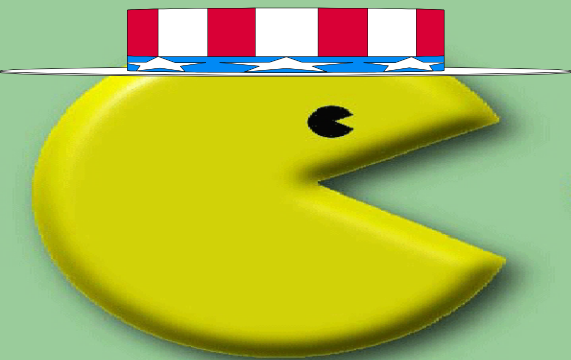

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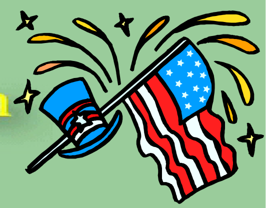

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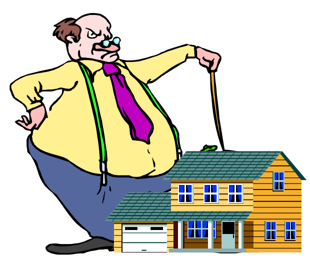
IN THIS MONTH'S ISSUE:



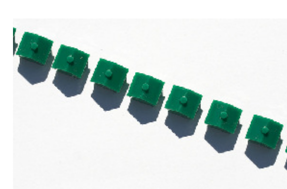
THE MONTH IN REVIEW

6/1-6/3 **The Dow suffered its worst day of the year, Wednesday, dropping some 279 points over concerns about weak economic data and Greece's bond rating being lowered to junk status.** The Institute for Supply Management's manufacturing index for May fell to 53.5, falling short of economists forecast for a 57 reading. A separate report by ADP showed private-sector payrolls added only 38,000 jobs in May. The number fell well below the 170,000 private sector jobs economists were expecting. **The economy gained a mere 54,000 jobs in the month of May as the unemployment rate worsened to 9.1% from 9% in April.**

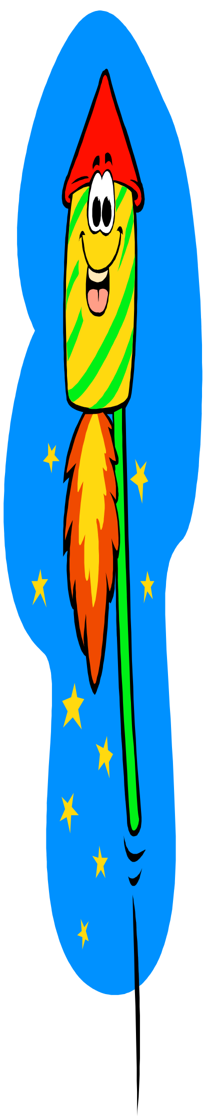
6/6-6/10 Tuesday, Fed chairman, Ben Bernanke, acknowledged that the economy has lost some of its momentum. While he is still optimistic that the recovery will pick up again in the second half of the year, he cautioned Congress against making any drastic cuts that "undercut the still-fragile recovery." Stocks snapped a six-day losing streak on Thursday, with the Dow **rallying up 75 points**. The number of Americans filing for first-time **unemployment** benefits rose again and **stayed above the 400,000 mark for the ninth consecutive week. The Dow fell some 172 points Friday to record its sixth-consecutive weekly loss and closing below 12,000.**

6/13-6/17 **U.S. stocks rallied Tuesday**, with all three major indexes ending up more than 1%, **following better-than-expected data on retail sales and inflation and Bernanke's admonition to Congress to stop holding the debt ceiling hostage. A stock sell-off intensified Wednesday with the Dow Jones plummeting 148 points** amid gloomy manufacturing data and renewed fears about Greece's debt problems. **Foreclosure filings experienced their eighth straight month of declines**, according to RealtyTrac, the online marketplace of foreclosed properties. The drop in foreclosures doesn't necessarily mean the housing market is staging a recovery; the declines are likely due to lingering effects of the "robo-signing" scandal. The University of Michigan consumer sentiment survey for June fell to a reading of 71.8, worse than the 73.5 reading that economists had expected.

6/20-6/24 **U.S. stocks edged higher Monday, amid Greek debt woes**. The concern is that the country will default on its debt and the crisis will spread to other countries. The National Association of Realtors reported that, nation-wide, **EXISTING home sales fell 3.8% in May. U.S. stocks fell Wednesday after the Federal Reserve issued a dour assessment of the economy. It also said the jobs market is "weaker than anticipated."** As a result, it left the fed funds rate, its key interest rate, near 0%, where it has been since December 2008. **Jobless claims rose by 9,000 this past week.** It was the 11th straight week that filings were above the 400,000 mark. **Nationally, NEW home sales slipped 2.1% in May.**



<u>6/27-6/30</u> The **S&P Case-Shiller home price index**, considered one of the official gauges on the housing market, **rose 0.7% in April—breaking eight months of declines**. **The news caused the Dow to surge 145 points for the day. The Labor Dept. reported that initial jobless claims edged down by 1,000 to 428,000, last week.** It marked the 12th straight week initial claims have stayed above the 400,000 mark. The Dow closed out the 2nd quarter on an up note with a 153-point gain, Thursday.



THIS ISSUE'S TOPIC:

YOUR HOME—HOW TO <u>HELP</u> IT SELL IN TOUGH TIMES

The following is an article from CNN which has some suggestions one may wish to consider.

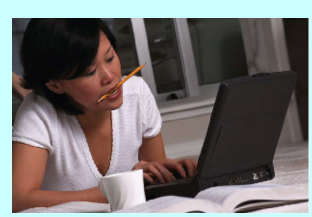
If you're in the market to sell your home, you probably feel you can't catch a break. In February existing-home sales tumbled 9.6% from the previous month, and the median price of a single-family home dropped to $157,000 from $163,900 the previous year, according to the National Association of Realtors. [Ed. Note: The housing market, rose 0.7% in April—breaking eight months of declines.] Even so, at the current sales pace, it would take 8.6 months to clear out the 3.5 million existing homes listed today.

With the boost from the recent homebuyer tax credit gone, anyone who decides or is forced to put a house up for sale enters a market where houses often linger a full six months—even a year—without any bites. Put part of the blame on stiff competition: Foreclosures and short sales, which accounted for 39% of sales in February, sell for about 15% less than conventional homes. Fortunately, there is one glimmer of good news. Bargain hunters, too, know that home prices are down some 32% from their peak. In a recent survey, three-quarters said that it was a good time to buy a home. But translating that interest into an actual sale can require some extreme measures. It's not enough to show buyers your house is a deal: You have to convince them it's a total steal. That means slashing your price, bringing in a pro to spruce it up, and creating a killer website for your home. Here's how to do it right.

Sellers are still loath to accept the extent of the toll the bust took on their homes' value. Many also give in to the temptation to list the property above fair market value to see what happens. Big mistake. In the past year, roughly a fourth of sellers listed too high, initially, and was forced to reduce their price, according to Trulia.com. Even in cities that have held up well, 25% of sellers resort to at least one price cut, and often two. Many sellers think they can always drop the price if their home doesn't sell? Bigger mistake.

The first 30 days on the market are the most important. That's when your place attracts the most attention and gets the most showings. The result: You often end up with less than you would have if you priced it right to begin with. So get aggressive right out of the gate.

CONSULT WITH YOUR REALTOR AND UNDERCUT THE COMPETITION. In normal times listings of similar properties in your area would give you a good sense of what your home might sell for. Today there's a big gap between what sellers want and what buyers are willing to pay.

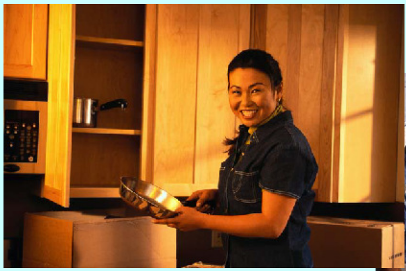


Instead, figure out what you can realistically expect to get by asking your realtor to show you what houses similar to yours have sold for in the past three to six months. If more than a couple of the comparable properties were foreclosures or short sales, look closely at the photos and descriptions of those former listings. Distressed homes should be included in your comps if they are in move-in condition.

Once you have a handle on your likely sale price, list your home a bit beneath that. You don't have to undercut by much to attract attention, because that price will probably still be about 10% or 15% below what other homes are listed for. Even if you're competing with lots of foreclosures and short sales, your price should generate enough interest to attract more than one bidder, pushing up the final price to where it should be. When a realtor wanted to sell her own home in January, she listed it at $460,000, about $5,000 to $10,000 below what she thought she'd sell for. She received four offers in less than two weeks—and it sold for $465,000.

No bites within 30 days? Make a big move. When a property sits, people start thinking it must be listed too high. To stimulate interest, make a giant cut—as much as 10% of the asking price, and even more in an area where prices are still falling. That should be enough to warrant a second look from buyers who passed the first time, and to bring in a new pool of potentials who are hunting in the lower price range. Last year one couple decided to downsize from their seven-bedroom home to an apartment in the same town. They put their home on the market for $1.1 million, more than their realtor suggested. Six months and four price cuts later they pulled it off the market at $889,000. "At that point we wrestled with lowering the price further, but we were ready to move on," said the husband. The couple re-listed their home for $799,000 and it sold for $808,000.

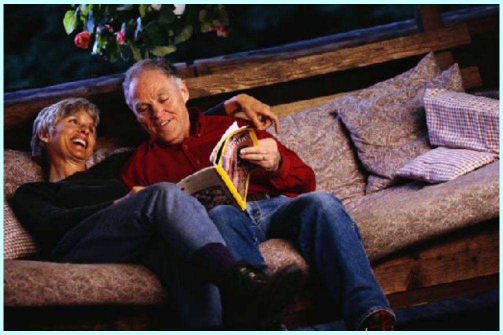
PLAY HARBALL. It's okay to reject low-ball offers if a buyer won't budge. But if a buyer is willing to negotiate, push aside feelings of anger or insult and start counter-offering. Ideally you'll be able to negotiate within $10,000 to $20,000 of an acceptable offer. Then, "using incentives as carrots and sticks can make it easier to reach an agreement". For example, if your buyer refuses to dicker, you might offer to leave behind the appliances. Or maybe you'd rather take the reduced price but have the buyer agree that you take 60 days, not 30, to move out.



HIRE A STAGER. There are people who want to sell, and there are people who have to sell. The Smiths are among the latter. Based in West Los Angeles, the couple, who have two children, have been living in different cities since early December, when the husband, an IT auditor, started a new job upstate in Mountain View, CA. after a layoff. Listed that same month, their solidly built three-bedroom 1956 colonial has had no offers, despite two price cuts. Between rent on the husband's new place and their carrying costs on the house, they were paying a budget-straining $5,000 a month. "We needed to sell," said the husband, "but we weren't willing to drop the price again." So in March they tried something new: professional home staging. Staging, increasingly popular with homeowners trying to sell mid-range houses, can extend from simply rearranging existing furniture to repainting, replacing fixtures, and bringing in new furnishings. The goal: to highlight the house's best features while making it as easy as possible for buyers to imagine themselves living there. Veteran real estate brokers say that proper staging can speed the sale and often increase the price too. The key is to get it done right.

START WITH AN OPEN MIND. Staging demands a psychological shift that many homeowners find challenging: thinking of your house not as your home but as a set. That means scrubbing away evidence that you actually live there. Your goal: homey, yet impersonal.

FIND THE RIGHT STAGER. The ASP (accredited staging professional) designation is a plus—it indicates the stager has gone through some basic training—but it isn't essential. Get names from realtors or at realestatestagingassociation.com, and then review the stager's online portfolio of before-and-after photos. Next, call homeowner references and ask how fast their homes sold after staging and whether they think the work helped.



ESTABLISH A BUDGET AND ASK THE STAGER TO WORK WITHIN IT. Stagers typically charge $150 to $400 to walk through your home and give recommendations for each room. You can then execute the plan yourself or hire the stager to do it for an hourly fee, usually $100 or so, plus the cost of any new paint or furnishings. If you make big changes, costs can add up.

SEE WHETHER YOUR REALTOR WILL PAY. If you're on the hook for a full 6% commission, you have significant negotiating power. "I'm happy to pay for staging because I know it works," says one realtor.

These days it's going to take far more than a FOR SALE sign in the front yard and a spot on the multiple-listing service to get potential buyers in the door. That means getting the word out in a creative fashion--and finding a realtor who is willing to do the same. The more people that see the listing, the better. To do that, you need a multi-pronged marketing plan of attack.

CREATE A GREAT SITE. About 90% of buyers begin their search on the Internet, according to the National Association of Realtors. Make sure your home's online presence has a dozen or two photos: Having 20 instead of five photos will almost double the number of hits you'll get, according to Zillow.com.

THROW MONEY AT THEM. Incentives can perk buyers' interest just as much as price cuts, says a spokesman at ForSaleByOwner.com. In fact, many buyers will agree to a higher price if their upfront costs are lowered, since they often run short on cash. If you can afford it, offer to cover the buyer's closing costs or pay the first year's property taxes or condo or homeowner association dues. However, those freebies may be practically standard, particularly in areas rife with distressed properties. In that case, you might be able to bring buyers to the door by tossing in an unusual bonus, such as a $1,000 gift card (throw in one for the buyer's agent as well); a belonging they mentioned loving, such as the pool table or plasma TV; or a $5,000 credit to use in the home as they wish. (You can even pay upfront points so that they can get a lower mortgage rate, if you can swing it.) Be aware, though, that you must disclose any such gifts or payments when the offer is agreed on, and some lenders will not approve them. If so, you might have to find another incentive that the bank doesn't object to.

SHOWCASE SUPER CONDTITON. Yes, some buyers are hunting for foreclosures in rough shape that they can nab for a song. Yet just as many shoppers don't want--or don't know how—to put in that sweat equity. So hire an inspector to identify every problem with the home, even seemingly minor issues such as dripping faucets, and fix them. If an outlet doesn't work, why get the buyer wondering what else is broken. Tell your realtor to give anyone who tours your home a copy of the inspection report and your list of fixes.

SPREAD THE WORD ONLINE. Having your home listed on a major website like Realtor.com isn't enough. Ask your realtor if you'll get an "enhanced" listing on the site, where your home gets top promotional billing. Many realtors will create a website just for your home. You also want to get your listing on alternative sites like Craigslist or even Facebook. In 2009, when one home owner put his small, historic two-bedroom Orange County, Calif., home on the market he thought it would be a tough sale. The realtor listed the property at $467,500 and spread the word not only through the MLS listing but also with an update on her Facebook page. A Facebook friend of the realtor's passed the info to someone she knew was looking for that kind of house. Within a week, the home owner had an offer for $460,000.

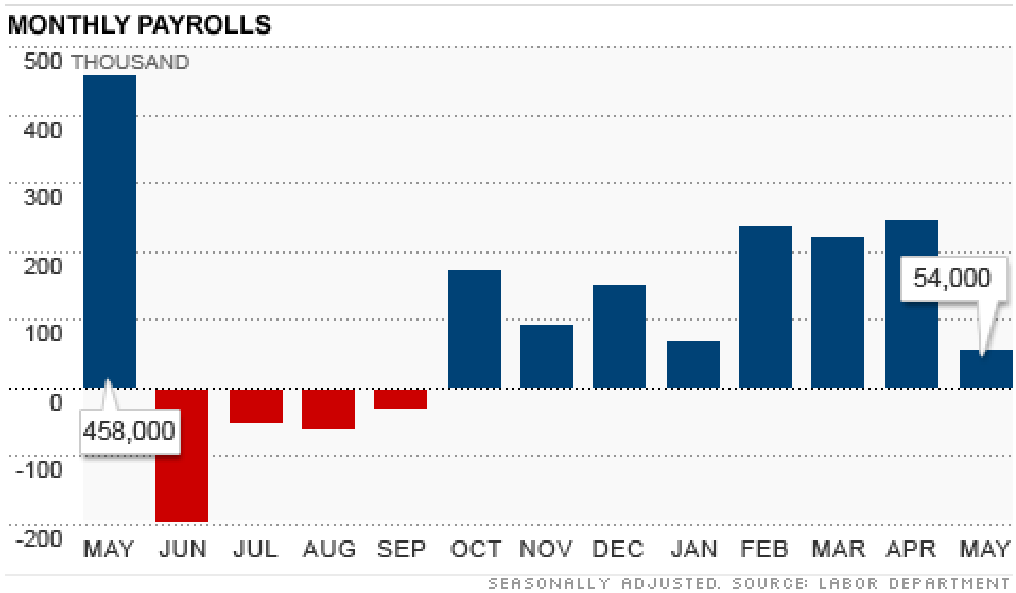
STAY AWAY—FAR AWAY. In better times you may not feel obliged to drop everything to accommodate prospective buyers' schedules. Today, if buyers can't get in on their time, they'll skip it. So be prepared to show a perfectly clean home at a moment's notice. And disappear (along with your dog, if possible) for all showings and open houses so that prospects can imagine themselves in your house. When one seller began having her house shown, she made a list of must-do chores—including emptying wastebaskets, filling the dishwasher, and making the bed and walked out every morning with the place spotless. On the weekend she holed up at a local mall. "Every time I thought I could go home, a new person wanted to see the house," recalled the seller. But a few extra hours at the mall paid off in spades. In just a few days she had an offer for her home—for the full listing price.

MAY JOBS REPORT: HIRING SLOWS, UNEMPLOYMENT RISES

The job market took a disappointing turn in May with the economy gaining a mere 54,000 jobs for the month, a significant slowdown from 232,000 jobs added to payrolls in April. Economists were expecting a gain of 170,000 jobs. The general consensus is that the economy needs to add about 150,000 jobs a month, just to keep pace with population growth.

The unemployment rate worsened to 9.1% from 9% in April. Economists had expected the rate to improve to 8.9%. The Labor Dept. report included other signs of growing pains for the unemployed. The number of jobless who have been out of work for more than six months jumped by 361,000, bringing the average number of weeks the unemployed job seekers have been out of work to just under 40 weeks, a record high. Overall, the number of unemployed rose by 167,000 to 13.9 million, the highest so far this year.

Businesses have pulled back on hiring since higher prices of gas, food and other commodities pushed up costs and forced consumers to cut spending on other items, hurting demand for employers' products. Businesses added 83,000 jobs in May, less than half what economists had been expecting. It was the weakest level of business hiring in 11 months.



The extent of the cutback in hiring was widespread. Manufacturers cut jobs for the first time since October, as the auto sector was impacted by supply disruptions from the Japanese earthquake earlier this year. Getting by on 'underemployment' Retailers, who had one of their best hiring months in years in April, pulled back by trimming nearly 9,000 jobs. Overall, nearly half of the industries tracked by the Labor Department cut payrolls during the month, the most widespread job losses in eight months.

Things were even worse in the public sector, as the government cut 29,000 workers during the month, with most of the decline coming from local governments. Both teachers and other municipal workers such as fire fighters and police lost their jobs due to budget cutbacks. The tight budgets have caused state and local governments to trim 175,000 workers off their payrolls over the last six months.

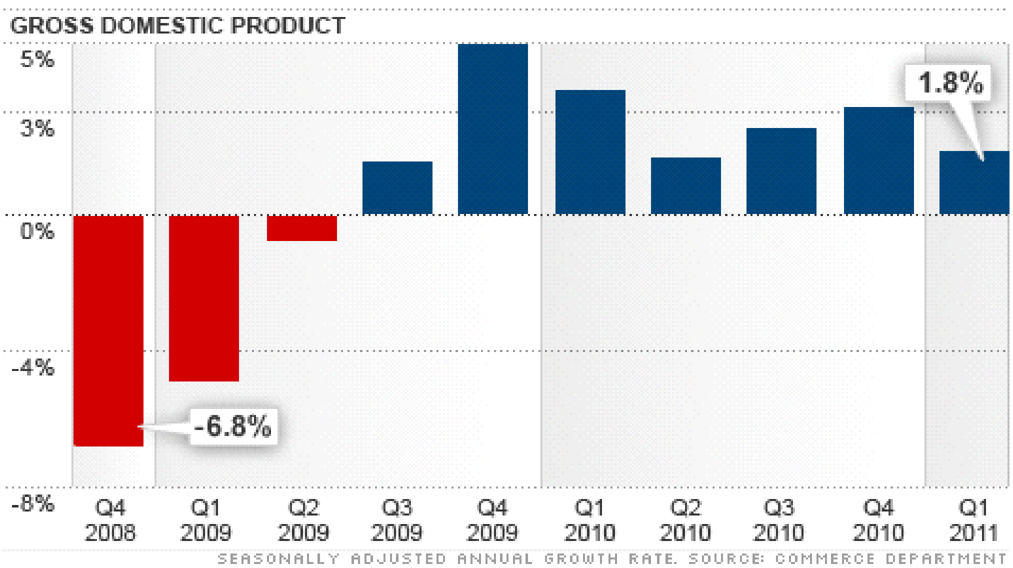
ECONOMIC RECOVERY: OH SO SL-O-O-O-W

Economic growth slowed to a crawl in the first three months of the year as a spike in gasoline prices and continued weakness in the housing market all took a toll on the recovery. Gross domestic product, the broadest measure of the nation's economic health, rose at an annual rate of 1.8%, the Commerce Department reported, significantly lower than the Fed projection of 3%-3.6% and even lower than the 2.8%-3.1% that I estimated in my annual January forecast.

A number of unforeseen occurrences contributed to the lower numbers. Obviously, no one could have foreseen the tsunami that hit Japan in March or the subsequent fallout from the Fukushima nuclear disaster. Though the Japanese disaster occurred

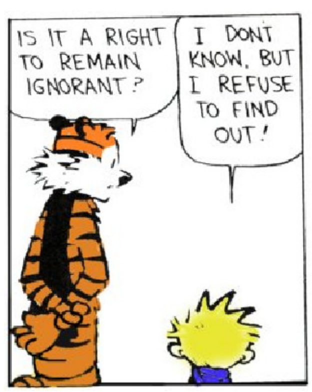
5,000 miles away, the economic repercussions rippled throughout the American economy. Other unexpected surprises were the political uprisings in Egypt, Libya, and Syria and their collateral impact on oil prices.

The sharp rise on energy prices in recent months further retarded GDP. Back in January I commented “should prices rise above the century mark it will likely dampen America’s already slow recovery.” I did not think the run-up would be so abrupt. Many analysts thought just the reverse: they foresaw oil prices declining due to high unemployment and the spread of Europe’s debt crisis. In actuality, higher prices for imported oil caused a rise in the nation's imports, which slowed the economy. The increase in imported goods shaved 0.8 percentage points off of growth by itself. Consumers cut discretionary spending to compensate for rising food and energy prices; the response was a further drag on GNP. The weak real estate market continued to weigh on the economy, as investment in homes and housing construction fell at a 4.1% pace in the quarter, while investment in non-residential real estate, such as offices, stores and factories, plunged by 29%.



WHAT MOST PEOPLE DON’T KNOW ABOUT MORTGAGES

A new Zillow Mortgage Marketplace survey revealed consumers know very little about how mortgages work. For example:



- More than half (57%) of prospective home buyers polled thought **adjustable-rate mortgages** always reset **higher**, despite the fact that they adjust to the sum of the margin plus the index.

- At the moment, many ARMs have adjusted lower, thanks to record lows for many mortgage indexes, such as the LIBOR.

- These same homeowners could be scampering to refinance their loans, even if they might be enjoying a lower monthly mortgage payment, at least in the interim.

- Even worse, 34 percent of respondents don’t realize **mortgage lender fees** are negotiable and vary by institution.

- Consumers seem to believe that lenders are required by law to charge the same fees for things like **credit reports** and **appraisals**.

- Additionally, 55 percent of those surveyed don’t understand that **mortgage rates** change throughout the day, just as stock prices rise and fall.

- And 45 percent of prospective home buyers believe they should always buy **mortgage discount points** when obtaining a mortgage. (Ed. Note: I find that 90% of buyers don’t know what discount points are).

- Most people don’t keep their mortgages for the full term, let alone a decade.

- More than a third (37%) believe pre-qualifying for a mortgage means they’ve secured financing, though this is far from the truth (**pre-qualification vs. pre-approval**).

- Finally, 42 percent didn’t realize **FHA loans** are available to all buyers, not just **first-time homebuyers.**

RATE SUMMARY:

Rates IMPROVED, this month.

* Conventional conformings—BETTER by a 1/8th to 1/4th
* Jumbos—BETTER by 1/4TH
* Governments (FHA/VA)—NIL CHANGE

FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO:

www.mortgagestraighttalk.com Then, click on the menu tab labeled "RATES". The rate sheets are updated every Friday.

SPECIAL(S) OF THE MONTH:

Conf. 30 yr. fixed
@ 4.250%

Conf. 5/1 ARM
@ 2.75% (lowest rate)

Conf. 5/1 Interest Only ARM
@ 2.875% (lowest payment)

Home Ownership Accelerator
@ 3.291%

JUMBO 30 yr. fixed
@ 4.750%

MORTY'S MAILBAG

Q. With respect to the economy and jobs, you seem to think that there are obvious solutions to these problems. Pardon, my saying so, but if you're so smart, why isn't this obvious to others?

A. Let me address the second part of your question first. Since you mentioned it, I used to think "Can I be that smart or is it that others are misguided and/or dumb?" Life has taught me that I'm not a genius, but it has also made it abundantly clear that many people aren't especially rational or cognizant of the facts when it comes to economics. Let me also add that I am an Independent as far as political persuasion goes: I find that both the Left and the Right not terribly conscientious when it comes doing the people's bidding. Some people succumb to demagoguery and deny solutions to complex problems with slogans or sound bytes like: "that's socialism", "starve the beast", "lower taxes" [in response to all problems great and small] and the nonsensical 'I want government out of my Medicare". (Understand, I'm not suggesting that all conservatives are crazies: Government is profligate in certain areas and that excess needs to be curbed, too). Others are rigid ideologues and their position is tantamount to: "Don't confuse me with facts; my mind's made up."

Here are some facts: The National Bureau of Economic Research acknowledged that the $787 billion stimulus bill that the Obama administration got through Congress, insufficient though it was; it technically brought about the end of the recession in June of '09. So, contrary to popular opinion—it did work. Without it, economists estimate that our unemployment rate would now be about 12% nationally, instead of the current 9.1%. The administration had the right idea, but the size of the stimulus was vastly inadequate, given the enormity of the problem (but it was all that was politically practicable). The mortgage meltdown in 2007-2008 and the resultant recession tore an annual $1.2 trillion hole in our economy (approximately 10% of GDP) owing to the drop in consumer demand and the precipitous decline in the construction industry. We tried to fill this with an annual stimulus of $300 billion in 2009 and 2010, but half of this was offset by cutbacks from state and local budgets. Bottom Line: We attempted to fill an annual $1.2 trillion hole with a net stimulus from the government sector of $150 billion.

The Right says that economy has been mismanaged, but that's largely political rhetoric. There is an inescapable cause and effect relationship between financial crises and their ensuing economic slumps. Just as it took roughly a decade of deficits and deregulation to get us into our present predicament there is no magic bullet that will extricate us from this in a short time. Given that we are in the aftermath of the worst financial crisis to hit this country in 70 years, no matter who was in office in 2009, the economy, jobs and home prices would not be significantly better than they currently are (although the recovery might look stronger). Recessions and depressions are aspects of the business cycle and history has repeatedly demonstrated that in a best case scenario it takes 4+ years for the economy to correct after a severe economic downturn, 5 or more years for jobs to return to post depression/recession levels and 5-6 years for housing to recover. Administrations and Congress can't curtail these calamities overnight, but given the political will, they can do a lot to mitigate their severity and length.

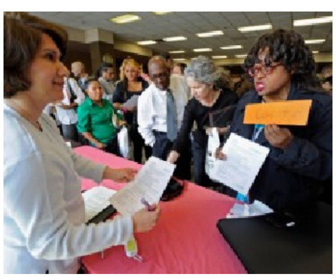
Jobs should have been Obama's number one priority. At present, the economy is not growing nearly fast enough to dent unemployment. President Obama has not been audacious enough in economic respects. Instead, he has tried "to reach across the aisle" to placate the Right in order to achieve a consensus. What the country needed was someone on the order of an FDR who was not afraid of offending the Establishment or Wall St. He does, however, deserve a measure of credit for saving untold American jobs, for without his bailing out GM & Chrysler, another million people would have been thrown out of work, not just by the Big Three automakers, but all the companies that supply parts to the auto industry. But many more jobs could be created by rebuilding our crumbling infrastructure with public works projects like those instituted under FDR. This is an obvious solution to the problem of unemployment and under-unemployment in the construction industry. With so many bridges and roads in desperate need of repair and doing it at a time when money is comparatively cheap at 3% is doubly advantageous. By jump-starting economic development more people are employed and the demand for goods and services will return. We could, to a large extent, grow our way out of our economic problems by expanding our economy. Contracting it, by cutting services and more jobs, only worsens the problem. What worked in the 1930's would work again in 2011 and beyond.

At present, it isn't that big businesses can't afford to hire: they are awash in cash with $1.8 trillion in savings. They are not hiring because of excess capacity: the supply of goods and services exceeds the demand [or the customers] for them. People aren't consuming as they have in the past because they are unemployed, underemployed or are in fear of being laid off. So that leaves the federal government as the only real force with the ability to create jobs and in turn stimulate demand for goods and services.

Despite the high rate of unemployment, industry has thousands of positions they can't fill because employers can't find qualified personnel to fill them. We need to be doing what our creditor nation, China, is doing and that's pouring money into education and retraining. Again, like China we need to be investing in green technologies and energy. Jack Welch, the former head of GE, says that it is only by doing so can we hope to compete with China and beat them through innovation. The deficit hawks talk about burdening future generations with untold debt yet they seem to discount that being undereducated in an increasingly technology driven future will be even more disadvantageous. A country that invests more in its elderly, than its youth, more in nursing homes than schools, will neither invent the future nor own it.

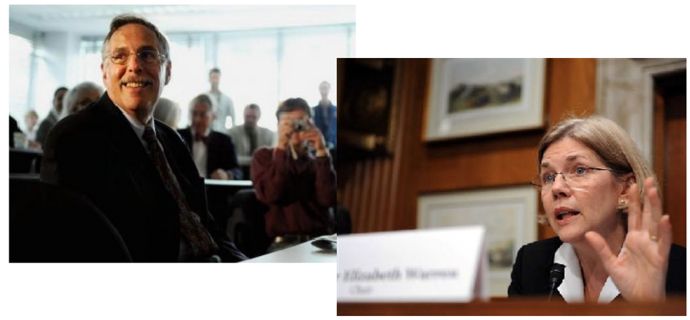
According to the IRS, in the past 30 years, the **income of the average tax-payer** has **declined** (when adjusted for inflation). Meanwhile, **the richest 1% of Americans now take home almost 24% of income,** up from under 9% in 1976. **From 1980 to 2005**, more than **80% of the TOTAL INCREASE in American incomes went to the richest 1%. Yet they have tax rates a third lower than they had in 1970.** So, raising the tax rate from 36% to 39% for those who can best afford it doesn't seem particularly onerous particularly when one considers that these people were the biggest beneficiaries of tax cuts over the past three decades.

Plain and simply federal and state governments need revenue. Cutting taxes only exacerbates this problem and is fiscally irresponsible. Vice-President Dick Cheney famously said “Deficits don’t matter.” During the administration of former President George W. Bush—who added more than $4 trillion to the national debt—Congress, with little fanfare, voted to raise the debt ceiling no less than seven times. Now, Republicans who were largely responsible for creating the problem are feigning concern over it. Former Treasury Secretary Paul O'Neill was fired from Bush's economic team in December 2002, because he raised objections to a new round of tax cuts. The argument that tax cuts for the rich will foster job growth is fallacious. We have had lower taxes for a decade and the bulk of the cuts went to a small affluent minority and it has not spurred job growth. And, if deficits are truly a concern doesn’t it make sense to offset the deficits by hiking taxes on those who can afford it? Isn’t it more sensible to increase revenues as opposed to cutting education, laying off teachers, raising unemployment and worsening deficits by throwing more people on to unemployment rolls?



Most people want Medicare and Social Security to continue; the trouble comes when its time to pay for health care and entitlements. Unless we get health care inflation under control by replacing the perverse fee for service incentive structure, there will be no money for anything else. A serious fiscal plan for America would address the long run drivers of spending, above all health care costs, and it would almost certainly include some kind of tax increase.

We have massive problems to deal with and a dysfunctional political system. Consequently, I would like to see the best and the brightest working to solve the nation’s problems. It is time to stop playing partisan politics with the confirmation process when so much is at stake. Thus, it is particularly galling to see the nomination of well-qualified candidates like Elizabeth Warren to the Consumer Financial Protection Bureau blocked and Peter Diamond’s, nomination to the Federal Reserve being withdrawn because Republicans said his background in labor economics made him unqualified even though full employment is one of the Fed’s mandates. (Diamond won the Nobel prize in economics).



What the Right is unwilling to acknowledge is that THE DEBT LIMIT DEBATE IS NOT ABOUT FUTURE SPENDING. IT IS ABOUT PAYING FOR A DEFICIT ALREADY INCURRED because of two wars and tax cuts approved by both Republicans and Democrats at the behest of a Republican president. On the fiscal side, Republicans are demanding immediate spending cuts as the price of raising the debt limit and avoiding a U.S. default. Cutting spending in a deeply depressed economy is largely self-defeating even in purely fiscal terms because any savings achieved at the front end are offset by lower revenues as the economy shrinks. If this blackmail succeeds it will put a further drag on an already weak economy. But perhaps that’s part of conservatives’ game plan as we head into an election year because every election is a potential referendum on the economy.

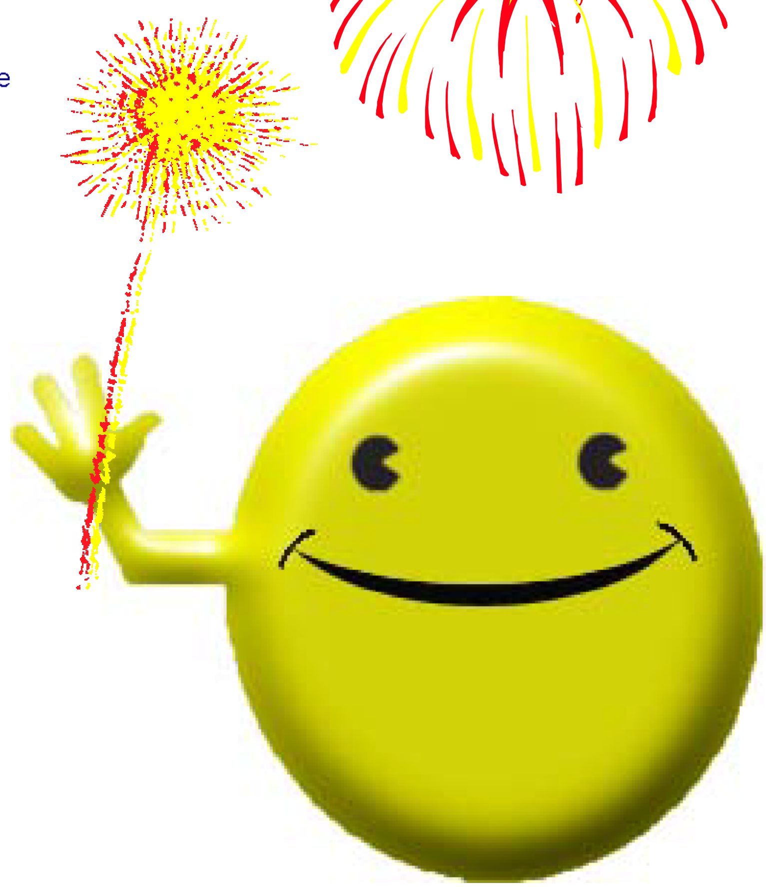
At this juncture, the jobless rate probably needs to fall to 7% before the economy is healthy enough for deficit reduction. One area that needs pruning is our bloated defense budget; it consumes 23% of the federal budget. The United States spends six times as much as China, the country with the next biggest defense budget. So jobs now and deficits later was and is the right strategy. In conclusion, we need to spend, tax, cut and invest, but we need to do it judiciously and in a timely fashion. Delaying these actions will imperil the recovery and it will be even harder to repair the budget.

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

MORTGAGE MIRTH

Some cause happiness wherever they go.
Others whenever they go.

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



NEXT ISSUE'S TOPIC:
HARD MONEY LOANS