NEWS ON
FINANCING
REALTY
PROPERTY
MANAGEMENT

# Washington Real

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NEW!

THE TREND!

| California | |
|---|---|
| Median Price | Date |
| $297,500 | 10/09 |
| $296,610 | 9/09 |
| $307,210 | 10/08 |
| Sales change Prior Month 5.9% | |
| Sales change Prior Year 1.0% | |

| Sacramento | |
|---|---|
| Median Price | Date |
| $188,110 | 10/09 |
| $184,200 | 9/09 |
| $196,920 | 10/08 |
| Sales change Prior Month 5.2% | |
| Sales change Prior Year –18.4% | |

Source C.A.R Research Dept.

SACRAMENTO

Ph: 916.675.1177

Fx: 866.405.1808

BAY AREA

Ph: 510.344.0024

HOUSTON

Ph: 713.952.6092

Fx: 281.668.5002

## Lending, worst plunge in years..

Most of us in the real estate lending have witnessed the difficulties in financing most transactions these days. This was recently confirmed by the FDIC, when it stated that lending by banks in the third quarter plunged 2.8%, the largest since 1984. This is a huge roadblock in the housing and economic recovery. According to the report, lenders reduced the sum of money extended to their customers by $210 billion between July and September, affecting every category, such as real estate, corporation funding, retail and malls.

The irony is that most of the recipients of the TARP funds are disproportionately responsible for the lending malaise. The large banks that received most of the funds were encouraged to spur new lending, but have been hoarding these funds to shore up their balance sheet, and simply afraid to be clobbered by new bad loans, as the economic outlook seems uncertain. This viscous cycle feeds on itself, as the inability of banks to lend is driving most businesses out of the economy further creating unemployment, and sinking the economy further into a hole. Most analysts agree that until banks offload their bad loans, they will find it difficult to make new ones.

Despite the $2.8 billion profit posted by the banks in the last quarter, a considerable feat from a loss of $4.3 billion in the second quarter, a quarter of banks continue to lose money, resulting in the closure of 50 banks in the third quarter. As hordes of banks disappear, their replacements are hard to come by; only three new banks were created in the third quarter. As lending activity narrows, and the large banks take a considerable number of the available business, their acts or lack thereof will be more directly linked to the economy as a whole. The bottom-line, the government needs to do a better job at sniffing out the underlining problem and get lending moving again!

*Al Som-Anya, MBA, Broker*

## Real Estate Update..1 in 4 Underwater

An estimated 23% of US homeowners owe more than their houses are worth, according to Santa Ana, CA-based First American CoreLogic, a real-estate information company. According to the report, 5.3 million U.S. households are holding mortgages that are 20% or more higher than the value of their homes. This will hold down the housing recovery, as homeowners default strategically, a situation where homeowners who can afford their payments, refuse to make payments, leaving their homes to foreclose. Those with over 20% negative equity are likely to default, in fact about 588,000 borrowers defaulted on their mortgages last year, double the number in 2007, even though they could afford the payment. With more than 20% negative equity, most effective modification is a loan restructuring, including a principal reduction.

*Al Som-Anya*