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Another Big Mortgage Bust?

By Bernhard Warner and Matthew Yeomans

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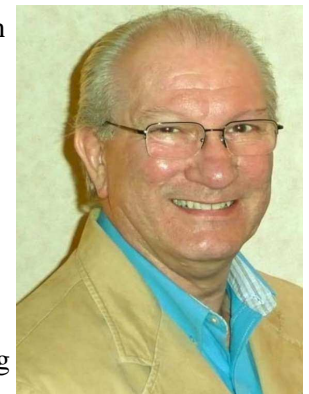
Could another massive government-backed mortgage lender go bust? The fear in Washington is that the Federal Housing Authority could "be [the next housing domino](#)," the *New York Times* reports this morning, leading off its business coverage. FHA Commissioner David H. Stevens was on Capitol Hill on Thursday telling lawmakers everything was OK, but the *NYT* is still skeptical, noting Stevens acknowledged that the bad debt is backing up on FHA's books. To be sure, few are buying Stevens' rosy assessment. *(continued pg. 2)*

2009 Illinois School Report Cards

Reported in the News Sun (Chicago Sun Times Media)

Every year, the Illinois State Board of Education releases school report cards for each public school in the state. The 2009 report cards include student scores on the Illinois Standards Achievement and Prairie State Achievement tests, and ACTs, demographic information on students and teachers, and financial information on school districts. Private and parochial schools do not take state achievement tests.

It appears to me that overall our education system continues to slip down the slope of mediocrity. More than half of the school districts in Lake County -- 25 total -- failed to achieve Adequate Yearly Progress. The state also failed to make AYP in general math and reading, according to the state report card. The county education administration seems to be placing the blame for worsening results on the *(continued pg. 2)*



Lou Perna, CNE, e-PRO, HRC, SRES
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HOMES SOLD IN GREATER CHICAGOLAND AREA NORTH*:

STANDARD HOME = Detached single family 4 bedroom, 2 1/2 baths, basement & attached 2 car garage.
As of 10/31/09.

PAST # OF MONTHS	24	12	9	6	3	2	1	6 Month Period Trend
# SOLD	2,702	1,289	1,066	849	419	268	131	↑
TIME to SELL (days)	174	176	177	177	171	179	183	↑
SOLD \$	\$399,265	\$366,411	\$371,491	\$373,504	\$368,306	\$364,999	\$357,441	↓
FINAL ASK \$	\$422,880	\$389,928	\$395,226	\$396,957	\$392,070	\$388,527	\$382,084	↓
Sell \$ to Ask \$	94.4%	94.0%	94.0%	94.1%	93.9%	93.9%	93.6%	.
CHNG TM TO SELL	-	2	1	0	-6	8	4	↑
% CHNG TM TO SELL	-	1%	1%	0%	-3%	5%	2%	.
CHNG SOLD \$	-	-\$32,854	\$5,080	\$2,013	-\$5,198	-\$3,307	-\$7,558	↓
% CHNG SOLD \$	-	-8%	1%	1%	-1%	-1%	-2%	.
# SOLD PER MONTH	113	107	118	142	140	134	131	↑
CHNG ASK \$	-	-\$32,952	\$5,298	\$1,731	-\$4,887	-\$3,543	-\$6,443	.
% CHNG ASK \$	-	-8%	1%	0%	-1%	-1%	-2%	.
# CURRENT LISTINGS							1,507	↓
# MONTHS SUPPLY	13.4	14.0	12.7	10.7	10.8	11.2	11.5	↓
	11/07-10/09	11/08-10/09	2/09-10/09	05/09-10/09	7/09-10/09	9/09-10/09	Oct-09	05/09-10/09

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*MLS Areas The Barringtons, Elgin, Chicago Area North, North Shore, and North West Regions & Lake County.



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Service is Our Promise to You!

Perna's Corner

We expect our local government to provide the proper resources and supervision for roads, sanitation, safety and schools—and we have an ongoing debate on how well they accomplish these requirements. More on that in the future. With the recent publishing of the school report card, we hear rhetoric about the unattainable (?) *Standards* it assigned. I believe improvement should always be recognized no matter the actual score.

Congratulations to the students attending school at the below listed for 3 Consecutive Improvement Years, 2007-2009:

PSAE Scores!!

ISAT Scores!!

Lake Zurich High School	71.6	72.9	73.7	Emmons School District 33	90.6	92.2	92.7
Deerfield High School	85.9	86.3	88.4	Antioch CC School District 34	83.9	85.9	86.6
Lake Forest High School	78.9	80.4	82.1	Lake Villa CC School District 41	85.5	85.7	87.3
Round Lake Senior High School	34.2	36.4	37.4	Grayslake CC School District 46	85.0	85.5	85.7
Lakes Community High School	56.3	63.7	64.7	Gurnee School District 56	83.3	85.0	85.8
Wauconda Community High School	54.9	56.1	58.9	Lake Forest School District 67	94.5	95.4	96.1
Mundelein Community High School	53.3	54.8	57.6	Mundelein Elementary School District 75	86.9	87.2	88.4
Warren Township High School	61.8	62.0	69.9	Lake Zurich CU School District 95	86.4	88.6	92.1
Grant Community High School	53.3	54.4	55.5	Aptakisic-Tripp CC School District 102	93.5	94.0	95.3
Adlai Stevenson High School	85.0	85.1	87.5	Lincolnshire-Prairie View School District 103	96.3	97.0	97.7
Grayslake Central High School	64.0	67.3	69.0	Fox Lake Grade School District 114	82.5	87.3	88.8
North Chicago High School	15.3	15.6	20.1	Wauconda CU School District 118	81.6	81.9	87.3
				Barrington CU School District 220	89.3	89.4	93.0

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standards of the No Child Left Behind educational requirements. This process expects annual improvements in test results and reflects this expectation in it's requirements. Since our educational test results have been on a long term negative slope that is not competitive with the rest of the world's economic powers, expecting improvement does not seem unreasonable. Apparently the county's educational administration's position is it is unreasonable to expect annual test score improvements (is this also the position of the corporate world?). Therefore the county educational administration says we should be prepared for more and more schools to slip below the standards each year. They seem to be telling us the only way to fix this problem is to lower the No Child Left Behind annual test score standards (is lowering the annual corporate revenue, profit & EBITI expectations how business sets it's goals?). Please review the score card report in the News Sun at http://labs.suntimes.com/report_cards/.

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Edward J. Pinto, a real estate finance expert who worked at Fannie Mae in the 1980s, testified on The Hill on Thursday, predicting "the [FHA will suffer \\$40 billion in losses](#), leaving it unable to cover its bad loans without taxpayer help," the *Washington Post* ominously reports. And Stevens himself admits "some 20 percent of F.H.A. loans insured last year—and as many as 24 percent of those from 2007—faced serious problems including foreclosure," the *NYT* writes. Stevens, though, says that unless home prices fall precipitously "we will not need a bailout."

If only lawmakers could be so confident. The mood is tense in Washington after it was revealed on Thursday that the tab so far to

prop up [Fannie Mae](#) (FNM) and [Freddie Mac](#) (FRE) is nearing a gaudy 12-figure sum. According to a separate article in the *NYT*, in the 12 months since the government stepped in to rescue them, the companies have [taken \\$96 billion from the Treasury](#) and could require still more.

Oh, and just the other day another major financier put itself in Chapter 11 Bankruptcy—CITI.

Fixed mortgage rates continue to slide down (great!), but obtaining a jumbo mortgages is still a major challenge.

Governor Quinn has made available a home purchase loan of 3% up to \$6,000 of the purchase to 1st Time Buyers & Veterans. Loan is 0% interest and forgivable after 10 years. **See PPG website for details.**