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not sure why investors are bullish towards stocks to start 2013, since nothing has fundamentally improved in the economy since last year. I guess investors are eager to see a positive change in the economy and are pushing for stocks to try and realize that change. This seems flawed to me, and I think the market is ripe for a small sell off in stocks, which will push investor dollars back into the bond market and push rates back to the all-time lows for a brief period some time this year. If you haven't refinanced yet, it is time to jump in this year or be content to have missed the boat on the all-time low rates we have recently befit from.

With rates on an upward trend, I think the purchase market will get hotter in 2013, since the fence-sitters will likely have a knee-jerk reaction to the increasing rates and all jump in at once to try and purchase at these historically low rates. With a continuing limited inventory, this will cause a bidding-war climate that will make it more difficult to purchase properties and should also drive up the price of real estate. Recent data shows that home prices across the nation have increased by as much as 8% year over year. The day of the distressed property bargain via short sale and foreclosure is starting to wind down. This may be the last year to get a real bargain before the market starts to get back to normal again, after the last five years of distress.

Many of you are looking to take advantage of the low rates and distressed properties to get a deal on investment properties. Condos seem to be a good deal based on price when compared to cash flow on rents. Be advised that condos are more difficult to purchase than single-family residences because the loan requirements are more stringent. Condos present unique challenges because the lender guidelines require that a complete condo certification has to be provided to the lender on all investment property, condo purchases. The certification, also

called a condo questionnaire, is ordered from the Homeowner's Association (HOA), by the lender or broker, and it asks a series of questions that can impact whether or not the lender will fund the loan. The main deal killer is whether or not the HOA is being sued or is in litigation over any physical problems with the development. If the answer to this question is yes, then that will kill the financing *and* kill the deal. When buying a condo as owner-occupied and putting at least a 20% down payment, the lender will only require a *limited* condo certification, which will not ask the litigation question. This is not true for investment property purchases where the litigation question always has to be answered, regardless of the amount of the down payment.

The other questions in a full certification that can kill the loan are what percentage of the units are owner-occupied versus rental, and whether or not any one entity owns more than 10% of the units in the development. If there are more than 49% rental units, the loan is dead and if one entity owns more than 10% of the units, the loan is also dead. In a case where the development has so few units that each owner owns more than 10% of the development by default, the rule states that one entity cannot own more than one unit in the development.

Feel free to contact me for a *free* consultation if you plan on purchasing an investment property in order to understand the pitfalls to the financing prior to investing time and money.

*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,
Since the last newsletter, the stock market has continued its upward trend through the middle

of February, which has caused the mortgage rate increase to remain in place from the lows last seen in the second week of December. The .25% increase that I had mentioned previously still exists across the board and this has been primarily driven by the strong movement into stocks and away from bonds since the beginning of the year.

The Fed is still going strong with its bond purchases to the tune of \$85 billion per month, \$40 billion in mortgage-backed securities, but this is simply keeping a lid on rates and preventing them from going even higher because of the strong move to stocks. The Fed will continue the bond purchase program as part of QE3, Quantitative Easing round 3, through the end of this year, which will help keep a lid on rates, but it is not clear if we will get back to the all-time lows from last year, or even go slightly lower. With investor sentiment bullish on stocks, rates will continue pushing upwards.

The U.S. economy is still in a rough spot with unemployment at 8% and the debt ceiling issue looming. I am

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