



Mortgage Rate UPDATE

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Historical perspective in bear markets

With all the troubling developments lately, here is a historical perspective to consider. We are clearly in the midst of a brutal bear market that began on October 9th of 2007. Since that time, Stocks have declined by a staggering 41% as measured by the S&P 500. Remember that a decline of 20% constitutes a bear market...and a 10% decline is a "correction". The last bear market which occurred between March 24th of 2000 and October 9th 2002 (yes, October 9th), and saw a 49% drop. Overall, the average bear market lasts for 12.3 months, with the average decline being 32%.

The current bear market is right in line with the average historical time frames, and the extent of the decline is worse than previous bear market averages, but still slightly better than the bottom made in 2002. So the historical data might suggest that we could be nearing a bottom. Many people will say that it's different this time, and that we have never had a financial crisis like we are seeing. While that is true, it's always different, and it's always something. The last bear market was driven by fears of terrorism and fueled by a dot com/tech bubble...both of which had never been seen before either.

As for the date October 9th, which was yesterday, it's interesting to note that October 9th of 2002 marked the end of the last bear market. And October 9th 2007 was the beginning of the present one. While it may just be coincidence, it will be interesting to see if yesterday's low has some significance in stock market history.

One bright spot is that oil prices are plunging, falling from a high of \$147 last July to current levels of around \$82 - at least making a trip to fill up at the gas station slightly more bearable.

As far as Mortgage Bonds go, the news isn't much better than it is for Stocks. Usually, when stocks are moving down money moves into bonds which pushes mortgage interest rates lower. Not the case in today's market. It seems as if money is moving out of stocks and into mattresses. Money needs to start flowing again to break this cycle and that appears to be what our government along with European governments are focused on addressing.

"You buy when there's blood in the streets." Baron Rothschild. ...And there sure is a lot of blood in both Stock and Bond markets just now. And one of the greatest investors in history, Sir John Templeton said that the best time to buy is during maximum pessimism, and again, we may be approaching that time, if not there already.

Mortgage Interest Rates*

Rates as of Friday, 10th October, 2008:

	Conforming	APR	Payment per \$1,000	Jumbo	APR	Payment per \$1,000
5/1 ARM	5.500%	5.590%	\$5.68	5.750%	5.842%	\$5.84
7/1 ARM	5.750%	5.842%	\$5.84	6.000%	6.093%	\$6.00
30 Year Fixed	6.500%	6.596%	\$6.32	%	0.000%	\$0.00
15 Year Fixed	6.375%	6.470%	\$6.24	6.500%	6.596%	\$6.32
30 Year FHA	6.500%	6.596%	\$6.32	%	0.000%	\$0.00

*Rates are subject to change due to market fluctuations and borrower's eligibility.

Rates are based on a 30% down payment, 720 credit score and subject to change without notice. ARM rates are fixed for a period of time and may increase after the fixed period has expired. Certain restrictions apply and offer of credit subject to approval. THE National Bank provides a wide range of financing solutions including Interest Only and Jumbo loans at attractive interest rates! Call us for free pre-approvals and to discuss financing solutions to help you buy your



dream home.