

Compliments of

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Rates Edge Up Despite Job Losses

Despite weaker than expected employment data and a significant increase in Fed purchases of mortgage backed securities (MBS), mortgage rates rose a little during the week. Concerns about the potential increase in the supply of debt trumped these other factors. The House passed one fiscal stimulus plan, and the Senate is expected to vote on its version any day now. The combined government spending for this new package, along with the TARP 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, which may push interest rates higher for all types of bonds.

It's a widely held view that the economy is very weak right now, and Friday's downbeat Employment report came with little surprise. The US economy lost about 600K jobs in January, following a decline of 3 million jobs in 2008. The Unemployment Rate jumped to 7.6% from 7.2%. This weak report provided lawmakers support for the urgent passage of a large fiscal stimulus package.

In the housing sector, December Pending Home Sales rose 6% from November. Pending Home Sales are a leading indicator for the housing market, meaning that the Home Sales reports may show gains over the next couple of months. The housing market may receive another boost as well. As part of the stimulus plan, the Senate is considering a tax credit of up to \$15,000 for the purchase of a home this year. More details will be released as the proposal progresses.

Hawaii Home Values Continue To Drop

Hawaii always seems to lag behind the mainland US in one way or another. Many thought our housing market with low inventories would help avoid the problems seen in many parts of the mainland. Lenders have noted declines in values throughout the state. Certain areas have been harder hit than others. Some of the steepest declines have been on Maui (Kihei area) and Kona on the Big Island. The lenders report these drops in value have either killed refinance transactions or with the Fannie/Freddie Risk Based Scoring, have driven up expected low rates for borrowers.

No End In Sight For Slow Lender Turn Times

Despite the recent drop in mortgage applications, lenders are still backlogged. In the past 3 newsletters we have quoted the number of days in underwriting as published by the lenders. Despite those published turn times of up to 18 business days, some lenders are now extremely behind schedule. Fully processed borrower application files from December are still sitting in lenders pipelines waiting to reach an underwriter. Extension fees are either being split by the lender and client 50-50, or the more aggressive lenders are not taking any responsibility and making the clients pay those additional fees. Lenders are unwilling to add staff, believing 2009 will be a slow year for mortgage financing.

More Lenders Adopt Lock Upon Submission Guideline

Two more lenders announced this week that they will no longer accept rate lock requests without a fully processed loan file submitted to them. The result of this is a major problem for borrowers. Traditionally, applicants could shop for the best rate available, lock their rate with that lender, and begin the process. Now an applicant must decide who to submit their loan to with no guaranty of rate, points, or final costs. It is now more important than ever to deal with a lender that you feel is honest and trustworthy.

Events This Week:

Employment Down

Productivity Higher

Pending Sales Rose

Manufacturing Mixed

Events Next Week:

Wed 2/11
Trade Balance

Thur 2/12
Retail Sales
Jobless Claims

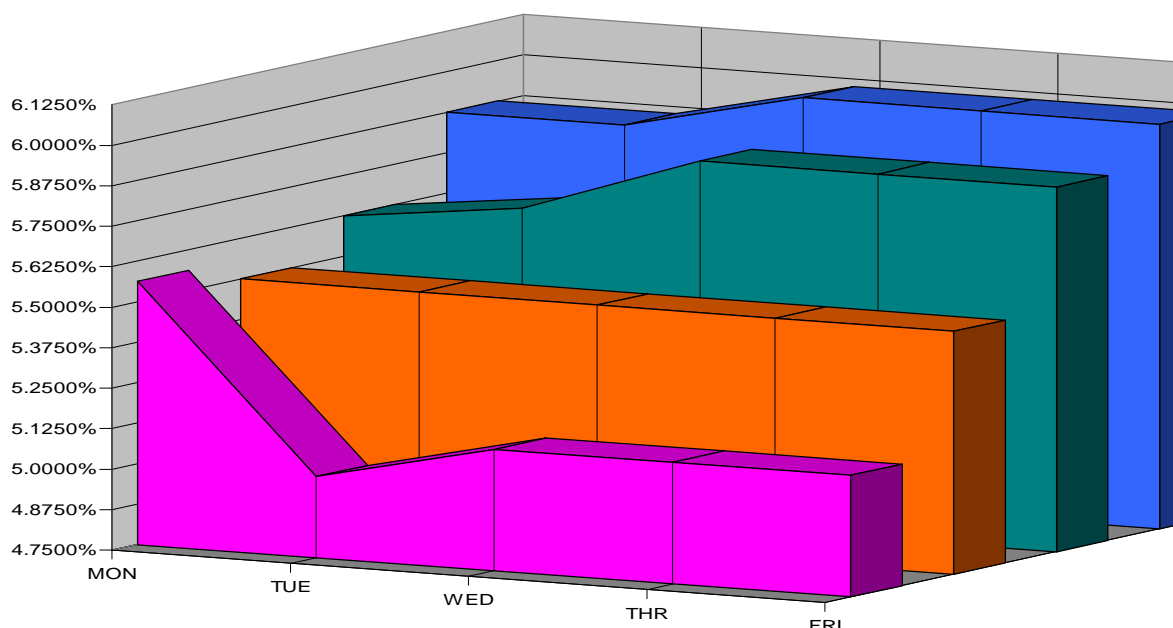
Fri 2/13
Sentiment

Also Notable:

- The Unemployment Rate jumped to the highest level since 1992
- The European Central Bank (ECB) held rates steady, as expected
- Oil prices fell below \$40 per barrel, down from \$145 per barrel in July
- The Fed purchased \$22 billion in agency MBS during the weekly period ending 2/5

DAILY RATES FROM HAWAII'S TOP LENDERS

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:

Last week: +0.31%

This week: +0.06%

Stocks (weekly):

Dow: 8,200 +150

NASDAQ: 1,575 +100

Week Ahead

News regarding the Senate's fiscal stimulus proposal and the Treasury's financial institution cleanup plan may be the biggest drivers of mortgage rates next week. The most significant economic data will be Thursday's Retail Sales report. Retail Sales account for about 70% of economic activity. The Trade Balance and Consumer Sentiment also will be released next week. Mortgage markets will close early on Friday in observance of Presidents Day.

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