

The Marin Real Estate Report

LOCAL MARKET TRENDS



MARIN COUNTY

March 2009

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Novato Home Prices Continue Weak Trend

There were 384 sales of single-family homes in 2008 compared to 375 sales in 2007, 547 in 2006 and 633 in 2005. Average days on market were 84 in 2008 steady with 82 in 2007.

The median sales price for all single-family homes was \$650,000 for 2008, a 15.4 percent decline from \$769,000 in 2007. Median prices were \$795,000 in 2006 and \$800,000 in 2005, a market peak.

In all three years prior to 2008, the largest price segment for these dwellings has been from

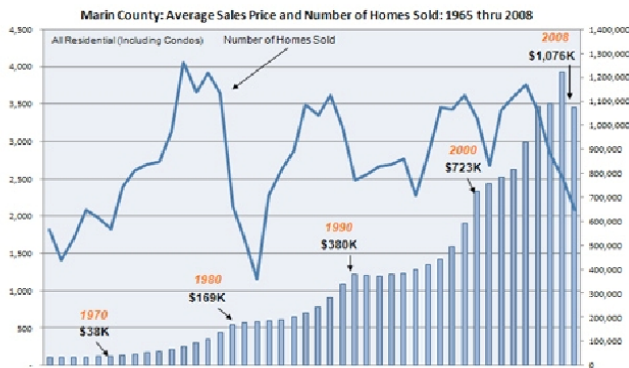
\$500,000 to \$1,000,000 representing a steady 75 percent, 77 percent and 77 percent respectively. In 2008 this segment repre-

The median price of a home in the still largest segment, \$500,000 to \$1,000,000, was \$675,000 compared to \$725,000

in 2007 (-6.9 percent), \$740,000 in 2006 and \$752,750 in 2005, a market peak.

In the growing under-\$500,000 market, the median price was \$462,500 in 2007 on a base of 8 sales and only declined to \$460,000 in 2008 on a base of 95 sales. This contra-

indicating data reflects the effect of the slipping down of previously more expensive dwellings becoming available at these lower prices.



sented only 59 percent of the market, however, as prices fell and the number of homes selling below \$500,000 grew from 8 in 2007 to 95 in 2008.

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American Recovery and Reinvestment Act Ups Loan Limits

The American Recovery and Reinvestment Act of 2009 reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans.

These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750.

For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009

limits will expire December 31, 2009.

For Santa Clara County, loan limits will be \$729,750.

The Act is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn brought about by the subprime mortgage crisis and the resulting credit crunch. The Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector.

Some of the tax relief for individuals include:

- New payroll tax credit of \$400 per worker and \$800 per couple in 2009 and 2010. Phase-

out begins at \$75,000 for individuals and \$150,000 for joint filers.

- Alternative minimum tax: a one year increase in AMT floor to \$70,950 for joint filers for 2009.
- Expansion of child tax credit: A \$1,000 credit to more families (even those that do not make enough money to pay income taxes).
- Expanded college credit to provide a \$2,500 expanded tax credit for college tuition and related expenses for 2009 and 2010. The credit is phased out for couples making more than \$160,000.
- Homebuyer credit: \$8,000 credit for all homes bought between 1/1/2009 and

12/1/2009 and repayment provision repealed for homes purchased in 2009 and held more than three years. This only applies to first-time homebuyers.

- Home energy credit to provide an expanded credit to homeowners who make their homes more energy-efficient in 2009 and 2010. Homeowners could recoup 30 percent of the cost up to \$1,500 of numerous projects, such as installing energy-efficient windows, doors, furnaces and air conditioners.
- Deduction of sales tax from car purchases, phased out for incomes above \$250,000.

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Mortgage Rate Outlook

Mar. 6, 2009 – Eventually, the economy will show real signs of recovery, bringing with it any number of new challenges, not to mention a return to whatever may pass for 'normal' government involvement into financial markets. At present, that's well into the future, and we still have many troubles to overcome before we get there.

Before that, though, we need to arrive at a point where things have stopped getting worse. Looked at in this way, it's possible that we saw some signs of stabilization this week, but there's no way to know how firm that ground is just yet.

As has been the case of late, mortgage rates failed to move very much, even as equity markets slumped and long-term Treasuries bounced around a bit. The overall average for 30-year fixed-rate mortgage money -- HSH's Fixed-Rate Mortgage Indicator -- declined by two basis points to land at 5.80%. The FRMI's 5/1 Hybrid ARM counterpart shed three basis points to

close the survey week at 5.48%, while conforming 30-year FRMs increased by a single basis point.

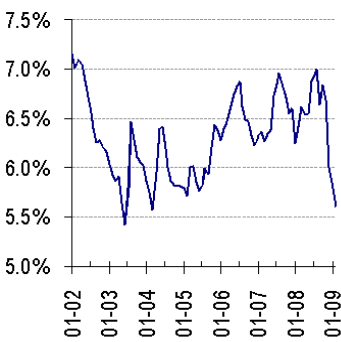
Construction spending wallowed by 3.3% during January. Declining spending on residential projects (-2.9%) was joined by commercial construction (-4.3%) and pressed further downward by a falloff in public works projects (-2.3%). Cash-strapped states have no funds to promote any sort of spending except for basics like schools, but the stimulus plan should pump some money back out via transportation projects and the like before too long.

We keep looking for signs of any bottoming, let alone improvement, in the economic picture. As far as housing goes, we'd probably be happier if the weekly onslaught of new programs, offers, and market manipulations would simply stop, to give the industry some time to develop a better picture of where we are and where we need to go. However, there's more change afoot,

with new tweaking to the all-but-dead Hope for Homeowners program likely to come before long, and a 'cramdown' bill hot on its heels. A breather would be useful to see whether the extant programs -- enacted in such haste -- have the desired (or any!) effects on the health of the mortgage and housing markets. After all, we're paying for them.

Hard to think that there's any reason for mortgage rates to break strongly in one direction or another next week, so we'll look for little change to rates again.

30-Year Fixed Mortgage Rates



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of Homes on the Market

	2007												2008												2009	
	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	
<u>Total Marin</u>	907	1,064	1,179	1,312	1,300	1,221	1,186	1,242	1,208	1,087	768	844	1,012	1,217	1,477	1,566	1,574	1,453	1,412	1,425	1,328	1,188	957	1,041	1,142	
<u>City Detail</u>																										
Belvedere	17	21	16	22	21	20	16	18	21	22	13	16	18	20	20	21	22	25	20	23	25	24	20	24	24	
Corte Madera	26	32	36	39	35	29	31	28	34	30	14	21	27	29	47	47	50	42	43	40	40	32	24	27	34	
Fairfax	20	17	16	25	24	26	20	29	26	25	17	15	16	18	31	40	52	48	49	50	40	37	27	29	33	
Greenbrae	23	22	28	25	19	17	16	28	33	30	17	23	17	17	27	28	33	26	23	23	22	16	9	13	16	
Kentfield	24	31	31	40	43	35	27	30	28	21	14	13	20	30	32	36	22	20	23	28	28	24	17	22	24	
Larkspur	12	21	24	29	31	27	25	32	29	25	23	20	28	31	36	32	38	35	36	26	31	29	23	31	25	
Mill Valley	98	119	120	138	141	124	115	124	122	95	61	73	95	123	160	173	168	156	148	164	137	112	86	102	112	
Novato	241	277	338	362	365	355	373	363	348	338	248	279	339	383	429	451	454	423	408	358	339	313	273	282	301	
Ross	15	15	24	20	24	24	22	20	17	15	11	12	11	11	20	21	15	16	13	18	17	19	13	12	15	
San Anselmo	48	56	57	73	66	66	54	62	51	47	31	27	32	59	69	85	79	80	82	86	85	77	49	54	71	
San Rafael	202	243	266	299	285	264	254	278	274	246	188	206	254	310	385	391	390	348	335	353	323	296	257	266	290	
Sausalito	50	53	47	50	51	54	51	58	51	52	33	44	49	59	66	65	66	49	49	61	60	49	31	37	50	
Tiburon	68	86	94	91	77	76	81	82	91	70	46	49	60	75	79	86	92	96	92	105	91	79	61	76	79	

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Tips for a better refinance or purchase transaction

1. If the mortgage retailer you're interested in is unfamiliar to you, take the time to check them out. Not all states even require licensing of mortgage brokers. Check with the state banking department where your loan will be originated (and the state the retailer is headquartered in, if it's different). Call a local Better Business Bureau. See if they're members of local, state or national trade associations.
2. If it sounds too good to be true, it probably is. Be wary of deals which are way below the other offerings in your market, or promises of service quality which can't possibly be met ("we close in

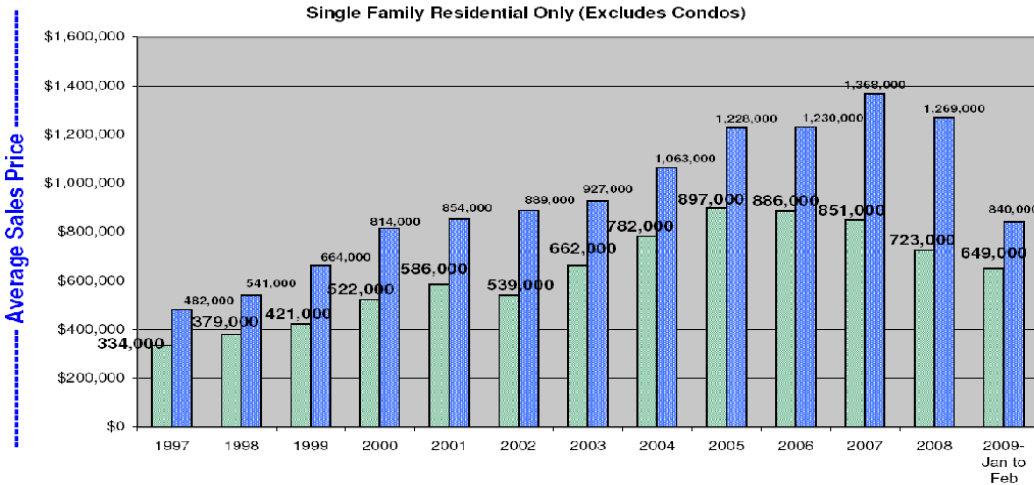
- 24 hours!") Don't be surprised if the advertised deals don't apply to your situation; they may be available only to the absolute best, top-shelf borrowers. The law only requires that the deal listed be available -- not that it's available to you.
3. Research, research, research. It's your job to know what is normal for your loan circumstance. Call lots of outlets. Get rates, points, fees and commitment periods for offers that are as similar as possible. Some of the lowest rates offered have no lock-in available, or can be obtained only if you close ASAP, so make sure that the quotes you get have

- the same terms, if possible. That way, you'll soon be able to judge a good, bad or just average deals.
4. Ask questions, get answers. People in the business will sometimes talk a blue streak and expect that you understand. If you don't get it, say so. Make them explain -- to your satisfaction -- or take your business to someone who will.
5. Get it in writing, on company letterhead, and signed. This pertains to everything you negotiate in your deal, but especially any lock-in agreement (or execution) you conduct. More misunderstandings and disputes are related to lock-ins than any

- other item. Under the law, verbal agreements aren't worth the paper they're not printed on.
6. Sign nothing you don't understand -- and understand everything you sign, even if you need to get outside help to do so. If legalese or contract language is difficult for you, hire a lawyer to help manage your transaction. The few hundred dollars can be very inexpensive insurance.
7. Ask how much experience they have in dealing with mortgage situations similar to yours. How long has the company been in business? How long has your salesman/broker and loan processor been in the business? More experience can mean a smoother transaction, especially if the market gets rough -- and it can help to know your loan processor.

8. If you're coming in "blind", with no referrals from friends or relatives, ask for a few references you can contact -- and follow up on them. Of course, they'll probably be the most satisfied clients the firm has worked for, but it is a place to start.
9. Make sure your "no points" loan is really "no points." You might not know that there are actually two kinds of points: Discount Points (which lower the interest rate) and percentage-based Origination Fees

Novato & Marin County -- Average Sales Price -- 1997 thru Feb 2009
Single Family Residential Only (Excludes Condos)



(Continued on page 4)

Loan Remodification

What type of loans will qualify?

All loans including Fannie Mae and Freddie Mac. The remodifications will lower the interest rate, may lengthen the term of the loan, but will not change the principal balance.

one-to-four unit with a loan limit of up to \$729,750 and you must have a mortgage payment that is more than 38% of your gross monthly income. You can also be in default, in foreclosure, or current on your loan but in danger of defaulting.

first mortgage will be modified.

What is the process?

First, the lender will apply a "net present value" test to the property to see if it is economically better to remodify the loan or just let it foreclose.

balances, etc. to see if you qualify.

Once you qualify, the lender will start the process and begin to add any late fees or penalties on your existing loan to the new loan.

Who will qualify?

You must be an owner-occupant living in the property as your principal residence; it can be a

What if you have a second mortgage?

You can still qualify if you have a second mortgage, but only the

Next, you will have to provide the lender documents including pay stubs, tax returns, your account balances, your loan

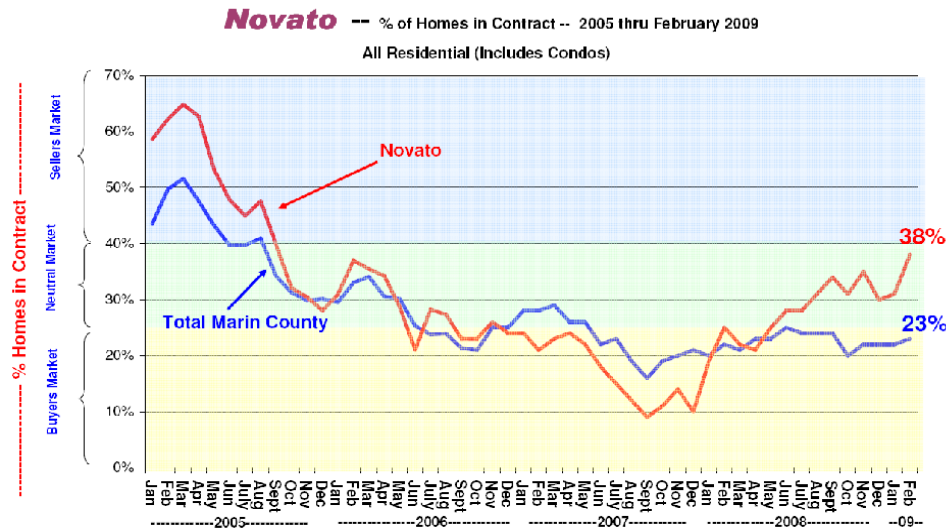
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(Continued from page 3)

which cover some of the cost of getting you the mortgage, including commissions. A true no-points loan has neither -- and if your "no points" loan has a one-percent Origination Fee, it's actually a one-point loan. Compare it against other one-point loans for accuracy.

10. Ask about "Prepayment Penalties" or "Early Termination Fees." Some of the lowest rates in the market, especially for ARMs, are available only on loans which carry hefty fees if the loan is refinanced in the early (the first three to five) years. If you don't ask whether any apply to your loan,

you could find a costly 'zinger' down the road.

A few other suggestions for a better mortgage experience:

Decide what kind of mortgage shopper you are before you sign up. If you prefer a retail experience like Macy's, with lots of in-your-face customer service, you

might be put off by the arms-length website and 800-number-callcenter-for-customer-service commonplace among Internet retailers. If personal contact is important for your comfort, you'll probably want to work with live (local) humans.