



# MORTGAGE MATTERS...

•  
Keeping  
up-to-date  
on market  
fluctuations  
allows you  
to bring  
greater  
value to  
your  
clients.  
•

*Keeping you updated on the market!*  
For the week of

**April 26, 2010**

---

## MARKET RECAP

In another sign home prices are stabilizing, Trulia.com reports that the rate of home listings where the seller made at least one reduction in asking price declined 26% in April 2010 compared to the same year-ago period. Trulia noted that 20% of asking prices were reduced at least once compared to 27% in April 2009. We weren't surprised to see the reduction. In fact, we were a little surprised a greater reduction wasn't forthcoming. We've noted in the past that sellers are much more grounded in the new-market reality of lower prices than they were a year ago.

The good news is the reality should become somewhat more bearable in coming months. Fannie Mae projects the median price for existing homes to rise from \$167,200 in the first quarter of 2010 to \$168,300 by year's end. Meanwhile, it expects the median price for new homes to climb from \$207,200 to \$214,500. Granted, it's not the pace of appreciation we were accustomed to in the past, but after enduring nearly two years of traumatizing price depreciation, we'll take whatever price appreciation the market will give.

The specter of rising prices should attract more buyers, and more buyers are needed to reduce inventory levels that still tilt toward the high side. Total housing inventory rose 1.5% to 3.58 million existing homes for sale in March, giving us an 8-month supply. The good news is that's an improvement from the 8.5-month supply at the end of February. We expect inventory levels to improve further on the March and April push to take advantage of the expiring federal homebuyers tax credits.

These credits were the most noted reason for the surge in existing-home sales, which were up more than expected, climbing 6.8% to a 5.35 million annual rate in March, according to the NAR. We expect to see a continued uptrend in May and June - perhaps to 2007 levels. We're unsure if it will occur, but we'd like to see this final tax-credit push generate enough momentum to maintain the trajectory through the summer selling season.

Of course, whatever is sold will likely need financing. On that front, mortgage rates

continue to maintain their holding pattern: We're still looking at 30-year fixed-rate mortgages near 5% and 15-year fixed-rate mortgages roughly 50-basis points lower. We've been warning, and we'll continue to warn, that rates are unlikely to move much lower. We think it makes little sense to hold out for a few basis points on the downside when many basis points loom on the upside.

<b>Economic Indicator</b>	<b>Release Date and Time</b>	<b>Consensus Estimate</b>	<b>Analysis</b>
S&P Case/Shiller Home Price Index (February)	Tues, April 27, 9:00 am, et	None	Important. February's prices should show a modest, innocuous decline.
Consumer Confidence (April)	Tues, April 27, 10:00 am, et	54.2 Index	Moderately Important. Confidence is improving, though consumers are showing reluctance to make big-ticket purchases.
Mortgage Applications	Wed, April 28, 7:00 am, et	None	Important. Purchase applications will trend significantly higher through month's end.
Federal Reserve FOMC Meeting	Wed, April, 28, 2:15 pm, et	Federal Funds Rate: 0.0% to 0.25%	Important. Credit markets expect the Fed to show more willingness to raise the fed funds rate.
Gross Domestic Product (1st Quarter 2010)	Fri, April 30, 8:30 am, et	3.5% Growth (Annualized)	Important. Growth is expected to post on par with more normal economic conditions.
Employment Cost Index	Fri, April 30, 8:30 am, et	0.5% (Increase)	Important. Sluggish first-quarter jobs growth will keep costs contained.

## It's Still All About Employment

The blogosphere has been alive with ominous chatter on the “next wave of foreclosures.” Much of the discourse has centered on homeowners who continue to make payments but have seen the value of their homes plummet, thus preventing them from saving money through refinancing. A few of the bloggers have speculated that rising frustration levels could produce a surge in strategic defaults.

It's a salient, legitimate point, to be sure, but it's also worth noting that people just don't walk away because they're underwater on a loan. The most obvious example is an auto loan: Once a new car is driven off the lot, it depreciates considerably – often to the point where an immediate sale would produce insufficient cash to retire the outstanding loan. In other words, just because someone is underwater and frustrated doesn't mean he or she is walking away. Moreover, he or she is even less likely to walk away if gainfully employed.

That's why we continue to look to the employment numbers for answers. The good news is that the numbers are generally improving, which, not so coincidentally, is why housing numbers are generally improving. The bottom line is, if we continue to see improvement in employment, we'll continue to see improvement in housing.



*This Mortgage Matters compliments of*

**Sam Suznevich**

**253-863-1113**

**Nikki Rosdahl, Assistant**

[sam@sumnerhomemortgage.com](mailto:sam@sumnerhomemortgage.com)

[nikki@sumnerhomemortgage.com](mailto:nikki@sumnerhomemortgage.com)

[www.sumnerhomemortgage.com](http://www.sumnerhomemortgage.com)



EQUAL  
HOUSING  
LENDER

If you do not wish to receive this valuable email, please let me know.

This Newsletter is for informational purposes only. The information contained herein may not be applicable to every situation or jurisdiction and we urge you to consult your professional advisor prior to acting on information contained herein. The content, accuracy and opinions expressed herein are not verified or endorsed by the sponsor hereof.