



Lexington-Bluegrass Association of REALTORS®
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Local real estate market impacted by Fannie Mae and Freddie Mac takeover

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On September 7, 2008, the U.S. Treasury Department announced its takeover of mortgage-finance companies Fannie Mae and Freddie Mac. The government is directing the companies to help stabilize housing markets by requiring them to increase their mortgage funding. Because of the increase in mortgage funding, mortgage rates have fallen which will result in increased home sales.

Lexington-Bluegrass Association of REALTORS® (LBAR) President Judy Craft said, “It’s too early to quantify the impact, but the Bluegrass region already offers buyers affordable housing, plentiful inventory, and stable sales prices—the recent drop in mortgage rates will entice more buyers to enter the market. And, this will help keep home prices in the state from decreasing as they did in so many areas around the country.” Chris Evans, President of the Mortgage Bankers Association of Kentucky, agreed and commented that, “We have already experienced a drop in interest rates since Friday. Consumers who were on the fence are now realizing that it is an incredible time to buy.”

According to the National Association of REALTORS® (NAR) and *The Washington Post*, the average rate for a 30-year fixed rate fell to 6.04 on Monday, about a third of a percentage point lower than on Friday, September 5 before the federal takeover of Fannie Mae and Freddie Mac. As of today, mortgage rates from local lenders were in the 5.75 to 6.0 range.

Fannie Mae and Freddie Mac, which together back around \$5 trillion in home loans or about half the total in the U.S., don't offer mortgages themselves. But they do play a central role in the American system of home finance. The two mortgage giants buy home loans from banks and others lenders that make the initial loans, either keeping them as investments or packaging them for resale to investors. These two government sponsored enterprises, or GSEs, have been battered in the past year by declining home prices and rising foreclosures.

As the region’s leading advocate for homeownership, LBAR understands the value and joy of owning a home. LBAR represents more than 2,300 REALTORS® living and working in Anderson, Bourbon, Boyle, Clark, Fayette, Franklin, Garrard, Harrison, Jessamine, Madison, Mercer, Montgomery, Scott and Woodford Counties. Visit www.lbar.com or call 859-276-3503 for buying and selling resources and real estate listings.

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