

Compliments of
Alan Zukerkorn
 President
Hawaii Mortgage Company Inc.
 PHONE:
 (808) 988-6622
 (888) 632-6622
alan@hawaiimortgage.net

Mortgage Rates Hold Steady

There was very little daily movement in mortgage rates during the holiday-shortened week, and they ended the week nearly unchanged. The economic news during the week contained few surprises.

Following better than expected results for May, investors were closely watching the June Employment report for clues about the timing of any economic recovery. Thursday's data showed that the economy lost -467K jobs in June, and the Unemployment Rate rose to 9.5% from 9.4% in May. Average Hourly Earnings, a proxy for wage growth, rose at a slim 2.7% annual rate. High unemployment and slow wage growth have caused consumers to save more and spend less. Since consumer spending accounts for about 70% of economic activity, the slowdown in spending has had a large impact on economic growth. For mortgage rates, however, low wage inflation and slow economic growth are favorable.

While the Employment report may have captured the most attention, the week began with a significant announcement from Chinese officials. According to the head of China's central bank, there will be no sudden changes to China's foreign reserve policy, meaning that China will not pull back from buying US bonds. Over recent months, investors have been concerned that foreign central banks would decide to scale back their purchases of US bonds, so this was very welcome news. Recent Treasury auctions have confirmed that foreign demand remains strong.

HUD announces LTV Increase to 125% for the Making Home Affordable

Housing and Urban Development Secretary Donovan announced yesterday the Making Home Affordable program will expand to allow borrowers to refinance their 1st lien mortgage to 125% of the home's value. The concept is thought to allow those deeply underwater a chance to refinance to lower rates. This plan still misses the boat for a majority of homeowners. If HUD really wanted to help a majority of homeowners they would allow for the consolidation of 1st and 2nd mortgages into one new mortgage. The Making Home Affordable program specifically disallows this practice.

Hawaii Mortgage Company Recognized as "Best Of" for 2009

The US Commerce Association announced in June that Hawaii Mortgage Company was awarded their 2009 Best of Honolulu Award for Mortgage Brokers. The USCA "Best of Local Business" Award Program recognizes outstanding local businesses throughout the country. Each year, the USCA identifies companies that they believe have achieved exceptional marketing success in their local community and business category. These are local companies that enhance the positive image of small business. U.S. Commerce Association (USCA) is a Washington D.C. based organization funded by local businesses operating in towns, large and small, across America. The purpose of USCA is to promote local business through public relations, marketing and advertising.

Events This Week:

- Employment Fell
- Inflation Steady
- Pending Sales Up
- Manufacturing Rose

Events Next Week:

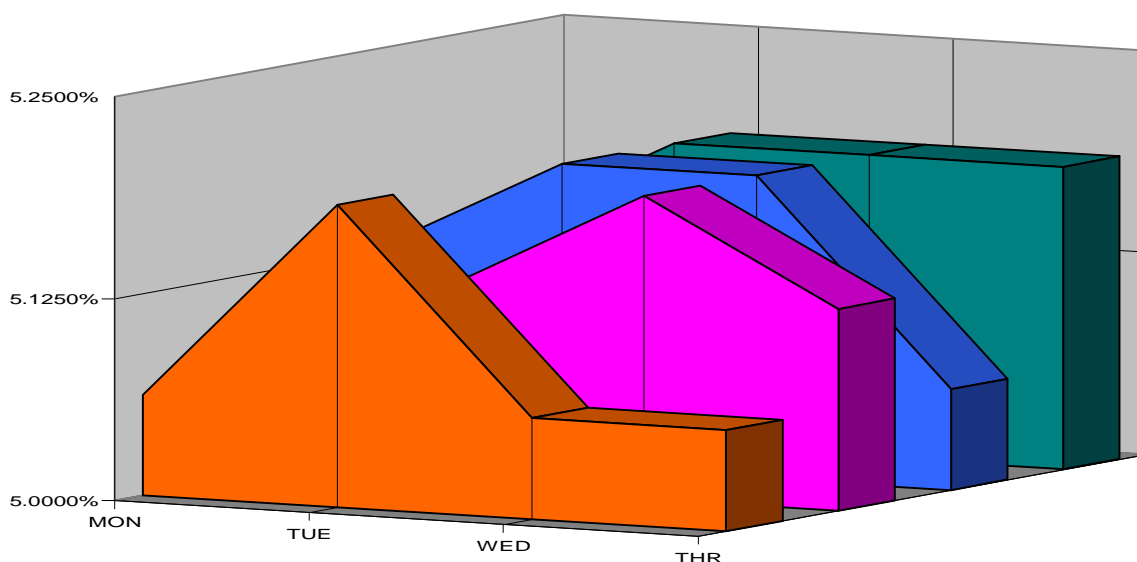
- Mon 7/6
ISM Services
- Tues 7/7
3-yr Auction
- Wed 7/8
10-yr Auction
- Thur 7/9
30-yr Auction
- Fri 7/10
Trade Balance
Import Prices
Sentiment

Also Notable:

- The Unemployment Rate climbed to the highest level since 1983
- April Pending Home Sales rose for the fourth straight month
- The European Central Bank (ECB) held rates unchanged

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



| | |
|---------------------------|--------|
| Average 30 yr fixed rate: | |
| Last week: | -0.25% |
| This week: | -0.02% |

| | |
|------------------|-----------|
| Stocks (weekly): | |
| Dow: | 8,350 -50 |
| NASDAQ: | 1,800 -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

Treasury auctions may have the greatest impact on mortgage rates next week, with auctions on Tuesday, Wednesday, and Thursday. It will be a light week for economic data. ISM Services will be released on Monday. The Trade Balance, Import Prices, and Consumer Sentiment will come out on Friday.

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