



BANKERS PACIFIC MORTGAGE, INC.
29 YEARS EXPERIENCE & INTEGRITY

Incredible Low Rates Still Here!
Conforming-Jumbo Owner/Non-own 1-4 units

2.50%	5-yr conforming ARM	2.55% APRI*
4.00%	30-conforming fixed	4.05% APRI*
4.125%	30-JUMBO conf fixed	4.20% APRI*

Super Jumbo Rates to \$3M

3.25%	5-yr fixed ARM	3.30% APRI*
4.00%	7-yr fixed ARM	4.10% APRI*
4.75%	30-yr fixed rate	4.80% APRI*

* 0 Pts. origination--3rd party, and lender administration fees only. Rates plunge with debt ceiling agreement, so don't miss out!

Harlan Green, Broker (805)681-6363

Email: BankersPacific@Verizon.net



Subject to terms and conditions. Corp. Lic. # 01521555
Residential Commercial Construction Investments

4141 State Street, Suite E-13 Santa Barbara, CA 93110

3058279

Gov't Garnishing

25%

of the final price of a new home attributed to regulations imposed by governments at all levels



Source: National Association of Home Builders' Economics and Housing Policy

Don't Blame Fannie and Freddie...

By Harlan Green

Please don't blame Fannie Mae and Freddie Mac, guarantors of most of the housing market's conventional mortgages and reason the housing market continues to function at all, for the housing bust. The bust was caused by the oversupply of housing built during the bubble, and aggravated by almost all commercial banks and hedge funds cooking up every kind of 'liar' loan they could think of to sell to Wall Street securitizers—sometimes themselves.

Sure, Fannie/Freddie had to be taken over by the federal government and are being subsidized by approximately \$167 billion to date, but that is because banks and other commercial lenders then withdrew from financing the housing market, leaving government to clean up the mess. So the government subsidy is a very cheap price to pay for keeping housing from collapsing completely.

Credit was too cheap in early 2000, as Fed Chairman Alan Greenspan's Federal Reserve kept short term interest rates below the inflation rate to pay for the Bush tax cuts and wars. I.e., when short term interest rates were 1-2 percent and inflation in the 3 percent range at the time, it was bor-

rowers who actually profited, since inflation deflated the value of the debt, meaning it was interest free money!

Economists have estimated that the below inflation rates were probably also responsible for the double digit housing price rises during the height of the bubble. Don't take my word for it. Almost everyone, including the nonpartisan Government Accountability Office, the Harvard Joint Center for Housing Studies, the Financial Crisis Inquiry Commission majority, the Federal Housing Finance Agency, and virtually all academics, have rejected the argument of conservative think tanks such as the American Enterprise Institute that it was federal affordable housing policies designed to make housing available to a broader public, that created so many high risk loans.

Fannie and Freddie created and have always maintained the gold standard of mortgage qualification standards, with the highest income, credit, and ability to pay requirements. As a mortgage banker/broker for 30 years, I have never originated or underwritten a conforming mortgage that didn't meet those standards.

So why do conservatives hate Fannie and Freddie so much? Because of its ties to the Democratic Party, mainly. As Gretchen Morgenson and Joshua Rosner detail in

their book, *Reckless Endangerment*, Fannie Mae and Freddie Mac grew hugely under Democratic Administrations eager to encourage more affordable housing. And they did buy subprime mortgages from Countrywide Financial that were not underwritten to their conforming criteria, thus fattening their portfolios in a bid to play catchup to the issuers of so-called 'private label' mortgages. But the subprime purchases were a drop in the bucket, just \$60.8 billion for Freddie Mac, according to David Min of the Center for American Progress, with borrowers who had FICO scores under 620, a common definition of subprime mortgages.

In fact, current delinquency rates tell us that Fannie and Freddie, guarantors of Agency Prime mortgages, have delinquency and foreclosure rates close to the historical norm. Fannie Mae reported that the serious delinquency rate decreased to 4.27 percent in March, close to the long term historical average. This is down from 5.47 percent in March 2010. The Fannie Mae serious delinquency rate peaked in February 2010 at 5.59 percent. Freddie reported that the serious delinquency rate decreased to 3.57 percent in April. (Note: Fannie reports a month behind Freddie). This is down from 4.06 percent in March 2010 and Freddie's serious delinquency rate also

peaked in February 2010 at 4.20 percent.

The Calculated Risk graph shows the latest foreclosure rates for all mortgage categories. It may not be surprising that Option ARMs (those with negative amortization that caused the principal loan balance to grow) have the highest foreclosure rates, even above Subprimes.

Sadly, Calculated Risk also reports that the May Mortgage Monitor report released by Lender Processing Services, Inc. (NYSE: LPS) shows that the number of mortgages 90 or more days delinquent, combined with the foreclosure inventory at the end of May, still totaled 4,084,557. Without additional government help, which doesn't look likely (see Renae Merle at Washington Post: Obama administration not planning another big housing program), most of them will be added to the existing home inventory over the next 2 years. And that means not much upside potential for housing prices.



Harlan Green is a syndicated columnist and the owner of Bankers Pacific Mortgage, Inc. Questions and comments are welcome, please email Editor@populareconomics.com

© 2011 Harlan Green

Tips for Struggling Homeowners

Detroit Free Press
MCT

Struggling to make your mortgage payments? Already in default?

Housing counselors say the most important advice is not to wait to get help. Read the notices and contact your lender or loan servicer to discuss your situation. Putting off these talks will likely make things worse.

And also know your rights:

- You do not have to miss a payment to qualify for the U.S. Home Affordable Modification Program, known as HAMP.

- Under HAMP, a bank is not to proceed with a foreclosure sale until a borrower has been evaluated for HAMP, and if eligible, an offer has been made.

- To learn more about HAMP, go to <http://www.makinghomeaffordable.gov/>. Housing counselors and lenders can tell you of other programs or payment alternatives.

- Housing counselors are certified to give free advice about finances and are to know what they're doing, said Greg Sterns, financial education manager at Lighthouse of Oakland County in Pontiac, Mich., a nonprofit that offers housing and financial counseling.

Sterns said housing counselors also may refer borrowers to other free legal services, as well.

© 2011, Detroit Free Press

Distributed by McClatchy-Tribune Information Services

