

The article, *Home-list site loses 20% of its members*, from the *Arizona Republic*, reports that the Arizona Regional Multiple Listing Service canceled more than 20 percent of its memberships this month after raising fees by about 70 percent in June. "In July, we had to turn off 8,000 agents due to non-payment," said Bob Bemis, Arizona Regional Multiple Listing Service chief executive officer. Bemis said he was expecting about 4,500 agents to drop the service, which renews memberships annually on July 1, mainly because so many of them are leaving the business. Membership in the service went from about 36,000 in June to 28,000 in July, but Bemis said he expects about 3,000 of those former members to rejoin.

Home-list site loses 20% of its members

by **J. Craig Anderson** - Jul. 20, 2008 12:00 AM
The Arizona Republic

The listing service Valley real-estate agents use to advertise homes for sale canceled more than 20 percent of its memberships this month after raising fees by about 70 percent in June.

"In July, we had to turn off 8,000 agents due to non-payment," said Bob Bemis, Arizona Regional Multiple Listing Service chief executive officer.

Bemis said he was expecting about 4,500 agents to drop the service, which renews memberships annually on July 1, mainly because so many of them are leaving the business.

"It's been going on nationwide," Bemis said, adding that the real-estate industry expects to lose 150,000 agents this year across the country.

Membership in the service went from about 36,000 in June to 28,000 in July, but Bemis said he expects about 3,000 of those former members to rejoin.

Many agents have called to say that they simply forgot to pay or were on vacation, he said.

The listing service notified its members in May that the monthly fee would increase from \$13 to \$22. Annually, the cost to use the service jumped from \$156 to \$264.

Still, the rate increase was needed to fund an overhaul of technology that includes enhanced security for online listings and features such as more creative presentations, interactive functions, links to outside service providers and other Web-based tools, he said.

Bemis said he also decided to cancel a professional-photography service offered to members because most agents have been taking their own digital photos of the properties they sell.

The new rate also took into account the expected drop in members, Bemis said. In July 2007, it had to cancel about 3,500 memberships for non-payment.

According to the Arizona Department of Real Estate, about 27,000 previously active real-estate license holders had yet to renew their licenses in April, compared with 23,000 in July 2007 and 18,000 in July 2006.

Although Bemis doesn't know how many agents dropped his service this year because of its higher fees, he acknowledged in May that the rate hike might raise some objections at a time when demand for housing is at a critical low.

Bemis said, adding that it was a necessary step to keep up with technology trends and member expectations.

But Bemis said his service is still among the lowest-priced in comparably sized markets, and that the new technology is on par with the best available.

The Arizona listing service launched a test Web site, newarmls.com, which will replace the old site July 28 at its current address, armls.com.

The new site has received praise because it also functions as a blog that allows members to weigh in on issues affecting their industry.

Bemis said he welcomes comments about his service on the blog. He said he does not plan to restrict freedom of expression.

"We have censored none of it," he said. "We have not taken a single word off the Web site."

Membership falls for listing service

The Arizona Regional Multiple Listing Service, which lists properties sold through real-estate agents, canceled more than 20 percent of its agent memberships earlier this month for non-payment of annual dues. The service said it expects nearly half of those canceled members to rejoin.

Estimated changes

Members in June: 36,000.

Canceled members: 8,000.

Expected to rejoin: 3,000.

Remaining total: 31,000.

Source: Arizona Regional Multiple Listing Service

<http://www.azcentral.com/arizonarepublic/business/articles/2008/07/20/20080720biz-armls0720.html>

The article, ***Metropolitan Phoenix's growing mortgage problem spreading***, from the *Arizona Republic*, reports that Foreclosures across metro Phoenix number 16,647 for the first half of the year compared with 9,966 during all of 2007 and 1,070 in 2006. Many Valley neighborhoods closer in, particularly in south, west and central Phoenix, now have the highest foreclosure rates, according to an *Arizona Republic* analysis of real-estate data from the Information Market. "It has become more of an equity problem than a subprime problem," said Tom Ruff, a real-estate analyst with Information Market. Many of the homes going into foreclosure were bought or refinanced during the peak of the housing boom in 2006, according to property records. Home prices are down almost 30 percent from that time, so many people struggling now owe much more than their home is worth. The median resale price today is \$210,000. Notice of trustee sales, or pre-foreclosures, also continue to climb. There were 35,111 pre-foreclosures filed in Maricopa County through July. That compares with 30,166 for all of 2007. When pre-foreclosures stop climbing, foreclosures could peak a few months later, Ruff said.

Metropolitan Phoenix's growing mortgage problem spreading

Mortgage pain spreading inward from fringes of Valley

by **Catherine Reagor** - Jul. 22, 2008 12:00 AM
The Arizona Republic

Metropolitan Phoenix's foreclosure problem has spread. Many Valley neighborhoods closer in, particularly in south, west and central Phoenix, now have the highest foreclosure rates, according to an *Arizona Republic* analysis of real-estate data from the Information Market.

Foreclosures across metro Phoenix number 16,647 for the first half of the year compared with 9,966 during all of 2007 and 1,070 in 2006.

Last summer, when foreclosures were just starting to climb, the highest rates of home defaults were found on the Valley's more affordable fringes. The problem worsened, hitting a wider swath of homeowners who bought at the peak of the housing boom through subprime loans. Although some of the Valley's fringe areas such as Surprise, Anthem and Buckeye continue to have high foreclosure rates, the problem has moved inward.

"It has become more of an equity problem than a subprime problem," said Tom Ruff, a real-estate analyst with Information Market.

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Other parts of the country have already hit their foreclosure peak. The troubling trend of homeowners walking away from homes they are upside down on also persists and is pushing up foreclosure figures in the Valley, according to real-estate agents and housing counselors. These are homeowners who may be able to make payments but don't want to continue to pay a mortgage for \$50,000 to \$100,000 more than their house is worth now.

As long as foreclosures continue to rise, home prices are likely to fall.

"Foreclosures are a problem for almost every neighborhood of the Valley now," said Margie O'Campo de Castillo of Arizona Dream Realty. "The problem has trickled in and will continue to get worse as people lose jobs and struggle in this economy."

<http://www.azcentral.com/arizonarepublic/news/articles/2008/07/22/20080722foreclosure0722.html>

The article, ***NE Valley foreclosures surge***, from the *Arizona Republic*, reports that about 800 Northeast Valley property owners lost their homes to foreclosure in the first half of this year, nearly five times as many as the same period a year ago, according to a data analysis by *The Arizona Republic*. Plus, nearly 2,000 area homeowners have been issued a notice of trustee sale, a precursor to foreclosure. That is nearly three times as many as the first six months of 2007. Notices of a trustee sale were sent to 1,543 Scottsdale homeowners and another 410 went to owners in the four other Northeast Valley communities. Foreclosures by city through June 30 of this year and the percentage increase from a year ago are:

- Scottsdale, 640 homes, an increase of 378 percent.
- Fountain Hills, 82 homes, up 531 percent.
- Cave Creek, 58 homes, up 164 percent.
- Paradise Valley, 17, up from zero.
- Carefree, 7, up 250 percent.

NE Valley foreclosures surge

by **Peter Corbett and Ryan Konig** - Jul. 21, 2008 10:44 AM
The Arizona Republic

SCOTTSDALE - About 800 Northeast Valley property owners lost their homes to foreclosure in the first half of this year, nearly five times as many as the same period a year ago, according to a data analysis by *The Arizona Republic*.

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The highest concentration of foreclosures are in these areas:

- Downtown, south to Thomas Road.
- The Scottsdale Airpark area, bounded by Shea Boulevard, Bell Road, Scottsdale Road and 104th Street.
- The Kierland area, bounded by Tatum Boulevard, Shea, Bell and Scottsdale Road.
- DC Ranch, McDowell Mountain Ranch and other areas in the 85255 ZIP code.

<http://www.azcentral.com/realestate/articles/2008/07/21/20080721sr-foreclosures0722.html>

The article, ***Fannie, Freddie rescue could cost \$25B***, from *CNNMoney.com*, reports that the Congressional Budget Office on Tuesday estimated that a government plan to stabilize mortgage giants Fannie Mae and Freddie Mac could cost government coffers an average of \$25 billion. The CBO said it thinks there is probably a better than 50% chance that the Treasury would not need to step in. In addition, it said there is nearly a 5% chance that Freddie and Fannie's losses would cost the government \$100 billion. Treasury Secretary Henry Paulson asked Congress to give the Treasury broad, but temporary powers intended to provide a liquidity and capital "backstop" for the two government-sponsored enterprises (GSEs). "The best way to protect the taxpayer is to have very flexible powers which are temporary," Paulson said. His reasoning: That's the best way to boost market confidence in the two companies and minimize the likelihood that the government would need to lend a hand.

Fannie, Freddie rescue could cost \$25B

Congressional Budget Office puts possible price tag on Bush administration plan to stabilize mortgage finance giants - says 50% chance money won't be needed.

By Jeanne Sahadi, CNNMoney.com senior writer
Last Updated: July 22, 2008: 10:42 AM EDT

NEW YORK (CNNMoney.com) -- The Congressional Budget Office on Tuesday estimated that a government plan to stabilize mortgage giants Fannie Mae and Freddie Mac could cost government coffers an average of \$25 billion.

The CBO said it thinks there is probably a better than 50% chance that the Treasury would not need to step in. In addition, it said there is nearly a 5% chance that Freddie and Fannie's losses would cost the government \$100 billion.

CBO's \$25 billion cost estimate is an average based on "the path of housing prices in the next several months." They considered three scenarios: prices stabilize, grow modestly or decline steeply.

The CBO report came out one day before the House is expected to debate and vote on a rescue plan proposed by Treasury Secretary Henry Paulson last week. Paulson asked Congress to give the Treasury broad, but temporary powers intended to provide a liquidity and capital "backstop" for the two government-sponsored enterprises (GSEs).

Paulson requested that the Treasury be allowed to offer Fannie and Freddie an unlimited line of credit for 18 months and be given authority to buy stock in the companies if necessary.

Both critics and supporters of the Paulson plan have expressed concern that loaning or investing money in the GSEs [could leave taxpayers with a fat bill](#) to pay.

In a [speech](#) in New York on Tuesday, Paulson stressed again there are no immediate plans to exercise the powers he seeks and characterized the proposal not simply as a way to support Fannie ([FNM](#), [Fortune 500](#)) and Freddie ([FRE](#), [Fortune 500](#)) but to support the U.S. capital markets and the economy.

"The best way to protect the taxpayer is to have very flexible powers which are temporary," Paulson said. His reasoning: That's the best way to boost market confidence in the two companies and minimize the likelihood that the government would need to lend a hand.

Even though Paulson wants as much flexibility as possible, lawmakers are expected to impose some parameters, such as giving Congress the right to limit executive pay at Fannie and Freddie and insisting that if government money is used the GSEs agree to pay Uncle Sam before paying investors dividends, or if they're liquidated, assets.

http://money.cnn.com/2008/07/22/news/economy/cbo_gse_rescue_costestim/index.htm?postversion=2008072210

The article, ***Sun Corridor may be 'new heartland'***, from the *Arizona Republic*, reports that Arizona's megapolitan region, called the Sun Corridor, has garnered some new attention and analysis from the Brookings Metropolitan Policy Program. The think tank's new study, called Mountain Megas, looks at the Sun Corridor as well as other high-growth areas in the West and calls for the federal government to give the areas more attention, aid and resources. The study predicts Arizona, Colorado, Nevada, New Mexico and Utah will become the "New American Heartland" because of those states' current and projected growth. Together, growth in these areas accounts for 13 percent of the country's growth this decade. Growth is slowing, but the Sun Corridor is still expected to expand to as many as 12 million people by 2040.

Sun Corridor may be 'new heartland'

Jul. 20, 2008 12:00 AM

The Arizona Republic

Megapolitan isn't a new term for Arizona. Demographers, economists, planners and government officials have been using it to describe the corridor stretching from south of Tucson to Flagstaff for the past few years.

But Arizona's megapolitan region, called the Sun Corridor, has garnered some new attention and analysis from the Brookings Metropolitan Policy Program. The think tank's new study, called Mountain Megas, looks at the Sun Corridor as well as other

high-growth areas in the West and calls for the federal government to give the areas more attention, aid and resources.

The study predicts Arizona, Colorado, Nevada, New Mexico and Utah will become the "New American Heartland" because of those states' current and projected growth. Together, growth in these areas accounts for 13 percent of the country's growth this decade.

Growth is slowing, but the Sun Corridor is still expected to expand to as many as 12 million people by 2040.

"The old saying, 'Will it play in Peoria' takes on different meaning now that Peoria, Ariz., is larger than Peoria, Ill.," said Robert Lang, director of the Metropolitan Institute at Virginia Tech and main author of the report. He taught about the Sun Corridor and did research at Arizona State University a few years ago.

Some of Brookings' findings and suggestions for the Arizona's Sun Corridor:

- The area will need federal help building highways and rail links to Las Vegas and Los Angeles. The Sun Corridor is considering a "parallel highway corridor" rail line between Phoenix and Tucson.
- Aid is needed from the federal government to expand the area's airline runway capacity and develop more of a secondary airport at Phoenix-Mesa Gateway, which will ease bottlenecks for both freight and passenger traffic.
- Adequate water and energy are necessary to accommodate the more than 5 million new residents expected to move to the Sun Corridor in the next three decades. The federal government should help Arizona establish water agreements and support an energy transmission grid and expand tax credits and loan aid for alternative energy.
- Arizona has developed its own strategy for immigration, but Washington needs to aid the state by passing comprehensive immigration reform and reimburse local governments for some of the costs of failed federal efforts.

There are more suggestions at www.brookings.edu/metro /intermountain_west.aspx.

On Tuesday, a presentation of the report's findings will be held in Denver. Politicians and growth experts from all the areas of the new heartland will be there. Mesa Mayor Scott Smith will represent Arizona.

<http://www.azcentral.com/arizonarepublic/business/articles/2008/07/20/20080720biz-catherine0720.html>

The article, ***From home buyers to bankers, many blamed for housing crisis***, from the *Arizona Republic*, reports that at the top of the boom in housing in 2005, lenders, buyers, mortgage investors, regulators and others were straying far from usual practices. Unqualified buyers reaching for unaffordable homes, subprime-loan offerings, Wall Street's greed for unqualified buyers, Wall Street's greed for mortgage securities and indifferent oversight created a toxic mix. The article gives a run-down of each player in the crisis, including lenders, borrowers, investors, the Federal Reserve, other regulators, rating agencies, the White House and Congress and foreigners and gives a summary of what happened by each party, their current situation and their next act to ease the crisis.

From home buyers to bankers, many blamed for housing crisis

Russ Wiles - Jul. 19, 2008 12:00 AM
The Arizona Republic

A late-week Wall Street rally showed that a market battered by bad economic news can rebound quickly.

Still, stronger-than-expected earnings by Citigroup and other banks can't sweep away reminders that the meltdown in subprime mortgages and the ensuing credit crunch endure.

It was just Sunday that the Federal Reserve and the Treasury Department offered guarantees to mortgage-finance giants Fannie Mae and Freddie Mac, which stabilized their stock prices.

Blame for the meltdown has shifted from player to player and can't be laid on any one alone. The crisis is too complex.

At the top of the boom in housing in 2005, lenders, buyers, mortgage investors, regulators and others were straying far from usual practices. Unqualified buyers reaching for unaffordable homes, subprime-loan offerings, Wall Street's greed for unqualified buyers, Wall Street's greed for mortgage securities and indifferent oversight created a toxic mix.

Here's a rundown of what happened as the boom went bust, where we are now, and what's next.

Lenders

What happened: Mortgage brokers, banks and other lenders provided the funds so that unqualified applicants could buy homes. Brokers don't lend their own money but serve as middlemen, collecting commissions but sometimes without much regard to whether borrowers can make payments. Many banks weren't much better, selling loans to third-

party investors while collecting fees. It didn't help that lenders unveiled innovative but risky mortgages, such as negative-amortization and optional-payment loans. Plus, many brokers and lenders never verified a borrower's job status, income or assets because they were passing the risk along.

Current situation: Many lenders have paid a steep price for their involvement. Hundreds of mortgage firms have failed or have been taken over, including Countrywide Financial, IndyMac Bank and Ameritus. Banks have reported a surge in non-performing assets and have had to scramble to put up reserves to cover those losses. Industry profits are down sharply.

Next act: Many banks aren't lending as much money now, and it's uncertain when that will change. Also, lenders aren't using risky mortgages as much, and they're paying closer attention to the application process. Banks are watching carefully for payment problems on other types of loans.

Borrowers

What happened: Before the crisis hit, homeownership seemed more attainable than ever. Because many of the newest home buyers had borderline credit, they could qualify only for risky subprime loans. Many borrowers didn't understand their loan terms, especially the potential for payments to spike when low teaser rates expired. Nor were all borrowers honest, with some studies estimating most subprime applicants lied or omitted key information. Some borrowers may have tried harder to adjust to higher monthly payments but gave up when slumping prices left them owing more than their homes were worth.

Current situation: The homeownership rate peaked above 69 percent in 2004, but now it's dropping. Blacks and Hispanics have been especially hard hit, as they took out a large slice of subprime loans. Credit on mortgages and other loans has gotten tighter for borderline borrowers. Delinquencies and foreclosures further have damaged credit scores for many borrowers.

Next act: Many individuals have put homeownership on hold while they grapple with credit-score damage from delinquent payments and foreclosures. In the future, more people will have to buy homes the old-fashioned way - by scrapping together a down payment first.

Investors

What happened: Lenders packaged the subprime mortgages they generated for resale to investors on Wall Street, thus transferring risk down the line. These bondlike investments seemed appealing because they offered enticing yields for what buyers thought were low risks during a period of skimpy interest rates. Yet investors far removed from the mortgage-origination process didn't understand the risks they were assuming. Some hedge funds bought these securities with heavy use of leverage and got slammed when the market froze. The Bear Stearns collapse stemmed largely from the firm's hedge-fund exposure.

Current situation: Investors have borne much of the brunt of the subprime mess and broadening credit crunch, from players such as Bear Stearns to financial giants such as Merrill Lynch and Citigroup, both of which were forced to raise cash. The market for some debt instruments froze. Even the stock market swooned because of the crisis' impact on the economy and erosion of confidence.

Next act: The crisis slowed the packaging of mortgages and other assets into securities but won't stop it. Still, investors now demand more information about these deals and higher returns. Critics want more regulation of hedge funds, those secretive partnerships that seem to show up in each crisis.

Federal Reserve

What happened: Many blame the central bank under Alan Greenspan for keeping interest rates too low and for boosting the nation's money supply too much. This created an easy-credit environment that encouraged less-qualified home buyers. It also created a period of such low yields that many investors sought better returns in securities backed by subprime mortgages. Critics also say the central bank encouraged investors to take too much risk because of its implied help in arranging bailouts - the "moral hazard" idea. A precedent was set when the Fed helped rescue a prominent hedge fund in 1998.

Current situation: Once the crisis broke, the Fed acted aggressively and in various ways to contain it. The central bank cut interest rates to perk up the economy and provided easier credit to banks, Wall Street firms and even mortgage giants Fannie Mae and Freddie Mac to prevent a cascade of failures. The Fed also is going slow, trying not to generate inflationary pressure.

Next act: The Fed has changed its role, transforming itself into a lender of last resort for financial firms beyond just commercial banks. Chairman Ben Bernanke is asking for broader powers from Congress to help the Fed oversee a more complex financial landscape.

Other regulators

What happened: U.S. and state banking-oversight agencies, including the Fed here too, are accountable for allowing excesses to multiply, from lax underwriting to the prevalence of mortgages with negative amortization and other risky features. Also, regulators didn't seem especially concerned by the concentration of some banks' lending portfolios in real estate - a problem that plagues Arizona. On the other hand, regulator attitudes are somewhat understandable considering residential real estate had never suffered a national slump like the current one. Few people saw the train wreck coming.

Current situation: Bank regulators are trying to put out the brush fires from the credit crisis in the form of bank failures. Only five banks have gone under so far in 2008, but the list is growing and includes a big subprime-loan specialist, IndyMac Bank, the second-largest failure. Regulators haven't banned most types of risky mortgages, but market forces have discouraged their use.

Next act: Look for changes in the regulatory landscape. The Treasury Department wants clearer roles and fewer government regulators. It also seeks optional oversight of insurance firms at the federal level to complement the current system of state-only regulation.

Rating agencies

What happened: Firms including Standard & Poor's and Moody's rate bonds to help investors analyze the risk and return trade-off. Critics say the rating agencies masked the crisis by giving inflated grades to mortgage-backed securities underpinned by subprime loans. Critics also contend the rating agencies harbored actual or perceived conflicts of interest, because the investment banks that packaged those securities for sale to investors are the ones who paid for the ratings. The diversification created by linking dozens of mortgages to a given security didn't help lessen risk as expected.

Current situation: The credit-rating agencies have gotten tougher in their grading of mortgage-backed securities and have announced steps to reduce actual or perceived conflicts of interest. Downgrades of mortgage securities raise an interesting issue, because pension funds and some other investors can hold only those bonds with sufficiently high grades and will have to dump lower-rated ones.

Next act: As long as investors demand a shorthand way to assess risk, bond ratings will have a place. Still, critics would like to see the cost of ratings paid by investors rather than the firms that sell bonds. Some critics also call for agencies to split the rating side of their business from debt-consulting roles.

White House and Congress

What happened: It's a stretch to blame the administration for the crisis, but government policy has for years encouraged homeownership through tax breaks and other incentives. Also, banks are required to offer loans to lower-quality borrowers under the Community Reinvestment Act. With President Bush, the White House has become a vocal proponent of consumer spending to keep the economy afloat (as in the aftermath of the Sept. 11 attacks). Such policies can be viewed as antagonistic to saving. That's notable because many subprime borrowers made little or no down payments, in part because they had little cash to put down.

Current situation: The White House and Treasury have spearheaded various efforts to ease the crisis, from asking lenders to delay interest-rate resets on subprime loans to asking lenders to hold off on some foreclosures. The White House and Congress also agreed on this year's stimulus tax rebates to boost consumer spending and mute fallout on the economy from the credit crunch.

Next act: Congress and the White House are working on a mortgage-relief bill that would let tens of thousands of strapped borrowers refinance into lower-cost loans backed by the Federal Housing Administration. Future legislation will hinge on who wins the election.

Foreigners

What happened: The subprime mess is mostly a domestic issue, but it has shown up in a few other nations, including Britain. Dozens of foreign banks and investors took big stakes in U.S. mortgage securities. More fundamentally, many believe aggressive foreign purchases of U.S. Treasury bonds, especially by the Chinese, kept interest rates here artificially low while the crisis was building. That may have allowed more borderline borrowers to qualify for mortgages and encouraged speculation in general. Those purchases were made possible by China's big trade surplus with the United States.

Current situation: Foreign banks from Europe to Asia have suffered notable losses from their exposure to U.S. subprime bonds, and global stock markets have tumbled in lockstep. Still, foreigners, including controversial government-controlled investment funds, have stepped up to the plate with cash infusions, helping to stabilize firms like Merrill Lynch and Citigroup.

Next act: Foreigners have been big investors in America since colonial days, and that won't change. In fact, foreigners may become more critical in supplying capital to U.S. firms. Sovereign investment funds controlled by various foreign governments will continue to come under scrutiny.

<http://www.azcentral.com/realestate/articles/2008/07/19/20080719biz-creditcrisis0719intro.html>

The article, *Need a mortgage now? Bring lots of cash*, from *CNNMoney.com*, reports that in today's real estate market, down payment requirements and up-front fees have soared, shutting many potential home buyers out of the market. These days, home buyers almost always have to make a substantial down payment, at least 5%, according to Rich Wordman, president of the Florida Association of Mortgage Brokers. The days of no-down loans are over. In deeply declining markets, lenders are reluctant to issue loans unless borrowers put at least 10% down, he said. JP Morgan Chase, for instance, now asks for a minimum of 10% down in most markets, according to a spokesman, and for 20% in hard-hit areas. In Reno, Nevada, which has been devastated by the housing crisis, the bank requires 25%. And buyers purchasing homes for investment purposes are getting clobbered. Lenders are telling them to come up with at least 25% of the purchase price, according to Tacconi - and sometimes as much as 35%, depending on the kind of loan. Freddie and Fannie have also imposing higher up-front fees for riskier borrowers, based on credit scores. As of June 1, buyers with scores of less than 620 with less than a 30% downpayment must pay a fee of 2.75% of mortgage principal, up from 2%. Between a 620 and 640 credit score, borrowers pay 2.5% (up from 1.75%); 640 to 660, 1.75% (1.25%); 660 to 680, 1.25% (0.75%); and 680 to 720, 0.5% (0). "The fees are costing consumers a considerable amount of money," said Marc Savitt, a mortgage broker there and current president of the National Association of Mortgage Brokers.

Need a mortgage now? Bring lots of cash

Between higher fees and and larger down payment requirements, buyers have to pony up more money than ever these days just to land a loan.

By Les Christie, CNNMoney.com staff writer
Last Updated: July 18, 2008: 9:28 AM EDT

NEW YORK (CNNMoney.com) -- Are you ready to buy a house in this crazy market? Better bring a boatload of money to the closing.

In a brutal real estate market where all the players want to hedge against the tremendous risks, down payment requirements and up-front fees have soared, shutting many potential home buyers out of the market.

"I have as many people calling me for financing as ever," said George Hanzimanolis, a Pennsylvania mortgage broker, "but I'm putting less than half of them into loans."

That's happening all over the country, and may slow the housing market's recovery. Indeed, in a Realtor.com survey released today, potential home buyers said high down payments were the second biggest obstacle, after high home prices, to buying a home.

These days, home buyers almost always have to make a substantial down payment, at least 5%, according to Rich Wordman, president of the Florida Association of Mortgage Brokers. The days of no-down loans are over.

In deeply declining markets, lenders are reluctant to issue loans unless borrowers put at least 10% down, he said.

JP Morgan Chase ([JPM](#), [Fortune 500](#)), for instance, now asks for a minimum of 10% down in most markets, according to a spokesman, and for 20% in hard-hit areas. In Reno, Nevada, which has been devastated by the housing crisis, the bank requires 25%.

Even bigger jumbos

For expensive homes, the down payments are disproportionately more. Lenders issuing jumbo loans, which are too pricey to be sold to Fannie Mae ([FNM](#), [Fortune 500](#)) or Freddie Mac ([FRE](#), [Fortune 500](#)) in the secondary market, are asking for at least 20% down, according to Ed Craine, a San Francisco mortgage broker. In the most expensive markets, where jumbo loans are over \$729,000, that means a minimum down payment of \$148,500.

Higher interest rates on jumbo loans are also making them more expensive than they normally would be - with interest rates a full point to a point and a half higher than non-

jumbo loans, said Mike Tacconi, a mortgage advisor with lender CMG Mortgage Services based in San Ramone, Calif.

And buyers purchasing homes for investment purposes are getting clobbered. Lenders are telling them to come up with at least 25% of the purchase price, according to Tacconi - and sometimes as much as 35%, depending on the kind of loan.

"Rents are high where I am," said Pennsylvania mortgage broker Hanzimanolis, "so people are having trouble saving enough for down payments."

Those high down payments are being driven in part by the private [mortgage insurance](#) companies, according to Jay Brinkman, chief economist for the Mortgage Bankers Association, which have themselves hiked their down payment requirements. These firms insure loans when borrowers put less than 20% down, making lenders whole when homeowners default.

In the past, these companies, such as MGIC Investment Corp ([MTG](#)) and PMI Group ([PMI](#)), often guaranteed mortgages when borrowers put no money down. Today they require 5%, 10% in steeply declining markets, according to Jeff Lubar, spokesman for the trade association Mortgage Insurance Companies of America.

In addition, private mortgage insurers are also charging higher insurance rates. Historically, PMI cost about 0.5% of a home's purchase price. Now, a borrower putting 5% down can pay about 0.75% for the first year.

Higher rates

And although interest rates are relatively low, industry experts say that they're higher than they should be, thanks to [concerns about the solvency of Freddie and Fannie](#), which buy about half of all outstanding mortgages in the U.S.

The average 30-year, fixed-rate loan carried a 6.37% interest rate last week, according to Freddie Mac, up nearly a point from the year's low of 5.48% set last January and up from under 6% in late May. At the same time, yields on 10-year treasuries, which mortgage rates usually track, have trended down.

From June 12 to July 10, 10-year treasuries fell from 4.20% to 3.81%, while mortgage rates actually increased, inching up from 6.32% to 6.37%. Borrowers are probably paying at least a half point more than they ordinarily would, according to Keith Gumbinger of HSH Associates, a publisher of loan information.

That's because the questions surrounding the future of Fannie and Freddie have made the investors who buy their loans - hedge funds, pension funds, and banks - wary. They're demanding higher interest rates to take on the added risk they perceive.

Freddie and Fannie have also imposing higher up-front fees for riskier borrowers, based on credit scores.

As of June 1, buyers with scores of less than 620 with less than a 30% downpayment must pay a fee of 2.75% of mortgage principal, up from 2%. Between a 620 and 640

credit score, borrowers pay 2.5% (up from 1.75%); 640 to 660, 1.75% (1.25%); 660 to 680, 1.25% (0.75%); and 680 to 720, 0.5% (0).

"The fees are costing consumers a considerable amount of money," said Marc Savitt, a mortgage broker there and current president of the National Association of Mortgage Brokers.

All these added expenses are slowing an already moribund real estate market. That means it's going to take even longer to get rid of the tremendous inventory of unsold homes, according to the MBA's Brinkman, especially in areas that were overbuilt during the boom.

Cities hard hit by the housing bust, like North Las Vegas, Stockton, Calif. and Tucson, Ariz, may have to suffer through many more months of stagnant prices and increased foreclosures before they return to better times.

And these higher costs are going to stick around long after housing recovers, according to Brinkman. From now on, they'll just be the price of doing business.

http://money.cnn.com/2008/07/15/real_estate/Need_mortgage_bring_money/index.htm?postversion=2008071809