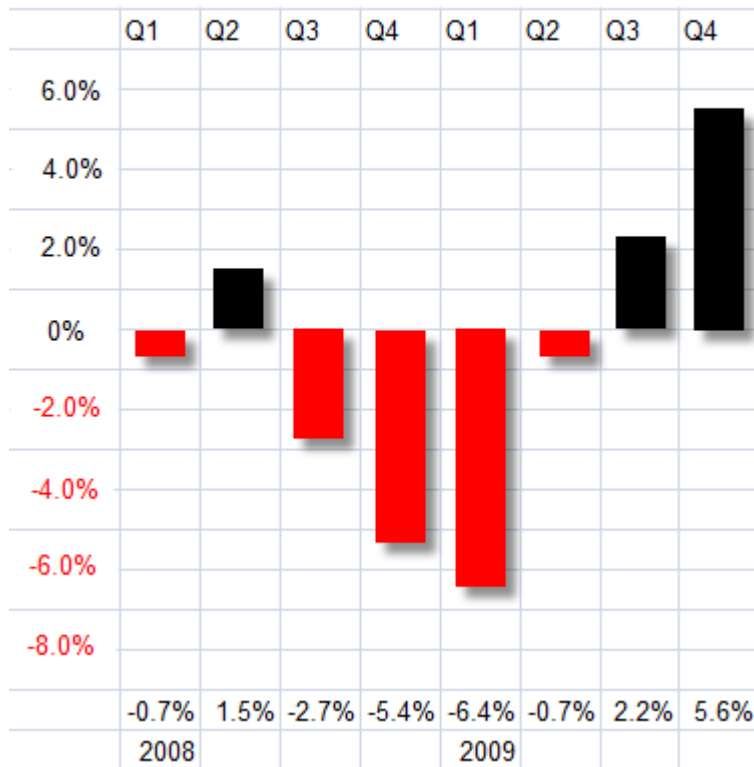


**They say that March comes in like a Lion and out like a Lamb . . .** But this year, the exact reverse is true when it comes to home loan rates - for quite a few reasons, including the end of the Federal Reserve acting as a large buyer of Mortgage Backed Securities (MBS). The "demand" created by their fifteen-month program has helped Bond prices stay high and home loan rates stay low.

But the Fed's MBS purchase program will end on March 31st. The Fed has confirmed this several times, including during last week's testimony by Fed Chairman Ben Bernanke. What's more, the Fed will likely change sides entirely, and actually become a seller of MBS, since their balance sheet hangs heavy with MBS holdings. However, once the Fed begins selling MBS and puts more supply into the market - at the same time as entirely removing their past demand as buyers - this will pressure Bond prices lower and push home loan rates higher.

**Gross Domestic Product by Quarter**



In other news, the final reading on 2009's Fourth Quarter Gross Domestic Product (GDP) roared in at 5.6%. While this was the best quarterly performance in six years, the economy shrank 2.4% during 2009, the worst single-year performance since 1946.

However, last week's housing news arrived with a bit of a whimper. While Existing Home Sales for February were reported in line with expectations, the inventory number swelled to the highest inventory level since last August. In addition, New Home Sales fell slightly in February - the fourth straight monthly drop - to yet another record low. On the new construction front - this may be due in part to buyers feeling a new home purchase may not close in time to take advantage of the Homebuyers Tax Credit before it expires on April 30th...but the bottom line is that the real fix for housing will depend on a stronger labor market.

Weak auction results and the approaching end of the Fed's MBS purchase program contributed to a volatile week in the markets, causing Bonds to fall below

important technical levels. As a result, **Bonds and home loan rates ended the week worse than where they began.**

## Forecast for the Week

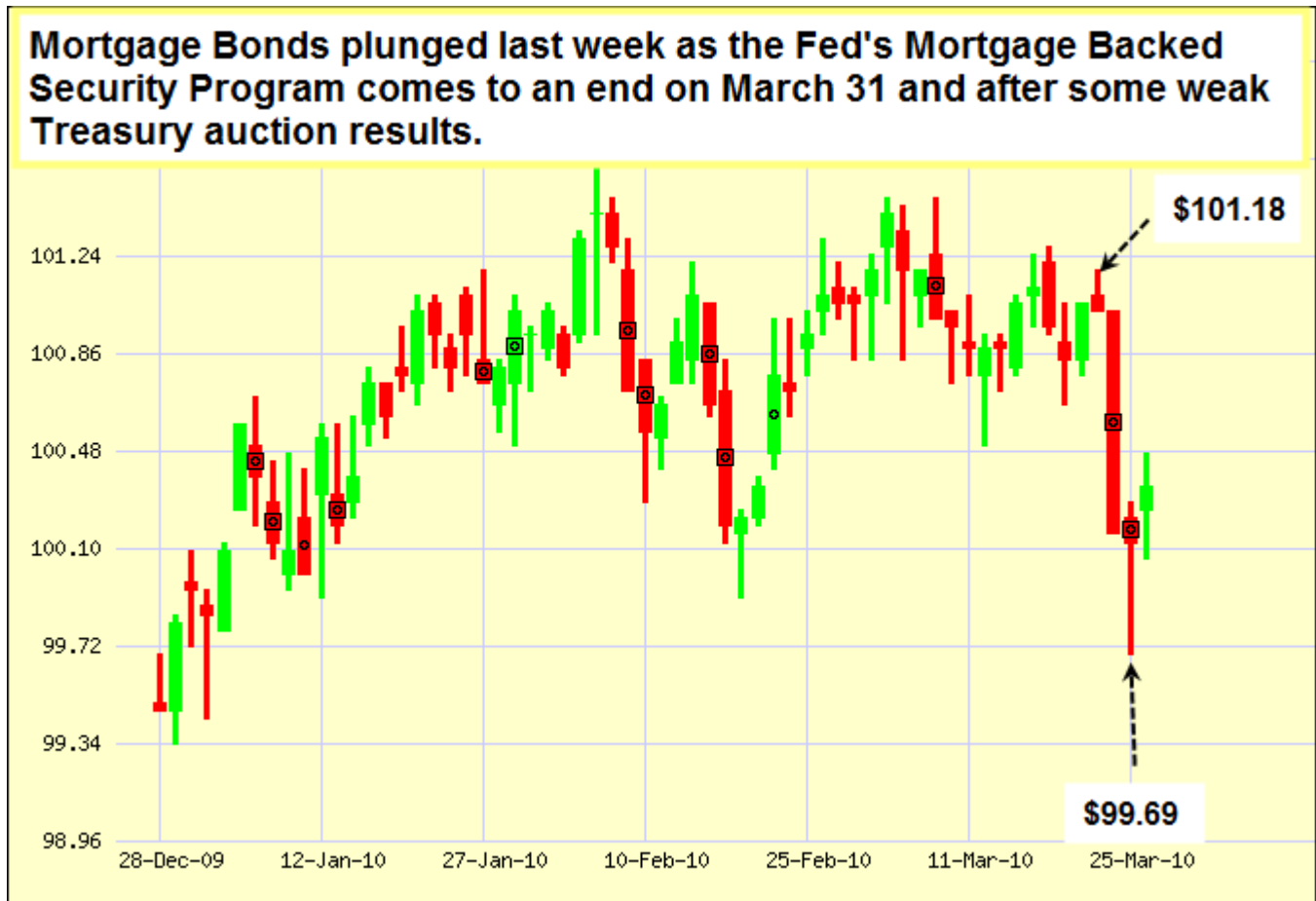
March will certainly roar out with a big week of news, beginning with Monday's **Personal Income** and **Personal Spending Reports**. We'll also get a look at the **Core Personal Consumption Expenditure (PCE)**, which is the Fed's favorite gauge of inflation. Rest assured the Fed will be watching this report closely!

The Labor Market will also be in the spotlight, first with Thursday's **Initial Jobless Claims Report**. Last week's Initial Jobless Claims were reported lower than expectations and at the lowest reading in 6 weeks. The numbers show modest improvements and are somewhat encouraging.

Hopefully, Friday's official **Jobs Report** from the Labor Department for March will also be encouraging. Last month's report showed that 36,000 jobs were lost in February, which was better than the 68,000+ job losses that were expected. However, while the Unemployment Rate remained stable at 9.7%, a deeper look beyond the headlines of the report showed what many consider to be the Real Unemployment Rate to be near 17%...which includes discouraged workers who are no longer seeking employment, as well as "underemployed" folks who have taken part time or low paying jobs, just to be bringing some money in the door. The bottom line is that real improvement is needed in the labor market for our economy to continue to recover.

**Remember: Weak economic news normally causes money to flow out of Stocks and into Bonds, helping Bonds and home loan rates improve, while strong economic news normally has the opposite result. And with the Fed MBS buying program ending...there will likely be more volatility for home loan rates in store.**

As you can see in the chart below, Bonds worsened last week, causing home loan rates to rise - and rates always go up much faster than they move lower.



## **Only 1 Month Left to Qualify... Don't Miss Out on the Tax Credit!**

Last November, the government expanded and extended the new Homebuyers Tax Credit. According to the program, first-time homebuyers are eligible for a tax credit of 10% of the purchase price of the home, with a **maximum credit of \$8,000**. And some current homeowners looking to purchase a home can receive a credit **up to \$6,500**.

Although military personnel may qualify for a special extension, the vast majority of homeowners must have contracts in effect no later than April 30, 2010 and must close no later than June 30, 2010 to qualify for the credit.

***That means...you only have one month to get your paperwork going to qualify for this credit before it goes away!***

Here is a brief overview of the Homebuyers Tax Credit - and its benefits.

### **Dollar-for-Dollar Benefit**

The benefit of a tax credit is that it's a dollar-for-dollar benefit, rather than a "tax deduction" or reduction in tax liability that would save just \$1,000 to \$1,500 when all was said and done.

So, if a first-time homebuyer who qualified for the entire benefit were to owe \$8,000 in income taxes and would qualify for a tax credit of \$8,000, she would owe nothing.

### **Even Better... It's Refundable!**

Remember, because it's a tax credit, it's refundable! That means a homebuyer can receive a check for the credit if he or she has little or no income tax liability.

For example, if a first-time homebuyer is eligible for a tax credit of \$8,000 but is liable for \$4,000 in income tax, she can still receive a check for the remaining \$4,000!

***Call or email today if you have questions or would like to see if you can benefit from the tax credit...and email this article to anyone you feel it might benefit!***

*This Report Provide Courtesy of:*

### **Ryan France**

Your Friend in the Real Estate Business

StoneHaven Realty

C: 512-773-3493

[ryan@stonehavenrealty.com](mailto:ryan@stonehavenrealty.com)

[www.BetterAustinLiving.com](http://www.BetterAustinLiving.com)