

MARKET UPDATE

FANNIE MAE LOOSENS GUIDELINES

June 2008

Minimum down payment requirements for home buyers is being decreased. In January 2008, Fannie Mae increased minimum down payments in areas of “declining markets.” Fannie Mae announced that it is doing away with higher minimums and will require new minimums of 3% or 5%.

This move by Fannie Mae will allow more borrowers to qualify for homes, giving the housing market a much needed boost. Although good for housing, the guideline changes were frowned on by Fannie’s investors. Lower down payments in declining markets may increase default and foreclosure rates.

Fannie Mae’s decision is the first true credit loosening we have seen for some time. Hopefully such moves will help us find the bottom of the housing slump.

Fannie Mae did update their foreclosure policy. Past foreclosures will now need 5 years of seasoning; up from 3 years. Also, 60+ day mortgage lates in the past 12 months will no longer be allowed. These revisions may get some home owners to think twice about walking away from their property.

A WIN FOR HOUSING AT HUD'S EXPENSE

With 100% owner occupied financing a distant memory, FHA has become the product of choice for many home buyers; particularly first time home buyers. FHA offers lower rates and mortgage insurance than conforming mortgages, and can lend up to 97%. The 3% required down payment can come from the buyer, a gift from an immediate family member, or from a charitable entity like AmeriDream. Using AmeriDream down payment assistance allows the home buyer to purchase a home with FHA financing with as little as \$0 down.

In October 2007, AmeriDream filed suit against the Department of Housing and Urban Development (HUD) which through regulation was attempting to eliminate all down payment assistance programs. This would be yet another blow to the housing market.

In March 2008, the courts ruled in favor of AmeriDream. Down payment assistance programs will continue to be available for home buyers with little or no down payment for the foreseeable future. A big win for buyers, and a big win for housing.



AVERAGE GAS PRICE: \$3.937

Source: eia.doe.gov

RECORD FORECLOSURES

U.S. foreclosure filings reached a record high in April, rising almost 65% over the previous year and putting municipalities at risk by cutting into the value of taxed property, according to a study released Wednesday.

Some 243,353 households, nearly one in 519, received a foreclosure filing during April, according to the U.S. Foreclosure Market Report from RealtyTrac, an online marketplace that tracks foreclosed properties. That was up 4% from March, and surpassed the record of 239,851 set in August 2007.

CHANGES AT FREDDIE MAC

“We are revising our requirements for Investment Property Mortgages to reduce the number of financed properties in which a Borrower who owns more than one financed Investment Property may have an individual or joint ownership interest (including the subject property) from 10 to 4. Also, effective for Mortgages with Freddie Mac Settlement Dates on or after August 1, 2008, the Borrower on a cash-out refinance Mortgage must have owned the subject property for at least six months prior to the Note Date of the new refinance Mortgage.” - Freddie Mac

Freddie Mac also implemented a new guideline regarding title seasoning. Freddie Mac will not allow a refinance on a property if the title has changed in the last six months. Although the average homeowner will not be effected by this guideline change, investors may. If the property is titled in a LLC, the investor will not be able to transfer the property into their personal name prior to funding a refinance transaction. Such an action will constitute a change in title.

Fannie Mae has yet to implement similar guideline changes.

MI CRACKDOWN

Effective June 1st, Mortgage insurer MGIC is tightening guidelines on loans that require mortgage insurance.

- Cash-out transactions will no longer be insured
- Investment properties will no longer be insured
- 3-4 unit properties will no longer be insured
- Non Warrantable Condos will no longer be insured

Effective June 2nd, Mortgage insurer RMIC is also tightening guidelines on loans that require mortgage insurance.

- Condominium refinances and all investment property condominiums will no longer be insured
- 3-4 unit properties will no longer be insured
- Manufactured homes will no longer be insured

RATE WATCH:

**30 Year Conforming Fixed
As low as:
6.125.% (APR 6.273%)**

Rate based on conforming loan amounts, 80% LTV, 720+ credit, Owner Occupied. Not all applicants will qualify. Rates as of 05/29/08.