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(continued from front page)

This announcement last year is what caused interest rates to fall to a new 50+ year low and has been helping to maintain the current historically low rate environment. Tomorrow, the Fed will announce the most recent decision on interest rates and it will be interesting to see if the Fed feels like the economy is strengthening enough to avoid another round of Quantitative Easing. If the Fed abandons this plan, then all bets are off regarding interest rates, even with the Fed leaving their target Fed Funds rate where it is, currently at .25%. The Fed can change its mind regarding its previously announced policies any time, depending on the changing state of the economy, so don't be surprised if rates start to move up prior to the end of 2013.

If the Fed does start implementing QE3 sometime this year, then expect rates to stay at these historically low levels through the end of 2013. QE3 initiates the purchasing of \$400 Billion worth of middle to long term bonds from the marketplace that will further suppress the bond yields that mortgage interest rates are based on. This will directly keep a lid on mortgage rates. Without this support for lower mortgage rates from the Fed, we will see more rate volatility and a potential rise in rates in the near term.

The Fed's influence on keeping mortgage rates low seems to have finally had an effect on home purchase activity. Not only are we seeing an increase in mortgage applications for potential home buyers, I have personally felt an increase in applications from new home buyers in my office. I am hearing from these potential buyers that open houses have seen larger and larger crowds and I have seen offers from my pre-approved buyers face more multiple offer competition than at any other time in the

last five years. My thought was that it would take an uptick in rates to get potential buyers off the fence as a panic reaction to missing out on the historically low interest rates. It seems that I was wrong and that the Fed's plan on continuing to drive down interest rates is starting to have a positive effect on the real estate market. I sincerely hope so, because we need more home buyers to help accelerate us out of this recession. With home prices as low as they are and rates bottoming out, I think the average consumer has finally realized that this is the time to finally get in the market and purchase a new home.

The last thing I want to touch on in this month's newsletter is an update on FHA (Federal Housing Administration) loans. This is the program that allows for the lowest down payment, 3.5% and an awesome streamline refinance program for those of you with existing FHA loans. FHA is increasing the upfront/one time mortgage insurance premium and the monthly mortgage insurance premium as of 4/1/2012. This increase is part of congress' plan to pay for the payroll tax cut extension. The upfront premium will increase from 1% of the loan amount on new transactions to 1.75% and the monthly premium on new transactions will increase from 1.15%/per year to 1.25%/per year. This will not affect the premiums of those of you who are currently in FHA loans and will only apply to new FHA transactions closed on or after 4/1/2012.

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.

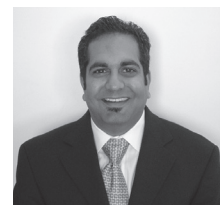
Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

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Hello Friends,

Today is 3/12/2012 and the new Home Affordable Refinance Program 2.0 (HARP 2.0) is

going into effect by 3/19/2012. Lenders have already started taking loan applications for this product and I have begun the process of setting up the loan applications for some of you that I have identified as qualifying for the new program.

The new program will remove the appraised value requirement, but as of today, we have yet to receive the spread of interest rates for the new program with unlimited loan-to-value allowed. I am anticipating rates to be in the low to middle 4% range for no points, but we will just have to wait and see. By the time you receive this newsletter, the rates will have been posted and the new program will be in full swing.

In other news, the unemployment rate, while still very high, has dropped below the high mark of almost 10% and has dropped to almost 8%, holding steady for the last few months at that mark. Combined with the low inflation numbers below 2%, the Federal Reserve and Ben Bernanke seemed undecided about QE3, the next round of Quantitative Easing from the Fed that was announced back in November 2011.

(continued on back page)

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