

Market In Review: The Wells Fargo ViewSM

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.

May 2010

Tax credit seems to boost home sales

Key housing-related economic indicators seem to be trending in the right direction, but the wild card is how much those trends are being driven by the federal homebuyer tax credit.

To be eligible for the incentive, buyers had to have a home under contract by April 30 and the purchase must close by June 30. The busy early spring buying season may have been fueled by the tax credits – up to \$8,000 for qualifying first-time homebuyers and up to \$6,500 for current homeowners buying a new primary residence who have lived in their current home for at least five consecutive years out of the past eight.

March and April home sales were strong as buyers scrambled to take advantage of the purchase incentive before it expired. Now the question is what will happen the remainder of the year to home sales and home prices?

A home purchase still can be a sound investment, and research repeatedly has shown the benefits of homeownership are significant for families and communities. For credit-ready prospective buyers who missed the tax credit deadline, it's still a great time to buy a home. Housing inventory is plentiful and prices are affordable. Combine those factors with near-historic low interest rates, and it's hard to imagine a more opportune time to buy for those who are ready to become homeowners.

The Wells Fargo View: Wells Fargo and our approximately 10,400 home mortgage consultants are working with all our credit-qualified customers who signed a contract by April so we can close their mortgage loans within the promised timeframe to

qualify for the tax credit. We are prepared to handle the increased volume, and we are earmarking every purchase linked to the incentive to make sure the loans fund by June 30.

Short sales, big savings

In addition to low rates, there are many great short sale bargains out there today for homeowners looking for a deal. Short sales are one way many homebuyers can realize big savings over what a comparable home would cost during times of more normal housing market activity.

In a short sale, a mortgage servicer agrees to accept less than the full cost of the mortgage payoff from a borrower facing financial hardship. The borrower works through a local REALTOR® to sell the home to a prospective buyer at a discounted price.

This option enables the seller to pursue a better alternative to foreclosure. It helps to more quickly move housing, thereby stabilizing the overall housing market. And it helps the loan investor to recoup a portion of his or her investment in the mortgage loan.

Short sales are admittedly much more complex than the traditional "buyer-seller" transactions most real estate agents and homeowners are familiar with, and they often require the approval of multiple parties.

In an effort to minimize delays and improve customer satisfaction, the federal government recently introduced the *Home Affordable Foreclosure Alternatives* (HAFA) program, which will help to standardize the short sale process across the industry.

Together we'll go far



In addition, lenders like Wells Fargo have conducted short sale seminars for real estate professionals with the goal of ultimately better informing and assisting customers. These professional development opportunities give local agents an opportunity to learn directly from Wells Fargo's management team about how to successfully engage Wells Fargo and Wachovia in the short sale process and how to meet and exceed the expectations of their clients, who are also our customers.

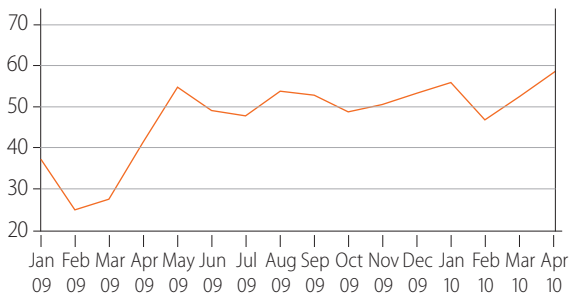
The Wells Fargo View: We make every effort to help borrowers remain in their homes, but when that simply is not possible, short sales can be a good option for a financially distressed homeowner. We encourage struggling borrowers to contact us early in the process. In many cases, we begin gauging their interest in a short sale when we believe there will be no viable home retention option available. We can provide the homeowner with a list of local agents with short sale experience, and we work with both agents and homeowners to begin the process before that first purchase offer comes in.

Market quick hits

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

- The Conference Board Consumer Confidence Index rose 5.6 points in April, reaching its highest reading since September 2008. Wells Fargo economists attribute most of the increase to improving consumer expectations, while opinions on the job market improved modestly.

Consumer Confidence Index



Source: The Conference Board, TNS

- Fannie Mae has a large inventory of foreclosed homes it is trying to move quickly by offering a 3 percent down payment to qualified buyers who finance with the government-sponsored agency's HomePath® Mortgage. You can find homes in your area eligible for this special financing at HomePath.com. Wells Fargo is among the select lenders approved to offer HomePath financing.
- Wells Fargo launched a program in select markets in March called *Renew, Restore and Rebuild*SM designed to assist municipalities with the use of Neighborhood Stabilization Program dollars received from the federal government. The program helps revitalize communities and turn vacant and foreclosed homes into improved, owner-occupied homes by enabling buyers to purchase a bank-owned real estate property at an affordable price and renovate it. It's a cost-effective way for customers to obtain the home they've always wanted. Communities benefit from the upgrades done to foreclosed homes and from the fact the home is not left vacant for long periods of time.
- Wells Fargo's first-quarter mortgage loan production volume of \$77 billion was more than any other lender, based on *Inside Mortgage Finance - Top Mortgage Originators* in 2010.



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