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continuing improvement in the bond yields.

The Federal Open Market Committee, which ended a two-day meeting on 9/13/2012, said it was concerned that, without the action, “economic growth might not be strong enough to generate sustained improvement in labor market conditions.” In addition to bond purchases, the Fed said it intends to keep the benchmark short-term interest rate — the federal funds rate — at .25% until mid 2015. The prior guidance on the first rate hike had been late 2014. This means that the mortgage rate environment will continue to be near the all-time low for another three years. The reason the fed funds rate has such an impact on rates is that institutional lenders can borrow from the fed at .25% and use these funds to invest in the bond market and make quick money on the spread. This additional flow of money into the bond market again helps to reduce the bond yield, which is the basis of mortgage interest rates. The guidance now extends well beyond the term of Fed Chief Ben Bernanke, which ends early in 2014. The Fed has left the fed funds rate at .25% since December 2008.

This purchase program is QE3, Quantitative Easing round 3, in action. November 2011 saw rates fall to the new 50-year low on the promise of QE3 and 10 months later, we are finally seeing what form QE3 will take. Nothing new here when compared to the previous rounds, QE1 and

QE2. The Fed is printing more money, which will cause inflation, so be ready for a quick increase in rates once the Fed changes its policy from leaving the fed funds rate at .25% to increasing it in mid 2015. The *good news* is that we have more time to get as many people as possible into these ridiculously low interest rates. The *bad news* is that it is taking longer than ever to get loans through right now with the huge increase in loan volume, that doesn't seem to be slowing down any time soon. If you are in the market for a mortgage, get the process started early since it is taking up to 3 months for a refinance and more than 30 days for a purchase, in most cases.

I am running close to capacity right now, but I have the means to take on additional refinances and purchases. I have over 80 banks working with **C2 Financial**, so there are lots of options and I can compare rate offerings. Please don't hesitate to contact me for a *free consultation* if you feel like you can benefit from the current, historically low rate environment.

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

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Hello Friends,
The most recent Federal Open Market Committee Meeting where the Federal

Reserve meets to determine its monetary policies occurred on 9/13/2012 and helped to preserve the current, historically low interest rate environment. The Fed, worried that improvement in the unemployment rate has stalled, announced a third, large purchase of bonds in an effort to bring down long-term interest rates and spur additional growth. The Fed said it would buy mortgage-backed securities at a pace of \$40 billion per month. This additional activity in the bond market will help keep a lid on rates and may even help reduce rates a bit further, although rates are so close to 3% on 30-year fixed that I can't imagine they can go much lower. The investor wants to make a minimum of 2.5% - 3% profit on all loans originated. By that logic, rates can't go below 2.5%. I saw this recently with 10-year and 15-year fixed rates that had fallen slightly below 3% to around 2.875%, 2.953% APR, and then stopped there despite

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