Kam's Mortgage Monthly

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Market Update

Here is some recent news from the Victoria Real Estate Board:

Sales of homes and other properties in the Greater Victoria area followed the expected trend and softened last month as many people enjoyed vacation time. Prices also moderated slightly. A total of 517 homes and other properties sold in August through the Victoria Real Estate Board's Multiple Listing Service® (MLS®) compared to the 616 sales in July. There were 846 sales in August of last year.

Victoria Real Estate Board President, Tony Joe, notes that today's buyers now have more properties from which to choose than at any time since 1996. "The number of properties available for sale is now at the highest level in over 12 years, increasing in August to 4,657. That represents a 39 per cent increase compared to August of last year." Joe notes that prices moderated last month with nearly 46 per cent of single family homes selling for under $500,000. "The average price of single family homes in Greater Victoria last month was $549,914, down from over $578,000 in July; the six-month average was $592,582 though the median price in August was considerably lower at $512,000." Joe noted that eleven single family homes sold for over $1 million in August, including two sales on the Gulf Islands.

The average price of all townhomes sold last month was $413,994, down from nearly $455,000 in July; the six month average was $435,309. The median price in August was $382,000. Joe noted that the overall average price for condominiums at $302,200 last month was virtually unchanged from July. The average for the last six months was $319,825. The median price for condominiums in August was $280,000.

MLS® sales last month included 269 single family homes, 160 condominiums, 53 townhomes and eight manufactured homes.

So what does this mean? Simply put, for the first time in quite a while, buyers are back in the drivers seat. How long will this trend continue is the question. What I do know is that if you've been waiting on the sidelines to buy a home, now may be a good time to start getting serious about it!

Newsletter Highlights

Something to Ponder

Opportunities are not lost,
they're squandered!
Kam Brar

US Housing Market Woes

The US government is expected to take over Fannie Mae and Freddie Mac as soon as this weekend is over, in a monumental move designed to protect the US mortgage market from the failure of the two companies, which together hold or guarantee half of the nation's mortgage debt, a person briefed on the matter stated on Friday night. Some of the details of the intervention, which could cost US taxpayers billions, were not yet available.

Federal Reserve Chairman Ben Bernanke, Treasury Secretary Henry Paulson and James Lockhart, the companies' chief regulator, met Friday afternoon with the top executives from the mortgage companies and informed them of the government's plan to put the troubled companies into a conservatorship.
The news, first reported on The Wall Street Journal's website, came after stock markets closed. In after-hours trading Fannie Mae's shares plunged $1.54 (U.S.), or 22 per cent, to $5.50. Freddie Mac's shares fell $1.06, or almost 21 per cent, to $4.04. Common stock in the companies will be worth little to nothing after the government's actions.

The news also followed a report Friday by the Mortgage Bankers Association that more than 4 million American homeowners with a mortgage, a record 9 per cent, were either behind on their payments or in foreclosure at the end of June.

That confirmed what investors saw in Fannie and Freddie's recent financial results: trouble in the mortgage market has shifted to homeowners who had solid credit, but took out exotic loans with little or no proof of their income and assets. Fannie Mae and Freddie Mac lost a combined $3.1-billion between April and June. Half of their credit losses came from these types of risky loans with ballooning monthly payments. While both companies said they had enough resources to withstand the losses, many investors believe their financial cushions could wither away as defaults and foreclosures mount. Many in Washington and on Wall Street hadn't expected Treasury Secretary Henry Paulson to intervene unless the companies had trouble issuing debt to fund their operations.

This summer, Congress passed a plan to provide unlimited government loans to Fannie and Freddie and to purchase stock in the two companies if needed. Critics say the open-ended nature of the rescue package could expose taxpayers to billions of dollars of potential losses. Supporters, however, argue the Bush administration had little choice but to support Fannie and Freddie, which together hold or guarantee $5-trillion in mortgages - almost half the nation's total.

Concern has been growing that a government rescue of Fannie and Freddie could not only wipe out common stockholders, but also be costly for scores of investment, banking and insurance companies that hold billions of dollars in their preferred shares. Mr. Paulson has been in contact in recent weeks with foreign governments that hold billions of dollars of Fannie and Freddie debt to reassure them that the United States recognizes the importance of the two companies. The two companies had nearly $36-billion in preferred shares outstanding as of June 30, according to filings with the Securities and Exchange Commission.

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US Housing Market Woes cont'd...

Fannie Mae was founded as a government agency in 1938 as part of Franklin Delano Roosevelt's New Deal to provide liquidity to the mortgage market. For the next 30 years, Fannie Mae held a virtual monopoly on the secondary mortgage market in the United States. In 1968, to remove the activity of Fannie Mae from the annual balance sheet of the federal budget, it was converted into a private corporation. Fannie Mae ceased to be the guarantor of government-issued mortgages, and that responsibility was transferred to the new Government National Mortgage Association (Ginnie Mae). To provide competition in the secondary mortgage market, and to end Fannie Mae's monopoly, Congress chartered Freddie Mac as a private corporation. The Emergency Home Finance Act of 1970 created Freddie Mac. The goal was to create a secondary market for conventional mortgages, as indicated in the Fannie Mae charter.

Fannie Mae and Freddie Mac's primary method of making money is by charging a guarantee fee on loans that it has purchased and securitized into mortgage-backed security bonds. Investors, or purchasers of Fannie Mae and/or Freddie Mac Mortgage Backed Securities, are willing to let them keep this fee in exchange for assuming the credit risk, that is, they guarantee that the principal and interest on the underlying loan will be paid back regardless of whether the borrower actually repays.

A government takeover could cost taxpayers up to $25-billion, according to the Congressional Budget Office. But the epic decision highlights the size of the threats facing the housing market and the economy. On Friday, Nevada regulators shut down Silver State Bank, the 11th failure this year of a federally insured bank.

New Digs!

Our office has moved; the new address is Unit A-2826 Bryn Maur Road, just a couple of blocks from the old location, all of my other contact info remains the same. So if you're in the neighborhood, please drop by and say hello!

Referrals

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail to kam.brar@vericoselect.com or call me at **250-686-4246.**
Never dealt with me, not sure what kind of service you're going to get? click here to see what some of my clients have to say!

If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com