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Mortgage Rates Improve on Global Concerns

The biggest influence on mortgage rates this week came from outside the US. Concerns about the possible default of sovereign debt in smaller nations caused investors to seek the relative safety of US fixed income securities. This week's economic data was roughly balanced in terms of positive and negative surprises. The added demand for safer investments helped mortgage rates move lower during the week.

The recession has impacted countries in different ways. Some of the hardest hit, have been smaller European nations, such as Greece and Spain. As members of the European Union, they must adhere to certain restrictions which limit their flexibility to adjust domestic economic policy. As a result, some countries may be at risk of defaulting on government debt. Investors responded by buying relatively safer assets such as US bonds, including agency mortgage-backed securities (MBS). Investors also withdrew money from global stock markets during the week. In the US, the Dow fell about 200 points.

Friday's important Employment report contained mixed news. Against a consensus forecast for a gain of 15K jobs, the economy lost -20K jobs in January. The big story, though, was an unexpected drop in the Unemployment Rate to 9.7% from 10.0% in December. Two separate sources of data are used to compute the change in jobs and the change in the unemployment rate, and during volatile periods the two methods can show widely divergent results. The decline in the unemployment rate in January was viewed as very good news by many economists, pointing to an improving labor market. On a more negative note, revisions to older data showed that the economy has lost 8.4 million jobs since the start of the recession in December 2007, from the previous reported level of 7.2 million.

Dishonest Lenders Prey on Uneducated Borrowers

I have spent the last 15 years trying to educate borrowers about how the mortgage industry works. I strongly believe that an educated consumer is less likely to get ripped off. The government stepped up to the plate with the new mandatory 2010 GFE (Good Faith Estimate) for all new applications after January 1st, 2010. Now that a month has gone by, it is clear how the dishonest lenders are getting away with playing their old tricks of providing false or misleading closing costs in an effort to get a borrower to commit. How are they doing it? By realizing that most consumers do not know about the new 2010 GFE. If a consumer doesn't know what they should be receiving, how would they know they never got it?

The trick is very simple. Give the consumer any other form that shows closing costs, except the actual approved HUD form. If a consumer gets the actual HUD approved 2010 GFE, the lender is bound by those fees. **NO OTHER FORM CARRIES THE RESTRICTIONS AND COMPLIANCE MANDATED BY HUD.** In the past month I have had consumers forward several different forms of various names. All show fees, all look official. None bind the lender to what they have promised. The new form is three pages. Page one has the seal of the US Housing and Urban Development in the upper left corner.

I hate to say this about my own industry, but in today's world, you can no longer take someone's word on anything. I am amazed with all the new rules and regulations, lenders left and right are violating the law.

Here are some simple rules to remember when shopping for a mortgage: The lender must provide you the 2010 GFE within 3 business days of your application for a loan. The lender can not require you to provide any income or asset documentation as a condition of receiving the 2010 GFE. And the most important rule to remember: Other than collecting a fee for the initial credit report, the lender can not request any other money until the SEVENTH business day after your application day. This last rule is the one most violated by dishonest lenders. They know that once they get money from a consumer, 90% will continue the loan regardless of the problems encountered.

Hawaii Mortgage Company strictly follows all state and federal laws. Since the day we opened our doors over a decade ago, we have remained complaint free, and have thousands of happy clients to show for it.

Events This Week:

Employment Fell
Pending Sales Rose
Inflation Low
Manufacturing Up

Events Next Week:

Tues 2/9
3-yr Auction

Wed 2/10
Trade Balance
10-yr Auction

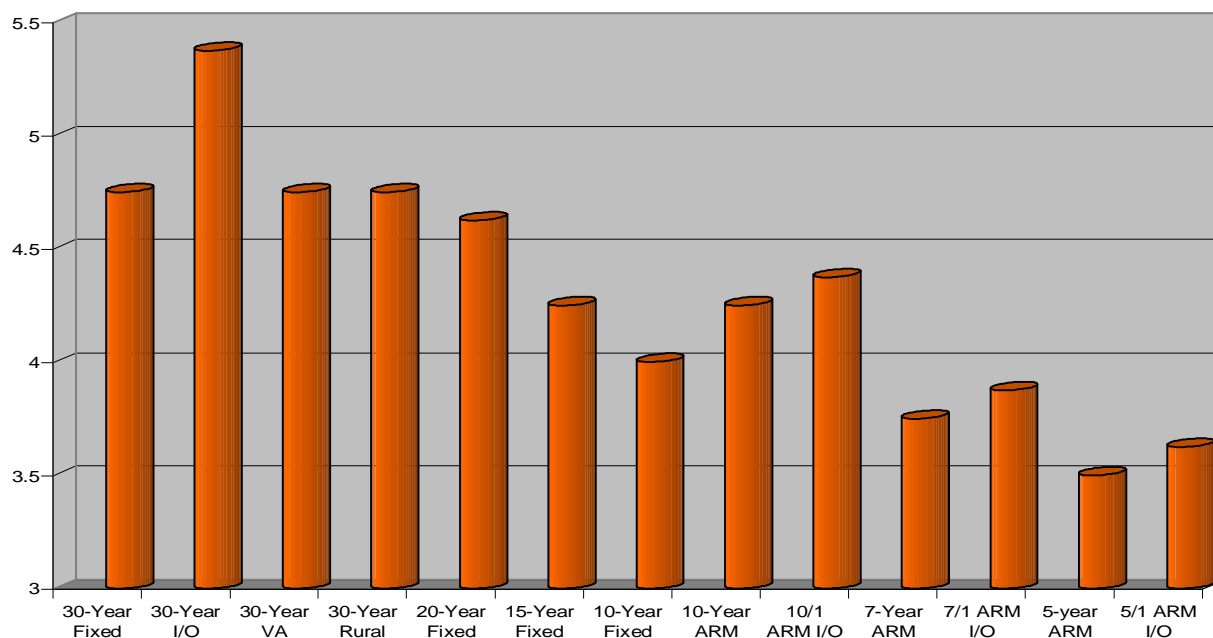
Thur 2/11
Retail Sales
30-yr Auction

Fri 2/12
Sentiment

Also Notable:

- The Unemployment Rate dropped to the lowest level since August
- December Pending Home Sales, a leading indicator, rose 1.0%
- The Treasury will auction \$81 billion in 3-yr, 10-yr, and 30-yrs next week
- The Fed purchased \$12 billion in agency MBS during the week ending 2/3

Conforming Rates as of 2/05/2010



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

Stocks (weekly):	
Dow:	9,950 -200
NASDAQ:	2,125 -50

Week Ahead

It will be a light week for economic data next week. The biggest report will be Thursday's Retail Sales data. Retail Sales account for about 70% of economic activity. The Trade Balance will come out on Wednesday, and Consumer Sentiment will be released on Friday. There will be Treasury auctions on Tuesday, Wednesday, and Thursday.

