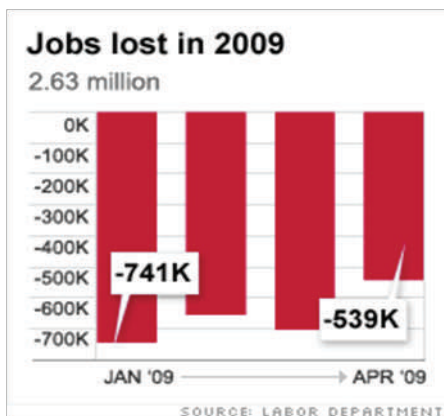


Market Pause & Treasury Dilemma

The stock market has rallied for over two months while oil prices have risen. It is not surprising that the market paused to take a breather in the middle of this past month. The reports were fairly negative with higher jobless claims and slower than expected retail sales. Even the good news, slow consumer inflation, was indicative of a slower economy. The markets have been reacting positively through a lot of negative economic news. Why pause now?

It would not be out of the question to view this period as a breather or period of consolidation. The markets are not likely to turn back down unless there are some really surprising negative statistics. We don't rule that out. For now, the breather and lower rates are a great opportunity for homeowners and consumers to take advantage of what might be the last chance to obtain the lowest rates of our generation. At this point rates on home loans have stayed steady despite higher rates on Treasuries and that can't last forever.

Can the Federal Reserve Board keep the rates on Treasuries down? The Fed has been buying U.S. Treasuries in the past several weeks in order to do just that. A day before the Fed said on March 18 that it would begin buying Treasuries, the yield on the 10-year was about 3.0%. Following the announcement, bonds rose and the yield fell to about 2.5%, exactly what the Fed wanted. The Fed's success was temporary though. Even though the Fed reiterated it would finish purchasing \$300 billion in Treasuries by this autumn, the 10-year sell-off continued until the yields again crossed over the 3.0% mark. The slow economy and government support both will serve to keep rates down. Meanwhile, government spending to spur the economy will cause rates to increase. The tug of war continues... □



FHA: Tax Credit For Down Payment?

The U.S. Department of Housing and Urban Development is rolling out guidelines permitting HUD-approved lenders, public housing finance agencies, and some nonprofit organizations to make bridge loans to home buyers. The loans would be collateralized by the \$8,000 tax credit, which would give buyers the upfront funds for a down payment.



The inability to use the credit for the down payment has been a major stumbling block for using this vehicle. The National Association of Realtors has been calling for HUD to use its authority to allow the bridge loans. During a recent Realtor summit, HUD Secretary Shaun Donovan announced that HUD has decided to allow bridge loans.

"We want FHA consumers to access the credit to use as a down payment," Donovan said. "I want to thank the National Association of Realtors for its partnership with FHA." More details on the guidelines will be released shortly, he said. Donovan said the credit is expected to stimulate 100,000 first-time homebuyer purchases and 60,000 move-up purchases this year before it expires Dec. 1. **Note: as of the date of publication of this story, the credit details had not been released.** Source: Realtor Magazine □

Selected Interest Rates May 14, 2009

30 Year Mortgages—4.86%
2008 High (July 24)—6.63%
2008 Low (Dec 31)—5.10%
15 Year Mortgages—4.52%
5/1 Hybrid ARMs—4.82%
1 Year Adjustables—4.71%
10 Year Treasuries—3.10%

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.

World Wide Sale on Real Estate

As countries worldwide face declining real estate sales, a growing number are easing restrictions that prevent foreign ownership of property. For instance, Beijing suspended a one-year residency requirement for foreign nationals who want to buy a home. In March, the Cayman Islands lowered transfer taxes from 7.5 percent to 5 percent on waterfront properties and the Cayman Islands Real Estate Brokers Association announced that it would rebate 20 percent of commissions on sales to foreigners.

Michigan-based developer David Johnson, who is building Oil Nut Bay in Virgin Gorda, is benefiting from a new 90-day automatic approval for a landholder license. Johnson says his willingness to hire Virgin Gorda residents in senior management positions was one of the things that persuaded the island's government to make the change. Source: *The Wall Street Journal*... □

Did you know...

- ◆ The nation is becoming even more diverse: More than one third of its population belongs to a minority group, and Hispanics represent the fastest-growing segment. The U.S. Census Bureau reported our minority population reached an estimated 104.6 million, or 34% of the nation's total population, on July 1, 2008, compared to 31% when the Census was taken in 2000. Nearly one in six residents are Hispanic, the agency reported. Even more telling for the future: 44% of children under age 18 and 47% of children under the age of five are now from minority families. Source: *Money*
- ◆ The federal government will take major steps to boost lending and prevent a meltdown in the commercial real estate market, representatives from the U.S. Treasury Department said. The number of new loans for commercial properties sank 70 percent in the first three months of 2009 from a year earlier, the Mortgage Bankers Association reported this week. Source: *MBA*... □

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