

Compliments of
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Employment Data Surprises

After several weeks of strong performance, it was a tough week for mortgage markets. Stronger than expected economic data and an improved economic outlook from the Fed increased concerns about future inflationary pressures. Rising inflation expectations result in higher yields, and mortgage rates increased during the week.

The big news this week was the Employment report. Against a consensus forecast for a loss of -125K jobs in November, the economy lost just -11K, and the figures from prior months were revised higher by 159K. This represented the strongest monthly data since December 2007. The Unemployment Rate unexpectedly dropped to 10.0% from 10.2% in October. While weakness remained in manufacturing and construction, the service sector added jobs. Average Hourly Earnings, an indicator of wage growth, rose slightly.

This week's housing data also exceeded expectations. October Pending Home Sales rose for the ninth consecutive month, increasing 4% to the highest level since March 2006. The index is up 32% from one year ago. Pending sales are based on contracts signed but not yet closed and are a leading indicator of housing market activity. The homebuyer tax credit again provided a lift.

Major Changes In Qualifying For A Fannie Loan Are Only A Week Away

As was reported in this newsletter several weeks ago, December 12th is the kick off date for new underwriting guidelines at Fannie Mae. 2009 has been a year of major changes in underwriting criteria. The changes that go into effect on December 12th are the most restrictive so far. The most important factor determining if a loan is approved is one's Debt-to-Income Ratio. In the past Fannie Mae would approve loans in which the DTI was as high as 65% of the gross income of the borrowers. DTI will now be capped at 45% with few exceptions to 50%. In reviewing the DTI for all loans our company closed in 2009, almost 45% had DTI's above 45%.

It is not too late! If you have any desire to obtain a new mortgage in the near future, your loan must be submitting for underwriting before December 12th. All loans that receive an initial approval under the old guidelines will have 90 days to close. If you contact me by 3pm on Wednesday December 9th, I can get your loan approved using the old guidelines.

Events This Week:

Unemployment Rate Fell

Pending Sales Higher

Jobless Claims Down

Manufacturing Mixed

Events Next Week:

Tues 12/8
 3-yr Auction

Wed 12/9
 10-yr Auction

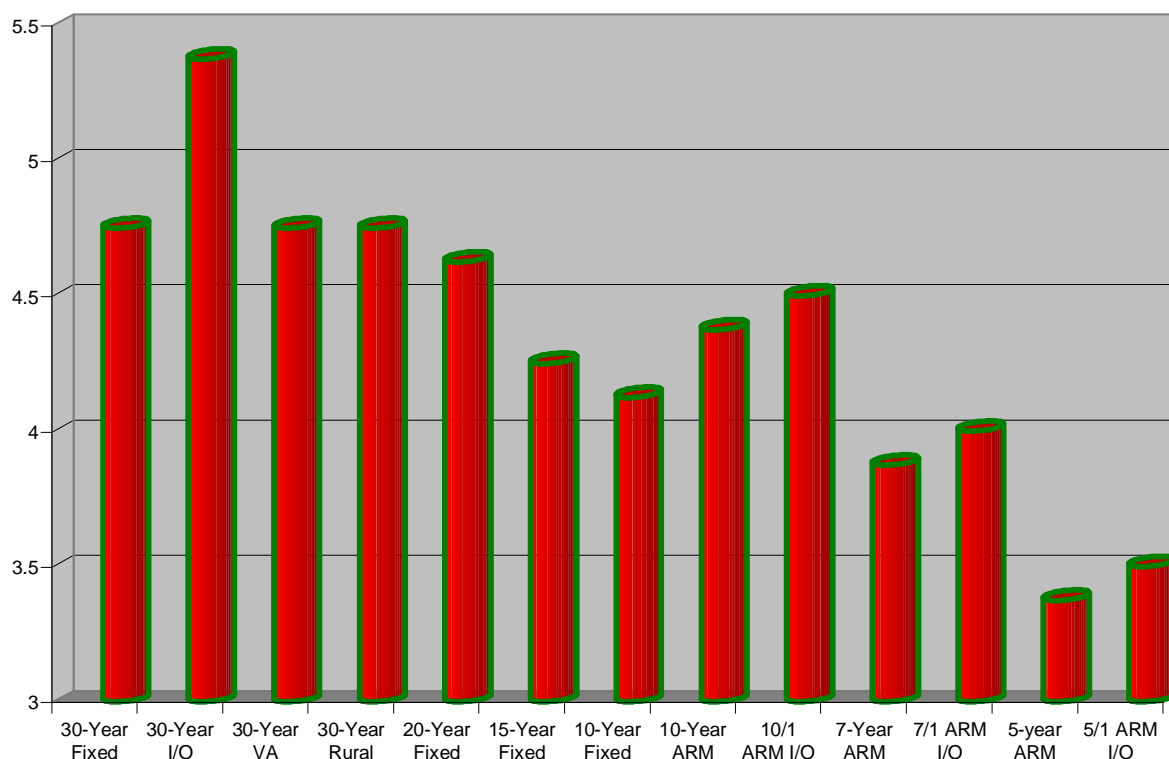
Thur 12/10
 Trade Balance
 30-yr Auction

Fri 12/11
 Retail Sales
 Import Prices
 Sentiment

Also Notable:

- The European Central Bank (ECB) made no change in rates
- The Treasury will auction \$74 billion in 3-yr, 10-yr, and 30-yr Treasuries next week
- The Dow stock index reached a new high for the year above 10,500
- The Fed purchased \$16 billion in agency MBS during the week ending 12/2

Conforming Rates as of 12/04/09



Average 30 yr fixed rate:	
Last week:	-0.10%
This week:	+0.20%

Stocks (weekly):	
Dow:	10,500 +50
NASDAQ:	2,200 +20

Week Ahead

Next week will be a light one for economic data. The Trade Balance will be released on Thursday. Retail Sales, which account for about 70% of economic activity, will come out on Friday, along with Import Prices and Consumer Sentiment. In addition, there will be Treasury auctions on Tuesday, Wednesday, and Thursday.

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