

Condo Regs Delayed; Fed's View of the Economy; Bank Earnings; Thoughts on 2010 vs. 2009

By: Rob Chrisman | Thu, Oct 22 2009, 9:45 AM

Why are you IN a movie, but you're ON TV?

In the TV yesterday, at least the financial news networks, was the Fed's Beige Book which comes out eight times a year and summarizes the Fed's twelve districts. *So do mortgage companies want the economy to do well, and run the risk of higher rates, or do they want the economy to continue to sputter, keeping rates low?* Regardless, the **Fed reported that the economy has shown signs of stabilizing or modestly improving, but the signs are still not enough to move the entire economy.** The housing market and manufacturing activity have improved but commercial real estate remains a big concern. Inflation "ain't no problem", the labor market is still weak or at best mixed, and demand for bank loans was weak or declining. [READ MORE](#)

Coming away from last week's mortgage banking conference, participants noted that it seemed the attendees were divided into two camps: those that expected to see increased production in 2010, and those that didn't. **IF housing prices stabilize or IF credit guidelines begin to loosen or IF unemployment drops or IF foreclosures slow, then we may see a pick-up. Otherwise, industry analysts believe that 2010 will be about 60% of 2009.** Some companies are expanding their production facilities by adding branches and agents, taking advantage of 2009 being a very good year for earnings by putting the capital to work. One of the big wild cards, of course, is if the Fed does indeed scale back buying mortgages then rates should move higher.

Yesterday **Wells Fargo** reported record earnings, but the price of the stock still fell. This morning **Fifth Third Bancorp**, with headquarters in Cincinnati, reported that its 3rd quarter loss almost doubled to a loss of \$159 million, worse than expected. It was driven by credit losses in areas like commercial, mortgage and construction loans.

HUD reported that implementation of FHA's new policy guidance for condominium project approval and condo unit financing will be delayed until December 7th 2009. The new guidance, to be issued within the next two weeks, will: 1) offer additional leniencies to address the difficult market conditions and 2) augment some portions of FHA Mortgage Letter 2009-19, providing additional information and clarification. HUD tells interested parties that until the new guidance takes effect on December 7th, 2009 lenders may continue to use the Spot Loan Approval guidance issued in Mortgage Letter 1996-41. Further, the site condo and manufactured housing condo project changes that have already been implemented are not affected by this delay.

With the stock market slowly selling off yesterday before plummeting late in the afternoon, the fixed income market improved slightly. I didn't see many intra-day price changes, and with things relatively slow lock-wise it may not have helped spur business anyway. Relative to Treasury prices mortgages "outperformed", helped by the Fed continuing to buy MBS's.

The yield on the 10-yr seems to be content trading between 3.27% and 3.50%- this morning it is near 3.43% and 30-yr mortgage prices are lower than Wednesday afternoon's levels. This morning we had Jobless Claims report, which rose more than expected last week. Yes, the employment area still looks slow. Initial claims for state jobless insurance increased 11,000 to 531,000 after declining for two consecutive weeks. Analysts had forecast new claims going down to 515,000 last week. And later today we will have Leading Economic Indicators.

Police are called to an apartment and find a woman holding a bloody 5-iron standing over a lifeless man. The detective asks, "Ma'am, is that your husband?"

"Yes" says the woman.

"Did you hit him with that golf club?"

"Yes, yes, I did." The woman begins to sob, drops the club, and puts her hands on her face.

"How many times did you hit him?"

"I don't know, five, six, maybe seven times.....just put me down for a five."

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