



# Newsletter Vol. 13 Issue 5

## May 2016

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### BEST BUYS THIS MONTH

- Conforming 30 yr. Fixed @ 3.250%
- Conforming 15 yr. Fixed @ 2.500%
- Conforming 5/1 ARM @ 2.375%
- High Balance Conforming 15 yr. Fixed @ 2.625%
- Jumbo 30 yr. Fixed @ 3.750%
- Jumbo 5/1 ARM @ 2.750%
- FHA 30 yr. Conforming Fixed @ 3.000%
- VA 30yr. Conforming Fixed @ 3.000%
- FHA 15 yr. Conforming Fixed @ 2.500%
- VA 15 yr. Conforming Fixed @ 2.500%



Conforming to \$417,000 < High Balance Conforming \$417,001 to \$580,750 < 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

#### Dovish Speech from Yellen (Week ending 4-1-2016)

Since the March 16 Fed meeting, several Fed officials have expressed support for tightening monetary policy at a more rapid pace. In Tuesday's speech, Yellen laid out reasons that the Fed should take a very gradual approach to tightening monetary policy. According to Yellen, economic troubles in other countries pose downside risks to the U.S. economy.





She also said that it is unclear if the recent pickup in core inflation will be sustained or whether it was due to temporary factors. Yellen's message about an outlook for low inflation and a longer expected timeline for tightening by the Fed was good news for mortgage rates.

There were few surprises in the important monthly employment report released on Friday, and it caused little reaction. Against a consensus forecast of 210K, the economy added 215K jobs in March. This is close to the average monthly pace seen over the past year.

The unemployment rate edged up from 4.9% to 5.0%. The higher rate was mostly due to people entering the workforce, which is a sign of strength. Average hourly earnings, an indicator of wage growth, rose 0.3% from February, matching expectations. The vast majority of the job gains came in the service sector, while manufacturing continued to shed jobs

### **Central Banks See Continued Support (Week ending 4-8-2016)**

Statements by the heads of the International Monetary Fund (IMF), the European Central Bank (ECB), and the U.S. Fed shared the same sentiment, the global economy needs support. IMF Managing Director Lagarde described economic growth in Europe as "too slow, too fragile". ECB President Draghi said the ECB will do what ever it takes to stimulate growth and raise inflation. Inflation in the eurozone is now -0.1%. The target is 2.0%. The minutes from the U.S. Fed meeting on March 16<sup>th</sup> supported recent comments that the Fed will take a gradual approach to raising the federal funds rate. These dovish comments were well received by the bond markets, including U.S. mortgage-backed securities.



The economic data released this week shows that the U.S. economy is on far better footing than the overall global economy. The JOLTS report, which measures job openings and labor turnover rates, showed that job openings rose and voluntary quits increased. Both are signs of an improving labor market.

The ISM Services index measures expansion or contraction in the services sector of the economy. Readings above 50 indicate expansion. The index for March, at 54.5, shows that the service sector expanded again and did so at a better pace than the previous two months

### **Inflation Declines (Week ending 4-15-2016)**

While explaining why the Fed plans to move gradually to tighten monetary policy, Fed Chair Yellen said that she was concerned that the recent increase in core inflation may be due to temporary factors. The consumer price index (CPI) report for March released on Thursday might be a sign that her concerns are justified.

Core CPI inflation (which excludes the volatile food and energy components) was 2.2% higher than a year ago, down from a 2.3% annual rate in February, and below the consensus forecast. This follows four straight months of increasing levels of core inflation and may be the start of a trend lower. It would be good for mortgage rates if inflation continues to decline.

Retail sales in March were a good deal weaker than expected. The results were decent, but investors were looking for better. Excluding the volatile auto component, retail sales increased 0.2% from February, which was the largest increase in four months, but it was half the expected level. Consumer spending is an important component of gross domestic product (GDP), and it was somewhat surprising that the report caused so little reaction.

### **No New ECB Stimulus (Week ending 4-22-2016)**

At its last meeting in March, the ECB announced significant new stimulus measures to spur economic activity and inflation in the eurozone. In speeches following the March meeting, ECB President Mario Draghi emphasized the ECB's readiness to do more if needed. Investors liked what they heard and pushed interest rates around the world lower in anticipation of more stimulus. This week, however, the ECB chose to add no new measures, and some of the improvement in rates was reversed.



The recent housing data was mixed. The existing home sales data for March revealed a solid increase of 5% from February, and they were higher than a year ago. Also notable, inventories of existing homes for sale increased 6%. Tight inventories have been a big factor holding back home sales activity in many regions. National median sale prices were 6% higher than a year ago.



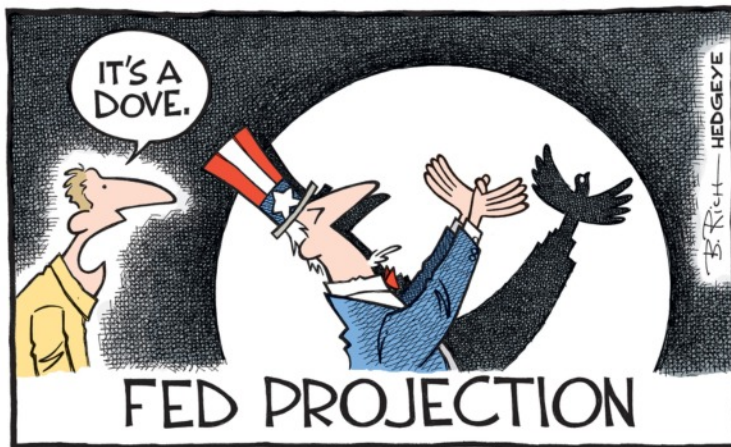
In contrast to home sales, housing starts declined 9% from February, but they still were 14% higher than a year ago. The drop was evenly split between single-family and multi-family units. Building permits, a leading indicator of future activity, fell 8% in March but also remained above year ago levels.

The figures for housing starts and building permits are very volatile from month to month, which makes it necessary to look at a longer time period to determine the underlying trend. Housing starts in 2016 are well above the levels seen a year ago.

### **Dovish Fed Statement Helps Rates (Week ending 4-29-2016)**

The U.S. Fed made no change in the federal funds rate, as expected. There were few changes in the statement from the last statement following the March meeting. In the statement, the Fed acknowledged that the labor

and housing markets continued to improve, but they said that overall economic activity "appears to have slowed." The statement also removed language about inflation increasing in recent months. The dovish statement, meaning that the Fed favors keeping monetary policy loose for longer, caused mortgage rates to improve after its release.



The recent economic data supports the comments in the Fed statement. The March core PCE price index, the inflation indicator favored by the Fed, was just 1.6% higher than a year ago, down from an annual rate of 1.7% in February. In March, pending home sales, which measure signed contracts to buy previously owned homes, rose to

the highest level since May 2015. Pending home sales are viewed as a leading indicator for the existing home sales report, which measures closings

Gross domestic product (GDP), the broadest measure of economic activity, grew just 0.5% during the first quarter, down from 1.4% during the fourth quarter. This continues the pattern of weak first quarter growth during the last several years. The consensus is for stronger growth during the next three quarters, resulting in growth of about 2.0% for 2016.

## **THE EFFECT OF THE PRESUMPTIVE NOMINEES' POLICIES ON THE ECONOMY**



This month's featured article may seem disjointed because a number of unforeseen situations caused a delay in my finishing it by month's end. Originally, I had planned to touch on the electorate's fascination with political outsiders in the current presidential race, correct some wide-spread misperceptions and discuss the economic policies of the five remaining candidates. The delay caused both a truncation and metamorphosis.

Americans' approval rating of Congress came in at 11% in a Rasmussen poll conducted in February of this year. That was up slightly from 9% in the previous two surveys. Much of the electorate's disgust has to do with both parties being more focused on ideology and winning, than in doing what is best for the country. When Mitch McConnell, the G.O.P. leader in the Senate said in October 2010 that "the single most important thing we want to achieve is for President Obama to be a one-term president," he described the Republicans dominant strategy since 2008. Political party interests have trumped that of the nation's.

Understandably, voters have become tired of political gridlock in Washington and have come to reason that if “professional” politicians can’t seem to do the country’s business, perhaps it’s time to consider electing some political outsiders. Enter Donald Trump and Bernie Sanders.



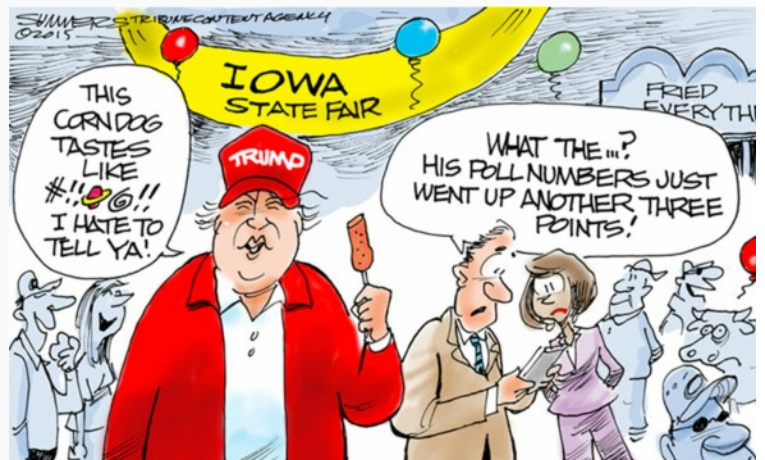
Ironically, the electorate’s focus is misplaced. The President has been doing his job; it’s Congress that has been failing miserably at its. Despite the obstructionism of Republican partisans, Obama managed this recovery better than any other large economy. The country is in better shape than every industrialized nation in the world, but you wouldn’t know it from the political rhetoric that has abounded during this presidential race. The private sector has added some 14.4 million jobs new jobs making Obama’s presidency the longest period of sustained job growth on record. The budget deficit has declined roughly three - quarters (\$1 trillion during his two terms) since he took office (though polls show that a large majority of Americans mistakenly believe the opposite). And, overall U.S. economic growth has significantly outpaced that of every other advanced nation. The

stock market has rebounded from 6,000 to nearly 18,000. Unemployment which was 10 percent the year Obama took office is now 5 percent, lower than when Reagan left office. Yet, when you have a political party—in this case Republicans — that denies any progress and is constantly inculcating its base, which is sizable, say, 40 percent of the population that things are terrible, all the time, then people start believing it.

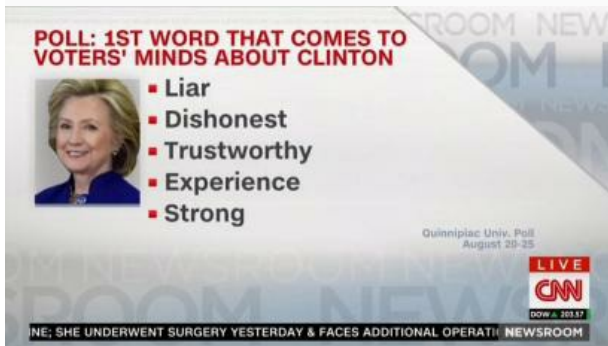
While I am setting the record straight, it would be remiss of me not to mention partisan growth gaps. The arithmetic on partisan differences is actually stunning. In a comparison of the economic performance under Democratic and Republican presidents since 1947 the economy grew on average 4.35% per year under Democrats, under Republicans only 2.54%. Over the whole period, the economy was in recession for 49 quarters, Democrats held the White House during only 8 of those quarters. Why is the Democratic record so much better? The short answer is no one seems to know. One constantly hears assertions that Ronald Reagan achieved economic and job growth never matched before or since, when the reality is that Bill Clinton surpassed him on both measures.

Even though trust and integrity would seem to be critical assets for politicians, all politicians lie. Some lie more than others. A basic test of a politician’s honesty is whether that person tells the truth when on the campaign trail. According to Politifact, the Pulitzer prize winning fact-checking site, the percentage of statements by each presidential candidate rated to be “true” or “mostly true” were John Kasich, 52 percent; Hillary Clinton 50 percent; Bernie Sanders, 49 percent; Ted Cruz, 22 percent and Donald Trump, 9 percent. These are astonishing statistics. Donald Trump refers to Ted Cruz as “lyin’ Ted” because Senator Cruz lies 8 out of 10 times, meanwhile Mr. Trump has the effrontery of “the pot calling the kettle black” when he lies over 90% of the time.

Ironically, many of Trump’s supporters back him because “he tells it like it is.” Trump’s poll numbers show that he does the best with the least educated Americans. Many of them seem to revere him by mistakenly thinking he must be smart or wouldn’t be so rich. Equally astonishing is that the G.O.P. front runner is reviled not only by Democrats, but also by many prominent Republicans and has less government experience than any president in history. In short, a Trump presidency would be unprecedented not only for his bizarre policy positions and propensity to insult women, religious groups, foreigners and minorities, but because of his staggering lack of relevant experience or knowledge.



As I mentioned in my prefatory remarks, I had planned to have this edition of the newsletter wrapped up by the end of April, but a number of unforeseen events delayed its timely completion. Every great once in a while, tardiness is rewarded. And so with the Indiana primary having just concluded and, in rather quick succession, two of the five candidates dropping out, made my job a little easier (because it is mathematically impossible for Bernie to win the Democratic nomination with pledged delegates) and confine my remarks to the two presumptive nominees — Hilary Clinton and Donald Trump.



In any other election year, with more than half the country holding an unfavorable impression of a candidate for president, it would be cause for alarm. This, however, is not a normal year. Both leading contenders face image problems, Hilary Clinton continues to be dogged by trust issues with fifty-five percent of Americans saying they have a negative opinion of the Democratic front-runner in the latest Associated Press poll. But that's not nearly as bad as how they view the leading candidate for the Republican nomination, Donald Trump. His unfavorable rating stands at an unprecedented 69 percent, with Trump under fire for insulting a slew of targets, including women, Latinos, the

disabled, and 2008 GOP nominee John McCain. As for Hilary, some Democrats fear the controversy over her home email server at the very least will keep wavering party members from the polls.

Mr. Trump claims he wants to “*make America great again*”, but he is short on policy prescriptions and long provocation. Merely saying something will be, does not make it so. He has identified few concrete plans to implement the changes he proposes. In addition, he has serially made scapegoats of Muslims and Mexican immigrants while insulting virtually all of his opponents. Mrs. Clinton’s policies may appear rather mundane by comparison, but they appear to have some substance to them.

So let’s look at the candidates’ policies and their likely effect on the economy beginning with....

## CLIMATE CHANGE



This topic got scant attention during the debates, yet it is one that will affect many of us more poignantly than all the others. Republicans deny that it is happening, despite 97% of the world’s scientists saying that not only is it indisputably evident, but its impact will increasingly wreck devastation on the nation and the world at large. Virtually, every night a portion of the network news is devoted to the latest round of tornadoes, torrential rains, mudslides, freezing cold, floods, droughts, or catastrophic fires that are ravaging the country. It used to be an occasional story on the local news, but now they’re national and worsening. The results are quantifiable. For example, the past 5 years our GNP has grown at less than 1% during the winter quarters because

of the polar vortex and freezing cold that has paralyzed much of the nation: In the first quarter of 2011, it was negative 1.5%. In Q4 of 2012, it grew at only 0.1%; in Q1 of 2014, again negative at 2.1%; 2015 negative 0.6% in Q1. GNP grew a modest 0.5% in the first quarter of 2016. But that’s just one season. The Spring brings flooding and torrential rains, and mudslides. The Summer, droughts. And the Fall seems to usher in hurricanes and super storms. Fire season is now a year round phenomenon in most western states. Meanwhile the polar ice continues to melt, producing rising sea levels. Climate change will continue to adversely affect GNP during the rest of our lives.

Trump: Mr. Trump is a climate change denier. “*So I am not a believer, and I will, unless somebody can prove something to me, I believe there’s weather. I believe there’s change, and I believe it goes up and it goes down, and it goes up again. And it changes depending on years and centuries, but I am not a believer, and we have much bigger problems.*” (Note: In assessing climate change scientists look at weather patterns over a 30-35 years periods).



Clinton: Mrs. Clinton acknowledges that we need to do more in this regard and support President Obama's efforts. But, she doesn't appear to be endorsing anything too radical, or much beyond what President Barack Obama has already started. In order for the United States to deliver on its promises in the Paris climate agreement, the next administration will have to take additional steps to limit the demand and supply of fossil fuels, even if the agreement itself was vague on the details. Scientists and activists insist that any meaningful curb on climate change must keep coal, oil, and gas reserves in the ground.

## TRADE



We got strong as a country through democracy and capitalism; we got rich as a country through trade. Trade agreements support these trends by prying open foreign markets for American goods and services. Without greater access, the United States will have a difficult time creating more jobs: Nearly all of the world's population lives outside its borders. The Department of Commerce estimates that every increase of \$1 billion in exports sustains nearly 6,000 jobs, and that export-related jobs pay on average 18 percent more than jobs focused on the domestic market.

Trump: *"Because of the monetary devaluations that other countries are constantly doing and brilliantly doing against us, it's very, very hard for our companies in this country, in our country, to compete. So I will take advantage of it; they're the laws. But I'm the one that knows how to change it. Nobody else on this dais knows how to change it like I do, believe me."* (Note: Five years ago the Trump complaint that Chinese currency manipulation was costing U.S. jobs had some validity—in fact, serious economists were making the same point. But these days China is in big trouble, and is trying to keep the value of its currency up, not down: Foreign exchange reserves are plunging in the face of huge capital flight, to the tune of a trillion dollars over the past year).

*"The 45% tariff is a threat. It was not a tax, it was a threat. It will be a tax if they don't behave. Take China as an example. I have many friends, great manufacturers, they want to go into China. They can't. China won't let them. We talk about free trade. It's not free trade; it's stupid trade. China dumps everything that they have over here. No tax, no anything. We can't get into China. The best manufacturers, when they get in, they have to pay a tremendous tax. The 45% is a threat that if they don't behave, we will tax you. It doesn't have to be 45, it could be less. But it has to be something because our country and our trade and our deals and most importantly our jobs are going to hell."*

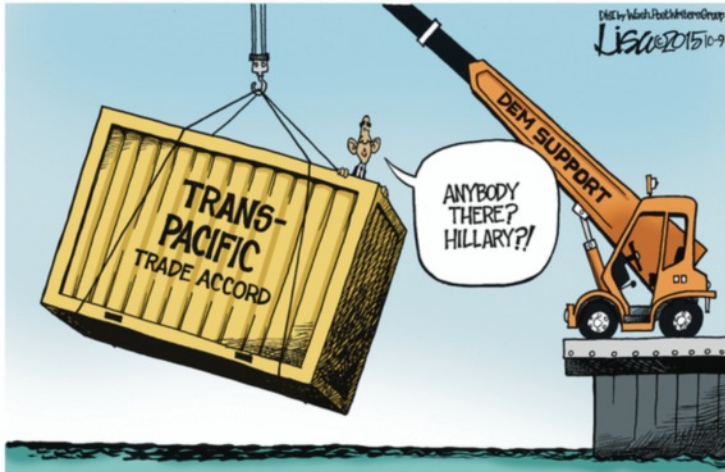
Robert Gates, the former Secretary of Defense said, *"When it comes to walking away from a deal, how do you walk away from China who holds a trillion dollars in U.S. Treasuries and with whom we do a half a trillion dollars of trade each year?"* (We'd be foolish to start a trade war by imposing tariffs on products from China, Mexico or other countries which would increase prices and invite retaliation that would hurt American exports).



*"We have a trade deficit with Mexico of \$58 billion a year. We're going to make them pay for that wall. The wall is \$10 billion to \$12 billion. I don't mind trade wars when we're losing \$58 billion a year. Mexico is taking our businesses."* (Protectionism can do real harm, making economies less efficient and reducing long-run growth. Members of the Republican national security community issued a strongly worded missive against Trump. They said his trade policies would be a recipe for economic disaster).

*"The Trans-Pacific Partnership (TPP) is a horrible deal. It is a deal that is going to lead to nothing but trouble. It's a deal that was designed for China to come in, as they always do, through the back door and totally take advantage of everyone. Its 5,600 pages long, so complex that nobody's read it. This is one of the worst trade deals. And I would, yes, rather not have it. We're losing now over \$500 billion in terms of imbalance with China, \$75 billion a year imbalance with Japan. The currency manipulation they don't discuss in the agreement, which is a disaster. If you look at the way China in particular takes advantage of the US--it's through currency manipulation. It's not even discussed in the almost 6,000-page agreement."* (NOTE: Mr. Trump is misinformed as China is not a even a part of the TPP).





Clinton: “Over the course of my entire life, I have always fought for the same values and principles, but, like most human beings — including those of us who run for office — I do absorb new information. I do look at what’s happening in the world. Take the TPP trade deal, I did say, when I was secretary of state, three years ago, that I hoped it would be the gold standard. [After] It was just finally negotiated, and in looking at it, it didn’t meet my standards.” (Note: there are about 15 reasons that I could cite here as to why the TPP is beneficial to us and the other 11 signatories, but Hilary doesn’t want to acknowledge it and prefers to play the focus-group driven politician.)

Reality: In 1970 Alvin Toffler wrote a book titled Future Shock that predicted what this nation has been undergoing for nearly 50 years: The shift from a manufacturing economy to a service based one. Nationwide factory employment peaked in 1979, and as a proportion of total jobs had been declining almost continually since 1943. Naturally, with the shift, employment prospects in manufacturing have grown worse. The transformation has been sped up by globalization, technology (robotics and computers) and given the global supply chains, the trends are irreversible.

## FOREIGN RELATIONS



Trump: In a very bizarre admission, Mr. Trump said that he got his foreign policy advice in “speaking with myself.” Evidently, a glance in the mirror is enough as he stated, “I have a very good brain.” In many capitals, Mr. Trump’s formal and off-the-cuff foreign policy proposals — his threat to pull out of NATO; his musings about removing the United States’ nuclear umbrella over Japan and South Korea, undermines America’s position as a reliable ally. Not many people think it is a good idea for South Korea or Japan to acquire nuclear weapons).

(As Robert Gates, the former Secretary of Defense, who served under eight presidents explained, “One of the things that worries me is he [Trump] doesn’t appear to listen to people. He believes he has all the answers. He

believes he’s the smartest man in the room. I’ve worked for some very different presidents—Jimmy Carter, Ronald Reagan, G.W. Bush, Barack Obama and one of the things they all had in common was a willingness to listen to those who had more experience and then make their own decisions. You can’t launch a trade war with them [China] at the same time we’re asking them to put pressure on North Korea. He has a lack of understanding of the complexity of international affairs. He doesn’t understand that there is a give and take in international relations that’s different than in the business community. His threats and his claims that he’s going to make other countries do things when in fact the President of the United States does not have the power to make them do a thing.”

Clinton: As secretary of state, Mrs. Clinton worked tirelessly and with important successes, for the nation’s benefit. She was the secretary President Obama needed and wanted; someone who knew leaders around the world, who brought star power as well as expertise to the table. The combination of a new president who talked about inclusiveness and a chief diplomat who had been his rival, but shared his vision, allowed the

United States to repair relations around the world that had been completely trashed by the previous administration.

**Reality:** Expanded trade deepened alliances and underwrote billions in foreign aid. None of this was cheap, but most political leaders understood—as Mr. Trump seems not to—that the global stability bought with such efforts is worth far more.

## **EDUCATION AND RETRAINING**

Just as there is a need to invest in rebuilding America's physical plant [its infrastructure] it is crucial that we invest in its labor force [citizenry]—in the form of education. At one time we had the best educational system in the world. We have now slipped to 26th. If we are going to compete globally, education is crucial. As our economy has shifted from a manufacturing based one to a service oriented economy we need to allot funds for regular re-training of workers that have been displaced by technology and automation.



Neither of the candidates have taken much of a position on education and re-training.

**Trump:** On the U.S. Department of Education: *"No, I'm not cutting services, but I'm cutting spending. But I may cut the Department of Education."* (Huh?)

**Clinton:** *"I fully support President Obama's plan to make community college free."* She's vowed to *"take a hard look at re-training programs."* She is likely to do more to help workers displaced by the forces of trade than previous presidents have done and certainly more than any of the Republicans.

## **INFRASTRUCTURE SPENDING**



Our infrastructure is in shambles. During the recession recovery years 2012, 2013, & 2014 was the perfect time to do it: Interest rates were low; the construction industry was still on its heels, there was (and still is) a massive need. The fact that we failed to do it cost us time. It also meant that there were folks who we could have helped and put back to work and entire communities that could have prospered that ended up taking a lot longer to recover. Yet in a country where the bridges are crumbling, Republicans are obsessed about building a border wall.

**Trump:** When asked on the social media what his proposed solution would be to rebuilding our infrastructure, he said *"Politicians can't solve the problem. The only one to fix the infrastructure of our country is me—roads, airports, bridges. I know how to build—politicians only know how to talk!"*

**Clinton:** Hilary proposes to raise and spend \$275 billion over five years on infrastructure investment, with \$250 billion in direct spending on new and improved infrastructure and \$25 billion on a private/public infrastructure bank

## **IMMIGRATION AND AGRICULTURE**



(Note: I have paired these together because much of our produce is harvested by immigrants. In years past, produce has rotted on the vine or been plowed under for lack of farm workers to harvest the crops). We got smart and powerful as a country through immigration. There were 11.3 million unauthorized immigrants in the U.S. in 2014. The population has been declining since 2007 and has essentially remained stable over the past five years. Mexicans make up about half of all unauthorized immigrants (49%), though their numbers have been declining in recent years. There were 5.6 million Mexican unauthorized immigrants living in the U.S. in 2014, down from 6.4 million in 2009, according to preliminary



Pew Research Center estimates. The cost of deporting 11 million illegal immigrants would be costly (in the hundreds of billions), catastrophic (to agriculture) and take years to accomplish.

**Trump:** *"We have at least 11 million people that came in illegally. They will go out. Some will come back, the best, through a process. They have to come back legally. It may not be a quick process, but I think that's fair. They're going to get in line with other people."*

**Clinton:** *"We need comprehensive immigration reform with a path to full and equal citizenship. If Congress won't act, I'll defend President Obama's executive actions—and I'll go even further to keep families together. I'll end family detention, close private immigrant detention centers, and help more eligible people become naturalized."*



## ENERGY

The world's energy needs are predicted to double over the next thirty years. This means that renewable sources like wind and solar cannot solve the problem. In the U.S. alone, we'd need fifty large wind farms per state and you'd still have the problem of days when the sun doesn't shine and the wind doesn't blow, which is called "intermittency". No storage technology has emerged to solve that problem. The only feasible way of solving our energy needs is to begin building nuclear facilities. It's cheap and it's clean.

**Trump:** *"I'm in favor of nuclear energy, very strongly in favor of nuclear energy,"* Trump said. *"We have to protect your coal industry which is being decimated"* by EPA regulations, Trump added. *"We are going to bring the coal industry back 100 %"* Trump said. Trump suggested clean energy policies to reduce CO2 emissions would *"imperil jobs"* and *"the middle class and lower classes"*. Trump has expressed firm opposition to wind turbines, which he sees as an environmental and aesthetic problem. **(I don't know which of his statements he now stands by, but if it's backing nuclear energy, he is correct, but climate scientists say we must leave some of our oil and gas deposits in the ground).**



**Clinton:** *"I want the U.S. to have half a billion solar panels by 2020. And I want us to generate enough renewable electricity to power every home in America in the next 10 years. With the right investments, we'll create good-paying jobs and make America the world's clean energy superpower."* **(There will be a massive short fall if we rely solely on renewables to do the trick).**

## TAXES

Republicans claim that cutting taxes will produce a huge growth surge—a claim that has no basis in historical experience. The idea that we can expand or maintain public goods in an advanced economy without raising tax revenue is the type of magical thinking we either have to abandon or live with the resultant decline in our productivity, safety, and comfort. Fully 49 percent of U.S. aggregate income went to upper-income households in 2014, up from 29 percent in 1970. The share accruing to middle-income households was 43 percent in 2014, down substantially from 62 percent in 1970. Taxes have favored the rich for too long and need to be adjusted accordingly.

**Trump:** Trump has proposed huge tax cuts, hiking military spending with no plausible offsetting spending cuts, yet has also promised to pay down U.S. debt. This would leave us with a budget of pretty much zero for everything else. No need to fight about shutting down the government! The government would vanish on its own.

**Clinton:** Mrs. Clinton has proposed modest spending increases paid for by specific tax hikes

## DEFENSE

Trump: *"I'm gonna build a military that's gonna be much stronger than it is right now. It's gonna be so strong, nobody's gonna mess with us. But you know what? We can do it for a lot less."* On obtaining national security advice: He said, *"I watch the shows (meaning the Sunday morning news programs like Face the Nation and Meet the Press".*

He claims to have had more training at the (middle and high school level) New York Military Academy *"than a lot of guys that go into the military."*

Clinton: While Hillary Clinton hasn't yet made any campaign statements about the military budget, she's always been known as among the most hawkish of Democrats, so it would be shocking if she proposed defense cuts. *"We have an obligation as the leaders of the world to maintain a strong military. And we have an obligation to our service personnel to pay them adequately."*

## THE NATIONAL DEBT

Trump: Republican presidential front-runner Donald Trump has some interesting plans for U.S. debt. They could lead to nothing short of a global financial disaster. In an interview on May 5th, 2016, the billionaire businessman suggested that in order to lighten the American debt load, he would renegotiate with creditors. Those holding U.S. Treasury bonds would have to agree to get a *"haircut"*—a term for creditors being paid back less than what they initially loaned. **(This would disrupt the bond market and likely create a panic in the credit markets).**

Clinton: *"I think that our rising debt levels pose a national security threat. And it poses a national security threat in two ways. It undermines our capacity to act in our own interests and it does constrain us, where constraint may be undesirable. And it also sends a message of weakness internationally."*

Mrs. Clinton comment on Mr. Trump's suggestion that we negotiate repayment of U.S. debt: *"In doing so, Mr. Trump would be putting the full faith and credit of the United States government at risk."*



### SUMMARY

Mr. Trump would be the most unqualified president in American history. Every one of our 44 presidents has had either government or military experience before being sworn in. Mr. Trump, a real estate mogul and former reality television star hasn't served a day in public office or the armed forces. His supporters mistakenly believe that a businessman will make a good politician or president but neither are autocrats. They must work within the system. At best Mr. Trump would be ineffectual because he has alienated so many politicians and diverse groups that he stands little chance of working within the system to coalesce congressmen, senators, and foreign leaders with his policies.

Mrs. Clinton sounds very much like a typical politician. Her political rhetoric is conventional right down to her slogan: *"Fight for us."* It sounds like poll-driven pablum. She's not a saint, but a politician and an in-artful one at times. With regard to her home email server, being in the public eye for so many years, she may have a sense of entitlement to cut corners, but that she's fundamentally dishonest is a bogus narrative. Nevertheless, she is the most knowledgeable, well-informed candidate in this election and arguably the best prepared candidate on matters economic to run for president.



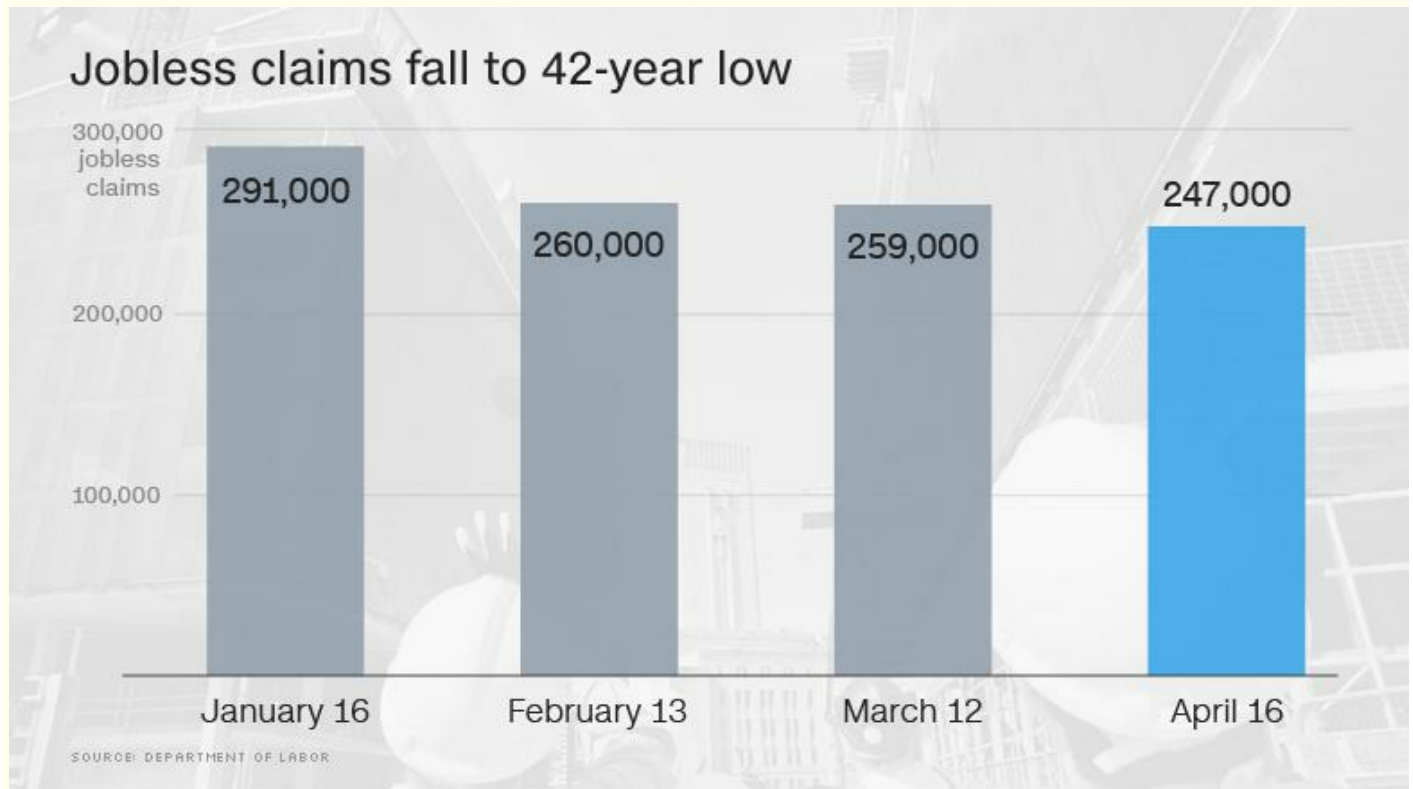
# AMERICA'S JOB MARKET KEEPS PICKING UP MOMENTUM

The number of people who filed for unemployment claims last week hit a 42-year low. There were 247,000 claims—the lowest level since November 1973, the Labor Department reported.

Overall, the job market is one of the bright spots in the U.S. economy. Just in the past year, unemployment has declined significantly, millions of jobs have been added and some signs of wage growth — the missing ingredient to the economic recovery — have started to show up.

The historic news on jobless claims confirms that the U.S. job market is picking up steam. Jobless claims have been below 300,000 for 59 consecutive weeks, the longest streak since 1973.

There's more good news. The number of people either working or looking for a job — the participation rate — has been rising since September. That's a sign that more Americans who were on the sidelines, not applying for jobs, are getting back in the game.



The hope is that if unemployment claims decline further, employers will have fewer candidates to choose from and will have to raise wages to recruit or retain employees. Wage growth has been next to nothing during the recovery from the recession — a big reason why many Americans aren't hot about the economy right now.

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# RATE SUMMARY

In the past month, there has been nil net change



\*Conforming programs—no change↔

\*Jumbos—only the 5/1 Jumbo ARM has worsened by 1/8<sup>th</sup> ↑

\*Governments—30 yr. fixed conforming 1/8<sup>th</sup> better ↓  
15 yr. fixed conf. 1/8<sup>th</sup> worse ↑

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

## MORTGAGE MIRTH

When you really want to slap someone—do it!

Just be sure you say  
“mosquito” when you do it.



## 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](mailto:morty@mortgagestraightTalk.com)

