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# WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 1-2-05

Annual subscription \$250 (1-800-844-4648)



## Mortgage Rates Volatile as Year Comes to a Close Week in review 12/27/04 - 12/31/04

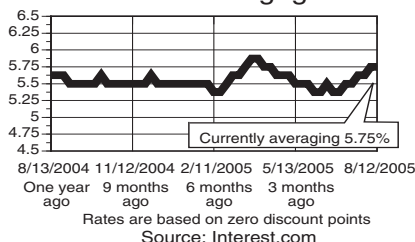
Volatility has been the watchword in the U.S. Treasury market. Light volume has resulted in small trades making big waves. Big moves in oil prices, and upward and downward leaps in economic reports have sent prices and therefore yields, which move in the opposite direction of prices, on a roller coaster ride. Profit taking was the one steady influence at the end of what could only be termed as a surprisingly strong year for Treasuries, but it only kept a lid on gains, as did a weak two-year note auction. In 2004, yields on the benchmark 10-year note held in the lower 4 percent and upper 3 percent range for most of the year, resulting in attractive mortgage rates. This week was no exception. Although yields fluctuated and mortgage rates followed, they remain near historic low levels.

Consumer confidence made its sharpest gain since July, rising to 102.3. Jobs, oil and the stock market are key to confidence, and each of these showed improvement this month. But a confident consumer is a spending consumer and this took its toll on bonds. Existing home sales (EHS) in November surprised everyone, hitting a record-high annual

rate of 6.94 million units. This was especially welcome news because EHS represent approximately 85 percent of all home sales. The Chicago Purchasing Managers' index of manufacturing conditions, which is often a precursor to the national ISM index, fell to 61.2. New orders were down and employment slid by more than 10 points, sparking a mini-rally in Treasuries. First-time unemployment claims fell by 5,000 to 326,000 - defying forecasts - and the closely watched four-week average edged down to 333,500.

Mortgage activity flip-flopped in the week ended December 24. According to the Mortgage Bankers Association, applications to purchase rose 2.7 percent after falling the previous week, and refis declined 7.9 percent after posting a gain. Refinancing accounted for 46 percent of mortgage transactions. Rates moved higher on some products, but were close to last week's levels. The 30-year fixed-rate mortgage (based on zero discount points) is well above 5.5 percent, and the 15-year fixed-rate edged over 5 percent. The introductory rate on the volatile one-year adjustable mortgage is right at 3.5 percent.

### 30-Year Fixed Mortgage Rate



## KEY INTEREST RATES

U.S. Treasury Yields	12/23/04	12/30/04
2year T-note	3.00%	3.10%
5year T-note	3.57%	3.64%
10 year T-note	4.21%	4.27%
30 year T-Bond	4.84%	4.88%

Discount Rate (wk. end 12/24)	3.00%
Fed Funds Rate (wk. end 12/24)	2.24%
Prime rate (wk. end 12/24)	5.25%

### ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Nov.)	5.65%
12 mo. mvg. avg. (1-yr. TCM) (Nov.)	1.77%
3 mo. LIBOR (FNMA for Nov.)	2.40%
6 mo. LIBOR (FNMA for Nov.)	2.62%
National COFI (Oct.)	2.16%
11th District COFI (Oct.)	1.96%
6 month CD (wk. end 12/24)	2.72%
1 Year TCM (wk. end 12/24)	2.71%
2 Year TCM (wk. end 12/24)	3.04%
3 Year TCM (wk. end 12/24)	3.22%
5 Year TCM (wk. end 12/24)	3.58%
7 Year TCM (wk. end 12/24)	3.91%
10 Year TCM (wk. end 12/24)	4.21%
20 Year TCM (wk. end 12/24)	4.84%

### Required Yields for Delivery

Fannie Mae (12/23/04)		30 day		60 day		90 day	
30 year	NA	NA	NA	NA	NA	NA	NA
15 year	NA	NA	NA	NA	NA	NA	NA

### Freddie Mac (12/30/04)

	10 day	30 day	60 day	90 day
30 year	5.47%	5.51%	5.57%	5.62%
15 year	4.84%	4.87%	4.92%	4.97%

## HOUSING SNAPSHOT

	Month	Total	Change
Housing Starts	Nov.	1.77 mil.	-13.0%
Building Permits	Nov.	1.99 mil.	-1.5%
Existing Home Sales	Nov.	6.94 mil.	+2.7%
New Home Sales	Nov.	1.13 mil.	-12.0%

### MORTGAGE APPLICATION INDEXES (MBA)

Wk. ended Dec. 24, 2004

Number of purchase applications	Up	+2.7%
Number of refinance applications	Down	-7.9%

## Mortgage Rates Likely to Hold Steady Week in preview 12/27/04 - 12/31/04

This week begins with a full slate of economic indicators and ends with a bang, as the December employment report will be released on Friday. Prior to that the ISM index on manufacturing conditions is due along with new construction and factory orders. The ISM index on the service sector and weekly unemployment claims also are on the docket. Although the jobs report will be the linchpin for the week, the ISM indices will weigh in. If the manufacturing numbers are down, it would be a plus for Treasuries. But if reports come in close to forecasts, mortgage rates are likely to remain fairly steady.

The financial markets should be back on track this week after a month of so-so volume in December. On Monday new construction data for November will be released. Over the past few months construction has

held in the unchanged and positive categories, as opposed to other indicators related to the housing industry. In addition, the closely watched ISM report on December manufacturing conditions will be released.

Factory orders for November are due on Tuesday along with the Redbook and the International Council of Shopping Centers reports on retail sales for the week ended December 31. On Wednesday the ISM index on the service sector for December will be released. Although less influential than manufacturing data, it could move the markets.

On Thursday the weekly unemployment claims for the week ended December 31 are due, but the big news comes out on Friday when the employment report for December is released. This is the most-anticipated report every month and the one with the most clout.

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Jan. 3	10:00 am	New Construction (Nov.)	+0.3%
	10:00 am	ISM releases index of Dec. Mfg. Conditions	58.8
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills	
Jan. 4	8:00 am	ICSC/UBS report on chain store sales (Wk. end 12/31)	
	8:00 am	Redbook report on retail sales (Wk. end 12/31)	
	10:00 am	Factory Orders (Nov.)	+1.1%
Jan. 5	10:00 am	ISM releases index of Dec. Non-Mfg. Conditions	61
Jan. 6	8:30 am	Weekly Unemployment Claims (Wk. end 12/31)	
Jan. 7	8:30 am	The Employment Report (Dec.)	+168,000 @ 5.4%
	8:30 am	Hourly wage earnings (Dec.)	+0.2%
	3:00 pm	Consumer Credit (Nov.)	+\$5.8 bil.

Interest.com--all times Eastern Standard Time



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Formerly the Fax Weekly Report

Keeping you abreast of the ever-changing mortgage market

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## TRACKING THE ECONOMY -- JANUARY 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS
Dec. 27	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Dec. 28	8:00 am	ICSC/UBS report on chain store sales	Wk. end Dec. 24		NA	-1.5%
	8:00 am	Redbook report on retail sales	Wk. end Dec. 24 v. one yr. ago		NA	+0.9%
	10:00 am	Consumer Confidence Report	Dec.	Conference Board	102.3	92.8
Dec. 29	10:00 am	Existing Home Sales	Nov.	Natl. Assn. of Realtors®	+2.7% @ 6.94 mil.	-0.1% @ 6.75 mil.
Dec. 30	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 24	Dept. of Labor	326,000	331,000 (rev.)
	10:00 am	Chicago Purchasing Managers Institute releases	index of Dec. Mfg. Conditions		61.2	65.2
Dec. 31		<b>The federal government will be closed to observe New Year's Day. The financial markets will close early.</b>				
Jan. 3	10:00 am	New Construction	Nov.		-0.4%	unch.
	10:00 am	Institute of Supply Management releases index of	Dec. Mfg. Conditions		58.6	57.8
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Jan. 4	8:00 am	ICSC/UBS report on chain store sales	Wk. end Dec. 31			
	8:00 am	Redbook report on retail sales	Wk. end Dec. 31			
	10:00 am	Factory Orders				+0.5%
Jan. 5	10:00 am	Institute of Supply Management releases index of	Dec. Non-Mfg. Conditions			61.3
Jan. 6	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 31	Dept. of Labor		
Jan. 7	8:30 am	The Employment Report	Dec.	Dept. of Labor		+112,000 @ 5.4%
	8:30 am	Hourly wage earnings	Dec.	Dept. of Labor		+0.1% @ \$15.83
	3:00 pm	Consumer Credit	Nov.	Federal Reserve		
Jan. 10	10:00 am	Wholesale trade/Inventories and Sales	Dec.	Commerce Dept.		+1.1% (inv.)
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Jan. 11	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 7			
	8:00 am	Redbook report on retail sales	Wk. end Jan. 7			
Jan. 12	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Nov.	Commerce Dept.		\$55.5 bil.
	2:00 pm	Treasury Statement (monthly budget)	Dec.	Treasury Dept.		-\$43.0 bil.
Jan. 13	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 7	Dept. of Labor		
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Dec.	Commerce Dept.		+0.2%/ +0.3%
	8:30 am	Advance Retail Sales/ ex-auto	Dec.	Commerce Dept.		+0.1%/ +5%
Jan. 14	8:30 am	Producer Price Index/core rate	Dec.	Dept. of Labor		+0.5%/ +0.2%
	8:30 am	Business Inventories/ Sales	Nov.	Commerce Dept.		+0.2% (inv.)
	9:15 am	Industrial Production & Capacity Utilization	Dec.	Federal Reserve		+0.3%/ 77.6%
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Jan.	Univ. of Michigan		
Jan. 17		<b>The federal government and financial markets will be closed to observe Martin Luther King, Jr. Day</b>				
Jan. 18	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Jan. 19	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 14			
	8:00 am	Redbook report on retail sales	Wk. end Jan. 14			
	8:30 am	Consumer Price Index/core rate	Dec.	Dept. of Labor		+0.2%/ +0.2%
	8:30 am	NY Empire State Index of Dec. Manufacturing Conditions				29.9
	8:30 am	Housing Starts	Dec.	Commerce Dept.		-13.0% @ 1.77 mil.
	8:30 am	Building Permits	Dec.	Commerce Dept.		-1.5% @ 1.99 mil.
	noon	FOMC releases Beige Book				
Jan. 20	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 14	Dept. of Labor		
	10:00 am	Index of Leading Indicators	Dec.	Conference Board		+0.2%
	noon	Philadelphia Fed Report on Dec. manufacturing conditions		Federal Reserve		29.6
Jan. 21		<b>There are no economic reports scheduled for release.</b>				
Jan. 24	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Jan. 25	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 21			
	8:00 am	Redbook report on retail sales	Wk. end Jan. 21			
	10:00 am	Existing Home Sales	Dec.	Natl. Assn. of Realtors®		-0.1% @ 6.75 mil.
Jan. 26		<b>There are no economic reports scheduled for release.</b>				
Jan. 27	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 21	Dept. of Labor		
	8:30 am	Durable Goods Orders (adv.)	Dec.	Commerce Dept.		+1.6%
Jan. 28	8:30 am	Gross Domestic Product (adv.)	4th Qtr.	Commerce Dept.		4.0%
	8:30 am	GDP Chain Deflator (adv.)	4th Qtr.	Commerce Dept.		+1.4%
	8:30 am	Employment Cost Index	4th Qtr.			
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Jan.	Univ. of Michigan		
Jan. 31	8:30 am	Personal Income and Outlays	Dec.	Commerce Dept.		+0.3%/ +0.2%
	10:00 am	Chicago Purchasing Managers Institute releases	index of Jan. Mfg. Conditions			
	10:00 am	New Home Sales	Dec.	Commerce Dept.		-12% @ 1.125 mil.
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Feb. 1	8:30 am	New Construction	Dec.			unch.
	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 28			
	8:00 am	Redbook report on retail sales	Wk. end Jan. 28			
	9:00 am	FOMC convenes two-day meeting to discuss interest rates				
	10:00 am	Institute of Supply Management releases index of	Jan. Mfg. Conditions			
Feb. 2	2:15 pm	FOMC releases statement regarding decision on interest rates				+25 basis points
Feb. 3	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 28	Dept. of Labor		
	8:30 am	Productivity & Costs (rev.)	3rd Qtr.			+1.8%/ +1.8%
	8:30 am	Factory Orders				+0.5%
Feb. 4	8:30 am	The Employment Report	Jan.	Dept. of Labor		+112,000 @ 5.4%
	8:30 am	Hourly wage earnings	Jan.	Dept. of Labor		+0.1% @ \$15.83
	10:00 am	Institute of Supply Management releases index of	Jan. Non-Mfg. Conditions			

Note: In some instances, these dates are merely approximations. Release times are Eastern Standard Time



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FOR THE WEEK OF 12-26-04

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## INDUSTRY NEWS

### Leading Housing Advocates Say Colorado Housing Counselors Essential

A new program, which will significantly lower the cost of and expand access to first-time homeownership is being launched by the National Organization of African Americans in Housing (NOAAH) and the Colorado Housing and Finance Authority (CHFA), in conjunction with the Mortgage Guaranty Insurance Corporation (MGIC). The program was first unveiled during the National Association of State Housing Agencies' annual conference in Chicago, IL.

Combining elements from NOAAH's Homebuyer Preparation and Preservation Network (HPPN) and CHFA's affordable homeownership activities, this innovative new program will include more inclusive underwriting criteria, reduced mortgage insurance premiums and specialized homeownership counseling designed to ensure success for first-time homebuyers participating in this program. MGIC's innovative SmartPath™ mortgage insurance product is also an important component of this initiative.

"The convergence of CHFA with NOAAH and MGIC in the initiative is of great significance because it enables us to expand our first-time homebuyer delivery system with a set of new partners," said CHFA Executive Director Milroy A. Alexander.

In recent years, numerous studies conducted by nationally recognized housing policy groups have documented that high-quality, targeted housing counseling can play a substantial role in creating successful homeowners. Colorado housing counseling agencies that become part of NOAAH's HPPN and are approved by CHFA have the increased capacity to boost homeownership by offering their clients an effective and affordable new option.

"This program represents an important opportunity for all low and moderate income families in Colorado who aspire to becoming homeowners," explains NOAAH Executive Director, Kevin Marchman.

CHFA is committed to providing homeownership opportunities to low and moderate income individuals and families, especially in underserved communities. NOAAH has been a leading advocate across the country in identifying and evaluating best practices in meeting the needs of these first-time homebuyers without resorting to subprime or predatory lending.

Both CHFA and MGIC (the nation's largest provider of private mortgage insurance) are members of NOAAH and its homeownership taskforce.

"We look forward to working closely with CHFA and NOAAH counseling affiliates to help more families attain affordable homeownership," said Rosa Dalia Hernandez, MGIC's Emerging Markets Manager-Pacific Region. "Our SmartPath™ program dovetails nicely with CHFA's mission, and we expect this initiative will help many Colorado Families achieve long-term successful homeownership."

--PR Newswire

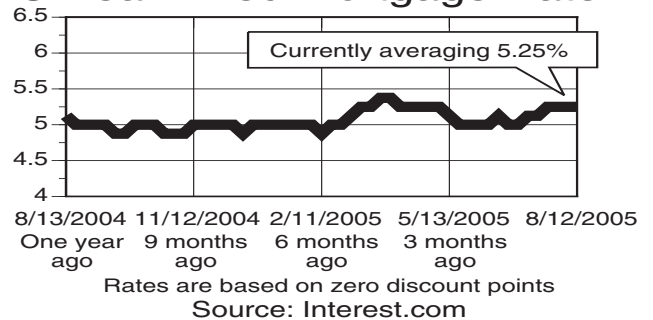
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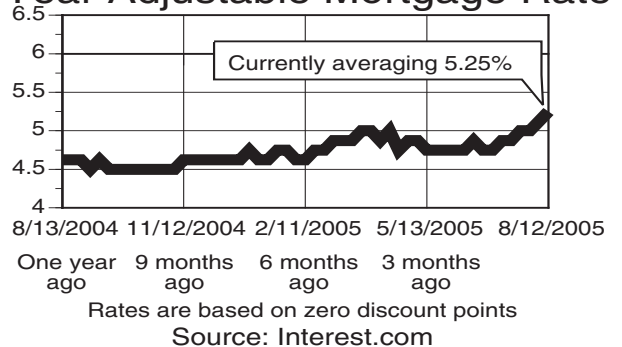
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## MORTGAGE MARKET MONITOR

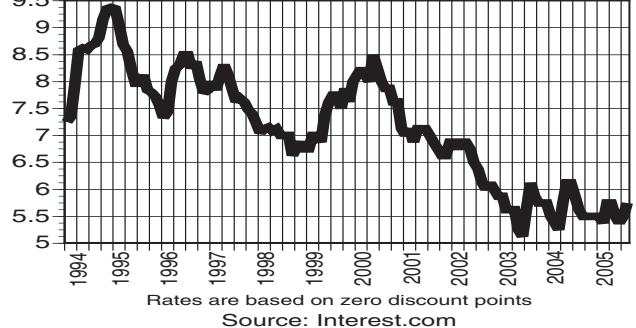
### 15-Year Fixed Mortgage Rate



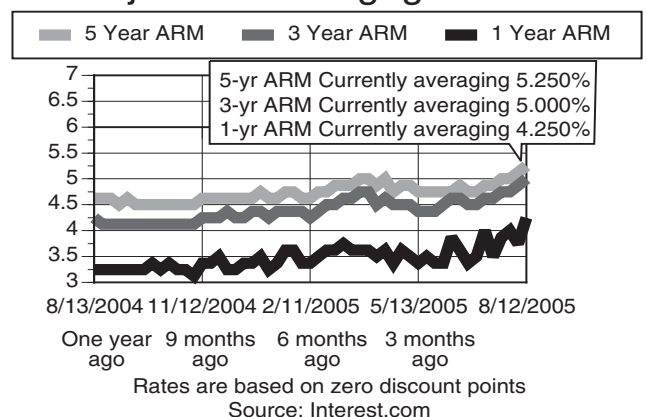
### 5-Year Adjustable Mortgage Rate



### 30-year fixed-rate mortgage



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE

