



From the desk of
William C. Ring, President

Real Estate Newsletter

September 2007



The Harbor Area's Oldest Real Estate Firm

15 Corporate Plaza, Suite 250
Newport Beach, CA 92660

949-673-4400 x101

www.HarborRealtyUSA.com

Celebrating 63 Years!

Looking for real estate
loan information?
Contact Michael Leet at
United American
Mortgage Corp.
Tell him I sent you.
800-708-5626 x163

Favorite Quotes...

If you don't read the
newspaper you are
uninformed; if you do
read the newspaper you
are misinformed.

Mark Twain

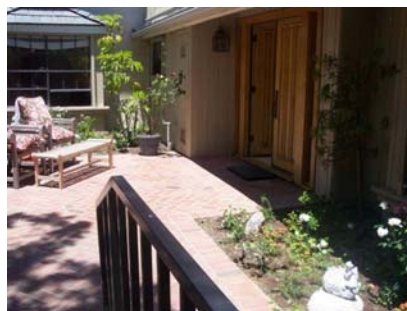
The Fed and the Discount Rate...

So you've seen the headlines about the Fed and the Discount Rate. But many people admit to having their eyes gloss right over. Here is what I hope is a simple explanation.

Banks and thrift institutions are obligated by law to keep certain non-interest-bearing reserves with the Fed (or to keep an equal amount of vault cash, but this imposes risks and costs). The level of these reserves is determined by the outstanding assets and liabilities of each depository institution, as well as, by the Fed itself, but is typically 10% of the total value of the bank's demand accounts. If its reserve level falls below the legally required level, it must add to its reserves to remain compliant with regulations. The bank will normally borrow requisite funds from another bank that has a surplus in its Fed reserves. The interest rate that the first bank will pay to the second bank in return for borrowing funds is negotiated between the two banks and the weighted average of this rate across all banks is the effective Fed Funds Rate.

The Federal Funds Rate therefore is the interest rate which private depository institutions lend balances (Fed funds) at the Federal Reserve to other depository institutions overnight. The Discount Rate is the interest rate charged by the Federal Reserve for loans directly to the institutions. These loans are very short term and rare, as they are subject to audit by the Fed and the Discount Rate is usually higher than the Fed Funds Rate. Due to the current credit crunch (lack of lenders' liquidity) the Federal Reserve has taken significant action by cutting the Discount Rate. The Fed's decision to cut this rate provides stability in the financial markets. Banks now have greater access to short term cash.

It is important to note the Discount Rate differs from the Fed Funds Rate in that the Fed Funds Rate will more likely impact interest rates you pay for home equity lines of credit, credit cards, and automobile loans.



11 VIENNA

Sought after single level in beautiful guard gated Harbor Ridge. Views of Saddleback Mountains and city lights. Spacious and open floor plan with 2 bedrooms and 2 baths.

\$950,000

Please contact me anytime regarding your real estate needs or questions. And, thank you for your referrals.

**If you would like to receive this newsletter by e-mail,
please call, fax or send me an e-mail with your e-mail address.
(949) 673-4400 * Fax (949) 673-4401 * E-mail homes@HarborRealtyUSA.com**