

More negative signs for US housing market

By ALAN ZIBEL and MARCY GORDON , 11.18.08, 03:54 PM EST



Top lawmakers threw their support Tuesday behind a proposal to use \$24 billion in government funds to help struggling borrowers, as reports showed U.S. home prices sinking in four out of five cities and homebuilders reported their worst-ever business outlook.

With a clear and present threat to the U.S. economy, Democrats stepped up pressure on the [Bush administration](#) to direct [taxpayer money](#) to help more troubled borrowers. Rep. Barney Frank, D-Mass., chairman of the [House Financial Services Committee](#), said "it is essential" to use some of the funds in the government's \$700 billion financial rescue program to stem the tide of foreclosures.

Likewise, House Speaker Nancy Pelosi, D-Calif., publicly urged Treasury Secretary Henry Paulson to support a proposal that would use some of the government's bailout funds to help about 1.5 million households avoid foreclosure.

"Further delay in implementing these solutions is unacceptable." Pelosi said in a statement.

But Paulson isn't budging.

"It is hard to imagine, no matter what program we have, that we're not going to have a good number of foreclosures," he said at a House hearing Tuesday.

Lawmakers' have the power to impose new conditions on the use of the bailout money, but new legislation appears unlikely before President-elect Barack Obama takes office in mid-January.

And any government aid won't rescue thousands of homeowners like Bernice Ramos, 39, of Antioch, Calif. She lost her home through foreclosure this month. She was part of a faith-based group, the Pico National Network, that came to Washington Tuesday to press for more aid to homeowners.

"It's too late for me, but it's not late for millions of people that are (going) through the same pain," Ramos said outside the stone pillars of the Treasury Department, where dozens from the group staged a morning prayer session.

Meanwhile, the latest reports brought more bad news for the hobbled housing market.

Homebuilders' confidence in a near-term housing recovery sank to a new all-time low this month. The National Association of [Home Builders](#), which started a market index in January 1985, said that barometer tumbled five points to nine in November, reflecting growing worries about the over the U.S. financial crisis, rising unemployment and weakening consumer confidence.

Index readings higher than 50 indicate positive sentiment about the market. But the index has drifted below 50 since May 2006 and below 20 since April.

Also Tuesday, the National Association of Realtors said that 120 out of 152 metropolitan areas it tracks saw the median home sale price decline in the July-September quarter compared with a year ago. Nationally, sales fell by almost 8 percent compared with last year.

Sales fell in all but four states. The exceptions were Nevada, California, Arizona and Virginia, where buyers have been able to snap up foreclosed homes at a bargain.

Foreclosures and other distressed sales made up about 40 percent of transactions in the quarter, dragging down the median sales price by 9 percent from a year ago to \$200,500.

Builders and Realtors alike have grown increasingly convinced that only government intervention will help stem the downward spiral in home prices and rising foreclosures that have led to a dearth in demand.

"We are in a crisis situation," Sandy Dunn, chairman of the builders' association said in a statement. "Tremendous economic uncertainties have driven consumers from the housing market, and it's going to take some major incentives to bring them back."

In recent weeks, homebuilders have ratcheted up pressure on Congress to take steps that go beyond trying to reduce foreclosures. The industry wants lawmakers to enact new incentives aimed at getting reluctant homebuyers back into the market.

Specifically, the group is asking for a 10 percent tax credit of up to \$22,000 for homebuyers that purchase a home over the next year and a temporary interest-rate reduction on 30-year mortgages. The Realtors group is also pressing for more housing assistance.

By the end of the year, foreclosure listing service RealtyTrac Inc. expects more than a million bank-owned properties to have piled up on the market, representing around a third of all properties for sale in the U.S.

Mortgage finance company **Freddie Mac** said last week that rising unemployment rates, tightening credit and deteriorating economic conditions "contributed to a substantial increase in the number of delinquent loans," including loans made to borrowers with strong credit. Freddie Mac has 28,000 foreclosed properties on its books, while its sister company, **Fannie Mae** owns 67,500.

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AP Business Writer Alex Veiga contributed to this report from Los Angeles.

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