

# The National Economy

- 68.6% of Americans own a home.
- “Jobless recovery” – 1st time in the history of the United States
- National unemployment rate is 5.6%. (Orange County is 3.5%; 2nd lowest unemployment rate in the State. San Diego is 4%; state average is 6.1% unemployment) OC ranks #27 in the nation in job growth.  
Core index (minus food/energy) fell – 1st time in 20 years
- Fed Funds rate at 1% -- lowest in 45 years
- Housing:
  - 3.4 trillion in new mortgage (previous record was 2.5 trillion)
  - 2.2 billion in refinances: (\$100 billion was pulled out in cash; 23% paid of bills; 24% remodeled)
  - U.S. median home price increased by 8% to \$170,800
- Canada & Asia broke record sales last year, also. California rose 25%.

If you watch the market CLOSELY: After 2 consecutive months of job growth exceeding 150,000 – rates will start rising; might be time to refi

## California's Economy

- California as a State ranks as the **5th most powerful nation in the world! (behind Japan, Germany; England; France)**
- California receives 40% of the total share of venture capital in the U.S. (Silicon Valley = 20%)
- California represents 12 – 15% of the total GDP (gross domestic product) of the U.S.
- California has a diversified economy based on: trade, service sector, retail sales (CA led the nation in holiday spending – up 12%), electronics, manufacturing, high-tech/bio-tech (both future growth areas), agriculture (huge business in State), government (1 out of 6 jobs are gov't jobs) expected to decrease
- Population: 600,000 new residents yearly (that we can count)

**Buying a home is viewed as the #1 investment, next to having an IRA & savings acct. 84% of homeowners say a major reason to own a home is that it is a good long-term investment**

87% of homeowners say their homes increased in value and 76% report that their housing investment has increased in value even more than they anticipated. *Source: 2003 Fannie Mae Nat'l Housing Survey*

- HOUSING:

## “Zero Cost” vs. Lower Rates & Closing Costs

Without a doubt, Zero Cost financing is the most compelling loan product we have offered since we started in 1990. These two simple, but highly powerful, words immediately conjure up possibility and opportunity in the minds of our buyer prospects, and our zero cost ads cause literally hundreds of qualified prospects to call us.

Many people are under the false impression that zero cost loans cannot be done in most marketplaces, if at all. Many brokers assume that the majority of zero cost calls they will receive will be from unqualified people who really can't afford to buy. Hopefully this misconception will keep our competitors from finding out about how easy & risk-free zero cost financing is. We are not afraid to educate our clients on THEIR best options. A common reservation is, “Well, I'll be paying for it somehow.” Yes, you will, but not in fees/costs. In many instances there is no “break-even” point on

- 56,850 new apartments came on line
- Still producing a shortage of 40,000 units annually
- Median gain in a house in 2003 was \$150,000!
- Median PRICE is \$404,520 – up 19.4%
- 70% of sales were repeat buyers
- Median home was on the market an average of 2 weeks
- Median DOWN PAYMENT was 20% (In 1989, this was 7%)
- 1st time home buyers were 33 years of age
- Median income (married) was \$75,000
- 1/3 of 1st time buyers were single
- The California market is so hot in many cities, the current housing supply would be sold in 2 weeks - that is a staggering number

### Orange County's Economy

- Orange county as a nation would rank 26th in the world!
- Visitor income alone exceeds \$6 billion yearly
- Has been growing for the past 2 years
- Jobs:
  - OC ranks #1 in the nation in job growth to housing units
  - 2nd lowest unemployment rate in the State – 3.5%
  - South county's unemployment rate is 2.5%
  - OC median household income is \$71,000 – ranking 5th in the nation
  - 4th in the nation with incomes over \$100,000+
  - 5th in the nation with incomes over \$150,000+
- Population:
  - Orange County has over 2,978,816 residents
  - 3600+ people per square mile
  - 3rd highest density in the U.S. (behind only New Jersey & New York)
  - County population is increasing 1.9% per year
  - Almost 60,000 new residents yearly

15-year fixed loans between standard "points and fees" loans and zero cost loans. Paying closing costs IS A GAMBLE that rates won't come down! Personally, I'd rather pay nothing & refinance again at no cost if rates drop.

**"If you can refinance today with a "no-cost" loan at a lower interest rate, meaning you pay no points or closing costs, and the interest rate is actually lower than your current rate run, don't walk, to your lender's office. But this golden scenario rarely applies."**

**-MSN.com Refinance Section**

*The Market Outlook is prepared by the [Solomon Financial Mortgage and Realty](#) staff for the benefit of our customers. The contents of this publication are for informational purposes only, and are not intended to be used as a predictor of interest rate movements.*