



# NCM Client Notification

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This e-mail is being sent to update you on the Northern Capital Management, Inc. Investment Committee's perspective on mortgage rates and whether it is an appropriate time to refinance.

As you may be aware, current rates have dropped to very low levels for certain types of mortgages. However, there remains a significant divide between conforming and jumbo loans.

Fannie Mae and Freddie Mac have a limit on the maximum sized loan they will guarantee. This is known as the "conforming loan limit". The conforming loan limit for Fannie Mae (along with Freddie Mac) is set by Office of Federal Housing Enterprise Oversight (OFHEO). For the Spokane area, that threshold is \$417,000. Current conforming rates are presently hovering around 5.5%.

At the opposite extreme are jumbo mortgages. A jumbo mortgage is a mortgage with a loan amount above the industry-standard definition of conventional conforming loan limits. This standard is set by the two largest secondary market lenders: Fannie Mae and Freddie Mac, which stands at \$417,000. Interest rates on jumbo mortgages are approximately 1.5% higher than conforming loans.

This spread is wider than usual and is reflective of investor's lack of appetite to buy the jumbo mortgages. Less demand allows current purchasers of these mortgages to demand higher interest rates.

Hence, in all likelihood there will be two different windows of time where it may be reasonable to consider a refinance. The first will apply to conforming loans and the second to the larger jumbo loans.

The conforming refinance window has the potential to be opened as a part of any Federal government attempts to support the housing market.

The jumbo refinance opportunity will most likely occur when confidence is restored in the credit markets and when the specifics of the actual recovery come into focus.

If you are closer to the conforming limits, it may be appropriate to begin the paperwork process simply to pre-qualify. However, our inclination would be to wait until the Obama Administration defines their overall housing program.

We do not have any financial arrangements which would create conflicts of interest, but have had particularly good success with originations and refinances with Ken Hunt of AmericanWest Bank. His contact number is (509) 462-5805 (office), (509) 220-7962 (cell), or [khunt@awbank.net](mailto:khunt@awbank.net).

We will keep you posted.

Northern Capital Management, Inc.  
Investment Committee