



Newsletter Vol. 12 Issue 11

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MACROECONOMIC MOVES AND MORTGAGE MARKET ANALYSIS

Jobs Fall Short (Week Ending 10-2-2015)

Friday's key Employment report was disappointing nearly across the board.

Against a consensus forecast of 205K, the economy added just 142K jobs in September. In addition, there were large downward revisions to the results from prior months.

The economy has added an average of 167K jobs over the last three months. This level is consistent with an improving labor market, but it is well below the average monthly job gains of 260K seen in 2014.

Wages also missed the mark with a slight decline from August. They were just 2.2% higher than a year ago. The Unemployment Rate was unchanged at 5.1%.



BEST BUYS THIS MONTH

- Conforming 5/1 ARM @ 2.500%
- High Balance Conforming 30 yr. Fixed @ 3.625%
- High Balance Conforming 15 yr. Fixed @ 2.875%
- Jumbo 30 yr. Fixed @ 3.875%
- Jumbo 5/1 ARM @ 2.750%



Conforming to \$417,000 < High Balance Conforming \$417,001 to \$562,350 < Jumbo

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





The Employment report and other recent economic data suggest that the U.S. is feeling the effect of a stronger dollar and economic troubles overseas. Exports are on track to post their first annual decline since the financial crisis. The ISM national manufacturing index released on Thursday dropped to the lowest level since May 2013. Weakness in the recent data caused expectations for a Fed rate hike in 2015 to decline substantially.

Stocks Rally Rates Rise (Week Ending 10-9-2015)

Under most circumstances, mortgage rates improve when stocks decline, and the reverse is true as well. We have seen an example of this relationship over the last few weeks. During the second half of September, stocks declined and mortgage rates improved. The trend has reversed, however, as the Dow has climbed about 600 points over the past week, while mortgage rates have risen.

There were no major surprises in the Minutes from the September 17 Fed meeting released on Thursday. The Minutes revealed that Fed officials held off on a rate hike due to uncertainty that inflation will rise to their 2.0% target level. The Minutes also noted that weakness in other countries added to the downside risk for economic growth and inflation in the U.S. Since the September 17 Fed meeting, the U.S. economic data has indicated slowing growth, justifying the Fed's decision and adding pressure for the Fed to hold rates steady longer.

Signs of Slower Growth (Week Ending 10-16-2015)

Recent economic data has suggested that the pace of economic growth in the U.S. is slowing. Retail Sales, excluding the volatile auto component, unexpectedly declined in September, and the August results were revised downward as well. Accounting for about 70% of economic activity, retail sales are an important indicator of economic activity.

In addition, job openings declined, and the Philly Fed manufacturing index fell short of the consensus. Comments from the Fed did not improve the outlook. The Fed's Beige Book reported that economic growth in recent weeks was "modest" and that wage gains were "mostly subdued."

Slower growth should reduce inflationary pressures, but the September core consumer price index (CPI), which excludes food and energy, rose 1.9% for the year, up from 1.8% in August. This was the highest reading since July 2014. The inflation rate is a key factor in the Fed's decision about raising the federal funds rate. Fed officials will be watching to see if this is the start of an upward trend.

Foreign Banks (Week Ending 10-23-2015)



On Thursday, European Central Bank (ECB) President Mario Draghi suggested that the ECB may expand its bond purchase program at its next meeting in December. While this is intended to stimulate the economy, which could lead to higher inflation, the primary impact on bonds is from increased demand. The purchase of European bonds makes other global bonds, including U.S. mortgage-backed securities (MBS), relatively more attractive, increasing their demand as well. Since mortgage rates are set based on MBS prices, rates improved after the news. The added stimulus in China to boost economic growth announced on Friday did not involve any bond purchases. As a result, the main effect for mortgage rates was to raise expectations for future inflation, which was negative.

It was a solid week for the housing market data. September's existing home sales increased 5% from August, near the best levels in eight years, and they were 9% higher than a year ago. Total inventory of existing homes available for sale fell to a 4.8-month supply, and it was 3% lower than a year ago. The median existing-home price was 6% higher than a year ago.

September single-family housing starts have held steady over the last three months near the best levels of the year. They were 12% higher than this time last year. Single-family building permits also were up a good deal from a year ago.

Mortgage Rates React to Fed (Week Ending 10-30-2015)

Central banks around the world have had a heavy influence on mortgage rates recently. Last week, the increased willingness of the European Central Bank (ECB) to expand its bond buying program had a favorable effect, while China's policy changes had an offsetting effect. This week, it was the U.S. Fed. Even though many recent economic reports in the U.S. contained signs of a slowing economy, the Fed



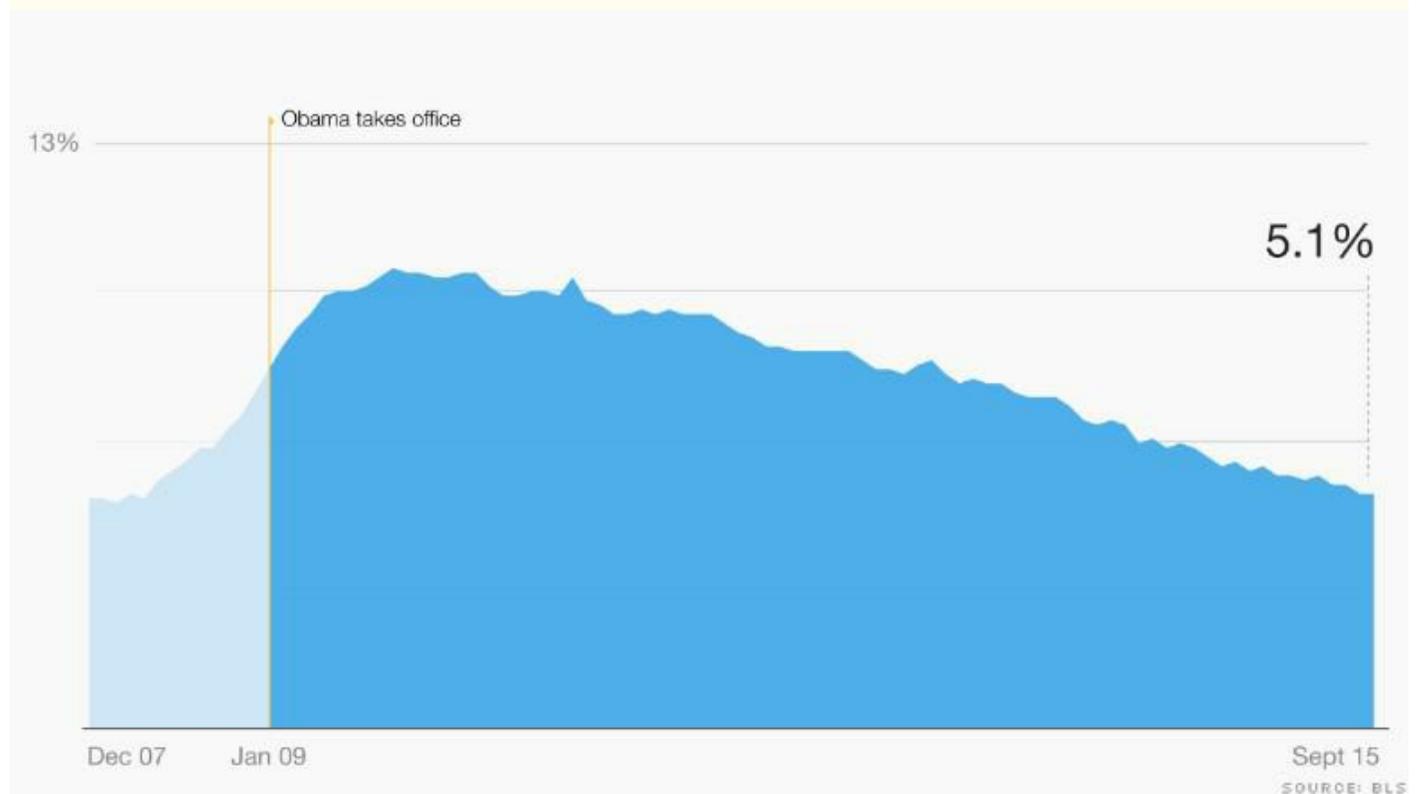
statement explicitly kept the door open for a federal funds rate hike at its December meeting. The hawkish tone surprised investors and caused an unfavorable reaction in mortgage rates. In the U.S., the first reading for third quarter GDP was 1.5%, down from 3.9% in the second quarter. The weakness in the third quarter was mostly due to changes in inventories, which are volatile from quarter to quarter. A decline in inventories offset 1.4% of growth during the third quarter, meaning that GDP would have increased nearly 3.0% if inventory levels had simply held steady.

So far this year, GDP growth has averaged 2.0%. For the full year, the consensus is that GDP will grow a little above 2.0%, similar to the 2.4% growth seen in 2014.

THE ECONOMY IN 10 CHARTS

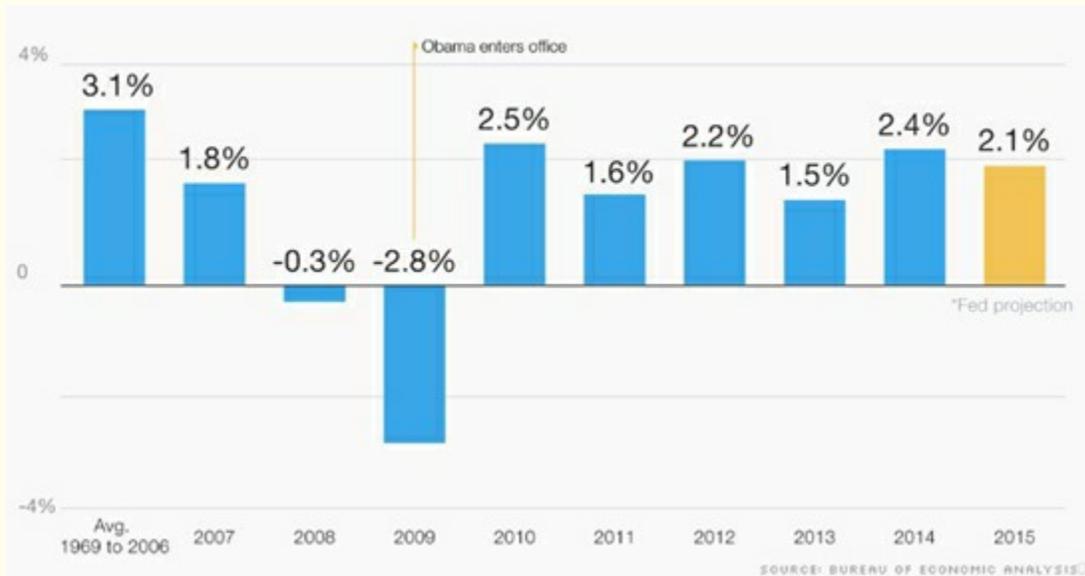
The bulk of domestic news for the past few months has been focused on the Race for the Whitehouse. So, I thought it instructive to recap the nation's economy these past 7 years. CNN/ Money recently featured a series of charts that depicts current administration's economic progress thus far or what it calls "The Obama Economy".

Unemployment



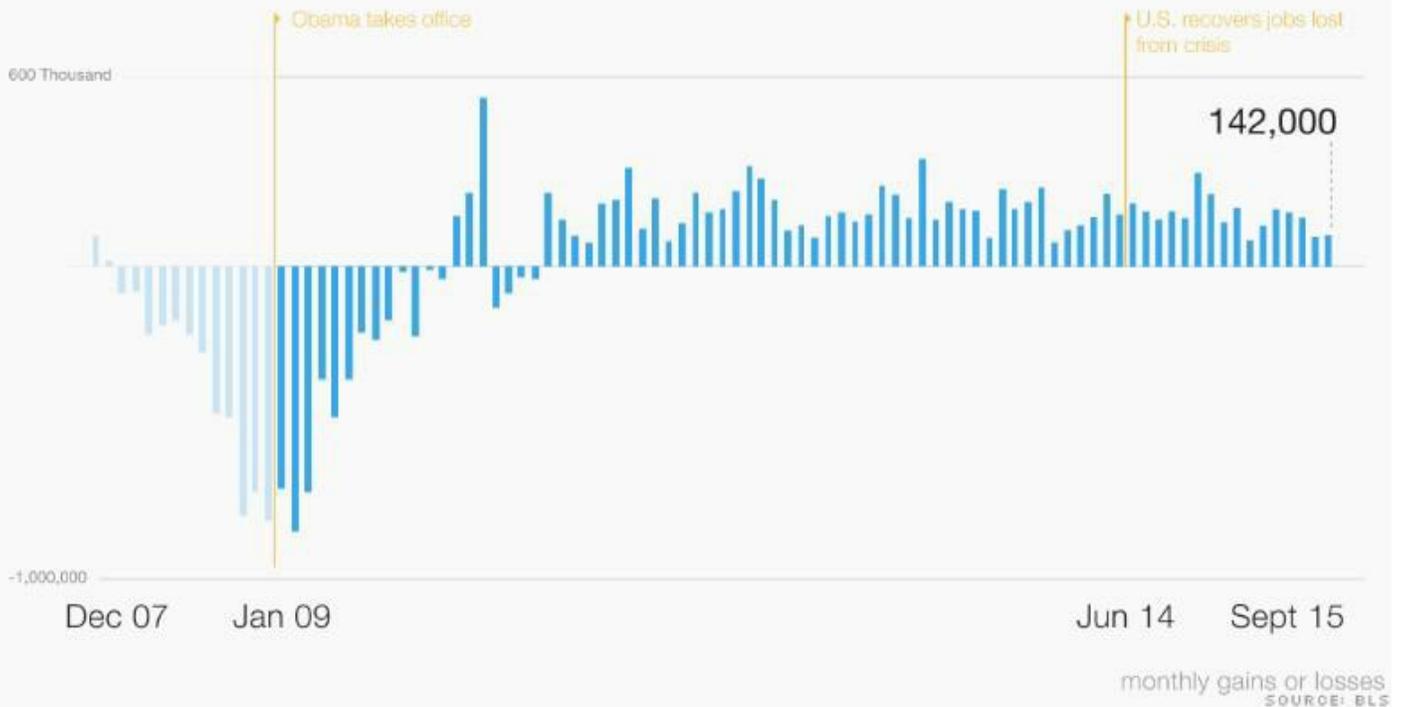
President Obama took office on January 20, 2009 in the midst of the Great Recession. Unemployment was skyrocketing as businesses were cutting jobs left and right when they realized that the economy was unlikely to recover soon. Unemployment peaked at 10.3% in October 2009 (it would later be revised to 10%), the worst in 26 years. Today, unemployment is back at 5.1%--not far from what experts consider what's typical for a healthy economy.

Economic Growth (GDP)



One of the biggest criticisms of Obama's economy is that growth has been sluggish. Historically, the U.S. economy has expanded 3% or more a year, on average. The Great Recession was a meat-cleaver on the economy. Since then, the U.S. has struggled to grow at much more than 2% a year. 2015 was supposed to be a breakout year, but the Federal Reserve predicts growth of just 2.1% again this year as the global economy sours.

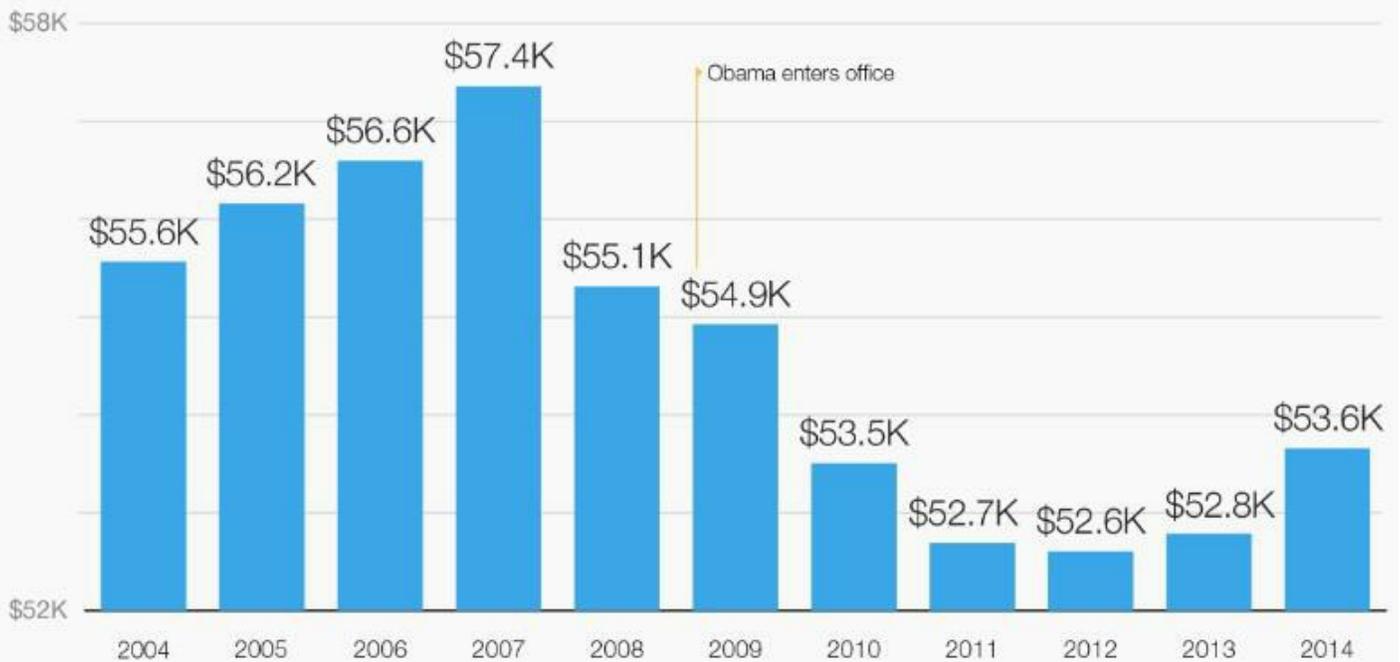
Job Growth



In 2009, the U.S. was losing about 800,000 jobs a month. Congress and Obama passed stimulus measures and tax cuts that year to encourage companies to hire. The Federal Reserve also took extraordinary measures to fix the economy. But it took until May 2014 for the U.S. to finally gain back all the 8.7 million jobs lost during the downturn. Hiring has picked up lately. Last year was the strongest year for job growth in America since 1999. This year, the U.S. is still averaging about 200,000 new jobs a month, a healthy sign.

Median Household Income

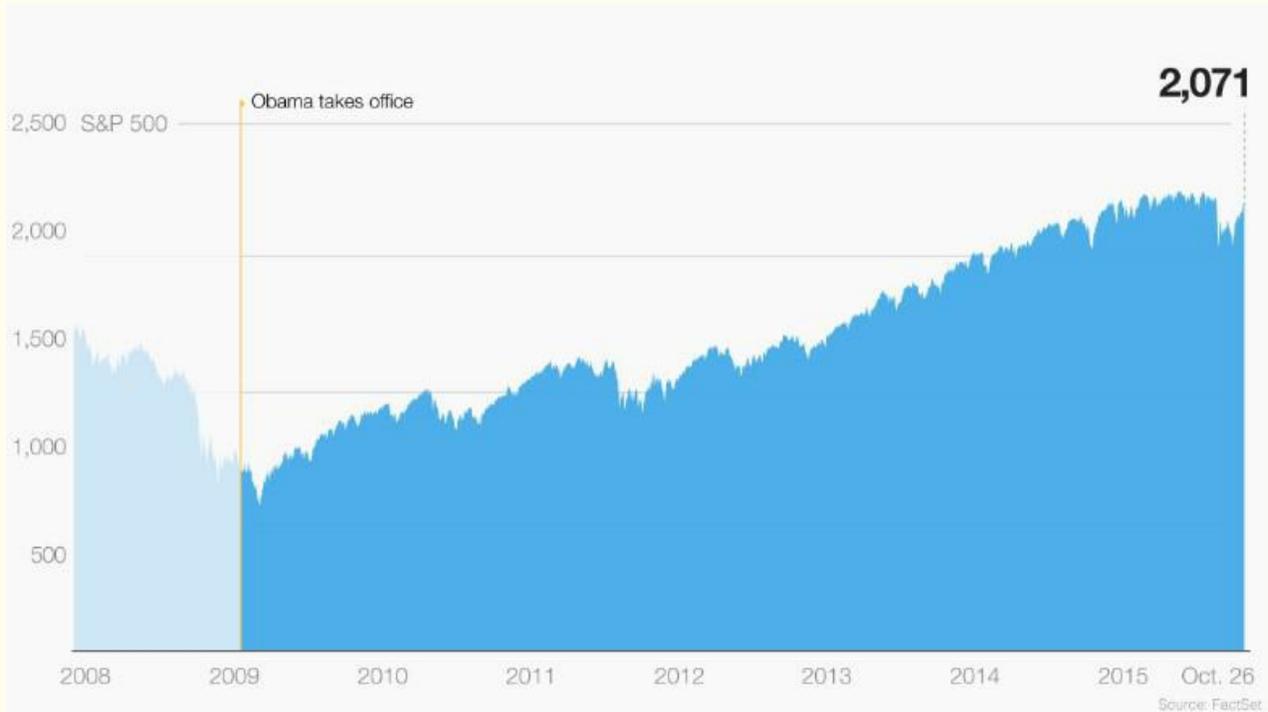
Americans continue to worry about their pocketbooks. Nearly 3 in 5 say they are "sometimes" or "frequently" anxious about their financial situation. A big part of the concern stems from the fact that incomes aren't growing. The median household income in America is now \$53,650—about the same as it was in 1996 after adjusting for inflation. Household income has yet to recover since President Obama took office.



Source: U.S. Census

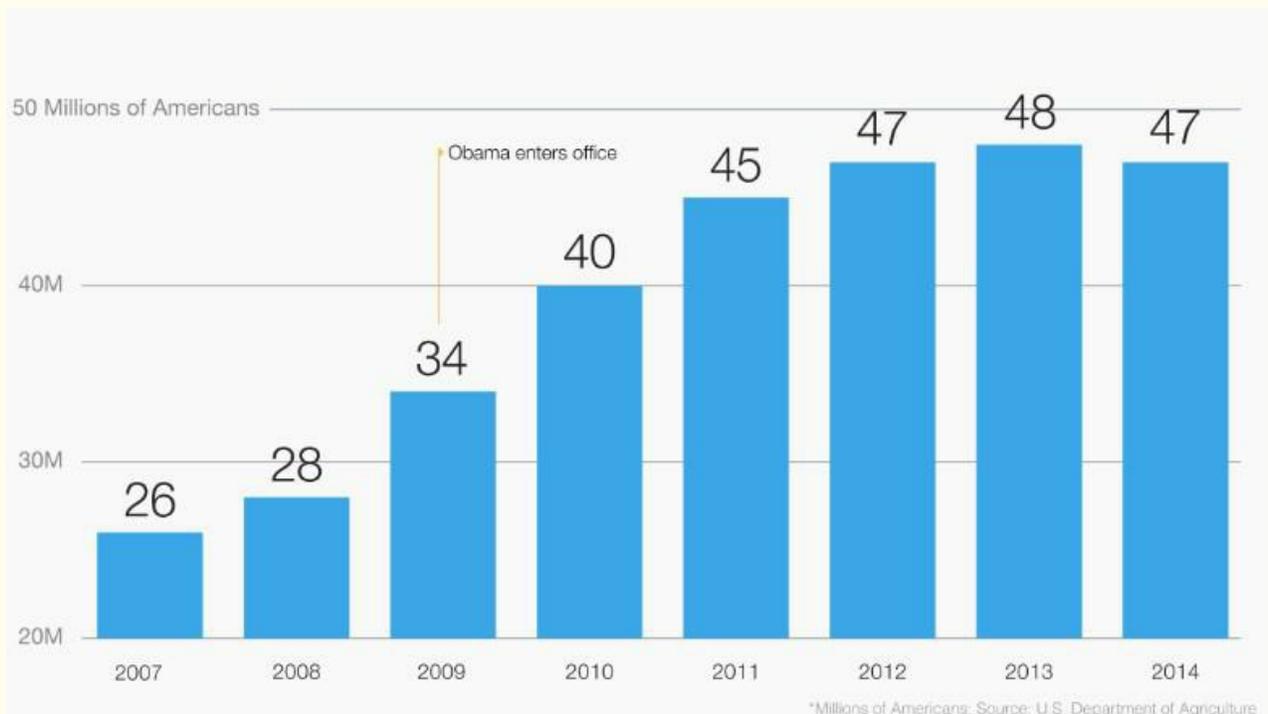
Stock Market

On March 3, 2009, President Obama said stocks were looking like a pretty good buy. Less than a week later—on March 9—the stock market hit its low point after the financial crisis. Since then, the U.S. stock market has been on a tremendous bull market upswing for over six years. The S&P 500 has gained about 200%. So far, Obama is shaping up to be one of the best presidents for the stock market in modern history.

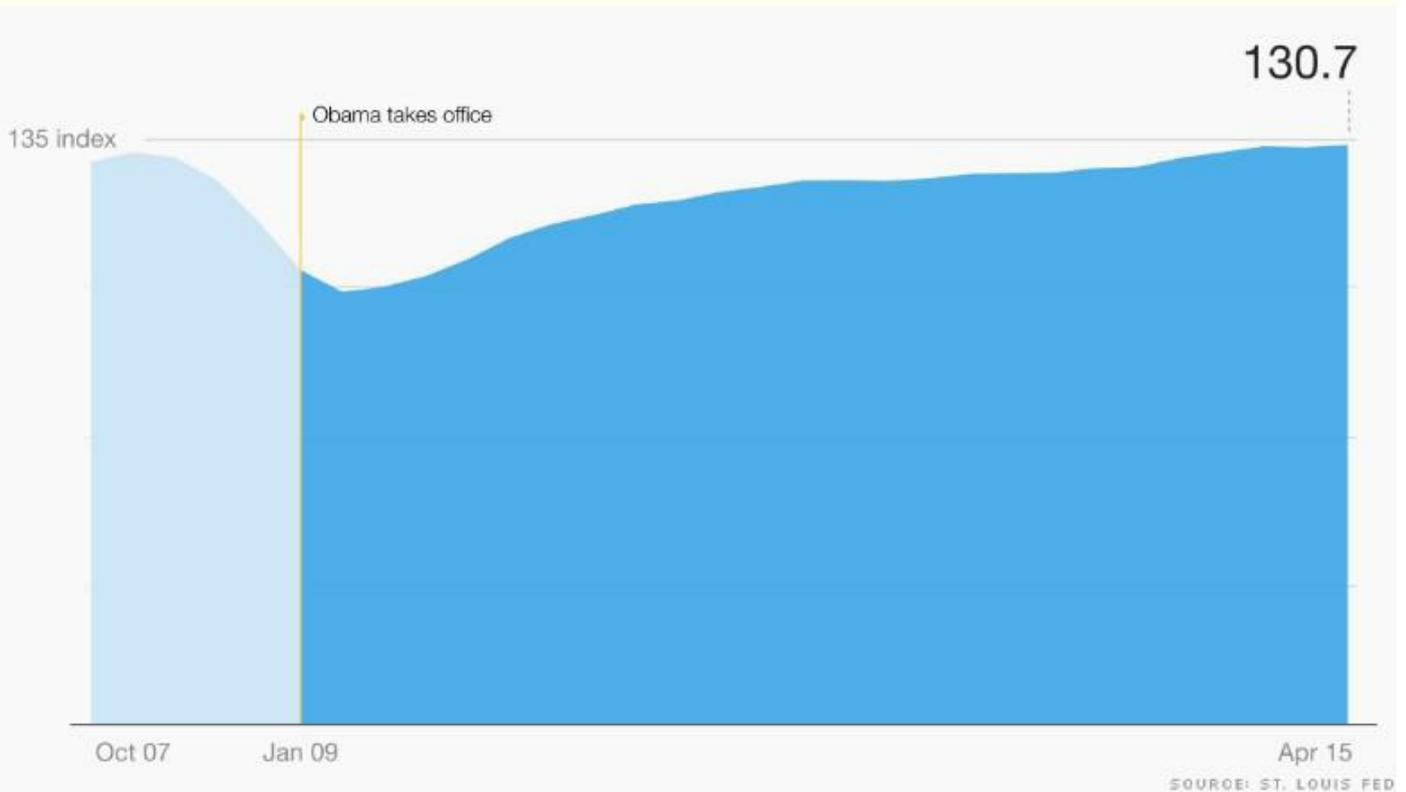


Food Stamps

One of the clearest signs of how much Americans were hurting during the recession is that nearly 50 million—roughly 15% of the population—needed food stamps. Food stamp use peaked in 2013 and has fallen a little since, although it remains far higher than when President Obama took office in 2009. It's another sign the recovery hasn't helped many.

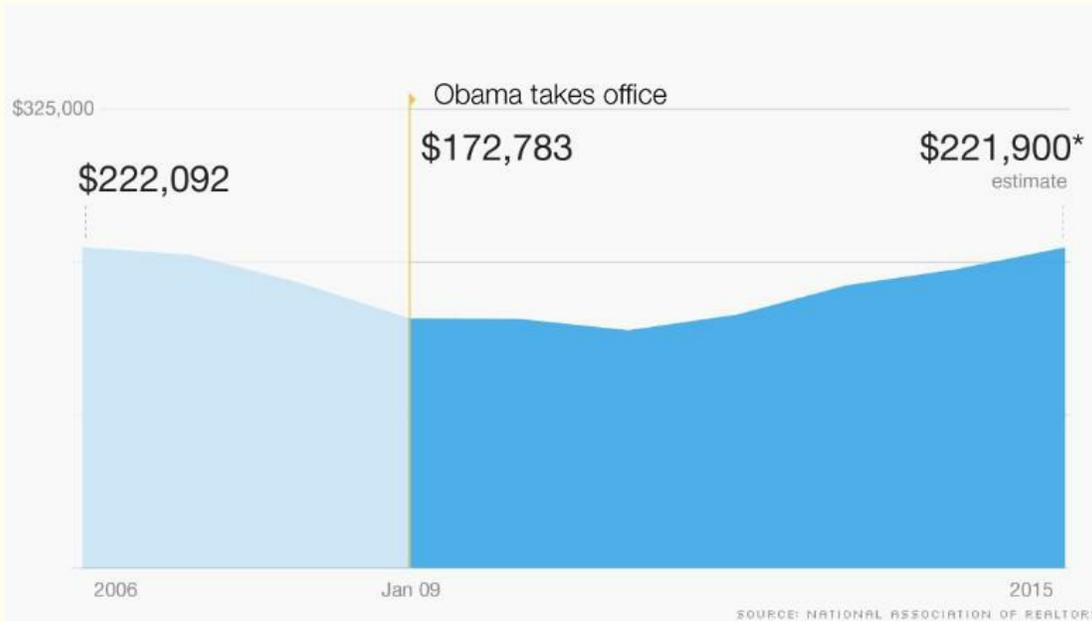


U.S. Manufacturing



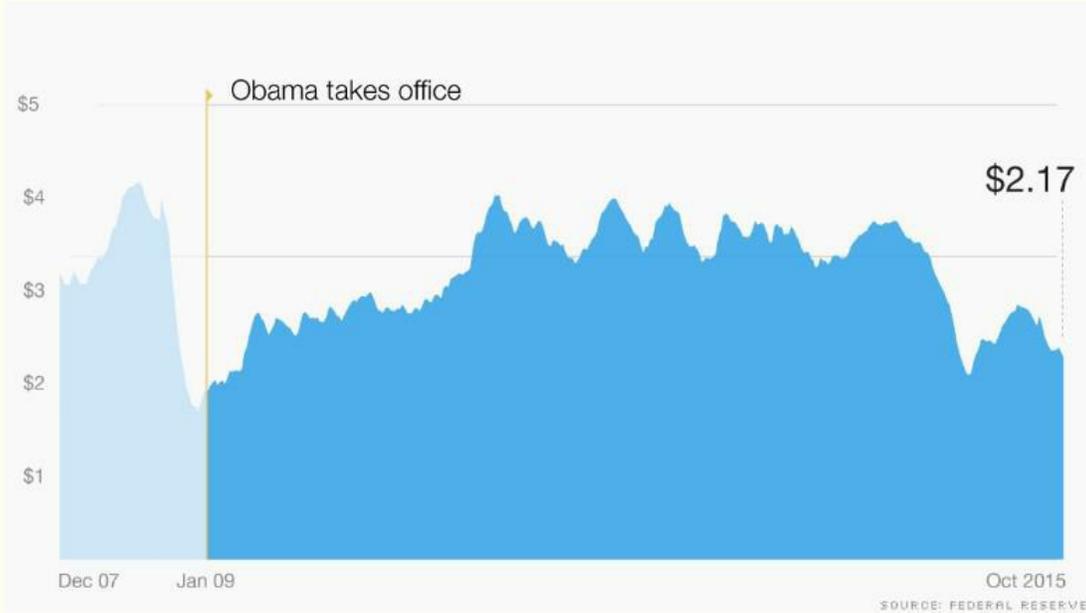
Manufacturing has been a bright spot in the Obama economy. It is doing even better than it was prior to the recession, according to the manufacturing output index. Efforts to save the auto industry kept jobs alive and now car sales are booming again. Furthermore, explosive growth in the U.S. energy sector, especially shale gas production in the Dakotas, Pennsylvania and Texas has fueled new jobs in energy and related sectors.

Home Prices



The financial crisis was caused in part by too many homes being sold to people who could not afford them. As a result, the housing sector was hit hard by the Great Recession. People have struggled to get mortgages, which is why homebuyers are getting older. But there are signs of hope. The median sales price of existing homes in the U.S. is just shy of \$222,000, according to the National Association of Realtors. That's the same price as 2006—before the crisis.

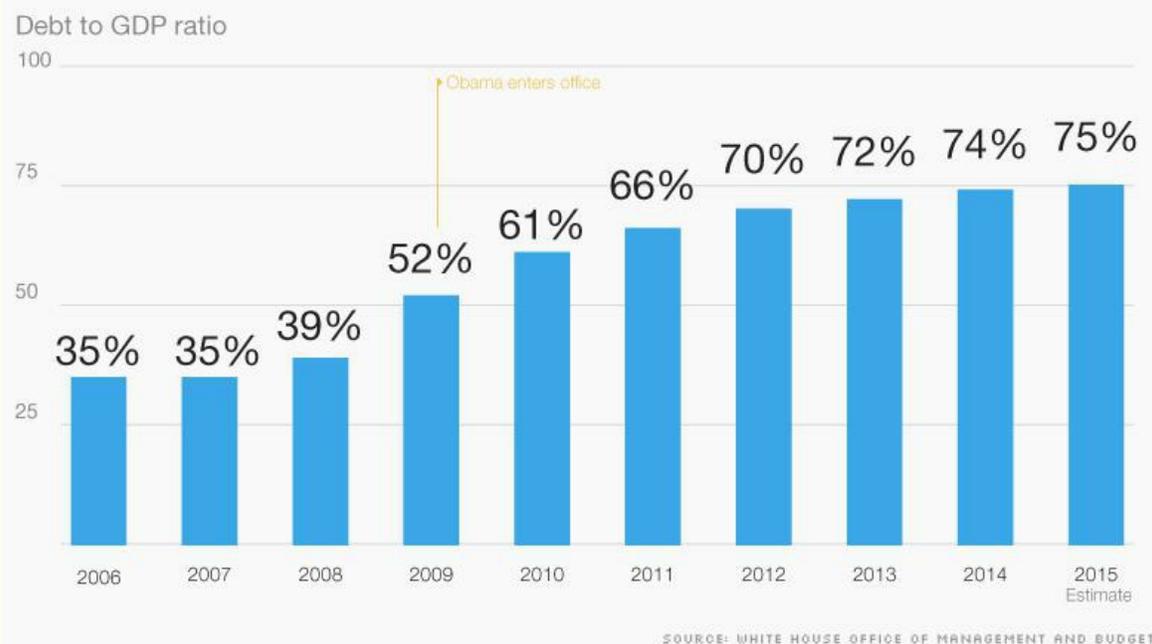
Gas Prices



Gas prices are notorious for fluctuating wildly. Since President Obama took office, the national average for a gallon of regular gas has been as high as \$3.91 in 2011 and as low as \$1.81 a gallon the month he took office. Today prices are at \$2.17 a gallon—nearly \$1 lower than a year ago, according to the Energy Information Administration. Many Americans are saving hundreds of dollars a year at the pump. It's money they are spending on eating out more and "mini splurges."

U.S. Government Debt

Congress and President Obama spent an insufficient amount to stimulate the economy during and after the Great Recession. America has run a deficit every year since Obama took office, although it's become smaller. The latest deficit was the lowest since 2007. As long as GDP grows faster than the debt, it's largely irrelevant.



In watching the Republican debate the other night (October 28th), I was appalled by the candidates demonizing the current administration and the deliberate misrepresentations regarding the economy and their convenient amnesia about who was responsible for the Great Recession. They ignored education, climate change and infrastructure investment. Among the problems they did tick off: income inequality, slow growth in GDP, the National Debt, the projected insolvency of Social Security and Medicare. They said that all would be ameliorated by further tax cuts when the overwhelming evidence has been proven this to be demonstrably wrong.

CARNAC, JEOPARDY AND MORTGAGE LENDING



Carnac the Magnificent was a recurring comedic role played by Johnny Carson on *The Tonight Show Starring Johnny Carson*. One of Carson's most well known characters, Carnac was a "mystic from the East" who could psychically "divine" unknown answers to unseen questions. The act involved divining the answer to a question written on a card sealed inside one of the envelopes, announcing it to the audience, then tearing open the envelope to reveal the question. The comedy came from an unexpected question following a seemingly straightforward answer. The resulting jokes often involved puns or wordplay:

A: Bible belt.

Q: What holds up Oral Roberts' pants?

A: Igloo.

Q: What do you use to keep your ig from falling off?

A: The Orient express.

Q: What is a drink made with soy sauce and prune juice?

A: Crabgrass.

Q: What do crabs get high on?

Jokes would also be topical; for instance:

A: "Over 105 in Los Angeles" (presumably referring to the temperature) instead led to

Q: "Under the Reagan plan, how old would you have to be to collect Social Security?"

The longest laugh ever recorded was given to

A: "Sis Boom Bah"

Q: "What sound do you hear when a sheep explodes?"

The same reversed Q & A format was the basis of a quiz show created by Merv Griffin. Again, the twist was that response (to the answer) had to be phrased in the form of a question.

Example:

Answer: The longest running game show on American television.

Question: What is Jeopardy?

So, what does all of this have to do with mortgage lending? Allow me to respond in the same vein.

Answer: The most sweeping change to hit the residential mortgage lending in the past 30 years, affecting lenders, mortgage brokers and real estate agents.

Question: What is TRID?

Answer: TRID went into effect when?

Question: What is October 3, 2015?

Answer: The Loan Estimate (LE)

Question: What is the document called that merges the Truth In Lending (TIL), the Uniform Residential Loan Application (form 1003), the Fees Worksheet (FW) and the Good Faith GFE under TRID?

Answer: The Closing Disclosure (CD).

Question: What is the name of the document combining the final Truth-In-Lending disclosure and the HUD-1.

Answer: T from TIL (Truth In Lending), R from RESPA (Real Estate Settlement Procedures Act) and ID from Integrated Disclosure

Question: How was the TRID acronym arrived at?



Answer: Applicants

Question: What are borrowers referred to under TRID

Answer: Clearer and easier to understand.

Question: Under TRID, the new forms were designed in response to consumer surveys in which borrowers requested that loan forms be what?

Answer: Knowledgeable and empowered?

Question: What did respondents in the TRID survey say that they felt when they were comfortable with the lending process?

Answer: Less than 50 percent.

Question: What is the percentage of home buyers that shop for a loan?

Answer: More likely to shop.

Question: What activity did borrowers engage in when they felt knowledgeable and empowered about the lending process?

Answer: Know Before You Owe”

Question: What is the approach that the CFPB is adopting to make borrowers more comfortable and knowledgeable about mortgage loans?

Answer: Building equity faster.

Question: What do cheaper loans permit?

Answer: Probably not.

Question: Will I ever write a column using this gimmicky format again?



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

EVER FEEL LIKE YOU ARE
ONE DUMB ASS AWAY
FROM COMPLETELY LOSING IT?



RATE SUMMARY

Though rates moved up and down, they ended where they began.

*Conforming programs—nil change ↓
The 5/1 conforming ARM was an 1/8th worse at 2.50%

*Jumbos—nil change ↓
The 30 yr. fixed rate increased an 1/8th to 3.875%

*Governments—no change ↓



FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO: www.mortgagestraighttalk.com Then, click on the menu tab labeled "RATES". The rate sheets are updated every Friday.