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## Jobs Data Falls Short

Over the last few weeks, many economists have been raising their forecasts for economic growth in 2010. The economic data released this week generally did not support this outlook, however, producing some daily volatility. As a result of the weaker than expected data, mortgage rates ended the week a little lower.

In December, the economy lost -85K jobs, which was lower than the consensus forecast of -5K, and the Unemployment Rate remained at 10.0%. A small revision to the November data created a gain of 4K jobs, the first monthly increase since December 2007. The report indicated that 661K people dropped out of the labor force in December. The details suggest that small businesses may be creating jobs more slowly than larger companies. The manufacturing and constructions sectors continued to perform poorly. Average hourly earnings, an indicator of wage growth, showed a small increase. Overall, the data was weaker than expected, and mortgage rates moved lower after the news.

In the housing sector, November Pending Home Sales fell 16% from October, but the decline followed nine straight months of increases and November Pending Home Sales were 15% higher than one year ago. Pending home sales are a leading indicator of future housing market activity. Recent data has been heavily influenced by the timing of the homebuyer tax credit, which was originally set to expire at the end of November. A surge of buyers attempting to purchase before the original deadline pulled demand forward. When the homebuyer tax credit was expanded and extended through the first half of 2010, the time pressure was removed. According to the National Association of Realtors (NAR), we should see another "notable" gain in sales activity in coming months.

## Confusion Plagues Industry As Reg X Is Implemented

It has been a very interesting 8 days since HUD's new Regulation X was implemented. Every major lender offering loans in Hawaii has their own take as to how to interpret the new rules. As detailed in last week's newsletter, Reg X is HUD's new tool to help consumers shop for a mortgage loan. There are new forms, new mandatory dates for how long certain fees quoted are good for, and new challenges on how lenders, brokers, and Escrow/Title companies all work together.

The new GFE that HUD designed is supposed to make it easier for a consumer to compare offers from different lenders. The problem is the form. It has gone from a simple one page form with a bunch of fees, to a three page form that combines certain fees in one area, and leaves the consumer confused over exactly how much their actual closing costs are. The biggest area of confusion has to do with Escrow and Title fees for purchase transactions. Typically in Hawaii, the seller and buyer split these fees (50-50 for escrow and 60-40 for title). On the new form the entire cost of both escrow and title insurance are shown as fee to the buyer. Also other fees such as surveys, termite inspection reports, and any other service that will be required in the transaction has to be shown as a cost to the buyer, even though the contract states that the seller is responsible.

Some Mainland internet lenders are clearly violating the rules for timely disclosure. If a consumer contacts a lender, provides them the necessary six pieces of information to complete the GFE, the lender is bound to provide the GFE to the borrower within three days. A new of mine this week reported that his original lender of choice REFUSED to issue him a GFE because of the liability that company could face by issuing a GFE that contained erroneous 3<sup>rd</sup> party fees.

Remember these simple rules when shopping for a loan, and how the GFE is supposed to work:

- 1) Give each lender you shop with the EXACT information.
- 2) Make sure each lender quotes you a rate based on the same number of rate lock days.
- 3) Try and get each lender to give you a GFE based on the same rate to make it easier to compare costs.
- 4) Once you have done your comparison, check the GFE to see how many days you have to accept the offer before it expires.
- 5) Contact your new lender of choice before the expiration date to lock in your fees.
- 6) Make sure of any other deadlines listed on the GFE for rate lock dates and mandatory lock periods.

If you need help deciphering the new GFE, please give me a call for an honest review of the offers you have received.

### Events This Week:

Employment Down

ISM Services Rose

Pending Sales Fell

Manufacturing Up

### Events Next Week:

Tues 1/12  
 Trade Balance

Wed 1/13  
 Beige Book

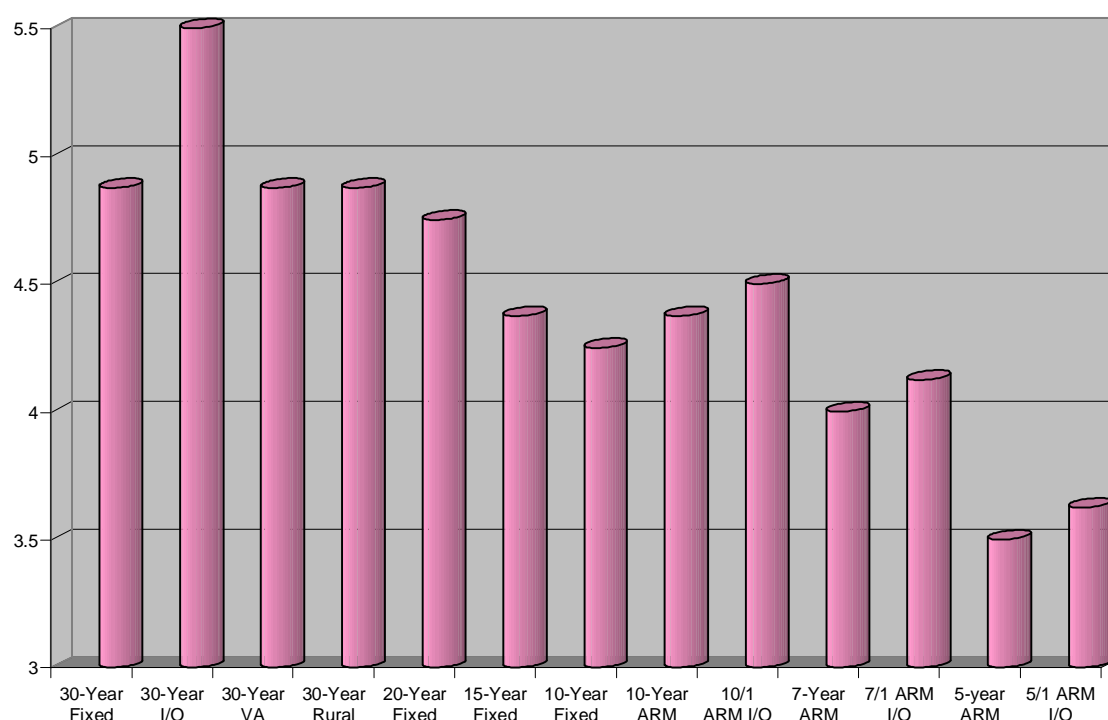
Thur 1/14  
 Retail Sales  
 Import Prices

Fri 1/15  
 CPI  
 Industrial Prod.  
 Sentiment

### Also Notable:

- The December Unemployment Rate remained at 10.0%
- The Fed's Hoenig is in favor of tighter policy "sooner rather than later"
- The Treasury will auction \$74B in 3, 10, and 30-yr securities next week
- The Fed purchased \$12 billion in agency MBS during the week ending 1/6

**Conforming Rates as of 1/8/2010**



|                           |        |
|---------------------------|--------|
| Average 30 yr fixed rate: |        |
| Last week:                | +0.30% |
| This week:                | -0.02% |

|                  |        |      |
|------------------|--------|------|
| Stocks (weekly): |        |      |
| Dow:             | 10,600 | +100 |
| NASDAQ:          | 2,300  | +20  |

## **Week Ahead**

The Economic Calendar will be packed on Thursday and Friday next week. Earlier in the week, the Trade Balance will come out on Tuesday, and the Fed's Beige Book will be released on Wednesday. Retail Sales, which account for about 70% of economic activity, will come out on Thursday, along with Import Prices and Jobless Claims. The Consumer Price Index (CPI), the most closely watched monthly inflation report, will come out on Friday. CPI looks at the price change for those finished goods which are sold to consumers. In addition, Industrial Production, Consumer Sentiment, and the Empire State index will be released on Friday. There will be Treasury auctions on Tuesday, Wednesday, and Thursday.

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