



Hawaii Mortgage Company's

Mortgage Market News for the week ending May 20, 2011

Read by over 12,000 Hawaii Subscribers Every Week

Compliments of
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Mortgage Rates Little Changed

Weaker than expected economic data helped mortgage rates decline to the lowest levels of the year early in the week. On Wednesday, though, a reminder that the Fed will eventually sell its portfolio of mortgage-backed securities (MBS) helped to erase the improvement. These two influences offset each other, and mortgage rates ended the week nearly unchanged.

The economic data released this week fell far short of investor expectations almost across the board. The most significant report, April Industrial Production, was unchanged from March, which was well below the consensus forecast. Manufacturing output was hurt by a shortage of parts from Japan due to the earthquakes. The Index of Leading Indicators declined for the first time since June 2010. The housing sector data also showed weakness as Existing Home Sales, Housing Starts, and Building Permits all declined in April.

The FOMC minutes from the April 27 Fed meeting contained few surprises, but they highlighted the fact that the Fed's eventual return to more normal monetary policy will include both asset sales and rate hikes. The minutes gave no indication of the timing of any Fed tightening. Longer term, officials believe that the Fed's balance sheet should contain only Treasury securities, meaning that the Fed at some point will begin to sell its roughly \$1 trillion portfolio of MBS. In order to disrupt the mortgage market as little as possible, officials said that the selling may be done over a period of many years, and any asset sales would be announced far in advance.

Good News! Challenging Loans Find Homes

Mortgage Brokers have such a tarnished reputation. One of the first questions I am asked by a perspective client is if I am a broker or a direct lender. Having an excellent reputation, I am happy to tell these people why I am proud to be a Broker versus direct lender. I have had several opportunities over the years to convert to being a direct lender, but have always chosen to remain a Broker. One of the chief reasons for remaining a Broker is the subject of this article. Having the ability to place loans with multiple lenders allows our company to offer the widest range of mortgage products with the most competitive rates in the industry.

I have written weekly since 2008 how this industry has clamped down on the "fringe" loans, only looking to offer money to those "vanilla" profiles. Here is a short list of loan scenarios that up until now, were virtually impossible to place:

Unpermitted Improvements:

If you have tried to refinance, but your home has unpermitted improvements such as inclosing a lanai, or converting a garage into another bedroom, we now have the ability to get you a mortgage.

Borrowers who hold more than 4 financed properties:

If you have more than 4 financed properties, and would like to refinance your primary residence, we can now help you.

Lava Zones 1 & 2 on Hawaii Island:

For our Big Island friends that live in Lava Zones 1 & 2, you can also get a loan, so long as you have sufficient insurance.

If you think the 4 big banks is Hawaii, or the big 4 National lenders can place any of the above loans, you obviously have never tried. This is big news for those that fall into the above scenarios. Please spread the word to your family and friends. Since the tightening in 2007-2008, many who fall into these loan scenarios have most likely tried, failed, and have given up. Let them know that there is now a home for their loan. It could not have come at a better time, when rates are near the bottom of historic lows.

Helping people by connecting their loan request to a lender that offers a loan that meets their specific scenario is why our company remains, and is proud to be, a Broker. Placing that mortgage with the best rates and terms available is why we have remained successful through one of the most challenging times in our economic history.

Events This Week:

Industrial Prod. Flat

Existing Sales Fell

Housing Starts Lower

Manufacturing Down

Events Next Week:

Tues 5/24
New Home Sales
2-yr Auction

Wed 5/25
Durable Orders
5-yr Auction

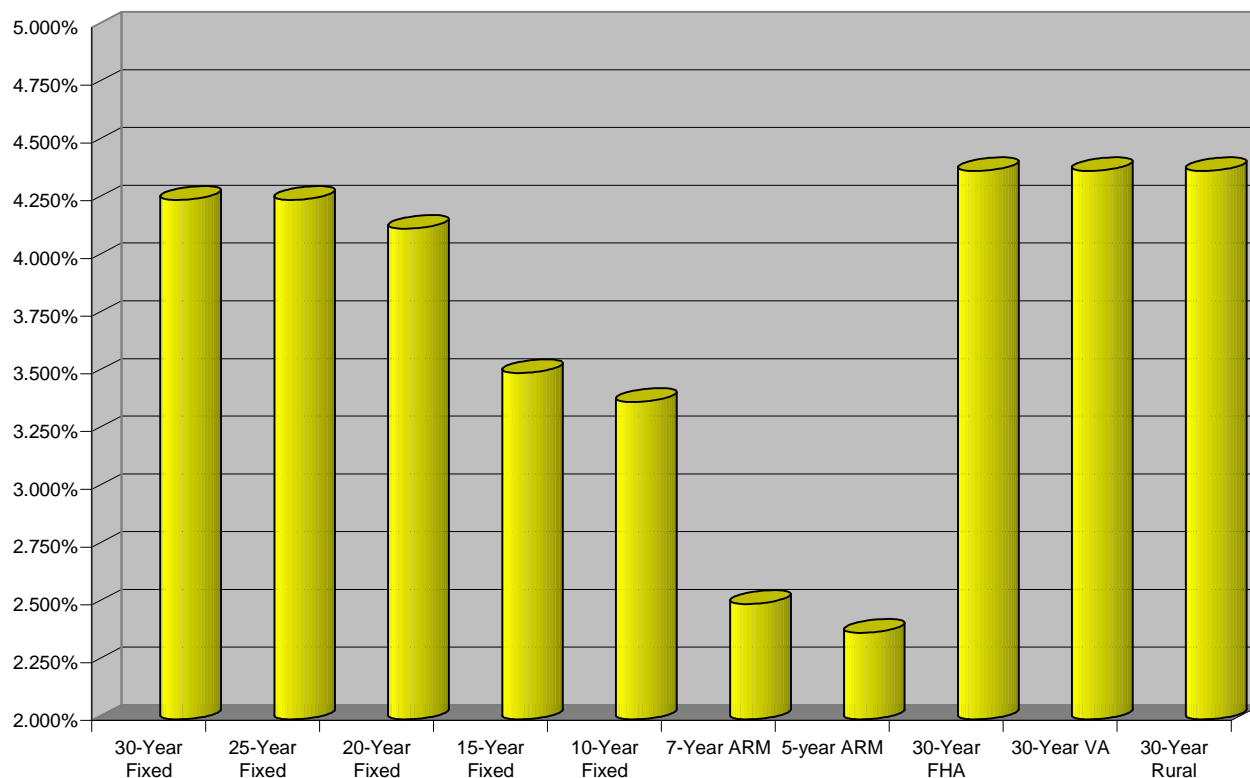
Thur 5/26
GDP
7-yr Auction

Fri 5/27
Core PCE
Income
Pending Sales

Also Notable:

- The Philly Fed manufacturing index declined to the lowest reading since October 2010
- The Fed's Dudley suggested that economic growth will pick up later in the year
- The Treasury will auction \$99 billion in 2-yr, 5-yr, and 7-yr securities next week
- Fitch lowered the rating for Greek debt again

Consumer Paid Conforming Rates as of 5/20/2011



Average 30 yr fixed rate:

Last week: 0.00%

This week: -0.01%

Stocks (weekly):

Dow: 12,500 -200

NASDAQ: 2,800 -50

Week Ahead

Next week, New Home Sales will be released on Tuesday. Durable Orders, an important indicator of economic growth, will come out on Wednesday. Revisions to first quarter GDP will be released on Thursday. Friday will be the biggest day with Core PCE inflation, Personal Income, Pending Home Sales, and Consumer Sentiment. In addition, there will be Treasury auctions on Tuesday, Wednesday, and Thursday.

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