The Inauguration Has Many Hoping for Mortgage Industry Help

While a hopeful nation looked on as President Obama took the helm, financial experts continued to tune in to the battered economy. At the forefront of that crisis is the real estate market. As the new President entered his first official full day in office, the housing index for the first month of 2009 was published by Wells Fargo and the Home Builders Association. The index measures confidence within the home building industry by surveying 419 home builders. It was at its lowest point since 1985, which is when the index started. Home builder confidence has been waning since May 2006. Builders were some of the first and most drastically affected by the declining real estate market and crisis in the credit industry, as they struggled to compete with lower prices and the glut of unsold homes. Although mortgage interest rates are very low, demand for new homes is not expected to increase much in the coming year. In fact, many analysts anticipate that the slump will continue for at least another year. Some analysts think that a recovery is dependent upon government programs and policies to encourage qualified consumers to start buying again. The National Association of Home Builders, for example, is pushing for increased tax credits and a reduction in mortgage rates for consumers buying a home in 2009.

Builders are not the only ones predicted to have difficulty this coming year. The largest mortgage insurer in the country, MGIC Investment Corp., predicted that it would continue to be unprofitable in 2009. Mortgage foreclosures are anticipated to go up even more, which will reduce the bottom line of mortgage insurers who back those mortgages. Risky mortgage practices undertaken by many banks and investors came to head in 2008 and left many homeowners holding the bag of declining home values. Those practices offered subprime loans to consumers who were not eligible for traditional mortgages. Other consumers simply bought a home priced beyond their means, sometimes with an adjustable rate mortgage that has since reset, and are now struggling to make those mortgage payments. As a result, mortgage insurance companies like MGIC are paying out claims from lenders more and more as defaults rise. That is quite a contrast to just two short years ago, when private mortgage insurance was one of the most lucrative types of insurance offered by companies. Mortgage insurers like MGIC are hoping to utilize some of the $700B from the federal bridge loan to help them through 2009. The new President has made it clear that any economic stimulus plan will need to help stem mortgage foreclosure rates, if there is any hope for a revitalization of the housing market.

About the Author

To read more on refinance mortgage, see getsmart.com.