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# REAL ESTATE Update

Including Financing

## Mortgage Rates Ease

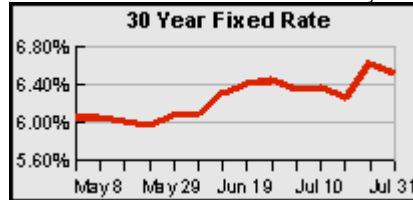
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.52 percent for the week ending July 31, 2008, down from the previous week when it averaged 6.63 percent.

Last year at this time, the 30-year FRM averaged 6.68 percent.

"Mortgage rates moved lower this week as a drop in commodity prices eased market concerns over inflation pressures," said Frank Nothaft, Freddie Mac vice president.

## Mortgage Rates

Source: Realty Times



U.S. averages as of July 31, 2008:

**30 yr. fixed: 6.52%**  
**15 yr. fixed: 6.07%**  
**1 yr. adj: 5.27%**

"For instance, the Department of Energy reported that gasoline prices were the lowest since the end of May, and oil prices were at levels not seen since early May."

## Housing Bill Approved

The massive, 690-



page housing bill has plenty of mortgage-related provisions in it, but it also has an important stimulus program designed to jump-start housing sales: It's a tax credit, effective immediately, that could cut up to \$7,500 off the federal tax return of anyone who buys a house before the end of next June, when it expires.

Buyers have to be first-time purchasers, or renters who haven't owned a house anytime in the past three years. The "credit" is actually more like an interest free loan, repayable over 15 years. Single taxpayers can only qualify for a \$3,750 maximum credit. But it still puts thousands of after-tax dollars of incentives into home purchases -- money that wasn't there before.

Now, hundreds of thousands of potential buyers who've been on the sidelines can purchase a new or resale house and qualify for the credit. The National Association of Realtors estimates that up to two million sales could be stimulated by the credit in the coming 11 months, and the National Association of Home Builders anticipates a "multiplier effect" in the move-up segment of the market.

That's because people who sell houses to buyers using the credit will then often need to go out and find replacement homes for themselves - effectively rippling the impact of the credit upstream, triggering even more sales.

## Does Inflation Affect Home Prices?



Inflation means that

the value of cash is being reduced over time, thus it takes more dollars to buy a loaf of bread -- or a house.

In practical terms, homeowners can beat inflation with a fixed-rate mortgage.

While the interest rate is set, inflation over time means that each month you're paying with less-valuable dollars while the cash value of your home rises.

If the cash value of your home rises faster than the rate of inflation, then you are gaining additional spending power, and that's both one measure of real wealth and often a very good reason to be a long-term real estate owner.

## How Can You Tell If You Are In a Buyer's Market?

Markets



operate on the basis of supply and demand. If you have a local market where the supply of homes is significantly greater than demand, you will have a market where home sales slow, prices stall or drop, properties are more affordable and purchasers are typically able to negotiate significant concessions from sellers. And that, in a nutshell, is a buyers market.

Today many local markets favor purchasers. No less important, interest rates are at the lower end of the scale on an historic basis, and you can do well with conservative, reasonable financing such as FHA, VA and conventional loans. Relative to the past few years, now is a good time to buy in many areas.

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