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## Mortgage Rates Hold Steady

Global events in China and Greece had a significant impact on US mortgage markets this week, but in opposite directions. In addition, demand was much weaker than average for the 10-year and 30-year Treasury auctions, which pushed up yields. The net result was a slight increase in mortgage rates from last week.

A surprise announcement Thursday night that China raised bank reserve requirements helped mortgage markets and hurt the stock market. The increase is a form of monetary tightening which is intended to slow economic growth in China. This likely means that China will buy fewer exports from other countries, slowing economic growth globally. Slower expected economic growth reduces inflationary pressures, which is positive for mortgage yields.

In recent weeks, large fiscal deficits in Greece have caused speculation that the country will default on its government debt, which resulted in an investor flight to the relative safety of US bonds. This week, the news that Greece will receive economic aid from other European Union nations prompted investors to reverse this flight to safety by selling US bonds, moving yields higher.

While it caused little immediate reaction, on Wednesday Fed Chief Bernanke revealed monetary policy strategies which may have important long-term implications for mortgage markets. Bernanke released the text of a speech which provided more details about the Fed's planned methods to tighten monetary policy when the economy has gained enough strength. One of the things the Fed intends to do is sell its portfolio of mortgage-backed securities (MBS). Due to concerns about disrupting mortgage markets, however, Bernanke suggested that this will be one of the last measures taken to tighten policy, and it will be done very gradually.

## The "Loan Officer"

In past newsletters, I have noted problems encountered by borrowers in the loan process. In most situations, the problems borrowers encounter can be traced to one individual, the Loan Officer. For most borrowers, this is the first point of contact with the lender. In many instances, this is the only contact the borrower will ever have with the lender.

What is a "Loan Officer"? The sad truth is most are salespeople. They are not underwriters. They are not internal Loan Processors. Their job is to get that deposit money and bring in loan business. I do not want to condemn a large group of experienced loan professionals out there that have worked in this industry for years and have gained valuable experience in seeing hundreds or thousands of loan files. The sad truth is that the majority of Loan Officers are poorly trained and inexperienced. These are the ones that create most of the problems I hear about on a day-to-day basis.

The most common problem is that the Loan Officer does not understand or realize critical pieces of the loan scenario that could result in a denial. Mainland lenders especially make mistakes in not knowing Leasehold from Fee Simple, or even knowing what a Condominium Hotel is. The end result is the borrower losing deposit monies for an appraisal and many times lender processing fees on a loan that is denied. The sad part is that if the Loan Officer knew what they were doing, they would not have accepted the application and then wasted the borrower's deposit money.

If you think by walking into a large local bank, or contacting a large national lender, you will be avoiding the unseasoned Loan Officer, you would be wrong. Because banks have a large amount of loan applications, their Loan Officers are often paid the least in our industry. If you contact a call center for the big national lenders, you are diving into a shark's tank. I have heard almost anything promised to a borrower by these Loan Officers in an effort to get you to commit. Their goal and focus is a numbers game. They know a percentage of loans will not close for one reason or another. Their number one goal is to get you in the loan process, get your upfront fees, and move on to the next loan. In all my years of providing loans, I can count on one hand the number of loans initiated, but never closed.

How do you the consumer spot the crappy Loan Officer? Ask specific questions about your loan. If your property is Leasehold, ask them if they know what that is. Don't just take a yes. Have them explain it to you. Also ask them how the aspects of your loan profile will impact your specific loan request. Ask about timelines. Get specific answers. Ask about the disclosure forms you will receive. Ask what they are, and what they disclose. If your Loan Officer can not give you specific timelines, clearly explain forms and mortgage terms, find another lender.

### Events This Week:

Retail Sales Rose

Trade Deficit Up

Jobless Claims Fell

Sentiment Down

### Events Next Week:

Wed 2/17  
 Ind. Production  
 Housing Starts  
 Fed Minutes

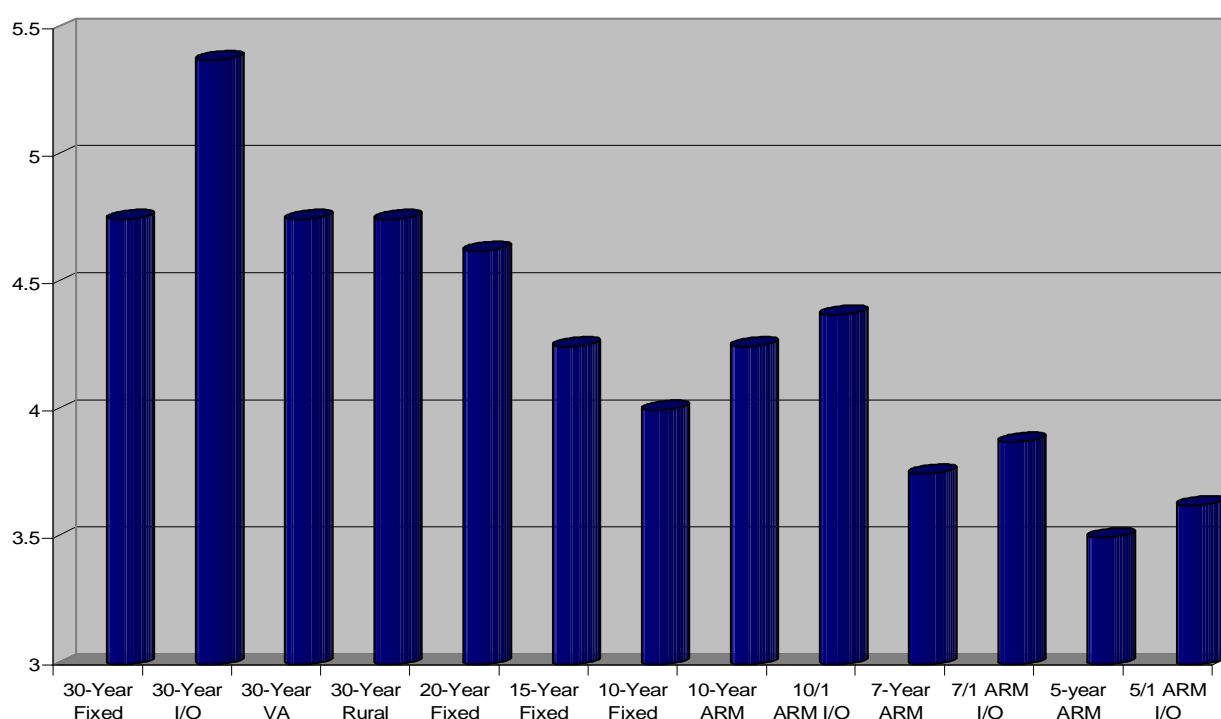
Thur 2/18  
 PPI  
 Treasury Announce

Fri 2/19  
 CPI

### Also Notable:

- [January Retail Sales showed solid improvement from December](#)
- [Existing-home sales jumped 14% in the fourth quarter from the third quarter](#)
- [Foreign participation in the 10-yr Treasury auction was below average at 33%](#)
- [The Fed purchased \\$11 billion in agency MBS during the week ending 2/10](#)

**Conforming Rates as of 2/12/2010**



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

Stocks (weekly):	
Dow:	10,100 +150
NASDAQ:	2,175 +50

## Week Ahead

The most significant economic data next week will be the monthly inflation reports. The Producer Price Index (PPI) focuses on the increase in prices of "intermediate" goods used by companies to produce finished products and will come out on Thursday. 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, an important indicator of economic activity, will be released on Wednesday. The FOMC Minutes from the January 27 Fed meeting and Housing Starts are also scheduled for Wednesday. Import Prices, Leading Indicators, and Philly Fed will round out a busy week. In addition, the Treasury will announce the size of upcoming auctions on Thursday. Mortgage markets will be closed on Monday for Presidents Day.

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