CAR sees state housing market improving, housing prices at 2010 high

By City News Service Daily Breeze
Posted:

DailyBreeze.com

LOS ANGELES - California's housing market exhibited signs of continuing improvement in June, with home sales showing solid gains and home prices reaching their highest level since August 2010, the California Association of Realtors reported today.

"Although home sales throughout the state continued to improve compared with a year earlier, we did see a modest dip compared with May," said CAR President LeFrancis Arnold. "Potential home buyers are frustrated by limited number of homes on the market for sale and growing discouraged by signs that the economy is slowing."

Closed escrow sales of existing single-family detached homes in California declined 8.6 percent from May's revised 567,330 to a seasonally adjusted annualized rate of 518,460 in June, according to Los Angeles-based CAR.

June sales rose 8.5 percent from June 2011's revised 478,040 pace. The statewide sales figure, which is adjusted to account for seasonal factors that typically influence home sales, represents what would be the total number of homes sold during 2012 if sales maintained the June pace throughout the year.

Home prices also continued to improve, with the median home price -- $320,540 in June for an existing single-family detached home in California -- posting month-over-month and year-over-year gains for the fourth straight month, according to a CAR statement.

June's price rose 1.3 percent from a revised $316,410 in May and 8.1 percent from a revised $296,410 recorded in June 2011, CAR reported. The June 2012 figure was 30.7 percent higher than the cyclical bottom of $245,230 reached in February 2009.

The median price posted above the $300,000 level in June for the third straight month after remaining below that mark for 15 months, according to CAR.

latimes.com/business/la-fi-0710-mortgage-forms-20120710,0,2776630.story

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Consumer agency unveils simplified mortgage disclosure forms

The proposed forms, which begin a public review period, are designed to clearly reveal important details of home loans to borrowers before they sign final documents.

E. Scott Reckard and Alejandro Lazo, Los Angeles Times

July 10, 2012

The Consumer Financial Protection Bureau released its final proposal for simpler mortgage disclosures — a three-page summary of home-loan costs and risks — to a lukewarm response from industry groups and a key consumer advocate.

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The proposed disclosure forms, released Monday, are the product of 18 months of research and consumer testing. The bureau said the forms would benefit consumers by using plain language and lenders by replacing two sets of more complex disclosures that currently must be made.

The comparison sheets are designed to clearly disclose important details of home loans to borrowers before they sign their mortgage documents, preventing nasty surprises at closing and sometimes years later.

The proposed "loan estimate" and "closing disclosure" forms, with the same categories in both, are to be given to borrowers three days after they apply for a loan and three days before it closes to give them time to evaluate the mortgage.

The simple forms for consumers were accompanied by 1,009 pages of material explaining the bureau's proposed approach and how lenders should implement the new rules.

Bankers and consumer groups reacted guardedly, saying they needed more time to study the details. The Center for Responsible Lending, a leading consumer advocacy group, declined to comment, referring questions to National Consumer Law Center attorney Diane Thompson, who expressed disappointment.

Thompson said the forms make it possible for consumers to compare interest rates and closing costs for loans, and provide assurance those terms won't rise significantly when the loan closes. They also make clear whether a loan is adjustable, state a maximum payment and examine insurance and property tax costs.

But the new forms downplay a previous benchmark, the annual percentage rate, which attempted to summarize the combined effect of the fees, interest rate and term of the loan in one figure. Thompson said that emphasizing the separate components of a loan at the expense of the overall effect could cause borrowers to select a loan that isn't the best alternative.

"Nobody has had time to digest the final forms and to read the details of the testing reports," Thompson said. "But from what we've seen, they've focused much more on the constituent components of the cost of credit rather than allow homeowners to compare loans that are priced differently."

A group representing major financial firms was cautiously positive about the proposal.

"We are generally supportive of the effort and have been working with them for a while on this," said Scott Talbott, chief lobbyist for the Financial Services Roundtable. "We are still reading it and won't have comments good or bad until a little later in the week."

David Stevens, chief executive of the Mortgage Bankers Assn., said he welcomed simpler disclosure rules but said the change would "impose massive change on the industry."

"We will be working with the CFPB to make sure the forms, and the rules surrounding them, are best for borrowers and lenders alike," Stevens said.

In the past, consumers often complained about hefty finance charges that cropped up just as they were ready to buy a home. Many said they had not realized the consequences of adjustable loans — mortgages whose rising payments helped create the mortgage meltdown that touched off the financial crisis.

"Our proposed redesign of the federal mortgage forms provides much-needed transparency in the mortgage market and gives consumers greater power over the exciting and daunting process of buying a home," bureau Director Richard Cordray said in a news release.

The proposal also would rewrite rules governing high-cost mortgages, requiring homeowners to meet with financial counselors before taking out the expensive loans. The new rules would ban penalties imposed on borrowers who pay off home loans early and would outlaw most balloon payments, large one-time payments at the end of a loan.

The proposed rules also would cap late fees, ban loan-modification fees and restrict fees charged when consumers ask for payoff statements for their loans.

The new rules are not yet final. The public has until Sept. 7 to review and comment on the proposals. Links to information and the proposed new regulations are provided at the Consumer Financial Protection Bureau website, http://www.consumerfinance.gov.

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More signs of a housing rebound

By Les Christie @CNNMoneyJuly 18, 2012: 5:24 PM ET

PHOTO: TIM BOYLE/BLOOMBERG VIA GETTY IMAGES

New home construction is starting to heat up, with housing starts rising to the highest level since October 2008.

NEW YORK (CNNMoney) -- A recovery in new home construction appears to be underway, with significant increases in both housing starts and building permits last month, according to the Census Bureau.

Housing starts rose 6.9% in June to a 760,000 annual rate, the highest level in four years. That's up an impressive 23.6% compared with a year earlier. Permits to build new homes fell slightly from revised May numbers to 755,000, but were up 19.3% compared with June 2011.

Demand for homes has been strong in many markets, according to Glenn Kelman, founder of discount broker Redfin.

"Homebuyers are like a herd of hungry goats right now, going from hillside to hillside looking for something to eat," he said. "There's not enough inventory to go around."

He said many recent house hunters started out looking for existing homes in picture-perfect, move-in condition and were disappointed in what they found. Few of those homes are available because the owners are sitting on them.

"The owners are not willing to sell their homes at the current price levels," said Kelman. And buyers have had to look to new construction to order the houses they want.

That has jump-started some long-delayed building projects, according to Dwight Johnston, chief economist at the California and Nevada Credit Union Leagues.

"Within a 20-mile radius of Claremont, [Calif.], there were three big developments that had been dormant for years and they started building on them again," he said.

A separate release from the National Association of Home Builders (NAHB) reported that builder confidence is at its highest level in five years.

"Builder confidence increased by solid margins in every region of the country in July as views of current sales conditions, prospects for future sales and traffic of prospective buyers all improved," said Barry Rutenberg, NAHB's chairman and a home builder from Gainesville, Fla.

That optimism had a lot to do with recent home price increases, said NAHB's chief economist, David Crowe.

Home prices rose in April for the first time in seven months, according to the S&P/Case-Shiller home price index.

"Once home price increases start to kick in, buyers lose their fear of buying," said Crowe.

With home building numbers on the rise and prices solidifying, the housing market should start contributing to national economic growth for the first time since 2007, according to Stuart Hoffman, chief economist for PNC Financial.

"The contribution will be even larger next year as home building continues to increase, foreclosures work their way off the market, and prices see more consistent gains," he said.

He expects the housing market will lead economic expansion over the next two years.

One potential problem: mortgage defaults are on the rise again. **Foreclosure filings rose 9%** in the three months ended June 30.

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Many of the foreclosed homes that come on to the market were built during the housing boom, and have many of the bells and whistles modern homebuyers want, although they're not always in the best condition.

If many of the homes just coming into the foreclosure process now go on to be repossessed by lenders and put back on the market, the competition could hurt sales of new homes. ■

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First Published: July 18, 2012: 9:03 AM ET

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Foreclosure crisis hits older Americans hard

JOSH LEDERMAN, Associated Press
Updated 07:59 a.m., Thursday, July 19, 2012

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WASHINGTON (AP) — More than 1.5 million older Americans already have lost their homes, with millions more at risk as the national housing crisis takes its toll on those who are among the worst positioned to weather the storm, a new AARP report says.

Older African Americans and Hispanics are the hardest hit.

"The Great Recession has been brutal for many older Americans," said Debra Whitman, AARP's policy chief. "This shows that home ownership doesn't guarantee financial security later in life."

Even working two jobs hasn't been enough to allow Jewel Lewis-Hall, 57, to make her monthly mortgage payments on time. Her husband has made little money since being laid off from his job at a farmer's market, and Lewis-Hall said her salary as a school cook falls short of what she needs to make the payments on her home in Washington.

Lewis-Hall and her husband have been making their payments late for about a year, but panic didn't set in until recently, when the word "foreclosure" showed up in a letter from the bank.

"You're used to living a certain way, but one thing leads to another," Lewis-Hall said. "It's not like I have a new car or anything. I'm driving one from 1991."

According to AARP:

—About 600,000 people who are 50 years or older are in foreclosure.

—About 625,000 in the same age group are at least three months behind on their mortgages.

—About 3.5 million — 16 percent of older homeowners — are underwater, meaning their home values have gone down and they now owe more than their homes are worth.

AARP said that over the past five years, the proportion of loans held by older Americans that are seriously delinquent jumped by more than 450 percent.

Homeowners who are younger than 50 have a higher rate of serious delinquency than their older counterparts. But the rate is increasing at a faster pace for older Americans than for younger ones, according to AARP's analysis of more than 17 million mortgages.

Americans who are 50 or older are hard-pressed to recover from the collapse of the housing market that started in 2006 and was compounded by the recession that started in 2007. Eight in 10 of them own homes, but many live on fixed incomes, have little savings or have already burned through much of their retirement savings. They also have fewer working years left to build back what they may have lost.

And those who are forced to re-enter the workforce often find they can't command the same salary that they did in the past.

Older minorities are facing foreclosure rates that are almost double those faced by white borrowers of the same age, mirroring a nationwide trend seen in other age groups as well. Among older African Americans, 3.5 percent were in foreclosure at the end of 2011, and the rate was 3.9 percent for Hispanics. Just 1.9 percent of white homeowners were in foreclosure.

The issue has become so dire in Rep. Elijah Cummings' Maryland district that he has assigned one of his 20 staffers to work full time to help struggling homeowners, and his office holds regular foreclosure prevention workshops. He said the federal government can do its part by promoting principal reduction and loan modification programs.

"These are people who in many instances have never missed a payment in 20 years," Cummings, a Democrat, said in an interview. "You see grown men crying because of the potential loss of a home."

Among older homeowners, those who are 75 or older are in the worst shape when it comes to foreclosures, the report showed. In 2007, one out of every 300 homeowners 75 or older was in foreclosure. Five years later, about one in 30 face that same fate.

Many of those oldest homeowners may have lost income they were counting on, such as the retirement benefits of a deceased spouse. In the meantime, their mortgage payments have stayed the same.

The situation is likely to get worse before it gets better, AARP officials predicted, because of a housing market that is recovering at a snail's pace.

"This crisis is far from over," Whitman said. "We need to think about more creative solutions now that we have this data."

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Online:

http://www.aarp.org/money/credit-loans-debt/info-07-2012/nightmare-on-main-street-AARP-ppi-cons-prot.html .

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THE WALL STREET JOURNAL.
WSJ.com

July 17, 2012, 6:00 AM ET

With Low Supply, Asking Prices Rise for Fifth Straight Month

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Home sellers are staying on the sidelines this summer, which is helping to firm up prices in more U.S. housing markets.

The number of homes listed for sale rose by just 0.5% in June from May and was down 19.4% from one year ago, according to Realtor.com. Slightly less than 1.89 million homes were listed for sale in June, which is lower than at any time in 2011 or 2010.

Listings are down in part because banks have been slower to move foreclosed properties onto the market and investors are buying up more of them at courthouse auction sales and renting them out. Meanwhile, traditional sellers are frequently unwilling to list their homes amid signs that prices are turning around in more markets. And in some of the markets with the biggest inventory drops, many owe more than their homes are worth and may be unable to sell without taking a big loss.

Compared with one year ago, listings were down in all but two of the 146 markets tracked by Realtor.com. Inventory has fallen by nearly 58% in Oakland, Calif.; by 49% in Fresno, Calif.; by 47% in Bakersfield, Calif.; and by 43% in Seattle.

Big inventory drops are pushing up prices. Median asking prices rose for the fifth straight month and were 2.7% higher than one year ago, though they were up by just 0.05% for the month. By contrast, last year's disappointing spring sales season prompted sellers to cut prices by 1% in June from May.

About two thirds of all markets saw median prices increase in June from one year ago, and about one third of all markets saw median prices rise by at least 5%. The biggest gainers were Phoenix, San Francisco, and Santa Barbara, Calif. Prices declined in just 19 markets, with the biggest declines reported in Allentown, Pa.; Peoria, Ill.; and Toledo, Ohio.

Another sign of the improvement this spring: The median age of inventory listed for sale fell by nearly 10% from one year ago. That means sellers are finding buyers more quickly for their homes.

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The New York Times

July 12, 2012

A Bigger ‘Jumbo’ Market

By VICKIE ELMER

THE so-called jumbo mortgage market is strong, competitive and growing, with more lenders, and more loan products now being offered, which means it’s more important than ever to comparison-shop.

“Most lenders — large and small, even credit unions now — will make jumbo mortgages,” said Guy Cecala, the publisher of Inside Mortgage Finance, a trade publication. “That’s something we haven’t seen before.”

As recently as 2009, just a handful of big banks had dominated the market for jumbo mortgages, also called nonconforming loans, which exceed $625,500 in high-cost areas like New York. (Conforming mortgages meet specific guidelines of Fannie Mae and Freddie Mac, which repurchase the loans and resell them to investors. Because lenders assume less risk, interest rates for conforming loans typically have been lower than for nonconforming.)

Some experts had predicted that higher-end real estate would suffer after Fannie and Freddie lowered the maximum amount on conforming mortgages last October from $729,500. Instead, lenders have added products and even eased qualifications for some borrowers.

Jason Auerbach, a divisional manager at First Choice Bank in Manhattan who specializes in jumbo mortgages, estimates that the number of lenders making jumbo loans in the New York region alone has jumped 20 percent. He says lenders have become especially more competitive for loans up to $2 million, with 30 to 40 percent down.

The acceleration in activity has occurred over the last six months, with smaller lenders jumping into the fray, said Melissa Cohn, the chief executive of the Manhattan Mortgage Company, a large mortgage broker. “Banks are flush with cash and need to lend,” she said.

Lenders made $63.8 billion in jumbo loans in the first quarter, 18 percent more than in the first quarter of last year, according to the latest data available from Inside Mortgage Finance, which estimated that jumbo loans accounted for 16.6 percent of all loan originations in the first quarter, up from 9.9 percent for all of 2009.

Mr. Cecala says that lenders see the jumbo market as profitable because it is generally populated by borrowers who tend to have a higher net worth and credit scores, and because borrowers are often required to make larger down payments, usually starting at 30 percent of the purchase price.

As they compete for business, some lenders are seeking to carve out niches — based, for example, on geography, or on a borrower’s credit quality or background. Mr. Auerbach said that First Choice had been lending to many foreigners and people returning from overseas markets. It also provides “superjumbo lending” of up to $6 million, he said.

Other lenders are loosening requirements on self-employed borrowers and even offering interest-only mortgages to borrowers who meet certain income standards, according to Keith Gumbinger, a vice president of HSH.com, a financial publisher in Pompton Plains, N.J.

And there is also what Ms. Cohn describes as an asset liquidation loan, in which lenders can qualify people who may have large bank balances and other assets but not enough income. “There’s far more creativity in the jumbo space than there is in the conforming market,” she said.

Because there are “57 flavors in the jumbo market” it’s important for borrowers to take the time to compare loan products. Mr. Cecala suggests starting with smaller lenders like community banks, some of which may be more likely to approve a mortgage application if a borrower already has an account there.

Mr. Auerbach says borrowers should get preapproved, because some lenders tailor their requirements to the size of the loan. They may, for example, have higher credit standards or require bigger down payments for loans above $1.5 million.

www.chicagotribune.com/business/la-fi-consumer-credit-oversight-20120716,0,5254536.story

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U.S. consumer agency to oversee big credit reporting firms

Consumer Financial Protection Bureau will begin this fall to supervise the 30 largest credit reporting companies, including Experian, Equifax and TransUnion.

By Jim Puzzanghera, Los Angeles Times

1:00 AM CDT, July 16, 2012

WASHINGTON —

Large credit reporting companies, which are playing an increasingly important role in the financial lives of Americans, will get new federal oversight from the nation's consumer watchdog.

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The Consumer Financial Protection Bureau said it would begin this fall to supervise the 30 largest credit reporting companies, which account for 94% of the market's annual receipts.

Among the firms are the big three: Experian Information Solutions Inc.,Equifax Inc.and TransUnion. Combined, they issue more than 3 billion consumer credit reports each year and have files on more than 200 million Americans.

"Credit reporting is at the heart of our lending systems and enables many of us to get credit, afford a home or get an education," said bureau Director Richard Cordray, who will announce the oversight at a hearing on credit reporting Monday in Detroit.

"Supervising this market will help ensure that it works properly for consumers, lenders and the wider economy," he said. "There is much at stake in making sure it is both fair and effective."

One focus of the new oversight will be on the accuracy of information produced by the large credit reporting companies, whose reports hold the key to getting a credit card, a mortgage or even a job, Cordray said.

In addition, the bureau will issue an advisory to consumers about the importance of checking their credit reports and about information on disputing mistakes.

The consumer bureau, created by the sweeping 2010 overhaul of financial rules, oversees banks for compliance with consumer protection rules.

Congress also directed it to supervise residential mortgage companies, payday lenders and private student lenders. And lawmakers gave the bureau the power to expand its oversight to large companies in other consumer finance sectors, such as credit reporting.

In February, the bureau proposed to supervise credit reporting companies and debt collectors because of their broad affect on consumers. Officials hope to complete rules for supervising large debt collection companies this fall.

Its oversight of large credit reporting companies includes other firms that analyze or resell consumer credit data. Rules governing them will take effect Sept. 30 and will include on-site exams by consumer bureau employees.

"Up to this point, no single federal government agency could access all the information necessary to generate a complete picture of what was happening inside these companies," Cordray said in written remarks prepared for Monday's hearing.

"Our country's credit system is a resource in which we all have much at stake — both directly and indirectly — and we need this system to operate effectively in order for the credit markets to work properly and fairly," he said.

Accuracy of credit reports and resolution of disputes are the key areas for oversight, he said.

"The wrong information may cause them to be denied a loan, to be charged a much higher interest rate or to be passed over for a job, causing them serious economic hardship," Cordray said. "And inaccurate credit reports also deprive lenders of essential information they need to assess credit risk properly.

Cordray said consumers have complained about "unreasonably laborious processes to get errors removed from their files."

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BASED ON THE TRIUMPHANT TRUE STORY

July 14, 2012

Here Comes the Catch in Home Equity Loans

By GRETCHEN MORGENSON

IS the housing market finally coming back from the dead?

Recent data suggests as much. New homes are being built again. Sales of existing ones are rising — up nearly 10 percent in May from the same month of 2011. Also in May, pending home sales, a figure based on signed purchase contracts, matched their highest levels in two years. Gains were seen across the nation.

After so many years of declines, these signs of life in housing are surely welcome. But the fact is, even a strong recovery is unlikely to rescue many homeowners who are groaning under the weight of multiple mortgages.

That's because of the nature of home equity lines of credit, which require low payments in the early years followed by hefty payments later on. For many borrowers, those later years are fast approaching.

During the initial years of home equity credit lines, borrowers must pay only interest. Borrowers can also pay down principal if they wish, but many homeowners, short on cash, haven't done so. At Wells Fargo, for example, in the quarter ended March 31, some 44 percent of the bank's home equity borrowers paid only the minimum amount due.

Being required to pay only the interest on these loans has made them easier for troubled borrowers to carry. But these easy terms are about to get tougher. What's known as the initial draw period for home equity lines of credit is coming to an end for many borrowers. Soon, they will have to pay principal as well.

Ten days ago, the Office of the Comptroller of the Currency published some frightening figures about the looming payments. In its spring 2012 "Semiannual Risk Perspective," it said that almost 60 percent of all home equity line balances would start requiring payments of both principal and interest between 2014 and 2017.

The amounts owed in these lines of credit climb significantly in coming years. While $11 billion in home equity lines are starting to require principal and interest payments this year, the amount jumps to $29 billion by 2014, the office said. That is followed by a surge to $53 billion in 2015 and $73 billion in 2017. For 2018 and beyond, it's $111 billion.

"Home equity borrowers face three potential issues," the report concluded. They include risk from rising interest rates — most of these loans have adjustable rates — and payment shock as borrowers realize they have to pay down principal. Refinancing difficulties are also a problem, it said, "because collateral values have declined significantly since these loans were originated."

That's for sure. The properties backing many of these loans are no longer worth the amounts borrowed on them. And those amounts are enormous. In the first quarter of 2012, the top four banks held $295.1 billion in revolving residential lines of credit, according to Amherst Securities. Using data from the Federal Reserve, Amherst said Bank of America held $101.4 billion; Wells Fargo, $93.3 billion; JPMorgan Chase, $84.4 billion; and Citigroup, $15.9 billion. As a result, the risks to borrowers cited in the comptroller's office report will also be faced by their lenders.

How banks value these loans has become a hot topic among investors and regulators. This is to be expected, given that so many home equity lines are no longer collateralized by boom-era home values. Last January, for example, financial regulators issued supervisory guidance on how banks should adjust allowances for losses on these loans. And in the first quarter, Wells Fargo said it moved $1.7 billion in junior lien mortgages to nonaccrual status as a result of the guidance. That caused an increase in the bank's nonperforming assets to $26.6 billion, a 33 percent rise.

But in the second quarter, Wells Fargo showed a 13 percent decline in nonperforming loan balances among junior lien mortgages.

These are among the riskiest loans in any bank's portfolio. As borrowers are pressed to pay principal and interest, write-offs are almost certain to rise.

It didn't have to be this way, for borrowers at least. Had the loan modification programs created by the Treasury Department required banks to write down junior liens more aggressively, homeowners would not be facing a wave of increased payments. But Treasury did not, and its stance allowed the second-lien problem to balloon.

AS Laurie Goodman, an analyst at Amherst Securities, testified to Congress last year, neither of the Treasury's loan modification programs dealt appropriately with second liens, which include home equity credit lines. In the Home Affordable Modification Program, for example, banks could modify a first mortgage — even reducing principal owed — while leaving the second or home equity line untouched. And a subsequent program, the Second Lien Modification Program, known as 2MP, treats first mortgages and junior liens equally. Under that program, if there is a rate cut or a principal reduction on a first mortgage, the second lien gets the same treatment. This goes against centuries of practice regarding creditor repayment hierarchy.

“The negative equity position of many borrowers would be dramatically improved if the second lien was eliminated or reduced more in line with the seniority of the lien,” Ms. Goodman told Congress. “Indeed, loan modification programs would be markedly more successful if principal reductions were used on the first mortgage and the second liens were eliminated completely.”

But that didn’t happen. The Treasury didn’t force the banks to write down these loans, and billions in balances remain outstanding.

Payment shock for borrowers is nigh. For those who are already struggling to pay their mortgages, this is an unwelcome burden. And it is one that might have been avoided.