Beyond the Headlines

C.A.R. Mortgage Update

One in four borrowers is underwater
Despite recent indicators that the housing market is improving, a new report shows that one in four mortgage borrowers are underwater, meaning they owe more on their mortgage than their home currently is worth. According to First American CoreLogic, nearly 10.7 million households had negative equity in their homes in the third quarter, accounting for about 23 percent of all U.S. homeowners. Most homeowners, however, still have equity, and nearly 24 million owner-occupied homes do not have a mortgage, according to the U.S. Census Bureau.

A study by credit-scoring company Experian shows that approximately 588,000 borrowers strategically defaulted on their mortgages last year, even though they could afford to pay—more than double the number in 2007. Homeowners with negative equity are more likely to strategically default if they live in a state where the bank cannot pursue their assets in court, according to a study by the Federal Reserve Bank of Richmond. California is an example of a state with-anti-deficiency laws protecting homeowners from personal liability under certain circumstances.

"Borrowers who are less than 20 percent underwater are likely to maintain their mortgage if their loan is modified and the payments reduced," said an official with Citigroup's mortgage unit. "Beyond 120 percent, the most effective modification is a complete loan restructuring, including a principal reduction."

To read the full story, please click here:
http://online.wsj.com/article/SB125903489722661849.html?mod=WSJ_hpp_MIDDLENexttoWhatsNewsSecond

To view additional articles about new home loans, loan modifications, or mortgage refinances, please visit the following:

More homeowners fall behind on mortgages
To read the full story, please click here:
http://online.wsj.com/article/SB125865480793156003.html?mod=WSJ_hpp_MIDDLTopStories

Foreclosures hitting more people with prime loans
To read the full story, please click here:
http://www.mercurynews.com/breaking-news/ci_13823704

Decline in lending is largest since 1984
To read the full story, please click here:
http://www.washingtonpost.com/wp-dyn/content/article/2009/11/24/AR2009112401604.html

Los Angeles Times

New $6,500 federal tax credit for "move-up" home buyers may benefit you
The federal government recently extended and expanded the federal tax credit for home buyers. The tax credit now concludes June 30, 2010 instead of Nov. 30, 2009, and also includes existing homeowners who meet certain qualifications.

KEEP THIS IN MIND

- Current homeowners are eligible for a $6,500 federal tax credit if they have lived in their current home for a consecutive five out of the last eight years, and the adjusted household income does not exceed $125,000 for single files or $225,000 for join filers.
- The expanded tax credit went into effect Nov. 6, the day President Obama signed the bill. Homes that close escrow between Nov. 6, 2009 and June 30, 2010 are eligible to apply for the tax credit.
- The legislation does not require homeowners to sell their current residence; however, the new home must be the primary residence and the price of the home must not exceed the limit of $800,000. Homeowners who plan to retain their current home as a rental or second home are advised to move into the new home the day escrow closes so there is no question it was the principal residence at the time of the tax credit.
- Almost all housing types are eligible, including new and existing single-family homes, condominiums, manufactured or mobile homes, and boats that serve as the owner's principal residence. Second homes and investment properties are not eligible.
- Home buyers in 2009—those who close after Nov. 6, but no later than Dec. 31, can claim the $6,500 credit on their 2009 federal tax returns, or amend their 2008 returns. Similarly, eligible buyers in 2010 will be able to file for the credit on their 2009 returns or 2010 returns. All home buyers should talk to a tax advisor regarding timing decisions.

To read the full story, please click here:
http://www.latimes.com/classified/realestate/news/la-fi-harney15-2009nov15,0,7738021.story

In Other News…

Los Angeles Times

Index shows moderate gain in home prices in September
The Standard & Poor's/Case-Shiller index increased 0.3 percent from the prior month on a seasonally adjusted basis, after a 1.1 percent rise in August. The index fell 9.4 percent from September 2008 and marked the narrowest year-over-year decline since the end of 2007.

To read the full story, please click here:
http://www.latimes.com/business/la-fi-home-prices25-2009nov25,0,5376298.story

CNN Money

Want to avoid foreclosure? Go see a counselor
Housing counselors, who've received more than $400 million in federal funds to help mitigate the mortgage crisis, are helping troubled homeowners avoid foreclosure and lower their monthly payments, a study released last week has found.

To read the full story, please click here:
http://money.cnn.com/2009/11/18/news/economy/housing_counselors/index.htm

San Francisco Chronicle

Consumer confidence improves slightly in November
Americans' confidence in the economy improved slightly in November from October, but shoppers remain gloomy heading into the traditional start of the holiday shopping season amid a weak job market, according to a monthly survey.

To read the full story, please click here:
http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2009/11/24/financial/f070132S07.DTL

CNN Money

First-time home buyers leading market back
Propelled by the first-time home buyer's tax credit, nearly half of home sales now are being made by first-time purchasers, according to an industry report released Friday.

To read the full story, please click here:
http://money.cnn.com/2009/11/13/real_estate/first-timers_leading_housing/index.htm

Bloomberg

California housing market turns corner, REALTORS® say
California, one-time hub of subprime mortgage lending and the nation's leader in home foreclosures, has turned the corner toward a housing recovery, according to the state association of REALTORS®.

To read the full story, please click here:
http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aYrBU.MJHwKU

What you should know about the market…

- One indicator of whether a local housing market is improving is the inventory level of homes for sale. REALTORS® can provide this information and tell home buyers and sellers how many months it would take at the current sales rate to absorb that supply. California's long-run average of unsold inventory is 7.2 months. In October, the unsold inventory level stood at 4 months.

- Homeowners who lose their homes to foreclosure should wait three to five years before trying to qualify for a home mortgage insured by the government, depending on the borrower's circumstances, and assuming they have re-established a record of paying bills on time. Foreclosures can remain on credit reports for up to seven years, likely increasing the interest rates the consumer pays, and making it more difficult to receive approval on a new mortgage loan.