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Information from Inside the Market by Gary Moore, Mortgage Planner

## Market Ensnares 'Foreclosure Cats,' Pacman

It felt like the "good old days"—you know, 2005 and 2006—to hear from a buyer whom I was helping with the financing: "This home just came on the market, but when my Realtor called, they already had multiple offers."

Against a backdrop of bad news about record foreclosures, the local real estate market is experiencing a bit of a bounce—that's not based on statistics, which measure what happened last month or last year, but on the "feel" of the market and my increased activity. I think the tone of the market has gotten better in the last few weeks, and people are out and about and buying, having gotten the idea that now there is a great opportunity. To tell the rest of the above story, however, I must say that my buyer was looking at a foreclosure that she said was priced to sell quickly at \$40,000 below appraisal.



**JoJo the cat (above) was rescued and placed in a new home after being abandoned by his foreclosed-upon owner.**

In another observation that defies the foreclosure and bankruptcy blues, the mortgage mess has peaked. I have two pieces of evidence to back that up: 1—FHA has waived its "no-flipping" rule for foreclosures, which means that bank-owned properties may be sold using an FHA loan within 90 days of the change of ownership brought about by foreclosure. Formerly, a buyer could not obtain an FHA loan within 90 of any change of ownership. 2—One of my lenders has actually lowered the downpayment requirement on a niche loan product for foreign nationals; the change is only from 35% down back to 30% down as it was earlier this year. Both of those are tiny issues which are not going to turn the markets around, but they represent a move in the direction of loosening.

As for the historical figures we see in the news, foreclosures were up nationwide by 48% in May over May 2007 as foreclosure-related court filings hit a fresh all-time monthly high of more than 261,000. A combination of a soft real estate market and tightening mortgage standards squeezed one in 483 American households in May.

**Market conditions have created** some unexpected casualties. More than 60 cats and kittens were discovered in an Ohio home after the homeowner was foreclosed upon and left behind his felines without telling anyone.

Foreclosurecats.org is a web site that seeks to find homes for animals abandoned in the wake of foreclosures.

A local foreclosure that cited Adam Bernard Jones of 4282 North Chapel Road in Franklin popped up a few days ago in the fine print of the public notices. The former home of "Pacman" is on the market for \$1.6 million, about \$25,000 more than he paid for it and 30 acres in 2006. Since the Titans have traded Jones to the Dallas Cowboys, he won't be needing the Williamson County property. Of course, while he was not making payments, his credit turned to toast.

U.S. Bank loaned Pacman \$1,417,500 while he still had a job as a National Football League player and one year before he got suspended for being a trouble magnet. In losing his job in 2007 and his base salary of about \$1.3 million, Pacman joined the ranks of other Americans whose foreclosures were accelerated by losing their jobs. He is the only one in those ranks, of course, who was fired by the NFL commissioner.

**To abandon the anecdotes** and let the math do the talking, sales are down 28-30% from last year, and the average number of days on market is up to about 82. Good news for the Middle Tennessee market is that sales prices have held up. While parts of the country that had sharp price run-ups, such as Nevada, California, Florida and Arizona, have experienced declining property values, sales prices in the Middle Tennessee area have remained fairly flat. The median price of residential sales in May was \$189,975 as reported by the Greater Nashville Association of Realtors vs. \$185,405 last May.

The same thing happened in 1990-1991 when we had a much worse market here and real estate was widely hated—even in Green Hills and Brentwood, for those of you with short memories. You could not give away a condo off Hillsboro Road or sell an acre lot in Brentwood. Proud sellers did not cut prices so much as things just did not sell well. Interest rates were much higher then, in the 9-10% range.

The worst news in the numbers is that inventories of properties for sale are at an all-time high with 25,096 on the market in May, according to GNAR. That's about 4,000 more than last year in GNAR's market area and about 10,000 more than 2006, which was the all-time record high year for sales (40,056 including residential, multi-family and lots and land) and lowest average days on market (61).

**Financing good news** is that there are still plenty of options, although 100% and other loan programs that led to foreclosures have been forsaken as quickly as the cats and Pacman Acres.

The only true 100% loans left standing are VA and Rural Housing. The little-known Rural Housing loans are great products, allowing 100% financing with no monthly mortgage insurance, and they work for parts of Williamson and Davidson Counties and all of most other surrounding counties.

FHA has become the best borrowing bet for many homebuyers with its loan limit increased in our area to \$432,500. FHA requires the borrower to contribute 3% of the sales price, although the seller can pay all closing costs and in some cases can pay the downpayment for the buyer.

While mortgage rates have been rising lately, we are still in a historically low range in the sixes. Low rates and a flat market present buying opportunities which will be gone and lamented at some point in the future. Take that from someone who survived 17% mortgage rates in the early 1980s and who saw sales boosted when rates got down to 10%.

**That's the good news** on real estate and financing in the Nashville area: stable prices and low rates, which keep monthly payments down and thus let in more buyers.

One last piece of good news, in my view, is that many of the loan programs which got people in trouble are no longer available. While this will preclude some folks from buying, it will also exclude some who would be led into mortgages they could not pay for once the interest rates increased after two years.

Call me to ask questions about your best possible financing options.

<b>Market Monitor</b>	
30-year fixed	6.25% 0-1
10-year Treasury	4.14%
Prime Rate	5.00%

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