

fourth quarter, earning \$35.3 million. Even more encouraging, the country's largest luxury homebuilder, Toll Brothers, reported that its contracts increased 42% in units and 62% in dollar amount in its fiscal-year fourth quarter compared to the same quarter in 2008.

The dramatic turnaround in Toll Brothers' business suggests the recovery isn't confined to the lower end of the housing market, nor is it solely dependent on government stimulation. Given the income required to buy a Toll Brothers home, most of the purchasers were likely ineligible for the government homebuyer's credit.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Retail Sales (October)	Mon, Nov. 16, 8:30 am, et	0.8% (Increase)	Important. Consumers are willing to spend even without incentives.
Producer Price Index (October)	Tues, Nov. 17, 8:30 am, et	All Goods: 0.4% (Increase) Core: 0.1% (Increase)	Important. Recent data suggest producer-induced inflation remains a non-issue.
Industrial Production (October)	Tues, Nov. 17, 9:15 am, et	0.4% (Increase)	Important. Gains are expected in all major industrial sectors.
Housing Market Index (November)	Tues, Nov. 17, 1:00 pm, et	19 Index	Important. Confidence should rise on improving profitability and increased buyer traffic.
Mortgage Applications	Wed, Nov. 18, 7:00 am, et	None	Important. Purchase activity should increase on extension of the federal homebuyer tax credit.
Consumer Price Index (October)	Wed, Nov. 18, 8:30 am, et	All Goods: 0.2% (Increase) Core: 0.1% (Increase)	Important. Negligible increases in prices will help keep lending rates low.
Housing Starts (October)	Wed, Nov. 18, 8:30 am, et	600,000 (Annualized)	Important. After a robust summer, starts could level off over the next month or two.
Leading Indicators (October)	Thurs, Nov. 19, 10:00 am, et	0.4% (Increase)	Moderately Important. The indicators continue to point to a sustained economic recovery.

Still the Time to Borrow and Buy

For the past four months, we have been forwarding the argument that housing

prices have stabilized. Wells Fargo has provided another arrow for our quiver. To avoid defaults and foreclosures, the banking giant is offering homeowners with Alt-A ARMs the option to offset monthly payment increases with interest-only loans to defer amortization for six to 10 years.

It sounds like a risky move. After all, interest-only loans were a contributing factor to the housing meltdown. But many of those loans were originated in a much riskier era – near a market top. That is certainly not the case today, which is why Wells Fargo is betting that home prices have stabilized and that the economy will improve. We think it is a smart move.

We also think it is a smart move to refinance or buy today. Rates are very, very good (but they will not be forever, for sundry reasons we have previously stated). What's more, the purse strings aren't nearly as tight as borrowers might think. According to the Federal Reserve, the rate of banks that reported tightening lending standards for prime residential real estate loans was 25% in October, which is well off the peak of 75% reported in July 2008.

In other words, 30-year fixed-rate mortgages are readily available at 5% (which for borrowers in the 28% federal income tax bracket works out to 3.6% after tax). Meanwhile, the 5/1 hybrid ARM presents an intriguing option for borrowers planning to move within the next few years. A 3.75% 5/1 works out to a mere 2.7% after tax for someone in the 28% tax bracket. Yes, rates could go lower, but not much lower.



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