Economic and Market Watch Report

2nd Quarter, 2010

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ARMLS Economic and Market Watch Report

Arizona Regional Multiple Listing Service, Inc. (ARMLS) has been providing multiple listing services to its subscribers since its inception in 1982. ARMLS was one of the first regional multiple listing services in the country. Our service area includes all of Maricopa County and portions of Pinal and Yavapai Counties. With more than 35,000 subscribers, ARMLS is one of the largest multiple listing services in the country.

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The statistical information presented in this report is compiled from information provided by Arizona Regional Multiple Listing Service, Inc and may not include all sales activity in the market.

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ARMLS
ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

In the first two months of the second quarter, 20,238 jobs were added to the payrolls of Maricopa County. As a result of these new jobs, the average monthly unemployment rate fell from 8.9% during the first quarter to 8.4% for April and May. This steady job creation may help to maintain demand for home purchases. Favorable mortgage rates should support this trend.

Housing Market :

	Q1' 10	*Q2' 10*	*Q3' 10* *(Forecast)*
Average Price	**$187,100**	**$187,200**	↔
# Homes on the Market *	**45,083**	**42,110**	↑
# Homes Sold **	**18,027**	**23,786**	↔
# New Homes Built ***	**1,902**	**959**	↑
Avg # of Days on Market	**70**	**68**	↑

* Available as of Jun. 30, 2010.
** May not add to total of zip codes.
*** During the first two months of 2nd quarter.

Data by Zip Codes for Q2 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85003	$186,200	-19.46%	42	13.51%	74	96.9%
85004	$206,100	18.65%	16	-23.81%	88	91.5%
85006	$107,600	49.24%	85	2.41%	46	97.5%
85007	$190,100	33.97%	33	-31.25%	82	93.9%
85008	$79,300	3.66%	152	-14.61%	52	97.6%
85009	$44,600	21.20%	62	-51.94%	62	97.3%
85012	$250,200	41.36%	24	-52.00%	70	94.1%
85013	$143,200	-11.06%	129	53.57%	78	95.4%
85014	$116,200	-19.97%	135	14.41%	66	95.8%

*** % Change of current quarter compared to the same quarter to year ago.

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Local Report

Maricopa County, AZ

Data by Zip Codes for Q2 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85015	$83,700	3.21%	144	21.01%	57	96.8%
85016	$198,600	-1.10%	240	54.84%	76	93.3%
85017	$48,900	13.19%	108	-48.82%	51	98.6%
85018	$351,000	-1.43%	200	52.67%	81	93.0%
85019	$64,400	24.81%	123	-18.54%	53	99.2%
85020	$170,100	11.32%	162	16.55%	89	94.4%
85021	$177,500	28.53%	110	34.15%	74	95.1%
85022	$140,400	-10.86%	251	45.09%	66	96.4%
85023	$132,500	0.84%	159	34.75%	56	97.8%
85024	$161,000	-8.63%	145	29.46%	62	97.8%
85027	$98,900	-6.79%	244	52.50%	50	99.2%
85028	$254,200	-4.47%	102	67.21%	61	95.7%
85029	$94,700	11.67%	208	-14.05%	53	98.4%
85031	$51,000	25.62%	90	-50.82%	51	98.8%
85032	$128,800	-6.26%	390	28.71%	65	96.7%
85033	$54,200	20.71%	219	-49.42%	58	99.2%
85034	$109,300	44.01%	6	-14.29%	81	96.4%
85035	$49,300	11.54%	133	-60.06%	49	101.4%
85037	$79,300	12.32%	324	-47.40%	52	100.4%
85040	$78,400	28.31%	113	-5.83%	58	98.7%
85041	$102,000	3.76%	365	-14.12%	56	99.4%
85042	$120,700	14.52%	203	-10.57%	58	98.8%
85043	$92,400	8.71%	225	-41.56%	51	100.8%
85044	$235,900	-3.44%	159	32.50%	94	96.3%
85045	$332,200	0.97%	50	4.17%	91	95.8%
85048	$239,600	-4.24%	216	7.46%	64	96.4%
85050	$260,900	-8.49%	212	38.56%	70	98.3%
85051	$78,200	26.54%	206	-14.17%	57	99.7%
85053	$100,400	9.01%	178	6.59%	48	98.6%
85054	$234,300	-4.09%	55	19.57%	60	97.3%
85083	$239,100	-2.45%	148	30.97%	57	98.9%
85085	$243,300	-4.17%	173	0.58%	71	97.7%
85086	$223,900	-2.78%	440	19.89%	65	98.1%
85087	$205,900	3.78%	80	19.40%	83	98.3%
85119	$240,000	N/A	1	N/A	148	95.2%
85120	$89,400	N/A	13	N/A	48	98.4%

*** % Change of current quarter compared to the same quarter to year ago.

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Data by Zip Codes for Q2 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85132	$84,900	N/A	1	N/A	11	100.0%
85138	$111,900	N/A	7	N/A	45	94.6%
85139	$116,300	N/A	5	N/A	37	101.2%
85140	$78,700	N/A	2	N/A	19	101.5%
85142	$204,500	N/A	223	N/A	53	97.2%
85143	$105,800	N/A	6	N/A	30	96.1%
85201	$84,500	-7.55%	168	-2.33%	57	97.2%
85202	$104,100	-9.48%	130	-12.16%	62	98.5%
85203	$130,100	-2.40%	120	2.56%	56	97.1%
85204	$103,700	15.09%	283	-9.58%	48	98.5%
85205	$148,100	-11.85%	231	49.03%	68	96.8%
85206	$146,000	-6.77%	197	10.67%	93	95.6%
85207	$270,200	10.51%	299	21.54%	71	95.9%
85208	$111,300	-0.09%	203	-4.25%	68	97.7%
85209	$160,100	-2.20%	280	38.61%	66	97.8%
85210	$83,400	-4.36%	136	9.68%	55	98.2%
85212	$175,300	-6.21%	190	11.76%	65	98.6%
85213	$184,800	-12.13%	131	35.05%	65	96.1%
85215	$238,900	8.79%	96	-10.28%	109	95.0%
85220	$65,500	-20.12%	5	-64.29%	43	103.4%
85224	$136,300	-16.12%	207	40.82%	58	97.5%
85225	$134,400	-4.48%	350	12.18%	59	98.9%
85226	$220,700	2.89%	165	24.06%	56	96.9%
85233	$176,800	-11.33%	231	24.19%	63	97.4%
85234	$200,300	-4.07%	271	13.87%	56	97.6%
85236	$103,500	-32.13%	1	-90.00%	41	86.6%
85238	$78,800	-38.29%	2	-60.00%	86	87.5%
85239	$69,700	-42.44%	3	-83.33%	88	98.6%
85242	$217,900	-12.42%	36	-86.62%	136	96.3%
85243	$82,500	-16.83%	1	-80.00%	156	97.1%
85248	$288,700	9.23%	233	4.02%	102	95.1%
85249	$266,800	-10.53%	310	29.71%	68	97.6%
85250	$219,300	-9.04%	120	31.87%	74	95.3%
85251	$205,700	-15.77%	274	55.68%	84	94.1%
85253	$1,139,700	-19.56%	114	54.05%	164	88.1%
85254	$301,300	-4.86%	287	37.32%	71	95.7%

*** % Change of current quarter compared to the same quarter to year ago.

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Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85255	$614,400	-1.25%	373	25.59%	86	92.9%
85257	$148,300	-10.82%	145	33.03%	71	97.3%
85258	$335,300	-10.71%	226	40.37%	111	93.3%
85259	$522,400	-3.69%	169	53.64%	97	93.9%
85260	$298,500	-12.21%	237	25.40%	90	94.4%
85262	$836,200	5.67%	173	2.37%	148	89.5%
85263	$357,200	-13.64%	16	-20.00%	153	87.7%
85264	$630,000	-45.22%	2	100.00%	221	104.6%
85266	$601,400	-10.13%	123	39.77%	118	93.3%
85268	$378,200	-11.51%	229	9.05%	107	93.4%
85280	$327,500	N/A	1	N/A	26	96.6%
85281	$156,300	3.78%	133	24.30%	82	96.3%
85282	$144,600	-13.46%	180	25.87%	65	96.7%
85283	$159,900	-16.24%	121	51.25%	62	96.0%
85284	$338,600	6.14%	76	38.18%	70	96.5%
85286	$235,500	-7.94%	208	3.48%	56	98.2%
85295	$196,300	-5.17%	287	29.86%	54	98.4%
85296	$188,200	-6.55%	314	15.44%	57	98.1%
85297	$229,800	0.39%	201	2.03%	63	98.3%
85298	$260,100	-7.11%	181	4.02%	77	98.3%
85301	$64,600	20.30%	186	-31.11%	53	98.4%
85302	$96,300	0.84%	206	0.98%	51	99.5%
85303	$106,900	22.17%	185	-35.31%	47	100.0%
85304	$107,200	-10.89%	153	33.04%	51	97.4%
85305	$151,300	-3.94%	82	0.00%	51	99.6%
85306	$107,300	-2.45%	109	36.25%	57	99.1%
85307	$106,000	-3.20%	49	-25.76%	41	98.3%
85308	$170,800	-5.06%	349	17.11%	57	98.4%
85310	$207,700	-0.72%	137	26.85%	66	97.4%
85320	$147,000	77.11%	1	0.00%	121	77.4%
85322	$42,100	-28.64%	3	50.00%	47	90.1%
85323	$102,500	1.79%	273	-36.66%	46	99.7%
85326	$92,300	-0.54%	538	-18.73%	58	99.4%
85329	$28,000	-15.41%	1	-80.00%	11	101.8%
85331	$363,600	6.72%	193	36.88%	88	95.4%
85335	$80,600	9.66%	305	-21.19%	49	100.5%

*** % Change of current quarter compared to the same quarter to year ago.

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Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85337	$69,900	-3.19%	1	-75.00%	69	100.0%
85338	$147,700	7.03%	416	-7.35%	58	98.6%
85339	$137,700	2.84%	448	15.76%	59	99.4%
85340	$193,600	-3.68%	235	-4.47%	76	98.2%
85342	$132,000	-57.25%	6	100.00%	37	96.9%
85343	$133,500	N/A	1	N/A	70	97.5%
85345	$90,800	1.11%	347	14.52%	58	99.0%
85351	$103,100	-9.16%	291	20.25%	94	94.6%
85353	$102,800	7.19%	306	-22.92%	57	100.3%
85354	$73,800	-5.63%	50	78.57%	82	94.7%
85355	$183,500	-8.75%	78	32.20%	82	99.7%
85361	$139,200	-4.40%	49	-15.52%	93	95.3%
85363	$74,100	0.27%	62	-3.13%	56	99.5%
85373	$143,800	-3.55%	164	1.86%	75	96.3%
85374	$153,100	4.65%	404	14.77%	81	96.7%
85375	$184,100	-4.51%	323	25.19%	103	94.3%
85377	$734,800	38.22%	30	42.86%	174	90.6%
85378	$475,000	N/A	1	N/A	7	99.0%
85379	$136,400	-3.74%	459	-8.57%	52	99.9%
85381	$153,400	-13.43%	115	49.35%	64	96.6%
85382	$179,000	-0.44%	251	20.67%	73	97.7%
85383	$258,300	0.04%	332	-5.68%	84	97.4%
85387	$204,100	-6.97%	120	25.00%	85	97.6%
85388	$139,400	1.23%	256	-3.40%	59	98.5%
85390	$199,300	17.72%	38	216.67%	250	86.1%
85392	$121,700	-5.44%	254	-23.95%	61	98.3%
85395	$217,400	1.40%	195	13.37%	67	96.7%
85396	$175,100	-5.30%	198	8.20%	84	98.1%

*** % Change of current quarter compared to the same quarter to year ago.

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Local Report

Pinal County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

In the first two months of the second quarter, 1,229 jobs were added to the payrolls of Pinal County. As a result of these new jobs, the average monthly unemployment rate fell from 12% during the first quarter to 11.4% for April and May. This steady job creation may help to maintain demand for home purchases. Favorable mortgage rates should support this trend.

Housing Market :

	Q1' 10	*Q2' 10*	*Q3' 10* *(Forecast)*
Average Price	**$116,500**	**$111,300**	↔
# Homes on the Market *	**5,285**	**4,936**	↑
# Homes Sold **	**2,484**	**2,978**	↔
# New Homes Built ***	**574**	**275**	↑
Avg # of Days on Market	**69**	**63**	↑

* Available as of Jun. 30, 2010.
** May not add to total of zip codes.
*** During the first two months of 2nd quarter.

Data by Zip Codes for Q2 2010

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85021	$118,000	N/A	1	N/A	9	99.6%
85118	$250,400	N/A	104	N/A	85	95.9%
85119	$127,000	N/A	93	N/A	55	97.4%
85120	$96,500	N/A	111	N/A	42	97.5%
85122	$104,700	N/A	266	N/A	51	98.8%
85123	$63,600	N/A	96	N/A	45	98.5%
85128	$70,600	N/A	100	N/A	52	98.0%
85131	$92,800	N/A	24	N/A	73	94.3%
85132	$97,900	N/A	161	N/A	51	97.6%

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Data by Zip Codes for Q2 2010

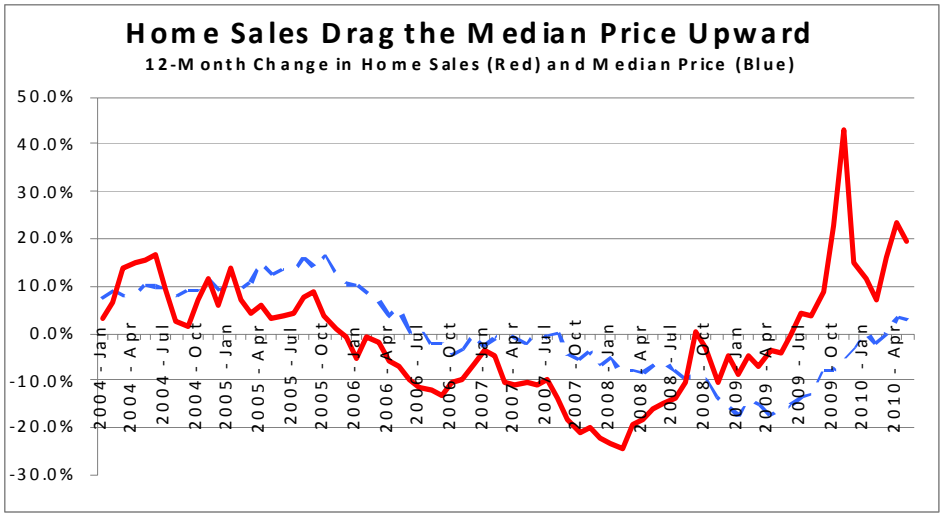
Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85137	$107,500	N/A	2	N/A	65	87.8%
85138	$113,700	N/A	404	N/A	54	98.6%
85139	$97,200	N/A	188	N/A	50	98.6%
85140	$112,800	N/A	283	N/A	52	99.5%
85142	$120,700	N/A	229	N/A	48	98.7%
85143	$108,300	N/A	408	N/A	52	98.4%
85145	$115,900	N/A	1	N/A	14	100.0%
85173	$66,000	N/A	2	N/A	52	83.5%
85193	$119,000	N/A	7	N/A	16	98.2%
85194	$143,700	N/A	27	N/A	54	100.4%
85218	$199,200	-17.58%	17	-85.09%	134	95.4%
85219	$149,600	10.73%	26	-75.00%	104	97.5%
85220	$85,400	3.02%	33	-72.95%	156	95.5%
85222	$114,100	-1.30%	29	-88.76%	173	97.1%
85223	$58,800	-13.40%	20	-83.61%	222	92.3%
85228	$55,500	-30.54%	21	-76.40%	117	95.9%
85231	$202,000	73.99%	1	-96.77%	14	98.5%
85232	$86,400	-12.55%	24	-86.89%	144	97.7%
85237	$125,000	40.45%	1	-50.00%	231	100.0%
85238	$106,100	0.76%	56	-88.16%	109	99.5%
85239	$91,000	-10.78%	67	-79.57%	110	96.8%
85240	$121,000	6.70%	35	-88.75%	134	102.3%
85242	$115,700	1.14%	70	-74.36%	88	97.3%
85243	$103,500	-3.45%	56	-88.73%	89	98.4%
85249	$224,900	N/A	1	N/A	58	100.0%
85272	$263,700	-10.61%	1	0.00%	651	102.8%
85273	$62,900	11.72%	3	0.00%	483	88.2%
85293	$111,000	-12.74%	2	-60.00%	75	100.9%
85294	$152,500	-5.86%	5	-84.85%	180	94.1%
85296	$126,000	N/A	1	N/A	22	93.4%
85623	$216,000	N/A	2	N/A	69	93.9%

*** % Change of current quarter compared to the same quarter to year ago.

Squeezing Every Sale from the Tax Credit

By Ken Fears
Manager, Regional Economics

By most accounts the Federal tax credit succeeded at what it was intended to do; stop the precipitous decline in home prices. But not all would-be homebuyers are celebrating. Short sales continue to take longer than other properties to close and some contracts could fall through as a result of delays.



Nationally, there was a 5.1% decline in home sales from May to June, but the 2010 sales volume remains much higher than it was in 2009. Home sales were 9.8% higher in June of this year compared with the level 12 months earlier. Here in the area covered by the Arizona Regional MLS there were 2.2% more home sales in the second quarter of 2010 than during the same period in 2009. This upward trajectory for sales has provided the basis for the confidence necessary to stimulate modest price growth in many markets around the country. The national median home prices was 1.0% higher in June than 12 months earlier, while locally there was a 6.9% increase in the average home price over the four quarters ending in June. This price growth in turn has helped to stabilized the credit markets and abate the flow of foreclosures from resetting loans.

Not all home sales have gone smoothly, though. Many Realtors® report problems closing short sales. Anecdotal information suggests that banks are under staffed. In addition, new Federal programs and requirements add to the litany of paperwork required to complete one of these transactions. In early May, just after the deadline for the home buyer tax credit, the NAR began a campaign to have Congress extend the time frame for homebuyers to complete their home sale and receive the tax credit, so long as they were under contract on April 30th. Near midnight on June 30th, Congress passed a stand-alone bill to extend this closing period. Such quick action is a true feat in Washington.

Here in the area covered by the Arizona Regional MLS the time to close after a contract was signed increased over the 4-quarter period ending in June by 19.5% suggesting that banks are having trouble closing deals in this area. A tally of local data shows that 2,354 homes went under contract on or before April 30th, but had not closed as of July 1st. All of these home buyers will benefit from the extension.

The tax credit clearly had positive effects for the national and most local markets. Congress' extension of the closing data will sprinkle home sales over the subsequent three months, helping to smooth the decline from the tax-incentive-fueled period. Sales are likely to remain lower than during the credit period, but mortgage rates continue to skim along all-time lows and sellers desperate to move before autumn will make price adjustments. The result may be modest and localized price adjustments, but steadier sales as employment slowly begins to recover.

Gearing up for the fight

by Lawrence Yun, NAR Chief Economist

It hasn't been a pretty sight in the first month without the tax credit. Pending sales for existing homes fell 30 percent in May. New home sales (which measures contracts and not closings) fell by 33 percent to its lowest level in nearly 50 years. Single-family housing starts also took a dip in May, falling 17 percent. The big declines should have been expected because consumers are rational when making purchase decisions and they respond to incentives. Why sign a contract in May when doing so in April will result in an $8,000 check? Going forward, contract signings for June and July could also remain similarly weak.

However, even with these short-term setbacks the overall tax credit stimulus can only be called a success in terms having stabilized home prices. Stable home values lessen foreclosure pressure, improve bank balance sheets, and most importantly, help steadily revive consumer confidence about a home purchase. Currently there are signs of home price stabilization in nearly every market. Prices are, surprisingly, rising at a double digit pace in San Francisco and San Diego. Be mindful, however, that low sales activity over the short-term will cause housing inventory to rise, and the months' supply of homes available for sale could reach 10 months or higher. Provided such elevated inventory will only be for the short-term and not prolonged, then home prices will not undergo heavy pressure to fall. Experience shows, unlike sales, prices are far less immune to big month-to-month fluctuations.

The key test of a sustainable long-term recovery, without the stimulus medicine, will only start to show in the next several months. For this to happen, we need job growth. Not the artificial temporary Census jobs, but true private sector jobs. The net private sector jobs, expanded so far this year to June, were at 593,000. This is relatively small potatoes after the 8 million job cuts in the past two years, but it is nonetheless a start of an expansion. And the latest report from the Bureau of Labor Statistics shows that in June the economy lost jobs for the first time this year. Those temporary Census job additions are over, and state and local governments also cut payrolls. Businesses did add 83,000 payrolls, and – surprisingly — the unemployment rate declined. Expect one million job additions for the balance of the year and another 1.5 to 2.2 million in 2011.

Mortgage rates also need to remain favorable. Because of the uncertainty regarding the strength of overall economic expansion and of uncertainty regarding the future of the Euro, many investors have put money into the safe U.S. Treasury bond market. That has pushed down the 10-year Treasury yield to 3 percent as of this writing. The 30-year fixed rate mortgage then can be at around 4.8 percent. That is super favorable for consumers.

While jobs expand and rates remain low (fingers crossed), we need to assure that any unnecessary barrier to market recovery be taken down. One of these barriers was the lack of flood insurance. Because the private market has difficulty in providing national flood insurance, the federal government has been involved in the program. This is not a new or simulative federal program, but simply an old program that has been in existence for many decades. Nearly seven percent of all owner-occupied homes require flood insurance in the country. The figures are as high as one-third of all homes in Louisiana and Florida (which as we know are also now being negatively impacted from the oil spills). Without flood insurance, a homebuyer cannot obtain a mortgage. Fortunately, lawmakers listened and understood the damaging impact and a bill to reauthorize flood insurance passed with a strong majority.

Another barrier to recovery could have been the psychologically demoralizing impact of not getting the tax credit among those homebuyers who signed their contracts in April and earlier. They responded to government stimulus, yet they were unable to receive the benefit - through no fault of their own. Many homes require a 'short sale' approval from a bank. However, this process is far from being short; it often takes several months and is can be very messy. As a result many home purchases were not able to close by the June 30th deadline. Fortunately, Congress passed legislation on the very last day - June 30th- to extend the closing deadline to September 30th. It is estimated that up to 180,000 homes that were under contract could have fallen out had the extension not occurred.

The flood insurance and tax credit deadlines were short-term barriers and they were removed. But another much higher barrier to recovery which could arise is the elimination or a reduction in the mortgage interest deduction (MID). There has been increased chatter among opinion makers about the need to eliminate or trim this deduction, particularly in light of a very high U.S. budget deficit. In addition, after witnessing an unprecedented rise in foreclosures, some commentators are attacking the essence and societal value of homeownership, implying that housing should not get favored tax treatment.

As we have painfully learned from the recent housing market debacle, people who are not yet financially qualified should not become home owners, period. However, to blame the housing market collapse in any way or in any part on the mortgage interest deduction is equivalent to suggesting we need to completely scrap the free market system because of the banking crisis. Remember, mortgage interest deductions have been in place for many decades without bringing volatile swings to the housing market. Perhaps we should turn our attention to what was new in the recent unprecedented housing cycle; namely, the very lax mortgage underwriting standards and faulty work of credit rating agencies.

If we were to rewrite the tax code beginning with a blank slate, perhaps, a full discussion on the benefits and costs of having MID should take place. But the country is not starting from scratch and we have to contend with history. The mortgage interest deduction has been part of the U.S. tax code since the inception of the income tax nearly a century ago, when the U.S. income tax code came into existence.
Under 17 U.S. Presidents and their administrations, hundreds of millions Americans have purchased their homes with the understanding of this important tax break. As a result, many hard-working, tax-paying citizens have been able to realize one of the sacred tenets of the American Dream – of owning a piece of America. Homeowners, aside from paying about 80 to 90 percent of all federal income tax, have been an important stabilizing force in the country as they are rooted in the community and the country. Homeowners are already taking on a massive burden of taxation, and to say they need to be taxed more is simply unjustified.

In my view, to eliminate or change the mortgage interest deduction – a long-running, settled portion of the U.S. tax code – would be to change the rules in the middle of a game. It would result in a massive, unexpected redistribution of wealth in the country. While in any particular year only about one-third of taxpayers itemize, most homeowners have resorted to claiming the mortgage interest deduction at some point in their homeownership life. In the most recently available data from IRS tax returns, 63 percent of the families who claim the mortgage interest deduction earn between $50,000 and $200,000 per year. That is only small part of the story, however. Because of the capitalization impact of the expected stream of future mortgage interest deductions, a removal of the mortgage interest deduction will lead to home values falling by 15 percent, equating to a destruction of housing wealth equivalent to $2.5 trillion. That wealth destruction will be felt by all homeowners, including those who purchased homes with cash and those who have fully paid off their mortgages. Even in today's economy – that is a lot of dough. Because the mortgage interest deduction has been around for generations and generations, any changes may lead people to doubt about what is settled and what is not? Does a change mean future capricious changes to other 'well understood' contracts? For example, will future opinion makers start mentioning the need to tax ROTH IRA earnings in retirement for those who are able to pay (i.e., the rich) to help reduce future budget deficits? Even though the ROTH IRA was created with expressed purpose of providing tax free earnings (since this retirement contribution is made with after-tax dollars)?

A final and very important aspect to consider in the debate about the mortgage interest deduction is positive societal externalities. Academic studies have demonstrated the positive social benefits of ownership, including lower juvenile delinquency rates, lower teen pregnancy rates, and higher student achievement levels among children of homeowners versus those of non-owners who were of similar socioeconomic background. Yes, homeownership is not for everyone. However, for those who are financially qualified, have demonstrated financial responsibility, and are willing to purchase a home that is well within their budget, tilting the field in favor of ownership through the mortgage interest deduction—as America has done for the past century—can induce immeasurable societal benefits beyond the counting of the dollars. The fight over this well established tax benefit is coming. Be ready.

This table reflects data available through July 2, 2010.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Existing Home Sales remained at elevated levels in May, although they declined from the previous month. Resales posted a seasonally adjusted annual rate of 5.66 million units in May – 2.2% off April's upwardly revised pace of 5.79 million units. May resales were 19.2% ahead of a year ago. The national median price for an existing home rose to $179,600 – 2.7% higher than in May of 2009.	May 10 5,660 April 10 5,790 May 09 4,750	↓	Weak in the short term after the tax credit and a steady climb later
New Home Sales declined significantly in May to a seasonally adjusted annual rate of 300,000 units – 32.7% off April's rate and 18.3% down from the level in May of 2009. The inventory of new homes available for sale at the end of May stood at 213,000 units – an 8-month supply at the current sales pace.	May 10 300 April 10 446 May 09 367	↑	Buyers of new homes are less influenced by the tax credit
Housing Starts also declined in May, posting a seasonally adjusted annual rate of 593,000 units – 10.0% off April's level, but 7.8% ahead of that in May of 2009. Building permits – generally a reliable indicator of future starts – were down 5.9% from April, but up 4.4% from a year ago.	May 10 593 April 10 659 May 09 550	↑	High existing home inventory but very low new home inventory
Housing Affordability continued to dip, while remaining at healthy levels. NAR's Housing Affordability Index posted a reading of 162.0 in May, off April's reading of 168.3 but comparable to that in June of 2009. Increases in the median price of an existing home as well as an increase in the level of qualifying income helped contribute to the decline.	May 10 176.0 April 10 177.5 May 09 180.7	↔	To remain at historic highs
Mortgage Rates remain at historically low levels. The average rate on a 30 year fixed rate mortgage dropped 15 basis points in June from last month to 4.74% -- its lowest level since April of 1971 when Freddie Mac started its Primary Mortgage Market survey.	June 10 4.74% May 10 4.89% June 09 5.42%	↑	Any downward drift is short-term and is pure bonus
Employment The U.S. economy lost 125,000 jobs in June – the first job loss this year so far. Temporary Census jobs and cuts in state and local government payrolls contributed to the negative numbers. On the positive side, businesses did hire an additional 83,000 workers, and the federal government added 27,000 (non-Census) jobs. To many analysts' surprise, the unemployment rate actually fell – from 9.7% in May to 9.5% in June, due primarily to "discouraged" workers who are no longer looking for jobs.	June 2010 -125 May 2010 +2 12-month total: -170	↑	Good revival signs in the manufacturing sector
Economic Growth The economy grew at 2.7% annual rate in the first quarter of 2010. This is the third and final estimate of GDP growth based on more complete data. GDP increased 5.6% in the fourth quarter of last year. Increased personal consumption expenditures – i.e., consumer spending – was offset by larger than previously estimated decline in state and local government spending.	2010:I +2.7% 2009:IV +5.6% 2009:I -6.4%	↔	Steady moderate uneventful expansion

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing start s are shown in thousands. Empbyment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association