

Mortgage Market News for the week ending June 26, 2009

Compliments of
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Demand Strong for Treasury Debt

With major economic data, large Treasury auctions, and a Fed meeting on the schedule, it was a busy week for mortgage markets. In the end, it was the Treasury auctions which had the greatest impact on mortgage rates. Demand was very strong at the auctions, which pushed mortgage rates lower. Wednesday's Fed announcement and mixed economic data were roughly neutral for mortgage rates.

Much of the rise in interest rates we saw in late May and early June was due to concern about the enormous supply of debt the government needs to issue to pay for all the stimulus programs. The question was whether investors would require significantly higher yields to continue purchasing bonds. Strong demand from both domestic and foreign investors at this week's Treasury auctions eased those concerns for now and helped mortgage rates to reverse some of their recent increases.

As expected, the Fed made no change in the fed funds rate. However, investor expectations varied widely for the Fed's statement, but the statement revealed no significant shifts in policy. In particular, there was no change in the timing or the quantity of future MBS and Treasury purchases. In addition, the statement contained no discussion about exit strategies to eventually unwind Fed stimulus programs. Overall, the Fed simply held the course, and mortgage rates were nearly unchanged after the news.

In the housing sector, May Existing Home Sales rose 2.4%. It was the first time since September 2005 that Existing Home Sales increased for two months in a row. The inventory of unsold homes declined to a 9.6-month supply from a 10.1-month supply in April. A NAR survey revealed that 29% of sales were to first-time homebuyers, helped by the \$8,000 tax credit, low mortgage rates, and favorable affordability levels.

State Furlough Causes Major Changes For Escrow/Title Companies

The Bureau of Conveyances announced this week changes they are putting in place to cope with a 14% reduction in workforce. Such changes include the suspension of same-day "special recordings" and no longer allowing the "pulling" of documents once submitted for recording. The inability to pull documents has specific impact on the "Good Funds" rules used by the Escrow/Title companies. In the past, all funds required for a transaction needed to be in the hands of the Escrow companies 24 hours prior to their submission of the documents scheduled for recording. In some cases, the Escrow companies bent this rule knowing that if they did not receive the funds in time, they could "pull" the documents prior to recording.

Now that the ability to pull documents has been eliminated, ALL funds must be in 48 hours prior to recording. In other words, the Escrow/Title companies need to have the monies accounted for, because once the documents are sent for recording, they can no longer stop the process.

This also impacts recording days. Normally, Monday was a bad day to schedule a recording, because the funds needed to be in the Escrow company's account by Friday. The borrower would then incur an interest charge over the weekend by the new lender on a loan that wouldn't record until Monday. With the new rules, funds would need to be in on Thursday, costing the borrower another day of interest from the lender. Tuesday recordings still need funds in by Friday. So, the best day to record is now Wednesday, with all funds into Escrow by Monday.

Events This Week:

- Inflation Steady
- Jobless Claims Up
- Home Sales Mixed
- Manufacturing Rose

Events Next Week:

Tues 6/30
 Chicago PMI
 Confidence

Wed 7/1
 ISM Manuf.
 Pending Sales

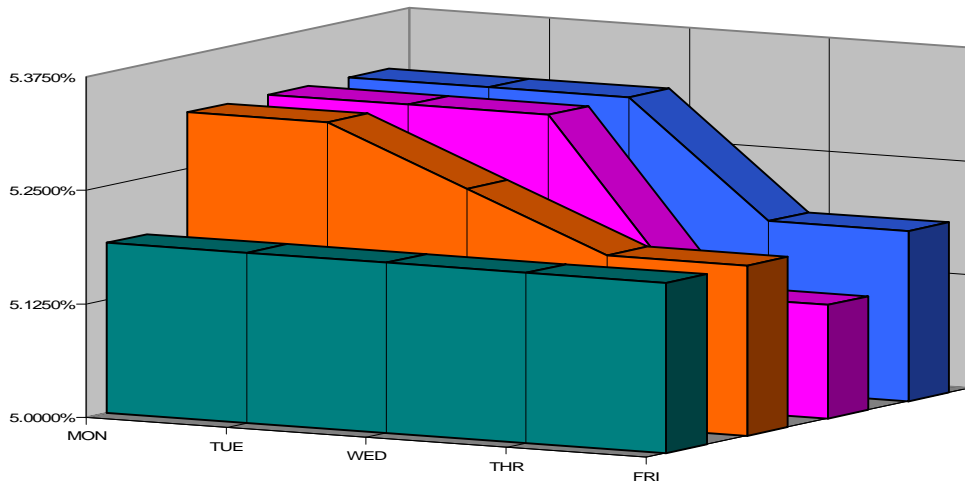
Thur 7/2
 Employment
 Factory Orders

Also Notable:

- The May Core PCE inflation index rose at a tame 1.8% annual rate
- The World Bank cut its forecast for global economic growth this year
- Fed Chief Bernanke performed well during Congressional questioning
- The Fed purchased \$22 billion in agency MBS during the week ending 6/24

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	-0.05%
This week:	-0.25%

Stocks (weekly):	
Dow:	8,400 -200
NASDAQ:	1,820 -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

Next week, the important Employment report will come out on Friday. As usual, this data on the number of jobs, the Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Early estimates are for a loss of about 370K jobs in June. Before the Employment data, the Chicago PMI and ISM national manufacturing indexes will come out on Tuesday and Wednesday. Pending Home Sales, a leading indicator for the housing market, will be released on Wednesday. Consumer Confidence, Construction Spending, and Factory Orders will round out the schedule. Mortgage markets will be closed on Friday ahead of the July 4th holiday.

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