

## Mortgage Meltdown or Housing Haven?

By Allen S. Brodetsky

To address economic issues of the slumping housing market and mortgage meltdown, many critics and columnists have dubbed the economic woes of the housing industry as an absolute "meltdown." Let me say this loud and clear "As a long term investment, now is the time to buy."

There has been much speculation and misconception about where our current housing market stands. I believe to truly understand the market; you need to understand the history of why we are where we are today. Frivolous lending habits have fueled the long forgotten housing boom. I am sure most of you will attest that you have received a flyer that looked something along the lines of this:

Call Today For This Great Rate	Loan Amount	New Payment
<b>1.00%/5.44% APR*</b>	\$200,000	\$640
	\$300,000	\$960
	\$400,000	\$1280

Unheard of lender practices such as financing terms allowing Borrowers 125% of a homes value with cash-out, Appraisers inflating home values to allow prospective borrowers to pull excessive money from their home and the ability to get a mortgage with absolutely no money for a down payment. With all this in mind, I think you will agree it was certain our country would be burdened with the current economic issues that are affecting the United States' domestic and foreign economy. But remember, these decisions were made by people not taking into account the short term teaser rates followed with adjustments raising there monthly payment substantially.

What few do not realize, this volatility has established conditions most favorable to a buyers market. According to Altos Research, a California based marketing trend research firm, median home prices have fell nearly \$150,000 while home listing times have increased from an estimated 100 days to 125 days during the last 7 months in Los Angeles County. The media claims that our current housing market is ruined with rising defaults and short sales. This kind of behavior isn't new to somebody that has been around the block. During the 1994 earthquake, condominiums in Northridge were selling as low as \$50,000 to \$80,000. The most interesting aspect is that at the time, the public thought even that was expensive. Similar to the 1980's crash affordability, excess inventory, orders, and the use of incentives and discounting is causing the slump in our current economy today. Bottom line is the real estate market as well as the stock market rebounded and have grown significantly over a 10 year cycle. According to Benjamin Tadelis, Vice President of Woodland Hills Morgan Stanley Financial Services, "the stock market and real estate market are on sale. If you like shopping wholesale, now is the time to buy." Once again, it is important to understand that the Real Estate Market fundamentally will remain positive. Take into account the increasing of Population Growth and diminishing raw land in most metropolitan areas. With time, prices on Real Estate will go up once again.

It is essential to take advantage of mortgage interest rates remaining at record lows. 30 year fixed mortgage rates on conforming loan amounts remain in the high 5 percent to the low 6 percent mark. Although many financial institutions are tightening up their guidelines, borrowers with good credit, stable employment and seasoned assets generally do not have a problem qualifying for financing. Rumors have been circulating through the mortgage banking community that stated (no income verification) loans may be a thing of a past within then next few months. A majority of the lenders out there have ceased doing stated jumbo loan amounts already. With lending restrictions and guidelines tightening up, now is the time to get your finances in order and secure the rate on your home loan with a 30 year fixed program. The Economic Stimulus package proposed by President Bush has yet to swing into full force and with Congress' reputation; full implementation may take significantly longer than at first forecasted. In addition, the bill is being passed through the House and Senate piece by piece. Now is the time to act. As time goes by, there will be less and less incentives to buy a home or refinance. If you are looking for a secure long term investment, now is a good time to buy a home.

\*\*If you would like a free mortgage analysis for a purchase or refinance, please contact Allen Brodetsky at (818)-312-0831.