

HOUSE & HOME

Operation Twist's impact on mortgages likely to be limited

By Jann Swanson
Special to The Washington Examiner

Operation Twist, the Federal Reserve program intended to push down longer-term interest rates, will continue past its original June 30 end date through the end of the year. The program aims to lower the cost of borrowing for businesses, auto purchases, consumer debt — and mortgages.

Formally known as the Maturity Extension Program, the program began last October. It shifts around Federal Reserve assets rather than pumping money into the economy, as did QE1 and QE2 — the earlier quantitative easing programs under which the Federal Reserve purchased \$2 trillion in Treasury debt.

The central bank said in a statement on June 20 that it intends to swap approximately \$267 billion in Treasury securities due to mature in less than three years with securities that have remaining maturities of six to 30 years. The original program was slated to swap about \$400 billion in such securities. The Fed will maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities into new agency mortgage-backed securities, the financial instruments that most closely affect mortgage rates.

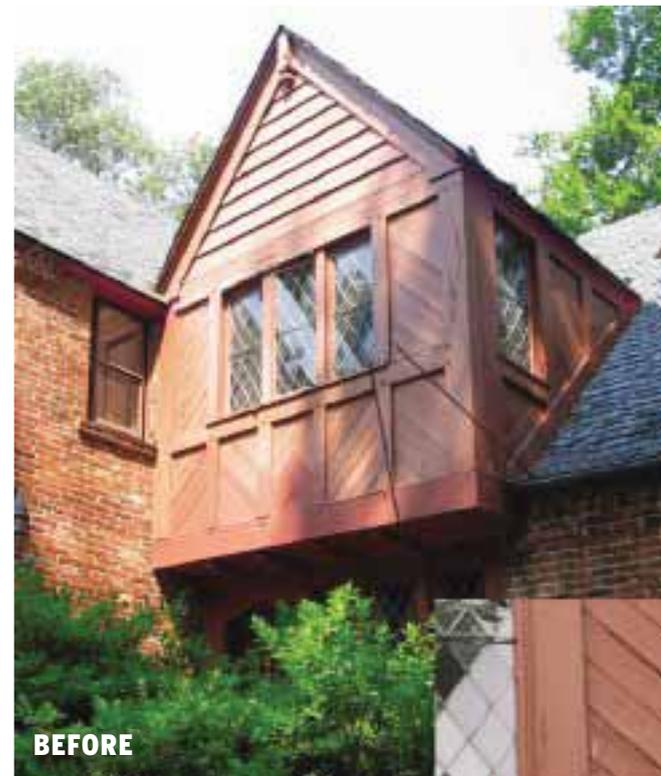
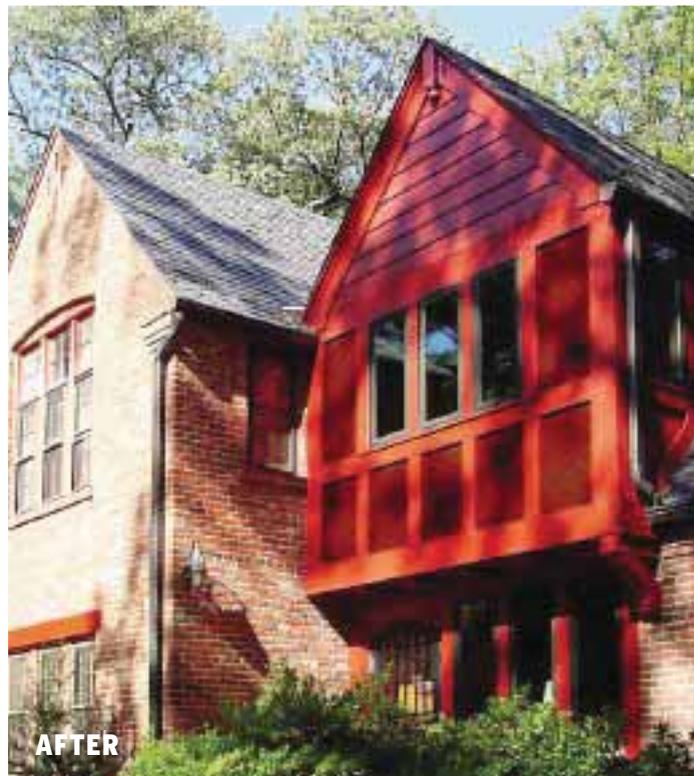
With rates already so low, what does this mean to homebuyers? Greg McBride, senior financial analyst at Bankrate.com, said, "The effect will be marginal at best. The record-low interest rates we are currently enjoying are the result of the current European debt crisis and concerns over the global economy, not the result of the original Operation Twist. The new one is symbolic at best."

Rodney Carey, CEO of Woodward Asset Capital, agreed. "It will have a somewhat positive — and 'somewhat' is the operative word — impact on mortgage rates, but probably less than 10 basis points [one-tenth of 1 percent]. It is a low-impact initiative with the potential to drive up inflation, a greater risk."

Carey said Operation Twist is "an arrow in a quiver full of other arrows it doesn't match." What is needed, he said, is one great initiative to get things back on track rather than all of the smaller ones that have been implemented.

Both Carey and McBride feel that another round of quantitative easing will be needed, but McBride said that, if the Fed decides to do a QEIII, "the size and timing will be critical to its success."

RESTORATION



Think restoration, not renovation, for that old house

By Merlisa Lawrence Corbett
Special to The Washington Examiner

A Washington homeowner who called Dmitry Samoylin to renovate the exterior of her deteriorating 110-year-old Tudor did not realize that what she really needed was a restoration. Unlike renovation, which includes building new, restoration restores existing architecture or interiors to their original glory.

In this case, the homeowner wanted the worn-out wood surrounding a gable replaced with new. Samoylin took a closer look and found she would be replacing endangered redwood. "She didn't even know it was redwood. I told her she should preserve it," he said. "You can't get redwood anymore. It's not available for commercial use. The forests are still growing, but you can't cut them down because there are so few trees left."

So Samoylin, of Fairfax Restorations, began a tedious process of stripping the paint from existing boards, by hand, one board at a time. He then sanded each board smooth, primed it and painted it with two coats of Benjamin Moore Barn Red.

The old boards had been painted numerous times over the past century. To restore them, Samoylin said, he "had to get to the bare wood." He did it by hand to reduce the chance of damaging the redwood — a process that took two months.



COURTESY PHOTOS

Restoration revived the endangered redwood gable on this Tudor home in the District.

RESOURCES

» Fairfax Restorations
703-861-6151, fairfaxrestorations.com

long-term exposure to the sun.

That focus on historical and architectural accuracy is what separates Samoylin and other skilled restorers from remodelers, said Ann McClure, a realtor with McEneaney Associates Inc. in Old Town Alexandria.

"There is an artist side to Dmitry," McClure said. "He will do the research and make sure he restores the home to what it looked like in the era it was built."

Attention to detail is essential, said McClure, especially when restoring an older home. She had a Silver Spring house on the market inhabited by hoarders. But a home full of trash was treasure to two area architects, who recognized the house had been built by famed architect Charles M. Goodman, who designed the original National Airport and many of the Midcentury Modern homes in the Hollin Hills area of Alexandria.

"They were interested in the architecture. They had it restored and sold it," said McClure, who listed that property "as is." "I'm pretty sure they sold it for \$150,000 more than they paid," she said.

Samoylin discovered the original wood had been lacquered, giving it a semigloss patina. "Redwood itself is very dark red, almost brown in color," he said. "When you put that patina on it, it becomes very dark. You can see that it's brown underneath."

Replicating the lacquered layer was impractical because the chemical composition of lacquers has changed over the years. The ones made today do not last as long, only about a year, and then the wood would need repainting.

So Samoylin chose a Benjamin Moore semigloss because he said it retains its gloss even after