



Mortgage Time

Mortgage Market News for the week ending June 25, 2010



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Lowest Mortgage Rates in Decades

Mortgage rates dropped to the lowest level in decades this week, and home affordability is very favorable. Uncertainty about the extent of global economic growth and continued low inflation levels have helped mortgage rates reach these levels.

After months of debate, Congress reached agreement on the Financial Reform bill, and it is expected to pass next week. The bill includes many provisions which will affect mortgage lending and the home buying process, but the impact will not be fully known for some time as many of its changes are subject to regulatory discretion. Separately, the larger bill containing an extension to the home buyer tax credit "close-by" deadline failed to pass this week. Lawmakers will continue to debate the bill, but it appears unlikely that the "close-by" deadline will be changed before the current June 30 deadline is reached.

The performance difference in this week's two housing reports was stark, but it was mostly due to measurement methods. May Existing Home Sales fell 2% from April, and were up 19% from one year ago. May New Home Sales dropped 33% from April, which was about 13% lower than one year ago, and a record low level. There's an important difference between the two reports, though. Existing Home Sales measure transaction closings, while New Home Sales are based on contract signings. The April 30 contract signing deadline to receive the home buyer tax credit pulled many contract signings forward into April, and some of these deals closed in May. As a result, Existing Home Sales were still boosted by the tax credit in May, while New Home Sales were not.

Also Notable:

- Consumer Sentiment rose to the highest level since January 2008
- As expected, the Fed made no change in the fed funds rate
- The Fed suggested that the labor market is "improving gradually"
- China unexpectedly announced that it will allow its exchange rate more freedom

Events This Week:

Durable Orders Down

Sentiment Higher

Home Sales Fell

Manufacturing Mixed

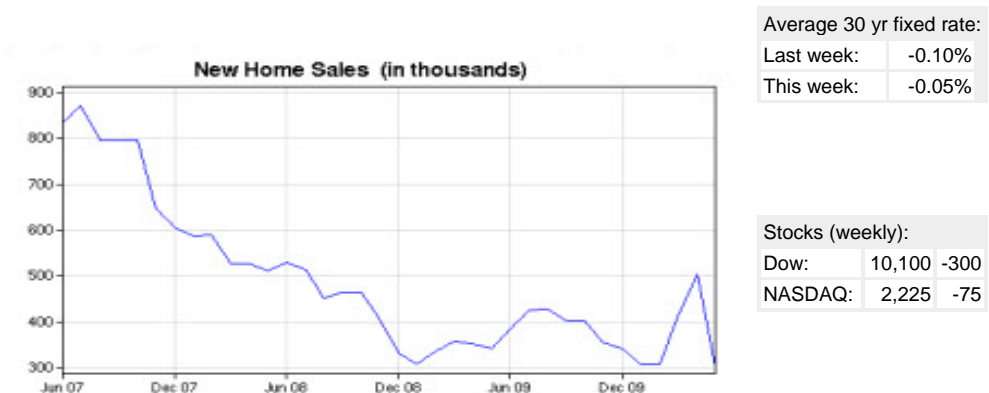
Events Next Week:

Mon 6/28
Personal Income

Wed 6/30
Chicago PMI

Thur 7/1
ISM Manuf.
Pending Sales

Fri 7/2
Employment



Week Ahead

The biggest economic event next week will be the important Employment report on Friday. As usual, this data on the number of jobs, the Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Early estimates are for a decrease of about 70K jobs in June. Before the employment data, Personal Income will be released on Monday. Chicago PMI will come out on Wednesday. The ISM manufacturing index will be released on Thursday, along with Pending Home Sales, a leading indicator for the housing market. Consumer Confidence, Construction Spending and Factory Orders will round out the schedule.

To learn more about news impacting interest rates and mortgage markets, go to www.mbsquoteline.com

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