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Dow Crosses Above 10,000

Stronger than expected economic data, solid earnings reports, and upward revisions to the Fed's growth forecast propelled the Dow stock index above the 10,000 level for the first time since October 2008. However, these same factors were unfavorable for mortgage rates, and they ended the week modestly higher.

This week's economic data mostly surprised to the upside. With the end of the Cash for Clunkers program, Retail Sales declined, but by less than expected. Excluding autos, Retail Sales rose on a monthly basis. Industrial Production showed a nice increase, and the Empire State regional manufacturing index jumped to the highest level since May 2004. Weekly Jobless Claims fell to the lowest level since early January, indicating some improvement in the labor market.

On Wednesday, the minutes from the September 23 Fed meeting were revealed. At that meeting, the Fed announced that there would be no change in the size of the \$1.25 trillion mortgage-backed securities (MBS) purchase program, but that it would be extended from the end of the year to the end of the first quarter of 2010. The purpose of the longer time frame was to gradually wind down the program and minimize disruptions to MBS markets, which heavily influence mortgage rates. The Fed minutes released this week showed that the MBS purchase program was one of the primary areas of discussion at the Fed meeting. Some Fed officials argued in favor of expanding the size of the MBS purchase program to stimulate the housing market and the overall economy, but the majority decided against it. Based on the minutes, it appears very unlikely that the Fed will change its announced position and increase the scope of its MBS purchases, unless the economic outlook deteriorates significantly.

A Strategy For A Safer Retirement

Over the past month, I have received many calls from homeowners who are several years into their existing 30-Year Fixed mortgage and are wondering how they can take advantage of lower mortgage rates without resetting back to 30 years again. The simple solution is to refinance to a new mortgage with an amortization schedule that closely matches the number of remaining years left on the current mortgage. Most homeowners are not aware that there are 30, 25, 20, 15 and 10 year mortgages available.

The perfect example is from a loan that closed this week. The borrowers had a 15-Year Fixed mortgage with 11 years remaining. They wanted to take advantage of a much lower interest rate, but were concerned about adding another 4 years back onto their mortgage. By doing so, it would then push mortgage payments into their projected retirement years while living on pensions versus full incomes. The solution was a new 10-Year Fixed loan. Their payment actually went down, due to the significantly lower rate. They opted to continue paying the same payment as their old loan. Their result is that they will pay off their mortgage 2 years sooner than with their old loan, and save almost \$20,000 in interest.

Strategies like these are not presented by telemarketing loan centers or junior loan officers sitting in a bank branch. For an honest hassle free evaluation of your current mortgage and how refinancing can help you with your retirement goals, please give me a call.

Events This Week:

Inflation Steady

Retail Sales Mixed

Jobless Claims Fell

Manufacturing Up

Events Next Week:

Tues 10/20
 Housing Starts
 PPI

Wed 10/21
 Beige Book

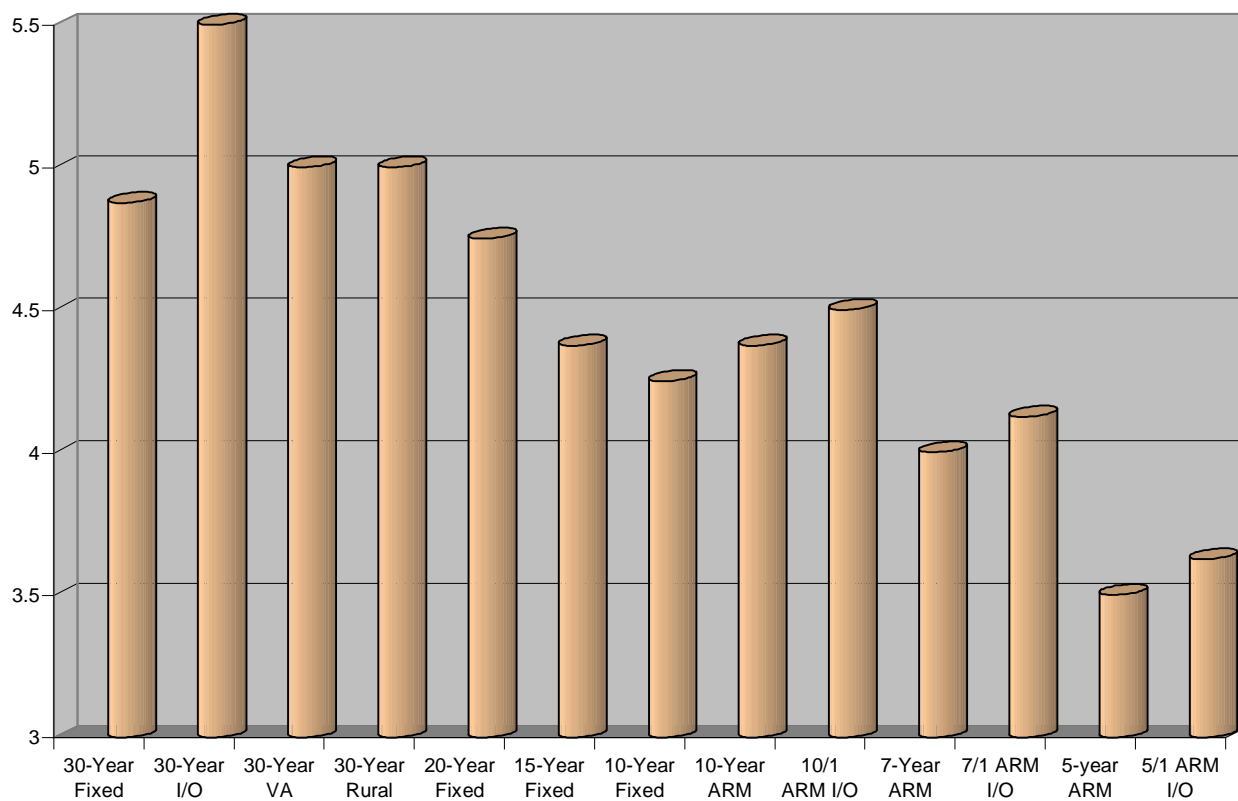
Thur 10/22
 Leading Indicators
 Treasury Announce.

Fri 10/23
 Existing Sales

Also Notable:

- September Core CPI inflation rose at a tame 1.5% annual rate
- Oil prices rose to \$78 per barrel, the highest level of the year
- The Dow stock index moved above the 10,000 level for the first time in a year
- The Fed purchased \$16 billion in agency MBS during the week ending 10/14

Conforming Rates as of 10/16/09



Average 30 yr fixed rate:	
Last week:	+0.05%
This week:	+0.15%

Stocks (weekly):		
Dow:	9,950	+100
NASDAQ:	2,150	+25

Week Ahead

Housing data will be in the spotlight next week. Housing Starts will be released on Tuesday, and Existing Home Sales will come out on Friday. The Producer Price Index (PPI) inflation data will also be released on Tuesday. The Fed's Beige Book is on the schedule for Wednesday. In addition, the Treasury will announce the size of upcoming Treasury auctions on Thursday.

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