

Compliments of

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Markets Quiet Ahead of Fed Meeting

With little economic news released during the week, and with a Fed meeting and large Treasury auctions scheduled for next week, mortgage rates moved very little this week. Fed purchases of mortgage-backed securities (MBS) during the week were at average levels. Treasury yields and the stock market also were little changed ahead of next week's major economic events.

The fed funds rate is already close to zero, so no change in rates is expected at Wednesday's Fed meeting, but investors have widely mixed views on what the statement will say. At the last meeting on March 18, the Fed shocked investors with an aggressive expansion of its mortgage-backed securities (MBS) purchase program from the previously announced \$500 billion to a total of \$1.25 trillion. On Wednesday, will the Fed reveal new measures to stabilize the financial system or boost the economy? Will it expand existing programs? Has the Fed's outlook for the economy improved at all? The Fed's last announcement had an enormous impact on mortgage rates, and this statement will be highly anticipated as well.

Next week's large Treasury auctions of over \$100 billion also may influence mortgage rates. MBS yields must compete with Treasury yields to attract investment funds. If Treasury yields rise, then MBS yields typically follow to some degree. The government needs to issue a huge amount of debt to pay for all its new programs. Investors are concerned that there will not be enough demand for all the Treasuries unless yields move higher. In particular, purchases of US securities by foreign investors may not expand to help absorb the added supply.

When will rates start edging back up again? For many weeks I have written about the pressure for rates to move up, but have been kept down artificially by government purchases of MBS securities. Now with the start of large offerings of government debt to pay for the administration's stimulus package, TARP funds, and other increased spending, we might start seeing rates start to rise. The only way rates will stay low, or go lower, would be for the release of significant bad economic news. Even with the government buying more and more mortgage offerings, the addition of a huge amount of treasury debt into the available pool of what needs to be sold will drive up rates. With the above information in mind, consumers considering refinancing should act now.

How Long Does It Take To Refinance?

This seems like an almost stupid piece to write about, but many consumers have no idea just how slow the process has become. In my 15 years of providing financing, I have never seen the process take so long, and be so frustrating for consumers and those in our industry alike. I frankly find it embarrassing. Until the government announcement to start buying mortgage backed securities in December, the typical transaction could be completed in less than 30 days. In a rush situation, we turned transactions in under 10.

Now we come to the 2nd Quarter of 2009, and compared to the past, it looks to consumers that our mortgage industry is simply dragging our feet. Remember, no matter who provides you your loan, a Mortgage Broker or Mortgage Banker, most loans end up with the large national lenders or large local banks. Their underwriting times have not shrunk since December. They are not willing to hire more staff, and so long as the numbers of applications coming in remain the same, their underwriting times will remain long. Then there are third party providers who must also be given time to provide their data. Escrow companies are taking longer to provide title reports. And the mess with appraisals due to the newly enacted Home Value Code of Conduct has slowed the process down even more.

So here's your timeline: Some appraisals are taking three weeks to complete. Some lenders are taking six weeks to underwrite loans, another week to clear any outstanding conditions, and another week to draw closing documents. And if you are refinancing your primary residence, don't forget about the mandatory three business day right of refusal clause. Three months? Yup! That's why some lenders are providing new applicants 90-Day rate locks at the time of initial application. Please keep in mind that each lender's "turn times" vary, but expect a minimum of 60 days to complete your refinance. Purchase transactions at most lenders are given priority and can be completed in less time, provided the appraisal and title work are in.

To review past newsletter, visit the newsletter archive at our website www.hawaiimortgage.net.

Events This Week:

Existing Sales Lower

Durable Orders Fell

Jobless Claims Up

Manufacturing Mixed

Events Next Week:

Wed 4/29
Fed Meeting
GDP

Thur 4/30
Chicago PMI
Income

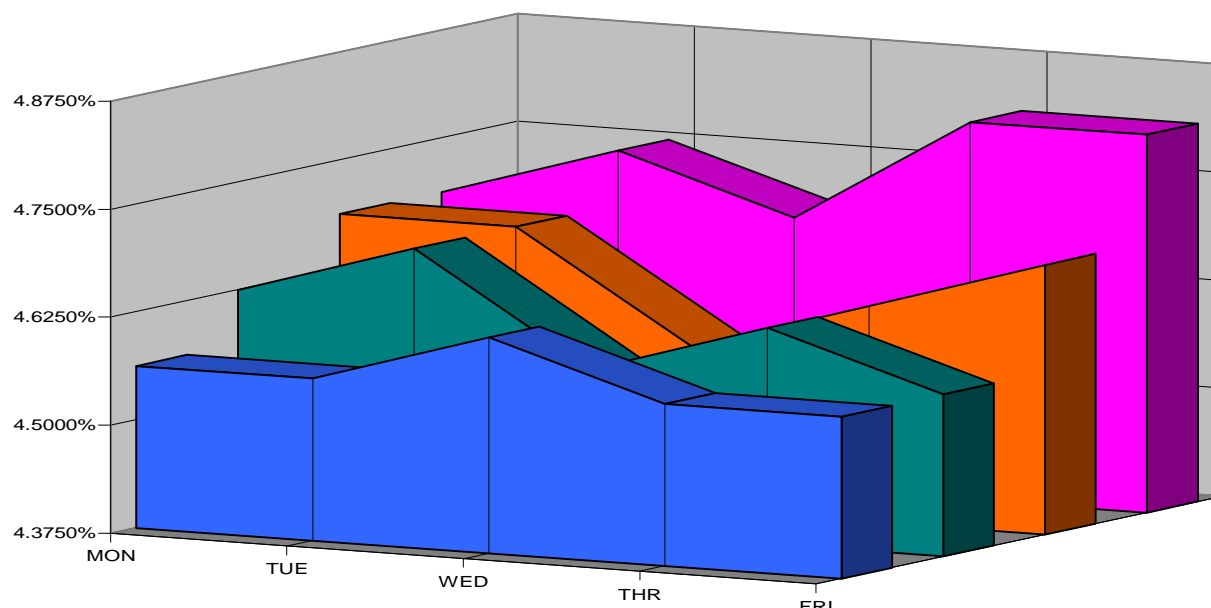
Fri 5/1
ISM Index
Sentiment

Also Notable:

- March new home sales were nearly flat from February, well above January levels
- 53% of March existing home sales were to first-time homebuyers
- The Bank of Canada cut rates by 25 basis points
- The Fed purchased \$26 billion in agency MBS during the week ending 4/22

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:
Last week: +0.03%
This week: +0.02%

Stocks (weekly):
Dow: 8,050 -50
NASDAQ: 1,680 +20

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

Important economic data may take a backseat next week to the Fed meeting and Treasury auctions. The Fed's announcement will be released on Wednesday at 2:15 et. Expectations vary widely for what the Fed will say (see above). The most significant economic report will be Wednesday's release of first quarter Gross Domestic Product (GDP). GDP is the broadest measure of economic activity. The two national manufacturing indexes, the Chicago PMI and the ISM index, will come out on Thursday and Friday respectively. Personal Income, Factory Orders, Consumer Sentiment, and Consumer Confidence will round out a busy week. There will be Treasury auctions on Monday, Tuesday, and Wednesday.

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