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## An Unprecedented Move and What It Means to You

By Nancy Russell  
Vice President  
Select GMAC Real Estate

Years ago, my family vacationed in Disney World. My husband and children talked me into going on Space Mountain. I am not a roller coaster person as I like to keep my feet planted squarely on the ground, but heck we were on vacation. The only question that went through my mind as the "space ship" propelled me through tight twists and turns was, "Am I going

to make it through this thing?" Well I did and that was the last time I stepped foot on a roller coaster. The recent events with Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) took me back to that crazy roller coaster ride in Disney World.

Fannie Mae and Freddie Mac were government sponsored enterprises (GSEs). GSEs are a group of financial service corporations which serves to

provide liquidity to the primary mortgage markets. Basically, they allow cash funds for mortgage companies, savings and loans, commercial banks, credit unions, and state and local housing finance agencies. This sector is a significant part of the U.S. economy. Fannie Mae and Freddie Mac owned or guaranteed about half of the United States' \$12 trillion (with a "T") mortgage market! As a result, the corporations were particularly affected by the housing market downturn and

credit crunch that began in 2007.

With a sagging economy and little choice, the U.S. government stepped in and seized Fannie Mae and Freddie Mac. This action is one of the most sweeping government interventions in private financial markets in a generation. With the takeover, gone are the key people that paid themselves eight-figure salaries, lived lavished country club lifestyles, all the while running a major part of the U.S. economy

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into the ground. Now we the taxpayers are on the hook for the bad decisions and questionable loan practices presided over by the former Fannie Mae and Freddie Mac CEOs.

The government's unprecedented takeover sent shock waves through the economy. However, the government seizure has had no initial downside for the real estate market. With the announcement, interest rates dropped 0.4 percent immediately. Up-front delivery and other fees are being reduced and may be altogether eliminated. New mortgage

applications were up 9.5 percent overall while Fannie Mae and Freddie Mac saw a significant 14.4 percent increase. If we take a look back to week ending Aug. 15, 2008, the average 30-year fixed mortgage rate was 6.52 percent and the 15-year fixed mortgage rate was 6.07 percent. For week ending Sept. 19, 2008, the 30-year fixed mortgage rate was down to 5.78 percent and 15-year fixed rate mortgage rate was down to 5.35 percent. All good news for the real estate market as the reduced rate will help stimulate activity.

The continued good news is that Fannie Mae and Freddie Mac are not

“The continued good news is that Fannie Mae and Freddie Mac are not going away and will continue to provide liquidity to the American home mortgage markets.”

going away and will continue to provide liquidity to the American home mortgage markets. It is not known how long the U.S. government will oversee the two institutions, but it should go through 2009.

This should allow for new rules and regulations to be put in place to ensure taxpayers are not stuck with billions of dollars of debt. This will shore up a major part of the U.S. economy and allow

for people to pursue the American Dream of home ownership. As I got off of Space Mountain in Disney World, I realized I made it through the tumultuous adventure. As the dust now settles from the government's take-over of Fannie Mae and Freddie Mac, we can now see a return to home price growth in the next two years.

“Whatever Nancy touches turns to SOLD.” Call me at 508-243-8128 or contact me by e-mail at [NRussell@SelectGMACRealEstate.com](mailto:NRussell@SelectGMACRealEstate.com). For more information, visit my website at [www.nancyarussell.com](http://www.nancyarussell.com) or stop by the office located at 45 S. Quinsigamond Avenue in Shrewsbury.

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