



# 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

## September 28, 2009

### MARKET RECAP

First this week, and most important to us, was the news on existing home sales. The pace of sales had been accelerating smartly through most of the summer, until August, when purchases unexpectedly dipped 2.7% to a 5.1 million annual rate. However, this is still the second-highest rate in the past 23 months.

Prices continue to recover and improve in many parts of the country. The Federal Housing Finance Agency reported that home prices rose 0.3% in July from the previous month. The median price – the bifurcating point where half the home prices are above and half below – stands at \$177,700 (though it stood at \$164,800 in January) while the average price stands at \$222,800.

Inventory was the encouraging takeaway last week, having fallen 10.8% to an 8.5-month supply in August. Whether these inventory levels will stick is anyone's guess. Foreclosed homes – estimated by some analysts to total several million – are expected to hit the market over the next few years. The risk that those foreclosures will depress prices could keep some potential buyers on the sidelines. Whether these homes will hit in a flood or a trickle is another unknown. All we know is that as of July, mortgage companies had not begun the foreclosure process on 1.2 million loans that were at least 90 days past due, according to LPS Applied Analytics.

The prospect of an unprecedented rise in foreclosed homes has raised the volume on calls for extension of the \$8,000 first-time homebuyer's credit set to expire November 30. The good news on that front is that a senate bill introduced late Thursday would extend the credit for six months past November. We think chances are good that the bill will pass, given that it appears to have broad-based bipartisan support.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Case-Shiller Home Price Index (July)	Tues, Sept. 29, 9:00 am, et	None	Important. Another home-price increase will boost market confidence.
Consumer Confidence	Tues, Sept.		Moderately Important. Confidence has been

(September)	29, 10:00 am, et	56.5 Index	bolstered on the improved economic outlook.
Mortgage Applications	Wed, Sept. 30, 7:00 am, et	None	Important. Activity has gained momentum on recent rate drops.
Personal Income & Outlays (August)	Thurs, Oct. 1, 8:30 am, et	Income: 0.1% (Increase) Outlays: 1.0% (Increase)	Important. Consumer spending remains sluggish, though it has picked up in recent months.
Construction Spending (August)	Thurs, Oct. 1, 10:00 am, et	0.2% (Decrease)	Important. Spending remains weak, though the residential sector is less of a drag.
Pending Home Sales (August)	Thurs, Oct. 1, 10:00 am, et	1.5% (Increase)	Important. Sales continue to push ahead on first-time buyer momentum.
Employment Situation (September)	Fri, Oct. 2, 8:30 am, et	Unemployment: 9.8% Hourly Wages: 0.2% (Increase)	Very Important. Recent data suggest abating job losses and a firming job market.

### ***What is Known Won't Kill You***

The foreclosure conundrum has been garnering more headlines in recent weeks, raising concerns about the sustainability of the summer rally. Fortunately, the conundrum has been known for a while, and what is known is rarely the problem. The unknown – the thing that appears unexpectedly – is what gets us, which is why we tend to be less concerned than most about the damage foreclosures could wrought.

Our concerns are further assuaged by history, which suggests a robust recovery lies ahead. James Grant, a prominent market bear, noted as much in the *Wall Street Journal*. Grant reasons that our recession bears comparison with the slump of 1981-82. Grant notes that in the worst quarter of that contraction, real GDP shrank at an annual rate of 6.4%. Yet the recovery, starting in the first quarter of 1983, rushed along at impressive quarterly growth rates. Not until the third quarter of 1984 did real quarterly GDP growth drop below 5%.

Our optimism is further buttressed by historical data collected by Michael T. Darda, chief economist of MKM Partners. Says Darda, "The most important

determinant of the strength of an economy recovery is the depth of the downturn that preceded it. There are no exceptions to this rule, including the 1929-1939 period." Our depths have been fairly deep the past year.

Therefore, we remain upbeat, but not too upbeat, because times – good or bad – do not last. The benchmark 30-year fixed-rate mortgage is hovering near 5.3% while the benchmark 15-year fixed rate mortgage is hovering near 4.7%. These rates are very good, but ephemeral, and so is the median home price of \$177,700, as January's \$164,800 median home price proves. Buyers beware, but more important, buyers be aware that this market – and the deals it offers – won't last.



*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.