



Freddie Mac's survey has each loan averaging thirty basis points lower than Bankrate.com.

If you are concerned with the first-time homebuyer's tax credit expiring, do not be too concerned. We think odds favor an extension. The American Land Title Association, the National Association of Realtors, and the National Association of Home Builders have all been lobbying hard. In addition, Mark Zandi, chief economist at Moody's Economy.com and a consultant for many influential politicians, is not only advocating extending the credit through August but also making it available to all homebuyers.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Mortgage Applications	Wed, Oct. 14, 7:00 am, et	None	Important. Purchase applications surge on the closing weeks of the first-time buyer's tax credit.
Retail Sales (September)	Wed, Oct. 14, 8:30 am, et	1.4% (Decrease)	Important. Lower automobile sales are a drag on an otherwise improving sales environment.
Import Prices (September)	Wed, Oct. 14, 8:30 am, et	0.2% (Increase)	Important. A weakening dollar is applying upward price pressure to foreign goods.
Business Inventories (August)	Wed, Oct. 14, 10:00 am, et	0.8% (Decrease)	Moderately Important. Businesses continue to drive down costs, but sales trends could produce an inventory increase in coming months.
Consumer Price Index (September)	Thurs, Oct. 15, 8:30 am, et	All Goods: 0.2% (Increase) Core: 0.1% (Increase)	Very Important. The data could show inflation creeping into the economy.
Industrial Production (September)	Fri, Oct. 16, 9:15 am, et	0.2% (Increase)	Important. Recent increases suggest manufacturing is in full-recovery mode.
Consumer Sentiment (September)	Fri, Oct. 16, 9:55 am, et	73.5 Index	Moderately Important. Sentiment remains fickle, though it is trending higher.

### *A Confounding Interest Rate Environment*

What is going on? We keep warning that mortgage rates cannot go much lower, and yet each week they keep going lower. The phenomenon is difficult to explain: Gold – a traditional inflation hedge – is up over \$100 an ounce in the past three months, yet over the same period, the yield on the 10-year Treasury note – a mortgage-rate base – is down nearly half a percentage point.

Meanwhile, Federal Reserve officials keep making a case for higher interest rates down the road, though they keep pushing the case further down the road. Federal Reserve Chairman Ben Bernanke says the Fed will reverse course and tighten policy when the economic outlook improves sufficiently, though he also said accommodative policy would be needed for an extended period.

Does that mean we have been off base on our prognostication for higher mortgage rates anytime soon? We still do not think so. Yes, the 10-year Treasury note's yield has moved considerably lower over the past 90 days, but we can't overlook the fact the U.S. dollar has taken a pounding this year from record-low interest rates and massive fiscal spending. We also cannot overlook record-high gold prices, the record-level of liquidity pumped into the economy, and the prospect of the economy improving quicker than many market-watchers expect.

Therefore, we feel confident in saying – yet again – that this is a darn-good mortgage-rate environment, but it is a mortgage-rate environment unlikely to be so good in coming months.



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