

MORTGAGE MARKET COMMENTARY

Mortgage rates were virtually unchanged this week amid further indications of a soft housing market. Although new construction on single-family homes ticked up in May from April, it was still below the overall pace set in 2010. Moreover, existing home sales fell 3.8 percent in May to the fewest since November 2010.

The Federal Reserve also reiterated that the housing sector continues to be depressed in its June 22nd policy committee statement. The S&P/Case-Shiller® National Home Price Index fell 2.1 percent between the fourth quarter of 2010 and first quarter 2011. Based on a recent survey by MarcoMarkets of 108 professional forecasters taken in early June, the index is predicted to decline another 1.5 percent by the fourth quarter of this year.

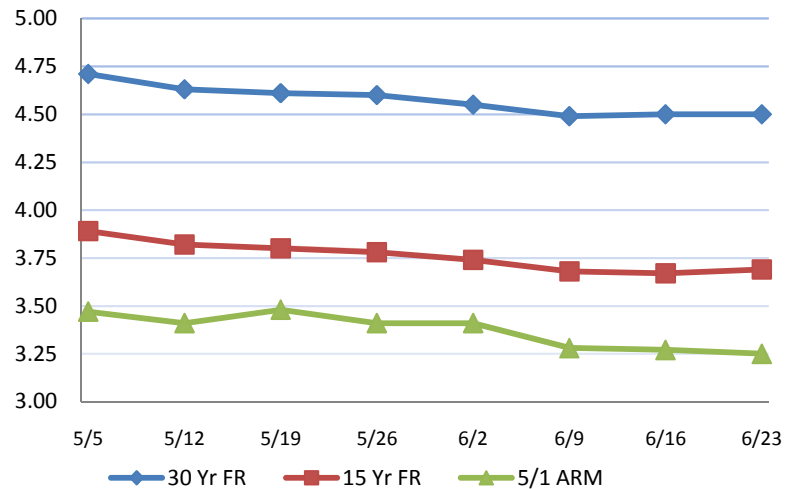
WEEKLY MORTGAGE RATE SUMMARY

Weekly	30 Yr FR	15 Yr FR	5/1 ARM
23-Jun	↔ 4.50	3.69	3.25
16-Jun	▲ 4.50	3.67	3.27
9-Jun	▼ 4.49	3.68	3.28
2-Jun	▼ 4.55	3.74	3.41
26-May	▼ 4.60	3.78	3.41
19-May	▼ 4.61	3.80	3.48
12-May	▼ 4.63	3.82	3.41
5-May	▼ 4.71	3.89	3.47

15 Day Rate Trend
 30 Day Rate Trend
 Volatility



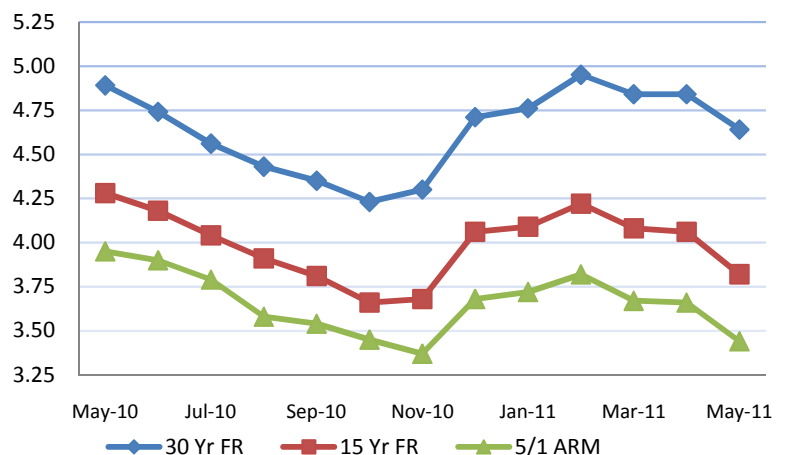
Weekly Mortgage Rates



MONTHLY MORTGAGE RATE SUMMARY

Monthly	30 Yr FR	15 Yr FR	5/1 ARM
May-11	▼ 4.64	3.82	3.44
Apr-11	↔ 4.84	4.06	3.66
Mar-11	▼ 4.84	4.08	3.67
Feb-11	▲ 4.95	4.22	3.82
Jan-11	▲ 4.76	4.09	3.72
Dec-10	▲ 4.71	4.06	3.68
Nov-10	▲ 4.30	3.68	3.37
Oct-10	▼ 4.23	3.66	3.45
Sep-10	▼ 4.35	3.81	3.54
Aug-10	▼ 4.43	3.91	3.58
Jul-10	▼ 4.56	4.04	3.79
Jun-10	▼ 4.74	4.18	3.90
May-10	▼ 4.89	4.28	3.95

Monthly Mortgage Rates



* FLMC mortgage survey of conforming loans with 20% down pmt & includes points.










ECONOMIC COMMENTARY

First-quarter GDP was revised up to 1.9 percent growth versus a previously reported 1.8 percent. On the negative side, both the GDP price deflator and the core PCE deflator were revised up. Meanwhile, the political arena remained at an impasse, where Republicans are standing put on the issue of the debt ceiling and Democrats are still asking for increases in taxes. The two parties have been negotiating for more than three months on the issue, and it seems they are going nowhere. On the international front, Greece avoided disaster, for now. Prime Minister Papandreou narrowly survived a no-confidence vote in the Greek Parliament this week, while France and Germany moved closer to agreement on the terms of further lending to the Hellenic Republic.

THIS WEEK'S ECONOMIC REPORTS & EVENTS

	Release Date	Period	Prior	Estimate	Impact
Personal Income & Outlays	6/27	May	0.40%	0.40%	Minimal
Personal income in April posted a 0.4% gain equaling the pace in March. Importantly, the key wages & salaries component increased 0.4%, following a boost of 0.3% in March. Spending looked healthy but inflation was the underlying factor.					
Consumer Confidence	6/28	Jun	60.8	62.0	Moderate
The Conference Board's consumer confidence index in May fell 5.2 points to 60.8 in May, a six-month low. Weakness was centered in the expectations component which hit a seven-month low.					
Jobless Claims	6/30	6/25	429K	430K	Minimal
Initial jobless claims for the June 18 week rose 9,000 to 429,000. However, the Labor Department had to estimate results for six states, which is a sizable number, due to what it says were "technology issues" which must mean computer problems.					
Chicago PMI	6/30	Jun	56.6	53.0	Minimal
The Chicago PMI in May dropped 11 points to 56.6 to indicate the slowest rate of monthly growth since November 2009. The June reading may not improve as the new orders index fell nearly 13 points to 53.5.					
Consumer Sentiment	7/1	Jun	71.8	71.8	Moderate
The University of Michigan's Consumer sentiment index in mid-June dipped 2.5 points from final May to 71.8. The weakening was led by a 2.7 point drop in the expectations component to 66.8 while the current conditions index slipped 2.3 points to 79.6.					
Construction Spending	7/1	May	0.40%	-0.30%	Minimal
Construction spending in April rose 0.4 percent after a 0.1 percent uptick in March. Strength for the latest month was led by a 3.1 percent improvement in private residential spending, following a 0.7 percent decline the month before.					

PREVIOUS WEEK'S ECONOMIC SNAPSHOT

Existing Home Sales 6/21 4.81M  % Chg -3.80%	MBA Mortgage Index 6/22 n/a  % Chg -5.90%	FHFA House Pricing Index 6/22 n/a  % Chg 0.80%
Initial Jobless Claims 6/23 429K  % Chg 2.14%	Continuing Jobless Claims 6/23 3.697M  % Chg -0.03%	New Home Sales 6/23 319K  % Chg -2.15%
GDP - Third Estimate 6/24 n/a  % Chg 1.90%	Durable Orders 6/24 n/a  % Chg 1.90%	Durable Orders (Ex Trans) 6/24 n/a  % Chg 0.60%

ORIGINATION NEWS

NAHB Report: Lower Loan Limits Will Hurt Housing Market Recovery - *nationalmortgagenews.com*

A report from the National Association of Home Builders found that a decrease in loan limits for Fannie Mae, Freddie Mac and the Federal Housing Administration set to take effect on Oct. 1 would have a negative impact for the housing market. According to the report, the lower loan limits would result in a downfall in housing demand and home prices. The report said any home up for sale that the GSEs could not purchase with FHA-insured financings because of the lower loan limits "would require financings with higher mortgage interest rates, higher downpayments and stringent credit history thresholds."

Bob Nielsen, chairman of the National Association of Home Builders, said there would be constraints on home buying in major markets because of the loan limits. "It is the last thing we need in a housing market that is still struggling to get back on its feet," Nielsen said. The base limit for conforming mortgages will remain at \$417,000. However, high-cost areas will see a decrease in loan limits, which are based on local median home prices, with the national ceiling dropping from approximately \$730,000 to \$625,000. According to the FHFA, 204 of the 3,143 counties in the nation will experience a decrease in their high-cost conforming loan limit. These counties have 20.7 million owner-occupied units, representing 27% of the country's housing market.

The average decline in the loan limit is about \$67,000, down 11% from the current value. There are 3.63 million owner-occupied homes currently priced above the conforming loan limit, according to the report. When the loan limits take effect, an additional 1.38 homeowners will be above the limit and not be eligible for GSE funding.

OCC: Banks Tighten SF Loan Standards 4th Consecutive Year - *by nationalmortgagenews.com*

A new Office of Comptroller of the Currency survey will give home builders and Realtors more reason to complain that banks are continuing to tightened their underwriting standards and choke off credit to homebuyers.

The annual OCC survey shows that 40% of the largest national banks tightened their underwriting standards on residential mortgages during the past year ending in February. Only 8% of the 54 national banks in the 2011 survey eased their underwriting standards during that period and 52% left them unchanged. The easing by the four national banks "centered on collateral requirements, pricing, score card cutoff, and debt service requirements," OCC said in a report released on Thursday.

These assessments of credit underwriting standards are made by OCC examiners, not the banks. The subprime meltdown prompted 56% of national banks to tighten their credit standards in 2008 and 73% tightened in 2009. In the 2010 survey, OCC found the 5% of the banks eased their credit underwriting standards and 59% tightened. So it appears the tightening has crested but banks continue to be reluctant to lend.

A Consumer Financial Protection Bureau official told a Mortgage Industry Diversity Conference that lending standards are tight, except for the low downpayment programs backed by the Federal Housing Administration and Department of Veterans Affairs. "Except for VA and FHA loans, it is hard to get a mortgagee without a sterling credit score and downpayment of at least 20%," CFPB assistant director Patricia McCoy said Friday morning. She noted the CFPB is looking at "constructive" ways to improve access to credit that are consistent with sound lending practices. "We are busy analyzing how to keep mortgage rules as flexible as possible while fulfilling our mandate to require appropriate consideration of repayment ability," she said.

ORIGINATION NEWS

Fear Keeps New Home Buyers Sidelined - *by originationnews.com*

Home builders received a vote of confidence of sorts at the Pacific Coast Builders Conference in San Francisco with the disclosure that would-be buyers favor new houses almost unanimously over used.

According to a survey conducted by John Burns Real Estate Consulting of Irvine, Calif., some 10,000 visitors to new home projects and released at the show, a "huge" 93% want a new house, not one that has already been broken in by another family. Another bit of good news: Eighty-eight percent believe now is a good time to buy. Rates are low and so are prices.

So why are new home sales bouncing around their lowest levels ever? One reason, said J. Walker Smith, executive chairman of the Futures Group, is that wanna-be owners are more cautious than they've been in ages. "Risk is back on the table," said Smith, whose firm used to be known as Yankelovich, adding that three out of four "now believe the American dream is more of a dream than a real possibility." As Smith sees it, folks haven't given up their aspirations. But they are worried about making the right decision, especially when it comes to homeownership. "They are more aware of risk of all kinds," he told the conference. "They still want a better life and a nice house, but they've left behind a 30-year run of prosperity where they felt that risk had been conquered. This is the context of life for consumers today."

Smith, whose firm spots and explains trends in various business sectors, said homebuyers are still willing to spend money for a comfortable lifestyle. But they are going to spend it less on showing off and more on what they want. "People are no less frugal," the futurist told a room full of builders and allied professionals hoping to get some insight into what lies ahead. "Decreasing numbers of consumers feel they have all they need. There is no less materialism. "But they are driven to a new kind of satisfaction. The trend now is toward their intimate circle of friends. Social currency is the new driving ambition, so if you want to sell a house, you better make sure you satisfy your buyers' social ambitions."

Weekly Rate Stable but Seeing Some Downward Pressure - *by originationnews.com*

The latest average weekly 30-year mortgage rate came in unchanged at 4.5% in Freddie Mac's latest survey but market activity as of Thursday morning was putting downward pressure on it. The Dow at press time had been down by as much as 200 points or so and the long-term rate-indicative 10-year Treasury yield had fallen to near 2.9%.

The 30-year mortgage rate tracked by Freddie Mac has been stabilizing recently but prior to that it had been slowly trending downward, hitting year-lows. As far as other rates during the week ending June 23, the 15-year was up slightly at 3.69% as compared to the previous week's 3.67%, the average rate for a five-year Treasury hybrid adjustable-rate mortgage was down a bit at 3.25% as compared to 3.27%, and the one-year Treasury ARM rate had inched up to 2.99% from 2.97%.

Average points remained highest for long-term rate product at 0.8 of a point for 30-year fixed-rate mortgages, 0.7 of a point for 15-year FRMs, 0.6 of a point for five-year hybrids and 0.5 of a point for one-year Treasury ARMs. A year ago the 30-year rate was 4.69%, the 15-year rate was 4.13%, the five-year hybrid Treasury rate was 3.84% and the one-year Treasury ARM rate was 3.77%.