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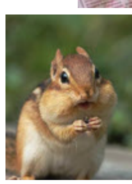

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MACROECONOMIC MOVES AND MORTGAGE MARKET ANALYSIS

Job Gains Fall Short (Week ending 4/5/2013)

A wide range of economic news was favorable for mortgage rates this week. The Employment data was weaker than expected, Japan expanded its bond-buying program, and tensions with North Korea increased. As a result, mortgage rates ended the week significantly lower.

Friday's Employment report was disappointing in nearly every area. Against a consensus forecast of 190K, the economy added just 88K jobs in March. Average Hourly Earnings, a proxy for wage growth, was flat from last month. Digging deeper, the small bit of good news was that the data from the prior two months was revised higher by 61K jobs. This was far outweighed, however, by the bad news in the details of the Unemployment Rate. The Unemployment Rate unexpectedly dropped from 7.7% to 7.6%, but the decline was entirely due to people exiting the labor force. It is good for the economy if the Unemployment Rate declines because more people get jobs, but not if the cause is a shrinking labor force. Weak labor market data reduces future inflation expectations, which is good for mortgage rates. In addition, it likely extends the duration of the Fed's bond-buying program, which is also good for mortgage rates.

Thursday, the Bank of Japan (BOJ) announced that it will sharply ramp up its bond purchases to levels which will add $1.4 trillion to its balance sheet over the next two years. Like the Fed, the BOJ is buying bonds to help boost the economy. This added demand for Japanese bonds caused their yields to decline, making US bonds relatively more attractive to global investors. This benefited US mortgage-backed securities (MBS), which helped push mortgage rates lower.

Mortgage Rates Hold Steady (Week ending 4/12/2013)

Following last week's large rally, it was a relatively quiet week for mortgage rates. In the economic reports released this week, inflation remained low and the economic growth data was mixed. Mortgage rates ended the week with little change.

The economic report which received the most attention this week was Retail Sales, which represent roughly 70% of economic activity. March Retail Sales declined 0.4% from February, which was weaker than expected. Since the beginning of the year, investors have been concerned that consumers would scale back their spending due to the payroll tax increase, the sequester cuts, and higher gas prices. Combined with the weak March Employment report released last week, the question is how quickly the economy will grow for the rest of the year. Looking at the averages for the first three months of the year, Retail Sales growth and job gains were fairly strong even with the weakness in March.

The Federal Open Market Committee (FOMC) minutes from the March 20 Fed meeting were released on Wednesday and contained a bit of a surprise. The minutes revealed that, due to improvement in the economic outlook, there was growing support for scaling back the Treasury and mortgage-backed securities (MBS) purchase program, beginning as soon as this summer. The impact of this news on mortgage rates was limited, however, since the Fed meeting took place before the weak March Employment and Retail Sales reports were released. The recent data reduced investor concerns about an earlier than expected end to the bond-buying program. The minutes were a reminder that the economic data in coming months will determine the timing of Fed policy changes, meaning that volatility around major economic reports likely will remain very high.

Low Inflation, Moderate Growth (Week ending 4/19/2013)

While it was a rough week for the stock market, mortgage markets were very quiet. The economic data contained no major surprises, and there was little change in mortgage rates during the week.

The economic news this week showed that inflation levels remain low. The most closely watched US inflation indicator revealed that March Core Consumer Price Index inflation was just 1.9% higher than one year ago. In addition, China, the world's second largest economy, reported lower than expected first quarter GDP growth. China is an enormous source of demand for commodities, and gold, oil, and copper prices dropped sharply due to slowing growth in China. Declining commodity prices help keep inflation in check. Low inflation is always good news for mortgage rates. It is even more important right now because the Fed has announced that its MBS and Treasury purchase program will be scaled back or concluded if inflation is seen to be rising too rapidly. The Fed's program has been instrumental in keeping mortgage rates low.

The economic growth rate in the US is also very favorable for mortgage rates right now. Most signs point to steady growth at a modest rate this year. The Fed's Beige Book, released this week, reported moderate economic growth in most regions through early April. The Fed's Lacker stated that he sees the economy growing at a 2.0% annual rate this year, which is similar to the consensus view of Wall Street economists. Modest economic growth with low inflation is the sweet spot for mortgage rates.

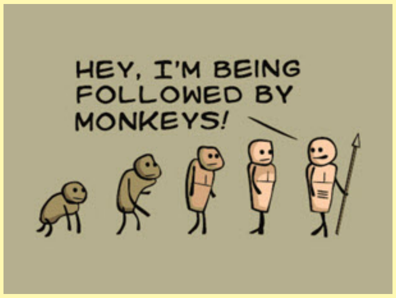
GDP Improves (Week ending 4/26/2013)

With little news, mortgage rates barely moved for the first four days of this week. Friday's weaker than expected GDP data was favorable for mortgage rates, however, and caused rates to end the week a little lower.

GDP, which measures all the goods and services produced in the US, is the broadest measure of economic growth. First quarter GDP increased at a 2.5% rate, which was below the consensus forecast, but was up from 0.4% in the fourth quarter. Strength was seen in consumer spending and residential investment. Most economists expect that GDP growth will be a little slower for the rest of the year and will be around 2.0% for all of 2013. This pace is consistent with a slowly improving labor market and tame inflation.

From the start of the year until early March, expectations for stronger economic growth and concerns about an early end to the Fed's bond buying program caused mortgage rates to increase. Since then, however, mortgage rates have fallen back to the lowest levels of 2013. The actions of central banks around the world have been a major reason for the recent decline in rates. Most Fed officials have downplayed the likelihood that the Fed will scale back its bond purchases any time soon. In addition, central banks in Japan and Europe appear to be embracing the Fed's approach for boosting economic growth. Early in April, Japan announced a massive increase in its level of bond purchases. Investors expect that the European Central Bank (ECB) may be close to announcing looser monetary policy as well, possibly as soon as next week. Each time that a central bank has announced an increase in bond purchases, the added demand has lifted global bond prices, including US mortgage-backed securities (MBS). Since mortgage rates are mostly determined by MBS prices, central bank bond buying programs have been favorable for mortgage rates.

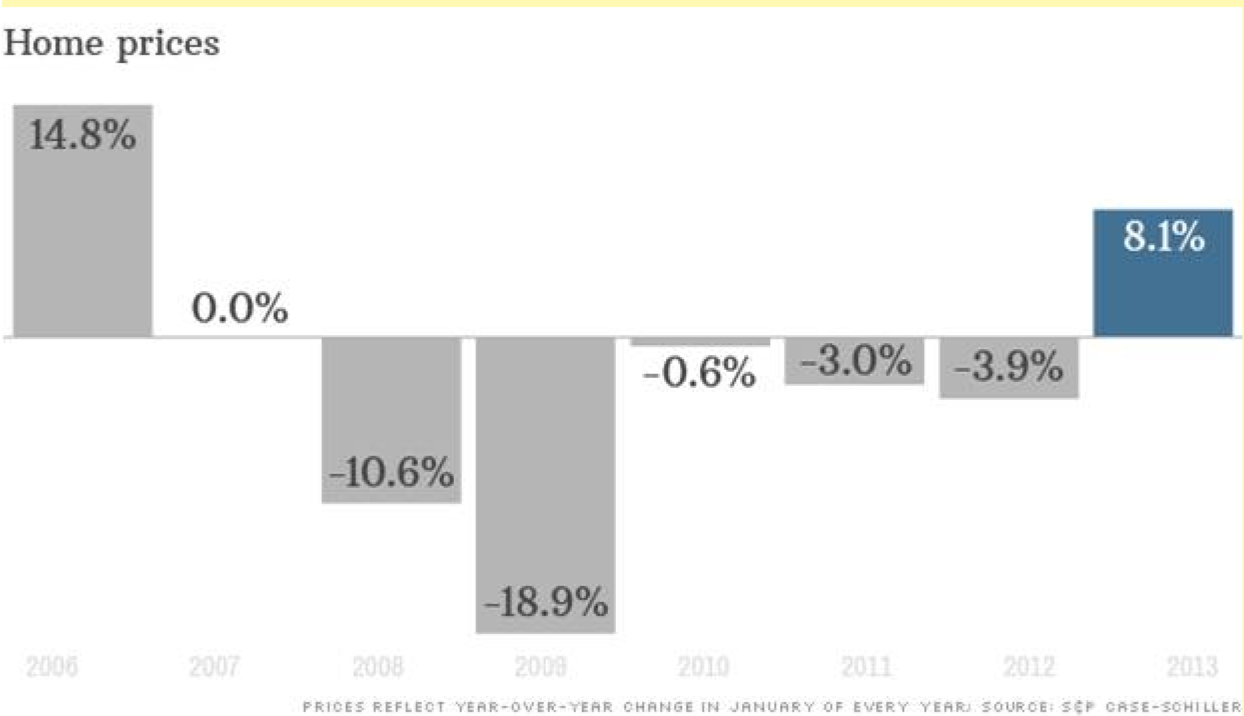
EVOLUTION?



After 10 years of writing this newsletter, I am about tapped out as to new topics to feature each month. For the past decade, I have been writing articles to enhance the content on my website, sometimes featuring the same topic multiple times. Hence, my piece on "Loan Indexes" in 2005, became "Indexes Revisited" in 2011, the article I wrote on Mortgage Insurance was updated in 2012 and the piece that I wrote on Short Sales in October of 2007 was subsequently revised in November of 2011 to become Short Sales 2.0. You get the idea. But one can only update topics so many times without driving oneself or one's readership around the bend. So, for these reasons I believe it is vital to change the direction of the newsletter. From here on out, the newsletter will be shifting away from its topical format toward a newsier, more current events approach as it relates to real property and mortgage financing. Obviously, as programs and guidelines are always subject to change, I will update the information relating to whatever topic as new information warrants. Thus, for the foreseeable future, the newsletter will be a compendium of recent news as it pertains to developments in the capital markets, mortgage financing and real estate. So without further ado…

HOME PRICES: BIGGEST RISE SINCE HOUSING BUBBLE

Home prices continued their recovery, rising 8.1% in January, although a separate report showed a slight slowdown in new-home sales. The S&P Case-Shiller index, which tracks the 20 largest markets in the nation, showed the biggest year-over-year gain in prices since June 2006.



In a separate government report Tuesday, new homes sold at a 411,000 annual rate in February, down nearly 5% from the January sales pace but up 12% from year-earlier levels. The typical price of a new home sold in the month was $246,800, up about 3% from both the January and a year earlier. Bad weather in February could be partly responsible for the slowdown in sales. But market fundamentals suggest that the market for new-home sales should remain strong. Forecasts are for even stronger sales in the second half of this year.

The Case-Shiller report shows the recovery in home prices is widespread. All 20 markets posted a year-over-year gain, and the pace of increase picked up in every market except Detroit. Some of the markets hurt the most by the bursting of the housing bubble have enjoyed the biggest gains, led by a 23% rise in Phoenix. Prices were also up more than 10% in San Francisco, Las Vegas, Detroit, Atlanta, Minneapolis, Los Angeles and Miami, all markets that had been hit hard by foreclosures. New York posted the smallest rise, up only 0.7%.

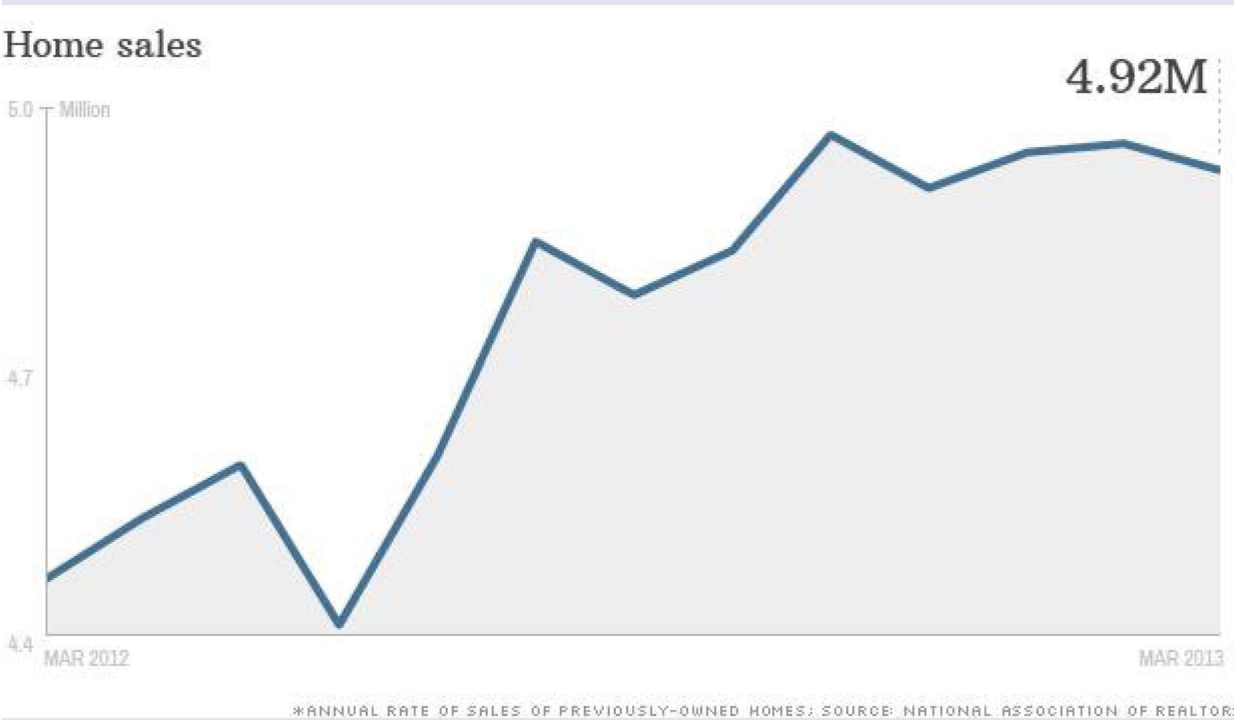
Even with the recent rise in home prices, the overall index is down 28.4% from the 2006 peak. But experts say they see a lot of strength in the current market. It appears that the market still has a long way to go nationally, but the healing process—and a return to a normalized housing market—is- definitely well underway.

Home prices have been helped in recent months by a number of factors, including tight inventory of homes available for sale, near record-low mortgage rates and a drop in homes in foreclosure. A decline in unemployment is also helping the housing recovery.

The housing recovery itself is helping support overall economic growth, as builders scramble to hire workers to meet the renewed demand. The lift goes beyond the impact of increased construction on the economy, as the rise in home prices lifts household wealth.

Rising home prices also reduce the number of people owing more on their mortgages than their homes are worth. That, in turn, can help them to refinance those loans at a lower rate, freeing up money to spend on other goods and services.

HOME SALES SLIGHTLY LOWER IN MARCH



Home sales slipped slightly in March but were much higher than levels a year ago.

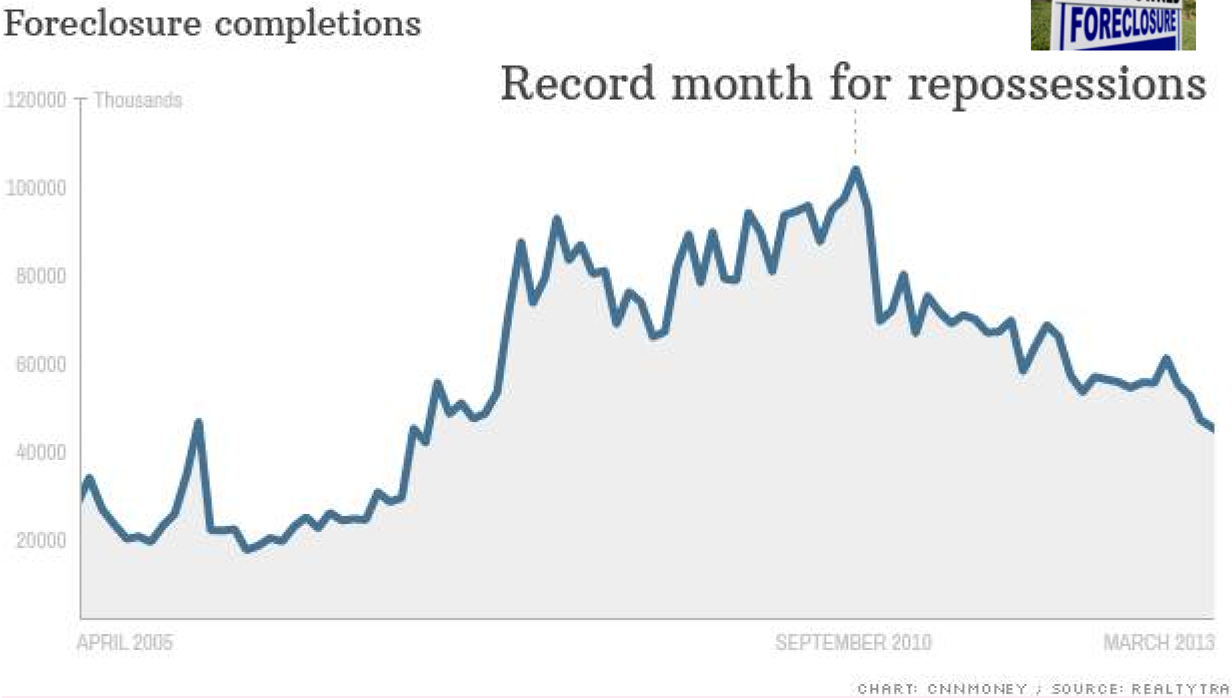
Home sales slipped slightly in March, according to the latest reading from the National Association of Realtors, but were at much stronger levels than a year ago. The Realtors' report on the sale of previously owned homes Monday showed the annual sales rate in March came in at 492,000, down 0.6% from February, but up 10.3% from a year ago.

Recent months have seen improvement in a number of market fundamentals that have lead to a recovery in the housing market. Those factors include a drop in foreclosures, near record-low mortgage rates, rising home prices and a drop in unemployment. All are helping to bring more buyers back into the market. The recovery in housing also has led to a rebound in home building and stronger new-home sales, but the market for previously owned homes dwarfs the new-home market.

The March report provided further evidence of this improvement in market fundamentals. Sales of distressed home fell from 25%, in February, to 21% of the market in March, but above the 29% of a year ago. Distressed sales include both the sale of foreclosed homes and short sales, which are sold for less than the amount owed on the mortgage. The median price of a home sold in the month rose 6% from February and 11% from a year ago to $184,300. And homes were on the market for an average of about two months, down from 91 days a year ago.

Multiple bidding is becoming more common, and more homes are selling above the asking price.

FORECLOSURES RETURNING TO PRE-HOUSING BUST LEVELS



The number of homes lost to foreclosure is reverting to levels prior to the housing meltdown. Foreclosure filings—including notices of default, scheduled auctions and bank repossessions—during the first quarter fell 23% from a year earlier, the lowest level since the second quarter of 2007.

Last month, banks repossessed just fewer than 44,000 homes. In September 2010, repossessions topped 100,000 a month. For the past couple of years, foreclosures have been on the decline as homeowners seek alternatives like short sales, in which they sell their home for less than what they owe and the bank agrees to forgive the difference.

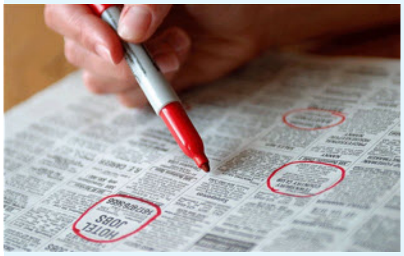
The deals are preferred by the banks over foreclosures and have less of a negative impact on a consumer's credit score. But, now, even the need to turn to short sales is waning. Government initiatives, like the Home Affordable Modification Program and Home Affordable Refinance Program, have helped millions of borrowers avoid foreclosure. And last spring, under a $25 billion settlement deal with state and federal officials, the nation's largest mortgage lenders agreed to help struggling borrowers by lowering their mortgage rates, reducing their principal and other fixes.

Now, the landscape of foreclosures is starting to look a lot like it did in the pre-bust years. A larger percentage of the nation's foreclosure activity is occurring in areas suffering from severe economic problems, such as "Rust Belt" cities like Rockford, Ill. and Chicago, not in the recently-developed, mid-to-upper class neighborhoods of California, Florida and Arizona that were hit hardest when the housing bubble burst.

And many of the people who lose their homes now are dealing with a layoff or personal issue, such as a divorce, illness or death in the family. During the housing bust, people were forced to default because of plunging home prices and unaffordable mortgage terms.

There are some states that are still struggling with a backlog of foreclosures like Florida, Illinois and Georgia, all states where courts oversee the foreclosure process. Florida had more than twice as many bank repossessions as any other state in March—nearly 7,600. Illinois, with more than 3,500, was second and Georgia, with 3,350, was third.

With prices expected to continue to rise—they were up more than 8% year-over-year in January—the number of short sales should continue to fall, and so should foreclosures.



[Editor's note: In view of the sequester, the drop in jobs for March should not have come as much of a surprise.]

UNEMPLOYMENT RATE FALLS FOR ALL THE WRONG REASONS

What seemed like good news in for the MARCH jobs report was a little less than that—the unemployment rate fell, but not because more people found work. Instead, the rate was lower because the Labor Department estimated that there are nearly half a million fewer people in the labor force—the group that includes people with a job or looking for one. In the department's survey, 206,000 fewer people said they had a job than in the previous month, even though a separate survey of employers in the March jobs report showed 88,000 jobs were added.

In addition, 290,000 fewer people were counted as unemployed because they were not actively looking for work. That drop in those seeking jobs was the reason the unemployment rate fell to 7.6%, the lowest since December 2008.

The participation rate, which counts both those with jobs and those looking for work, fell to the lowest rate since 1979, when far fewer women were in the U.S. labor force. For men age 25 and older, March was the lowest

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The difficulty for younger workers finding jobs is also a factor, as more young adults unable to find work return to school to try to improve their prospects. The participation rate for those ages 16 to 24 was near a 50-year low. But the downturn in March can't be attributed to demographic factors because the participation rate of "prime-age" workers, age 25 to 54, also fell to match the lowest reading since 1984.

It's the lack of job opportunities—the lack of demand for workers—that is keeping these workers from working or seeking work, not other factors. Estimates from the nonpartisan Congressional Budget Office show there are 3.9

MORTY'S MAILBAG

Q. How soon after a foreclosure may someone be eligible for a new home loan?

A. Your eligibility is contingent upon two things: your FICO score and from where the loan money is coming.

After bankruptcy, foreclosure is one of the things that impacts your credit score the hardest. Foreclosures and short sales usually knock about 85 to 160 points off a credit score. Scores suffer less if you pay at least the minimum on all your other bills on time and only allow your mortgage payments to go unpaid. Repairing your credit is crucial to your eligibility. Once the damage is done, it can take three to seven years for a score to fully recover.

But some lenders are willing to work with borrowers earlier than that. VA-insured loans can be obtained just two years after a foreclosure with a 640 FICO score. Similarly, with a 640, the Federal Housing Administration allows banks to issue FHA-insured loans to borrowers three years after a foreclosure or a short sale in which the borrower was in default.

Mortgage giants Fannie Mae and Freddie Mac, for example, require defaulters to wait five years and have a minimum credit score of 680 and put 10% down—before they can purchase a home again. If they don't meet those criteria the wait is seven years, at which point the foreclosure is expunged from a person's credit report.

If defaulters show that extenuating circumstances caused the foreclosure—such as a health issue that prevented them from working, a layoff, a divorce or other one-time event—the wait may be reduced to three years.

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 identified as "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

RATE SUMMARY

Overall, rates have fallen in the past 30 days ↓
Conforming loan rates are an 1/8th lower ↓
Jumbos are unchanged =
Governments are ¼ to 3/8ths lower ↓

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.

MORTGAGE MIRTH

NEXT ISSUES TOPIC:

SPECIAL(S) OF THE MONTH

- Conforming 15 yr. fixed @ 2.375%
- Conforming 5/1 @ 2.000%
- Conforming 5/1 Interest Only @ 2.125%
- Jumbo 5/1 ARM @ 2.250%
- Jumbo 30 yr. fixed @ 3.500%
- FHA/VA Conforming 30 yr. fixed @ 2.75%/2.75%
- FHA/VA Conforming 15 yr. fixed @ 2.25%/2.250%
- HomePath 30 yr. fixed @ 3.250%
- DU/Refi Plus 30 yr. fixed @ 3.25%