

Compliments of

Alan Zukerkorn  
President

Hawaii Mortgage  
Company Inc.

PHONE:  
(808) 988-6622  
(888) 632-6622

[alan@hawaiimortgage.net](mailto:alan@hawaiimortgage.net)

## Supply Concerns Move Market

A new President took office, a large fiscal stimulus package moved closer to passage, and investors became more concerned about the impact of the enormous amount of debt which will be issued to pay for all the government programs. The most recent proposal called for an additional \$825 billion to stimulate the economy. As the government raises money by selling Treasury bonds, interest rates offered on all long-term bonds increase to compete for investors. In anticipation of this added supply of Treasury bonds, mortgage rates rose a little during the week.

The details of the new administration's fiscal stimulus plan are still being debated, but the need for one is generally agreed. Former Labor Secretary Reich estimated that the US will lose another 3 million jobs during 2009 if the government does not pass an economic stimulus plan soon. According to Fed Chief Bernanke, a large fiscal stimulus package would provide a "significant boost" to the economy. Expectations for the added supply of debt may have moved mortgage rates a little higher, but the benefits of a stimulus plan for the housing market could be significant. Big picture, more jobs means more potential home buyers. In addition, specific measures are targeted directly at the housing market, including proposals to help prevent foreclosures and to improve the terms of a first time homebuyer tax credit. The new administration has stated that swift passage of the stimulus plan is one of its top priorities.

In the housing sector, December Housing Starts fell to a record low. Building Permits, a leading indicator, showed similar results. The slowdown in the building of new homes will help reduce the inventory of unsold homes on the market.

## Capacity Issues Still Plague Loan Applications

Despite higher rates for 10 straight days without a reprieve, lenders are still unable to handle the recent inflow of applications. Although the "mini refi boom" was short lived, months of downsizing by lenders has created the most significant issue for borrowers in years. Some lenders are still quoting up to 17 business days before a submitted loan application will be reviewed by an underwriter. The various lenders have all taken one of two paths to compensate for this problem. Lenders are either not allowing a loan applicant to lock their rate until the loan is actually submitted, or they are requiring a borrower take a 60-day lock.

To some this change in policy might not seem significant. The impact to borrowers is monumental. Up through the third quarter of 2008, the typical transaction could be completed in as little as 20 days. With the timetables now at 60 days, borrowers are now waiting 3 times as long for the same service from the lending industry.

## Major Hawaii Lender Tighten Appraisal Requirements

A major lender in the Hawaii market has just announced changes to acceptable comparables used by appraisers when completing appraisals for cash-out refinance transactions. Although the governing body that regulates the practices and methodology used by appraisers clearly states a valid comp is one where the sale has occurred within the past 6 months, this Hawaii lender will now require valid comps that are 3 months old or newer. If no comps are available, the borrower will no longer be able to get a cash-out refinance. The lender will determine on a case-by-case basis to either reduce the amount of cash requested, or allow for a rate/term refinance only.

Their reason for this change in policy? They feel that Hawaii is experiencing quick drops in home values and does not want to get stuck with loans in which the value of the home turns out to be significantly lower than what the appraisal values it at due to the use of slightly older comps. If you are considering a cash-out refinance, or know someone who is. They should consider doing it soon, before other lenders take the same stance.

### Events This Week:

Jobless Claims Rose

Housing Starts Lower

Manufacturing Mixed

### Events Next Week:

Mon 1/26  
Existing Home Sales

Wed 1/28  
Fed Meeting

Thur 1/29  
Durable Orders  
New Home Sales

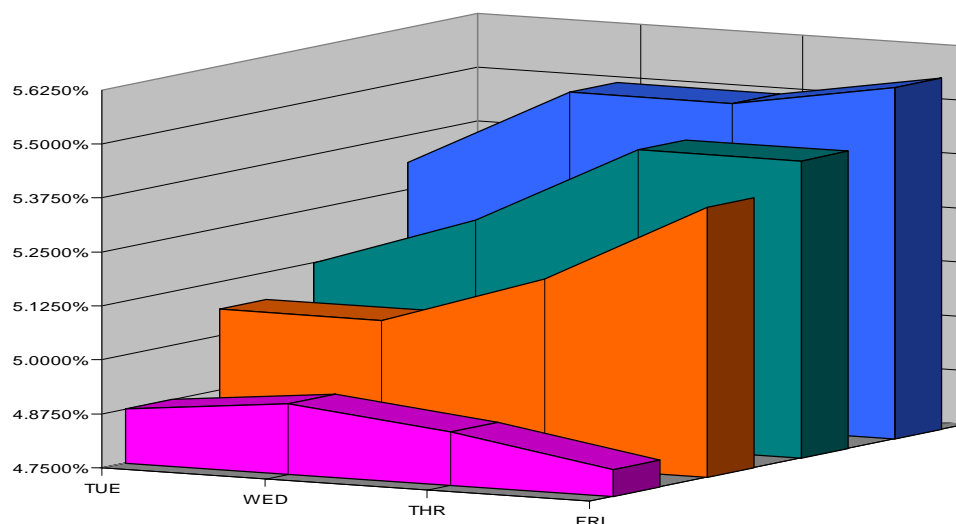
Fri 1/30  
GDP  
Chicago PMI

### Also Notable:

- Continuing Jobless Claims rose to the highest level since 1982
- The Fed's Yellen favors "pulling out all the stops" to stimulate the economy
- Oil prices rose to \$43 per barrel, down from \$145 per barrel in July
- The Fed purchased \$19 billion in agency MBS during the weekly period ending 1/21

### Daily Rates from Hawaii's Top Lenders:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	+0.01%
This week:	+0.16%

Stocks (weekly):	
Dow:	8,077.56 -203.66
NASDAQ:	1,477.29 -52.04

### Week Ahead

The highlight next week will be Wednesday's Fed meeting. With the fed funds rate close to zero, rate cuts may no longer be an option. The Fed has many other tools at its disposal, though, and the accompanying statement will be highly anticipated.

A wide range of economic data will come out next week as well. Gross Domestic Product (GDP) for the fourth quarter will be released on Friday. GDP is the broadest measure of economic activity. Durable Orders, another important indicator of economic activity, is scheduled for Thursday. The Chicago PMI national manufacturing index will come out on Friday. Housing market activity will be revealed in the Existing Home Sales and New Home Sales reports. Consumer Confidence and Consumer Sentiment will round out a busy week.

All material Copyright © Hawaii Mortgage Company, Inc. & Ress No. 1, LTD and may not be reproduced without permission.