

# REAL ESTATE TRENDS

FOR REALTORS. HOMEOWNERS AND PROFESSIONALS

August 2010

## Big Numbers Are Being Released

It happens once per quarter. On the last business day of July, the government is releasing the preliminary estimate for economic growth (GDP) for the second quarter. One week later, on August 6, we will have the employment report for July. In essence, we will get our first look at how the second quarter responded to major economic stimulus, including the housing tax credit. We will also get a first look at data from the third quarter when that stimulus has ended. The question is not if the rate of growth is slowing. It certainly will as the stimulus winds down. The question is: *how slow is slow?* Not even Federal Reserve Board Chairman, Bernanke, was able to shed light on this issue in testimony to Congress towards the end of July: "we also recognize that the economic outlook remains unusually uncertain." These numbers are likely to be the markets' chance to analyze major data which will help to put this puzzle together. We should add that a puzzle this complex takes many pieces.

In the meantime, we caution everyone to look beyond the headlines. For example, here is a recent headline appearing in major housing publications: *PMI has lowered its outlook for new- and existing-home sales by more than 50 percent despite continued low rates.* In reality, the housing market was expected to slow after the tax credit expires: but down 50%? That would be devastating. Read on: *The mortgage insurer previously had predicted that re-sales would rise 6.1 percent but has downgraded that forecast to a more modest 2.9 percent to 5.31 million units.* In other words, the housing market is expanding, but that expansion will be slower. In analyzing "how slow is slow" we need to look at the numbers and put them in perspective. If the housing market is growing, that means the economy is likely to grow. The real estate market is the key... □

## Job reversal



Mar 2010

Jun 2010

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## Home Affordability Highest in Decade

Home affordability remains near 10-year highs, according to the 2nd edition of the Administration's Housing Scorecard released today by the US Department of Housing and Urban Development (HUD) and the Treasury Department. The July scorecard is the second aggregate of housing initiative reports.

## More Than 7.2 Million Refinanced

"The housing market is performing better than the predictions made over a year ago," said HUD assistant secretary Raphael Bostic, in a statement. "We're absolutely not claiming victory, but due to the Obama Administration's efforts, improved home affordability is continuing to provide opportunities for prospective, qualified, homebuyers, while promising neighborhood stabilization efforts are helping hard hit neighborhoods start to recover."

More than 7.2 million homeowners refinanced under historic low rates since April 2009, saving a total estimated \$12.9 billion, according to the scorecard. Nearly 3 million borrowers restructured their home loans, including through modification, since April 2009, twice the rate of 1.24 million foreclosures during the same time period... □

Source: Housing Wire

## Selected Interest Rates

July 22, 2010: **RECORD LOWS!**

30 Year Mortgages	4.56%
2010 High (April 8)	5.21%
2010 Low (July 22)	4.56%
15 Year Mortgages	4.03%
5/1 Hybrid ARMs	3.79%
1 Year Adjustables	3.70%
10 Year Treasuries	2.94%

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.

## Multi-Generational Housing Focus

Building and modifying homes to accommodate multiple generations is increasingly popular as more Americans struggle to accommodate both their older parents and their grown children under the same roof. The National Association of Home Builders' International Builders Show this year featured a single-level residence with a master suite at each end. "The grandparents' suite included universal design elements along with a small kitchenette," says Stephen Melman, director of economic services at the NAHB. "The concept for this home was that the parents could get help with their kids from the grandparents, while the grandparents benefited by having household maintenance chores and meals taken care of for them."

Melman said that it is difficult to predict whether this trend will diminish when the economy improves, but he pointed to the growing number of ethnic groups where multi-generational living is expected as a sign that the trend may stick... □ Source: Washington Times

## Did you know...

◆ The Mortgage Bankers Association of America has reported that rates on home loans are at historic lows and their weekly rate survey has recorded the lowest levels for 30 and 15 year fixed rates of our generation. Because of these low rates, home loan refinance applications have increased significantly. The share of total applications that were for refinances hit 80% because homeowners were taking advantage of the opportunity to reduce their payments. This refinance share was the highest since April of 2009. Source: MBA

**Lenders are expected to be inundated with applications if rates hold.**

**Do not wait until the last minute.**

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