

## Your Tax Dollars at Work

There has been a lot in the news recently about the government takeover of government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. What does this mean for the real estate market?

These GSEs guarantee more than 40 percent of the nation's mortgages and own or guarantee more than \$5 trillion worth of mortgages, so assuring their continued operation is crucial in the current economic environment.

The government's actions were aimed to restore confidence and bring stability and continued liquidity to the nation's mortgage market. Interest rates came down immediately after the takeover, and it is likely that this will keep them low for some time to come. Buyers benefit from lower rates, and sellers benefit from the increased demand created by buyers entering the market.

According to Lawrence Yun, Chief Economist for the National Association of REALTORS®, there is much to be done, to ensure the security of these GSEs and the mortgage market across the country. He notes, "Over the long term, after the time-out phase of government activism, we need to ensure continuous flow of capital into the mortgage market to help consumers. The restructuring of Fannie and Freddie must meet this important criterion. The final restructuring will need to combine many innovative ideas." This includes:

- Counter-cyclical mortgage intervention, which loosens the liquidity spigot in times of need and tightens when the housing market heats up
- Covered bond market - which is the European way of funding mortgages
- Sound underwriting standards to assure a sustainable, healthy housing market (it is in no one's interest to have an unprepared homebuyer that ultimately leads to a foreclosure)
- Clearly separating out the public and private mission of the Fannie/Freddie or new entities. A model of private profits for the shareholders and losses for the taxpayers does not pass any common sense test.

In the meantime, with lower interest rates and increased demand, the time is right to buy a home in San Mateo County, which remains a robust, stable real estate market. In August, there were 588 new listings, bringing the current inventory to 1772. There were a total of 376 closed transactions that month. The median sales price was \$795,000.

*The San Mateo County Association of REALTORS® (SAMCAR) is a professional trade organization representing over 3,400 REALTORS® and Affiliate members engaged in the real estate business on the Peninsula. SAMCAR promotes the highest ethical standards of real estate practice, serves as an advocate for homeownership and homeowners, and represents the interests of property owners in San Mateo County. For more information, please contact Michon Coleman, Director of Public Affairs at 650.696.8200. San Mateo County sales statistics, news stories and press releases are available on SAMCAR's web site at [www.samcar.org](http://www.samcar.org).*