

FOR IMMEDIATE RELEASE

What Are Houses Really Worth?

Author of personal finance book to speak at Loyola College on home prices

Baltimore, MD, April 7, 2008 – With the economy reeling from the mortgage crisis, the fall in home prices raises widespread concern about how to fairly value homes. Banks and buyers wonder where the market bottom will be. Personal finance author, Joseph Ganem, will speak on the value of homes and related topics at Loyola College's Saturday Seminar on April 26.

The talk will examine the deceptive use of numbers in marketing and advertising with emphasis on consumer lending practices. Ganem will explain the hidden costs in many zero-percent financing offers for consumer products. He will also discuss historical trends in home mortgages and the implications for the future.

Ganem points out that: "The underlying assumption behind the home buying process is that over time homes increase in value. Rising prices protect both the buyer and lender from risk because potential losses can be recovered from the sale of the house. Home prices do rise over time, but there are limits on how fast."

According to Ganem, the magic number is 3. His examination of census data found that from 1987 to 2002 the ratio of the median home price to the median household income in the United States remained unchanged at 3. In 2002 home prices began increasing much faster than household income causing the ratio to shoot up to nearly 5 by 2006.

Investors in mortgage-backed securities depend on the sale of foreclosed homes to recover their funds. But if home prices rise much faster than household income, potential buyers simply won't have the money. "Over the long run, it is not possible for the rise in home values to outstrip increases in household income," Ganem says. "A seller can put any asking price on a house, but if buyers don't have the income, it won't sell."

Lenders examine all sorts of detailed numbers—credit scores, home appraisals, bank statements and tax returns—before providing a mortgage. But, the underlying assumption of their business model is that there will always be another buyer willing to pay an even higher price for the house. A simple examination of census data would have exposed that underlying assumption as wrong. Lenders looked at lots of precise numbers but not the big picture numbers. According to Ganem: "It's a classic case of not being able to see the forest for the trees."

Joseph Ganem, is a physics professor at Loyola College and author of *The Two Headed Quarter: How to See Through Deceptive Numbers and Save Money on Everything You Buy*. The book was a Finalist in the category "Business: Personal Finance" of the National Best Books 2007 Awards. To learn more about Ganem's book visit www.TheTwoHeadedQuarter.com. To register for the Saturday Seminar at Loyola College visit www.Loyola.edu/saturdayseminar.

For more information or to schedule an interview, contact:

Chartley Publishing
P. O. Box 6705, Baltimore, MD 21285
Email: publicity@chartleypublishing.com
or visit www.TheTwoHeadedQuarter.com

