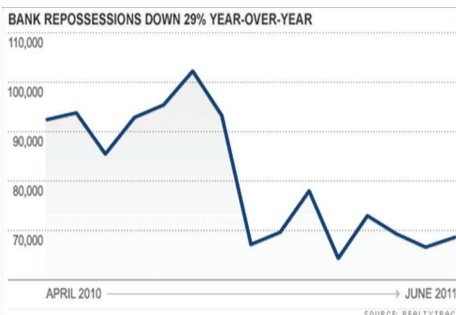


Budget Crunch Time

Will this be the stuff that legends are made of? Will it be like Wyatt Earp's posse riding into town and saving the day? Or will the "Gang of Six" idea just prolong the budget agony? We have been dealing with the debt ceiling situation all year. There is no reason for the negotiations to go down to the wire, because a deal has to get done. Closing the government for any more than a few days would cause irreparable harm to the economy. We might as well shoot the economy dead, as Federal Reserve Chairman Bernanke has warned. Why would we want to shoot ourselves in the foot, especially when we are already limping? Here is the good news. The "Gang of Six" proposal, even if it does not work, may have a chance to mitigate the short term damage caused by going down to the wire. The markets are already reacting positively, despite the fact that they remain extremely volatile. The markets are certainly nervous and rightfully so. Gold has soared.

As we get closer to the deadline, we would expect even more market volatility. But if optimism over this deal grows, it may temper the reaction. The best case scenario? The "Gang of Six" proposal will not get done by early August. However, if the proposal enables us to get a short-term deal with work progressing towards a real plan to lower the deficits, then this would be very good news. If all sides work together to forge a substantive deal instead of a band-aid, you could see stocks continue the rally and consumers gaining confidence. Keep in mind that the "Gang of Six" is comprised of bi-partisan Senators and the House is currently much more conservative. These conservatives have not indicated that they will back the "revenue enhancement" segment of the deal. We have a pluralistic democracy and as painful as the day-to-day is with everyone getting a say, no one wants to look at the alternative of a dictatorship. That is what makes America great... □



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Foreigners Are Buying

The U.S. continues to remain a top destination for foreign buyers as international purchases surged by \$16 billion this year, one of the highest increases in recent years. This is according to the NAR's 2011 Profile of International Home Buying Activity.

"Surged by \$16 Billion"

According to the survey, total international sales in the U.S. for the past year ending March 2011 equaled \$82 billion, up from \$66 billion in 2010. These sales were split between non-resident foreigners and recent immigrants. "The U.S. has always been a desirable place to own property and a profitable investment," said NAR President Ron Phipps. "In recent years we have seen more and more foreign buyers coming here to take advantage of low prices and plentiful inventory. Our homes are generally less expensive than comparable foreign properties and homes in this country are viewed as a secure investment. More recently, there are new factors motivating foreign buyers. Many colleges have a significant number of international students, and some families are purchasing properties in college areas so their child has a place to live. Another source of international demand is foreign executives temporarily working in the United States"... □ Source: National Association of Realtors®

Selected Interest Rates July 21, 2011

30 Year Mortgages — 4.52%
2011 High (Feb 10) — 5.05%
2011 Low (June 9) — 4.49%
15 Year Mortgages — 3.66%
5/1 Hybrid ARMs — 3.27%
1 Year Adjustables — 2.97%
10 Year Treasuries — 3.00%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Homeowners Taking Advantage

SMR Research Corp. President Stuart Feldstein says homeowners with good credit, steady jobs, and cash on hand are taking advantage of low 15-year fixed home loan rates to lower their loan terms and build equity, and some are writing checks at closing to lower their loan balances in a cash-in refinancing.

CoreLogic Inc. says 29 percent of borrowers who refinanced in January opted for 15-year loans versus 11 percent in 2009, and 30-year fixed-rate loans fell to 52 percent of refinancings from 80 percent over the same period. Freddie Mac reports a widening in the spread between 15-year and 30-year fixed rates to 0.82 percentage points in May, an all-time high... □ Source: Bloomberg.com

Note: For those who can't afford the higher payments of a 15-yr home loan, did you know that a 20-year loan can achieve two-thirds the benefit of a 15-year loan with much more affordable payments? Contact us for more information.

Did you know...

Barring action by Congress, effective the end of September, maximum loan amounts for FHA and/or conforming mortgages will be lowered in as many as 650 counties across the nation. Higher loan amounts were temporarily expanded in many high cost areas under the Economic Stimulus Act. These limits were later extended by Congress until September, 30, 2011.

What does this mean? Costs for conventional mortgages are likely to go up for sales prices between approximately \$650,000 to \$750,000. Lower maximum loan amounts mean that FHA loans may not be available with low down-payments in many price ranges as well. A bill has been introduced in Congress to extend the limits but passage is not a certainty. If you are thinking about purchasing or refinancing, acting before this date may be in your best interest. Contact us for more information in this regard... □

Compliments of Suzanne Smith

HNB Mortgage

432-683-0081

suzanne@hnbmortgage.com

NMLS # 192813