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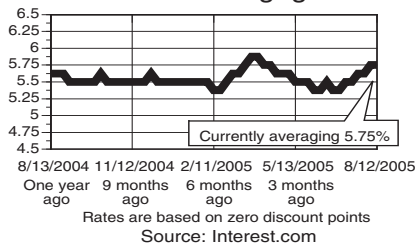
# WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 3-13-05

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

## 30-Year Fixed Mortgage Rate



## KEY INTEREST RATES

U.S. Treasury Yields	3/4/05	3/11/05
2year T-note	3.55%	3.72%
5year T-note	3.95%	4.19%
10 year T-note	4.32%	4.52%
30 year T-Bond	4.67%	4.81%

Discount Rate (wk. end 3/4)	3.50%
Fed Funds Rate (wk. end 3/4)	2.51%
Prime rate (wk. end 3/4)	5.50%

### ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Jan.)	5.72%
12 mo. mvg. avg. (1-yr. TCM) (Feb.)	2.18%
3 mo. LIBOR (FNMA for Feb.)	2.91%
6 mo. LIBOR (FNMA for Feb.)	3.15%
National COFI (Dec.)	2.22%
11th District COFI (Jan.)	2.18%
6 month CD (wk. end 3/4)	3.14%
1 Year TCM (wk. end 3/4)	3.20%
2 Year TCM (wk. end 3/4)	3.58%
3 Year TCM (wk. end 3/4)	3.75%
5 Year TCM (wk. end 3/4)	4.00%
7 Year TCM (wk. end 3/4)	4.18%
10 Year TCM (wk. end 3/4)	4.37%
20 Year TCM (wk. end 3/4)	4.79%

### Required Yields for Delivery

	Freddie Mac (3/11/05)			
	10 day	30 day	60 day	90 day
30 year	5.65%	5.69%	5.75%	5.81%
15 year	5.11%	5.14%	5.20%	5.24%

Fannie Mae no longer offers information on required net yields.

## HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	Jan.	\$1.03 tril.	+0.7%
Housing Starts	Jan.	2.16 mil.	+4.85%
Building Permits	Jan.	2.11 mil.	+2.43%
Existing Home Sales	Jan.	6.68 mil.	-0.1%
New Home Sales	Jan.	1.06 mil.	-9.2%

MORTGAGE APPLICATION INDEXES (MBA)	
Wk. ended March 4, 2005	
Number of purchase applications	Up +2.7%
Number of refinance applications	Down -4.6%



## Mortgage Rates on the Move

Week in review 3/7/05 - 3/11/05

Fear of inflation swept through the bond markets and took its toll on the benchmark 10-year note that lenders use to set mortgage rates. Frantic selling of U.S. Treasury securities, which have their value eroded by inflation, sent prices diving and yields, which move in the opposite direction of prices, soaring. Inflation concerns surfaced as the price of oil climbed to new highs, actually peeking above \$55 a barrel before edging back down. The Fed's release of the Beige Book, an overview of the nation's economic conditions in January and February, added to inflation fears. The report showed economic growth in important sectors and a vibrant labor market, and raised the possibility of more aggressive rate hikes by the Fed. The sharp rise in the 10-year yield, which hit its highest level since July, forced mortgage lenders to increase rates on some mortgage products.

Economic reports were sparse, with nothing in the way of market-moving news released until Thursday. It came in the form of first-time jobless claims for the week ended March 4, which rose by an unexpected 17,000 to 327,000. The more closely watched four-

week average, which smoothes volatility, climbed by 6,000. Continued claims, or people collecting benefits for more than one week, increased to 2.7 million. This report reversed selling in the financial markets, but only temporarily. Wholesale inventories for January rose by a stronger-than-expected 1.1 percent, due in large part to a stockpile of unsold autos. Metals and miscellaneous durable goods also accumulated during the month. The U.S. trade deficit for January came in at the second highest level on record, with demand for consumer goods driving up imports. This put additional pressure on Treasuries and the dollar.

Applications to purchase a home crept up 2.7 percent for the week ended March 4, according to the Mortgage Bankers Association's weekly survey on mortgage activity. But applications to refinance fell 4.6 percent. Rates inched up on many mortgage products. The 30-year fixed-rate mortgage (based on zero discount points) is well above 5.625 percent, while the 15-year fixed-rate neared 5.25 percent. The introductory rate on the one-year adjustable-rate mortgage rose to 3.75 percent.

## Mortgage Rates Likely to Remain High

Week in preview 3/14/05 - 3/18/05

Economic news is plentiful over the next few days. The reports with the biggest potential to impact the markets are Retail Sales for February and indices on regional manufacturing conditions for March. Other reports on February events include Housing Starts and Building Permits, Industrial Production and Capacity Utilization, and U.S. Import/Export price indices. Because the markets are edgy right now, the slightest sign of inflation could result in selling. If reports meet analysts' expectations, mortgage rates will likely remain near present levels, which - in spite of the recent increases - are still close to historic lows.

The week begins slowly and then builds, but on Monday only the weekly auction of 3- and 6-month Treasury bills is on the calendar.

Retail sales for February come out on Tuesday and can shake up the markets. Also due is the NY Empire State index of manufacturing conditions for March - the first of several regional indices. Business Inventories for January and two retail sales surveys for the previous week are less influential.

Housing Starts and Building Permits for February are due Wednesday along with Industrial Production data. Thursday has first-time unemployment claims for the week ended March 11 along with the Index of Leading Indicators and the Philly Fed survey on manufacturing conditions in March.

Friday features U.S. import/export price indices for February and the University of Michigan's preliminary consumer sentiment survey for March.

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Mar. 14	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill	.
Mar. 15	8:00 am	ICSC-UBS report on chain store sales (Wk. end 3/11)	
	8:00 am	Redbook report on retail sales (Wk. end 3/11)	
	8:30 am	Advance Retail Sales/ ex-auto	Feb. +0.7%/ +0.9%
	8:30 am	Business Inventories/ Sales	Jan. +0.8% (inv.)
	8:30 am	NY Empire State Index of Mar. Manufacturing Conditions	18.8
Mar. 16	8:30 am	Housing Starts	Feb. 2.01 mil.
	8:30 am	Building Permits	Feb. 2.07 mi.
	9:15 am	Industrial Production & Capacity Utilization	Feb. +0.5%/79.4%
Mar. 17	8:30 am	Weekly Unemployment Claims (Wk. end 3/11)	310,000
	10:00 am	Index of Leading Indicators	Feb. +0.1%
	noon	Philadelphia Fed Report on Mar. manufacturing conditions	18.1
Mar. 18	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Feb.
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Mar. 95.2

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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 -- MARCH 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS	
Feb. 28	8:30 am	Personal Income and Outlays	Jan.	Commerce Dept.	-2.3%/ unch.	+3.7%/ +0.8%	
	10:00 am	Chicago Purchasing Managers Institute releases	index of Feb. Mfg. Conditions		62.7	62.4	
	10:00 am	New Home Sales	Jan.	Commerce Dept.	-9.2% @ 1.06 mil.	+0.1% @ 1.1 mil.	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					
Mar. 1	8:00 am	ICSC-UBS report on chain store sales	Wk. end Feb. 25		NA	NA	
	8:00 am	Redbook report on retail sales	Wk. end Feb. 25		NA	NA	
	8:30 am	New Construction	Jan.		+0.7%	+1.1%	
	10:00 am	Institute of Supply Management releases index of Feb. Mfg. Conditions			55.3	56.4	
Mar. 2		<b>There are no economic reports scheduled for release.</b>					
Mar. 3	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 25	Dept. of Labor	310,000	311,000 (rev.)	
	8:30 am	Productivity & Costs (rev.)	4th Qtr.		+2.1%/ 1.3%	+0.8%/ +2.3%	
	10:00 am	Institute of Supply Management releases index of Feb. Non-Mfg. Conditions			59.8	59.2	
Mar. 4	8:30 am	The Employment Report	Feb.	Dept. of Labor	+264,000 @ 5.4%	+146,000 @ 5.2%	
	8:30 am	Hourly wage earnings	Feb.	Dept. of Labor	unch.	+0.1% @ \$15.83	
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Feb.	Univ. of Michigan	94.1	95.5	
	10:00 am	Factory Orders	Jan.	Commerce Dept.	+0.2%	+0.3%	
Mar. 7	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					
	3:00 pm	Consumer Credit	Jan.	Federal Reserve	\$11.5 bil.	\$3.1 bil.	
Mar. 8	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 4		NA	NA	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 4		NA	NA	
Mar. 9	2:00 pm	FOMC releases beige book					
Mar. 10	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 4	Dept. of Labor	327,000	310,000	
	10:00 am	Wholesale trade/Inventories and Sales	Jan.	Commerce Dept.	+1.1% (inv.)	+0.4%/ +0.9%	
	2:00 pm	Treasury Statement (monthly budget)	Feb.	Treasury Dept.	-\$113.9 bil.	-\$96.76 bil.	
Mar. 11	8:30 am	U.S. Internat. Trade in Goods & Services (deficit)	Jan.	Commerce Dept.	\$59.4 bil.	\$56.4 bil.	
Mar. 14	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Mar. 15	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 11		_____	NA	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 11		_____	NA	
	8:30 am	Advance Retail Sales/ ex-auto	Feb.	Commerce Dept.	_____	-0.3%/ +0.6%	
	8:30 am	Business Inventories/ Sales	Jan.	Commerce Dept.	_____	+0.2%/	
	8:30 am	NY Empire State Index of Mar. Manufacturing Conditions			19.2		
Mar. 16	8:30 am	Housing Starts	Feb.	Commerce Dept.	_____	+4.85% @ 2.16 mil.	
	8:30 am	Building Permits	Feb.	Commerce Dept.	_____	+2.43% @ 2.11 mil.	
	9:15 am	Industrial Production & Capacity Utilization	Feb.	Federal Reserve	_____	0%/ 79.0%	
Mar. 17	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 11	Dept. of Labor	_____	327,000	
	10:00 am	Index of Leading Indicators	Feb.	Conference Board	_____	-0.3%	
	noon	Philadelphia Fed Report on Mar. manufacturing conditions		Federal Reserve	_____	23.9	
Mar. 18	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Feb.	Commerce Dept.	_____	+0.9%/ +0.7%	
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Mar.	Univ. of Michigan	_____	94.1	
Mar. 21	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Mar. 22	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 18		_____	_____	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 18		_____	_____	
	8:30 am	Producer Price Index/core rate	Feb.	Dept. of Labor	_____	+0.3%/ +0.8%	
	2:15 pm	FOMC releases its decision regarding interest rates					+25 basis points
Mar. 23	8:30 am	Consumer Price Index/core rate	Feb.	Dept. of Labor	_____	+0.1%/ +0.2%	
	10:00 am	Existing Home Sales	Feb.	Natl. Assn. of Realtors®	_____	-0.1% @ 6.8 mil	
Mar. 24	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 18	Dept. of Labor	_____	_____	
	8:30 am	Durable Goods Orders (adv.)	Feb.	Commerce Dept.	_____	-0.9%	
	10:00 am	New Home Sales	Feb.	Commerce Dept.	_____	-9.2% @ 1.06 mil.	
Mar. 25		<b>The financial markets will be closed to observe Good Friday.</b>					
Mar. 28	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					+0.1% @ 1.1 mil.
Mar. 29	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 25		_____	_____	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 25		_____	_____	
	10:00 am	Consumer Confidence Report	Mar.	Conference Board	_____	104.4	
Mar. 30	8:30 am	Gross Domestic Product (final)	4th Qtr.	Commerce Dept.	_____	+3.8%	
	8:30 am	GDP Chain Deflator (final)	4th Qtr.	Commerce Dept.	_____	+2.1%	
	8:30 am	Corporate Profits	4th Qtr.	Commerce Dept.	_____	_____	
Mar. 31	8:30 am	Personal Income and Outlays	Feb.	Commerce Dept.	_____	+3.7%/ +0.8%	
	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 25	Dept. of Labor	_____	_____	
	10:00 am	Factory Orders	Feb.	Commerce Dept.	_____	+0.2%	
	10:00 am	Chicago Purchasing Managers Institute releases	index of Mar. Mfg. Conditions		_____	62.4	
Apr. 1	8:30 am	The Employment Report	Mar.	Dept. of Labor	_____	+262,000 @ 5.4%	
	8:30 am	Hourly wage earnings	Mar.	Dept. of Labor	_____	+0.1% @ \$15.83	
	8:30 am	New Construction	Feb.		_____	+0.7%	
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Mar.	Univ. of Michigan	_____	94.1	
	10:00 am	Institute of Supply Management releases index of Mar. Mfg. Conditions			_____	55.3	

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



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## INDUSTRY NEWS

### March 2005 Economic Outlook

From the Office of the Chief Economist at Freddie Mac

The word conundrum is a noun, synonymous with mystery or puzzle. The use of the word by Fed Chairman Greenspan in his semi-annual report to Congress has financial market participants trying to discern what he might have been signaling. Was he “jawboning” long rates higher? Or, was he just using the word as part of his “big-think” about financial markets, as he is wont to do on occasion?

Chairman Greenspan’s conundrum was the following: With the federal funds rate up 150 basis points, why had long-term rates fallen about 50 basis points during the same period? Let’s start with the simple answer. First, inflationary expectations declined with the Fed’s stated intention to shift monetary policy to a “neutral” stance, thus putting downward pressure on rates. Second, foreign investors (including central banks) have chosen to buy more US fixed-income assets, bidding up their prices and nudging long-term rates down. There is a more complex answer, and that’s the real reason financial market participants are wondering. That answer deals with the risks to the economy.

The slope of the yield curve has always been seen as a crude indicator of economic health. An upward sloping yield curve signals a robust economy, and one that is getting flat might be signaling that the economy could tip into a recession. Recognizing this interpretation, Chairman Greenspan explicitly stated that the facts did not square with such a pessimistic view. The two reasons he noted were that the stock market was performing well and that spreads on corporate borrowing were low.

Yet, three delicately balanced risks are currently configured to create a benign outcome. Will these risks remain balanced? That is the question that is preoccupying market-watchers. The first risk is inflation. Producer prices jumped 4.2 percent at an annual rate in January. While this is likely a temporary aberration, it raised the specter of higher inflationary trends in the future; after all, crude oil prices (such as West Texas Intermediate) are above \$50 a barrel once again and the probability of disruptions to external suppliers remains elevated.

If firms think they can pass on these increases in raw material costs to consumers, they will. So far, the ability to pass on these increases has been kept in check by imports and consumer resistance. However, foreign suppliers have had to bear the brunt of a declining dollar, and their ability to absorb declining margins might be at an end. The implication would be a rise in long-term rates.

The second risk relates to the current account deficit. It was 6 percent of GDP in the last quarter of 2004. Foreign purchases of US Treasury securities and other financial assets (such as Freddie Mac debt and Participation Certificates) are financing this deficit. The concern is that this source of financing might decline, and should this happen, bond prices would fall and rates would rise.

The third risk relates to the budget deficit. Most estimates show sizable deficits through the end of the decade but anticipate a gradual decline. If Congress fails to shrink the deficit appreciably (and credibly), long-term rates may be pushed up further and faster than the market is expecting.

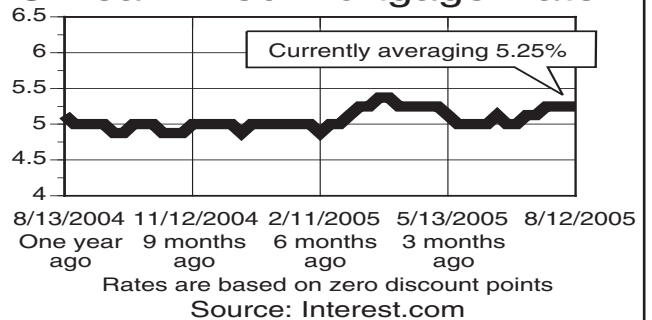
These three risks could increase interest rates and cause an economic slowdown. The current market conundrum is about figuring out what might upset the equilibrium that has these three risks contained.

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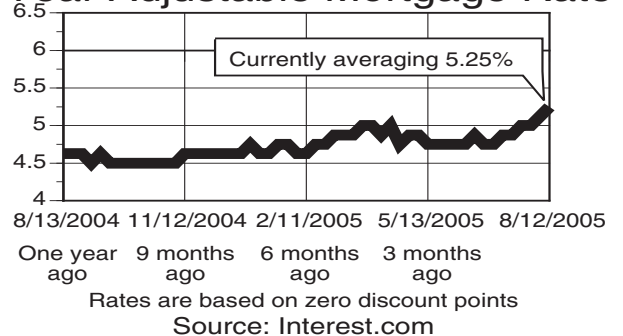
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## MORTGAGE MARKET MONITOR

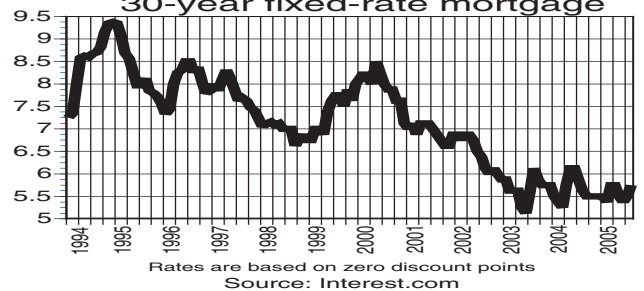
### 15-Year Fixed Mortgage Rate



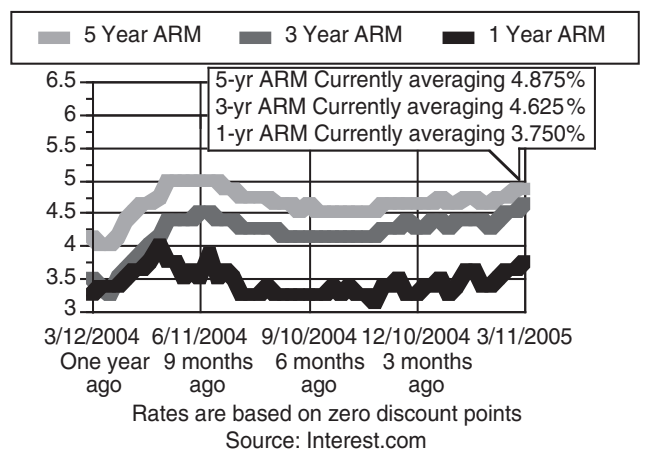
### 5-Year Adjustable Mortgage Rate



### 30-year fixed-rate mortgage



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE

