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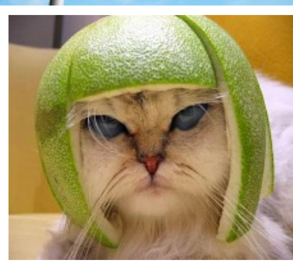
IN THIS MONTH'S ISSUE



BEST BUYS THIS MONTH

- Conforming 30 yr. Fixed @ 3.875%
- Conforming 5/1 ARM @ 2.625%
- High Balance Conforming 30 yr. Fixed @ 4.000%
- High Balance Conforming 15 yr. Fixed @ 3.125%
- Jumbo 30 yr. Fixed @ 4.125%
- Jumbo 5/1 ARM @ 2.750%
- FHA & VA Conforming 30 yr. Fixed @ 3.250% & 3.375%
- FHA & VA Conforming 30 yr. Fixed @ 2.750% & 2.750%
- FHA 30 yr. HIGH BAL. CONF. Fixed @ 3.375%
- DU Refi Plus/Open Access 30 yr. Fixed @ 4.000%

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

Strong Job Gains (Week ending June 5, 2015)

Following stronger than expected manufacturing and construction data earlier in the week, Friday's Employment report exceeded forecasts in nearly every area. Against a consensus forecast of 225K, the economy added 280K jobs in May. The Unemployment Rate did rise to 5.5%, but the increase was due to an unexpectedly large number of people entering the labor force in May, a sign of strength.

Average Hourly Earnings were 2.3% higher than a year ago, exceeding the consensus. The strength in job gains and wage growth raised expectations for future inflation and brought forward the expected timing of the first federal funds rate hike.

The economic data in Europe also was unfavorable for mortgage rates. In particular, the eurozone inflation data released over the past week was higher than expected. Comments from the President of the European Central Bank (ECB) suggested that inflation is expected to continue to increase in the region. Investors are concerned with how the data might influence the bond purchase program of the ECB.

Mixed news about the situation in Greece caused volatility in mortgage rates over the past week. Greece was allowed to defer its debt obligations until the end of the month, allowing more time for negotiations. It's not clear how close Greek and eurozone officials are to reaching a bailout agreement.

Greece Trumps U.S. Data (Week ending June 12, 2015)

Headlines about Greece have continued to influence U.S. mortgage rates. On Thursday, it was reported that IMF officials departed from their meeting with Greek officials due to a lack of progress. After months of negotiations without a deal, investors grew more concerned that no bailout agreement will be reached. It is not clear what impact a Greek default would have, and the uncertainty caused investors to shift to relatively safer assets, including U.S. mortgage-backed securities.

Following the stronger than expected May Employment report, Tuesday's JOLTS report provided additional evidence that the labor market continues to improve at a solid pace. Job openings in April rose to the highest level since December 2000. Employees also showed a high willingness to voluntarily leave their jobs, a sign of confidence that they will be able to find another job. Strong data is great for the economy, but it raises expectations for future inflation, which is negative for mortgage rates.

Thursday's Retail Sales report also exceeded expectations. Retail sales ex-auto rose 1.0%. The next highest reading over the past year was just 0.4%. The strong results over the past three months suggest that the weakness in spending seen over the winter was due to temporary factors such as bad weather and port strikes.

Focus is on Greece (Week ending June 19, 2015)

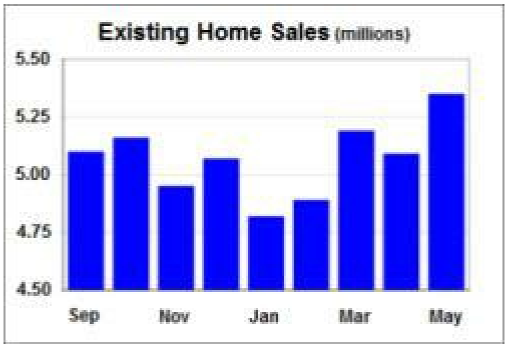
A lack of progress in the negotiations between Greece and its creditors has raised concerns for investors. Neither side has indicated much willingness to compromise over required reforms. Without a bailout, Greece likely will default on debt payments due on June 30. The response of investors to the uncertainty about the global impact of a default has been to shift to safer assets such as German and U.S. government bonds, including mortgage-backed securities, helping mortgage rates improve.

There were no major surprises in Wednesday's Fed statement or Fed Chair Yellen's press conference. The guidance for the timing of the first federal funds rate hike remained unchanged and will depend on the future performance of the economy. The consensus now is that continued improvement in the economy will justify a rate hike in September.

The Fed's stated target level for core inflation is 2.0%. In recent months, core inflation has remained below this level. For example, the Consumer Price Index data released over the past week revealed that core inflation in May was just 1.7% higher than a year ago, down from an annual rate of 1.8% last month. The trend this year had been for rising inflation, so the May data was a welcome reversal.

Increased Optimism On Greece (Week ending June 26, 2015)

Optimism grew this week that Greece and its creditors will reach some kind of a deal to avert a Greek default on its debt and the economic consequences that would follow. In prior weeks, the investor response to the uncertain outcome was to invest in safer assets like U.S. mortgage-backed securities, and increased demand drove mortgage rates lower. Since sentiment has shifted, the reverse has taken place. A deal is still not certain, though. Greek officials and creditors will be meeting daily to seek a resolution to allow Greece to make a debt payment due June 30.

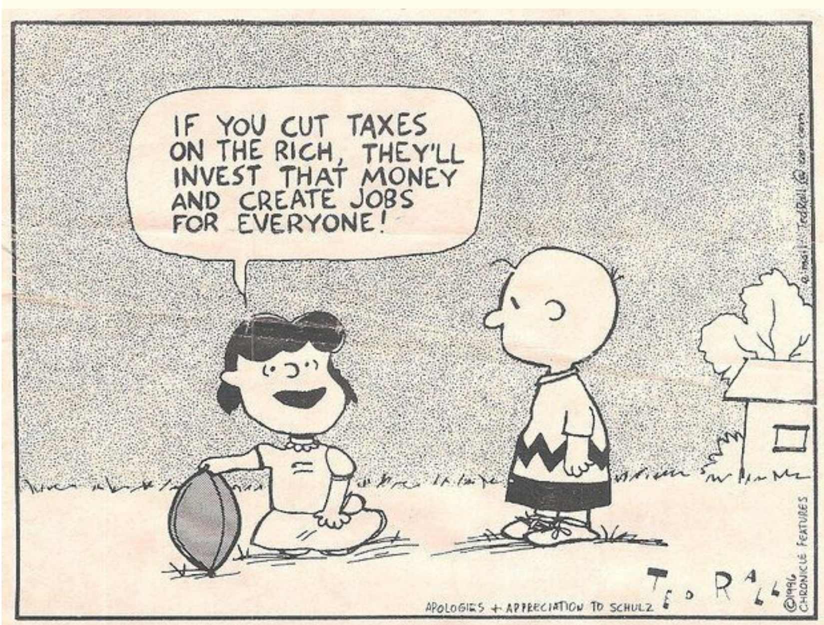


The housing data released this week was encouraging. May Existing Home Sales rose 5% from April to the highest level since November 2009. They were 10% higher than a year ago, and many of those were first-time buyers. May's New Home Sales increased 2% from April, a 20% increase over last year, and the highest level since February 2008. A tight supply of homes for sale prevented even better results. Recent data on housing starts and building permits suggest that builders are ramping up production.

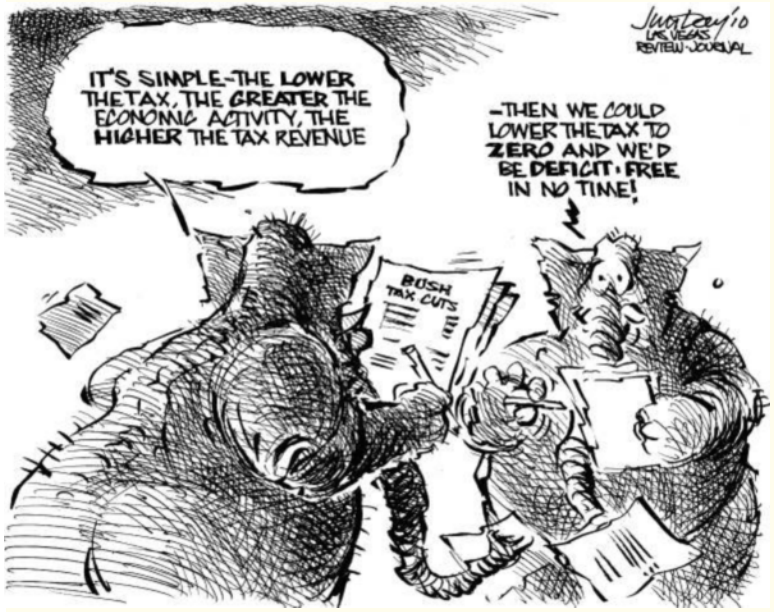
THE UTTER REPUDIATION OF SUPPLY-SIDE ECONOMICS

Business and economies do not operate on a premise like the one espoused in the 1989 fantasy-drama film *Field of Dreams, "build it and they will come".* Businesses arise to supply consumer demand. Those for which there is insufficient [and affordable] consumer demand are not created in the first place or go out of business in the latter. In order for demand to rise, there has to be an increase in consumer income to support it. And, this is where supply side economics, to use a common idiom, puts the cart before the horse. The "proof of the pudding" (to use another cliché) is to be found in Kansas. In 2004, American journalist and historian Thomas Frank wrote a book titled *What's the Matter with Kansas?* It was a bestseller in which he explained why so many Americans decided to vote against their own economic and political interests. Six years later, Kansans elected a governor that epitomized this seeming aberration.

In 2010, Sam Brownback, a genial U.S. senator best known for his ardent social conservatism swept into the governor's office of Kansas with nearly double the votes of his Democratic opponent. Charles and David Koch and their Wichita-based Koch Industries were the single largest contributors to Brownback's campaigns along with the Koch's advocacy arm, the Kansas Policy Institute which supported his controversial tax proposals. Throughout the campaign, he had declared that "Kansas doesn't have a revenue problem—Kansas has a spending problem." Brownback affirmed that his administration, would be a "real live experiment" that would prove, once and for all, that the way to achieve prosperity was by eliminating government from economic life. As Brownback later explained to The Wall Street Journal, "My focus is to create a red-state model that allows the Republican ticket to say, 'See, we've got a different way, and it works.'" Republicans cheered him on. "This is exactly the sort of thing we want to do here, in Washington, but can't, at least for now," (then) Senate Minority leader Mitch McConnell told Brownback.



Brownback was able to push through an ideologically pure agenda with almost no real opposition. He went all in on supply-side economics: He drastically cut taxes, assuring everyone that the resulting boom would make up for the initial loss in revenues. He reduced tax cuts on the wealthy even more: The rate for the top bracket fell from 6.45 percent to 3.9 percent, and Brownback promised to eventually reduce it to zero when revenues from other sources made up for any potential losses. The economic benefits, he boasted, would be immense. In Denver, in October 2012, Brownback predicted "more job creation, more tax revenues, and…a much more solid public-sector funding." The Kansas Policy institute, for instance, predicted that his tax cuts would generate a $323 million windfall in revenue. In 2012 and 2013, the governor championed and the Legislature passed the largest tax cuts in state history, eliminating taxes on non-wage earnings for nearly 200,000 small businesses and starting to phase in a series of cuts on individual income taxes.



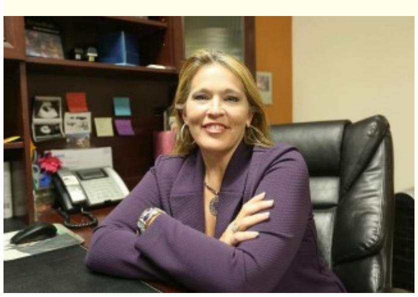
This was based on a popular idea, much like the one about the tooth fairy, which presumes that tax cuts were going to create an explosion of economic activity that would replace all the lost revenue. But, by June of 2014, the results of Brownback's "trickle down" economic reforms began to flood in, and they weren't pretty. During the first fiscal year that his plan was in operation, which ended in June, the tax cuts had produced a staggering loss in revenue--$687.9 million or 10.84 percent. At present, the state faces a growing budget shortfall—currently estimated to amount to $282 million by July 2016–-after it missed revenue projections by more than $20 million in the past two months. Worse still, the state risks running deficits through fiscal year 2019, according to the nonpartisan Kansas Legislative Research Department.

Consequently, Moody's downgraded the state's credit rating from AA1 to AA2; Standard & Poor's followed suit, which will increase the state's borrowing costs further enlarging its deficit. Unlike his campaign rhetoric, it became abundantly clear that under his auspices Kansas now had more than a spending problem: It now had a revenue problem, to boot.

The big expenses in the state's budget of more than $6 billion are pensions, Medicaid and K-12 education. He slashed about $200 million in the state's spending on education which constituted the largest such reduction in the state's history. The effects of Brownback's education cuts were glaring—larger class sizes, rising fees for kindergarten, the elimination of arts programs, and laid-off janitors and librarians. In addition he proposed changing the school financing formula at the expense of poorer, urban districts. In sum, his theory of "trickle down" economics clearly hurt education.

Governor Brownback had promised that his tax cuts would vault Kansas ahead of its higher-taxed neighbors in job growth, but that, too, failed to happen. Kansas trails the nation in job growth despite its "job creators" being taxed less than before. Jobs increased by 1.1 percent over the last year, compared with 3.3 percent in neighboring Colorado and 1.5 percent in Missouri. From November to May, Kansas had actually lost jobs, and the labor participation rate was lower than when Brownback took office. The cuts did not necessarily slow job growth, but they clearly did not accelerate it. The economy of Kansas, far from booming, has lagged the economies of neighboring states, and Kansas is now in fiscal crisis.

Nevertheless, last summer, despite having driven down his state's credit rating and cratered its budget with ill-advised tax cuts, Governor Brownback actually doubled down on his mistakes, saying it was just a matter of time before prosperity would kick in and promised more tax cuts if re-elected. His standing in the electorate began to plummet; his approval rating sank to the thirties. It also explained the willingness of "Republicans for Republican Values" (moderate Republicans) to support a Democrat.



Seemingly, the clearest sign that he was in deep trouble came last August. In the Republican gubernatorial primary, Brownback's only opponent was Jennifer Winn, a Wichita businesswoman with no political experience and a campaign war chest of $13,596.17. Her son was facing murder charges from a botched drug deal, and she ran on a platform of legalizing marijuana. She won 37 percent of the vote.

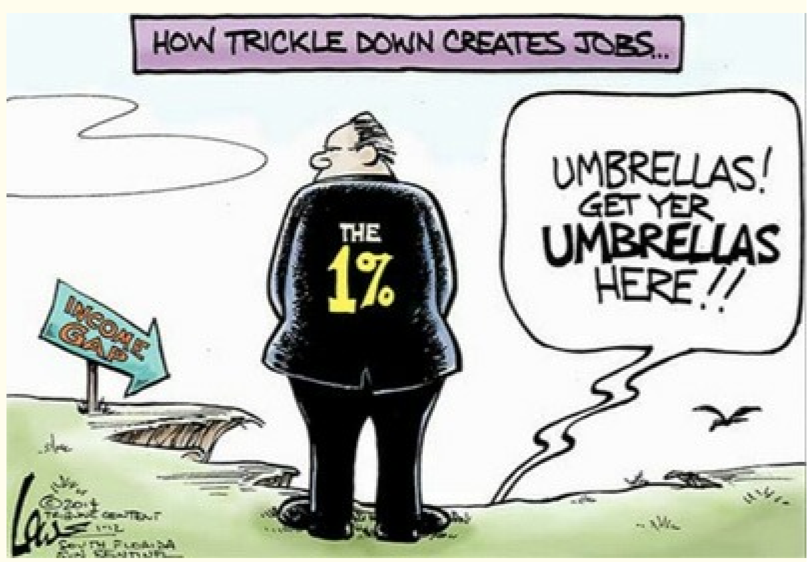
Retreating somewhat from his earlier position, Gov. Sam Brownback proposed to close the huge projected shortfall in the state budget by increasing some sales taxes and sharply slowing his plan to gradually reduce the state income tax he had vowed to eliminate. Astoundingly, despite his failed programs and members of his own party turning against him, he "doubled down" and was re-elected on an expansion of gun rights, restrictions on abortions and sharply reduced welfare rolls to stimulate growth!

What this illustrates is that conservatives are not scaling back their claims about the magical efficacy of tax cuts as a form of economic stimulus. If evidence mattered, supply-side economics would have faded into obscurity decades ago. Instead, it has only strengthened its grip on the Republican Party. This is a case of zombie economics, economic ideas that should have died long ago under Ronald Reagan when they were proven to be without factual basis, yet the right continues to espouse their validity.

"WEALTH DOES NOT TRICKLE DOWN FROM THE RICH TO THE POOR. PERIOD."

That's the latest conclusion of new research from the International Monetary Fund. In fact, researchers found that when the top earners in society make more money, it actually slows down economic growth. On the other hand, when poorer people earn more, society as a whole benefits. The researchers calculated that when the richest 20% of society increase their income by one percentage point, the annual rate of growth shrinks by nearly 0.1% within five years. This shows that "the benefits do not trickle down," as the researchers wrote in their report, which analyzed over 150 countries.

By contrast, when the lowest 20% of earners see their income grow by one percentage point, the rate of growth increases by nearly 0.4% over the same period. The new report called widening inequality "the defining challenge of our time," echoing earlier comments from President Obama. The authors explain that high levels of income inequality drag down growth because poor people struggle to pay for health care and education, which hurts society as a whole.
"For instance, it can lead to under-investment in education as poor children end up in lower-quality schools and are less able to go on to college," the report says. "As a result, labor productivity could be lower than it would have been in a more equitable world." The report builds upon research from other international organizations and Joseph Stiglitz, the Nobel laureate who has been campaigning against rising inequality.



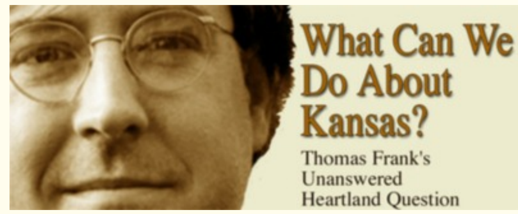
A big chunk of America's body politic holds views that are completely at odds with, and are completely unsupported by, actual experience, with special rage directed at those who point out that the facts don't support their position.

The question, is why. Why the dogmatism? Why the rage?

It strikes me that the immovable position in each of these cases is bound up with rejecting any role for government that serves the public interest. And claims about the magical powers of tax cuts are often little more than a mask for the real agenda of crippling government by starving it of revenue.

And, why this hatred of government in the public interest? Corey Robin, a political scientist, argues that most self-proclaimed conservatives are actually reactionaries. That is, they're defenders of traditional hierarchy—the kind of hierarchy that is threatened by any expansion of government, even (or perhaps especially) when that expansion makes the lives of ordinary citizens better and more secure. It certainly helps explain why climate science and health economics inspire so much rage.

All of which brings us back to Thomas Frank and his attempt to answer the question of why Kansans continue to vote for Republicans, even though they are voting against their best interests: He argues that working-class whites were being induced to vote against their own interests by the right's exploitation of cultural issues.



Another political scientist, Larry Bartels, showed that the working-class turn against Democrats wasn't a national phenomenon—it was entirely restricted to the South, where whites turned overwhelmingly Republican after the passage of the Civil Rights Act and Richard Nixon's adoption of the so-called Southern strategy. And this party-switching, in turn, was what drove the rightward swing of American politics after 1980. Race made Reaganism possible. And to this day Southern whites overwhelmingly vote Republican, to the tune of 85 or even 90 percent in the deep South.

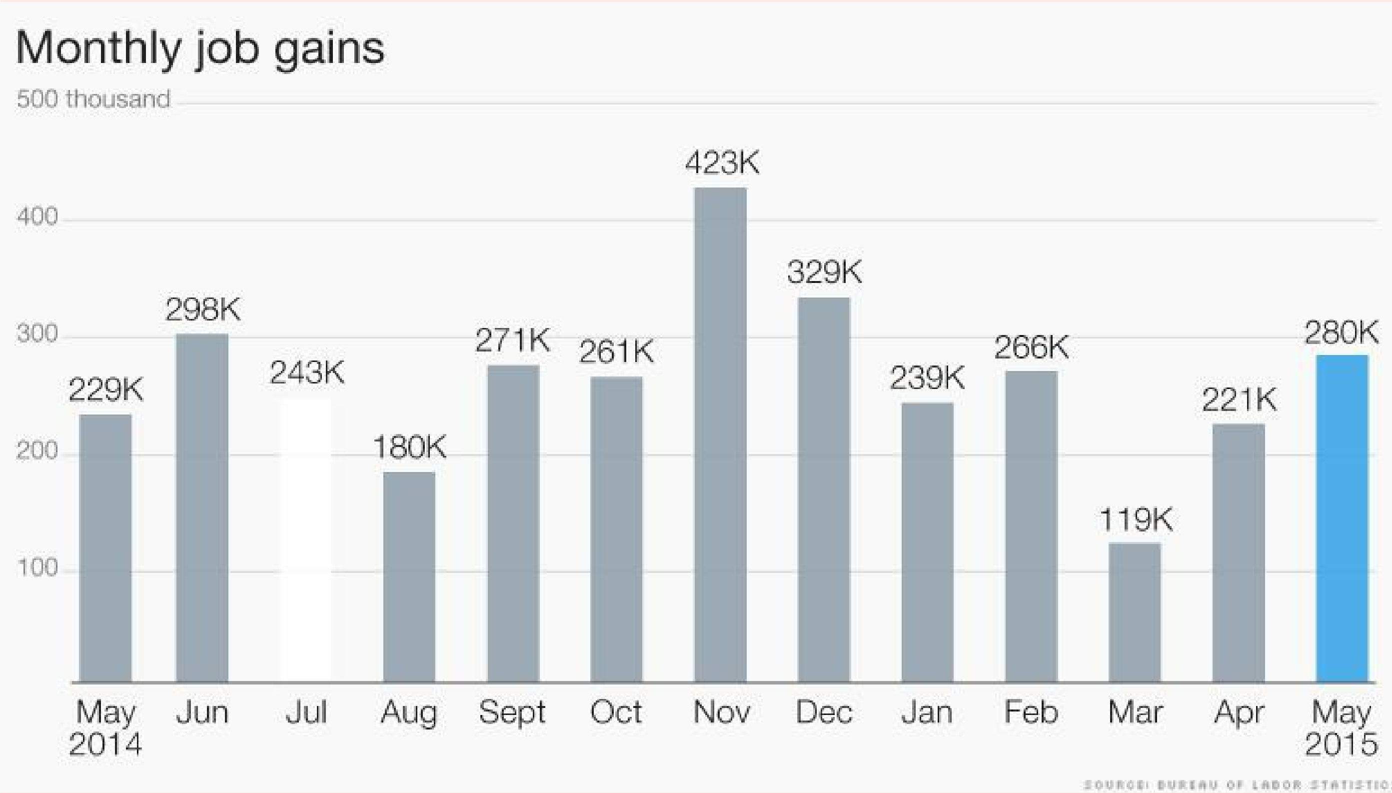
Politicians and pundits were able to rouse conservatives to action by evoking certain issues, such as abortion, immigration, and taxation. By portraying themselves as champions of the conservatives on these issues, the politicians get conservatives to vote them into office. Once in office, however, these politicians turn their attention to more mundane economic issues, such as business tax reduction or deregulation.

Frank's thesis goes thus: In order to explain to the conservatives why no progress gets made on these issues, politicians and pundits point their fingers at a "liberal elite," a straw man representing everything that conservatism is not. When reasons are given, they eschew economic reasons in favor of accusing this elite of simply hating America, or having a desire to harm "average" Americans. This theme of victimization by these "elites" is pervasive in conservative literature, despite the fact that at the time conservatives controlled all three branches of government, was being served by an extensive media devoted only to conservative ideology, and conservatives had won 6 of the previous 9 presidential elections. It would seem that little has changed in the intervening decade.

So, Kansas has been an interesting test bed of what happens when purely Republican economic policies are followed. Yet, the failure of supply-side economics remains a microcosm of right-wing economics. Unfortunately for Kansas residents, the governor's experiment has been a resounding failure and Kansas is the most prominent example of it. The huge decline in revenues has meant cuts in spending on education and transportation. By cutting taxes in his state dramatically, Brownback ushered in an era of exploding deficits, plummeting bond ratings and underfunded school systems.

ONE MILLION NEW JOBS SO FAR IN 2015

The U.S. economy gained 280,000 jobs in May. The unemployment rate ticked up slightly in May to 5.5%, a good sign, according to the Labor Department, because the increase is a sign that more people returned to look for work in May, economists say. May's jobs report was welcome news after the winter slowdown. (The economy actually contracted in the first three months of this year, sparking concerns that hiring would taper off).



The International Monetary Fund has expressed concern over the U.S. job market, especially in view of how little worker pay increased. Wages grew only 2.3% in May, well below the 3.5% wage growth the Federal Reserve wants to see. Still, that beat expectations in May and is the highest level in nearly two years. Wages remain the last major economic measure to turn the corner and make significant progress. May's job gains are a good omen for wage growth. Many experts say that pay should pick up as it gets harder and harder to find workers.

March was the worst month of job growth this year, but the Labor Department revised up March's job gains from 85,000 to 119,000 this past month. April's job gains were revised down slightly to 221,000.

Job gains in May were across the board, too. A number of high-quality job areas made meaningful progress. In fact, service-sector job growth so far this year has outpaced the gains from the same time last year. Health care increased by 47,000 jobs, while business services -- which includes marketing and accounting jobs—gained 63,000 jobs. Construction also had a good month, adding 17,000 new jobs, according to the Labor Department.

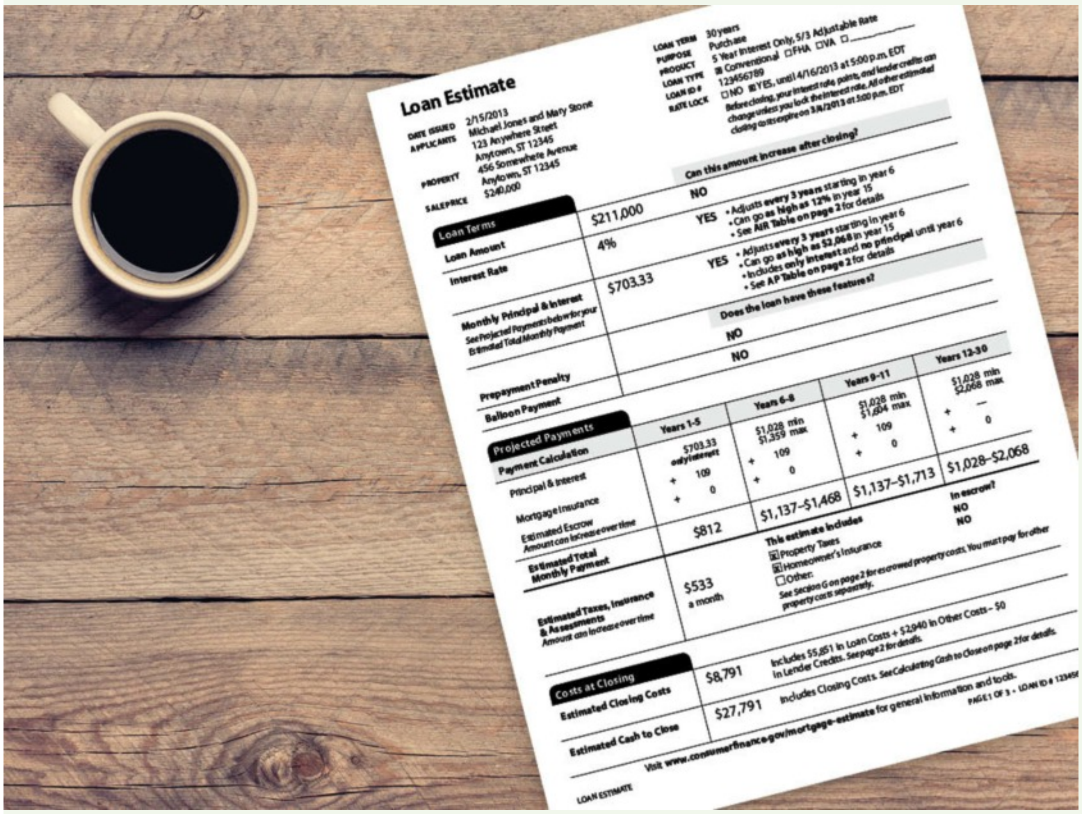
The one drag is energy companies. They continued to slash jobs due to low gas and oil prices. Mining and drilling jobs dropped by 17,000 in May—the fifth consecutive month of energy job losses. But overall, the job market made strong gains.

The Fed is widely expected not to raise its main interest rate in June, but Fed Chair Janet Yellen will speak to the press and offer her outlook on the economy. If conditions continue to improve, interest rates could rise for the first time in about a decade—another healthy sign for America's economy.

TRID GOES INTO EFFECT ON ~~AUGUST 1ST~~ OCTOBER 3RD

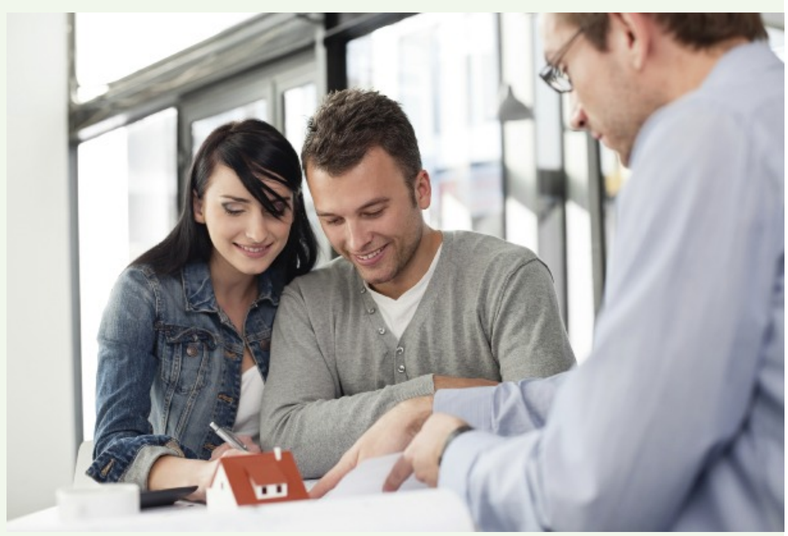
Don't know what TRID is? It stands for "TILA RESPA Integrated Disclosure" and came from the Dodd-Frank Act. In a nutshell, it will combine the TIL and the GFE into one form called a Loan Estimate or "LE" and combine the final TIL and HUD into a Closing Disclosure or "CD." The new forms are designed to be easier and clearer for borrowers.

It was to be enacted on August 1, 2015, but then the Consumer Finance Protection Bureau delayed its implementation to October 1st to correct an administrative error that it discovered in meeting the requirements under federal law. TRID promises to be one of the biggest changes in the last 30 years—if not the history—of residential mortgage lending. The sweeping, new law affects lenders, brokers, mortgage brokers and real estate agents.



If you are not one of these parties, why should you care? Well, if you are buying or refinancing a home after October 1, 2015 a lot of the forms that you are used to seeing will be changed—even their names. Borrowers will no longer be referred to as borrowers, but applicants. The Truth-In-Lending documents will merged along with the application into something now called a Loan Estimate. The Fees Worksheet and Good Faith Estimate (GFE) will now be called the Closing Disclosure. Fees will be aggregated into groups of boxes designated by letters, instead of numbers. And speaking of letters, the fees within the various blocks are now to be alphabetized.

On top of that getting loans done will now take a bit longer because lenders and loan brokers are required to provide a copy of the closing disclosure 3 days prior to signing. In times gone by, the close of escrows were often frantic affairs with lenders, brokers, processors and escrow all striving to close by a certain date. Now, with the new changes expect closings to be delayed by anywhere from 3 days to a week until the learning curve of the various parties is shortened.



MORTY'S MAILBAG

Q. A friend of mine was saying that mortgage rates are all pretty much the same from lender to lender, so what's there's little point in shopping for a rate. I know you do a weekly mortgage rate survey, so I'd like to hear your take on this.

A. Your friend is half-right and half-wrong. As for the wrong part, he's very wrong. I feel qualified to speak as something of an expert in this regard as I have been doing my weekly survey of mortgage rates for over 12 years now. (Incidentally, I know of no other broker that does this—possibly, because it's a lot of work). At present, I represent some 33 mortgage banks and I find this number more than reflective of the market, in general, and highly dispositive in resolving the issue your friend brings up. For popular programs like the conforming 30 yr. fixed you will usually see a slight variation of no more than an 1/8th to a ¼ point difference. For other programs, he could not be more wrong. On any given day, the "rates" vary considerably from lender to lender for the exact same program. I have found the following three things to be true.

1) **No one lender has all the various programs. (I will explain how this bears on the market in a bit moment). Some limit themselves to Fannie Mae loans, while others lean toward Freddie Mac, some specialize in government programs, like FHAs or VAs, and still others confine their lending to serving the jumbo market.**

2) **No one lender does all things well, not B of A, not Wells Fargo, nor any direct lender—no one. In fact, the biggest banks are the slowest. They are kind of like that oil tanker at sea that takes 7 miles to turn around. For example, Wells Fargo does not quote anything less than a 60 day lock on its jumbos, because they can't close their loans on this product any sooner. The longer it takes a lender to close a loan (turn time), generally speaking the more expensive it is for borrower who use them.**

3) **There is considerable variance among lenders for the exact same program on any given day — sometimes as much as 1% to 1 ½ %. Just last week, I had one lender offering a 5/1 ARM at 2.5% and another asking 4.25% + ¼. That's a spread of more than 1 ⅜%! I have one lender though who is consistently a ¼ point higher on its programs across the board. Obviously, I use this lender in only very select situations like for manufactured homes where they seem to have a slight edge. Pricing anomalies occur for a variety of reasons:**

   a) **Investor overlays. The investors that buy the mortgages of various lenders have different requirements like higher FICO scores, lower LTVs, or they may exclude investor owned properties from consideration.**

   b) **Lender Scarcity. Where there is competition the price goes down. When there are only a few lenders offering a particular program, such as in the case of non-warrantable condos, the pricing tends to be higher and the spread among lenders greater.**

   c) **It is intentional. Lenders sometimes raise their rates by design to be uncompetitive. For example, they may have run a pricing special on a particular program during the previous month and are awash in loan applications, so in order to manage the flow and allow time for their back office to catch-up, they raise the rates for that specific program. If borrowers still flock to them for that program, it's just so much more gravy for them.**

The bottom line: It is always better to have choice of many lenders from which to select a mortgage program.

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

RATE SUMMARY

This month, mortgage rates WORSENED considerably.

*Conforming programs—.25% HIGHER↑
*Jumbos—a ¼ WORSE ↑
*Governments—an 1/8th to ½ HIGHER ↑

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