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## Mixed Data Affects Rates

Economic data was the primary force driving mortgage rates this week. Generally weaker than expected data resulted in modest improvement in rates for most of the week. This was completely offset by an increase in rates on Friday due to stronger than expected Employment data, however, leaving mortgage rates nearly unchanged from last week.

Against a consensus forecast for a decline of -50K jobs, the economy lost -36K jobs in February, and the revisions from prior months showed more jobs than previously reported. The Unemployment Rate remained unchanged from January at 9.7%, which was lower than expected. The payrolls figures and the unemployment rate are calculated from two separate sets of data. The payrolls report focuses on larger companies, while the unemployment survey covers all companies. The more volatile unemployment survey surprisingly showed an increase of 308K jobs in February, indicating that smaller companies were a source of job gains.

This week's housing data was weaker than expected. January Pending Home Sales fell 7.6%, far below the consensus forecast for a small increase. They were still 12% higher than one year ago, however. The expected surge in sales from the extended homebuyer tax credit has failed to materialize so far. The chief economist of the National Association of Realtors (NAR) suggested that unusually harsh weather "hampered shopping activity" in many regions, so a pickup in sales still may be seen as buyers take advantage of the tax credit before the April 30 deadline.

## Options With Little Down Payment

There's still a large portion of the population that still hasn't heard that most 100% financing programs are gone. With that in mind, what options are available for those seeking financing with little or nothing down? Let's first discuss what's truly gone. There is no financing available for 2<sup>nd</sup> home purchases or investor properties. For owner-occupied properties, there still are some options.

### VA

VA loans are by far the best deal out there for those current or former military who meet eligibility for a VA loan. VA loans provide for 100% financing for loans up to \$1,000,000. These loans are a great deal because there do not require expensive mortgage insurance. Mortgage insurance is not required because the VA guarantees a portion of the loan for the lender in case of default. The program also allows for the veteran to purchase a new home even if they are planning on keeping their existing owner-occupied property. The VA does charge a fee of 2.15% of the loan amount as fee for their guaranty. Although this seems steep, they do allow this fee to be incorporated into the final loan amount.

### USDA Rural Housing

This little known program is a great program for those considering a home that is no more than around \$400,000. This type of loan is guaranteed by the US Dept. of Agriculture. This is not an agricultural loan. The program allows for 100% financing. Like VA loans, since the lender has a portion of the loan guaranteed by the government, mortgage insurance is not required. USDA-RHS loans have income and geographic restrictions. The property being purchased must also be a single family home, and can not have an in-ground swimming pool. For income, each island has a maximum amount of income for the entire household, and not just those on the loan. If the combined income of the family is above the limit, this loan will not work for you. The geographic restrictions are quite simple. This is a RURAL housing loan. Large portions of Oahu are considered rural. All of Kauai, Molokai, and Lanai qualify. All of Maui, except for Kahului is acceptable. And on the Big Island, except for Hilo, the entire island qualifies. The USDA does charge a fee of 2% of the loan amount, but like a VA loan, this too can be made a part of the total loan.

### FHA

This once obscure program has been the savior for most in the past two years as the 100% financing programs vanished. This program requires a down payment of 3.5%. Of the three options, this programs ranks third in regards to being the best deal. FHA loans have no restrictions for income or where you can buy. You also don't need to be a veteran to qualify. FHA loans do require mortgage insurance. As with the two other loans above, these loans are guaranteed by the federal government. The FHA charges a fee of 1.75% of the loan amount as their fee for the guaranty. Like VA and USDA-RHS loans, the fee can be incorporated into the loan amount. Because mortgage insurance is required, this could add \$100-\$300 per month to your payment.

### Events This Week:

Employment Mixed

PCE Inflation Low

Pending Sales Fell

Manufacturing Down

### Events Next Week:

Tues 3/9  
3-yr Auction

Wed 3/10  
10-yr Auction

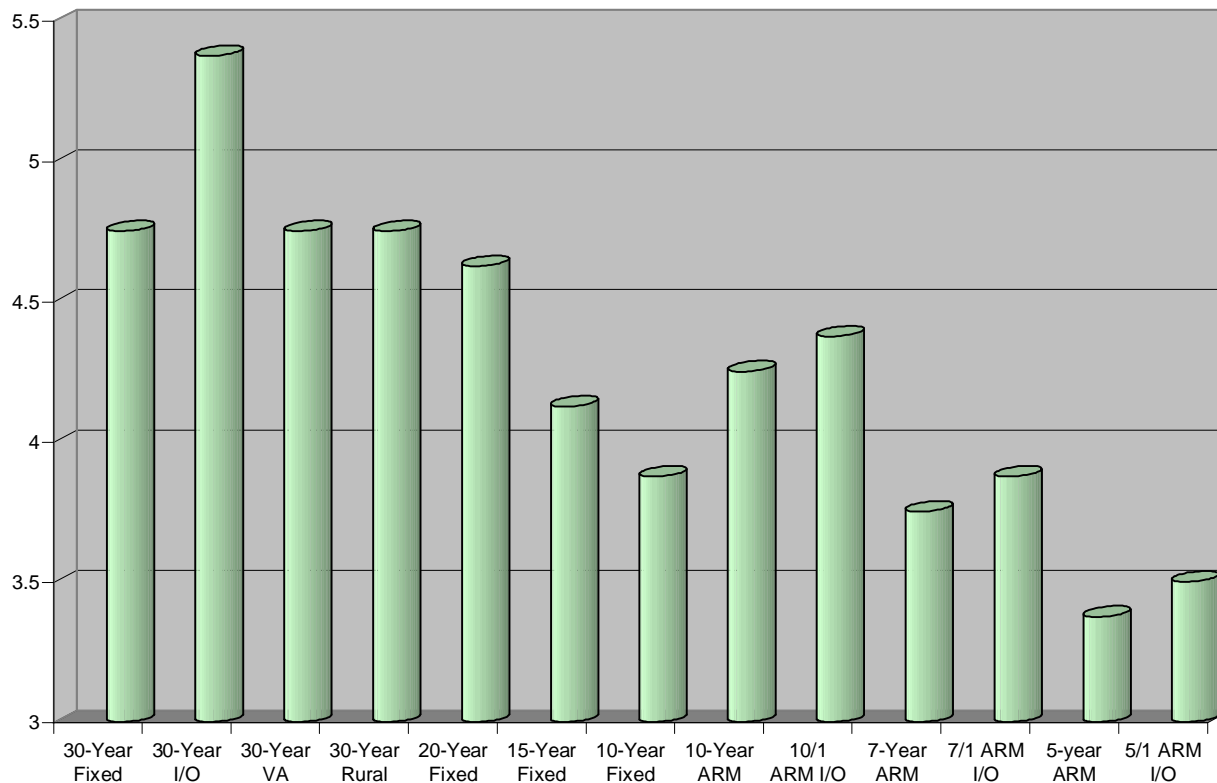
Thur 3/11  
Trade Balance  
30-yr Auction

Fri 3/12  
Retail Sales  
Sentiment

### Also Notable:

- The Fed's Beige Book reported that the economy continued its slow growth
- As expected, the European Central Bank (ECB) made no change in rates
- The Treasury will auction \$74 billion in 3-yr, 10-yr, and 30-yr securities next week
- The Fed purchased \$10 billion in agency MBS, with about \$34 billion more to go

**Conforming Rates as of 3/5/2010**



Average 30 yr fixed rate:	
Last week:	-0.10%
This week:	0.00%

Stocks (weekly):	
Dow:	10,500 +150
NASDAQ:	2,300 +60

## **Week Ahead**

The Economic Calendar will be very light next week. The Trade Balance will be released on Thursday. The big Retail Sales report will come out on Friday. Retail Sales account for about 70% of economic activity. Consumer Sentiment will also be released on Friday. In addition, there will be Treasury auctions on Tuesday, Wednesday, and Thursday. There were strong reactions to the last auctions for these securities.

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