

Compliments of

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### Strong Demand for Treasury Auctions

In a light week for economic data, the Treasury auctions had the greatest influence on mortgage markets. Strong auction results, particularly for the 30-yr Treasuries, helped mortgage rates move lower during the week.

In recent months, mortgage rates have been heavily influenced by concerns about the enormous amount of debt the government needs to issue to fund the budget deficit. While recent Treasury auctions have seen stronger than average demand, investors remained cautious ahead of this week's large supply of government debt. The risk is that investors will require higher yields to continue purchasing an expanding supply of bonds. Longer-term Treasuries are comparable investments to mortgage-backed securities (MBS), which largely determine mortgage rates, so the results from 10-yr and 30-yr auctions are particularly important. Strong demand from both domestic and foreign investors at this week's Treasury auctions eased the concerns.

The data from the housing sector remained encouraging this week. The Mortgage Bankers Association (MBA) weekly purchase activity index rose by 10% to the highest level since early January. Combined with last week's strong reading in the Pending Home Sales index, which showed its sixth straight monthly increase, the MBA data supports an improving outlook for new and existing home sales.

### Date Set For Fannie & Freddie to Accept 125% Loans

Under the expanded Making Home Affordable Refinance Program both Government Service Enterprises (GSE's) announced the dates they will start accepting rate/term (no cash-out) refinances for loans up to 125% of the value of the home. These loans are available for borrowers whose mortgages are currently owned by either Fannie or Freddie and will not require mortgage insurance if you currently do not have MI. Fannie's date is September 19<sup>th</sup> and Freddie's is September 23<sup>rd</sup>. If you are interested in obtaining one of these loans, you do not have to wait until those dates to begin the process.

#### Events This Week:

Jobless Claims Fell

Trade Deficit Up

Import Prices Rose

Sentiment Higher

#### Events Next Week:

Tues 9/15

PPI

Retail Sales

Wed 9/16

CPI

Industrial Prod.

Thur 9/17

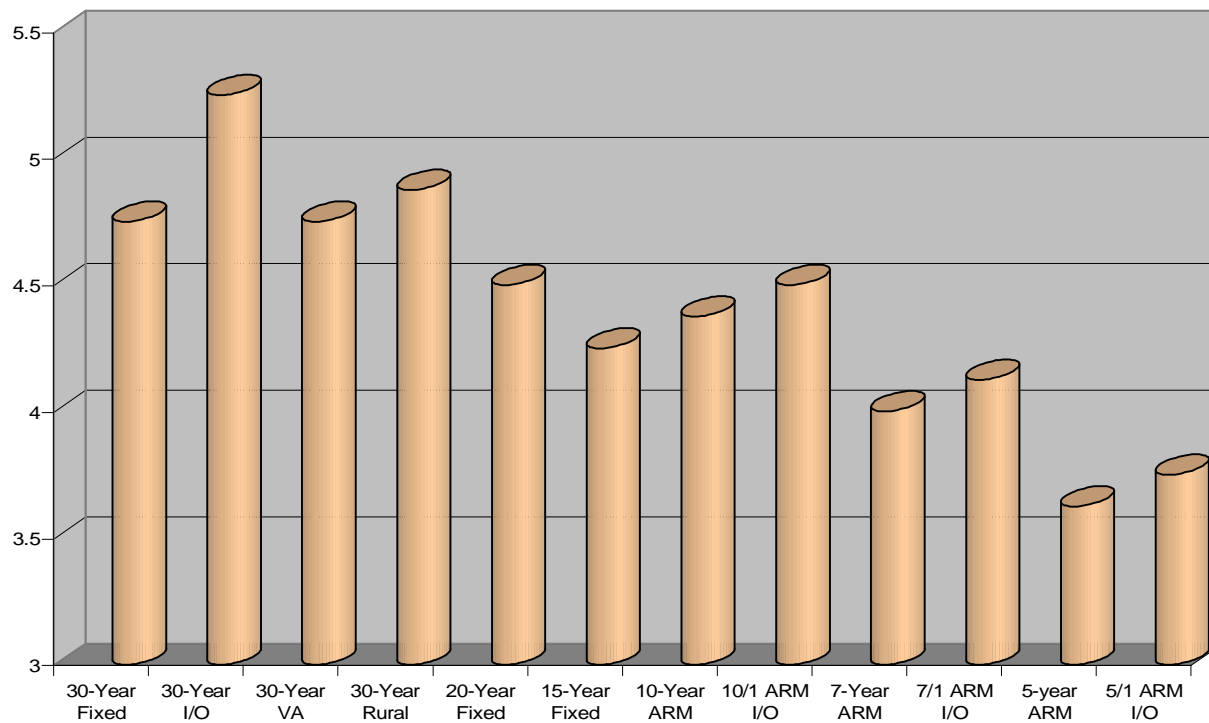
Housing Starts

Treasury Ann.

### Also Notable:

- The Beige Book reported that economic activity is stabilizing or rising in 11 of the Fed's 12 regions
- The Fed's Evans suggested that it's too early for the Fed to tighten credit
- The value of the US dollar dropped to its lowest level of the year
- The Fed purchased \$19 billion in agency MBS during the week ending 9/9

**Conforming Rates as of 9/11/09**



Average 30 yr fixed rate:	
Last week:	-0.10%
This week:	-0.10%

Stocks (weekly):	
Dow:	9,600 +200
NASDAQ:	2,080 +60

### 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. Finally, Housing Starts is scheduled for Thursday. Also notable, the Treasury will announce the size of upcoming Treasury auctions on Thursday.

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