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TIME TO BUY A HOUSE? HISTORY SAYS YES!

Karl Case, co-developer of the widely followed S&P Case-Shiller Home Price Indices and a Wellesley College economics professor, has researched historical price trends going back to the 1890s.

He has found that, over the very long run, home prices increase an average of 2.5 to 3 % a year after inflation, in line with the changes in per capita income.



Nationally, home prices fell at a record pace in the third quarter of 2008 from a year earlier, dropping by nearly 17%. The average home price is now off its high by more than 23% since the June 2006 peak.

Case nevertheless expects the long-run pattern of price appreciation to continue, despite market uncertainty. That makes this an ideal time to buy for those able to obtain financing.

Ken Winans, founder of Winans International Investment Management and Research, has studied residential real estate prices dating back to 1850. He finds mortgaged homes, with owners having only 40% equity, deliver bottom line gains averaging almost 8% a year.

In addition, the current decline may not be as severe as feared.

Real estate bear markets, Winans found, lasted a little over four years and saw declines of 55%, on average.

However, while home prices enjoyed a 14 year run into the 2006 top, the price gains were less than half those found in a typical residential bull market.

From 1992, prices have increased an average of only 5% a year, compared to the average 11% rate, far less of a run-up than in past bull markets, and potentially a sign that the bottom for homes is very near.

Add to these facts that long term, fixed rate loans have declined to as low as 5%, with further declines in the offering, now maybe the best time to take advantage of the decline in home values.

“The highest compliment I can receive is a referral from a friend.”

P.S. “While my business is good and growing steadily, it is important for you to know that I am never too busy to help those you refer to me: your family, friends, neighbors, coworkers and of course, your clients.”