

Our Give And Gain Market Brings Opportunity for Homebuyers in 2009

Authored by: Steve Landis
Certified Mortgage Planner



Buying a new home just became much more affordable thanks to recent announcements made by the Federal Reserve that caused mortgage rates to drop UNDER 5.000%

In the weekend following Thanksgiving this year, the Federal Reserve made public its desire to purchase up to \$500 Billion in Mortgage Backed Securities (MBS) from Fannie Mae and Freddie Mac. News of this liquidity coming into the market, caused mortgage rates to fall from near 6.000% down close to 5.000%. On December 16th at the regularly scheduled meeting of the Federal Reserve Board, it was confirmed that the Fed would be buying up \$500B of MBS and would consider buying even more in an effort to drive down mortgage rates and stimulate home sales to further reduce the inventory of unsold homes. This latest announcement caused conforming 30 year fixed mortgage rates to briefly dip down to 4.500%. Current rates are hovering just below 5.000%.

What These Low Mortgage Rates Mean To You

These low rates create an amazing opportunity for home buyers in 2009 considering mortgage rates have fallen from their highs of nearly 6.500% in mid 2008. On a \$200K mortgage this 1.500% drop in interest rate saves a home buyer over \$190.00 per month. Or, this \$190 per month savings would allow the homebuyer to purchase approximately \$35K more home at a 5.000% interest rate. Given Fannie and Freddie loan up to \$417K at these rates, you can more than double these savings numbers on higher priced homes.

2009 brings the perfect mix of home prices that have come down 6 -10% in the Portland metro area coupled with the most aggressive financing and tax incentives we've seen in years.

Selling Your Current Home in a "Give and Gain" Market

Many homeowners in the market for a new home are apprehensive to put their current home on the market at today's lower prices. It sometimes difficult to face the reality that our homes will sell for less than they would have a year or two ago.

For homeowners faced with the dilemma of when to sell in this market I would suggest two considerations.

- **First, homes in good condition that are priced in alignment with the market ARE SELLING.** Consult your real estate professional for numbers relevant to your specific market area (neighborhood/community). You might be surprised to learn that home sales while not at "boom" levels are closer to "average" historic sales volumes than "low" volumes. Despite weak economic conditions, life circumstances still create a need for people to buy a first home or a larger home. Top economists on our local market including John Mitchell, believe that there is "pent up demand" for housing in our market. It is for this reason that in 2008 inventories of unsold homes both nationally and locally have been gradually decreasing. So don't be afraid to get your home dressed up and to the party.
- **Second, although we may SELL for up to 10% less than the peak values, we also BUY with a similar discount.** When buying a larger home, you will likely **"Gain" more than you "Give"**. Couple this with long-term mortgages near 5.000%, and you'll realize tremendous savings long-term while upgrading your home in this market of opportunity.

Is it difficult to get a mortgage?

The headlines might lead you to believe obtaining a new home loan or refinancing an existing loan is unusually difficult. For most clients, this is not the case.

In fact, given the impact of the recent economic stimulus packages, low mortgage rates are allowing buyers to qualify for more house!

Highlights of the Current Mortgage Environment

Loan underwriting guidelines have taken a step back to more traditional principles requiring verification that borrowers have the income to make the payment (not a bad idea). Also, in today's market you'll need at least a 3-3.5% down payment to buy a home (unless you are a Veteran eligible for a 100% VA loan...which we do offer).

Conforming Fannie/Freddie loans - Most loan products available from Fannie and Freddie before the "credit crunch" are still available...and rates are hovering in the mid to low 5's, although they fluctuate hourly.

FHA Loans - Requiring only 3% down (3.5% as of 1/1/09) make homes affordable for first time buyers. Existing homeowners needing to re-finance can obtain up to a 95% cash-out re-finance on loan amounts up to 417K offering a great tool to streamline debts and improve tax deductions.

Jumbo Loans - (loan amounts over \$417K) are carrying a huge premium at many commercial banks. We do have relationships with a few select institutions that offer Jumbos up to \$1.5 Million at rates close to Fannie Freddie rates.

Investment Property / Second Home Loans Financing is readily available on investment properties with a 20% down payment and for 2nd homes with at least a 10% down payment. With moderated home prices it's a great time to invest in real estate.

For more information on these topics or to qualify for these amazing low rates, visit our website at

www.thelandisgroup.com or
contact us at 503-452-0001