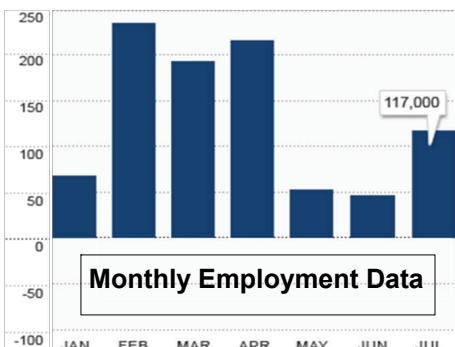


## Wanted: Shot of Confidence

The economy has suffered significantly in the past four years. This year we have seen a series of challenges, some man-made and some a present from nature. Now that the commotion over the budget struggle and S&P downgrade has quieted down, one would have expected that the markets would have quieted down as well. The focus now should turn to economic data so that we can determine if the soft-patch is ending. Unfortunately, even though our debt crisis has quieted down, worries over the European debt crisis seem to crop up every other day and the economic news released this past month can be described as weak. Not all news was negative, however, we seem to be having a significant negative reaction, or perhaps over-reaction, to the numbers. A solid jobs report would help matters greatly in this regard as we move into September.

Are the markets telling us that we are heading into a recession? Or are they just adjusting for the slowdown that has already occurred? This is impossible to determine right now, however, one thing we know is that the debt debate did not help as Americans were not in the mood to spend on big ticket items in July while there was a threat of a government shutdown.

Right now we have an increased crisis of confidence. The markets need to gain confidence and so do consumers. Meanwhile, rates continue to hit record lows. Lower rates as well as lower oil prices will boost consumer spending. Theoretically, that could turn into the good news we are looking for. Consumers know a good deal when they see one and right now they are flooding the offices of lenders to refinance. We are keeping our warning in place because we know when and if this "good news" arises and confidence ticks up--the sale on car and home financing may be over... □



## It's Official: Cheaper To Buy

Home prices have fallen and demand for rental units has increased so much that it's now cheaper to buy a two-bedroom home than to rent one in most major U.S. cities. According to real estate web site Trulia, buying was cheaper than renting in 74% of the country's 50 largest cities in July. In just 12% of the cities renting was cheaper. In the remaining 14% of cities, renting was less expensive but close to the cost of buying. In addition to a continuing decline in home prices, rock-bottom rates have added a lot of weight to the buy side of the scale.

**"74% of Cities"**

Add in the tax perks of home ownership and for those who can afford it, it certainly is a buyer's market. "If you have a steady job and you are planning to stay for seven years or more and have enough cash to put down and enough left over for reserves, you're better off buying in most places," said Daisy Kong, a spokeswoman for Trulia. Even where it's cheaper to rent, it doesn't necessarily mean renters will come out ahead, according to Ken Johnson, a real estate professor at Florida International University and co-author of a new study on whether it's better to buy or rent. "Paying off a home loan is a forced savings," he said. Each check homeowners write increases the value of their property holdings... □

Source: CNN/Money

## Selected Interest Rates

August 25, 2011

30 Year Mortgages	4.22%
2011 High (Feb 10)	5.05%
2011 Low (Aug 18)	4.15%
15 Year Mortgages	3.44%
5/1 Hybrid ARMs	3.07%
1 Year Adjustables	2.93%
10 Year Treasuries	2.22%

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.

## Here Comes Generation Y

Watch out for Generation Y: This large, diverse, well-educated generation will drive the housing market recovery over the next 10 years, according to economists with the University of Southern California Lusk Center for Real Estate. Gen Y (15-32 year olds) boasts about 77.4 million members, which is about equal in size to the baby boomers (46-64 years old).

Yet, Gen Y is much more diverse and educated (60 percent of Gen Y goes to college), according to the center, which recently presented its findings at the USC Lusk Center Orange County Executive Briefing. Stan Ross, Lusk Center Chairman of the Board, says that "baby boomers and Gen Y comprise 50 percent of the population and will soon be part of the largest U.S. wealth transfer ever." As more of this age group joins the work force, "they will produce a massive increase in housing demand," forecasts the USC's Lusk Center. However, Ross points out "these kids are concerned. They have watched the stock market, financial markets, and economy wipe out their parents' retirement plans. As a result, they will choose lower-risk investment strategies."

Source: The Hoyt Organization

### Did you know...

The U.S. population is projected to grow by 150 million within the next 40 years and "more compact, mixed-use development" is needed to handle the growth and changing demands, Patrick Phillips, CEO for the Urban Land Institute, said at the National Association of Real Estate Editors annual conference. "The design and development of urban areas will be radically different in the decades ahead," he said. "We are seeing a push to make our cities more livable and sustainable." One-person households are the fastest-growing type of household, he noted. Also, younger generations, in buyer preference surveys, are placing a higher value on the sense of community and are willing to swap extra space for convenience... □ Source: Inman News

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