much larger bill than they intended. This stage is usually best left to the professionals, the contractors and investors who regularly bid on these places and know what they're doing.

**Repossession:** This occurs after the home has gone through a sheriff's auction but does not sell and the bank gains possession of the property. Homebuyers may not get the best bargains during this stage, but they can nearly always perform a thorough inspection before closing, minimizing costly surprises. Plus, the property comes with a clear title. In addition, the banks selling these places may extend preferential financing terms to the buyers and may have made some repairs before putting the property on the market.

Even in this safer stage, though, homes are still usually sold in "as is" condition. "That means the bank won't pay for cosmetic issues," said Adam Wiener, a spokesman for the Redfin, the online real estate marketer. "Although, they will often pay for some or all of repairs that are health and safety issues. That makes the home inspection even more critical."

He also pointed out that, since you're buying from a corporation, not an individual, the buying process can be faster, so be prepared to move quickly. Many times a listing goes on sale on a Friday and is sold over the weekend. "The buyers and their agents need to be on top of everything from the inspection to the financing," said Wiener. "Some banks will even charge a per diem fee for late closings."

Once you've decided which type of home to buy, there are several common mistakes foreclosure buyers should take care to avoid. These include:

**Getting caught up in a bidding frenzy:** The banks often under-price repossessions, hoping to generate excitement, attract multiple bids and sell them quickly. The problem is, as in any auction-type sale, bidders get excited and pay too much. "Remember," said Sharga, "there are 800,000 REOs in the banks' inventories. There'll be another home to bid on tomorrow."

**Underestimating repair costs:** Take full advantage of the home inspection and don't delude yourself about how much the repairs will cost. "Take along someone who can give you a good estimate of how much repair costs will come to," said Sharga. Redfin coaches its agents to warn buyers to factor in a cushion of 10% to 20% of the purchase price to pay for unexpected repairs. "If you end up not using it, go on vacation after 6 months," Wiener said.

**Not knowing what comparable properties cost:** This is important in any market but especially in this endeavor. In high foreclosure areas, prices can be eroding very quickly. You want to have the latest homes sale prices on repossessed properties and try to keep your bid comparable or lower.

**Buying in a neighborhood flooded with foreclosures:** This is most important for people buying for the short-term. Any neighborhood saturated with REOs and foreclosures may be headed for further price falls. If you're planning to relocate within a few years or buying a bigger house, that could mean selling at a loss. A better bet is to buy the only foreclosed home in an otherwise stable community which more likely to hold its value in the short-run.

**Not having financing in place:** If you don't have a pre-approved mortgage, you're really not in the market. "You have to be able to move quickly," Sharga said. Banks don't want to dilly-dally on sales; they're losing money every day that homes sit on the market. That means they'll often jump on the highest bid with the best financing already in place.

Having a loan beforehand carries another advantage—it tells you how much credit you have available. Remember that pre-approved financing is different from pre-qualified financing; it means the loan is ready to go. Pre-qualified is more like an opinion of a loan officer and there's still work to be done before final approval. □

Source: CNN Money

## Unmarried Women Trump Men

**U**nmarried women accounted for 21% of home purchases in 2009, while unwed males were 10% of the buyers, according to a National Association of Realtors report in November. It's a dramatic shift from 1981, the first year the numbers were tracked, when single women and men each accounted for 10% of home sales. When the Urban Land Institute hosted its annual real-estate conference in late April, analysts had to remind the audience to expect big numbers from young, single female buyers. "I've given some of my home-building clients lessons on how to be gender friendly," said Brooke Warrick, president of the market research firm American Lives.

He reminded sellers to treat young women as viable buyers, not bystanders, by doing something as simple as handing them a brochure when they enter a for-sale home. These women tend to stake their claim on homes in the 1,700-square-foot range predominantly in the Washington, D.C., California and Texas markets, Warrick said. After segmenting the market, Warrick noticed that young women, especially those rooted in secure industries like health care, make more money than their male peers. □

Source: MarketWatch

### Selected Interest Rates

May 20, 2010

30 Year Mortgages	4.84%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.24%
5/1 Hybrid ARMs	3.91%
1 Year Adjustables	4.00%
10 Year Treasuries	3.26%

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.