

Compliments of

Alan Zukerkorn
President

Hawaii Mortgage
Company Inc.

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

alan@hawaiimortgage.net

†

Rates Rise After Fed Meeting

Mortgage rates held steady during the first half of the week, until Wednesday's Fed meeting. As expected, the target for the Fed Funds rate remained unchanged, close to a level of zero. Heading into the announcement, the biggest question for investors was whether the Fed would begin to purchase Treasury securities in addition to mortgage-backed securities (MBS) to help support the financial system. Hoping for a decisive plan, many investors were disappointed that the Fed merely indicated that it was ready to purchase Treasuries if "evolving circumstances" justify the action. Yields on Treasury securities rose significantly after the announcement, and in order to compete for investors, mortgage rates moved higher as well.

Also applying upward pressure on mortgage rates, a large fiscal stimulus plan moved closer to passage during the week. An \$819 billion fiscal stimulus package passed a vote in the House, and the Senate is expected to consider its \$900 billion version next week. The combined government spending for this new package, along with the TARP program, the MBS purchase program, and a proposed bank cleanup plan, will total trillions of dollars. An enormous amount of new debt will be issued to pay for all the government programs, and interest rates offered on all bonds may need to increase to attract investors. One positive note is that foreign investors continued to show strong demand for US bonds during the week.

In the housing sector, December Existing Home Sales rose 7% from November. Inventories of unsold homes dropped to a 9.3 month supply from 11.2 months in November. According to the National Association of Realtors, lower prices persuaded many buyers to step in. Existing Home Sales cover more than 85% of total home sales, so this report was very welcome news for the housing market. December New Home Sales didn't perform as well, dropping 15% from November.

Lenders Further Restrict Ability to Lock in Rates

As rates have continued to climb since the low in December, lenders are faced with the dilemma of not being able to meet their own timetables for underwriting, reviewing conditions, and issuing final loan documents, while not wanting to hire additional staff. Lenders do not want to be caught again with excess staff and overhead heading into several quarters of potential slow business. The resounding consensus is to leave staff at their current levels and force consumers to pay higher fees for longer mandated lock periods. Several lenders also announced this week that they are joining the ranks of other lenders that will no longer accept a request to lock a loan without the fully processed loan file submitted. Lenders have been stung by a huge amount of lock requests not being fulfilled due to various issues but mostly from appraisals not supporting anticipated values. These unfulfilled commitments cost lenders huge sums. Not allowing a commitment until the file is fully processed, removes the variables and assures the lenders greater "pull through".

Mortgage Insurance Companies Further Restrict Loan Products

Effective February 1st, many Mortgage Insurance Issuers will no longer issue mortgage insurance policies for any type of 2nd home purchase, any type of investor loan, or any type of cash-out refinance. No matter the type of property (condo, SFR, etc.) these transactions no longer acceptable for MI coverage. All these types of transactions are now restricted to a maximum of 80% loan-to-value financing.

Events This Week:

GDP Fell

Existing Sales Up

Jobless Claims Rose

Manufacturing Mixed

Events Next Week:

Mon 2/2
ISM Manuf.
Income

Tues 2/3
Pending Sales

Thur 2/5
Productivity

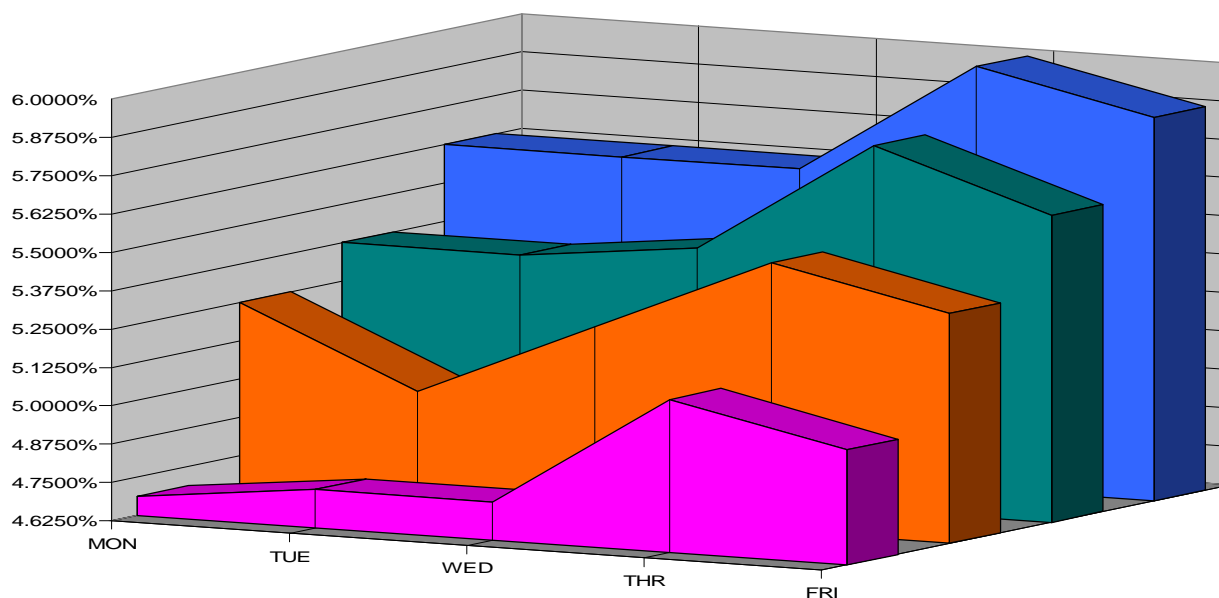
Fri 2/6
Employment

Also Notable:

- The Fed held the Fed Funds rate unchanged, close to a level of zero
- Foreign investors purchased a stronger than average 35% of the Treasury auctions
- Continuing Jobless Claims rose to a record high
- The Fed purchased \$17 billion in agency MBS during the weekly period ending 1/28

Daily rates from Hawaii's Leading Lenders:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	+0.16%
This week:	+0.31%

Stocks (weekly):		
Dow:	8,000.86	-76.70
NASDAQ:	1,476.42	-0.87

Week Ahead

The important Employment report will come out on Friday. As usual, this data on the number of jobs, the Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Early estimates are for a loss of 500K jobs in January. Before the Employment Data, a wide range of other economic data will be released, beginning with Construction Spending and Personal Income on Monday. The ISM national manufacturing index will also come out that day. Pending Home Sales, a leading indicator for the housing market, is on the schedule for Tuesday. ISM Services will be released on Wednesday. Productivity and Factory Orders are on tap for Thursday.

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

This email was sent from Alan Zukerkorn at Hawaii Mortgage Company, Inc.. To unsubscribe, click here: alan@hawaiimortgage.net.