



## How the mortgage deal effect Mid-Michigan

Posted: July 14, 2008 06:01 PM EDT



Local experts say keeping the mortgage giants in business is crucial to reviving Michigan's struggling housing market.

Freddie Mac and Fannie Mae hold nearly half of all outstanding mortgages across the country. The companies buy loans from other banks then repackage them and sell them to investors.

Scott Watkins, Anderson Economic Group: "They really provide the funding and the securitization that helps people get money to buy houses and maintain the residential real estate market that the U.S. has come to know."

But investors have lost faith in the two companies, shares have plunged and threatened the companies' survival. Experts say if the mortgage giants go down, there will be less money available for homebuyers. That means all those houses waiting to be sold will continue to sit on the market.

Scott Watkins: "We all know there's a lot of supply currently out there. That's just going to push housing prices even lower, which the government and any homeowner has no interest in seeing."

So the government has dropped a safety net, a plan to extend a line of credit, and keep the companies afloat. It means banks will have money to lend but there will be more strings attached.

Scott Watkins: "I think we've seen the end of easy zero down loans, and quick approval for mortgages. Those days are probably behind us and probably for good reason."

IF CONGRESS APPROVES THE BAIL OUT EXPERTS SAY LENDERS WILL BE FORCED TO SCRUTINIZE HOME MORTGAGES EVEN FURTHER, WHICH MEANS HOME BUYERS CAN EXPECT TO PUT MORE MONEY DOWN AND PAY A HIGHER INTEREST RATE.



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