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# The Housing Market Update

Full Sail Mortgage

Brought to you by:



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## Existing Home Sales Exceed Expectations:

Sales of previously occupied homes surprised economists by beating economic and market estimates. According to the National Association of Realtors, June Existing Home Sales beat estimates by 190,000 units. The annualized rate came in at 5.37 million units vs. consensus estimates of only 5.18 million units.

This is the first reading since the housing tax credit has expired, so it is a positive sign that we surprised to the upside. The month-over-month numbers for June were actually down 5.1% but the year-over-year numbers showed an increase of 9%!

## EU Bank Stress Tests:

Only 17 out of the 91 European Union's banks failed their stress test. The ultimate goal of the stress test was to give the global markets more confidence in the EU. The results were released last week and so were the criteria. No one expected the criteria to be so tough.

These tests ran a bank's balance sheets through a series of worse case scenarios. A bank fails the stress test if its Tier-1 capital ratio is below 6% under two scenarios: Adverse scenario and adverse scenario plus sovereign risk. The adverse scenario assumes that the bank must face an economic climate that is so severe that it is only experienced once in 20 years. The same tests in the U.S. last year assumed a once in seven year possibility. These tests assumed a further decrease of 6% in unemployment from current levels and a 6% hike in interest rates from current levels.

## What Happened to Rates Last Week:



Mortgage backed securities (MBS) lost -13 basis points last week which caused 30 year fixed rates to increase for both government and conventional loans. We briefly saw our best pricing of the year on Wednesday but then lost -38 basis points from that level by Friday's close as the stock markets started to make up some lost ground and we received better than expected Initial Jobless Claims Data, Existing Home Sales, and Leading Economic Indicators.

## What to Watch Out For This Week:

The following are the major economic reports that will hit the market this week. They each have the ability to affect the pricing of Mortgage Backed Securities and therefore, interest rates for Government and Conventional mortgages. I will be watching these reports closely for you and let you know if there are any big surprises:

Date	ET	Release	For
2-Aug	10:00	Construction Spending	Jun
2-Aug	10:00	ISM Index	Jul
3-Aug	8:30	Personal Income	Jun
3-Aug	8:30	Personal Spending	Jun
3-Aug	10:00	Factory Orders	Jun
3-Aug	14:00	Auto Sales	Jul
3-Aug	14:00	Truck Sales	Jul
4-Aug	8:15	ADP Employment Change	Jul
4-Aug	10:00	ISM Services	Jul
4-Aug	10:30	Crude Inventories	31-Jul
5-Aug	8:30	Continuing Claims	24-Jul
5-Aug	8:30	Initial Claims	31-Jul
6-Aug	8:30	Nonfarm Payrolls	Jul
6-Aug	8:30	Nonfarm Payrolls - Private	Jul
6-Aug	8:30	Unemployment Rate	Jul
6-Aug	8:30	Hourly Earnings	Jul
6-Aug	8:30	Average Workweek	Jul
6-Aug	15:00	Consumer Credit	Jun

It is virtually impossible for you to keep track of what is going on with the economy and other events that can impact the housing and mortgage markets. Just leave it to me, I monitor the live trading of Mortgage Backed Securities which are the only thing government and conventional mortgage rates are based upon.



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