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No Surprises From Fed Meeting

There were no major surprises in the economic data or the Fed announcement this week. As a result, while volatility remained day to day, mortgage rates ended nearly unchanged for the third straight week.

As expected at its meeting on Tuesday, the Fed held the fed funds rate steady, and the accompanying statement contained few changes. The statement retained the language about the fed funds rate remaining at extremely low levels for at least several months. The Fed's assessment of the economy was a little more upbeat at this meeting, but pointed out that economic improvement will occur slowly. The Fed continued to signal that the \$1.25 trillion MBS purchase program will conclude at the end of March. With less than two weeks of Fed MBS purchases remaining, investors will be watching closely to see if the Fed's exit has an impact on mortgage rates.

This week's inflation data showed that inflation is not a concern right now. The February Core Consumer Price Index (CPI) increased at a low 1.3% annual rate. The Fed's target range is commonly believed to be a 1.5% to 2.0% annual rate. The current low inflation environment makes it easier for the Fed to continue to hold the fed funds rate low to stimulate the economy.

HomePath

HomePath is a Fannie Mae program that could just be the ticket for those looking to purchase a home with little down. This program is Fannie's way of selling off their foreclosed properties. The benefit to the buyer is low down payment, no mortgage insurance, and no appraisal is required.

This program is not just for the owner-occupant, but is also available for those wishing to purchase a second home or investment property. Owner-occupants get the best deal; up to 97% financing with NO MORTGAGE INSURANCE. For second home buyers, you can finance up to 90%, still with no MI. Even investors get a break. Finance up to 85% of the purchase price, again no MI.

To see a list of Fannie's HomePath properties, go to www.homepath.com. Specify your area of interest and see what's available. Please keep in mind that since this is one of the best financing options around, properties go pretty fast. The website allows the option of getting automatic email alerts to new properties in your area of interest. If you see something you like, it will not last long.

Not all lenders can provide financing for HomePath properties. The website does have a link to those lenders, but it is woefully incomplete. Hawaii Mortgage Company can provide financing for these properties on every island.

Avoiding Rate Lock Extensions

Over the past 18 months I have warned consumers that lenders are taking longer than even to complete your loan request. As mortgage and real estate transactions slowed, lenders big and small cut staff in order to stem losses. This has resulted in longer approval times and slowed down the entire process. Exacerbating the problem is a myriad of new government regulations designed specifically to slow down the transaction. The combination of the two has resulted in costly rate lock extensions for many. Rate lock extensions are expensive. Most lenders will assess the borrower a minimum of 0.25 points to extend their rate lock for just 7 days. On a \$400,000 loan, that's \$1,000. Remember, in many respects, the mortgage system is in bad shape. Lenders will not take responsibility for delays, and will pass on the cost to you. Here are some tips to help avoid costly extensions: 1) Ask your loan originator to confirm at the beginning of the transaction to provide you a written list of ALL documentation you will be required to present for your loan, and work diligently to get it to them right away. 2) Once your application and/or initial disclosure forms are provided to you, take the time to read and understand them before signing, BUT get them back to the lender as quickly as possible. 3) When the appraiser calls to set the inspection appointment, be flexible and get it scheduled for the first available time the appraiser has. 4) When you get the good news that it is time to schedule your final loan signing, again be flexible, and schedule it for the soonest time possible. In many cases, you might not have a choice in delaying a few days.

I can not stress enough the position lenders are taking in regards to slow transactions. They don't care, nor will they take responsibility. If you the consumer want to avoid costly rate lock extensions, be proactive. Once your rate is locked, contact your loan originator frequently through the transaction to make sure you are going to make your deadline. Don't ever feel you are "bothering" them. They work for you, and should be doing all they can to avoid costing you thousands in unnecessary rate lock extension fees.

Events This Week:

Inflation Low

Ind. Production Rose

Housing Starts Down

Manufacturing Mixed

Events Next Week:

Tues 3/23
Existing Sales
2-yr Auction

Wed 3/24
New Home Sales
Durable Orders
5-yr Auction

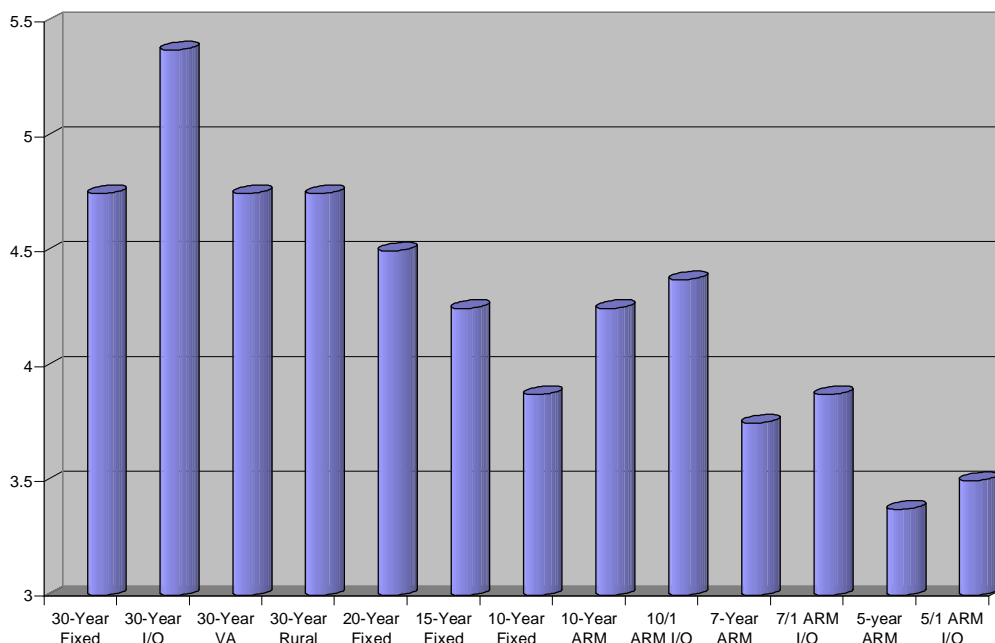
Thur 3/25
7-yr Auction

Fri 3/26
GDP
Sentiment

Also Notable:

- February Housing Starts fell 6% and Building Permits declined 2%
- The Dow stock index rose to a new high for the year
- The Treasury will auction \$128 billion in 2-yr, 5-yr, and 7-yr securities next week
- The Fed purchased \$10 billion in agency MBS, with about \$14 billion more to go

Conforming Rates as of 3/19/2010



Average 30 yr fixed rate:	
Last week:	+0.01%
This week:	-0.02%

Stocks (weekly):		
Dow:	10,750	+150
NASDAQ:	2,375	+25

Week Ahead

Next week, Existing Home Sales will be released on Tuesday, and New Home Sales will come out on Wednesday. Durable Orders, an important indicator of economic activity, is also scheduled for Wednesday. A revised report on first quarter Gross Domestic Product (GDP), the broadest measure of economic activity, will come out on Friday, along with Consumer Sentiment. There will be Treasury auctions on Tuesday, Wednesday, and Thursday. Several Fed officials will be speaking during the week as well.

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