



Viral (Vic) Joshi
*Branch Manager/
Loan Consultant*
DRE Lic. #01242935
NMLS #244388



Compliments of: Viral (Vic) Joshi

Cobalt Financial Corporation is licensed by the CA Dept. of RE, License #01821025 • NMLS #135622

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

(continued from front page)

actually be a good thing, in my opinion.

The one thing that has really been lacking from our economy in the last five years has been a healthy, normal real estate market. Even though rates are still near the all time lows last seen in November 2010, the real estate purchase markets have been stagnant with few buyers entering the market compared to the amount of inventory available. Part of this is due to the lack of credit and tight mortgage underwriting standards, which are the worst I have ever seen and still getting tighter. Part of this is due to the lack of jobs.

The main reason qualified buyers are sitting on the fence, in my opinion, is that the consumer's perception is that we have not yet hit bottom in regards to property values. Based on the continued high foreclosure rates and the amount of inventory that the banks hold that is still not on the market, I can see the logic of waiting for further weakening in property prices. However, once the Fed starts to increase rates to fight inflation, we will see all the fence sitters jump into the market all at once to try and capture the last of the low rates. As we have seen, time and time again, consumers as a whole tend to act with a herd mentality. See the dot-com boom and bust and the most recent real estate boom and bust. This will be true once the rates start to increase. Once the Fed goes on an aggressive path to fight inflation, the Fed will start increasing their target rate over the course of

a year to a year and a half before easing off to see the effects on inflation. This means that rates could go up 1.5% - 2% over the course of a year and a half, which will cause a mild panic on home buying and which should stimulate the real estate markets.

Currently, we are starting to see some more Jumbo/Portfolio loan products come back into the markets. If the secondary market on Wall Street for mortgages does come back over the next few years, we could see more loan products and an easing to some underwriting guidelines. This would mean more people could qualify to buy and, with rates up, those qualified buyers will try to get in while prices are low and rates are still in the 6% range. My opinion is that the next two to three years will be the optimum time to buy and that we are close enough to the bottom. Waiting for all the fence sitters to jump in when rates increase is not a good idea. 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.

Vic's **Mortgage Report**

"Home of Free Mortgage Consultation"

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



Hello Friends,
July brought some more poor economic news that helped push interest rates back towards the recent lows that we

saw from May through July. Non-farm jobs, expected up 100K were up just 18K; private sector jobs expected up 125K, up just 57K. And it wasn't just June data; May non-farm jobs were revised from +54K to +29K and April jobs were lower by 4K from what was originally released. Jobs were the weakest since Sept 2010. The unemployment rate, expected unchanged at 9.1%, increased to 9.2%, the highest since Dec 2010. Average hourly earnings showed -0.1%, normally up 0.2% a month.

No matter how the report is spun this is a very serious blow to the view that the economy is improving. Don't be surprised if the Federal Reserve starts talking about another round of Quantitative Easing, QE3. With continued stagnation in the jobs market and unemployment still at record high levels, the Fed will have to continue trying to create measures to help suppress interest rates. The problem with this is that the Fed's involvement has caused the dollar to diminish and we are now seeing an increase in inflation that is inevitable in the current low rate environment. Eventually, and I mean within the next few years, the Fed will have to start increasing rates to combat inflation, whether the jobs markets have improved significantly or not. This will

(continued on back page)

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