



Last Week in Review

“LET’S GIVE THEM SOMETHING TO TALK ABOUT...” Bonnie Raitt. Better believe that last week’s news gave us plenty to talk about, and even a few things to smile about. Here are the highlights.

You know this newsletter has been talking about the mark-to-market issue for some time now, and everyone was talking last Thursday about the Financial Accounting Standards Board’s (FASB) favorable vote to relax mark-to-market accounting, which will help to unlock the continuing freeze in the credit markets. The big change is to allow financial companies to use alternate models, like cash flow analysis, in valuing their assets. This was great news for the financial markets and our economy at large, as this will help money and credit flow more normally in our economy again.

In fact, since the March 12th Congressional hearing on mark-to-market, Stocks have risen 23% just on the speculation a change could be coming. And just one short day after the FASB mark-to-market ruling, there were stories of banks already saying they may not need to sell assets to raise capital, as they will no longer have to take massive paper losses by pricing their assets to the “fire-sale” comps that were created in some of the illiquid markets. Capital ratios are now more in line for many institutions, which will also help their ability to lend - in turn helping consumers and businesses alike. Yesterday’s ruling is a dramatic step towards unwinding the negative spiral created by mark to market, and in fact, the ruling on mark-to-market accounting could well go down in history as a turning point in the US financial crisis.

Speaking of turning points, while Friday’s Jobs Report certainly had its share of the bad (the economy lost 663,000 jobs in March) and the ugly (there have been 5.1 million jobs lost since the recession began in December of 2007), there was also some good. For the first time in a very long while, there were no downward revisions to a prior month’s reading, as February’s number came back with



no change. This, as well the actual job losses for this month being improved from January’s levels, and not much worse than expectations, could mean there is some level of stabilization at hand for the labor market. Something else worth smiling over on the job front was Wednesday’s news that Challenger, Gray & Christmas, an executive outplacement company, found that planned layoffs at US firms fell in March to their lowest levels in six months.

While Stocks were buoyed by the Mark-to-Market announcement and optimism that the G20 meeting in London will lead to an agreement on ways to pull global economies out of the current recession, Bonds were unable to hold onto recent gains. As a result, Bonds and rates ended the week .125-.25 percent worse than where they began.

A BIGGER PAYCHECK IS ALWAYS SOMETHING WORTH SMILING ABOUT. AND THE NEW “MAKING WORK PAY” TAX PROVISION COULD MEAN YOUR PAYCHECK IS GROWING. CHECK OUT THIS WEEK’S MORTGAGE MARKET VIEW FOR THE DETAILS.

Forecast for the Week

There aren’t too many scheduled economic reports to talk about this week, but don’t expect the rest of the news to be quiet. First quarter earnings season begins, and while the change to mark-to-market take effect for the second quarter, it can be applied to first quarter earnings. In fact, rumors are already swirling that the change in mark-to-market will boost earnings of banks by 20% or more for the first quarter.

In addition, the US is prepared to sell an estimated \$59 Billion in notes and inflation-indexed securities this week, and it will be important to see what impact that supply has on Bonds and home loan rates. And as we continue to



Chart: Fannie Mae 4.0% Mortgage Bond (Friday Apr 03, 2009)



watch the labor market, it will also be important to keep an eye on Thursday's Initial Jobless Claims report to see if the news is good, bad, or ugly.

But remember: Strong economic news will likely cause Stocks to move higher, and Bonds and home loan rates may worsen in response as we saw last week. As you can see in the chart below, Bonds worsened on the heels of last week's positive mark-to-market ruling, as well as Friday's Jobs Report failing to meet the worst fears.

Rates remain near historic lows, but last week, Jack Koskinen, interim chief executive of Freddie Mac, said that he feels home loan rates are near a bottom. We should talk to discuss if the current rates may present an opportunity for you or someone you know.

The Mortgage Market View

What the "Making Work Pay" Tax Credit Means For You

The economic recovery package that Congress passed in February included a "Making Work Pay" tax credit that eligible workers will receive through their paychecks in 2009 and 2010. Employers will use new withholding tables to lower the amount of tax that is withheld from eligible workers' paychecks. And since the Obama administration has asked that employers begin implementing these changes this month, you may have already noticed an increase in your paycheck.

While single filers can receive up to \$400 a year from these changes, (\$800 a year for joint filers), just how much extra money you will get depends on a number of factors, including your salary, marital status, and the allowances or exemptions you claim. Here are the highlights:

The full amount will be paid to single filers with modified adjusted gross incomes of \$75,000 or less, (\$150,000 or less for joint filers). Partial amounts will be paid to single filers earning between \$75,000-\$95,000, and to joint filers earning between \$150,000-\$190,000. Since the amount is based on modified adjusted gross income, any income earned in a foreign country, or in Puerto Rico or American Samoa, will also be factored in.

Anyone who is claimed as a dependent on another person's tax return is not eligible, even if the dependent works and earns income.

If lower-income workers do not make enough money to have taxes withheld, they won't receive any extra money in their pay-

checks but they can claim the amount when they file their 2009 tax returns.

In addition, it's important to make sure you aren't overpaid since you will have to repay the amount when you file your taxes next year, or have the amount deducted from your refund. Here are a few things to look out for:

If you are a joint filer and your spouse works... Both you and your spouse may receive extra money in your paycheck, resulting in an overage.

If you have more than one job... You may receive the amount from both of your employers, resulting in an overage.

If you receive investment or rental property income... If you are paid the amount from your employer, but the other income you earn increases your modified adjusted gross income above the eligibility limits, you may owe the IRS for the overage you receive.

Also, take note of when your company starts paying. The new withholding tables are structured so that payments starting in April will equal the appropriate amounts by the end of the year. If your payments started in your February or March paychecks, you may receive a bit more than you were due. And if your payments start later in the year and you receive less than you are entitled to, you can claim the difference on your 2009 tax return.

The above article is provided for informational purposes only. It's always a good idea to consult an accountant or tax professional if you have any questions about your specific situation. Let me know if you would like me to recommend someone.

Remember, as a general rule, weaker than expected economic data is good for rates, while positive data causes rates to rise.



Sergio Gonzalez | President
4640 Admiralty Way Suite 500
Marina Del Rey, California 90292
c 310.877.5045 | f 866.625.2164
www.AxisCapitalGroupInc.Com

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. April 08	10:30	Crude Inventories	4/03	NA		2840K	Moderate
Thu. April 09	08:30	Jobless Claims (Initial)	4/04	NA		669K	Moderate
Thu. April 09	08:30	Balance of Trade	Feb	-\$36.5B		-\$36.0B	Moderate

Economic Calendar for the Week

Mortgage Market Guide, LLC is the copyright owner or licensee of the content and/or information in this email, unless otherwise indicated. Mortgage Market Guide, LLC does not grant to you a license to any content, features or materials in this email. You may not distribute, download, or save a copy of any of the content or screens except as otherwise provided in our Terms and Conditions.