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## 'No Real Positive News' Seen As Home Prices Continue to Fall

By [Rena Merle](#)

Washington Post Staff Writer

Wednesday, November 28, 2007; Page D02

Home prices are continuing to decline, according to federal and private-sector data released yesterday that indicated the housing slump is worsening.

"It gives more evidence of an evaporating housing market," said [Mark Zandi](#), chief economist of Moody's [Economy.com](#).

The average American single family home sold for \$295,573 in October, according to the Federal Housing Finance Board, down 3.5 percent from \$306,258 a year earlier.

The numbers were slightly different, but the direction was the same for the Standard & Poor's/Case-Shiller Home Price Index, which reported a 4.5 percent drop in the quarter that ended in September compared with the similar period last year. Home prices fell 1.7 percent compared with the previous quarter, the largest quarterly decline since the index was created in 1987.

In the Washington region, September prices fell 6.6 percent from the year before, according to that index. The national drop was most pronounced in the [Tampa](#) area, where prices slid 11.1 percent, and in [Miami](#), where prices have fallen 10 percent since last year.

There "is no real positive news in today's data," [Robert J. Shiller](#), chief economist at MacroMarkets and one of the originators of the index, said in a statement. "Most of the metro areas continue to show declining or decelerating returns on both an annual and monthly

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Home prices fell 4.5 percent in the third quarter from a year earlier, according to a Standard & Poor housing index. (By Mark Lennihan -- Associated Press)

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basis."

The numbers weren't surprising, said analysts, who generally are expecting home prices to continue to fall into 2008, coupled with increasing foreclosures.

But they did indicate that the housing price decline is accelerating. That is likely to be reflected in another set of home price figures to be released later this week by the [Office of Federal Housing Enterprise Oversight](#), said Stuart Hoffman, chief economist for [PNC Financial Services Group](#) in [Pittsburgh](#). "There doesn't seem to be a letup in sight in falling home prices," he said.

Reports are also scheduled to be released today and tomorrow on sales of existing and new homes. Both sets of figures are expected to decline.

The housing slump has spurred calls for action in Congress and pledges from the mortgage industry that it will make it easier to refinance loans. "The steepest home-value drop in two decades" should push the Bush administration to address the mortgage crisis, [Sen. Charles E. Schumer, \(D-N.Y.\)](#), chairman of the Joint Economic Committee, said in a statement.

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Despite the drop in home prices, federal authorities said yesterday that [Fannie Mae](#) and [Freddie Mac](#), the largest buyers of home loans, will not be raising the size of the loans they can guarantee, currently capped at \$417,000. The limit, which is linked to the Federal Housing Finance Board numbers, will remain unchanged in 2008, making it the third year the level has held steady.

Loans above that limit, known as jumbo loans, have become harder to get in recent months. Democratic leaders have advocated raising the limit to \$500,000, which they contend would better reflect

the average home price in some metropolitan areas. That would require legislation. But administration officials have said such a change would have to be coupled with more regulation of Fannie Mae and Freddie Mac.


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## Existing home sales' plunge continues

By MARTIN CRUTSINGER, Associated Press

WASHINGTON -- Hit by a severe credit crunch, existing home sales fell for the eighth straight month with median home prices dropping by a record amount.

The National Association of Realtors reported Wednesday that sales of existing homes dropped by 1.2 percent last month to a seasonally adjusted annual rate of 4.97 million units. That represented the slowest sales pace on record going back to 1999 and was 20.7 percent below activity a year ago.

The median price of a home sold last month, the point where half the homes sold for more and half for less, declined to \$207,800, a drop of 5.1 percent from a year ago, the biggest year-over-year price decline on record.

The October weakness was blamed on the fallout from a serious credit crunch that roiled financial markets in August. Banks and other lenders have tightened credit standards in response to a soaring level of defaults, especially on subprime mortgages -- loans provided to borrowers with weak credit histories.

Analysts predicted that prices will have to drop further to work down historic levels of unsold homes. They said the housing slump could last for another year.

"The light at the end of the housing meltdown tunnel appears to be an oncoming train," Joel Naroff, an economist with Naroff Economic Advisors, said in response to the new figures. "With so many choices and so few buyers, the median price is cratering."

Wall Street, however, took the latest bad news on housing in stride, preferring to focus instead on comments from Federal Reserve Vice Chairman Donald Kohn that were interpreted as offering the hope of further Fed rate cuts.

Kohn said the central bank would need to be "nimble" in setting monetary policy. He noted in a speech in New York that the recent financial market turbulence had undone some of the improvements that had been seen and increased the risk of "especially adverse outcomes" for the economy.

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