



**FEDERAL MORTGAGE COMPANY INC.**  
**2371 EASTLAKE AVENUE EAST**  
**SEATTLE, WA 98102** www.fedmtg.com

**March 2, 2009**  
**MortgageGram**

**New Investment Property  
 Financing for 5 to 10 properties**

For a long time Fannie Mae's standard guidelines have restricted the number of financed investment properties to four. **Effective March 1, 2009** Fannie Mae allows investment property loans to borrowers with **5 to 10 financed properties**. These fully documented loans are subject to 720+ credit scores, a maximum of 75% LTV for purchases (70% LTV for cash out refinances), and have increased cash reserve requirements. The new **Fannie Mae Multiple Property Program** is available on fixed or adjustable rate terms, and are fully amortizing conventional conforming first lien mortgage loan programs with excellent pricing. Please call **Mary Kay Morse or Conrad at 206-325-8400** to discuss specific estimates and pricing. We can provide solutions for your investment home financing needs!

**Great Jumbo Mortgage Terms**

With 30 Year Fixed Jumbo rates around 7.50%, what are the other best terms? Consider these **Portfolio Options** available at **Federal Mortgage Company** up to a **\$1,500,000** loan amount:

- 10 Year ARM at 5.875% with zero points
- 7 Year ARM at 5.25% with zero points
- 5 Year ARM at 4.875% with zero points
- 15 Year 5.25% Fixed Rate and no points.
- 7 Year Interest Only ARM at 5.50% with zero points.

Even lower rates are available with some points paid. **Rates and fees vary with loan to value and credit score**, and are subject to strict underwriting, so please call **Conrad or Mary Kay Morse at 206-325-8400** at any time for a program guidelines and an accurate and honest **Good Faith Estimate**.

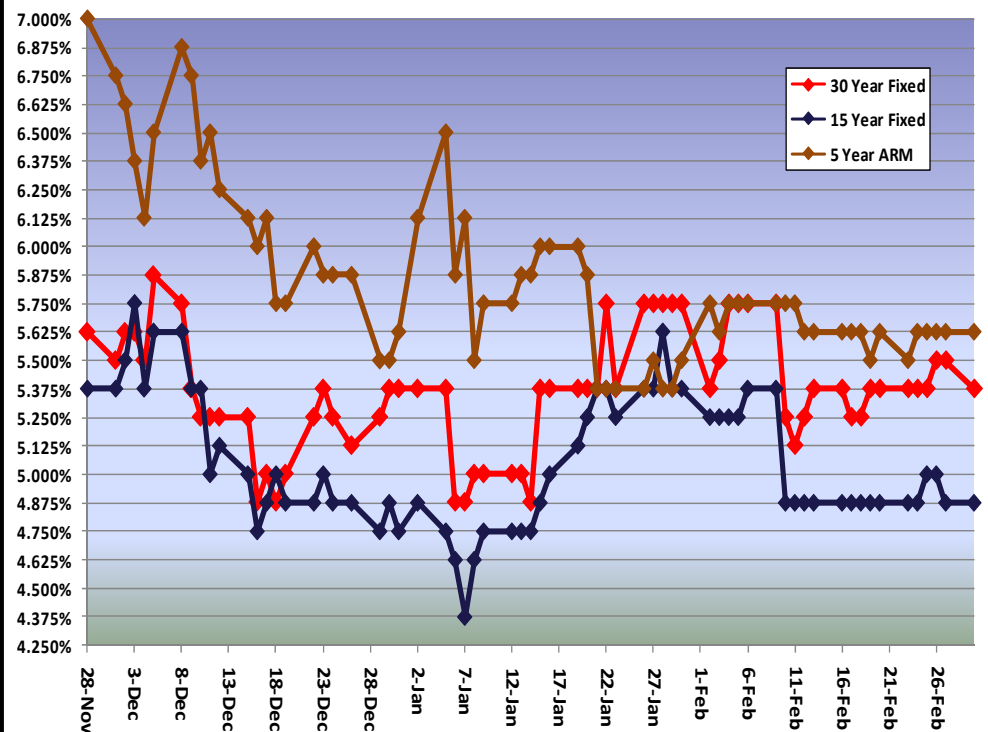
**Meet Mary Kay Morse !**

We are thrilled to have **Mary Kay Morse** as our new **Operations Manager** here at Federal Mortgage Company. She has over 30 years experience and is delightful to work with as she cheerfully analyzes very complex mortgage scenarios and coordinates the loan processing and closings for maximum efficiency.



**New Homeowner Affordability and Stability Plan  
 to be formally announced March 4, 2009**

In an effort to assist 3 to 4 million home owners who are unable to refinance at lower rates because their home value has declined, the Obama administration will shortly announce details on a **new plan allowing refinances up to 105% loan to value with NO mortgage insurance**. This program is designed to allow home owners access to lower first mortgage fixed rates and make homes more affordable with the lower the payments. There will be some restrictions: This is for **owner occupied homes only, no cash out** will be allowed, and all of the loans require **fully documented** income and assets to qualify. The reported cut off date for the program is June 10, 2010. We will have more details soon, and if you fall into this category start assembling your financial information now and all of us at **Federal Mortgage Company** will help you take advantage of this one time opportunity at a great rate.



**Recent Conventional Mortgage Rate Trends**

30 year conforming fixed rates with zero points have been hovering between 4.875% and 5.875% for the past four months. There appeared to be a **"rubber floor"** at 4.875% with zero points. Millions of home owners are seeking 30 year fixed rates below 5.00% with

minimal fees, each time it does drop below that level all the lenders get a rush in lock volumes then slow things down by raising the rates. Keep in mind that the 15 year fixed rate (or a 20 year fixed rate) offers a very good alternative and enables your home to be paid off sooner. Curiously the **5 Year ARM start rate** has been higher than the 30 year fixed rate; a mortgage security trader told me the reason is that investors view the 5 year rate adjustment as troublesome. The very best rates continue to be in the FNMA and FHLMC conforming fixed rates. For a detailed Good Faith Estimate call us any time!

Federal Mortgage Company, Inc. is a member in good standing of the **Washington Association of Mortgage Brokers**, the **Seattle Mortgage Bankers Association**, and the **National Mortgage Bankers Association**. We are licensed and bonded to originate loans in **Washington, Oregon, and Idaho**. See [www.fedmtg.com](http://www.fedmtg.com) for more information or call Mary Kay Morse or Conrad on 206-325-8400 or email us at [conrad@fedmtg.com](mailto:conrad@fedmtg.com) for a detailed estimate. We always specialize in Self Employed borrowers!



**Mortgage Pricing Trends**

On the right are the new **The Risk Based Pricing adjustments** for conforming mortgage loans. There are new significant fees for cash out in addition to low credit scores. Right now a .75% fee increase equates to a about a .50% increase in rate, so it really makes a difference. Residential **condominiums** now get an extra .75% in fee if over 75% loan to value, and multifamily have an extra 1.0% in fee. What happened to **No Points, No Fees, No Closing Costs?** In conjunction with the new FNMA and FHLMC pricing models all of the wholesale lenders are now **limiting the rebates** we used to help you pay for the closing costs, making NO cost refinancing available only at much higher rates. A year ago with .375% added to the rate it provided an extra 1.0% rebate we could use to pay third party loan fees. Today to obtain a 1.00% rebate the rate is increased by over 1.00%. **The good news** is that buying down the rate is much less expensive, and 30 year fixed rates well below 5.00% are still available by paying a little extra in fees.

FNMA Price Adjustments								
Loan To Value and Credit Score Risked Base Fees								
Score	<=60	60.01-65	65.01-70	70.01-75	75.01-80	80.01-85	85.01-90	>90
>=740	+ 0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000
720 - 739	+ 0.250	0.000	0.000	0.000	-0.250	0.000	0.000	0.000
700 - 719	+ 0.250	-0.500	-0.500	-0.500	-0.750	-0.500	-0.500	-0.500
680 - 699	0.000	-0.500	-0.500	-1.000	-1.500	-1.000	-0.750	-0.750
660 - 679	0.000	-1.000	-1.000	-2.000	-2.500	-2.250	-1.750	-1.750
640 - 659	-0.500	-1.250	-1.250	-2.500	-3.000	-2.750	-2.250	-2.250
620 - 639	-0.500	-1.500	-1.500	-3.000	-3.000	-3.000	-2.750	-2.750
<620	-0.500	-1.500	-1.500	-3.000	-3.000	-3.000	-3.000	-3.000
Cash-Out Refinances (in addition to the above fees)								
Score	<=60	60.01-65	65.01-70	70.01-75	75.01-80	80.01-85	85.01-90	>90
>=740	0.000	-0.250	-0.250	-0.250	-0.500	-0.625	NA	NA
700 - 739	0.000	-0.625	-0.625	-0.625	-0.750	-1.500	NA	NA
680 - 699	0.000	-0.750	-0.750	-0.750	-1.375	-2.500	NA	NA
660 - 679	-0.250	-0.750	-0.750	-0.750	NA	NA	NA	NA

**New Mortgage Meticulous Underwriting Guidelines**

The mortgage industry is rapidly self correcting for the past lax underwriting situations, and are adopting many new meticulous standards for new mortgages to not only ensure credit quality but also to bolster investor confidence that the loans being generated now are indeed investment grade securities. For Example:

- An **IRS 4506T tax form** is now required on most loans and the underwriter will send it in the IRS to obtain a printout which is used to validate the tax returns submitted.
- **Property Search:** When a loan is submitted underwriters can **search county property records** and determine if the borrower has title to any properties not listed on the application. One underwriter even found some land in Montana a client owned.
- **Subordinations:** Sometimes it makes sense to keep the existing Line of Credit that has attractive pricing. The new first mortgage is easily created, however the **subordinations requests are now taking 3 to 5 weeks!**
- **Appraisals** are all being meticulously reviewed and tested against automated valuation models. Any variations make it subject to a desk review or field review.
- **Web Information Search:** we have found several times that underwriters are searching the web for any relevant information on the borrowers, especially if they are self employed.

The extra effort takes time, and with the high loan volumes **the underwriting times are now being quoted as high as two to three weeks** or longer. However, purchases do take priority and at Federal Mortgage we do have the ability to rush to closing much faster if needed. We recently closed a purchase in just **12 days** and with some seller paid fees the buyer had a 30 year fixed at 4.50%!

**Conrad's Comments ..... March 2009**

**Welcome to 2009:** It is a different world. The recent financial news has been very complex and things are changing almost hourly. I am reading everything on the new stimulus programs and new regulations that will impact real estate financing. The actual implementation relies on the regulators and FNMA and FHLMC to create the actual underwriting rules and guidelines, and eventually that will allow the investor markets to set the specific pricing and continue the flow of funding.

Right now the conforming rates are still quite good with the government controlled FNMA and FHLMC, however both are losing Billions every month which is an indication of the level of subsidy already in effect. As the government agencies continues to tighten the underwriting at the same time as creating new packages to prevent foreclosures, we may see the rates change as these objectives are sometimes conflicting.

Anyway....I will keep you informed of the programs, pricing, and continue to seek **new portfolio programs** that enable federal Mortgage to continue to provide excellent real estate financing solutions for you, your clients, and your family.

Sincerely, *Conrad*

**Food for thought: Millions, Billions.....**they all sound the same. With the stimulus packages and bailouts we hear about Billions of dollars all the time. But how much larger is a Billion? Think of it in terms of seconds: One million seconds is about 11.5 days.

One billion seconds is nearly 32 years!

A Trillion? It equals over 317 Centuries.....