

**Michael Dolan**

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**From:** Mike Dolan, Realty Executives Integrity [mikedolan@realtyexecutives.com]  
**Sent:** Monday, November 16, 2009 4:50 PM  
**To:** mgdolan@sbcglobal.net  
**Subject:** Special Financing News from Realty Executives Integrity



# Lake Country Advocate

*News and Information for Homeowners, Sellers and Buyers*

*Special Edition, Financing and Interest Rate Environment*

Dear Mike and Gloria,

If you had told me 30 years ago when we bought our first home that fixed interest rates would be at or below 5% I would have questioned your sanity! But here we are!

Whether you are trying to sell a home, buy your dream house, or just taking advantage of the opportunity to reduce your month costs, now is the time to talk to your lender!

**For Sellers;** more Buyers qualify today that ever before because of smaller monthly payments and the over all allowable debt to income ratios. In some cases, Buyers can buy "more" house today that in the past. Couple this interest rate environment with the extended First Time Home Buyer Tax Credit and expanded Repeat Buyer Tax Credit and the opportunity to sell has never been better.

**For Buyers;** even with stricter borrowing guidelines, money is plentiful and interest rates are at level not seen in the past 40 years. One Note: with stricter lending guidelines protecting your credit is more important than ever. For information and tips on managing your credit go to [Knowing Your Credit](#) at our web site.

**For Refinancing;** lower interest rates can mean as much as \$400 a month in reduced housing costs. One caveat, because housing values have softened and many borrowers have taken advantage of liberal second mortgages or lines of credit. some homes will not have enough remaining equity to satisfy down payment requirements.

But like all good things, this can't go on forever. Rates today are "artificially low" because of the actions taken by the Federal Reserve (see article below). Even if the Fed should decide to continue buying Mortgage Backed Securities past March 2010, rates will rise.

Thinking of buying or selling, call us today for a personal consultation. Thinking of buying, selling, or, refinancing talk to your lender today!

E-mail us at [The Mike Dolan Team](#)

**"A STEP IN THE RIGHT DIRECTION...BUT DON'T PUSH YOUR LUCK."**

Barbra Streisand obviously wasn't singing about Bond prices or interest rates in her 1980's song. But those lyrics were fitting last week when the Federal Reserve stepped in with more buying of Mortgage Backed Securities (MBS), helping Bond prices recover from news of a weak Treasury Auction. Overall, home loan rates bounced around last week and ended the week very slightly improved.

But that said, we can't "push our luck" and think the Fed will continue to step in and help support home loan rates...we have to remember that the Fed is actually winding down exactly this type of buying support. As you can see from the chart below, the Federal Reserve's purchases of MBS peaked at an average of \$25 Billion per week back in May - and they are getting closer every day to being done spending their allotment of \$1.25 Trillion. Since they announced that their remaining purchases would be rationed out until the end of March 2010 - but that they wouldn't be making any additional purchases beyond the original commitment - the average purchases per week have been moving lower, down to \$14 Billion per week so far in November.

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Chart: Fed's Purchase of Mortgage Backed Securities (Weekly Averages Per Month)



Fed's Purchase of Mortgage Backed Securities (Weekly Averages Per Month)

Why is this important? Because home loan rates are based on MBS - so when the Fed agreed to be a big buyer, it helped provide a market and helped keep MBS prices high and home loan rates low. So as the Fed's program wraps up and eventually stops, home loan rates are quite likely to be on the rise. So while rates are still very good, they may not be for long. Let's be sure to talk if you haven't yet explored how the current rate environment might benefit you or someone you know.

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