

Compliments of

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Mortgage Rates Move Lower

Tame inflation data, strong demand for the Treasury auctions, and a lack of surprises from the Fed were all positive for mortgage markets, and mortgage rates ended the week lower.

As expected, the Fed held the fed funds rate steady on Wednesday, and its statement contained few changes. The Fed suggested that economic activity is "leveling out", rather than continuing to decline, and the Fed expects that inflation will remain subdued due to unused capacity in the economy. Of note, the Fed decided not to increase its \$300 billion Treasury purchase program, which will end in October. No changes were announced for the \$1.25 billion mortgage-backed securities (MBS) purchase program, which is set to conclude at the end of the year. Mortgage rates are largely determined by MBS prices, and the added Fed demand for MBS has helped keep mortgage rates low. Investors will soon need to hear what the Fed plans to do with the MBS purchase program. The direction the Fed chooses could have a significant impact on mortgage rates later in the year.

The economic data released during the week was favorable for mortgage rates. The July Consumer Price Index (CPI) inflation data was unchanged from June, and Core CPI, which excludes food and energy, rose at a tame 1.5% annual rate. Current inflation levels are not a cause of concern for investors. July Retail Sales dropped slightly from June. Excluding autos, the results fell well short of expectations.

Real Estate Agent Savvy Using Mortgages As A Tool

Agents, now is the best time to get in touch with your prior clients to discuss options of either an exit strategy or taking advantage of great buying opportunities. Your buyers used you because they trusted your knowledge and advice. Farm your prior clients to see if a mortgage related strategy could help them out. If their plan is to wait for home prices to go back up before selling, maybe refinancing into an ARM for 1-5 years would be beneficial. Rates for 5-Year ARMS are at 3.750%. On a \$500,000 mortgage, the borrower would save almost \$700 per month. Maybe your client has equity in their current property and would like to tap into that in order to have funds to buy another property? They could use the same mortgage product and pull out equity to buy the new property. The mortgage product would be either a fixed for long-term hold or an ARM if they plan on selling in the next few years.

Do you know for sure what type of mortgage product your purchase clients used for their transaction? 2004-2008 saw a large percentage of exotic loan products and ARM loans. Hawaii saw a large amount of Option ARM's, 3-Year ARM's and fixed rate loans above 6%. Be a hero by contacting them and seeing if refinancing would be beneficial. At a minimum, it keeps you in contact with prior clients that will look to you for future transactions.

Loan Program Highlights Update

With all the changes in regulations and lender policies, I have been asked to provide a short update on loan programs that are still available. Many think the 30-Year Fixed or a few ARM products are all that are left. Below is a condensed list of loan program still available. For specific loan scenarios, please either call or email the details. I reply to all requests promptly.

Fixed Rate Loan Products:

40 / 30 / 20 / 15 / 10 Year Fixed Fully Amortized Mortgages

40 / 30 Year Fixed with 10 or 15 Year Interest-Only Periods

ARM Products:

1 / 3 / 5 / 7 / 10 Year Fixed Initial Period Fully Amortized Mortgages

3 / 5 / 7 / 10 Year Fixed Initial Period with 10 Year Interest-Only Period

100% Financing Products:

VA 30-Year Fixed or ARM Loans

USDA Rural Housing Loans

Loan programs are also still available for Condominium Hotel Units (Condo-Tels), Vacant Land, Construction-to-Permanent Loans, and Owner Builder Construction Loans. In response to the above request, I have changed our weekly rate graph to show rates from various loan programs. As always, your comments are always appreciated.

Events This Week:

Inflation Low

Retail Sales Fell

Productivity Rose

Manufacturing Up

Events Next Week:

Tues 8/18

PPI

Housing Starts

Thur 8/20

Leading Indicators

Philly Fed

Treasury Announce.

Fri 8/21

Existing Home Sales

Also Notable:

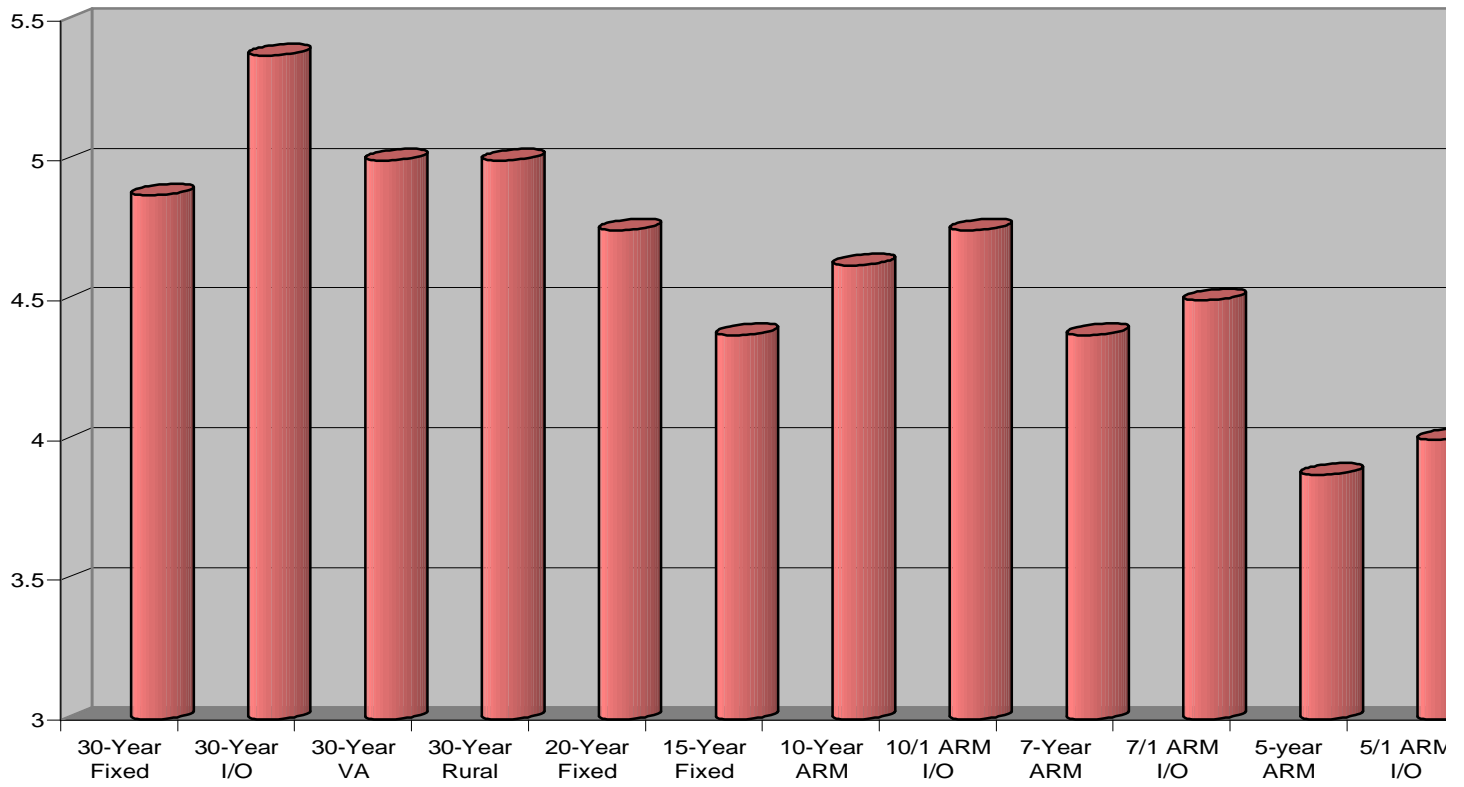
- July CPI inflation showed the largest annual rate of decline in 59 years
- Second quarter Productivity rose at the fastest pace in nearly 6 years
- Geithner stated that plans to overhaul financial market regulation were on track
- The Fed purchased \$20 billion in agency MBS during the week ending 8/12

Average 30 yr fixed rate:

Last week: +0.35%

This week: -0.25%

Conforming Rates as of 8/14/09



Week Ahead

Next week's calendar of economic events will be relatively light. Additional inflation data will be revealed on Tuesday in the Producer Price Index (PPI) report. PPI focuses on the increase in prices of "intermediate" goods used by companies to produce finished products. Housing Starts will also be released on Tuesday, and Existing Home Sales will come out on Friday. The two regional manufacturing indexes will round out the schedule. In addition, the Treasury will announce the size of the upcoming auctions on Thursday.

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