

# Kirkland Financial Center

Real Estate Finance - Investment - Insurance - Annuities

## BEACHBALLS and 8000~POUND GORILLAS

Years ago some were waving the flag-of-fear of impending rate climbs & doom... and I was pointing out that technically we remained in a downward rate trend that had not been broken.

In December of last year I published on my BLOGs that I am officially calling "bottom-ish" on long-term rates.

I am saying "ish" for two reasons;

A) The government is "standing on the throats" of the bond markets by acting as an 8,000 pound gorilla "buyer" with bottomless pockets... they will out-compete/out-spend any and all other bond buyers at-will right now... so the SELLERS are marking up their price to exploit the government (as the government is anticipating.) The artificially/temporarily inflated bond prices mean their correlated yields (a teeter-totter effect) are forced down, and "yield" is the same as "interest rate."

It is \*POSSIBLE\* for the Fed to "buy harder" or focus on buying mortgage backed security bonds at lower levels (the 3.5% or 4% coupons) which \*might\* depress rates a bit further... but it is highly unlikely the government will expend additional discretionary efforts in this fashion. They've already announced they are instead beginning to expand their depressive focus to the 2nd lien (piggyback mortgage) secondary markets, and the non-conforming (Jumbo) secondary markets.

B) WHEN (not "if") the Fed gets forced to focus resources elsewhere, \*OR\* other pressures (i.e. China) start manipulating the markets to INCREASE bond yields, rates will almost overnight SPRING up to their fundamentally supported levels. TODAY a 30 FRM would fundamentally be expected to be in the mid-to-low 5%s, rather than the full 100 basis points lower where we see it right now.

WHEN "B" happens... initial public "shock" will bring the farm mongers back out of the woodwork... but, again, the sky will not be falling. (Save this to revisit in 12-36 months, please.) Rates WILL APPEAR to "skyrocket"...but will really merely be an inflated beachball popping to a slightly higher water-surface.

I \*STILL\* see technical market support for long-term rates for the most preferred mortgage borrowers staying below 7% well into all reasonable foreseeable futures. I do not think our generation (or possibly even the next) will see long-term mortgage rates in the double digits.

THUS;

A) Anyone in the "creamy" 1 month and 6 month LIBOR ARMs are probably just fine... and are currently reaping massive interest savings rewards (since the indicies have dropped to the floor, and are unlikely to be raised by either the free market nor the central bankers for a good looking-forward period yet to come.)

B) Anyone who DIDN'T secure such ARMs with the lowest margins "back in the day" when they were available, are being offered a "once in a generation" opportunity to secure "permanent" financing... and are best advised (assuming responsible habits) to re-liquidate as much of their real estate equity into cash and/or working capital at these rates while they remain available.

TODAY'S available interest savings are one thing...

TOMORROW'S value of liquidity and working capital (with a net cost in the 3%s) will be EXTREMELY PRECIOUS!

Anyone in  
the 1 month  
and 6 month  
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## How low are rates going to get?

Dave's [December 2008](#) BLOG Post

I see 4.5% at par, on the 30 FRM, being very realistic within as soon as this week.

NOW... metaphorically... "the stream can only get so low on water and still allow the fish to live." That is to say, I wouldn't be looking for 30 FRMs to get too much lower than this... and even if they did, it would be fairly academic at best. While 4% \*is\* a 20% discount off of 5%... the real dollar-value of that 1% difference has to be recouped against the real dollar value of whatever the slip-page/transactional costs are.

My opinion; ANY real estate leverage financing secured at or below 4.75% is an all-time brag-point for life.

Back up the truck, and hunt for depressed investment real estate at 5.5%-ish... the impending backlash inflation is going to sweep all real estate portfolios to the moon in the coming 2-5 years anyway (and decimate the dollar-cost of repayment of any leverage.)

In a decade, everyone is going to be kicking themselves that they didn't "see the obvious" and grab as much easy-pickings real estate as they could have in 2008/9.

Cheers,  
Dave Donhoff  
Leverage Planner

<http://www.nobullfinancial.com/blog/?p=133>

## Making Home Affordable Program

### Two options for those who may not be able to refinance normally

#### Modification:

One of the initiatives in this program is aimed at helping struggling homeowners "modify" their loans to avoid foreclosure.

To apply for a Home Affordable Modification, you must:

- ▶ Own and currently occupy a one- to four-unit home.
- ▶ Have an unpaid principal balance that is equal to or less than \$729,750 (for one unit properties).
- ▶ Have a loan that was originated before January 1, 2009.
- ▶ Have a mortgage payment (including taxes, insurance, and homeowners association dues) that is more than 31% of your gross (pre-tax) monthly income.
- ▶ And, have a mortgage payment that is no longer affordable, perhaps because of a significant change in income or expenses.

<http://www.nobullfinancial.com/blog/?p=13>

#### Refinance:

One of the initiatives in this program is aimed at helping responsible homeowners "refinance" their loans to take advantage of historically low interest rates.

You may be eligible if:

- ▶ You own and currently occupy a one- to four-unit home.
- ▶ Your mortgage is owned or controlled by Fannie Mae or Freddie Mac.
- ▶ You are current on your mortgage payments.
- ▶ The amount you owe on your first mortgage is about the same or slightly less than the current value of your house.
- ▶ And, you have a stable income sufficient to support the new mortgage payments.

<http://www.nobullfinancial.com/blog/?p=15>

Contact us if you have questions about the above programs or think you may qualify.

## The Latest

The Kirkland Financial Center has welcomed two new inhouse financial professionals;

Tim Bovey, and Shaun Dean, both are financial planners with FSIC securities.

IN ADDITION... it looks like Liz & Joanne may be "Belly Buddies" soon... as booties, bonnets & bibs have been prescribed for their recent bouts of tiredness & relentless appetites (hurray!) Send them nourishing thoughts... they're developing our next generation!

## Client of the Month

Lisa Eichholtz

After years of 'cooking' we are so happy to have finally helped you buy your own place! Congrats!

## What YOU Say

In addition to providing access to the right loan, Dave and his team coordinated the activities of various other parties (appraisers, escrow and title, etc). Their efforts and outcomes have been superior. A staff member, Michelle, in particular, has been very responsive and thorough.

--Ben & Lina