

Compliments of

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Mortgage Rates Little Changed

Despite a second straight week of large Fed purchases of mortgage-backed securities (MBS) and weaker than expected economic data, mortgage rates were unable to move any lower, ending slightly up from last Friday. With mortgage rates at historically low levels and with the industry facing capacity constraints, significant further improvement may be difficult to achieve. In addition, while current economic conditions remain weak, some investors now believe that the economy and the stock market have already bottomed, which could lead to higher inflation and higher rates down the road.

While forecasts vary for the second half of the year, there is no disagreement that the job market is currently performing poorly. Friday's Employment report revealed that the economy lost slightly more jobs than expected in March, and the Unemployment Rate jumped from 8.1% to 8.5%. The labor market is typically a lagging indicator of the strength of the economy, meaning that it may take longer to turn around than other sectors of economic activity.

Following last week's rise in New and Existing Home Sales, this week's news from the housing sector was also positive. February Pending Home Sales, a leading indicator for the housing market, rose 2% from January, suggesting that future New and Existing Home Sales reports may show gains as well. Also, according to the National Association of Realtors (NAR), home affordability reached a new record high. With low mortgage rates, affordable homes, and a first-time homebuyer tax credit, conditions in the housing market are favorable for an increase in activity.

Appraisal Settlement Will Hurt Consumers (And Drive Appraisers Out Of Business)

A settlement was reached a few months ago between the Attorney General for New York and several major national lenders, including Fannie Mae and Freddie Mac. AG Andrew Cuomo believed that a major reason the housing market collapsed was that lenders put pressure on appraisers to validate values that were unrealistic. As absurd as this sounds, the lenders along with Fannie and Freddie decided to not fight the claim and decided to make changes that would not really affect them, but would hurt consumers. The settlement now forbids ANY lender or broker from ordering an appraisal for their borrowers. All appraisal requests now need to be ordered through a third party provided. Appraisers are picked on a random basis from those who have signed up with the middleman.

These appraisal assignment companies do not take into account any factors a good lender would consider when looking at the best interests of their customer. Factors such as local market (area) knowledge or average time of completion are not taken into account. Brokers, lenders, etc. are forbidden under this settlement to contact the appraiser, once assigned, for any reason other than to provide contact information for the inspection. We can no longer ask for estimated values, or estimated time of completion.

The biggest blow to consumers is the inability to have the appraisal moved from one lender to another. A good broker will always look to see out of the lenders they represent which has the best rates prior to submitting the loan [package for final approval. Since the appraisal can no longer be moved from one lender to another, the consumer might miss out on the best rates available at the time of submission because lender "B" will not take lender "A"'s appraisal.

Appraisers are really caught in the crossfire here. Appraisers can no longer solicit lenders, brokers, etc. for business. How would you like to own a small business in which you could no longer advertise? This settlement will spell the end to many appraisers' careers.

Initial Interest-Only Loans May Soon Be A Thing Of The Past

A national lender today sent a notice out that "due to our inability to find investors to purchase interest-only loan products" they will no longer be offering them. Investors are looking at all loan products in which the borrower has a change in payment during the loan term, other than for a change in taxes and insurance. They feel that there is a greater risk of default if the borrower has an initial lower payment, even if the change is 10 years into the loan. This affects all types of loans, both fixed-rate and ARM products.

Events This Week:

Employment Down

Pending Sales Rose

Confidence Lower

Manufacturing Fell

Events Next Week:

Wed 4/8
FOMC Minutes
3-yr Auction

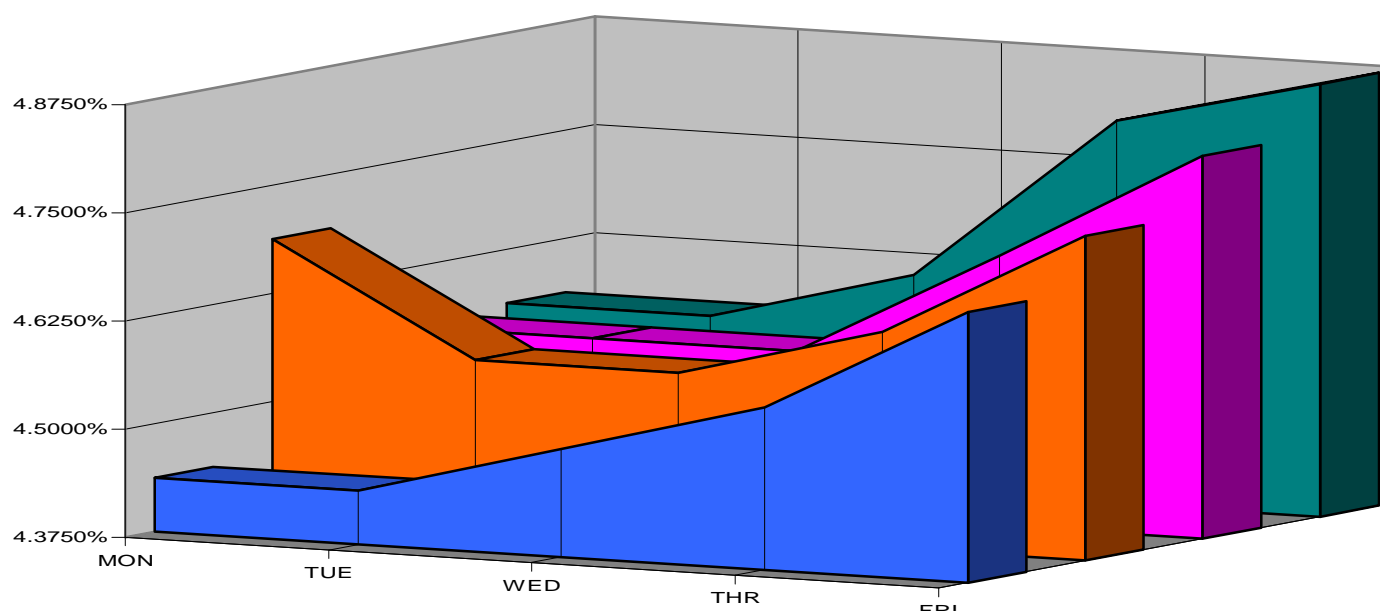
Thur 4/9
Import Prices
Trade Balance
10-yr Auction

Also Notable:

- The Unemployment Rate jumped to the highest level since 1983
- Bernanke expects that low mortgage rates will improve the housing market
- The European Central Bank (ECB) lowered rates by 25 basis points
- The Fed purchased \$33 billion in agency MBS during the week ending 4/1

DAILY RATES FROM HAWAII'S TOP LENDERS

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:

Last week:	up
	0.05%
This week:	up
	0.05%

Stocks (weekly):

Dow:	8,000	+20
	0	0
NASDAQ:	1,600	+40
	0	0

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 Economic Calendar will be light next week. The FOMC minutes from the March 18 Fed meeting will be released on Wednesday. These detailed notes on the discussion at the meeting often reveal additional insight into the Fed's actions. Import Prices and the Trade Balance will come out on Thursday. Treasury auctions will take place on Wednesday and Thursday.

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