

Compliments of

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## Strong Treasury Auctions Lower Mortgage Rates

With a light schedule for economic data, Treasury auctions had the greatest impact on mortgage rates during the week. Strong demand for the auctions and declines in the stock market helped mortgage rates end the week lower.

In recent months, mortgage rates have been heavily influenced by concerns about the enormous amount of debt the government needs to issue to pay for all the stimulus programs. The risk is that investors will require significantly higher yields to continue purchasing an expanding supply of bonds. Strong demand from both domestic and foreign investors at this week's 3-yr, 10-yr, and 30-yr Treasury auctions eased those concerns. Longer-term Treasuries are comparable investments to mortgage-backed securities (MBS), which are the basis for the level of mortgage rates, so the results from 10-yr and 30-yr auctions are particularly important. The willingness of investors to purchase longer-term bonds (including Treasuries and MBS) at the current low rates is very encouraging.

Also this week, there was mounting speculation about the passage of a second round of fiscal stimulus before the end of the year. Given the weaker than expected June Employment data, the political pressure is increasing to take additional steps to create jobs. If another stimulus package is passed, the increase in the supply of debt required to pay for it could pressure mortgage rates higher.

## New Minimum FICO Scores For FHA and VA Loans

It was announced this week that effective July 13<sup>th</sup>, the new minimum FICO score required for FHA Streamlined Loans and VA IRRL (Interest Rate Reduction Loans) will now be 620. 620 is also the new minimum score for all types of FHA and VA Jumbo loans.

## 2009 Changes to the Truth In Lending Act

The Housing Economic and Recovery Act of 2008 mandated several changes on how mortgage loans are to be disclosed and when a lender can request money from the consumer. In a nutshell, here are the changes:

- 1) A new disclosure form will be given to the consumer informing them that just because they received a Good Faith Estimate and the Truth-in-Lending Disclosure Statement they are not obligated to go forward with the loan, even if they have signed an application.
- 2) Lenders/Brokers can not request monies from the consumer, except for a reasonable fee for a credit report BEFORE the application and disclosure forms are provided to the consumer.
- 3) Prohibits a loan closing sooner than 7 days from the date the consumer received the application and disclosures.
- 4) If the APR were to change more than 0.125% from the original disclosure, a new disclosure must be provided to the consumer.
- 5) If there is any re-disclosure, the lender must wait 3 days before the consumer can sign final loan documents.

In all of the examples above, a day refers to "business days" which are Monday-Saturday excluding major US holidays.

### Events This Week:

ISM Services Rose

Trade Balance Fell

Import Prices Up

Sentiment Dropped

### Events Next Week:

Tues 7/14

PPI

Retail Sales

Wed 7/15

CPI

Industrial Prod.

Fed Minutes

Fri 7/17

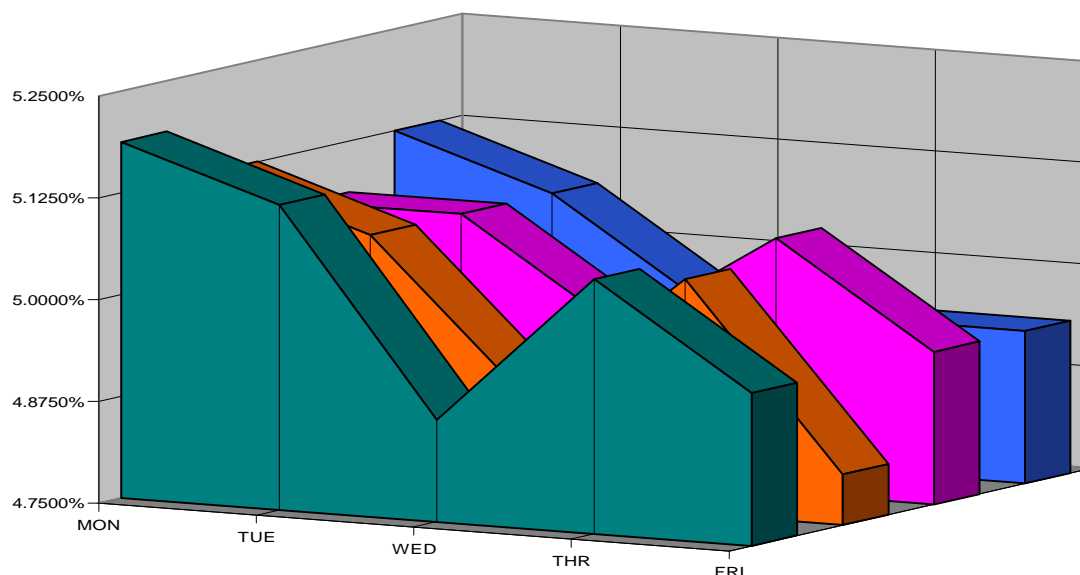
Housing Starts

### Also Notable:

- Continuing Jobless Claims rose to a record high
- The May trade deficit fell to the lowest level in nine years
- Oil prices fell to \$60 per barrel, down from a recent high of \$74 per barrel
- The Fed purchased \$17 billion in agency MBS during the week ending 7/8

## DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	-0.02%
This week:	-0.20%

Stocks (weekly):		
Dow:	8,100	-250
NASDAQ:	1,750	-50

**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 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. In addition, Retail Sales will be released on Tuesday. Retail Sales account for about 70% of economic activity. Industrial Production, another important indicator of economic activity, will be released on Wednesday. The FOMC minutes from the June 24 Fed meeting will also come out on Wednesday. These detailed notes on the discussion at the meeting often reveal additional insight into the Fed's actions. Finally, Housing Starts is scheduled for Friday.

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