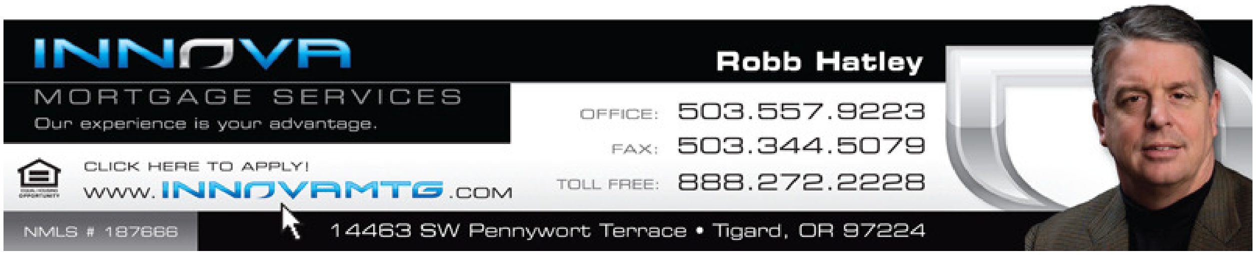
01/15/2012



Happy New Year everyone,

I hope all your holidays were enjoyable. Well 2012 appears to be starting off with a nice bang. The economic news highlight of last week was a better than expected unemployment report. The nation's unemployment rate dropped from 8.7% down to 8.5%. In past recessions it was always housing that led the economy out of the recovery, but, for the first time ever, it now appears that employment is going to be the catalyst for a housing recovery.

We are still a long way away from a strong labor market and there are still many signs of weakness in the employment sector. The addition of 200,000 jobs in the month of December, which is a nice jump from the 100,000 added in November, is a positive sign pointing towards economic recovery. I believe that it is just a matter of time before the home buying public starts believing more in the recovery and be willing to step into the realm of homeownership.

Outside of unemployment, the economic indicators continue to show gradual strengthening in many areas. Construction Spending rose another 1.2% last month when experts were expecting only a modest increase of .5%. Month after month we have been seeing the trend of increasing spending in construction. When you combine this with the recent positive report from homebuilders showing that they are becoming more confident in the future of homebuilding, it may be sooner than later that potential homebuyers jump on the home purchase bandwagon.

All in all we are starting to see some positive signs. Now, if Europe can stay the course and Iran decides to just rattle their swords instead of actually doing something we should see this strength continue. Consumer confidence is key to moving the housing market in the right direction. Job stability and job opportunities will be one of the important factors for 2012 to get the market on track.

Rates continue to be at an all-time low with 30 year fixed in the low 4's and 15 year fixed in the middle 3's. And yes underwriting is still a nightmare but it is worth the effort to try as the benefits considerably outweigh any negative aspects of the process. We continue to wait for the government backed **HARP 2.0 Refinance Program** for Fannie Mae and Freddie Mac owned properties to come out. Our expectation is the program will be up and running the first of March when all the systems for underwriting are automated and lenders won't be buried with manually underwriting these loans and clogging up their pipelines.

Unfortunately, a move has been made at the federal level that will immediately impact rates.

Why is this occurring? As directed by the Federal Housing Finance Agency (FHFA), pursuant to the Temporary Payroll Tax Cut continuation Act of 2011, Fannie Mae and Freddie Mac are required to increase the guarantee fee charged for all mortgages delivered on or after April 1, 2012 by 10 basis points. In the next few months, FHFA will further analyze whether additional guarantee fee increases are appropriate to ensure the new requirements of the law are being met.
What is a guarantee fee? It is a fee charged by mortgage-backed securities (MBS) providers such as Fannie Mae and Freddie Mac, to lenders for bundling, servicing, selling and reporting MBS to investors. The main component of the guarantee fee is charged to protect against credit-related losses in the mortgage portfolio. Think of it as insurance. Commonly known in the mortgage industry as "g-fee", **this is a deduction in relation to the interest rate.**
How does a 10 basis points increase in guarantee fee impact my borrower? A 10 bp increase in g-fee effectively raises the interest rate to the borrower by 12.5 basis points (or 1/8th)

No matter the current rate changes this is an absolutely premier time to purchase or refinance a home. Property values are down to 1997-1998 levels, rates are at historical lows (*who ever thought you could get a rate your parents would be jealous of*). As your mortgage professional, (celebrating my 20th year in the mortgage industry) I am happy to assist you with any information you may need regarding mortgage or real estate. I welcome the opportunity to serve you in any way possible. Please feel free to reach me at **503-557-9223**

Regards, *Robb*

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