

Compliments of

Alan Zukerkorn  
President

Hawaii Mortgage  
Company Inc.

PHONE:  
(808) 988-6622  
(888) 632-6622

FAX:  
(808) 988-7722

[www.hawaiimortgage.net](http://www.hawaiimortgage.net)

[alan@hawaiimortgage.net](mailto:alan@hawaiimortgage.net)

## Fed Extends MBS Purchase Program

Favorable news from the Fed, weaker than expected economic data, and strong demand for a record \$112 billion in Treasury auctions helped mortgage markets this week. While the daily price movements were often large, mortgage rates ended the week just a little lower.

As expected, the Fed made no change in the fed funds rate on Wednesday. Although there was much disagreement about what the statement would say, in general it contained the minimum number of surprises. The Fed offered its most optimistic view on the economy since the recession began, yet officials believe that slack in the economy will keep inflation low. Fed officials continue to expect the fed funds rate to remain at exceptionally low levels "for an extended period."

Of particular significance for the mortgage industry, the end date for the \$1.25 trillion mortgage-backed securities (MBS) purchase program was moved from the end of this year to the end of the first quarter of next year. The total quantity of purchases will not change, and the Fed will gradually scale back the level of weekly purchases to minimize disruptions to mortgage markets. Investors had been concerned that the Fed statement might contain less favorable news, and mortgage rates improved after its release. Longer-term, the decrease in demand from the Fed is expected to move mortgage rates higher, and it might lead to greater daily volatility.

This week's housing data was mixed. After four months of increases, August Existing Home Sales fell 3%. Inventories of unsold homes fell to an 8.5-month supply from a 9.3-month supply in July. First-time homebuyers accounted for 30% of total sales. August New Home Sales rose slightly, and inventories dropped moderately.

## Fannie & Freddie Announce Tougher Guidelines

In separate announcements this week, Fannie Mae & Freddie Mac announced stricter guidelines and requiring greater due diligence on the part of lenders selling loans to each of the Government Service Enterprises (GSE's). Although the consumer will not "openly" see the changes, the new guidelines imposed will make it tougher for many consumers to get a loan. Such changes include ways a lender verifies a borrower's employment, verify self-employment income, verify assets for down payments, and verify if a condominium project is acceptable. If you or a client are using self-employed income, alimony or child support, considering using retirement funds for a transaction, or buying a condominium in a resort area, please give me a call so I can address your specific issue.

Not all the news from Fannie Mae this week was bad. Fannie announced this week that they are lowering the coverage requirements for Mortgage Insurance. Lower coverage means a smaller monthly premium. There is one catch. Along with the lower coverage, Fannie will also charge an upfront fee to the borrower who wants to take advantage of lower coverage. In most instances it should result in life of MI coverage savings to the borrower. If you or a client are considering a transaction involving Mortgage Insurance, please give me a call to help you decide which option is best for you.

### Events This Week:

Jobless Claims Fell

Sentiment Rose

Home Sales Mixed

Manufacturing Down

### Events Next Week:

Wed 9/30  
Chicago PMI  
Final GDP

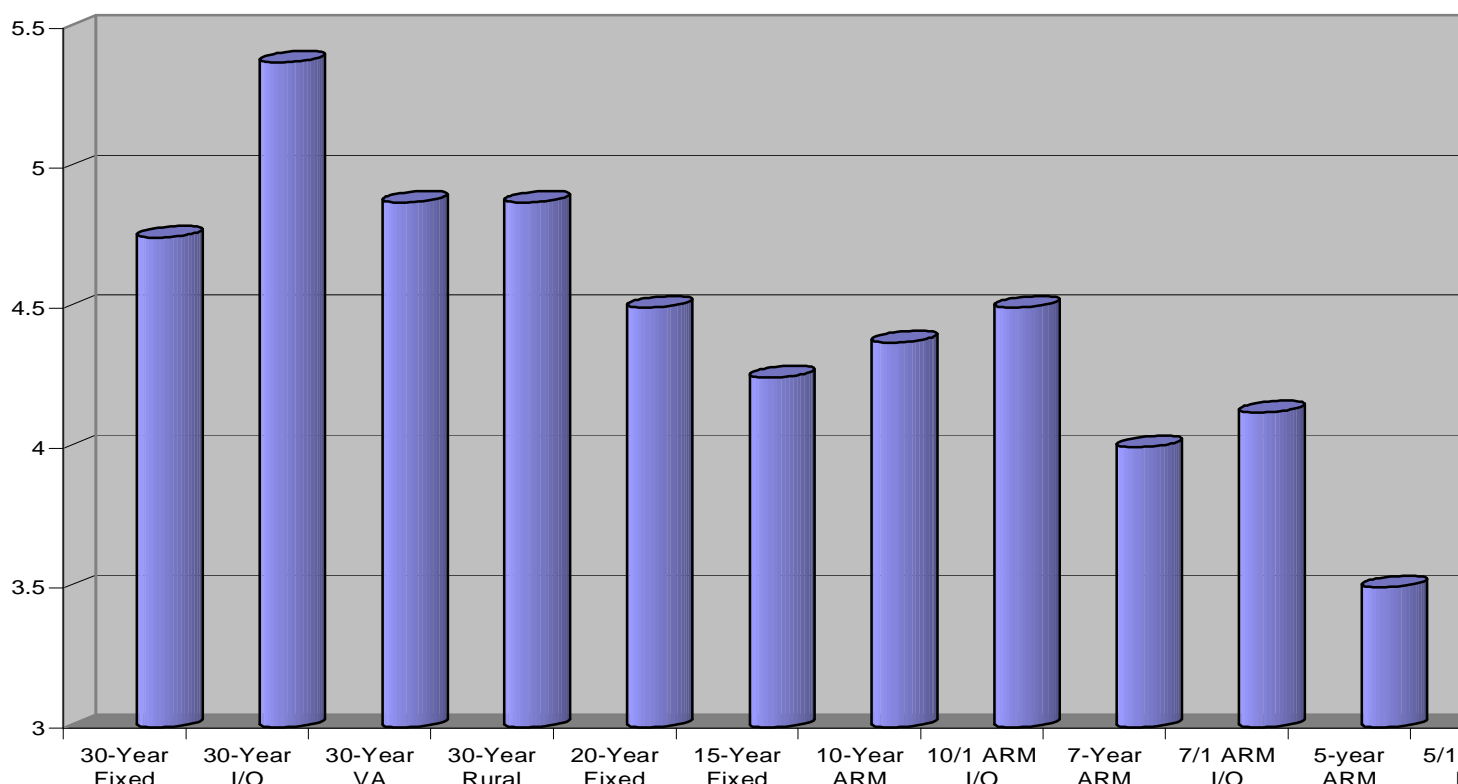
Thur 10/1  
ISM Manuf.  
Pending Sales  
Income

Fri 10/2  
Employment  
Factory Orders

### Also Notable:

- The four-week average of Jobless Claims dropped to the lowest level since January
- The Fed's statement added that housing activity has "increased"
- Oil prices fell to \$66 per barrel from a high of \$74 per barrel last week
- The Fed purchased \$23 billion in agency MBS during the week ending 9/23

Conforming Rates as of 9/25/09



Average 30 yr fixed rate:	
Last week:	-0.02%
This week:	-0.05%

Stocks (weekly):		
Dow:	9,700	-10
NASDAQ:	2,100	-25

### Week Ahead

Next week, the important Employment report will come out on Friday. As usual, this data on the number of jobs, the Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Early estimates are for a loss of about 190K jobs in September. Before the Employment data, the Chicago PMI and the ISM national manufacturing indexes will come out on Wednesday and Thursday. Pending Home Sales, a leading indicator for the housing market, also will be released on Thursday. Personal Income, Final GDP, Construction Spending, Consumer Confidence and Factory Orders will round out the busy schedule. Also notable, the Treasury will announce the size of upcoming Treasury auctions on Thursday.

All material Copyright © Hawaii Mortgage Company, Inc. & Ress No. 1, LTD and may not be reproduced without permission.

This email was sent by Alan Zukerkorn of Hawaii Mortgage Company, Inc..  
To unsubscribe, reply to this email with the word UNSUBSCRIBE in the subject..

