

The Housing Market Update

Schaefer Mortgage

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Housing Poised for Spring Recovery:

Five years after the U.S. housing bust sent sales and prices plunging, the spring home-buying season is pointing to a long-awaited recovery.

Reduced prices, record-low mortgage rates, higher rents and an improving job market appear to be emboldening many would-be buyers.

Open houses are drawing crowds. A wave of foreclosures is leading investors to grab bargain-priced homes.

And many people seem to have concluded that prices won't drop much further. In some areas, prices have begun to tick up.

"The biggest challenge that we've had over the past four years is fear — fear that the economy is collapsing, that property values are collapsing, that the world is coming to an end," says Mark Prather, a broker at ERA Buy America Real Estate in La Palma, Calif. "The fear factor is all but gone."

Brought to you by:



Lynne Haney

Licensed Mortgage Originator

Cell: 603-491-9253

lhaneys@schaefermortgage.com

www.lynnhaney.com

Licensed by the NH Banking
Dept.

Licensed Mortgage Originator,
NMLS 162534

NH Licensed Originator
(NH162534)

MA Licensed Originator
(MLO162534)

ME Licensed Originator
(ME162534)

VT Licensed Originator
(VT162534)

Manchester Branch
NMLS #139493, NH 14542-MB-
BCH,
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The spring buying season got an early lift-off from an uncommonly warm January and February — a winter that was the best for sales of previously occupied homes in five years. Permits to build houses and apartments rose in February to their highest level since 2008.

"People feel much more confident," said Steve Brown, co-owner of real estate company Irongate Inc. of Dayton, Ohio, who says sales jumped more than 16 percent for the first two months of 2012 over the same period last year. "There's no question there's a good feeling in the marketplace."

Some analysts detected a slight uptick in prices for February and March. CoreLogic, a real estate data firm, says prices for homes not at risk of foreclosure — about two thirds of the market — rose 0.7 percent in February. It was the first increase in four years. Price gains occurred both in some hard-hit areas, such as Phoenix, and some still-thriving areas like New York and Washington.

Also fueling interest are signs that home values are finally stabilizing. One factor that had slowed purchases after the housing boom ended in late 2006 was fear that a home would lose value soon after its purchase.

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What Happened to Rates Last Week?



Mortgage backed securities (MBS) gained just +3 basis points from last Friday to the prior Friday which caused mortgage rates to move sideways.

The highest rates of the week were on Wednesday and the lowest rates of the week were on Tuesday. The difference between our best and worst pricing for the week was a whopping 109 basis points which shows a lot of volatility.

Mortgage rates dipped Tuesday afternoon in reaction to global concern over Spain and Italy's debt woes. Mortgage rates then reversed course and increased both Wednesday and Thursday in reaction to the release of the Fed's Beige Book (named for the color of its cover). The Beige Book contains the economic data that the Fed will use to base their next policy move. In this report, the economic conditions in most districts were improving which led investors to believe that there would be a reduced chance for the Fed to have another round of quantitative easing.

Mortgage rates then reversed course again, and improved on Friday in reaction to a weak stock market and milder than expected University of Michigan Consumer Sentiment reading.

What to Watch Out For This Week:

The following are the major economic reports that will hit the market this week. They each have the ability to affect the pricing of Mortgage Backed Securities and therefore, interest rates for Government and Conventional mortgages.

Date	Time (ET)	Economic Release	Actual	Estimate	Prior
16-Apr	8:30 AM	Retail Sales	-	0.30%	1.10%
16-Apr	8:30 AM	Retail Sales ex-auto	-	0.60%	0.90%
16-Apr	8:30 AM	Empire Manufacturing	-	17.5	20.2
16-Apr	9:00 AM	Net Long-Term TIC Flows	-	NA	\$101.0B
16-Apr	10:00 AM	Business Inventories	-	0.50%	0.70%
16-Apr	10:00 AM	NAHB Housing Market Index	-	29	28
17-Apr	8:30 AM	Housing Starts	-	700K	698K
17-Apr	8:30 AM	Building Permits	-	710K	717K
17-Apr	9:15 AM	Industrial Production	-	0.20%	0.00%
17-Apr	9:15 AM	Capacity Utilization	-	78.50%	78.40%
18-Apr	7:00 AM	MBA Mortgage Index	-	NA	-2.40%
18-Apr	10:30 AM	Crude Inventories	-	NA	2.791M
19-Apr	8:30 AM	Initial Claims	-	375K	380K
19-Apr	8:30 AM	Continuing Claims	-	3275K	3251K
19-Apr	10:00 AM	Existing Home Sales	-	4.62M	4.59M
19-Apr	10:00 AM	Philadelphia Fed	-	10.3	12.5
19-Apr	10:00 AM	Leading Indicators	-	0.20%	0.70%

I will be watching these reports closely for you and let you know if there are any big surprises:

It is virtually impossible for you to keep track of what is going on with the economy and other events that can impact the housing and mortgage markets. Just leave it to me, I monitor the live trading of Mortgage Backed Securities which are the only thing government and conventional mortgage rates are based upon.