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IN THIS MONTH'S ISSUE

BEST BUYS THIS MONTH

- Conforming 30 yr. Fixed @ 3.625%
- Conforming 15 yr. Fixed @ 2.990%
- Conforming 5/1 ARM @ 2.750%
- High Balance Conforming 30 yr. Fixed @ 3.750%
- High Balance Conforming 15 yr. Fixed @ 3.000%
- Jumbo 30 yr. Fixed @ 4.000%
- Jumbo 5/1 ARM @ 3.125%
- VA 30 yr. High Balance Conforming Fixed @ 3.250%

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

MACROECONOMIC MOVES AND MORTGAGE MARKET ANALYSIS

ECB Stimulus Disappoints (Week ending Dec. 4)

The European Central Bank (ECB) announced additional stimulus measures, but the package was smaller than investors had expected. The ECB cut rates and will extend its bond purchase program by six months, but the quantity of monthly purchases will remain at $60 billion euros. Investors were looking for a large expansion of this figure. The smaller than expected package means less added demand for bonds, and bond yields around the world, including U.S. mortgage-backed securities, which moved higher on the news. This caused mortgage rates to move higher.

While Europe and most other countries are adding stimulus, the Fed is beginning a cycle to tighten monetary policy. This

has raised the value of the U.S. dollar, which increases the cost of U.S. goods for foreign consumers and hurts the U.S. manufacturing sector. This was seen on 12/1 as the ISM national manufacturing index unexpectedly dropped to the lowest level since 2009. Slower economic growth is positive for mortgage rates, because it reduces inflationary pressure, and this report caused rates to move lower

Friday's important BLS employment report was a little stronger than expected. Against a consensus forecast of 190K, the economy added 211K jobs in November. Upward revisions to prior months added another 35K. The Unemployment Rate remained at 5.0%. Average hourly earnings, a proxy for wage growth, were 2.3% higher than a year ago. The report caused some volatility, but it had little net effect on mortgage rates. The solid labor market data made investors nearly certain that the Fed will hike rates at the next meeting on December 16.

Oil Prices Fall (Week ending Dec. 11)

The price of oil declined during the week to the lowest level in seven years. This is great for consumers, but has mixed effects on financial markets. The drop weighed heavily on energy stocks and concerns spread throughout the broader stock market. Investors sold stocks and bought safer investments like government-backed mortgage-backed securities (MBS). The added demand for MBS pushed mortgage rates lower.

With more cash in their pockets from lower gas prices, consumer spending in other areas showed solid improvement in November. After three disappointing months, retail sales, excluding volatile auto sales, rose nicely. Consumer spending accounts for about 70% of economic output in the U.S., and the retail sales data is a key indicator.

Fed Raises Rates (Week ending Dec. 18)

After holding the federal funds rate near zero for seven years, the Fed announced on Wednesday a widely expected rate hike of 25 basis points. According to the Fed statement, there has been "substantial improvement" in the labor market, and the economy is on a path of "sustainable improvement." Regarding future policy, Fed officials expect that economic conditions will warrant only “gradual” increases in rates. The statement also noted that the Fed does not expect to reduce its holdings of MBS and Treasuries any time soon. While there has been a wide range of forecasts about what "gradual" means for future rate hikes, investors overall were pleased that the Fed does not appear to be in any rush to take additional steps to tighten monetary policy.

The Fed's dual mandate includes striving for maximum employment and stable prices. There is little disagreement that the labor market has been steadily improving. Inflation has remained below the Fed's desired rate, however. In the statement, Fed officials expressed that they were "reasonably confident" that inflation would rise to their target level.

One widely followed indicator released on Tuesday, the consumer price index (CPI), showed that core inflation in November continued its steady climb seen this year. Core inflation excludes the volatile food and energy components. Another measure important to the Fed, the core PCE price index, has shown little indication of a pickup in core inflation. The November reading for core PCE will come out next week.

Home Sales Decline (Week ending Dec. 30)

The last batch of data released this year on housing activity showed that we are ending 2015 at better levels than in 2014, but below the best levels of this year. A surprising 11% drop in existing home sales in November can be, at least partially, attributed to longer closing times resulting from new closing disclosure regulations.

While existing home sales dropped sharply, NAR's Pending Home Sales Index for November was nearly unchanged. This index measures contracts to buy existing homes which were signed during the month. This measure would not have been affected by the new regulations. Fannie Mae projects the improvement in housing activity seen in 2015 will continue in 2016 with a 3.9% increase in total homes sales.

The most recent inflation reading, the core PCE price index, showed that in November, inflation remained well contained, at an annual rate of just 1.3%. Both low commodity prices and a stronger dollar have helped keep inflation low in 2015. However, the effect these have on inflation is transitory. Unless commodity prices continue to fall or the value of the dollar continues to rise, future readings will not reflect these benefits. The Fed's effectiveness at keeping expectations for future inflation low will influence mortgage rates in 2016.

WHY MORTGAGE RATES ARE NOT GOING UP NOW , BUT....

Look out, mortgage rates are going up! That's the fear mongering that some are telling homeowners and homebuyers after the Federal Reserve raised interest rates—a tad—off their recent lows.

But when a realtor or well-meaning relative tells you to buy a house ASAP, remind them that the Fed funds rate isn't the mortgage rate. The current rate on a 30-year mortgage is 3.97%. That's incredibly low by historical standards. Most experts don't think mortgages will go much higher than 4% anytime soon. The early indications are that rates barely budged after the big Fed announcement (and they may even go down).

Mortgage rates are tied to mortgage backed securities and they are reflective of the yield on the 10-year U.S. Treasury bond. NOTE: there is not an absolute correlation between the two but the latter is influential in affecting mortgage rates. Mortgage rates fell on Thursday following the Fed's rate hike.

There probably won't be much difference between buying a home now or next year. Even if mortgage rates were to go up to 4.5% this summer, that would only add about $700 a year to the mortgage payments for a $200,000 home.

Home prices are likely to come down

The other key thing to keep in mind is that as mortgage rates go up, home prices usually come down. That could be good for buyers. Right now many cities have been "seller's markets." There aren't many homes for sale but there are a lot of people looking

A lot of people aren't even aware of the rates

People looking for homes say they would be "anxious" about mortgage rates going up, according to a recent survey from Berkshire Hathaway Home Services. Nearly 4 in 10 say they would be discouraged from even starting the process of looking for a home. But the same Berkshire survey also found that many buyers don't have a clue what the mortgage rates are. It's why mortgage brokers and real estate agents spend time educating home buyers about rates and what their monthly costs will be.

Potential buyers who are paying attention to the Fed should feel some ease because rates are unlikely to go up much, even by December 2016. The Fed has stressed that it plans to move slowly and gradually to raise rates further. Some investors even think the Fed will end up having to cut rates again.

Many investors are concerned about a global economic slowdown and they continue to buy U.S. government bonds, which helps keep rates low. The Fed also continues to buy a ton of mortgage-backed securities. Until the Fed stops gobbling up mortgages entirely, rates will stay cheap.

It is a good time to refinance

The key figure to watch is when mortgage rates hit 5%. That could be a turning point.

For now, experts say the only people who should act soon are homeowners trying to refinance, although the window of opportunity won't close immediately.

HEALTHCARE REFORM: OPPOSITE PERSPECTIVES

About a year ago, a reader wrote in, incredulous that I thought Obamacare was a good thing for the country. I have taken his position into consideration and it goes without saying that it is valuable to present both sides of health care reform in order to arrive at a fuller understanding of what's involved. The pro perspective is a reprint of Nobel Laureate Paul Krugman's column from June 19th, 2014 in the N.Y. Times.

The Hype Behind the Health Care Scandal

You've surely heard about the scandal at the Department of Veterans Affairs. A number of veterans found themselves waiting a long time for care, some of them died before they were seen, and some of the agency's employees falsified records to cover up the extent of the problem. It's a real scandal; some heads have already rolled, but there's surely more to clean up.

But the goings-on at Veterans Affairs shouldn't cause us to lose sight of a much bigger scandal: the almost surreal inefficiency and injustice of the American health care system as a whole. And it's important to understand that the Veterans Affairs scandal, while real, is being hyped out of proportion by people whose real goal is to block reform of the larger system.

The essential, undeniable fact about American health care is how incredibly expensive it is — twice as costly per capita as the French system, two-and-a-half times as expensive as the British system. You might expect all that money to buy results, but the United States actually ranks low on basic measures of performance; we have low life expectancy and high infant mortality, and despite all that spending many people can't get health care when they need it. What's more, Americans seem to realize that they're getting a bad deal: Surveys show a much smaller percentage of the population satisfied with the health system in America than in other countries.

And, in America, medical costs often cause financial distress to an extent that doesn't happen in any other advanced nation.

How and why does health care in the United States manage to perform so badly? There have been many studies of the issue, identifying factors that range from high administrative costs, to high drug prices, to excessive testing. The details are fairly complicated, but if you had to identify a common theme behind America's poor performance, it would be that we suffer from an excess of money-driven medicine. Vast amounts of costly paperwork are generated by for-profit insurers always looking for ways to deny payment; high spending on procedures of dubious medical efficacy is driven by the efforts of for-profit hospitals and providers to generate more revenue; high drug costs are driven by pharmaceutical companies who spend more on advertising and marketing than they do on research.

Other advanced countries don't suffer from comparable problems because private gain is less of an issue. Outside the U.S., the government generally provides health insurance directly, or ensures that it's available from tightly regulated nonprofit insurers; often, many hospitals are publicly owned, and many doctors are public employees.

As you might guess, conservatives don't like the observation that American health care performs worse than other countries' systems because it relies too much on the private sector and the profit motive. So whenever someone points out the obvious, there is a chorus of denial, of attempts to claim that America does, too, offer better care. It turns out, however, that such claims invariably end up relying on zombie arguments—that is, arguments that have been proved wrong, should be dead, but keep shambling along because they serve a political purpose.

Which brings us to veterans' care. The system run by the Department of Veterans Affairs is not like the rest of American health care. It is, if you like, an island of socialized medicine, a miniature version of Britain's National Health Service, in a privatized sea. And until the scandal broke, all indications were that it worked very well, providing high-quality care at low cost.

So here's what you need to know: It's still true that Veterans Affairs provides excellent care, at low cost. Those waiting lists arise partly because so many veterans want care, but Congress has provided neither clear guidelines on who is entitled to coverage, nor sufficient resources to cover all applicants. And, yes, some officials appear to have responded to incentives to reduce waiting times by falsifying data.

Yet, on average, veterans don't appear to wait longer for care than other Americans. And does anyone doubt that many Americans have died while waiting for approval from private insurers?

A scandal is a scandal, and wrongdoing must be punished. But beware of people trying to use the veterans' care scandal to derail health reform.

And here's the thing: Health reform is working. Too many Americans still lack good insurance, and hence lack access to health care and protection from high medical costs — but not as many as last year, and next year should be better still. Health costs are still far too high, but their growth has slowed dramatically. We're moving in the right direction, and we shouldn't let the zombies get in our way.

The con point of view is a reprint of the Feb. 12, 2015 article as compiled by the editors at

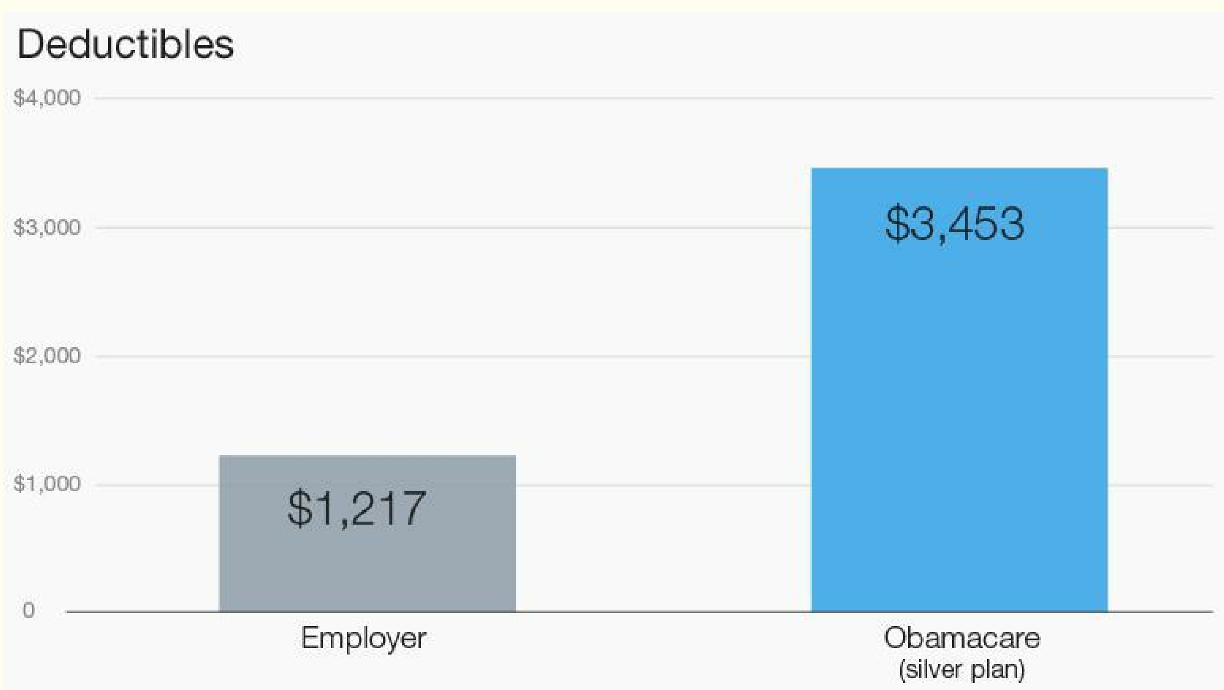
CNNMoney.com

You'll pay a lot more to see the doctor with Obamacare

Health insurers should thank Obama. Obamacare enrollees have to shell out a lot more to see the doctor or get medications than their peers with job-based health insurance. Deductibles, co-payments, and drug payments are higher under the average Obamacare silver-level plans—the most popular—than employer policies, according to a CNNMoney comparison of reports by Kaiser Family Foundation and Health Research & Education Trust. The reports looked at policies offered on the exchanges for 2015 and those enrolled in employer plans in 2014.

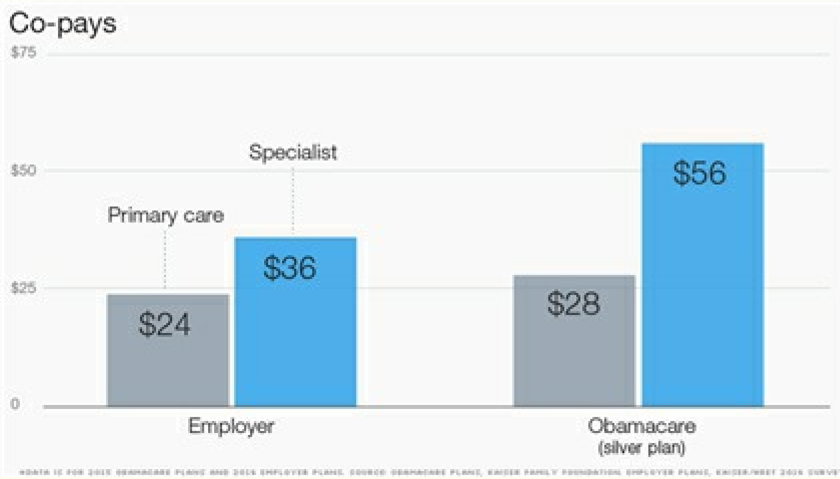
To be sure, having Obamacare coverage is often better than being uninsured, especially if you rack up big bills through a major illness or accident. Obamacare also offers cost-sharing subsidies for low-income Americans, which reduces their deductibles and co-pays. Health reform also mandated that insurers fully cover a range of preventative services, such as an annual wellness exam and various screenings, for free.

And there is wide variety in out-of-pocket costs in both Obamacare and job-based plans. For many in the individual market, Obamacare eliminated sky-high deductibles of $10,000 or more that were common before health reform. "The cost sharing is higher on the exchange than in the employer market, but it's lower than it was before," said Gary Claxton, director of the Health Care Marketplace Project, at the Kaiser Family Foundation.



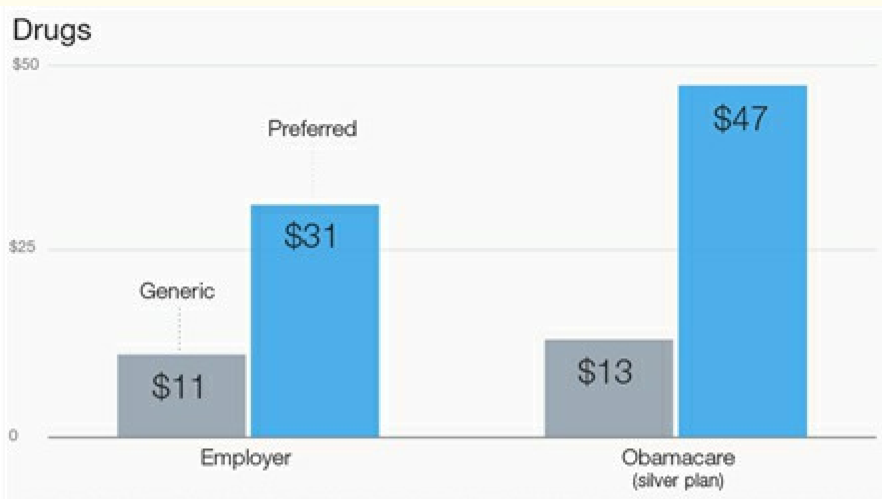
Those who need regular medical care can often opt for policies with smaller out-of-pocket costs, but they usually come with higher monthly premiums. For instance, gold-level Obamacare plans have lower deductibles and co-pays but cost more per month. Employers offer plans with more generous benefits, but they too come at a price.

High deductibles have been a sore point with some Obamacare enrollees. They have complained that they have to shell out thousands of dollars, on top of their monthly premium, before their insurance kicks in. Employers have also been raising deductibles, but they are generally lower than in many Obamacare plans.

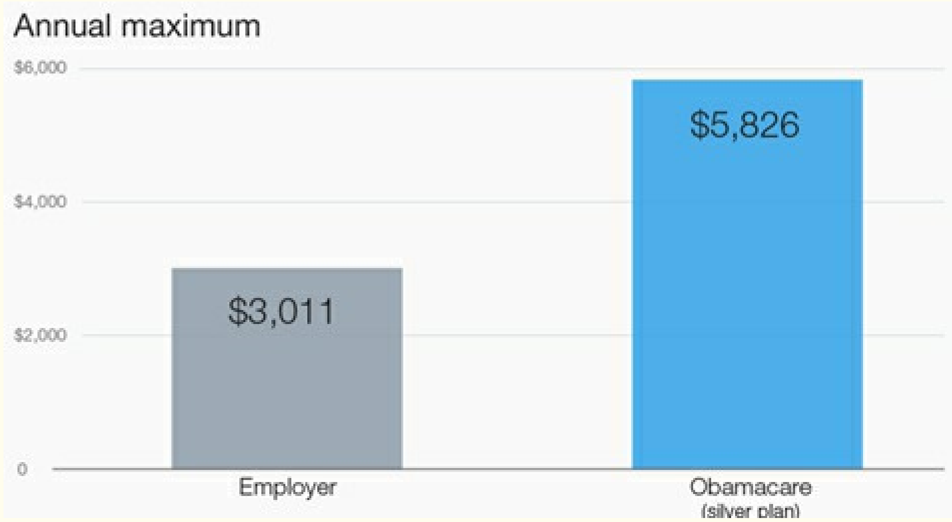


Even after they meet the deductible, enrollees in both Obamacare and work-based plans have to fork over a co-pay or co-insurance, a share of the bill, to see a doctor. Employers have been raising their co-pays in recent years, but those in Obamacare plans are still higher.

When it comes to co-insurance, Obamacare policyholders have to shoulder a larger burden. Obamacare enrollees will have to pay 26% of the charge to see a primary care doctor or a specialist, while those in job-based insurance pay only 18% for primary care and 19% for specialist visits.

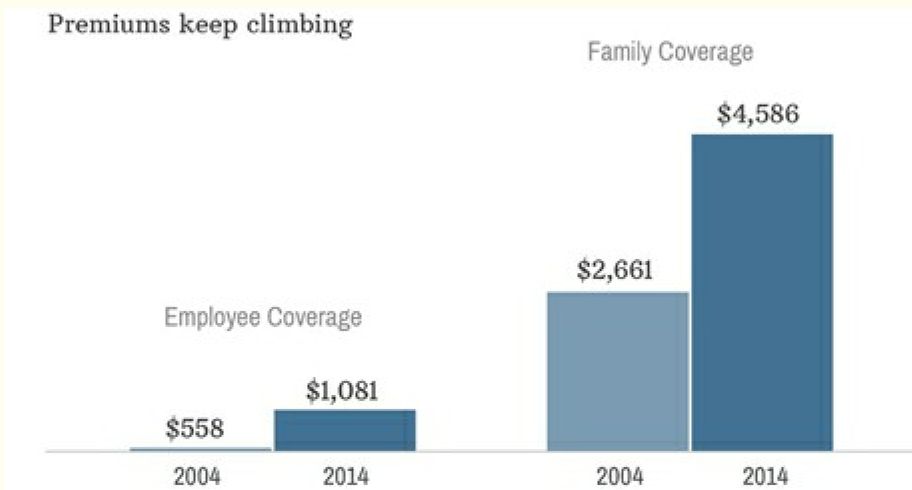


Most health insurance plans now offer tiered levels of drug coverage, depending on the prescription needed. You'll pay about the same amount for generic drugs, but preferred brand-name drugs are pricier under Obamacare.



Before Obamacare, plans on the individual market usually had no annual ceiling on out-of-pocket costs. Employer plans often did set a limit on workers' liability each year. Now, both groups have that protection, though Obamacare enrollees are responsible for nearly twice what employees are, on average. Whatever plan they have, consumers should brace for higher out-of-pocket costs in the future. Employers and insurers are pushing more of the burden onto patients, partly in an effort to keep premiums in check and partly to make consumers more conscious of their health care spending.

5 ways you pay more for health insurance



1. Premiums Keep Rising

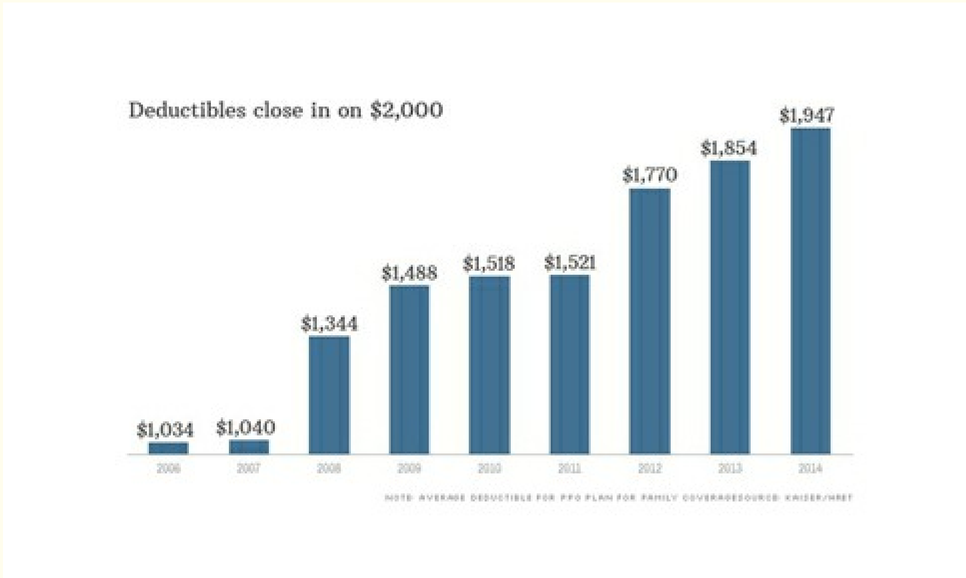
Health care spending growth may be at record lows in recent years, but employees are shelling out way more for premiums, deductibles, doctors' visits and drugs. Workers with solo coverage now pay an average of $1,081 in annual premiums, according to a Kaiser Family Foundation/Health Research & Educational Trust report released Wednesday. That's up a whopping 8.1% from a year ago. Family coverage costs workers an average of $4,823 a year now. That's up 5.7%, though Kaiser said the change is not statistically significant.

Overall, average annual premiums (the total of what employees and employers pay for someone's health care) rose 3% to $16,834 for family coverage and stayed basically flat for single coverage at $6,025. Employers continue to pick up the majority of the tab, with workers shouldering 29% of the total family coverage premium and 18% of the employee-only premium.

Looking at health care costs today versus a decade ago is telling. Not only are workers paying more in premiums, they are picking up more of the tab at the doctor's office and pharmacy. This is one way that companies are keeping premium hikes under control.

Here are four other ways employees are seeing their costs rise:

2. Deductibles are higher

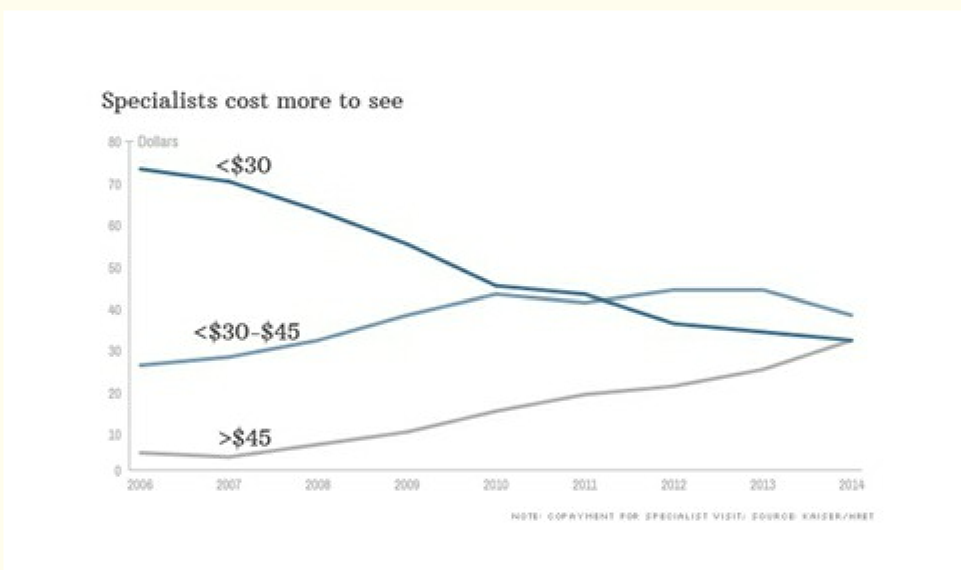


Most workers have to rack up big bills these days before their insurance even kicks in. Not too long ago, half of employees had deductibles below $500. Now, only one-third do. Instead, companies are offering more insurance plans that come with high deductibles, some of which top $2,000 a year. These plans often have lower deductibles and are paired with health savings accounts. Some employers will partially fund the accounts to lessen the deductible's bite. Smaller firms with fewer than 200 employees are almost twice as likely to have employees enrolled in plans with annual deductibles exceeding $2,000.

3. Doctor visits cost more out of pocket

Less than a decade ago, half of workers could see their primary care doctor for less than $20. Now, it's getting more common to pay over $30 -- or even $40 -- for a visit. Nearly 75% of workers have co-payments, with the average amount being $24. Another 18% have co-insurance, where employees pay a share of the visit's bill, often close to 20% of the total amount.

4. Specialist visits cost even more



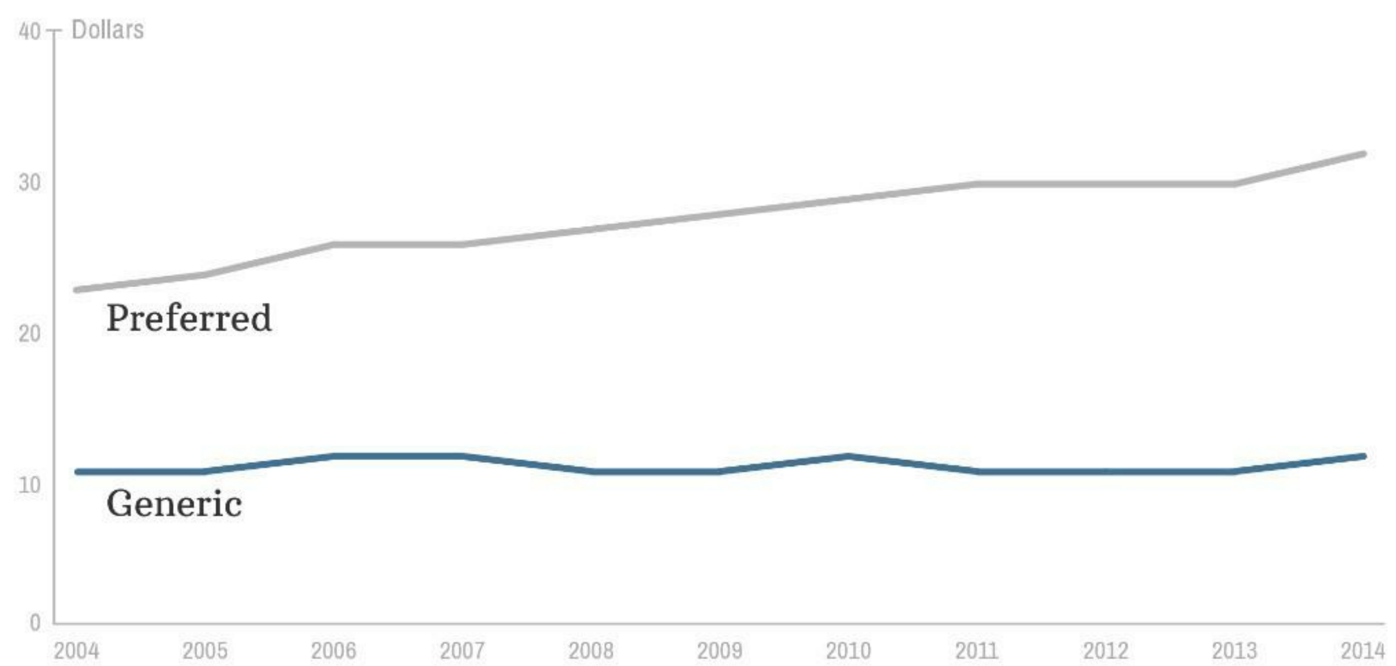
The average specialist co-payment is $36, but nearly a third of workers have to pay more than $45. Co-payments are still more prevalent, but 21% have co-insurance, where they have to pick up about a fifth of the tab.

5. Drugs now come in tiers

The price for generic drugs has stayed relatively stable in recent years, but the cost of preferred prescriptions has been creeping up. Companies responded by creating different tiers of coverage. For instance, workers who opt for a brand-name drug instead of its generic alternative may have to pay an average of $53 for it, instead of $11 for the generic or $31 for a brand-name drug that doesn't have a generic equivalent.

Insurance companies are also adding a fourth tier for certain complex medicines or so-called "lifestyle drugs," such as weight loss or erectile dysfunction prescriptions. This tier costs an average of $83.

Preferred drugs are costlier, but not generics



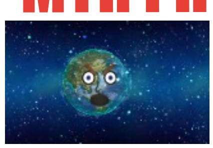
MORTY'S MAILBAG 

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

EARTH Without Art Is just "Eh"



RATE SUMMARY 

In the past month, rates increased modestly.

*Conforming programs—1/8th to a 1/4 for a few programs ↑
*Jumbos—1/4 to 3/8th worse ↑
*Governments—nil 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.