



Real Estate and Development

Home-loan insider invites limited government help

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By [Brian Wargo / Staff Writer](#)

An executive vice president of Countrywide Home Loans said government regulation isn't the answer to the credit crunch that grew out of rising foreclosures and problems within the housing industry but suggested government is a big part of the solution.

Appearing before more than 150 members of the Las Vegas housing industry at a seminar sponsored by the Sullivan Group Real Estate Advisors, Jack Haynes said the financial markets need cooperation from Congress and government-sponsored enterprises Fannie Mae and Freddie Mac, which provide liquidity in the secondary mortgage market and help low- and moderate-income families.

The GSEs fund residential mortgages by purchasing loans directly from lenders and holding these loans by issuing mortgage-backed securities that are sold to investors in the capital markets.

Haynes said the "only solution," at least on a temporary basis, is removing a cap on how much in loans the GSEs can acquire to help some of the largest lenders move loans off their books. In addition, more liquidity can be added by raising the loan amount the GSEs can acquire above the \$417,000 jumbo loan limit, Haynes said.

These steps are being worked on by a coalition of industry members that include homebuilders, mortgage bankers and Realtors, Haynes said. In addition, federally backed Federal Housing Administration loans for low-income and first-time home buyers will help replace subprime loans that were used by borrowers with impaired credit, Haynes said. That includes a needed change in the FHA maximum of \$362,790 for a home to help those in more pricy Western states such as California and Nevada.

"The main thing we just don't want to see happen is we don't want overregulation," Haynes said. "It is a free market, and it will self-correct. If we overregulate, we are going to have a worse problem than we have now."

Haynes' employer announced last week it funded 44 percent fewer mortgage loans in September as it tightened lending standards. It reported that delinquencies increased and foreclosures more than doubled.

Countrywide eliminated nearly 5,000 jobs in September and plans to cut another 12,000 jobs by December.

The current problem within the industry had its impetus in a convergence of low interest rates, lots of available financing and demographics — homebuyers, emerging markets like Las Vegas and baby boomers who fueled demand, Haynes said.

That caused prices to escalate and when that happened, investors jumped in to make a quick buck, he said.

The easy credit originated in the 1970s with the creation of the mortgage-backed securities. That enabled mortgages to be sold as investment-grade paper backed by

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residential real estate and free up more money for loans. That was needed because when banks or savings and loans reached their limits, there were no more loans, Haynes said.

Companies like Countrywide borrow billions of dollars a month to fund loans, which are then sold on the secondary market. Some of those loan programs such as subprime loans were in demand because they helped people afford a home. Wall Street created the underwriting guidelines that mortgage companies originated, Haynes said.

Those investments were sold to institutional investors, hedge funds, pension funds and different countries, Haynes said.

"It was high-yield paper backed by houses of American citizens," Haynes said. "What could be more secure than that?"

Well, there was "a lot of stretching done to get people into houses," and some people got these loans who should not have been there because of loose underwriting, Haynes said.

The housing demand created an oversupply and with too much inventory, prices began to drop, he said.

There wouldn't be a problem if prices had kept rising, but appreciation slowed and the high prices in place created problems with many others, he said.

Despite the rising foreclosures, Haynes said, the majority of those are for the normal reasons of illness or job loss. The onset of foreclosures from subprime loans will be more telling next year when interest rates reset on many adjustable rate mortgages, he said.

Countrywide has assigned 2,700 people to contact those people who have the 9 million loans it has to see if they need help or assistance with a refinance, Haynes said.

As for markets like Las Vegas, Haynes said that he's been in the business for more than 30 years and that whenever there is a cycle like this, "they always make it through and come back."

Housing price prediction: PMI Mortgage Insurance Co. released its fall report that showed there is greater than a 50 percent chance that Las Vegas home prices will be lower in two years. Las Vegas ranked behind Riverside and San Bernardino counties in California and just ahead of Anaheim and Irvine, Calif., and Phoenix.

"Home price appreciation rates have slowed significantly and have gone negative in some areas," said Mark Milner, chief risk officer of PMI Mortgage. "This will cause some pain in the immediate future. But in order to restore a healthy market balance, prices need to come back in line with incomes."

Since peaking in the second quarter of 2005, appreciation rates have decelerated in seven of the last eight quarters. The lowest risk was in Pittsburgh and several Texas cities.

- The Southern Nevada Index of Leading Indicators has remained within a tight range as the weakness of new-home construction has been offset by strong commercial construction along the Strip, according to the latest numbers released by the Center for Business and Economic Research at UNLV. Residential-construction indicators are down by a double-digit percentage whereas commercial indicators have double-digit growth. The Center projects more of the same for the rest of 2007. Despite the sharp declines in housing, total construction is down less than 1 percent from a year ago because of the casino resort projects, the Center reported.

- GSG Development commemorated the groundbreaking of its second 20-acre phase of The Park at Spanish Ridge with an art tour for fifth graders at Spanish Ridge I. GSG has placed 26 pieces of art among three of its Las Vegas office parks and will continue the practice for its future developments. The development is located at the Las Vegas Beltway and Spanish Ridge Avenue. The second phase consists of 16 buildings with 367,000 square feet of office space. The \$50 million project is scheduled to be completed during the third quarter of 2009.

- EJM Development was awarded two Office Building of the Year TOBY Awards at the second-annual BOMA Nevada TOBY Awards. EJM won in the industrial office park categories. With the honor, EJM may compete in the BOMA International's Regional Competition held in January in Miami. The awards evaluate a building's operations. The projects honored were Century Park at Russell Road and I-15, which measures nearly 55,000 square feet. The other winner was the Craig & Lamb Business Center with nearly 545,000 square feet.

- Japanese developer Satoshi Nakayama has purchased a full floor grey-shell penthouse in Panorama Towers for \$10 million, the most-ever paid for a condominium in Las Vegas. It features 360-degree views of the Strip and surrounding valley. When completed it will be the largest and most luxurious high-rise penthouse in Las Vegas, said Panorama spokesman Tony Preuss. Nakayama plans to spend \$5 million on the build out for the residence that will blend traditional Japanese and modern design. Two towers of Panorama are complete and a third tower is under construction and expected to be completed in the third quarter of 2008.

- Las Vegas-based Territory Inc. announced it's developing a 150,000-square-foot lifestyle retail space at Newpark, an 820,000-square-foot mixed-use development in Park City, Utah. The retail development will be anchored by Best Buy. Newpark is a \$350 million development that includes 95 townhomes, 90,000 square feet of office and hotel. The retail component is a mix of entertainment and restaurants and high-end specialty retailing.

- Tom McCormick, president and co-founder of Astoria Homes in Las Vegas, said the company's first sale over the weekend was a success. He said Astoria sold 30 homes throughout the valley, well ahead of the five to six homes it had been selling a week previously. The builder has lowered prices on a case-by-case basis but never had a formal sale.

"We are hoping that because we were able to sell so much that we have found a bottom on this pricing," McCormick said.

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