



# 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

**August 24, 2009**

---

## MARKET RECAP

At first glance the news on housing starts was a real downer, given that starts declined 1% to an annual rate of 581,000 units in July. On second glance, the news was less of a downer. The decline was due to a fall in multifamily dwellings, while construction of single-family houses, which account for 75% of the industry, rose 1.7% to a 490,000 annual rate. Even more encouraging, permits for single-family homes rose 5.8%.

On the existing-home front, purchases climbed 7.2%, in July, to a 5.24 million annual rate, the most since August 2007. Lower prices continue to be the lead reason for the increase in sales. The median sales price has slid 15.1% in the past year to \$178,400 due to the swelling ranks of stressed properties, which accounted for 31% of July's sales.

Many pundits expect the number of stressed properties to continue to grow. Data provided by TransUnion show the ratio of mortgage holders who are 60 days or more behind on their payments increased for the 10th straight quarter, to 5.81%, for the three months ended June 30. This bad news was tempered by the fact that while the delinquency rate hit a new high, the increase from the first quarter to the second was below the previous two quarters, suggesting the pundits could be wrong about the sustainability of the trend.

Good news or bad news, homes are very affordable, and mortgage rates should help keep the affordability quotient high. The 30-year, fixed-rate loan continues to average around 5.5%, while the 15-year fixed-rate loan continues to average around 4.9%. The really good news here is that rates should hold these levels heading into fall. We've stated before that inflation will likely be an issue when the economy more fully regains its bearings, but for now inflation remains a non-issue. In fact, wholesale prices fell more than forecast in July, capping the biggest 12-month drop on record.

<b>Economic Indicator</b>	<b>Release Date and Time</b>	<b>Consensus Estimate</b>	<b>Analysis</b>
Consumer Confidence (August)	Tues, Aug. 25, 10:00 am, et	48 Index	Moderately Important. Job losses remain the primary concern for consumers.
Mortgage Applications	Wed, Aug. 26, 7:00 am, et	None	Important. Lower rates are again stimulating interest for refinance and purchase loans.
Durable Goods Orders (July)	Wed, Aug. 26, 8:30 am, et	0.5% (Increase)	Important. Much of the increase will be driven by government incentive programs like “cash-for-clunkers.”
New Home Sales (July)	Wed, Aug. 26, 10:00 am, et	390,000 (Annualized)	Important. Heavy discounting continues to drive sales volume.
Gross Domestic Product (2nd Quarter 2009)	Thurs, Aug. 27, 8:30 am, et	1.4% (Decrease)	Moderately Important. The updated data is expected to confirm previously issued data.
Personal Income & Outlays (July)	Fri, Aug. 28, 8:30 am, et	Income: 0.2% (Increase) Outlays: 0.2% (Increase)	Important. Spending is being driven by incentives and discounts on big-ticket items.

## Wall of Worry

“If it bleeds, it leads,” is an old journalism trope, meaning bad news sells. There is still plenty of bad news out there. Two weeks ago Deutsche Bank startled most of us when it predicted that nearly half of American mortgage holders would be underwater by 2011. Last week, the Mortgage Bankers Association startled a few more when it reported that 13% of mortgage-encumbered homeowners are either behind on their payments or in foreclosure.

Many pundits expect that percentage to increase, pointing a finger to prime mortgages, which are becoming delinquent at an accelerating pace: Among prime loans, 9% were past due or in foreclosure at the end of June, up from 5.35% one year ago.

More worries center on the \$8,000 federal tax credit, slated to close November 30 – a mere three months from now. (But practically speaking, less than that when you consider you want to allow at least 30 days – and probably closer to 60 – for a normal transaction to go from contract to closing.) The credit has provided the greatest benefit to the low-end segment of the market. Many are worried the lower end will reverse course once the credit expires and begin mimicking the higher end (\$750,000 and up), which saw inventory levels increase to a 16-month supply in July.

These worries are legit and often repeated, and that's okay. Sustainable recoveries need to climb a wall of worry. Worries don't make it any easier to sleep at night, to be sure, but they do make us more cautious and diligent. It's always a good sign when markets can still push ahead when populated with cautious and diligent participants. Besides, markets work best when opinions are heterogeneous, unlike the homogeneous opinions that prevailed in 2006.



*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)



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.