

RTC Mortgage Corporation



Richard T. Cirelli
President
RTC MORTGAGE CORPORATION
Phone: (949) 494-4701
Fax: (949) 494-6703
rick@RTCmortgage.com



CERTIFIED
MORTGAGE
PLANNING
SPECIALIST



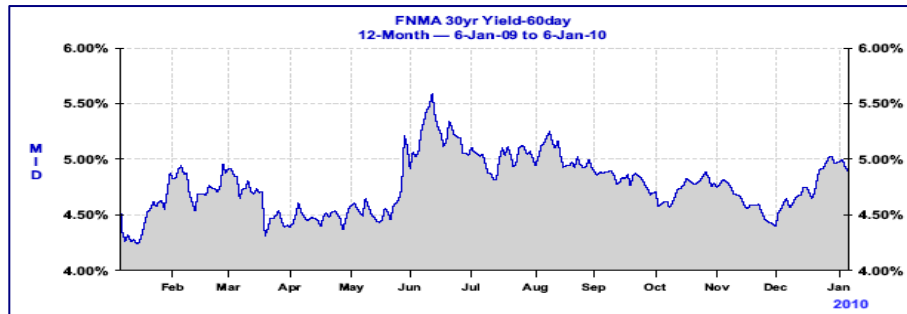
January 27, 2010

Did Rates Go Up or Down Last Year?

Believe it or not 2009 ended with higher mortgage rates than we had at the beginning. We certainly had a very volatile year that at one point saw 30 year fixed rates in the mid 4's and as high as the low 6's. We ended the year right in the middle of those ranges.

2009 was a year of unprecedented market involvement by our government, yet rates still increased. We need to be very careful in 2010 as our economy slowly begins to awake from hibernation. As the economy grows, so too will mortgage rates.

A look at mortgage rates during 2009:



(Add .5% to chart below to get the actual interest rate. That's because the lender that services the loan receives about 1/8% as a servicing fee. The rate shown is known as the "coupon rate" and is what the buyer of the Mortgage-Backed Securities receives as their yield).

The talk right now in mortgage circles is not "if" the mortgages rates will rise but "when". While we were enjoying the Holidays, rates crept up by about .375%. Remember, it's the Fed's program of buying Mortgage-Backed Securities that has kept mortgage rates artificially low.

The program was extended once and is now set to expire March 31st. It is estimated that this part of the Stimulus package has kept rates about 1% lower than they would have been without the program. If the Fed stays true to their word and does not extend the program again, rates will continue to rise as we approach that deadline. It's loans that are closed in January, February and March that will be sold by lenders to Fannie Mae and Freddie Mac who in turn will securitize them into MBS's in April – after the deadline. That means that rates will rise before the deadline.

The Bottom Line: Don't wait to buy or refi.

By the way, even if mortgage rates do rise back to 6%, they are still historically very low and shouldn't be a deterrent to buying a new home.

Quotes:

"The Federal Reserve must be open to raising rates to pop future asset bubbles"

Fed Chief Ben Bernanke

"Home prices to rise 6.75% in 2010"

Santa Ana-based First American CoreLogic

"6% mortgage rates by April"

Jim Cramer, CNBC Television Host of Mad Money)



If you know anyone who is looking to buy, sell or refinance a home, please forward their name and telephone number to us. We will happily provide the same high level of service that we have provided to you. The greatest compliment you could possibly give us is the referral of your friends and family.

Homebuyer Opportunities Nearing End

For prospective homebuyers who are on the fence about making a home purchase, the next few



months represent a countdown of sorts for two reasons.

First-Time Homebuyer Tax Credit

First, huge tax incentives are about to expire. April 30, 2010 is the last day to enter into a home purchase contract and still potentially qualify for a federal income tax credit of up to \$8,000 for first-time homebuyers and up to \$6,500 for repeat homebuyers. The credit can be claimed only on contracts that close by June 30, 2010.

Fed MBS Purchase Program

Secondly, another form of stimulus will soon disappear, as the Federal Reserve winds down a program that has been keeping home loan rates artificially low. The fact is that the lowest rates of 2009 were driven down to their attractive levels because of the Fed's Mortgage Backed Securities (MBS) purchase program. The Fed has already used over 80% of the allocated funds for MBS, meaning less than 20% remains to be used over four months.

As the Fed's program winds down and ends, we'll likely see two things happen. First, we will probably see higher levels of volatility—with rates sometimes shifting dramatically in the middle of the day. Second, since MBS will have less support from the Fed, rates are likely to rise over time.

Your Trusted Mortgage Advisor with 34 years of Experience

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Mortgage Lending in 2010

By: Richard T. Cirelli, President, CMPS
RTC Mortgage Corporation

Happy New Year to all and thank you for your continued support in 2009.

A Look Back at 2009:

Last year presented many challenges and changes as the economy struggled to overcome the recession and the regulators introduced changes to the rules in the interest of protecting the consumer and preventing a re-occurrence in the future. The highlights of 2009 consisted of:

- HVCC – the controversial appraisal rule that prohibits mortgage originators from choosing the appraiser resulting in higher costs and lower quality appraisals
- MDIA – More Disclosures and then Re-Disclosures if the rate changes and can add time to the mortgage process
- FHA loans became popular again thanks to their minimal 3.5% down payment allowance
- Temporarily increased loan limits to \$729,750 for Orange and other high cost markets
- Buying Frenzy at the lower end of the price spectrum for first-time homebuyers and investors
- Jumbo Loans were very limited and much needed to help the high-end markets such as Laguna Beach
- Short Sales and REO's dominated the market
- Government stimulus in the form of \$8000 Tax Credits for some first-time home buyers and a commitment to Purchase Mortgage-Backed Securities (MBS's) to keep mortgage rates artificially low and stimulate home buying

What's in Store for 2010?

- RESPA: More regulation and changes in January regarding the way closing costs and interest rates are presented
- Tighter Underwriting guidelines, most notably a maximum 45% Debt-to-Income ratio
- Higher minimum FICO scores required for FHA and possibly larger down payments and more expensive mortgage insurance premiums
- The end of Government Stimulus programs unless extended out of necessity to enable the economic recovery
- More foreclosures and Unemployment and the potential impact of the shadow inventory of more listings to hit the market

The Good News:

The effects of the old and new changes are still to be evaluated and will continue to be debated as we follow the economic recovery. In the meantime I am observing:

- Stability of home prices continuing to improve
- Interest Rates will stay low although closer to 6% instead of 5% as the Government's MBS purchase program winds down
- Jumbo loans to \$2 Million and more are already returning and with attractive rates
- Alternative mortgage products are more common such as Reverse Mortgages and Private Equity lending

2010 looks should be the year that marks more consistency in the real estate and mortgage markets. I wish everyone a Happy New Year and a return to prosperity.

RTC Mortgage Corporation

*Your Laguna Beach Mortgage Company
with a World of Resources*

RESIDENTIAL LOANS:

- Conforming Loans to \$729,750
- Jumbo Loans to \$2M and more
- Conventional Loans
- FHA Loans
- Reverse Mortgages
- Fixed & Adjustable Rates
- Private Money/Hard Money Loans
- 1st & 2nd Mortgages

COMMERCIAL LOANS:

- 5+ Unit Multi-Family loans
- Office Buildings
- Mixed-Use Property
- Special Use Property

VISIT OUR WEBSITE:

- Homebuyers Handbook
- Credit Scoring Handbook
- Reverse Mortgage Handbook
- Re-prints of our most popular Newsletter Articles
- Payment Calculators
- Why You Should Work With A Certified Mortgage Planning Specialist
- On Line Loan Application
- Much more Information

WWW.RTCMORTGAGE.COM



Rick Cirelli is a 34-year veteran of the mortgage industry. He is the owner of RTC Mortgage Corporation, a full-service mortgage company based in Laguna Beach.

Rick is also Laguna's only Certified Mortgage Planning Specialist.

RTC Mortgage offers all types of Residential and Commercial real estate financing. Please don't hesitate to call Rick for expert mortgage advice and outstanding customer service.

Your Trusted Mortgage Advisor with 34 years of Experience