

Compliments of

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Stock Rally Offsets Positive Inflation News

Early in the week, a forecast from the Fed that inflation should remain low for the next couple of years moved mortgage rates lower. The economic news later in the week was less favorable for mortgage rates, however. Strong earnings reports produced a rally in the stock market, which pushed mortgage rates higher. In the end, mortgage rates finished the week essentially unchanged.

In testimony before Congress on Tuesday, Fed Chairman Bernanke provided an update on the Fed's outlook for economic conditions. Of note, Bernanke predicted that inflation will not be a concern any time soon, which was good news for mortgage rates. While he expects economic growth to turn positive later this year, he suggested that the labor market may be weak for several years. As a result, the fed funds rate will likely remain near zero for "an extended period".

The June Existing Home Sales report contained positive news for the housing market. In June, Existing Home Sales rose for the third straight month, climbing 4%. The inventory of unsold existing homes fell to a 9.4-month supply from a 9.8-month supply in May. The national median home price rose 4% from May. According to the National Association of Realtors (NAR), home sales were helped by the first-time homebuyer tax credit and "historically high affordability conditions".

125% Making Home Affordable Refinances Start Sept. 19th

As we announced several weeks ago, the expansion of the Making Home Affordable refinance program is now set for the middle of September. If you were one of the many that due to low home values was unable to refinance, the extra 20% afforded by this program should help. Please note that this program does not allow for the consolidation of 2nd mortgages or cash-out. This program is only for loans that are currently owned by either Fannie Mae or Freddie Mac. Fannie or Freddie may own your loan regardless of who you are currently making your payment to. To find out, you can either call your servicer, or give me a call. We have access to both Fannie & Freddie's database of owned properties.

Mortgage Insurance Hinders Refinances

One of the cornerstones of the Making Home Affordable Program was the ability for homeowners who currently have Mortgage Insurance to refinance under the program and transfer the mortgage insurance from the old loan to the new loan. Nothing has been said in any news article that this portion of the program is stopped dead in its tracks. Although the process to move MI from one loan to another is in place with Fannie & Freddie, as well as the MI companies as well, it is not with lenders. I am not aware of a single lender that has made a new Making Home Affordable loan to a borrower that has MI on their old loan. Until this issue is addressed by the masses, those with mortgage insurance will not be able to take advantage of the Making Home Affordable Program.

Events This Week:

Inflation Low
Existing Sales Rose
Leading Indicators Up
Sentiment Higher

Events Next Week:

Mon 7/27
New Home Sales

Tues 7/28
Confidence

Wed 7/29
Durable Orders
Beige Book

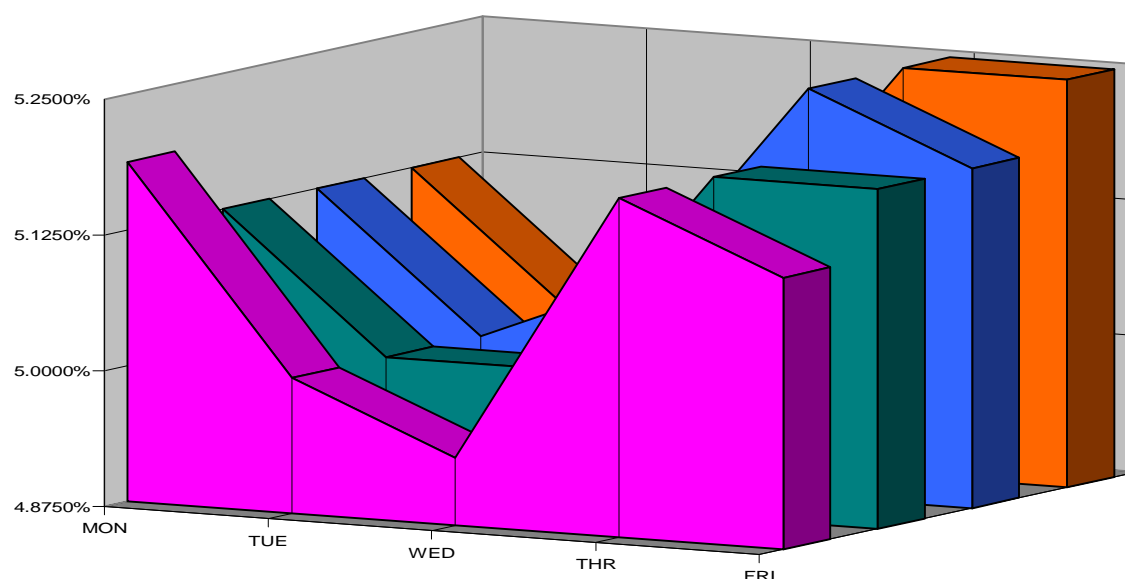
Fri 7/31
GDP
Chicago PMI

Also Notable:

- The Dow stock index rose to the highest level since early January
- First-time homebuyers accounted for 29% of all transactions in June
- After falling below \$60 per barrel recently, oil prices rose to \$67 per barrel
- The Fed purchased \$21 billion in agency MBS during the week ending 7/22

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	+0.20%
This week:	-0.01%

Stocks (weekly):	
Dow:	9,050 +350
NASDAQ:	1,950 +75

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 biggest economic report next week will be Friday's Gross Domestic Product (GDP) data for the second quarter of 2009. GDP is the broadest measure of economic activity. Prior to that, New Home Sales will come out on Monday. Durable Orders, another important indicator of economic activity, will be released on Wednesday. In addition, the Treasury will auction a total of \$109 billion in 2, 5, and 7-year notes on Tuesday, Wednesday, and Thursday. Recent auctions have been well received, and investors will be closely watching the level of demand next week.

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