

# Market In Review: The Wells Fargo View<sup>SM</sup>

Wells Fargo is a strong, sound mortgage lender and servicer. Our business is uniquely positioned to succeed in today's challenging market. Here is our insight on current conditions and how we will continue to responsibly make loans to customers.

June 2010

## Reverse mortgage loan popularity rises

Reverse mortgage loans have become increasingly popular products as lenders have dramatically cut closing costs and senior homeowners are tapping the equity in their houses to weather the economic downturn – either for themselves or family members.

Reverse mortgage loans enable homeowners who are 62 and older and own their home free and clear – or are able to pay it off with the proceeds from the reverse mortgage – to convert their home equity into tax-free loan proceeds. Senior homeowners can elect to receive reverse mortgage loan proceeds in a lump sum for a fixed-rate loan. For the variable rate loan, customers can receive proceeds as a lump sum, a monthly payment, a line of credit or a combination of the three.

Many seniors use the loan funds to supplement retirement income, meet unexpected medical expenses, or make much-needed improvements to their homes. And, with the reverse mortgage for purchase feature, seniors can even buy a new primary residence better suited to their needs.

The loan amount for a reverse mortgage is based on three factors: age of the youngest borrower, value of the home and current interest rates. Numerous consumer safeguards are built into the program including mandatory HUD-approved counseling, payment guarantees, capped interest rates and advanced disclosures.

The loan and interest are typically paid off when the borrower moves, sells the house or when heirs sell the property.

**The Wells Fargo View:** In April, Wells Fargo – the nation's leading retail originator of reverse mortgages – cut both origination and monthly servicing fees for adjustable rate and fixed-rate reverse mortgages, which allow homeowners to tap their home equity as they need it. Visit [www.wellsfargo.com/reverse](http://www.wellsfargo.com/reverse) to learn more.

## Existing housing inventory is getting a facelift

The Joint Center for Housing Studies – Harvard University's center for information and research on U.S. housing – is forecasting that 2010 could produce the first annual spending increase for the remodeling industry since 2006. The majority of the nation's housing stock is more than 30 years old, and the government and the mortgage industry have programs in place to help consumers looking to purchase and renovate a fixer-upper.

The Federal Housing's Administration's 203(k) loan, one of the more popular renovation loan programs, is generally used to update or improve homes that need essential repairs like new wiring, plumbing, roof replacement/repair or structural repairs. There were 16,655 203(k) renovation loans made in 2009, up from 6,562 in 2008 and 3,255 in 2007.

The popularity of the 203(k) program is being driven by increasing foreclosure inventories, distressed sales and short sales. When consumers invest in and renovate these properties, neighborhoods and communities benefit as well because it keeps homes from deteriorating, which drives down neighboring property values.

Together we'll go far



A renovation loan is a fully amortized fixed- or adjustable-rate loan that allows a borrower to purchase or refinance a home as well as finance needed home improvements in a single, seamless transaction. Renovation loans are based on the value of the home after improvements are made. Renovation work can begin immediately after closing and, in most cases, all work must be completed within six months of closing.

**The Wells Fargo View:** Wells Fargo Home Mortgage is the nation's No. 1 originator of renovation financing, which is a great way to upgrade or remodel a property without tapping into savings. A Wells Fargo renovation loan can help turn a primary residence, vacation home or investment property with potential into transformed living space. Plentiful housing stock combined with interest rates near historic lows make it a great time for consumers to invest in a home that needs to be revitalized.

### Market quick hits

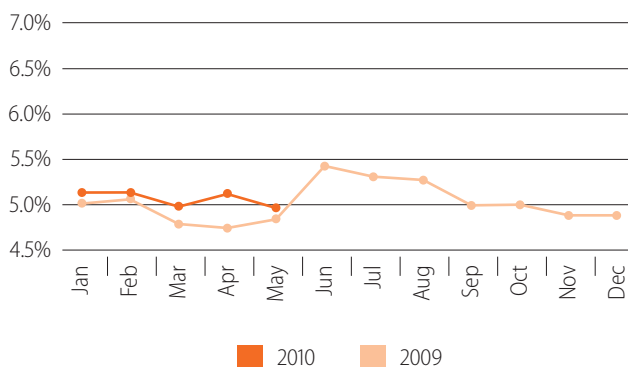
A brief roundup of other news and information you can use:

- Following a slight increase in April, interest rates dropped below 5 percent in May. Though the Federal Reserve's mortgage-backed securities purchase program ended March 31, rates remain at historic lows. Market uncertainty (the Greek debt crisis, stock market volatility, etc.) may

be luring investors – many of whom had been pushed out of the market when the government was purchasing mortgage-backed securities – into more safe investments such as Treasury securities. This generally tends to drive mortgage interest rates down.

- The Commerce Department released data May 26 showing that purchases of new homes in the U.S. jumped in April to the highest level in two years as buyers rushed to qualify for the government's first-time homebuyer and repeat homebuyer tax credits.
- Congress continues to work toward finalizing a regulatory reform bill that will have far-reaching implications for the financial services industry. Lawmakers in both the House and the Senate are pushing to have a final bill ready for President Obama's signature prior to the July 4 recess.
- Wells Fargo announced this month it has made an \$8 million contribution to Habitat for Humanity International. Wells Fargo's commitment reflects its long-standing relationship with Habitat for Humanity and is part of its *Leading the Way Home*® program, a national effort focused on preventing foreclosures, stabilizing communities and promoting sustainable homeownership through education.

**Wells Fargo mortgage interest rate trend**  
Monthly average on 30-year fixed loan



Source: Wells Fargo Home Mortgage Retail Finance