Compliments of
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Events This Week:

GDP Higher

Confidence Fell

Home Sales Down

Manufacturing Up

Events Next Week:

Mon 3/1
ISM Manuf
Personal Income

Wed 3/3
ISM Services
Beige Book

Thur 3/4
Pending Sales
Productivity

Fri 3/5
Employment

Weak Data Moves Mortgage Rates Lower

After several weeks of focus on Fed actions and events in foreign markets, domestic economic data was the primary influence on mortgage markets this week. Weaker than expected results from the data helped mortgage rates, which ended the week lower.

While it is rarely a big market mover, this week's Consumer Confidence report shocked investors. The index declined to 46.0, far below the consensus forecast of 55.0, and the lowest level in nine months. Consumers are clearly worried about the labor market, and an increase in Jobless Claims in recent weeks has amplified the issue. The decline in confidence has potentially negative consequences for the economy. Consumer spending accounts for about 70% of economic activity, and this data raises concerns about the level of future spending. Also, home sales suffer during periods of low consumer confidence, and the housing data released this week reflected consumer insecurity. Of course, slower economic growth is favorable for mortgage rates, which fell after the report came out.

In contrast to the weakness seen in many of the consumer-driven economic reports, the manufacturing sector has been demonstrating strong performance in recent months. Fourth quarter Gross Domestic Product (GDP), the broadest measure of economic activity, rose at a brisk 5.9% annual rate, largely due to a pickup in manufacturing. The added boost from manufacturing may be temporary, however. During the financial crisis, companies drew down inventories as much as possible to conserve capital. As the economy has shown improvement, companies have been increasing inventories closer to pre-crisis levels. When the inventory rebuilding is complete, manufacturing is expected to return to more normal levels.

Communicate and Ask Questions

Ask any of the top real estate agents in the state what's their biggest fear in any transaction right now, and they will all answer the same: Fall-Out due to the inability of the buyers to obtain their financing.

This newsletter is read by 90% of the real estate agents throughout the state. Often I am called by agents telling me their woes and asking for advice with their troubled transactions. The reasons vary from transaction to transaction, but over time I have determined the major cause for financing fall-out, and the best way for buyers and their agent to avoid it.

The primary cause of financing fall-out is the "Yes Lender" also known as the "No Problem" Loan Officer. Mortgage financing today has evolved from three years ago when anyone with a pulse could get a mortgage, to a very complex set of rules, disclosures, and government mandated timelines. Not only have the rules gotten stricter, but the underwriters charged with deciding if one's income, assets, and the property meet the loan criteria have less leeway when making their decisions.

With this in mind, I still see transactions failing to close on time, or not at all. When these loans come to me they fall into three categories: The loan request was structured improperly, the lender that was chosen can not meet the loan request, or there is some fundamental flaw with the credit profile or the property. All most cases the lender selected assured the buyers and the agent representing them that "there would be no problem" or when questioned about concerns, were met with a resounding "yes!"

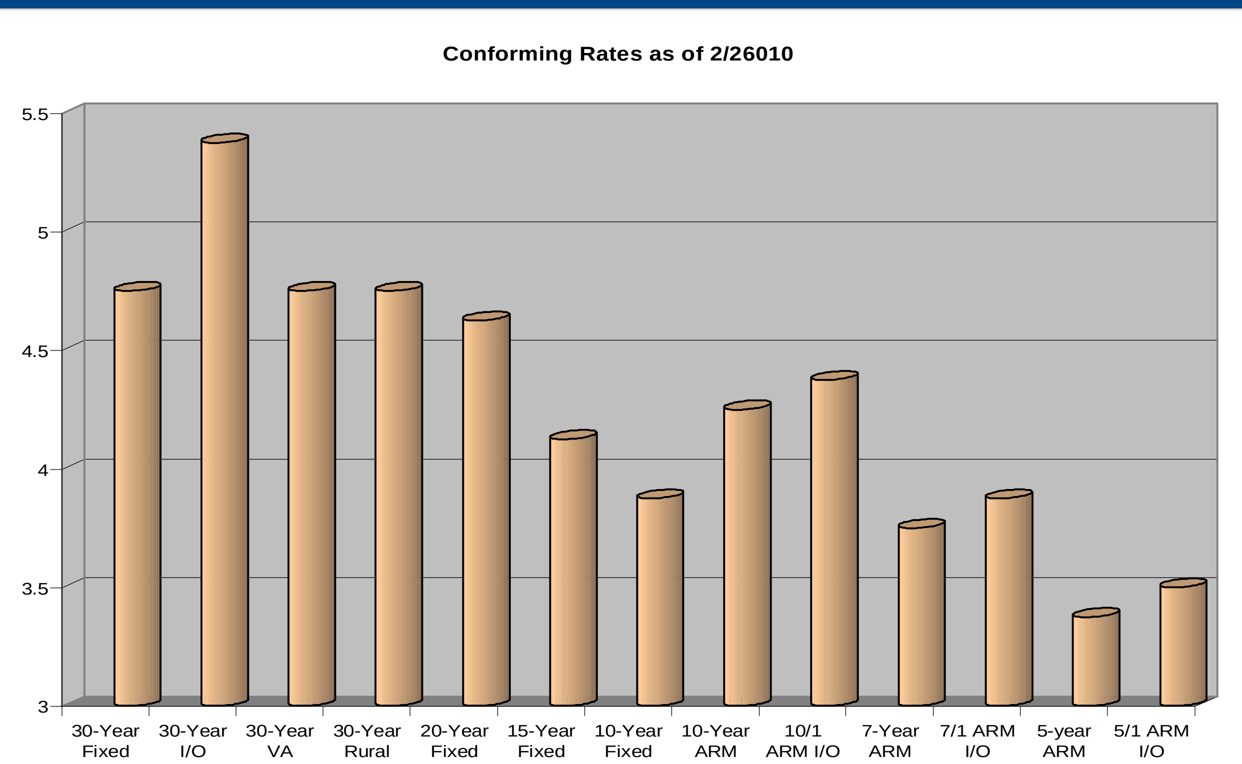
It is so important for the buyer and the agent to convey any information to the lender that could impact the success in getting the financing. For the buyer, any oddities about income or where the down payment will be coming from. For the agent, it's important to pass any information along about the property such as known sales in a complex that could impact the appraisal, or low owner-occupancy in a condominium.

It is the role of the lender to take all this information and honestly assess their ability to provide the financing. What happens too many times is that the Loan Officer fails to bring up any potential issues for either a lack of knowledge of the lending guidelines, or afraid to mention issues fearing the buyer will drop them as the lender.

If either buyer or agent feel there may be an issue, have a frank discussion with the lender. Don't accept a simple "no problem" or an over confident "yes". Discuss your issues in detail and DEMAND specific answers from the lender's representative as to how these issues will not effect obtaining a loan or cause a delay in closing.

Also Notable:

- Weekly Jobless Claims unexpectedly jumped to a three-month high
- January New Home Sales dropped 11% from December to a record low
- Bernanke said he doesn't anticipate any MBS sales by the Fed in the near term
- The Fed purchased $11 billion in agency MBS, with about $44 billion more to go



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

Stocks (weekly):		
Dow:	10,350	-50
NASDAQ:	2,240	-10

Week Ahead

The biggest economic event next week will be the important Employment report on Friday. As usual, this data on the number of jobs, the

Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Early estimates are for a decrease of about -20K jobs in February. Before the employment data, Personal Income and the ISM manufacturing index will be released on Monday. ISM Services and the Fed's Beige Book will be released on Wednesday. Pending Home Sales, a leading indicator for the housing market, will come out on Thursday. Productivity, Construction Spending and Factory Orders will round out the schedule. In addition, the Treasury will announce the size of upcoming auctions on Thursday.