

Compliments of

Alan Zukerkorn
President

Hawaii Mortgage
Company Inc.

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

alan@hawaiimortgage.net

Housing Plan Unveiled

Fears about the economy led to a stock market decline and pushed mortgage rates a little lower during the week. Even with Tuesday's passage of the new \$787 billion stimulus plan, economic growth forecasts from Wall Street economists and from the Fed were revised lower.

Wednesday, President Obama announced the \$275 billion Homeowner Stability Initiative, which contained broad outlines of three major elements intended to help prevent foreclosures and falling home values. First, the government will make it easier for many borrowers who currently may not be able to refinance their loans to refinance. Only existing owner-occupied loans owned or guaranteed by Fannie Mae or Freddie Mac are eligible for consideration under the plan. The government estimates that 4 to 5 million borrowers will be eligible for this program. Details regarding qualification and procedures for this refinance program are expected to be released on March 4th.

Second, the government will increase its commitment to Fannie Mae and Freddie Mac from \$200 billion to \$400 billion and will raise the portfolio size limits for the two firms by \$50 billion each. In addition, the government pledged to continue to support purchases of mortgage-backed securities to help keep mortgage rates low.

The third program provides incentives for servicers to work with borrowers at imminent risk of default to modify the terms of the mortgage, bringing payments down to affordable levels. If successful, the government hopes to prevent an estimated 2 to 3 million foreclosures, which would keep these homes from adding to the inventories currently on the market.

What Should Consumers Do Next?

Final details of the President's plan will be announced by March 4th. It is expected that the demand on lenders will even greater than current conditions. As detailed in prior issues of this newsletter, the capacity of lenders to handle loan requests is at capacity. In order to assure your "place" in line, you must be willing to start the process now.

If you have good credit and sufficient income to qualify for a standard conforming mortgage loan:

Call me or my staff to start the application and processing of your loan now. As new applications enter the system, lenders are not adding staff to accommodate the influx of applications. As rates are currently in the mid to high 4% range, if you wait, you could lose out on getting these rates, or lower rates projected to be available soon. You can no longer wait for the rate to drop and then proceed. If you wait, you will not hit the bottom of the rate cycle.

If you have good credit and sufficient income to qualify AND the mortgage on your primary residence is greater than 80% of its current value:

You should start the application and processing of your loan request. Lenders are still backlogged 30 days or more in underwriting. With the flood of new applications coming in, waiting until after March 4th will only delay or possible make you lose out on current low rates or rates that are projected to move lower. Although not all of the details about this portion of the President's Mortgage Initiative have been announced, under this plan you will be able to refinance your existing mortgage up to 105% loan-to-value with no mortgage insurance.

If your credit is tarnished, and you are now or have been recently delinquent on your mortgage AND you have insufficient income to qualify:

After March 4th, you can contact your current mortgage servicer, or they will be sending you a letter about a possible loan modification. Under the President's plan, you could benefit the most. Lenders participating in the President's Mortgage Initiative can modify your mortgage to meet new lower mandated debt-to-income ratios. Under the plan, in order to meet these new guidelines, lenders can lower your interest rate for 5 years to a minimum floor rate of 2%. Also under the plan, if you make your payments on time, the government will reward you with \$1,000 per year as an incentive to make those payments on time.

If you are in the foreclosure process and contemplating bankruptcy to wish to keep your home which you owe more on than it is currently worth:

The President's Mortgage Initiative will allow you to keep your home and have any portion of the mortgage balance that is greater than its value converted to unsecured debt. Contact you bankruptcy attorney for more information that will be available after March 4th.

Events This Week:

Inflation Mixed

Housing Starts Fell

Jobless Claims Rose

Manufacturing Down

Events Next Week:

Wed 2/25
Existing Home Sales

Thur 2/26
Durable Orders
New Home Sales

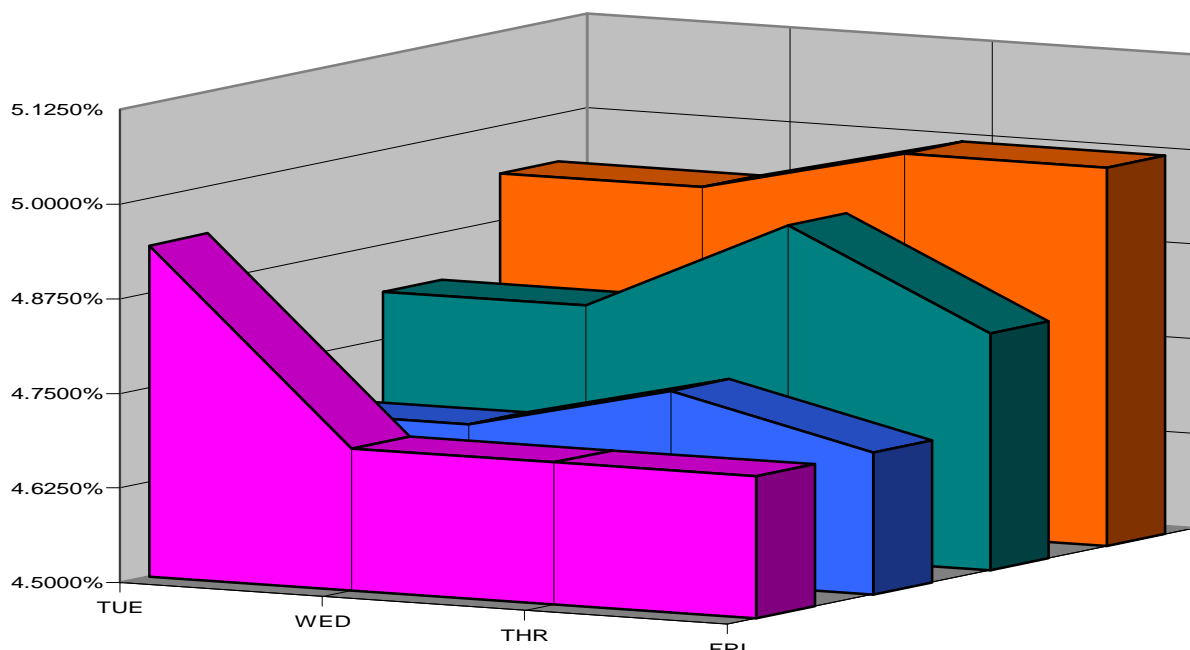
Fri 2/27
GDP
Chicago PMI

Also Notable:

- January CPI inflation increased at the lowest annual rate since 1955
- January Housing Starts fell for a seventh consecutive month
- The Dow stock index dropped to the lowest level since 2002
- The Fed purchased \$20 billion in agency MBS during the week ending 2/19

DAILY BASE RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:		
Last week:		dn 0.17%
This week:		dn 0.05%

Stocks (weekly):		
Dow:	7,300	-60
NASDAQ:	1,440	-10

Above rates do not reflect "add-ons" such as low credit scores, high loan-to-value, or investment properties.

Week Ahead

The final week of February will reveal a number of important indicators of economic growth. Existing Home Sales and New Home Sales will be released on Wednesday and Thursday, respectively. Durable Orders will also come out on Thursday. Revisions to fourth quarter 2008 Gross Domestic Product (GDP) will be released on Friday, along with the Chicago PMI national manufacturing index. Consumer Sentiment and Consumer Confidence are on the schedule as well. Fed speakers, Treasury auctions, and new information about government programs also may have a significant impact on mortgage markets next week.

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alan@hawaiimortgage.net.