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fear for economic growth is that these clouds hanging over the government will spook employers who may stop hiring new workers and start laying off existing workers until the government gets its act together.

Prior to the government shutdown, the Fed had already reversed on its rhetoric to start unwinding QE3 due to the sluggish jobs market. With an already sluggish job market, any more hits to the job market will cause additional contraction in the economy and could force the Fed to continue with its aggressive quantitative easing programs, which will help interest rates stay at or near the currently low levels.

As of the date of this update, 10/18, fixed rates are roughly .5% higher than the all-time lows last seen in the month of April of this year. The government shutdown has caused many delays that include economic reports such as the monthly jobs numbers. There is going to be a delayed reaction and I am anticipating more bad news for jobs due to the government shutdown. Once the jobs reports start coming in that show contraction, rates will continue to benefit. Additionally, Janet Yellen looks to be confirmed soon as the new Federal Reserve Chair, replacing Ben Bernanke. Yellen was one of the voting Fed members who advocated keeping QE3 in place for now. With Yellen at the helm, there should be a more measured reduction to quantitative easing that will continue to benefit interest rates. I am looking for rates to continue in a downward trend through the New Year and possible into the first quarter 2014.

There is a strange paradox in the mortgage industry right now. With the rising rate environment of 2013 post May 3rd, most mortgage lenders have been laying off large percentages of their work force. Refinance volume has come to a grinding halt and most of these mortgage lenders had staffed up substantially to handle the crush of the last two years of refinancing with rates at all-time low levels. With the uncertainty from the Fed regarding QE3, rates spiked up to their highest levels in two years, only to see them start to fall back down in the last month. This is typical for mortgage lenders to ramp up staffing for a short period only to have to then layoff all of the people they hired to handle the spike in loan volume. This cycle then causes problems when rates drop again and these lenders are short staffed to handle the next wave of loan volume. Fortunately, I have relationships with over 70 mortgage lenders and strong relationships with at least 10 of these lenders. If rates do drop back to the all-time low levels of last year and of April of this year, I am in good shape to handle the increased volume due to the many relationships I have forged over the past 15 to 20 years in this industry. As I have said many times before in this newsletter, get ready for a bumpy ride!

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 down-ward rate reversal that started on September 18th has continued through

the middle of October due to the continued sentiment that the Federal Reserve will have to continue its bond purchase program, Quantitative Easing 3 (aka QE3), through the end of 2013 and into 2014. We experienced another nice boost to the bond market after the government shutdown ended on October 17th. Both stocks and bonds were encouraged by the announcement that the government has been funded through January 15th of 2014 and that the debt limit ceiling has been extended through February 7th of 2014.

The government shutdown will likely cause the country's economy some contraction. I am reading some economists' predictions of around .5% reduction in the GDP as a result of the 17-day shutdown. With the continued lack of funding for the Federal Government and the looming debt ceiling crisis that continues, the bond market should continue getting a boost, which will help interest rates. The

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