

Real Estate Outlook



Information and Viewpoints on the St. Louis Area Real Estate Market

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Some Areas of Encouragement in 2009 Outlook

Despite the economic gloom of the past few months, there are some positive dynamics taking shape in the current cycle.

- **Low Mortgage Rates**---Mortgage rates continue to hover at 50-year lows – 5% and even 4.75% for 30-year mortgages, and still lower for 15- and 20-year mortgage terms.
- **Improvement in Oil Prices**---We're all paying a lot less at the gas pump, and seeing sharply discounted prices on retail goods and autos.
- **Saving Money**---Americans are actually saving again, the national savings rate took a nearly 3% jump last month. That might sound small, but it's hugely important if it is the start of a trend.
- **Action on Capitol Hill**---The incoming Obama administration is expected to introduce a massive economic stimulus package early in 2009. A resulting improvement in the employment picture and available credit can help restore consumer confidence and spike a surge in economic activity.
- **Coming Price Stabilization**---Some economists are expecting housing prices to stabilize and/or rise (in 2009) after a likely boom in mortgage refinancing as rates fall and loan applications increase. There are signs that housing prices are stabilizing in some parts of the country. The latest monthly Federal Housing Finance Agency index found home prices up by 0.6% in the Mountain states and by 0.2% in New England.

All down-cycles tail come to an end. Keep your eyes open for the small positive signs that are accumulating out there.

Fannie and Freddie Give Borrowers More Time

Fannie Mae and Freddie Mac have directed the mortgage servicers they work with to postpone any foreclosure or eviction proceedings through January 31, hoping that more borrowers can solve their mortgage payment woes. On December 15, 2008 Freddie and Fannie launched the program to help borrowers who are 90 days or more late on payments, who own and occupy their primary residences and who have not filed for bankruptcy to reduce mortgage payments to no more than 38% of their income. The extension should give servicers more time to help these at-risk homeowners enroll in the companies' Streamlined Modification Program. It will also give Fannie more time to make sure all of its seriously delinquent borrowers who are eligible receive help from the company's "Second Look" initiative. Under this program, which launched early last fall, Fannie Mae personnel work with servicers to make sure that all homeowners facing foreclosure have been contacted and told of the possible workout options available to them. --- *CNNMoney.com /January 8, 2009*

Realtors Urge Congress to Increase FHA Funding

The importance of the Federal Housing Administration's role in the economic and housing recovery has never been more apparent, and the National Association of Realtors® reinforced this message in testimony submitted to Congress today. FHA's market share has increased from a low of 2 percent in 2006 and is expected to grow to over 30 percent in 2009. FHA loans are rapidly becoming the only source of funding for many consumers, particularly those who are first-time home buyers and borrowers with low down payments or less than perfect credit. "FHA insurance is one of the primary sources of mortgage financing available to families today," said NAR President Charles McMillan "FHA has been playing a larger role in the mortgage market since the mortgage market meltdown and tightening of credit, and we're asking Congress to work with the new administration to appropriately fund the staffing and infrastructure needed to complete FHA modernization."

