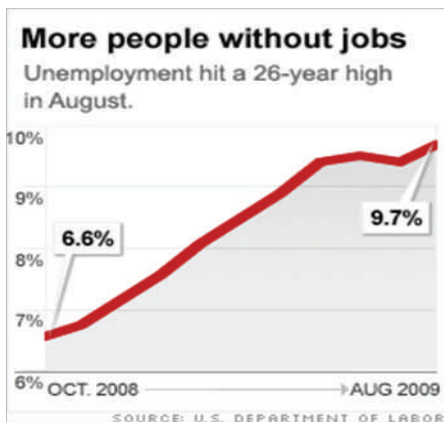


Big Numbers Ready For Release

Expect some major positioning by traders in the next few weeks as the big numbers are released. First, as we are going to press we have the third quarter snapshot of economic growth. Analysts have been estimating the first positive quarter in over a year. We can surmise that consumer spending, which is responsible for over two-thirds of economic activity, was positively affected by government programs such as "cash for clunkers" and the first time homebuyer tax credit. The release is a preliminary estimate, however any disappointment could affect the market negatively since the markets have built in some measure of optimism concerning the release. Of course, such a disappointment could also be positive for the bond market and result in lower rates.

The first week of November the news gets even more interesting. The monthly employment report will be released the first Friday in November. If the recession is officially to be declared over, we must move to positive employment growth. There are no indications that employment growth was positive last month, but we must make progress from the huge job losses that we saw earlier this year. This is the price we must pay for the sharp market rally we have witnessed since this Spring.

Theoretically, the markets have built in positive news and now it is time to see the results of this optimism. This is not to say that we are out of the woods. Sometimes the result of positive market news can present additional challenges. For example, higher oil prices due to a stronger economy can dampen future economic growth. Because of this, the end of the fourth quarter should be very interesting. For example, can we grow as the temporary effects of government stimulus wanes?... □



FHA To Move To 5.0% Down?

Some congressmen are becoming more concerned about the Federal Housing Administration's financial plight and they want to increase FHA's downpayment requirement to 5%. Rep. Ed Royce, R-Calif., said FHA is operating at the same dangerous leverage ratios that led to the takeover of Fannie Mae and Freddie Mac. Rep. Scott Garrett, R-N.J., said he has drafted a bill that would increase the FHA downpayment requirement to 5% from the current 3.5% level.

1.5% More Down

"There are increasing reports of the likely necessity of a taxpayer bailout for the FHA and this legislation aims to implement reforms to try to prevent such a bailout from occurring," Rep. Garrett said at a House Financial Services Committee hearing. The Garrett bill also calls for a General Accountability Office study to determine the appropriate leverage ratio for FHA.

In the early 1990s, Congress mandated that FHA maintain a minimum 2% capital ratio. A recent audit shows that the federal insurance fund has fallen below the 2% minimum. But FHA officials say the insurance fund should be able to maintain a positive capital position and FHA will not need taxpayer assistance... □ Source: National Mortgage News

Selected Interest Rates October 22, 2009

30 Year Mortgages	5.00%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.43%
5/1 Hybrid ARMs	4.40%
1 Year Adjustables	4.54%
10 Year Treasuries	3.42%

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.

The Tax Credit To Be Extended?

Congress is considering proposals to greatly expand a soon-to-expire \$8,000 tax credit for first-time homebuyers -- potentially applying it to all but the wealthiest homebuyers. Supporters say doing so would further boost home sales, stabilize housing prices and generate jobs. The credit now can be claimed by anyone buying a home who has not owned one for three years and who closes the deal by Nov. 30. Beyond extending that deadline, some lawmakers want to make the credit available to all homebuyers who meet income eligibility requirements. And some want to increase the amount of the credit from \$8,000 to \$15,000. By the end of November, the credit will have been used by 1.8 million homebuyers, at least 355,000 of whom would not have bought a house without the tax break, according to estimates by the National Association of Realtors.

Mark Zandi, chief economist of MoodysEconomy.com, favors extending the current credit until June 1, 2010, and making it available to all home buyers regardless of income or at least to everyone except those at the highest end of the income scale. "The most fundamental argument for the credit is that nothing works in the economy if housing is falling, it hurts household wealth and credit becomes tight," Zandi said... □ Source: CNN/Money

Did you know...

◆ More people are becoming landlords in an economy where selling a home can be challenging. The nation's second-largest home insurer, Allstate Corp., says the number of homeowners converting their homeowners insurance to landlord policies rose 27 percent in the first quarter of 2009. Jim Bass of Jim Bass Real Estate Group in Frederick, MD., says he has begun offering property-management services for absent owners, many of whom are convinced it will be easier to sell in a couple of years... □ Source: The Wall Street Journal

Compliments of Suzanne Smith

HNB Mortgage

432-683-0081

Suzanne@hnbmortgage.com