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Vic's Mortgage Report

"Home of Free Mortgage Consultation"



Viral (Vic) Joshi
*Branch Manager/
Loan Consultant*

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Viral (Vic) Joshi *Branch Manager / Loan Consultant*

Office: (510) 655-2868 Cell: (510) 853-2407 Fax: (510) 291-2824
Email: viral@vicjoshi.com Web: www.vicjoshi.com

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bonds more directly affect mortgage rates. The effect of the bond purchases so far has been to keep rates from shooting much higher than where they are currently, while not having a lowering effect on mortgage rates. With the \$600 billion purchase plan detailed in the second round of Quantitative Easing set to complete in June of 2011, look for rates to start making a move in an even higher direction later this year.

Inflation continues to pressure the bond market. February 2011 saw China and the European Union each raise their target rates to slow down inflation that is in the 5%+ range in markets outside the U.S. Even though Ben Bernanke continues to reiterate that inflation in the U.S. is not a factor, inflation in the global markets continues to pressure the bond market at home and mortgage rates continue to rise. To compound the issue, Fannie Mae and Freddie Mac increased the cost of doing loans as of the beginning of this year. Now, the only way to get the best going interest rate is to either put 40%+ down or have 40%+ equity in your property. There is a rate hit even for those with a 740+ FICO and 20%-40% equity/down payment! The news today is that the government wants to continue increasing the cost of doing loans with Fannie and Freddie even further, which means that they want to slow down originations of new loans through Fannie and Freddie. The direct result of this will be more originations through other government entities like FHA, Federal Housing Administration, and Veteran's Administration (VA).

Due to the projected increase in FHA lending, I am making a move to be able to originate loans through FHA. Currently, I am not able to originate FHA loans with my current broker, First Priority Financial. By the time this newsletter comes out in March, I will be able to originate FHA loans either through First Priority Financial or with another broker. Either way, I will be forced to stop using my DBA name of Straight Deal Mortgage. Look for another letter in the mail letting you know of the transfer and new company name. Nothing else will change other than the name at the top of the newsletter and on all of my marketing materials including my website. All phone numbers, e-mails addresses, website addresses, and fax numbers will remain the same. Also, my service will not change at all other than my ability to offer more options and products in this ever tightening mortgage market. I am here for the long haul and I continue to offer every option I can find to better serve my clients and friends.

If you have any questions or need me to educate you more on how mortgage banking is working, or not working, these days, please don't hesitate to call me.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, viral@vicjoshi.com, so that I can put you on the mailing list.



Hello Friends,
The bond market just completed seven consecutive days where it tanked and interest rates went back up over 5% for no

points on a 30-year fixed conforming loan. This ended on February 9th, 2011 and we finally had a positive day for the bond market with the 10-year Treasury bond auction getting an A+ rating. On February 8th, the 3-year Treasury bond auction received a C+ rating. Looks like investors like the longer term securities a lot more than they do the shorter term securities in the current market.

Overall, money has been flowing steadily into the stock market and out of the bond market for a few months consistently. This has helped to cause interest rates to increase and we are now very firmly out of the sub 5% range, maybe for good. The Federal Reserve has been buying Treasury bonds from the marketplace to the tune of \$389 billion worth as of February 9th, 2011. Unfortunately for mortgage interest rates, the bond purchases have been mostly in the 2-year bond to 7-year bond range. This jibes with what the Fed had announced regarding QE2, the second round of Quantitative Easing, when they indicated that they were not going to make purchases in the 10-year and 30-year bonds that are currently available on the market.

This has been very bad news for mortgage interest rates as longer term
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