



# THIS MONTH IN REAL ESTATE

U.S.

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# Commentary



As the market continues to show shoots of recovery, experts believe that the roots will continue to grow. In his annual letter to the shareholders of Berkshire Hathaway, Warren Buffett said, “Within a year or so, residential housing problems should largely be behind us.”

After a steep run-up in prices during the first half of the decade, home values have readjusted back to normalized levels. Fixed mortgage rates are sitting near record lows and the number of homes available for sale are providing home buyers with more options. Also encouraging are indications that the high end of the housing market could begin moving again as luxury financing becomes more readily available.

Despite high unemployment and looming foreclosures, experts maintain their expectations that the economy will grow in 2010, while the government carries on its search for solutions to help both troubled homeowners and the unemployed.



# The Numbers That Drive Real Estate

Home Sales	4
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# Home Sales

## *In Millions*

Existing home sales slowed in January. According to Lawrence Yun, NAR chief economist, this is mainly due to the lack of urgency with the extension and expansion of the first-time buyer tax credit in November. January sales of 5.05 million remain 12 percent above the 4.53 million-unit level last year.



Latest Data Release: February 26, 2010

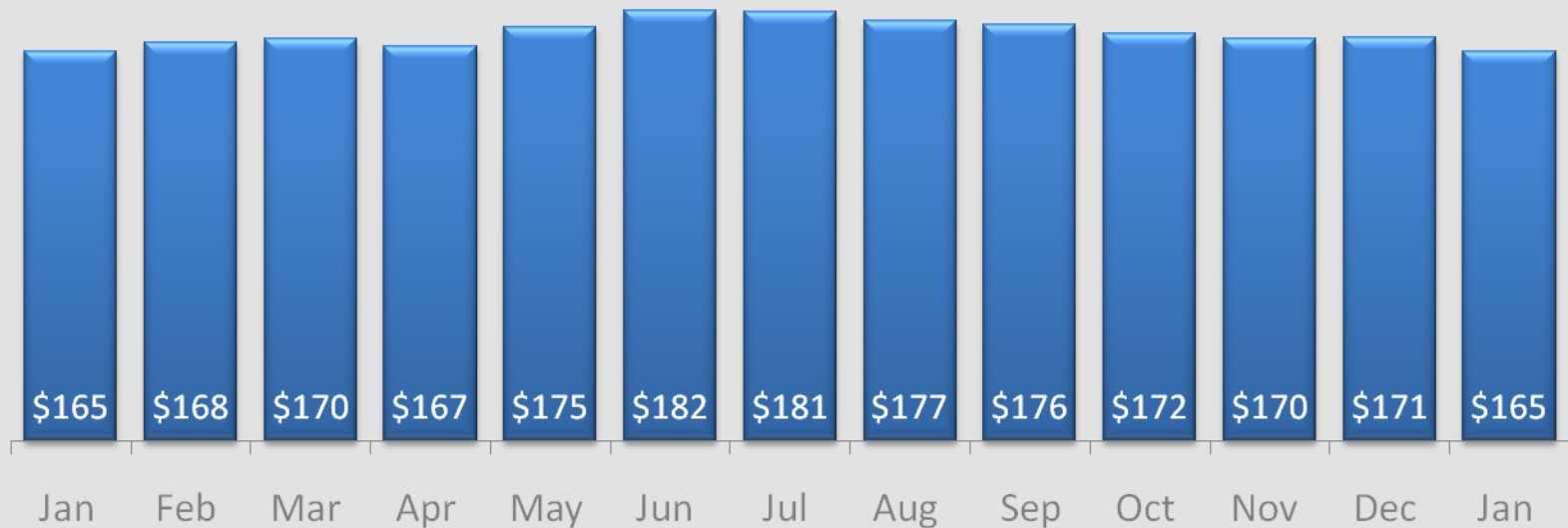
Source: National Association of Realtors

# Median Home Price

*In Thousands*



Existing-home price was \$164,700 in January, 3.4 percent below December and unchanged from January 2009. Distressed homes, which accounted for 38 percent of sales last month, continue to skew prices downward as they typically are discounted in comparison with traditional homes.



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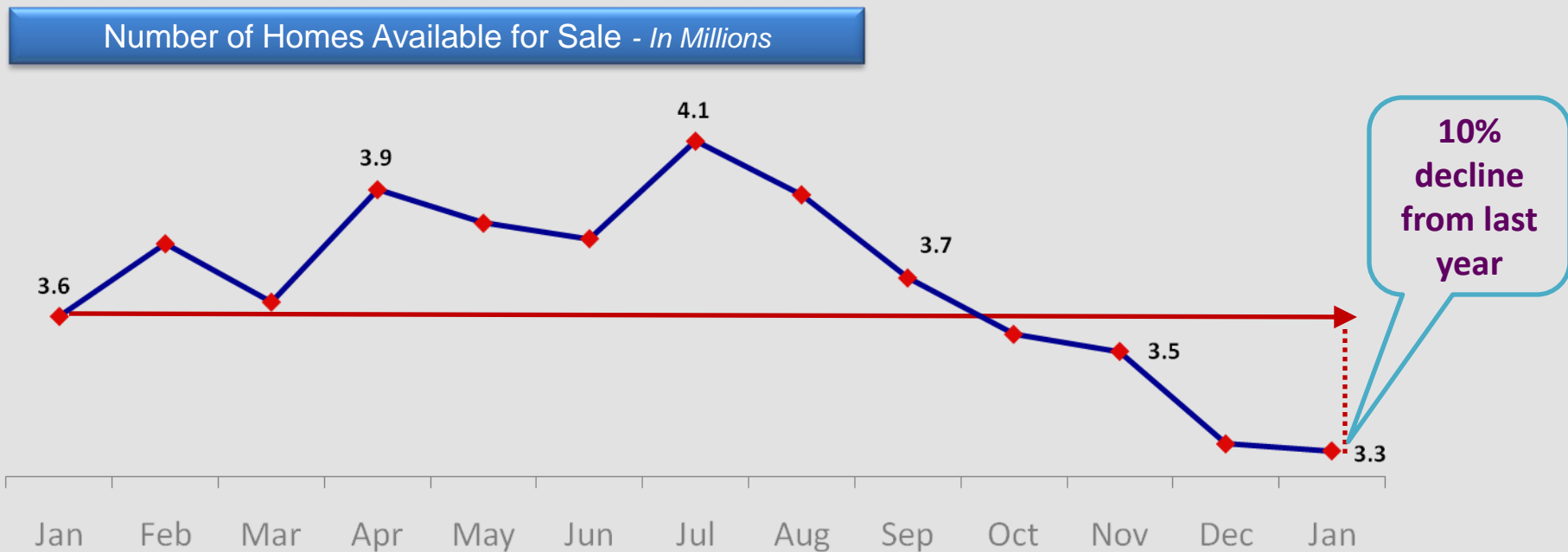
Source: National Association of Realtors

# Inventory - *Number of homes available for sale*

## *In Millions*



The supply of homes continued to shrink, falling 0.5 percent to 3.27 million, representing a 7.8-month supply at the current sales pace. Compared to a year ago, there are now 10 percent fewer homes on the market. This is the lowest level of competing homes on the market since March 2006.



Latest Data Release: February 26, 2010

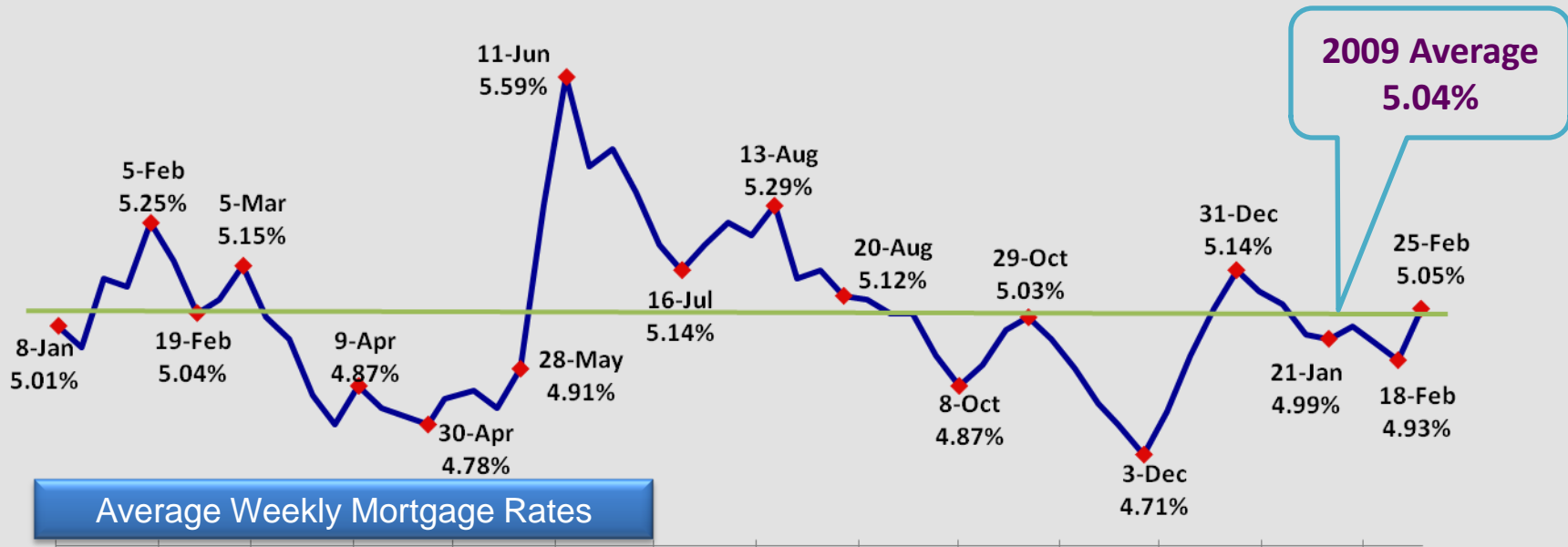
Source: National Association of Realtors

# Mortgage Rates

## 30-Year Fixed



Mortgage rates edged above the 5 percent threshold during the week of February 25, but remained near historically low levels. As the Federal Reserve mortgage-backed securities purchase program is scheduled to run out at the end of March, the Fed has held the door open to extending it if the economy weakens.



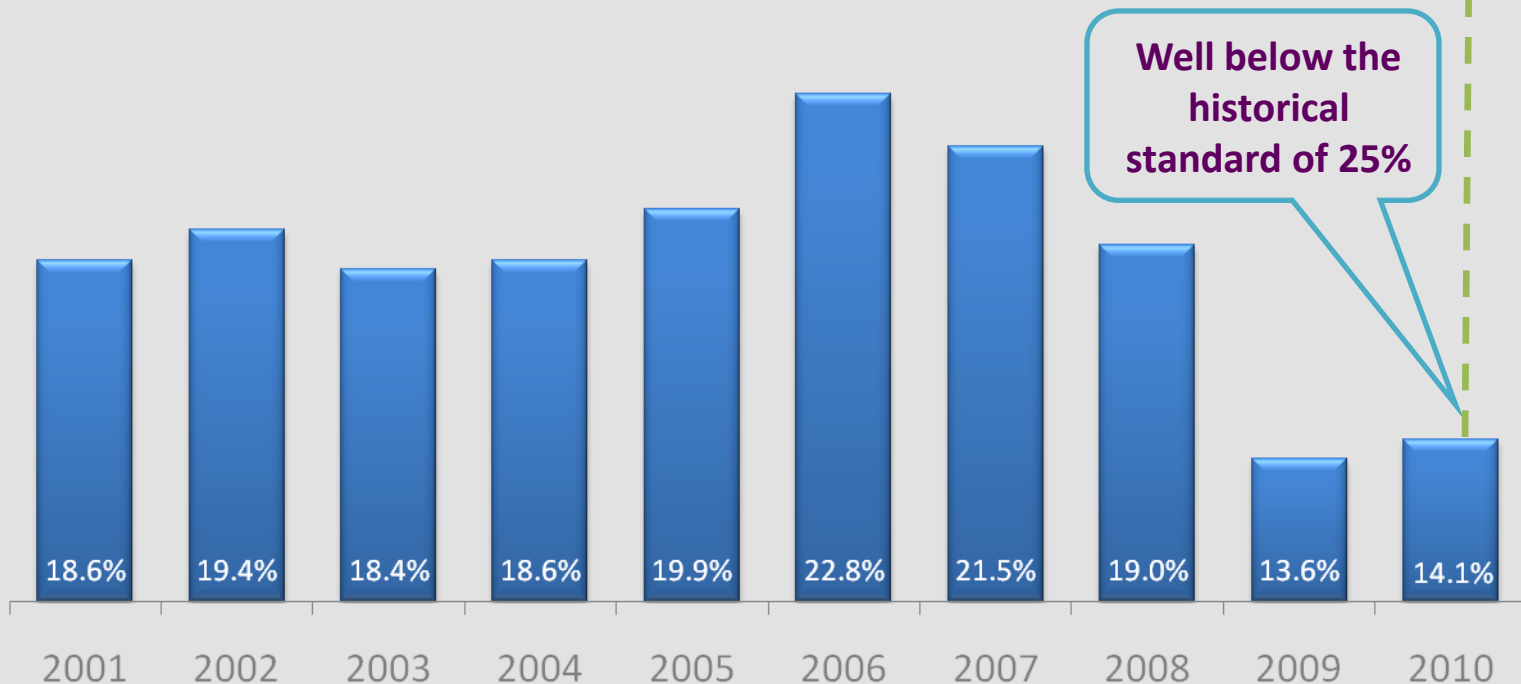


# Affordability - *Percentage of Income*

*The percentage of a median family's income required to make mortgage payments on a median-priced home*

Affordability remains at record levels, supported by the lowest mortgage rates in decades, low home prices, as well as the first-time buyer tax credit. So far this year, the home price-to-income ratio has fallen well below the historical average of 25 percent. The ratio now stands at 14.1 percent.

Historical Standard: 25%



Affordability as of January every year. Calculations assume a 20% down payment.

Source: National Association of Realtors





# Recent Government Action

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# FDIC Principal Reduction Program



The Federal Deposit Insurance Corporation (FDIC) plans to test mortgage principal reduction as an effective way to prevent foreclosure.

Borrowers who are significantly underwater, owing more than their house is worth, will be rewarded for staying current on their monthly payments with “earned principal forgiveness.”

Being underwater is a key predictor of default. Troubled owners often believe, even if they can afford to make the payments, it will take longer for the house to regain value than for the foreclosure to come off their credit record. Major critics of the foreclosure prevention program Making Home Affordable say that the program rarely reduces the amount the borrowers owe. Until the foreclosure levels drop, rebounds in home price will likely continue to be modest.

The government continues its search for an effective method of preventing foreclosure. If this program is successful, principal reduction may become a more common way of helping troubled homeowners.

The start date has not officially been announced but it will occur this year. The pilot program only applies to loans the FDIC obtained from failed banks. For more information, check out the [article](#).





# Jumbo Mortgages Begin to Thaw

The cost of jumbo loans, often used to purchase luxury homes, shot up during the financial crisis because lenders steered clear of anything that could be considered somewhat risky. Plus jumbo loans are too large for the government to support through the Federal Housing Administration, Fannie Mae, or Freddie Mac.

The good news: The jumbo loan markets are beginning to unfreeze and return to normal.

Type of Loan	Loan Amount	Assibility	Interest Rates
Conforming	Up to \$419,000	Easiest	Lowest
Conforming Jumbo	\$419,000 to \$729,750*	Somewhat Harder	Somewhat Higher
True Jumbo	More than \$729,750	Hardest	Highest

\* \$729,750 is the upper limit in the most expensive areas. Limits vary depending on median home prices in local areas.



# Jumbo Mortgages Begin to Thaw

The difference between interest rates on conventional loans and jumbo loans has decreased from higher levels seen last year.

In some cases, the down payment requirements are easing as well, but they often still depend on the level of borrowing – the more the mortgage, the higher the down payment percentage. In New York, mortgage professionals report the following common down payments (to the right).

Borrowers will still need a good credit score, typically at least 700, evidence of high income, and a sizable bank account.

Available credit for the high end will likely help stabilize prices in that sector and boost the overall average sales price. Until now, the high levels of activity in the entry-level price points combined with relatively few sales at the high end have skewed the average price down.

\* Based on the week of February 25, 2010. \*\*According to Bank of America's Jeffrey Appel in Inman News.

Date	Difference between Conforming and Jumbo Interest Rates
2006	0.25%
2009	1.7%
2010*	0.83%

Loan Amount	Down Payment**
Up to \$1 million	20%
\$1 - \$1.5 million	25%
\$1.5 - \$2 million	30%



# Topics for Home Buyers, Sellers, and Owners

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Tax Tips for 2009 Taxes

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# Tax Tips for 2009 Taxes

Tax time is coming up. Don't forget about the following benefits in 2009 for homeowners.

What's deductible in itemized deductions for homeowners?

1. **Mortgage Interest**
2. **Points** - paid at closing if you purchased or possibly if you refinanced this year
3. **Mortgage Insurance Premiums**
4. **Property Tax**
5. **Energy Efficiency Credits** - see IRS Form 5695 for qualifying projects
6. **Home Buyer Tax Credit** - if you qualify and purchased a home this year, see IRS Form 5405 to claim your credit

*This is general information and is not intended to be tax or legal advice; see a professional for specifics and advice.*

# Your Local Market

Although it is important to stay informed about what is going on in the national economy and housing market, many different factors impact the real estate market in your area.

**Talk to your Keller Williams agent for assistance interpreting the conditions in your local market.**



Keller Williams associates are equipped with all the knowledge and information to help you navigate through the process of buying or selling a home in this challenging market.

# About Keller Williams Realty



Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than 74,175 associates and 693 offices located across the United States and Canada. The company began franchising in 1991, and following years of phenomenal growth and success, became the third-largest U.S. residential real estate firm in 2009.

The company has succeeded by treating its associates as partners and shares its knowledge, policy control, and company profits on a system-wide basis.

Focusing on helping associates realize their fullest potential, Keller Williams Realty is known as an industry leader in its family culture, unmatched education, profit sharing business model, phenomenal coaching program, and technology offerings. The company provides associates with all the tools needed to grow and thrive in today's market.

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