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Mortgage Financing Problems Taking Toll on Home Sales, New IMF-Sponsored Study Finds

This year's significant tightening of mortgage credit standards is taking its toll on would-be homebuyers looking to capitalize on reduced home prices. According to a new study sponsored by *Inside Mortgage Finance*, nearly one in seven home sale contracts nationwide were cancelled during September and October because buyers were unable to obtain mortgage financing.

Separately, the research confirms that this year's rapid rise in problem mortgages and foreclosures has dramatically changed the home sale landscape. Sales of distressed properties – those involving real estate owned (REO) or so-called short sales – made up more than 40 percent of home sale transactions occurring over the past two months, the study found.

The new study is based on a nationwide survey of real-estate agents conducted this month by Campbell Communications. More than 2,500 agents responded and passed validation criteria.

"We can now see the effect of the recent credit crunch and associated media attention on home sales," commented Thomas Popik, designer of the survey instrument for Campbell Communications. "The effect is especially severe in states where home prices are rapidly declining or where the job market is uncertain. Agents tell us that many homebuyers have adopted a 'wait and see' attitude. Agents also say large numbers of potential home sellers remain in denial about the true value of their homes."

The survey results paint a grim picture of the current housing market. Homeowners are reluctant or unwilling to price their homes at the low levels being dictated by competing REO properties. Potential first-time buyers face tough mortgage underwriting and downpayment requirements, while move-up buyers can't sell their current home.

The new study, "Survey of Real Estate Agents on Home Purchases and Mortgages – 2008," de-tails changes in the market, from both the buy side and the sell side, in just the past few months. It offers a look at the current composition of homebuyers, the mortgage finance issues they face, and an analysis of current sellers. The study also provides real-estate agent ratings of lenders, servicers and as-set managers.

For information on how to obtain the complete report contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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Home Sales Fall 19% From September to October

Posted By DIANA GOLOBAY

November 13, 2008 10:32 am

Stress in the real estate market caused U.S. home sales to fall sharply between September and October, according to a national survey of more than 2,500 real estate agents conducted by survey firm **Campbell Communications Inc.** in early November. Survey results released Thursday showed buy-side respondents indicated a 19 percent drop in completed transactions through September, representing an unusual variation so severe it can't be associated with seasonality, analysts said in a media statement regarding the survey.

Declines were especially severe for sales of non-distressed properties in states where home prices have fallen rapidly during the past year, according to the statement. Buy-side agents indicated a 22 percent decline in non-distressed sales in Florida, a 32 percent drop in California and a 51 percent drop in Michigan. Declines in sales of real estate-owned (REO) properties were less severe. Buy-side agents reported a month-to-month 14 percent drop in sales of REO properties nationwide; from a 3 percent drop in California to a 10 percent drop in Michigan. Buy-side survey respondents in Florida, on the other hand, indicated an 8 percent increase in REO sales.

Real estate agents indicated that approximately one-quarter of signed purchase and sale agreements were canceled due to either a lack of financing or an inability of homebuyers to sell their current residences. Major reasons for denied mortgage financing were credit score and lack of down payment. Real estate agents also indicated that many home sellers are unrealistic about the value of their homes, pricing them well above competing REO properties. Survey results show that a substantial portion of properties listed by individuals are being taken off the market without sale. A majority of real estate agents responding to the survey specified "fear of falling prices" as a major impediment to people buying listed homes, according to Campbell's survey.

"We can now see the effect of the recent credit crunch and associated media attention on home sales," said Thomas Popik, designer of Campbell's survey instrument, in a press release. "The effect is especially severe in states where home prices are rapidly declining or where the job market is uncertain. Agents tell us that many homebuyers have adopted a 'wait and see' attitude. Agents also say large numbers of potential home sellers remain in denial about the true value of their homes or are prevented from selling when the mortgage is greater than the market value of the home."

The drop in home sales as indicated by real estate agents coincides with the [1] [drop in mortgage application volume](#) reported by the **Mortgage Bankers Association** and **Mortgage Maxx LLC** at the end of September. Mortgage applications have teetered back and forth since then. A recent

[2] [boost in application volume](#) in the week ended Nov. 7, as reported Thursday by the MBA, might signal a change to come in this downward trend of home sales.

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U.S. Oct home sales plunge 19 pct -survey

Thu Nov 13, 2008 4:14pm EST

NEW YORK, Nov 13 (Reuters) - U.S. home sales sank 19 percent in October from September as fears about the economy kept buyers on the sidelines and sellers were reluctant to drop prices, according to a survey of real estate agents released on Thursday.

The biggest declines were in sales of homes not in distressed situations, the survey found. Distressed properties are those in foreclosure or short sales, in which the lender agrees to accept a sale price that does not cover the full balance of the mortgage.

Michigan, whose economy has been roiled by the troubled auto industry, posted the biggest decline when excluding distressed properties, with sales down by 51 percent compared with September, according to the Campbell Communications survey of more than 2,500 agents.

Non-distressed sales in California fell 32 percent and those in Florida fell 22 percent in October from September.

New York and Michigan were among states with the largest drops in total sales last month, posting declines of 26 percent and 25 percent, respectively, the survey said. California's total sales declined 13 percent, and Florida's fell 8 percent.

Some smaller states had greater overall declines, but the number of responses fell short of those needed.

"To see a 51 percent drop in Michigan over a one month period is very significant," Thomas Popik, the survey designer, said on a conference call. "There's extreme uncertainty with regards with what's going on in the automobile industry."

Real estate agents in Michigan said expectations for thousands of job losses in a possible merger between General Motors Corp (GM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Chrysler LLC have kept buyers on the sidelines.

In addition, the drop in financial markets accelerated in September and October, leading potential buyers to wait for market stability, the agents said.

"We just heard time and time again that people were holding back from the market because of their perception about the economic crisis," Popik said.

Agents reported many sales were canceled as lenders denied financing for borrowers. They also said sellers are pricing homes too high compared with bank-owned properties.

Sales of bank-owned properties fell nationwide by 14 percent. In Florida, however, those sales increased by 8 percent.

Agents expected home prices would find a bottom during the first half of 2009. (Reporting by Al Yoon; Editing by Leslie Adler)

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