

Title:

Builders Suffer due to Mortgage Crisis

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497

Summary:

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Keywords:

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Article Body:

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The National Association of Realtors mentioned that during the month of August it was noted that the purchases of the previously owned homes fell down by 4.3 percent from what it was in the month of July, i.e. sending sales slipping to five years low. In the month of July, the annual sales rate was 5.75 million that dropped down to 5.50 million. Statistic says that the existing home sales have fallen almost 13 percent over the period of last 12 months.

On the other hand, the Lennar Corporation declared their biggest quarterly loss in its history after it wrote down \$848 million in the value of real estate. The company's net loss was \$513.9 million, or we can say \$3.25 per share, compared to the profit of \$206.7 million, or \$1.30 per share, during the same time of the previous year. The shares of Lennar Corporation were down by 4 percent in midday trading, at \$23.20.

The shocking news in the housing sector was joined with a disappointing report on customer confidence from the Conference Board, whose index dropped down to 99.8 during September from 105.6 in the month of August. This fall was much more than what was forecasted. Its index is now at its lowest level in the past two years. A group of analyst believes that the reason behind the concern among the consumers is the weak job market and stagnant salary that has probably created

declines in the consumer spending and job creation during the period of coming months.

Joshua Shapiro, the chief United States economist of a New York research firm believes that fall in the housing sector is just because of the negative environment over the residential real estate, affects and creates the changes in the consumer's attitude and consumer's spending ability.

Lennar has reported a drop of 44 percent in its revenue during the last quarter and has reduced 35 percent of its work force. It turned out to be another sufferer of the high inventory levels and credit market disorder that have created many troubles for the home builders in the period of last few months. The company's chief executive, Stuart Miller, said in a statement today that due to the continuous decline of our net margin and for that reason, higher injuries to our inventory. He also added that the staff reductions were in store for the fourth quarter.

On the other hand the Darlene Williams, assistant secretary of US Housing and Urban Development hopes that even though the current crisis in the credit market the sub prime mortgages must stay as they play a very important role in increasing home ownership in United States. She hoped that the US congress would pass Federal Housing Administration, reforms to expand federal backing of mortgages.