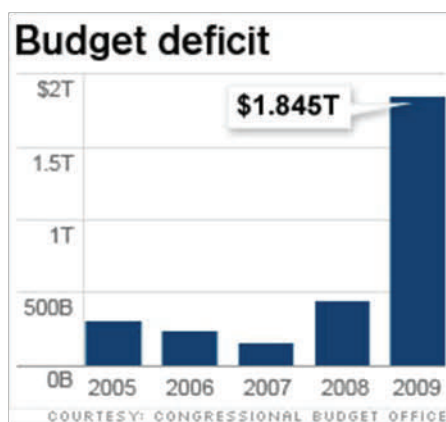


Optimism Ruling The Markets

Irrational Exuberance. It is over a decade since former Chairman of the Federal Reserve Allan Greenspan made these words immortal. He was referring to inflated values of assets. Certainly, when one looks at the devaluation of certain assets as we have seen in the current stock meltdown, one could call this irrational despair. When dealing from a position of despair, any bit of good news seems to beget euphoria. Certainly this was the case in the past few weeks when major banks reported billions in profits for the first quarter and reports from around the nation indicated that homebuyers are coming out to look at houses. This news does not mean that banks are out of the woods and the real estate market is ready to explode.

Despite this cautionary statement, the stock market's reaction has been to continue the rally. It should also be noted that rates have moved up at the same time. We have talked continuously about the tug-of-war regarding rates. Rates are exactly where they were over a month ago before the Treasury caused a huge decline by announcing they would be purchasing treasuries and home loans.

In the face of some signs of economic recovery, the pressure of government spending is gaining the upper hand. This is happening despite the fact that the government keeps talking about rates that should go lower. In reality, it is possible to keep rates on home loans low as general rates rise by creating more confidence in the real estate markets. Investors are more likely to purchase loans if they don't feel the underlying collateral (homes) will lead to default. Are rates likely to go lower with these conflicting forces? It certainly appears not right now. Right now rates are the lowest of our generation and we should recognize good news as good news... □



Getting Your Credit "Up-Front"

The \$8,000 first-time home buyer mortgage tax credit, which is part of the Recovery and Reinvestment Act of 2009, is a great boon. However, it doesn't help people who don't have money for a down payment and closing costs. Now some states are contemplating offering an \$8,000 loan to home buyers before they close on the condition that they repay the loans as soon as they get their federal tax credits.



The idea has been adopted in Missouri, which advances the money to those who take out first mortgages offered through the state's housing finance authority. The New York State Builders Association is lobbying the State of New York Mortgage Agency to adopt a similar strategy.

"A lot of states are trying to get through the technical aspects of this," says Gregory Brown, an assistant vice president for government affairs at the National Association of Home Builders. "I feel very confident they'll find a way to make it work." Meanwhile, some home builders are taking matters into their own hands, offering programs that purchase the tax credit from borrowers prior to closing. It should be noted that the credit ends this Fall, therefore time is of the essence. *Source: The New York Times* □

Selected Interest Rates

April 16, 2009

- 30 Year Mortgages—4.82%
- 2008 High (July 24)—6.63%
- 2008 Low (Dec 31)—5.10%
- 15 Year Mortgages—4.48%
- 5/1 Hybrid ARMs—4.88%
- 1 Year Adjustables—4.91%
- 10 Year Treasuries—2.83%

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.

Bank of "Mom and Dad"

The Bank of Mom & Dad has become busier since no-down-payment mortgages have practically disappeared. "In the last six months, I've dealt with more parents than I ever have," said Jay Seville, an associate with Re/Max Allegiance in Arlington. "They're part of the financing now, either with the down payment or a secondary loan." FHA loans allow gifts for the entire down payment and closing costs, while conventional loans can be more restrictive.

Some families are avoiding the required paperwork by turning over the money months before the home purchase so it can be considered the buyers' own. Both financial advisors and real estate practitioners who have experience with these kinds of family loans seek to make sure that everyone understands the terms of the loan. They advise that the terms be written down for future reference in the event of memory disputes or legal conflicts. "There are two types of pain in life: the pain of discipline and the pain of regret," said Nicholas Yrizarry, founder of a wealth management group in suburban Washington DC. "In the case of family matters, one must have discipline upfront . . . rather than having pain of regret later." *Source: The Washington Post* ... □

Did you know...

◆ U.S. office rents declined at the steepest rate in seven years during the first quarter of 2009, according to research firm Reis Inc. So far, commercial property values have decreased 22 percent from their peak in 2007, according to J.P. Morgan. Nationwide rents, minus discounts to tenants, have fallen 3.2 percent compared to the first quarter of 2008. The vacancy rate rose 15.2 percent in the first quarter. Reis predicts that surplus space will reach 47.7 million square feet by the end of 2009, but some commercial property experts are saying that number is too low. Many economists expect a recovery in this sector by early 2010. *Source: Reuters News*... □

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