

**FOR IMMEDIATE RELEASE**

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**Will Homeowners and Buyers Lose \$45,000?**

Ann Arbor, MI August 13, 2009 – Federal Reserve officials met yesterday and issued a statement saying that their program to purchase \$1.25 trillion of mortgage-backed securities will be winding down by the end of year. “The Fed is the single largest buyer of mortgage bonds in the market today,” said Gibran Nicholas, Chairman of the [CMPS Institute](http://cmepsinstitute.org), an organization that certifies mortgage bankers and brokers. “The way mortgage companies set their interest rates is by figuring out the price that Fannie Mae and Freddie Mac are willing to pay them for the mortgage. Fannie and Freddie set their price by figuring out what investors on the bond market are willing to pay them for the Mortgage-Backed Securities (mortgage bonds) that they issue. When the Fed stops buying mortgage-backed securities, the demand for these bonds will be much less, and mortgage rates will go higher.”

Since the Fed began purchasing mortgage bonds and intervening in the mortgage markets, interest rates on fixed rate mortgages have dropped a full percentage point below where they would be otherwise. “Take out the Fed’s subsidy, and mortgage rates are likely to drift back up by at least one percent,” Nicholas said. “A one percentage point increase in mortgage rates – from 5.25% to 6.25% - would cost an extra \$127 per month and \$45,730 in interest over the life of a \$200,000 30 year mortgage. This is exactly what could happen in 2010 once the Fed stops buying mortgage bonds.”

Fed officials have been signaling for some time that their unprecedented interventions in the mortgage markets may come to an end or even be reversed once the economy begins to improve. “While we don’t believe the Fed will start selling mortgage bonds right away, we do believe that rates will start drifting higher in 2010 once the Fed stops purchasing mortgage bonds,” said Nicholas. “After all, it’s not every day that the Fed spends a whopping \$1.25 trillion to subsidize mortgage rates. Take out this enormous subsidy, and the average person with a \$200,000 mortgage who refinances or buys a house stands to lose \$45,000 over the life of their home loan. That is why homeowners and buyers should really talk to their Certified Mortgage Planning Specialist and take advantage of this window of opportunity to refinance or buy a home while rates are artificially low.”

For related information that is beneficial to homeowners and buyers, please visit Gibran Nicholas’ blog at <http://gibrannicholas.com>. Recent posts include:

How to Save Over \$30,000 on Your Home Purchase  
Two Reasons Why House Prices Will Go Up  
Is Housing Still Overvalued?

**About CMPS Institute:** CMPS is a training, examination, certification and ongoing membership program for financial professionals who provide mortgage and real estate equity advice. Recognized for its preeminence within the industry, the CMPS curriculum represents the core knowledge expected of residential mortgage advisors regardless of the diversity of specializations within the industry. Over 5,500 financial professionals have gone through the program since its launch in 2005. For more information or to find a certified professional near you, please visit [www.CMPSInstitute.org](http://www.CMPSInstitute.org) or call 888.608.9800.

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