



Beyond the Headlines



[Reuters](#)

Fed lowers rates, hints cuts may be at end

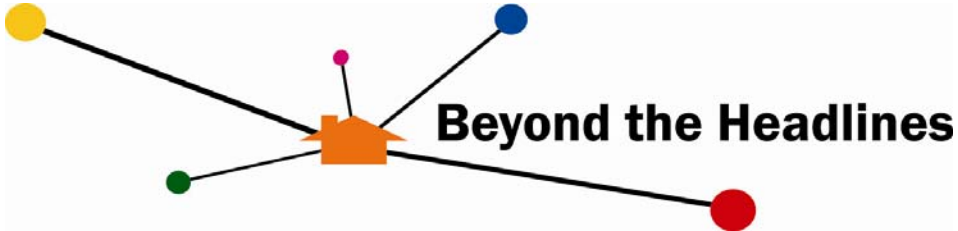
The Federal Reserve cut the federal funds rate by a quarter of a point to 2 percent on Wednesday, the latest – and possibly last – in a series of reductions aimed at staving off a recession and easing the credit crunch.

Keep this in mind...

- In September, when the Fed initiated the first of seven consecutive interest rate reductions, the federal funds rates stood at 3.25 percent. The last time the rate was this low was in December 2004.
- In making the announcement, the Fed noted that, “The substantial easing of monetary policy to date, combined with ongoing measures to foster market liquidity, should help to promote moderate growth over time and to mitigate risks to economic activity.”
- There was some speculation that the Fed was leaving the door open to additional rate cuts if inflation concerns become reality. However, others speculate the Board may leave rates alone until the impact of its recent efforts become clearer.

To read the full story, please click here:

<http://www.reuters.com/article/ousiv/idUSN2932860320080430>



[Bloomberg.com](http://www.bloomberg.com)

U.S. economy: Consumer Confidence falls, house prices decline

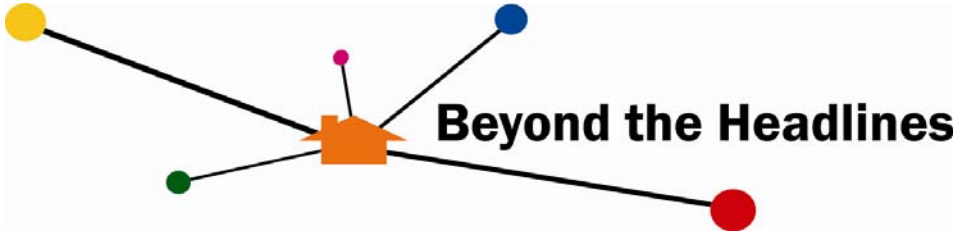
Consumer Confidence fell to a five-year low and home prices as measured by the Standard & Poors/Case-Shiller Index experienced their great decline since at least 2001. While declining to call the economic downturn a recession, President Bush said Americans remain concerned about rising gas and food prices and their mortgage payments.

Keep this in mind...

- The Conference Board's Confidence Index fell from a revised 65.9 in March to 62.3 in April – the largest three-month decline since the 2001 recession.
- According to S&P/Case-Shiller, home prices in 20 large metropolitan cities fell 12.7 percent in February from the previous February. The decline was greater than expected and the greatest decline since the Index began tracking home prices in 2001. Month over month, home prices fell 2.6 percent after dropping 2.4 percent in January. Seventeen of the 20 markets measured report record year-over-year declines. California cities included in the top 20 are Los Angeles (prices down 19.4 percent from a year ago), San Diego (prices down 19.2 percent), and San Francisco (prices down 17.2 percent).
- Homebuilder Eli Broad told reporters at a conference in Beverly Hills that he believes it will take three or four years to deplete the current inventory of homes for sale. He predicted home prices may drop another 20 percent.

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601087&sid=agQQsnDV3HII&refer=home>



[San Francisco Chronicle](#)

As ARMs reset, little of the expected chaos is coming to fruition

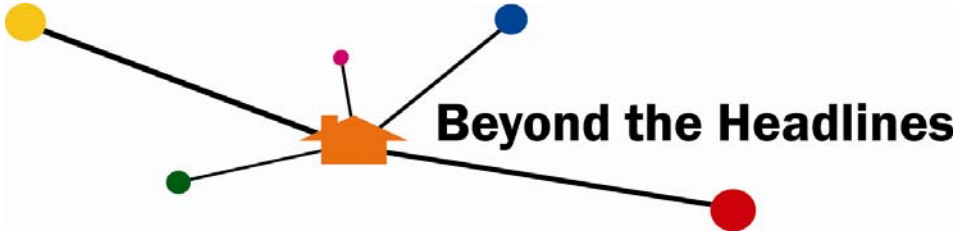
Worries that subprime mortgages originated during the peak real estate market would sideswipe borrowers with giant monthly payment increases have been reduced by Federal Reserve rate cuts and other steps to stimulate the nation's credit markets. In fact, some borrowers with resets occurring today are finding their monthly payments staying much the same.

Keep this in mind...

- Many Adjustable Rate Mortgages (ARMs) start with a lower introductory rate that adjusts periodically (typically once a year for prime loans, twice a year for subprime loans) after an initial period of two, three, five or 10 years. ARMs generally are tied to a Treasury or London Interbank (Libor) index, with the mortgage rate typically set at 2 to 6 percentage points above that index rate.
- The good news is that Libor rates have been stable, thanks in part to the actions of the Federal Reserve to lower interest rates. For example: Let's say a borrower in Spring 2006 obtained a mortgage indexed at five points above Libor (then at around 5 percent). That would have meant an indexed rate at that time of 10 percent. However, a two-year introductory rate capped the payment at 8 percent. As of last week, Libor was at 3.08 percent, which means this fictional mortgage would reset at 8.08 today – only a slight change for the borrower.
- Without the Fed's rate cuts, more than \$100 billion in subprime ARMs would have jumped at least two percentage points. Now, only about \$60 billion in these mortgages will adjust up by more than two points.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/04/27/BU7P10BUDM.DTL&hw=ARMS+reset&sn=001&sc=1000>



The Associated Press

Calif. bill requires lenders to maintain foreclosed homes

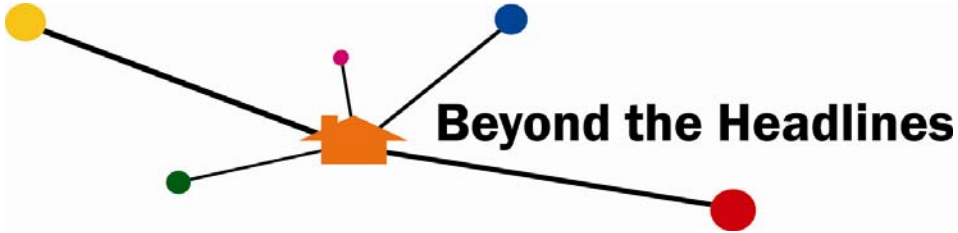
Banks could be fined \$1,000 a day for failure to maintain foreclosed properties if legislation that passed the state Senate Monday becomes law. The bill moves on to the Assembly and would take effect as soon as it can be signed into law. An earlier version defeated in January was opposed by banks and mortgage companies.

Keep this in mind...

- Communities throughout inland California have been hit hard by properties that are left uncared for after a family moves out due to foreclosure. These untended properties tend to negatively affect the value of surrounding properties and entire neighborhoods.
- Hardest hit have been Merced, San Joaquin, Stanislaus, Sacramento and Yuba counties. In Merced County, one in 737 residents has been affected. In Sacramento County, it's one in every 1,003 residents.
- The proposed law, sponsored by Sen. Dom Perata, would give local governments the ability to fine lenders after providing 14 days' notice to remedy a maintenance problem. Bank opposition was eliminated after provisions requiring lenders to give four month's notice of interest rate increases and requiring face-to-face meetings before foreclosing were removed.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/n/a/2008/04/28/financial/f145807D20.DTL&hw=Calif+bill+requires+lenders&sn=001&sc=1000>



[Los Angeles Times](#)

Fed criticized at hearing on Bank of America takeover of Countrywide

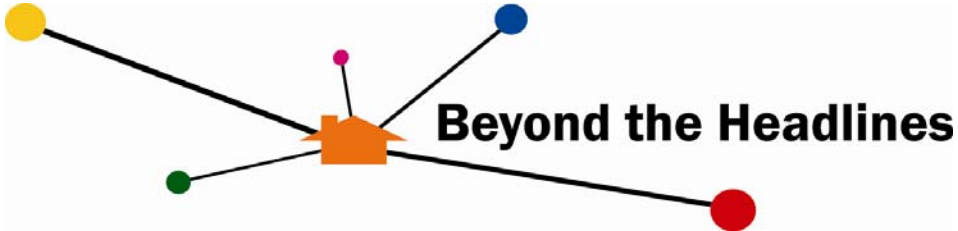
Speakers at a congressional hearing held in Los Angeles to discuss the proposed takeover of Countrywide Financial Corp. by Bank of America Corp. criticized the Federal Reserve and demanded industry-wide help for struggling borrowers even as Bank of America officials pledged to help keep 265,000 homeowners in their homes and boost lending in troubled neighborhoods by \$1.5 trillion over the next decade.

Keep this in mind...

- If the acquisition is approved by regulators, Bank of America, the nation's largest bank, would have 25 percent of the nation's mortgage market and could capture as much as 40 percent of the market within a few years as smaller competitors struggle with the negative impact of foreclosures, according to the Greenlining Institute.
- Bank of America was applauded for promising to help 265,000 troubled borrowers by modifying \$40 billion in mortgages over the next two years. The company also promised to increase its community giving by 33 percent to about \$2 billion and double community reinvestment lending to \$1.5 trillion nationwide over the next decade. The bank said it would be willing, under certain circumstances, to accept a write-down of principal in order to keep homeowners motivated to remain in homes whose values are less than the loan balance. However, bank officials said they are not inclined to help speculators, who it said account for roughly half of the Countrywide borrowers facing foreclosure.
- Bank of America said it would base its combined mortgage business in Calabasas, where Countrywide currently is headquartered. The two companies have doubled the number of employees dedicated to working with troubled borrowers to more than 3,900 – a figure BofA said it would maintain for at least another year.
- At hearings in Chicago last week the bank testified that it plans to eliminate subprime lending and mortgage options that permit borrowers to pay less than monthly interest, restrict loans that allow borrowers to obtain a mortgage without verifying their income, and limit prepayment penalties.

To read the full story, please click here:

<http://www.latimes.com/business/la-fi-countrywide29apr29,0,4194473.story>



In Other News...



[San Diego Union-Tribune](#)

Resales of homes a house divided

Foreclosed properties going for much less

To read the full story, please click here:

http://www.signonsandiego.com/uniontrib/20080427/news_1n27housing.html



[Sacramento Bee](#)

Sacramento-area home starts fall 66 percent in March

To read the full story, please click here:

<http://www.sacbee.com/142/story/891306.html>



[San Francisco Chronicle](#)

Legislating a way out of the housing crisis

Politicians offer help for homeowners, and tighter rules

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/04/27/BU7Q10AQJ3.DTL&hw=Carolyn+Said&sn=004&sc=702>



[The New York Times](#)

Triple-A failure

How subprime mortgages became a high-grade investment

To read the full story, please click here:

http://www.nytimes.com/2008/04/27/magazine/27Credit-t.html?_r=1&th=&emc=th&pagewanted&oref=slogin



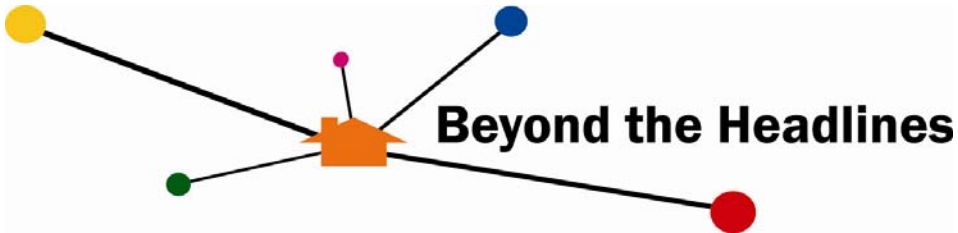
The Associated Press

New home sales plunge deeper

Lowest level in over 16 years; median price drops by 13.5%

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/04/25/BU6510B8N9.DTL&hw=new+homes+sales+plunge&sn=001&sc=1000>



What you need to know about the market

- Will government and private initiatives aimed at saving troubled borrowers be enough? A State Foreclosure Prevention Working Group comprised of attorneys general from 11 states reports that 70 percent of homeowners at least two months behind on their mortgage payments are not receiving any help whatsoever. According to the study, the number of loan modifications made by loan servicers increased by 50,000 between October 2007 and January 2008, but the number of loans that were 90 days or more delinquent grew by 90,000 over the same period – a gap of some 40,000.
- Recent numbers coming out of the Sacramento area indicate some modest signs of improvement in the real estate market. In mid-April, pending sales in El Dorado, Placer, Sacramento and Yolo counties reached their highest level since 2005, which seems to indicate the market is finally burning off some inventory. Proof? Inventory has declined to the 13,000-unit range, the lowest in a year. On the new home front, a flattening of home sales (albeit at the lowest levels in a decade) may be a blessing in disguise. As one observer noted: “One way to look at it is that the region just wants to get this over with now, an entire market ripping off the Band-Aid instead of pulling it off slowly.”
- Subprime loans are within months of becoming much less of a problem for California, according to a report from First American CoreLogic that says the rate of mortgages subject to large interest rate re-sets should begin to slow dramatically by the end of the year. That said, California hasn't yet experienced the full impact of so-called “Alt A” loans and Option Adjustable Rate Mortgage borrowers, some of whom have been electing to make lower payments during an initial period with the balance added to their monthly payment when the loan adjusts. That may be the next shoe to drop, according to Credit Suisse.