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30 Yr. Fixed Conform. & Jumbo	5.75 & 6.75%
5/1 ARM Conform. & Jumbo	4.625 & 5.25%
Prime Rate	6.00%
MTA Index	4.326%
COFI Index	4.072%
Home Ownership Accelerator Index	3.264%

Morty's Bench Marks - 2/29/2008

Above rates assume 30 day locks priced at par, that is, at wholesale with no rebate. Rates change daily.

"*Things are going to get a lot worse before they are going to get worse.*"

- Lily Tomlin, American comedian,

Even though it's Leap Year, February remains the shortest month of the year. And with fewer days this month, I was ever hopeful that the newsletter could similarly be shorter, for a change.

CURRENT EVENTS

2/1 - The government reported Friday, the nation's employers eliminated 17,000 jobs in January, the worst tally in more than 4 years and the strongest signal yet that the United States may be in the early stages of a recession. Over the past three months, only 42,000 jobs were created on average each month, compared with 169,000 in the same period a year ago. But, the bad news does not stop there. Fewer jobs coupled with rising unemployment means that many people who are already out of work will stay unemployed longer, and that many more will soon join their ranks.

The Labor Dept.'s jobs report should give Congress pause to trim the less effective stimulus measures under discussion: tax rebates for the rich in the Senate version and corporate tax breaks in both bills and make room for more effective benefits like food stamps and extending unemployment benefits. Because of the ripple effect generated throughout the economy the latter are roughly 5 times more effective in expanding the economy's Gross Domestic Product (GDP). (Alas, riven by partisanship Congress didn't do it).

Over all, prices in December were 3.5 percent higher than they were a year ago, far above the Fed's so-called comfort zone of 1 to 2 percent.

2/4 - Several banks issued statements this week saying they were temporarily suspending withdrawals from open home equity lines out of concern that borrowers could owe more than the house is worth.

Countrywide Financial announced Thursday that it has cut off 122,000 borrowers from pulling any more equity out of their homes. Wells Fargo, Washington Mutual and Chase released statements Friday saying they have also started halting equity lines because of tumbling home values. The banks' reactions follow a 17-month drop in San Diego County home values, according to a Standard and Poor's report. And many analysts expect them to continue declining.

2/5 - Wall Street had its worst day in 3 months with stocks plummeting 370 points after a report from the Institute of Supply Management (ISM) came out noting that activity in the service sector declined for the first time in nearly five years. This report also indicated that employers are cutting staff. Cautionary comments from Richmond Fed President, Jeffrey Lacker, further amplified fears that a recession is underway or imminent.

NATIONAL ASSOCIATION OF REALTORS®
REALTOR® The Voice for Real Estate®

2/7 - The National Association of Realtors (NAR) revised its earlier forecast that prices would be flat in 2008 and that the home market would rebound in the second half of the year. Last year, when the median price dipped 1.4% from 2006 levels, it was the first on record that the Realtors recorded full-year decline in existing home prices. Now, it foresees a second consecutive annual decline in prices and sales. It's predicting a drop of 1.2% in prices and a 4.8% decline in sales. (Note: these numbers are conservative as some industry watchers foresee prices dropping as much as 15%).

2/8 - Sales at 43 retailers surveyed by the UBS-International Council of Shopping Centers rose just 0.5 percent in January, well below a forecast of 1.5 percent as the nation's retailers reported their worst January in almost four decades.

2/14 - Wall Street retreated Thursday after the chairman of the Federal Reserve, Ben Bernanke, forecast a "sluggish" economy until later in the year and that the Fed would leave the door open to more rate cuts. [Many of the people I talk with are confused as to why cuts to the Fed Funds Rate generally cause home loan rates to rise, not decline. One reason is that Fed Rate Cuts are inflationary (more money is put in circulation to make it less expensive to finance business and personal purchases) which erodes purchasing power (inflation) and the value of the fixed rate investments such as bonds. Thus as a bond's price falls, its yield increases (because its interest rate remains fixed) which causes home loan rates rise. The other reason is that **when the Fed cuts the Fed Funds Rate it is cutting a short-term rate and mortgage bonds are long-term debt instruments**]. Logically and coincidentally, the Dow Jones Industrial Average fell 176 points as a result.

President Bush's Valentine's Day gesture to brokers and some borrowers was signing the **Stimulus Package** which **temporarily (through the end of this year) raises the limits on conforming mortgages from $417,000 to $729,750. The new limits are expected go into effect within the next 30 days.**

2/19 - Not all that long ago (October 2006), I noted:

"Oil prices have momentarily receded to below $62 per barrel….nothing, however, lasts forever…As long as much of the rest of the world is paying $6-7 a gallon for gas, it's only a matter of time before they begin their inexorable creep back upward."

Walmart's report of strong 4th quarter earnings on this day spurred a market rally, but when oil shot up $4.51 and closed above $100/barrel for the first time, the rally fizzled leaving the Dow essentially unchanged.

2/21 - The Labor Dept. reported, today, that consumer prices jumped 4.3% over the past year (due to sharp spikes in oil and food prices) a further indication that inflation is on the rise while the economy is slowing. The Fed has a dual mandate: one is to foster price stability the other is sustainable economic growth. But, it is boxed in because (as we've seen) while short-term rate cuts promote growth they cause inflation--there's no way to get one without the other. And, if not handled deftly, it's possible to end up with the worst of both worlds—a stagnant economy with inflation. The specter of increasing inflation raises concerns about a problem the U.S. hasn't faced in decades "stagflation". The market acknowledged the "handwriting on the wall" and slid 142 points.

2/25 - Sales of existing homes in the U.S. declined 0.4% in January to the lowest level in nearly a decade which drove the stock market down 100 points early in the day. Also, the pace of **new home sales dropped and the supply is near a three-decade high**. The market seesawed down, up, down much of the session before closing up 189 points after S&P restored Ambac Financial's top rating and took rival MBIA off its credit watch list, easing worries about problems for the bond insurers spreading to the broader market. The volatile market swings we've seen in the stock market this past month are further indication that investors are unsure about where the economy is headed.

2/26 - The equity and debt markets haven't been orderly of late, but ordinarily they are rational. Today was not one of those days. Despite oil closing at $100.88 (a new high); inflation at the wholesale level increasing in January at the fastest pace in 16 years; the Consumer Confidence Index plummeting to its lowest level in 15 years; the dollar falling to a new low versus the Euro; the Case-Shiller Home Price index recording it largest annual drop in its 20 year history (it reported that the median price of a home in San Diego County declined 15% in '07); and foreclosure filings nationwide were up 57% in January over the same month last year; the stock market gained 114 points. Perhaps the market was looking ahead—the futures market is currently pricing in a 100% chance of a half-point cut when policymakers meet again on March 18.

2/28 - In his comments before a Senate committee Fed chairman Ben Bernanke's said although he did not expect a recession or a return of stagflation he allowed that "some smaller banks might fail." Wall Street was not elated by the prospect and the Dow fell 114 points.

2/29 - Sometimes, it takes a while to sink in: the news of AIG's $5.3 billion quarterly loss, it's $11 billion write-down on bad mortgage bets and reports that the proposed bail out of troubled mortgage insurer Ambac Financial had hit serious snags seemed to act as a wake-up call that the news on the 26th was less than sanguine. Mortgage rates reversed an upward trend as the market plunged 315 points.

There were 8 more lending casualties this month; the most prominent was First Franklin. This brings the running total to 232 major mortgage lenders that have "imploded" since the beginning of 2007, meaning that they have halted major operations, filed for bankruptcy or become a "fire sale" acquisition of another lender.

MORTGAGE SPECIAL OF THE MONTH: Even in this declining market I still have lenders that will do 100% financing for first time home buyers with purchases under $417,000. The 3/1 **ARMs** that I mentioned last month continue to have the best pricing with the **conforming loans at 4.375% and non-conforming at 5.25%**. I do daily price comparisons among 15 different lenders and the thing that astounds, even me, is the range from one lender to another for the exact same program. On a jumbo 3/1 for example, one major lender is offering it at 5.25% and another at 7.75%. Which would you rather pay? Just as not all lenders are created equal, so, too, is the case with mortgage brokers. Now more than ever it pays to deal with a true professional.

THIS ISSUE'S TOPIC:
EVERYTHING YOU WANTED TO KNOW ABOUT TITLE INSURANCE (AND PROBABLY MORE)

Like most legal documents title insurance policies are boring to read and more or less guaranteed to induce somnolence. Consequently, most everyone that has a title insurance policy has not read what it covers and has only a sketchy idea of what it is. So in the interest of educating the great majority of you that fall into this category this month's topic provides a basic overview of what title insurance is and what to be mindful of.

WHAT IT IS

When one purchases a home or other real estate, what one actually acquires is title to the property, rather than the land itself. The title encompasses ownership, use, and possession of the land. Thus, the purpose of title insurance is to assure owners that they are acquiring marketable title, in other words, that they're getting something for their money when they buy real property. Title insurance is broadly defined as a contract obligation whereby one party agrees to indemnify another party for loss or damage that may occur under the terms and provisions of their contract. The contract referred to is called a policy. Unlike casualty or life insurance which insures against the occurrence of future events, **title insurance insures primarily against past events**. Title defects also threaten the security interest a mortgage lender holds in the property. The policy not only insures the ownership of the property, but excepts from coverage in those matters to which said ownership is subject to. These exceptions include matters like taxes, easements, and CC&Rs (Covenants, Conditions & Restrictions).

There are two basic kinds of title insurance: Owners coverage and Lenders (or mortgagee) protection. **An Owner's policy serves to protect the new-owner's equity** and in So. Calif. this expense is normally borne by the seller. Owner's title insurance is ordinarily issued in the amount of the real estate purchase and may last forever, even after the insured has sold the property, depending on the type of owner's policy. Premiums for title insurance are based on the amount of liability assumed. The liability on a transaction is usually determined by the sales price of the property. The premium is a one-time charge and the policy will remain in effect for so long as the insured or their heirs retain their respective interest in the property. One can also obtain an "inflation rider" with an owner's policy so that as the value of the home goes up, so does the value of the owner's title coverage.

A Lender's policy is for the protection of the Lender, against any loss or damage from defect or encumbrance that may affect **the Lender's enforcement of the deed of trust**. Just as they require fire insurance and other types of coverage as investor protection, lenders require mortgagee coverage to get a loan and the amount of coverage is generally in the amount of mortgage loan. The amount of Lender's title insurance necessarily decreases and eventually disappears as the loan is paid off. If there's a claim, the title insurer will fight on your behalf and if the claim is deemed valid, the policy will pay off the loan if necessary.

WHAT IT COVERS

Its purpose is to eliminate risk or loss caused by defects in title from the past. It covers Fraud: false claims of ownership, forgeries, illegal acts of fiduciaries; Defective Documents: deeds by minors or persons of unsound mind; Human Error: errors in copying, recording, or indexing, destruction of records; Liens and Other Rights: liens for unpaid property, income, inheritance, or estate taxes. If you are not insured and you have to proceed against the seller for any defect in title or any breach of the purchase agreement, you yourself will have to pay the legal expenses prior to a judgment, and even if you do win a judgment, you might not be able to collect it, for you might not be able to locate the seller or he might not have the money to pay you. You could be left holding worthless paper. If on the other hand, you have a title insurance policy, it will pay your legal costs and provide you with coverage for any losses included in the policy. Such insurance is essential to you as a property buyer.

TWO BASIC TYPES

There are two basic types of title coverage in California: the CLTA (California Land Title Association) and ALTA (American Land Title Association). Most lenders require the ALTA policy because it provides broader coverage for the lender than that usually afforded by the CLTA Standard Policy. In addition to identifying the owner, the title company determines what and how various encumbrances, such as taxes, deeds of trust and easements affect the ownership of the property.

TITLE SEARCH

The title company works to eliminate risks by performing a search of the public records. An ***abstract of title*** *is the chronological history of the property. If the abstract of title cannot be obtained,* ***a title report****, which is a statement of the current condition of the title, may be used. Next, a title company researches the history of the property (commonly called the* ***"chain of title"****. These searches consist of public records, laws and court decisions pertaining to the property to determine the current recorded ownership, any recorded liens or encumbrances or any other matters of record which could affect the title to the property.*

PRELIMS

When all of the examinations are complete, the data is compiled into a preliminary report also known as the prelim. The prelim is a report prepared prior to issuing a policy of title insurance that contains the conditions under which the title company will issue a particular type of policy. It lists in advance of purchase, title defects, liens and encumbrances which would be excepted as well as any exclusions from coverage. There may also be restrictions which have been placed in a prior deed or contained in what are termed CC&Rs. Third party interests are not uncommon and may include easements given by a prior owner which limit your use of the property. When you buy property you may not wish to have these claims or restrictions on your property. Thus, a prelim provided the opportunity to seek the removal of items referenced in the report which are objectionable to the buyer prior to purchase.

WHAT IF YOU DON'T LIKE WHAT YOU SEE

Should the title to the property be "clouded" or have defects, you and your agents can work with the seller and the seller's agents to clear the unwanted liens and encumbrances prior to taking title.

PRELIM vs. TITLE INSURANCE

A prelim is not the same as title insurance; it is an offer to insure. It is not a report of a complete history of recorded documents relating to the property. A preliminary report is a statement of terms and conditions of the offer to issue a title insurance policy, not a representation as to the condition of the title.

BINDERS AND TITLE INSURANCE COMMITMENTS

A binder is an agreement to issue insurance giving temporary coverage until such time as a formal policy is issued. A title insurance commitment is a title insurer's contractual obligation to insure title to real property once its stated requirements have been met. Commitments are divided into four sections. The first, Schedule A, includes the Effective Date (this is the date the title report was pulled), a Definition of the Estate [the property is held either as Fee Simple (when the purchaser holds all right to the property)] or [Leasehold (when the purchaser holds limited rights for a fixed term)], Vesting (who owns the property and how title is held) Legal Description (the entire legal address, including tax ID or parcel number). Schedule B, Part I covers taxes that are due and payable, mortgages and other lien holders and any other specific requirement to clear title. Part II of Schedule B identifies standard exceptions, homestead or other marital rights of a spouse, and rights under eminent domain.

TIP

One thing to be mindful of is that a title insurance policy is issued to a particular insured person and is not transferable to another entity and others cannot claim the benefit of the policy. Thus when one refinances it is incumbent that one purchase a new title insurance policy to protect the new lender from title risks such as delinquent property tax claims, that may have been recorded against one's property since the previous title insurance policy was issued. Be sure to ask the title insurance company if one may qualify for a *refinance rate on a new policy. Most firms will give a sizable rate reduction—up to 30 percent off their normal title insurance policy premium—if the policy was issued within five years of the new policy's issue date. Also, on purchases, title insurers will usually charge less if they issue both the owner's and the lender's policies in a transaction at what is called the "concurrent" rate.*

THERE WAS SNAIL MAIL, THEN E-MAIL, AND NOW "JINGLE MAIL"

A new expression--"jingle mail" --referring to the growing trend where Americans mail the keys to their homes to the lenders before vacating, entered the US lexicon. Figures for November 2007 revealed more than 200,000 US homes were foreclosed, a year over year increase of 68%.

ODDS'N'ENDS

In last month's newsletter, I observed that based on the number of foreclosure sales 2008 might come to be known as The Year of the REO. Another contender for the appellation might be the Short Sale. "Short sales" are situations whereby the seller is in distress and the lender agrees to accept less than what the seller currently owes to forestall the lender incurring an even greater loss were the lender to foreclose. Short sales have jumped from 3.3% of the market in July '07 to the current 10.14%, nearly tripling in the span of 7 months!

IRS UPDATE

You may not know that, retroactive to January 2003, the IRS now allows a purchaser to deduct points paid by the seller on his behalf to get a loan. This deduction applies to the purchase of a primary residence only. (Refer to IRS Revenue Procedure 92.12, clarified by 92.1 2A). Call your tax professional for details.

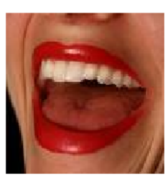
MORTY'S MAILBAG

Q. I've heard of a situation where can lock a rate at a certain rate then get a lower rate if interest rates drop. In the featured article in your September 2007 newsletter on Loan Rate Locks you made no mention of it. Do you know what I'm talking about and does it still exist?

A. It does still exist but only a handful of lenders offer this feature. What you're talking about is a "float down" option. In this situation you lock-in a rate of say 6% and 1 point but have a one-time option to lock at a lower rate if interest levels and points fall. As you might have guessed, the ones that offer this feature tend to compensate by having higher rates to begin with. Well Fargo was charging .375% in fees to exercise this option. At odd times they have even offered "free" float downs. The actual benefit to be derived from such a lender is moot. As ever, "there really is no free lunch".

Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. (See front of issue for phone and fax numbers). Morty's email address is.... Morty@MortgageStraightTalk.com.

MORTGAGE MIRTH



It's been said that truth is stranger than fiction and as many a reporter has observed, "You couldn't write this stuff." So, herewith are actual sworn statements given by defendants involved in auto - accidents.

§ The other car collided with mine without giving warning of its intention.

§ The accident occurred when I was attempting to bring my car out of a skid by steering it into the other vehicle.

§ I was driving my car out of the driveway in the usual manner, when it was struck by the other car in the same place it had been struck several times before.

§ Coming home, I drove into the wrong house and collided with a tree I don't have.

§ The indirect cause of this accident was a little guy in a small car with a big mouth.

§ As I approached the intersection, a stop sign suddenly appeared in a place where no stop sign had ever appeared before. I was unable to stop in time to avoid the accident.

§ The telephone pole was approaching fast. I was attempting to swerve out of its path when it struck my front end.

§ An invisible car came out of nowhere, struck my vehicle and vanished.

§ I thought my window was down but found it was up when I put my hand through it.

§ To avoid hitting the bumper of the car in front, I struck the pedestrian.

§ A pedestrian hit me and went under my car.

§ The pedestrian had no idea which direction to go, so I ran him over.

§ I saw the slow-moving, sad-faced old gentleman as he bounced off the hood of my car.

If you'd care to share one that you've heard, please email it to me at.... rod@mortgagestraightTalk.com.

NEXT ISSUE'S TOPIC:
"AND NOW FOR SOMETHING COMPLETELY DIFFERENT.... MY 15 MINUTES OF FAME"