



Newsletter Vol. 12 Issue 1

January 2015

mortgagestraightTalk.com

Tel 760 726 4600

Cel 760 717 8584

Fax 760 639 0785

Rod@mortgagestraightTalk.com



IN THIS MONTH'S ISSUE

* **MACROECONOMIC MOVES AND MORTGAGE MARKET ANALYSIS**

* **THE STATE OF THE NATION (THE MID-TERM ELECTION)**

* **WHY WE VOTE THE WAY WE DO**

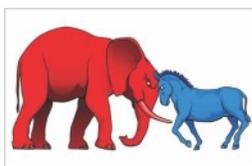
* **2014 WAS THE BEST YEAR FOR JOB GAINS SINCE 1999**

* **RATE SUMMARY**

* **SPECIAL(S) OF THE MONTH**

* **MORTY'S MAILBAG**

* **MORTGAGE MIRTH**



MACROECONOMIC MOVES AND MORTGAGE MARKET ANALYSIS

JOB GROWTH SURGES

(Week ending December 5, 2014)



Against a consensus forecast of 230K, the economy added a massive 321K jobs in November, which was the largest monthly increase since January 2012. Upward revisions to prior months added another 44K. The economy has added an average of 224K

jobs per month over the past twelve months and is on track in 2014 for the fastest yearly pace of job creation in 15 years. The Unemployment Rate was flat at 5.8%. Average Hourly Earnings, an indicator of wage growth, were 2.1% higher than one year ago. This report exceeded investor expectations nearly across the board, raising future inflationary pressures.

In contrast to the U.S., economic growth in Europe has stalled.

BEST BUYS THIS MONTH

- Conforming 5/1 ARM 2.750%
- High Balance Conforming 30 Yr. fixed 3.750%
- High Balance Conforming 15 Yr. fixed 2.990%
- Jumbo 30 Yr. fixed 3.875%
- Jumbo 5/1 ARM 2.990%
- FHA Conforming 15 Yr. fixed 2.625%



FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO: www.mortgagestraighttalk.com The rate sheets are updated every Friday.

I ALSO DO:

- **COMMERCIAL LOANS** (more than 4 units)
- **"HARD MONEY" LOANS**
- **REVERSE MORTGAGES**
- **FOREIGN NATIONALS**
- **DELAYED FINANCING**
- **STATED INCOME LOANS**
- **MANUFACTURED HOMES**
- **ASSET DEPLETION LOANS**



This has raised expectations that the ECB will begin to buy sovereign bonds, similar to the recently completed U.S. quantitative easing (QE) program. The expected added demand for bonds from the ECB has caused bond yields around the world to decline in recent months. ECB officials, however, are divided about Quantitative Easing, and the decision keeps getting pushed farther into the future. Notably, the Germans are opposed. At Thursday's press conference, ECB President Draghi said that the ECB intends to take action as necessary and that it will do so even without unanimous consent. But, he also deflated hopes for quick policy changes by saying that the ECB would not consider QE until the end of the first quarter of 2015. The net impact of his comments and strong U.S. data resulted in a small improvement in mortgage rates.



POLICY CHANGE IN CHINA (Week ending December 12, 2014)

The primary influence on mortgage rates this week was a reduction in the outlook for global economic growth, mainly due to a policy change in China. Chinese officials unexpectedly announced a ban on a type of risky lending. This will make financial markets in China safer, but it also is expected to slow their economy. Slower growth in China reduces expectations for future inflation globally.

Off-setting this was stronger than expected U.S. retail sales data. The November Retail Sales report released this week showed a big rise in nearly every area. Retail Sales account for nearly 70% of US economic activity, and this surprising data caused economists to raise their forecasts for fourth quarter Gross Domestic Product (GDP).

Consumers have received a welcome gift this year in the form of lower gas prices. With extra money in their pockets, people increased spending during November by far more than expected. Oil prices are now more than 40% below the levels seen in June. For mortgage rates, it's hard to determine whether this will be a net positive or a net negative. One effect of lower oil prices is to increase economic activity, as seen in the Retail Sales report, and this leads to higher inflation. On the other hand, the price of gas and many other products will be lower. The net effect on inflation of these two offsetting influences will determine the impact lower oil prices will have on mortgage rates. Mortgage rates ended the week lower, near the best levels of the year.

STOCKS RALLY AFTER FED MEETING (Week ending December 19, 2014)

Following assurances on Wednesday from the Federal Reserve that it would be "patient" in raising interest rates, the Standard & Poor's 500 Index and the Dow Jones Industrial Average managed their largest two-day gain since late 2011. The Fed said that an increase in short-term rates is unlikely in the near future and that increases will be moderate once they begin. As this meeting was focused on the outlook for changes in the fed funds rate, the reaction in bond markets was fairly muted and mortgage rates ended the week mixed—some higher, some lower.

RECORD HIGHS FOR THE DOW (Week ending December 26, 2014)

The Santa Claus rally appeared just in time for Christmas and with the 1,000 point gain came new highs for the Dow and the S & P indices. Consequently, mortgage rates worsened.

THE STATE OF THE UNION



THE MID-TERM ELECTION— APATHY, IGNORANCE, AND GREED

Prior to the mid-term election, I was having dinner with a friend who chose to voice his disapprobation about the government and the administration. I said, "Well, the election's next month, I guess you'll have a chance to cast your vote. He said that [he] "wasn't going to vote, that it was a waste of time." I proffered that in life there are rarely either/or situations, but herein there may lay one: If you are not part of the solution, you may well be part of the problem. In either case, if he couldn't be bothered to vote, then perhaps he shouldn't complain about the status quo. As we shall see my friend was not alone in this perception.



Apathy. While mid-term elections are infamous for poor voter turnout, this one saw the lowest voter turn-out in 72 years at 37%--a sad comment on civic engagement. The mid-terms saw the Conservatives claimed that the election was a referendum on the President's policies, even though 63% (like my friend) were no-shows, conservatives claimed they had been given a mandate

Ignorance. As a matter of principle, we should want everyone to vote, and to do so in an informed and reasoned way. The biggest issue in most people's minds is the economy. But here, it seems many voters don't know what to believe, and what they do believe is wrong. A poll this month found that 27 percent of the people pegged the jobless rate at 9 percent, and nearly one in five said it was closer to 12 percent. The rate is 5.8 percent. On Obama's watch, the stock

market went on a record run and 10 million new jobs have been created—more new jobs than in Europe and Japan combined. Most had no idea as to the true amount of the deficit. Still more had no idea as to the number of months of continuous business expansion. When it comes to macroeconomic policies, most of the electorate and many of the people that control the levers of power are woefully ignorant of how capital markets and the economy functions. And while they may have opinions about economics, it does not make them factual.



As John Maynard Keynes stated 70 years ago, when you have a recession (which by its very nature is deflationary), government needs to engage in deficit spending to get the economy rolling again. Meanwhile conservatives predicted such a policy would lead to runaway inflation. Reality, however, declined to cooperate. The only problem with the \$750 billion Troubled Asset Relief Program (TARP) was that the stimulus was far too small for the problem it had to tackle. Meager though it was it, the country avoided a depression.

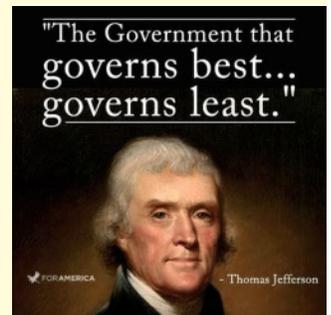
As the Fed continued on its expansionary course—its balance sheet grew to more than \$4 trillion, up fivefold since the start of the crisis—inflation stayed low. For the most part, the funds the Fed injected into the economy simply piled up either in bank reserves or in cash holdings by individuals—which was exactly what economists on the other side of the divide had predicted would happen. Europe, on the other hand, engaged in the deficit cutting policies that many conservatives espoused and are still reeling from the economic contraction six-years later with double-digit unemployment throughout the EU.

Hardly any of the people who predicted runaway inflation have acknowledged that they were wrong or that something was amiss with their approach. Some have offered lame excuses; some, following in the footsteps of climate-change deniers, have gone down the conspiracy-theory rabbit hole, claiming that we really do have soaring inflation and the government is lying about the numbers. An ignorant and uninformed electorate is perhaps the greatest threat to democratic process.

Competing Ideologies. While I am neither a Republican nor a Democrat, it would be refreshing to see the economic well-being of the country put above partisan politics. I believe that is best accomplished through sound macroeconomic policies—something that neither party espoused in the recent election.

The Republican Party seems to believe in unfettered capitalism and the Jeffersonian notion of “the government which governs least governs best.” Unfettered capitalism is about profit maximization (greed) which if left unchecked or unregulated leads to excesses in the form of booms (or bubbles) followed by wrenching busts (depressions or severe recessions). This is what happened in 2008. The Republican Party’s de facto advocacy is a society governed by the wealthy (“trickle down economics”).

The Democrats have a populist agenda that favors the common people over the rich and wealthy. They believe that government needs to work for the betterment of the nation (society) as a whole, not just the plutocrats. I believe that we as a nation are better off when the poorest and weakest among us are cared for with a social safety net. While those who are wealthy may have to pay more taxes, they are better off in an egalitarian society because the economy is more vibrant. For example, would you rather be a part of the upper class in America or the upper class in Somalia?



The major difference between the two political parties is the role of government: Conservatives attack things government does because they don't want government to do things; they believe that government is inefficient and wasteful (“Starve the beast”). They assert that private enterprise can do what government does better and more cheaply.

Liberals, on the other hand, don't attack what government does because they want government to work. They believe that there are things that private enterprise is incapable or unwilling to undertake. In a nutshell, this perhaps explains why there is such gridlock in Washington today—it's one of competing ideologies.

The Right and the Record: The mid-terms proved that politics often determines who has the power, not the truth. First, there's economic policy. According to conservative dogma, which denounces any regulation of the sacred pursuit of profit, the financial crisis of 2008—brought on by runaway financial institutions—shouldn't have been possible. But Republicans chose not to rethink their views even slightly. They invented an imaginary history in which the government was somehow responsible for the irresponsibility of private lenders, while fighting any and all policies that might limit the damage. In 2009, when an ailing economy desperately needed aid, John Boehner, soon to become the Speaker of the House, declare, “It's time for government to tighten their belts.”

So here we are, with years of experience to examine, and the lessons of that experience couldn't be clearer. Predictions that deficit spending would lead to soaring interest rates, that easy money would lead to runaway inflation and debase the dollar, have been wrong again and again. Governments that did what Mr. Boehner urged, slashing spending in the face of depressed economies, have presided over Depression-level economic slumps. And the attempts of Republican governors to prove that cutting taxes on the wealthy is magic growth elixir have failed with flying colors.



This is what happens when an elite claims the right to rule based on its supposed expertise, its understanding of what must be done—then demonstrates both that it does not. In fact, know what it is doing, and that it is too ideologically rigid to learn from its mistakes.

But the biggest secret of the Republican triumph surely lies in the discovery that obstructionism bordering on sabotage is a winning political strategy. From Day 1 of the Obama administration, Mitch McConnell and his colleagues have proclaimed that their Number One priority was to stop Barack Obama. To this end, they have done everything to undermine effective policy, in particular blocking every effort to do the obvious thing—boost infrastructure spending—in a time of low interest rates and high unemployment.

The Left and the Record: The one thing that characterized this election was the lack of issues. The Democrats wouldn't run on the administration's record and tried to distance themselves from it. The Republicans espoused no programs and focused on scare stories about Ebola coming to America and the administration's failure to stop it, even though not one American died of it. The Democrats were too gutless to support the leader of their party's achievements which were nothing to be ashamed or embarrassed about:



- A depression averted
- 64-straight months of business expansion
- A health care law that is working and lowering costs
- Bin Laden is dead
- A deficit reduced by two-thirds
- The stock market is at an all-time high
- The U.S. has become the world's top energy producer
- Two more women on the Supreme Court
- Exports are up, and so are consumer and business confidence
- Unemployment has dropped from 10.5% to 5.8%

Yet they distanced themselves from him and his policies—and lost big time—and they deserved to lose. The afore-mentioned are responsible for us getting the government we deserve. All of this led me to question why Americans vote the way we do. But what is it that causes Americans to vote the way they do? As we shall see it's not about simply belonging to one political party or the other.

WHY AMERICANS VOTE THE WAY THEY DO



If you asked most people why they vote the way they do, many of them would ascribe it to their belonging to one political party or another. Traditionally, Conservatives have been the party of the haves and Liberals the party of, if not the have-nots, the have-less. If it were that simple, then Democrats should outnumber Republicans about 90-10. Yet voters preferred Republicans to Democrats, 39 percent to 30 percent in the recent election. Most people aren't ideologically pure, and most don't derive their opinions from abstract ideologies and principles. People are more strongly influenced by the effects of policies on themselves, their families and their wider social networks. Their views, in short, are often based on self-interest. Political parties don't define most people's choices its internal and external influences that define with whom they identify.

INTERNAL INFLUENCES

AGE. Age is shifting as a determinant. Until Obama, Democrats had an ideological leg up among Americans 65 and older, largely because of Social Security. Then those voters shifted to give the Republicans an advantage. That advantage has held, although it's shrinking. Older voters and younger votes used to be largely on the same page when they went to the polls. But that is no longer the case, Gallup released two reports recently. The first was called "U.S. Seniors have Re-aligned with the Republican party," and the second was "Young Americans Affinity for Democratic Party Has Grown."

It's been said that people don't become Conservative, until they have something to conserve. It usually takes time (years) to amass an estate, however modest it might be. With age, people tend to become "more set in their ways." The older people get, the less likely they are to embrace change or allow for it. So, age seems predisposed toward the conservative viewpoint.

On the other end of the spectrum, Republicans haven't held an ideological advantage among Americans ages 18-29 since 1995. But for a decade, the Republican deficit was always 13 points or less. That changed in 2006 when the Democrats won control of the House and the Senate and a majority of governorships and state legislatures. This was, in part, due to George W. Bush's sinking poll numbers and rising opposition to the ongoing wars in Afghanistan and, particularly, in Iraq. The Democratic advantage among young people since then has been 13 points or more.

The economist Ebonya Washington of Yale University and Sendhil Mullainathan of Harvard University found that if you are just old enough to vote in a presidential election, you will be more likely years later to be a partisan of the party you voted for than if you were slightly too young to vote in that election. Data analysis makes it clear that our choices are highly influenced by events in our childhood. If something captures us in our formative years, it often has us hooked for life.



GENDER. If you are a woman, you are now more likely than ever before to vote for candidates or platforms that support women's issues such as income equality and reproductive rights like pro-choice access to abortions. To a lesser extent, there are conservative women that align themselves with the Pro-Life factions, but they also tend to be older. If you're female, your vote is more likely to be liberal.

RELIGION. Religiosity by itself is another determinant. Deeply religious people tend to be more orthodox in their thinking and conservative in their voting. Conversely, those more secular seem to be more liberal in their thinking and progressive in their voting. In 1982, the Pew Research Center, a non-partisan think tank, conducted a poll that showed that 44 percent of Americans believed God had created human beings in their present form. Thirty years later, the fraction of the population who are creationists inched up to 46 percent. In 2009, the gap between the share of Republicans and Democrats who believed in evolution was just 10 percentage points, 54 percent and 64 percent, respectively. Last year, that gap widened to a whopping 24 points because while the percentage of Democrats who believed in evolution inched up to 67 percent from 65 percent, the percentage of Republicans believing so plummeted to 43 percent. Now, more Republicans believe that "humans and other living things have existed in their present form since the beginning of time" than believe in evolution. So, if you are religious, you are more likely to be a conservative and if you are more secular in your viewpoint, you are more apt to be a liberal.



RESPECT FOR AUTHORITY. Conservatives generally have an overarching respect for authority. “Under color of authority” is a legal phrase used in the US indicating that a person is claiming or implying the acts he or she is committing are related to and legitimized by his or her role as an agent of governmental power, especially if the acts are unlawful. For example Conservatives have always been hard-liners or a big part of the “law and order” crowd. While liberals and non-whites are more apt to challenge authority (perhaps because they have had their civil rights violated). As one man put it, “there is nothing that radicalizes a conservative as much as being caught in a police charge.” Liberals and non-whites have consistently protested actions done under color of authority like racial profiling, police brutality and government sponsored torture by the CIA. Meanwhile Conservatives were exercised by the President’s failure to give a full salute to a marine as he deplaned from the presidential helicopter because he only tipped his right hand bearing a Styrofoam cup to simulate a salute which most liberals saw as much ado about nothing.



Conservatives claimed that Mr. Obama was being disrespectful. They saw this as on a par with his not having a lapel pin of the American flag on his suit coat while making a stump speech when he was running for the Presidency or not ending a television address with “God bless America. The Left simply thought it inadvisable.

HUMAN NATURE. Our very nature seems to have a conservative bent: People in the aggregate, are more risk averse than gain-oriented. Studies have shown that people will work harder to avoid losing something they have than to attain something they don’t—like a raise or benefit. In short, they want to hang on to what they already have. The old saw about “a bird in the hand is worth two in the bush” seems to be part of our operant conditioning. Ulrike Malmendier at the University of California Berkeley and Stefan Nagel, at the University of Michigan, found that if you grew up in bad economic times, you are more risk averse as an adult.



Also, people tend not to question every thing that is presented to them. Who has the time? Like machines, people have default settings which in the interest of time and ease they fall back on. There are also those of us that are too lazy to question or investigate even the most basic assumptions; it being vastly easier to not question matters and simply accept what they have grown up with or been spoon fed.



INCOME. It is a common misconception that people vote their pocketbook: that is, they support things that are in their own best financial interests, ones they favor or desire. Someone once said, “God, must have loved poor people, or why else would he have made so many of them?” Jestng aside, the poor outnumber the rich by a huge margin. So, it begs the question: Why do many lower and middle income Americans vote for conservatives who favor the economic policies that benefit the rich? Or, conversely, why do the rich think that liberals are inimical to their interests?

For example, last year Republicans voted to end \$300 of weekly unemployment benefits for 1.3 million American workers while continuing to subsidizing wealthy agri-business owners to the tune of \$300,000 to \$3 million/year not to grow crops. Despite this, there were a substantial portion of those in need of unemployment benefits who voted for the conservative ticket. One of my colleagues offered the hypothesis for this cognitive disconnect is that it’s a case of “aspirational” thinking; they fancy that one day they might be rich and the best way to achieve that goal is with fewer restrictions like taxes and regulations to impede their being propelled into the company of the economic elite.

Despite increasing evidence to the contrary, many in the lower and middle class fervently cling to certain clichés: They still believe in “rags to riches” stories and that America is an unbridled “land of opportunity”. Yet, as my article in the March 2013 newsletter (vol. 11, issue 3) clearly points out “it’s easier to rise above the class you’re born into in so-called “socialist countries,” like Denmark, Sweden, & France than in America. America has become one of the world’s most rigidly stratified industrial democracies.

On the flip side, if the rich were more aware and truly aligned with voting in their own best interests, they would favor the liberals. Yet, Wall Street seems to lean toward the “the party of business”, the Republicans. But, ironically, it and the economy have done considerably better under the Democrats. Going back to the year 1900, stock market statistics show that the equity markets have gained 7.1 percent, annualized with Democratic administrations; under Republicans, only 3 percent. To wit, in 2013 the stock market rose 25.6%. In the 64 months since Obama was inaugurated, the Dow Jones Industrial Average was up 175%, for a compound annual rate of 15.56%. That’s the fourth best for an equivalent period among all American presidents since 1900, behind Bill Clinton, a Democrat; with 19.8 percent; Franklin D. Roosevelt, a Democrat, with 19.4 percent; and Calvin Coolidge, a Republican, with 18.6 percent.



The Standard & Poor's 500-stock index has done even better. It doubled during the terms of only four presidents before Barack Obama's election in 2008. That number rose to five as the index climbed to more than twice what it was when he took office. President Obama became the fifth president to have the Standard & Poor's 500-stock index double from the level when he took office. The latter figure is the highest for any president during the period during which the index has been calculated. Eight of the 10 economic sectors measured by S. & P. have done better, on an annualized basis, under Mr. Obama than under either of his two immediate predecessors. And, since Mr. Obama took office, the United States stock market has performed better than markets in the next nine largest economies in the world. That's a huge disparity. Yet he's still not the "darling of Wall Street". People may argue about the reasons, but they can't argue with those numbers.

Again, the point is that not only does a substantial number of low and middle income people vote against their interests, but the rich and well-off do so as well. In short, if both sides were voting their pocketbooks, they would be voting for a more expansionist economic policy. Unfortunately, ignorance knows no economic bounds.

MAJORITIES AND MINORITIES. Basic models of political economics hold that inequality self-corrects, that is, as income concentrates among a smaller group of voters, majorities will vote for more redistribution. But that isn't quite how the real world works. For starters, the poor vote less than the rich. And they don't vote exclusively based on their economic self-interest. Many Americans, rich and poor alike, mistrust government. They support free-market capitalism and see the distribution of the nation's economic fruits as roughly fair. Also, the growing concentration of income can, in fact, make inequality more difficult to correct, as the wealthy bring their economic clout to bear on the political process to maintain their privilege.



DENIALISM. When beliefs and facts collide it is interesting to see how facts are discounted. On July 7, 2014 the N.Y. Times published an article by the political scientist Brendan Nyhan about a troubling aspect of the current American scene—the stark partisan divide over issues that should be simply factual, like whether the planet is warming or evolution happened. It's common to attribute such divisions to ignorance, but as Mr. Nyhan points out, the divide is actually worse among those who are seemingly better informed about the issues. He found that one's beliefs are a function of his or her need to believe that which confirms their bias, with total disregard to the facts.

The problem, in other words, isn't ignorance; it's wishful thinking. Confronted with a conflict between evidence and what they want to believe for political and/or religious reasons, many people reject the evidence. Perversely, knowing more about the issues widens the divide, because the well informed have a clearer view of which evidence they need to reject to sustain their belief system.



In a new study, a Yale Law School professor, Dan Kahan, found that the divide over belief in evolution between more and less religious people is *wider* among people who otherwise show familiarity with math and science, which suggests that the problem isn't a lack of information. When he instead tested whether respondents knew the theory of evolution, omitting mention of belief, there was virtually no difference between more and less religious people with high scientific familiarity. In other words, religious people knew the science; they just weren't willing to say that they believed in it.

Mr. Kahan's study suggests that more people know what scientists think about high-profile scientific controversies than polls suggest; they just aren't willing to endorse the consensus when it contradicts their political or religious views. This finding helps us understand why even when confronted with factual and scientific evidence it is often ineffective at reducing misperceptions and can even backfire on issues like weapons of mass destruction, health care reform and vaccines. With science as with politics, identity often trumps the facts.

Memory. The drubbing of Democrats came just a year after congressional Republicans forced a government shutdown that hurt economic growth in 2013. Not many understood what caused The Great Recession of 2008-2009, even fewer remembered the disastrous policies put in place by those responsible for it. Fifty-four percent of respondents to a recent New York Times poll conducted last month from Dec. 4-7 said that "over-regulation that may interfere with economic growth" was a bigger problem than "too little regulation that may create an unequal distribution of wealth." Only 38 percent said that too little regulation posed a bigger problem. The memory of the American voter is truly short-term and as the philosopher George Santana prophesied, "*Those who do not remember the past are condemned to repeat it.*"

EXTERNAL INFLUENCES



PARENTS. For years, the controversy of nature vs. nurture has been an ongoing debate as to why people align themselves one way or another. In the case of the latter, we learn what we live with. Social scientists consistently find that parents' political attitudes have a huge influence on the children's opinions. Children become inculcated with their parents' views through one of the ways that we all learn—by repetition. If you live with someone for 18+ years, chances are you have heard certain “truths” repeated until not only do you accept them but you find yourself repeating them almost verbatim. (Who hasn't caught themselves, in later life, thinking to themselves after some utterance, “My god, I sound just like my mother or father.” It's certainly understandable when one's reasoning powers are not fully developed to unquestioningly accept the pronouncements of an authority figure especially about abstract ideas like politics and religion. But even so, most of us come to realize that our parents are human and fallible. Yet people deviate relatively little when it comes to ideologies like politics and religion?

THE MEDIA. Obviously, the media have a hand in shaping popular opinion: Repeat something often enough, hear it on the radio and TV, and see it in print ad infinitum and it becomes ingrained in people's consciousness as fact. Those on the right accuse the media of a left-wing bias. Yet, the most popular television news channel is the ultra-conservative Fox News! The Left characterizes the Right as being a party of rich, “fat cats”. But, as we've seen the policies of the Left have, ironically, often enriched more of the wealthy, conservative elite.



There is a consensus that believes that the media owners' dictate the political slants of various media outlets. But, a recent study by economist and Professor Mathew Gentzkow and co-author Jesse Shapiro, a University of Chicago colleague found that a media outlets perspective did not correlate with the ideology of its owner. So, if not the owner's politics, what determines whether a newspaper leans left or right? What they found was that once a newspaper's political slant was set, the paper is more likely to be read by households who share its perspective. The best explanation is that causation runs from the community's politics to the newspaper's slant, rather than the other way around. Simply put, media owners generally do not try to mold the population to their own brand of politics. Instead, like other business owners, they maximize profit by giving customers what they want. So, given the mass of conservatives out there, Rupert Murdoch was simply catering to an underserved audience.

These findings speak well of the marketplace. In the market for news, as in most other markets, Adam Smith's invisible hand leads producers to cater to consumers. But the findings also raise a more troubling question about the media's role as a democratic institution. How likely is it that we as citizens will change our minds, or reach compromise with those who have differing views, if all of us are getting our news from sources that reinforce the opinions we start with?

Given the current 24/7 news cycle, one would think that the coverage of news stories would be more diverse and in depth. Yet, just the opposite seems to be the case. Television news has become more like tabloid journalism with sensationalism and salaciousness being the defining characteristics. “If it bleeds, it leads.” Television news, radio, and the Internet are big business, and so not surprisingly, are its foci—views and ratings. A new trend has evolved in what is called conflict media. Because conflict is rewarded with attention, more actual conflict is fostered, which is then amplified by social media, which blasts powerful narratives at members around the clock. By pandering to the lowest common denominator, the electronic news media provide a meager fare of prurience, superficiality, hyperbole, celebrity and less of what's truly newsworthy. Many people now sarcastically refer to the mainstream media as the “lamestream” media because of its emphasis on the trite and commonplace while ignoring hard news.



POLITICAL PARTIES. Conservatives claim that the government restricts people's freedoms. Liberals counter that society needs regulations to promote the common weal. Conservatives maintain that anything that government can do private enterprise can do better. Liberals say that both business and governments are comprised of human beings who are fallible and that government's missteps are on a par with that of private enterprise. Nevertheless, there are things that government needs to do because private enterprise is incapable of or ill-suited to undertake like provide for the national defense, infrastructure (roads, rails, & bridges), communications (regulatory bodies) and agencies that regulate health & safety concerns (food & drug purity) needed for society to operate. When business is unregulated it goes to extremes to maximize profits and creates wasteful, monopolistic practices. The difference between private enterprise that is inefficient or too expensive is that it goes out of business, whereas government survives because it has no competition

or is the only “game in town”. How one feels about the function of government in one’s life will to some extent determine which party one aligns one’s interests with.

To complicate matters further, the parties have, over time, switched their positions. The Republicans, the “Party of Lincoln”, were once for the common man in opposing slavery and were the party of progressives under Theodore Roosevelt with the Sherman Anti-Trust Act, the formation of the Interstate Commerce Commission and an expansive foreign policy. In later years the part morphed into conservative policies under Ronald Reagan espousing reduced government spending and regulation, lower taxes and a strong anti-Soviet foreign policy.

Meanwhile, the Democratic Party, the oldest political party in the world, represented a wide range of views sharing the Jeffersonian concept of an agrarian society. It viewed the central government as the enemy of individual liberty “The best government is that which governs least” began as a populist party that was a proponent for farmers, urban workers and new immigrants as well as Eastern business interests. It, too, advocated for a Manifest Destiny policy during the 19th century. In the 1840s and 1850s it saw the necessity of a modern infrastructure with railroads, canals, telegraphs, turnpikes and harbors and endorsed the “market revolution” and promoted capitalism and free trade. By the late 1800s it had transitioned into representing business interests, supported banking and railroad goals, promoted laissez-faire capitalism, opposed imperialism and U.S. overseas expansion under Grover Cleveland. Under Woodrow Wilson, it became a strong proponent of women’s suffrage, reduced tariffs and stronger anti-trust laws. FDR ushered in a new era for Democrats with his New Deal programs and the party became the party of the working man.

CORPORATIONS AND SUPER-PACS. While Freedom of speech is protected by the Constitution, the desire to re-shape populist opinion has not escaped the attention of corporations and varied moneyed interests. But speech (as in political infomercials) is anything but free. As electioneering became increasingly expensive, it led to excesses whereby it looked like those with deep pockets could subvert the democratic process through their ability to buy elections with advertising dollars. The McCain-Feingold Act of 2002 was passed to combat this and it banned soft-money contributions. It also prohibited political groups that operated outside of the regulated system and limited their donations.



But, the Supreme Court ruling in 2010 in favor of *Citizens United* held that corporations had the right under the first Amendment to spend unlimited amounts on election advertising. Now, these entities were free to proselytize for or against specific candidates, actions that were formerly prohibited. As Mitt Romney famously stated during the 2012 campaign, “Corporations are people, too,” even though corporations possessed distinct advantages over the actual citizens: Perpetual life, the ability to amass large sums of money, limited liability, and no particular purpose outside of profit-making. The 2010 *Citizens United* case gave wealthy secret donors unlimited power to manipulate American elections. The decision legalized large-scale influence buying and ensured that we would never know exactly who was purchasing certain politicians.

In 2012, the top 1 percent of the 1 percent or 31,385 people—contributed 28.1% of all disclosed individual contributions in the 2012 election, according to one estimate by the Sunlight Foundation. Another group of political scientists found that the top 0.01 percent of households which earn 5 percent of total income, accounted for about 43 percent of all contributions.

The *Citizens United* case set a precedent which led to the creation of the Super PACs, which act as shadow political parties. The Supreme Court kept limits on disclosure in place for political action committees (PACs). But, Super PACs were freed from these restrictions under two conditions: The Super PAC must neither 1) give money directly to a candidate or other political committees that give directly to candidates, nor 2) coordinate how it spends its money with a federal candidate. As long as those two conditions are met, a super PAC is free to accept amounts that are limited only by the size of donors' bank accounts. Movie mogul Jeffrey Katzenberg wrote a \$2 million check to the Super PAC backing President Obama's reelection; casino magnate Sheldon Adelson and his wife have reportedly underwrote a Super PAC backing Newt Gingrich to the tune of \$10 million. Neither of these donations could have been legally given to a traditional PAC. Super PACs may accept unlimited donations from billionaires, corporations and unions and use it to buy advertising, and donate unlimited amounts to causes to influence elections and shape political opinion. Hence,

they "unfairly influence" the electoral process with vast sums of money that few individuals can match, which distorts the public debate. It puts disproportionate focus on this speech and gives the impression of widespread support regardless of actual support. Thus, this process marginalizes the speech of other individuals and groups. The Supreme Court and Congress have failed to address the distorting influence of money on elections and as a result our democracy is leaning toward an oligarchy.



MONEY. There is no question that money has an undue influence on elections. The need to raise money has become close to all consuming. Over \$300 million was spent in the 2014 mid-terms making them the costliest in history. Koch-backed groups spent \$77 million on television advertising. Ironically, campaign finance reform laws weren't merely designed to take money out of politics; they were designed to protect incumbents from political defeat. In this regard, the laws have been fantastically successful. The laws rigged the system to make it harder for challengers to raise money. In 1972, at about the time the Federal Election Campaign Act was first passed, incumbents had a campaign spending advantage over challengers of about 3 to 2.

These days, incumbents have a spending advantage of at least 4 to 1. In some election years, 98 percent of the incumbents are swept back into office. Yet less than 10% of voters are satisfied with the job Congress is doing.

CONCLUSION. As a nation, we revere not the educated or the brilliant, but the rich. A common retort heard in America is, "If you're so smart, why aren't you rich?" The idea here is that intelligence is a necessarily causative factor in amassing wealth. It negates the intercession of inheritance, altruism and those not consumed with the pursuit of the almighty buck. If down-home common sense were all that was needed to solve the problems we face, the problems would have been solved already. Instead, our problems are complex and need intellectually sophisticated solutions, heavy on science, that are often counterintuitive from a common-sense point of view. It's not helpful, to say the least, to elect people who are anti-science, anti-intellectual and ready to dismiss any solutions that don't match up with their uninformed, unsophisticated, unscientific ideas. We need intelligence and open-mindedness in Washington.



Americans are ideologically polarized and inhabit different and mutually exclusive social worlds. In determining whom we vote for or how we vote on a given issue is more apt to be dictated by internal influences such as age, sex, religion, respect for authority, human nature, income, and ignorance, while external influences like parents, corporations and the media also exert a pull on our voting choices. These factors correlate with whom we identify and consequently vote for, not because of party affiliation.

LOAN LIMITS IN 2015 FOR FANNIE MAE, FREDDIE MAC, FHA & VA



2015 FNMA/FHLMC Maximum Loan Limit by County	1 Unit	2 Unit	3 Unit	4 Unit
Los Angeles and Orange	\$625,500	\$800,775	\$967,950	\$1,202,925
Riverside	\$417,000	\$533,850	\$645,300	\$801,950
San Diego	\$562,350	\$719,900	\$870,200	\$1,081,450

2015 FHA Loan Limit by County	1 Unit	2 Unit	3 Unit	4 Unit
Los Angeles and Orange	\$625,500	\$800,775	\$967,950	\$1,202,925
Riverside	\$417,000	\$533,850	\$645,300	\$801,950
San Diego	\$562,350	\$719,900	\$870,200	\$1,081,450

2015 VA Loan Limit By County	Limit
Los Angeles & Orange	\$687,500
Riverside	\$417,000
San Diego	\$527,500

The loan limits were unchanged however 46 counties received an increase. **San Diego County being one of the counties that has increased loan limits!** Above are the new maximum loan limits as released by the Federal Reserve for the contiguous counties.

2014 WAS THE BEST YEAR FOR JOB GAINS SINCE 1999



Hiring surged in November as employers added 321,000 jobs, crowning 2014 as the strongest year for job growth since 1999. The unemployment rate remained steady at 5.8%; that's down from 7% this time last year. The U.S. economy has been gaining an average of 224,000 jobs a month over the past year. Any month with job gains over 200,000 is considered strong.



Americans found employment in a wide array of industries. Professional and business services added 86,000 positions, with particularly strong hiring in accounting and book keeping.

Retail trade employment rose by 50,000, thanks largely to increased hiring by car dealerships and clothing stores. Many companies added more to payroll this fall, anticipating a stronger holiday shopping season.

Wages still aren't growing: Average hourly earnings rose by a stronger-than-usual 0.4%, though the measure is up only 2.1% for the year. Stagnant wages have been a concern for the employment and economic policymakers at the Federal Reserve.

Wage growth still remains muted, likely because employers still have their pick of job seekers, especially as discouraged workers start sending out resumes again. So companies haven't felt compelled to offer higher salaries. That's changing, though, earnings growth is expected to pick up soon.



Young workers still struggle: While hiring is picking up, many of the jobs aren't high-paying ones. Millennials, in particular, have lost ground, according to a new report from the Young Invincibles, an advocacy group for that generation. Median annual wages have fallen in nearly all of the most popular industry sectors that employ 25 to 34-year-olds over the past decade. In retail and wholesale trade, which employs the largest share of these older millennials, median wages plummeted 15% to \$25,000. Wages in the leisure and hospitality industry fell 5% to \$18,000. Only healthcare, the second most popular field, saw wages grow, albeit by a paltry 2% to \$30,000.

RATE SUMMARY

With the Fed saying it would be patient about raising interest rates, a 5% gain in 3rd Qtr GDP, a 40% decline in the price of oil and the Santa Claus rally pushed the stock market to new highs. Consequently mortgage rates worsened, this month.

Conforming programs—an 1/8th to 1/4th worse ↑

Jumbos—an 1/8th higher ↑

Governments—an 1/8th worse ↑



MORTY'S MAILBAG



There were no letters in the mailbag, this month.

Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered either by phone or email and posted in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. Due to the high incidence of **spam**, if you email me a question it needs to be identified as a "real estate question" on the subject line of the email. (See front of issue for phone and fax numbers). Morty's email address is morty@mortgagestraightTalk.com

MORTGAGE MIRTH



If flying is so safe, why do they call the airport the terminal?

