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Strong Demand for Treasuries

Last week, the Dow fell about 700 points, and investors moved funds to relatively safer investments, including mortgage-backed securities (MBS), which helped mortgage rates to move lower. This week, it was nice to see that the Dow recovered most of last week's losses, yet mortgage rates retained last week's improvement, ending the week nearly unchanged. Strong demand for this week's Treasury auctions was a major reason why mortgage rates held steady despite the rising stock market.

As the government spends more money on programs to boost the economy, it must sell additional Treasury bonds to pay for the programs. As a result, the size of the Treasury auctions has increased, and investors have been watching closely for signs that demand will keep up. This week's strong demand for the Treasury auctions eased investor concerns for now. Both domestic and foreign investors indicated a high level of interest in purchasing Treasuries.

Longer-term, concerns remain about the level of foreign demand for US Treasuries. Countries such as China have been hurt by the global economic slowdown and are spending large amounts on domestic fiscal stimulus programs, leaving them with a smaller surplus to purchase foreign securities. Investors will be keeping an eye on the level of foreign interest in buying US debt. If demand for US Treasuries falls, then interest rates on Treasuries and mortgages will likely move higher.

Policy Change to Affect Leasehold Owners

One local lender announced this week that they will no longer accept brokered loans in which Fannie Mae was the intended purchaser of the loan. They cited their concern that Fannie Mae would no longer purchase loans secured on leasehold properties. They did assure brokers that they would continue to accept loans targeted towards Freddie Mac. At this point no other lender that sells loans to Fannie Mae has issued a similar statement. If it does come true that Fannie Mae will no longer accept loans against leasehold properties, it would hamper those wishing to finance those properties by eliminating lenders that sell exclusively Fannie Mae. Although many lenders sell to both Fannie Mae and Freddie Mac, a large majority of lenders usually choose to work with one exclusively. Fannie Mae is significantly larger than Freddie Mac, and accounts for roughly two-thirds of the "saleable" mortgage market.

Is It Hard To Get A Loan?

Every day I get at least a couple of calls from people saying they heard somewhere that getting a loan is almost impossible. This is simply not true. For those that have read this newsletter for a while, it seems that every week there is some new restriction (like in the item above) or policy change which makes it seem like it is getting harder and harder to obtain financing. For the vast majority of borrowers out there, obtaining financing is not an issue. If the following criteria applies to you, you will NOT have a problem getting a mortgage: 1) Verifiable Income. 2) Decent Credit (scores of 680 or higher. 3) Equity in your property (or at least 10% in a down payment). To find out if you qualify for your proposed mortgage, contact me directly, or one of my staff.

Events This Week:

Retail Sales ex-autos Up

Trade Deficit Lower

Sentiment Higher

Manufacturing Mixed

Events Next Week:

Mon 3/16
Industrial Prod.

Tues 3/17
PPI
Housing Starts

Wed 3/18
Fed Meeting
CPI

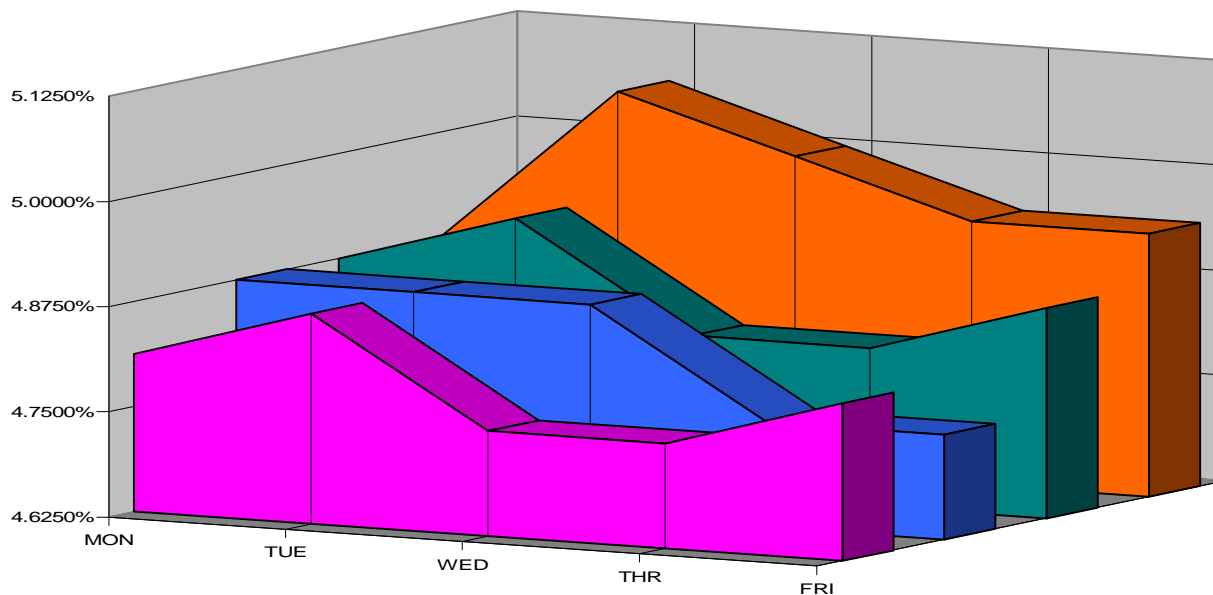
Thur 3/19
Philly Fed

Also Notable:

- The January Trade Deficit fell to the lowest level in six years
- February Retail Sales ex-autos unexpectedly rose 0.7%
- Oil prices rose to \$48 per barrel, but are down from \$145 per barrel in July
- The Fed purchased \$27 billion in agency MBS during the week ending 3/11

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	dn 0.20%
This week:	unchanged

Stocks (weekly):	
Dow:	7,223.9 +597.0 8 4
NASDAQ	1,431.5 +137.6 0 5

Above rates are the Monday-Friday daily base rates. Add-ons for low credit scores, high LTV, cash-out, or investment properties are then added to that rate. Borrowers can also "buy down" these rates by paying additional points.

Each color on the graph represents a different lender.

Week Ahead

The big economic news next week will be Wednesday's Fed meeting. With the Fed Funds rate close to zero, cutting rates is no longer an option, but the Fed may announce other measures to stimulate the economy. The most significant economic data next week will be the monthly inflation reports. The Producer Price Index (PPI) focuses on the increase in prices of "intermediate" goods used by companies to produce finished products and will come out on Tuesday. The Consumer Price Index (CPI), the most closely watched monthly inflation report, will come out on Wednesday. CPI looks at the price change for those finished goods which are sold to consumers. Industrial Production on Monday and Housing Starts on Tuesday also will be important reports.