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Fed wants to see interest rates drop a little further than where they are today. Unfortunately, lenders are not cooperating with the Fed's wishes because all lenders are buried under the continuing huge volume of refinance applications and they have no incentive to reduce rates to match the Fed's efforts in the bond market. Even if rates were to fall a little more over this year, they can't go much further because of the profit margin that the investors of mortgage-backed securities need to earn for mortgage loans to be profitable. We may have one or two years maximum left on these historically low rates, and I hope everyone has been able to take this opportunity to either refinance or purchase with these amazing rates.

In an ongoing effort by the Federal Government to shift mortgage lending from the GSEs (Government Sponsored Enterprises), such as Fannie Mae/Freddie Mac to private investors, we are starting to hear rumors of an additional G-Fee (Guarantee Fee) increase of an additional .25% sometime this year. The G-Fee increases directly affect mortgage rates for loans sold to the GSEs. Recently we saw the last such increase go into effect in December 2012. This increase in the G-Fee prevented mortgage rates from dropping below the current low levels even though the Fed wants to see rates fall further. Every G-Fee increase puts additional upward pressure on rates that counter-balances any efforts the Fed makes in its bond purchase program, thereby preventing rates from falling further and even causing rates to start to increase. It will be interesting to see what happens as these G-Fee increases cause the rates offered

by the GSEs to match or surpass current rates on Jumbo loans offered by private investors such as Wells Fargo, Citi, Chase, and BofA. The time of the GSEs is numbered and at some point in the next few years, we will no longer have the government to fall back on for conventional mortgage lending. Buckle up and get ready for more turbulence in mortgage lending!

The Home Affordable Refinance Program (HARP) is also set to expire at the end of 2013. Those of you who have not yet taken advantage of this program that allows people to refinance, even if upside down in equity, need to get moving now since this is a difficult loan to close and it takes two to three months to close. Don't miss the boat on this since all of these government programs designed to help borrowers out of the mortgage crisis will expire in the next year or two. These products will not come back since mortgage lending has changed dramatically to help avoid the crisis we recently experienced from 2008 to the present.

If you are thinking about refinancing or purchasing a new property, please don't hesitate to check in with me for a free, no obligation consultation.

*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,
2013 started
with
the Federal
Government
averting the
fiscal cliff,
which caused*

the stock markets to improve into the first two weeks of 2013. This caused investors to move away from bonds, which directly affected mortgage interest rates by increasing rates about .25% higher than the all-time lows we had been experiencing in the middle of December 2012.

The Fed also released the minutes from their most recent Federal Open Market Committee (FOMC) meeting in early January, which caused the bond market to suffer a little more on the news that some of the FOMC members see Quantitative Easing Round 3 (QE3) ending by the end of 2013. QE3 is the Federal Reserve's current bond purchase program that has been keeping a lid on interest rates. If QE3 ends in 2013 and the Fed doesn't have any additional plans in the works to help suppress interest rates, mortgage rates could start to rise at the end of this year.

I believe we will have another year of historically low rates after this year and through 2014 because the

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