

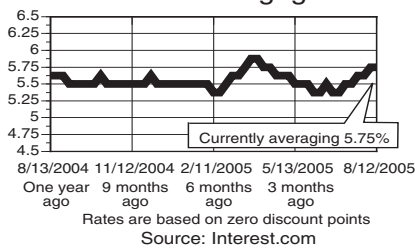


# WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 6-26-05

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

## 30-Year Fixed Mortgage Rate



## KEY INTEREST RATES

| U.S. Treasury Yields | 6/17/05 | 6/24/05 |
|----------------------|---------|---------|
| 2 year T-note        | 3.69%   | 3.59%   |
| 5 year T-note        | 3.85%   | 3.70%   |
| 10 year T-note       | 4.07%   | 3.93%   |
| 30 year T-Bond       | 4.36%   | 4.23%   |

|                               |       |
|-------------------------------|-------|
| Discount Rate (wk. end 6/17)  | 4.00% |
| Fed Funds Rate (wk. end 6/17) | 3.02% |
| Prime rate (wk. end 6/17)     | 6.00% |

### ARM INDEXES

|                                      |       |
|--------------------------------------|-------|
| Natl. Avg. Contract Mtg. Rate (Apr.) | 5.86% |
| 12 mo. mvg. avg. (1-yr. TCM) (May)   | 2.64% |
| 3 mo. LIBOR (FNMA for May)           | 3.33% |
| 6 mo. LIBOR (FNMA for May)           | 3.53% |
| National COFI (Apr.)                 | 2.39% |
| 11th District COFI (Apr.)            | 2.32% |
| 6 month CD (wk. end 6/17)            | 3.58% |
| 1 Year TCM (wk. end 6/17)            | 3.39% |
| 2 Year TCM (wk. end 6/17)            | 3.71% |
| 3 Year TCM (wk. end 6/17)            | 3.77% |
| 5 Year TCM (wk. end 6/17)            | 3.88% |
| 7 Year TCM (wk. end 6/17)            | 3.97% |
| 10 Year TCM (wk. end 6/17)           | 4.10% |
| 20 Year TCM (wk. end 6/17)           | 4.46% |

### Required Yields for Delivery

| Freddie Mac (6/24/05) |        |        |        |        |
|-----------------------|--------|--------|--------|--------|
|                       | 10 day | 30 day | 60 day | 90 day |
| 30 year               | 5.16%  | 5.24%  | 5.32%  | 5.40%  |
| 15 year               | 4.79%  | 4.82%  | 4.86%  | 4.91%  |

Fannie Mae no longer offers information on required net yields.

## HOUSING SNAPSHOT

|                       | Month | Total        | Change |
|-----------------------|-------|--------------|--------|
| Construction Spending | Apr.  | \$1.07 tril. | +0.5%  |
| Housing Starts        | May   | 2.01 mil.    | +0.2%  |
| Building Permits      | May   | 2.05 mil.    | -4.7%  |
| Existing Home Sales   | May   | 7.15 mil.    | -0.7%  |
| New Home Sales        | May   | 1.30 mil.    | +2.1%  |

### MORTGAGE APPLICATION INDEXES (MBA)

| Wk. ended June 17, 2005          |      |        |
|----------------------------------|------|--------|
| Number of purchase applications  | Down | -9.4%  |
| Number of refinance applications | Down | -13.2% |



## Treasury Rally Sends Mortgage Rates Down Week in review 6/20/05 - 6/24/05

With little on the docket in the way of economic news traders of U.S. Treasury securities had to look elsewhere for direction. And they found some. Encouraging words from a preeminent bond fund manager sent Treasuries on a two-day rally that resulted in yields, which move in the opposite direction of prices, plunging. In fact, the yield on the benchmark 10-year note, which lenders use as a guide to set mortgage rates, dipped below the 4.0-percent mark for the first time in 10 days. The drop in yields allowed mortgage lenders to edge rates back down on most mortgage products.

The PIMCO bond fund manager sparked the bond rally by stating that he felt the Fed would halt its rate-hike campaign after the August meeting, when the target fed funds rate would hit 3.5 percent. And if this weren't enough, he added that the Fed could begin cutting rates by the end of the year.

A stronger-than-forecast dip in first-time unemployment claims for the week ended June 17 ignited moderate selling in Treasuries. Claims fell by 20,000 to 314,000 – the lowest total in two months - and raised the chances for a strong June employment report on July 8 that

could keep the Fed moving along with its rate-hike agenda.

A stronger-than-expected report on Durable Goods Orders turned out to be a plus for bonds as most of the 5.5 percent increase in May was due to orders for civilian aircraft. Excluding transportation, durables fell 0.2 percent – the third decline in the last four months.

Existing home sales in May were just shy of expectations. May sales edged down by 0.7 percent to an annualized 7.13 million units from April's record of 7.18 million. But New Home Sales in May rose 2.1 percent to an annual rate of 1.298 million units. The previous three months, however, were downwardly revised.

The rise in mortgage rates for the week ended June 17 took its toll on home loan applications, according to the Mortgage Bankers Association. Applications to purchase fell 9.4 percent, while refis were off 13.2 percent. The rate on the 30-year-fixed mortgage (based on zero discount points) is back down to 5.375 percent, while the 15-year fixed-rate is well below 5.0 percent. The introductory rate on the volatile one-year adjustable-rate mortgage is under 3.375 percent.

## Mortgage Rates Likely to Stay Low Week in preview 6/27/05 - 7/1/05

June ends with a wealth of economic reports, but they will be trumped by the Fed's June 30 decision on interest rates. Although a 25-basis-point increase is expected, traders will focus on the accompanying statement to determine if further credit tightening is in the offing.

Key reports on manufacturing, consumer confidence, personal spending and the final revision of first-quarter GDP are all scheduled. The June employment report, normally released on the first Friday of the month, was pushed back to July 8 after the Independence holiday weekend. If the majority of reports come in on forecast, mortgage rates could remain near present low levels.

As usual, the last week of the month is loaded with economic releases, and June is no exception. The week begins with the

Monday auction of 3- and 6-month T-bills.

The closely watched Consumer Confidence Report from the Conference Board will be out on Tuesday along with two surveys of national retail sales. The final read on first-quarter Gross Domestic Product is due on Wednesday and will be watched for revisions.

The Fed will offer its decision on short-term interest rates on Thursday, along with an accompanying statement that often has a major impact on the markets. Also due are weekly unemployment claims, Personal Income/Outlays and the Chicago PMI index on business conditions.

The ISM report on manufacturing conditions for June, New Construction for May and the University of Michigan final consumer sentiment survey for June also are due on Friday.

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

| Date    | Time     | Event   | Forecast         |
|---------|----------|---|------------------|
| June 27 | 1:00 pm  | Treasury conducts weekly auction of 3 & 6 month T-bills |                  |
| June 28 | 8:00 am  | ICSC-UBS report on chain store sales (Wk. end 6/24)     |                  |
|         | 8:00 am  | Redbook report on retail sales (Wk. end 6/24)           |                  |
|         | 10:00 am | Consumer Confidence Report (June)                       | 104.2            |
| June 29 | 8:30 am  | Gross Domestic Product (1st Qtr. final)                 | +3.6%            |
|         | 8:30 am  | GDP Chain Deflator (1st Qtr. final)                     | +3.2%            |
|         | 9:00 am  | FOMC convenes two-day meeting                           |                  |
| June 30 | 8:30 am  | Weekly Unemployment Claims (Wk. end 6/24)               | 330,000          |
|         | 8:30 am  | Personal Income and Outlays (May)                       | +0.4%/-0.1%      |
|         | 10:00 am | Chicago PMI releases index of June Mfg. Conditions      | 54.9             |
|         | 2:15 pm  | FOMC announces its decision on interest rates           | +25 basis points |
| July 1  | 9:45 am  | Univ. of Mich. Sentiment Survey (June final)            | 94.8             |
|         | 10:00 am | New Construction (May)                                  | +0.5%            |
|         | 10:00 am | ISM releases index of June Mfg. Conditions              | 51.5             |

Interest.com--all times Eastern Daylight Time



# WEEKLY MORTGAGE RATE REPORT

Formerly the Fax Weekly Report

Keeping you abreast of the ever-changing mortgage market

FOR THE WEEK OF 6-26-05 Page 2

INTEREST.COM

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

## TRACKING THE ECONOMY -- JUNE 2005

| DATE    | TIME                 | EVENT  | PERIOD          | SOURCE                   | OUTCOME           | PREVIOUS                |
|---------|----------------------|--|-----------------|--------------------------|-------------------|-------------------------|
| June 20 | 10:00 am             | Index of Leading Indicators  | May             | Conference Board         | -0.5%             | -0.2%                   |
|         | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bill   |                 |                          |                   |                         |
| June 21 | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end June 17 |                          | NA                | NA                      |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end June 17 |                          | NA                | NA                      |
| June 22 |                      | <b>No economic indicators are scheduled for release</b>  |                 |                          |                   |                         |
| June 23 | 8:30 am              | Weekly Unemployment Claims   | Wk. end June 17 | Dept. of Labor           | 314,000           | 334,000 (rev.)          |
|         | 10:00 am             | Existing Home Sales  | May             | Natl. Assn. of Realtors® | -0.7% @ 7.13 mil. | +4.5% @ 7.18 mil.       |
| June 24 | 8:30 am              | Durable Goods Orders (adv.)/ex. trans.   | May             | Commerce Dept.           | +5.5%/ -0.2%      | +1.4%/                  |
|         | 10:00 am             | New Home Sales   | May             | Commerce Dept.           | +2.1% @ 1.3 mil.  | +0.2%/ 1.27 mil. (rev.) |
| June 27 | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bills  |                 |                          |                   |                         |
| June 28 | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end June 24 |                          |                   | NA                      |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end June 24 |                          |                   | NA                      |
|         | 10:00 am             | Consumer Confidence Report   | June            | Conference Board         |                   | 97.7                    |
| June 29 | 8:30 am              | Gross Domestic Product (final)   | 1st Qtr.        | Commerce Dept.           |                   | +3.1%                   |
|         | 8:30 am              | GDP Chain Deflator (final)   | 1st Qtr.        | Commerce Dept.           |                   | +3.2%                   |
|         | 9:00 am              | FOMC convenes two-day meeting  |                 |                          |                   |                         |
| June 30 | 8:30 am              | Weekly Unemployment Claims   | Wk. end June 24 | Dept. of Labor           |                   | 314,000                 |
|         | 8:30 am              | Personal Income and Outlays  | May             | Commerce Dept.           |                   | +0.5%/+0.6%             |
|         | 10:00 am             | Chicago Purchasing Managers Institute releases index of June Mfg. Conditions                   |                 |                          |                   | 65.6                    |
|         | 2:15 pm              | FOMC announces its decision on interest rates  |                 |                          |                   | +25 basis points        |
| July 1  | 9:45 am              | Univ. of Mich. Sentiment Survey (final)  | June            | Univ. of Michigan        |                   | 85.3                    |
|         | 10:00 am             | New Construction   | May             |                          |                   | +0.5%                   |
|         | 10:00 am             | Institute of Supply Management releases index of June Mfg. Conditions                          |                 |                          |                   | 53.3                    |
| July 4  |                      | <b>The federal government and financial markets will be closed to observe Independence Day</b> |                 |                          |                   |                         |
| July 5  | 10:00 am             | Factory Orders   | May             | Commerce Dept.           |                   | +0.9%                   |
|         | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bills  |                 |                          |                   |                         |
| July 6  | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end July 1  |                          |                   |                         |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end July 1  |                          |                   |                         |
|         | 10:00 am             | Institute of Supply Management releases index of June Non-Mfg. Conditions                      |                 |                          |                   | 58.5                    |
| July 7  | 8:30 am              | Weekly Unemployment Claims   | Wk. end July 1  | Dept. of Labor           |                   |                         |
|         | 8:30 am              | Productivity & Costs (rev.)  | 1st Qtr.        | Dept. of Labor           |                   | +2.9%/ +3.3%            |
| July 8  | 8:30 am              | The Employment Report  | June            | Dept. of Labor           |                   | +78,000 @ 5.1%          |
| 8:30 am | Hourly wage earnings |  | June            | Dept. of Labor           |                   | +0.2% @ \$16.03         |
|         | 10:00 am             | Wholesale trade/Inventories and Sales  | May             | Commerce Dept.           |                   | +0.8%                   |
|         | 3:00 pm              | Consumer Credit  | May             | Federal Reserve          |                   | \$1.3 bil.              |
| July 11 | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bills  |                 |                          |                   |                         |
| July 12 | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end July 8  | Commerce Dept.           |                   |                         |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end July 8  |                          |                   |                         |
| July 13 | 8:30 am              | U.S. Internatl. Trade in Goods & Services (deficit)  | May             | Commerce Dept.           |                   | \$57.0 bil.             |
|         | 8:30 am              | U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes  | June            | Commerce Dept.           |                   | -0.3%/ -0.4%            |
|         | 2:00 pm              | Treasury Statement (monthly budget)  | June            | Treasury Dept.           |                   | -\$35.3 bil.            |
| July 14 | 8:30 am              | Weekly Unemployment Claims   | Wk. end July 8  | Dept. of Labor           |                   |                         |
|         | 8:30 am              | Advance Retail Sales/ ex-auto  | June            | Commerce Dept.           |                   | -0.5%/ -0.2%            |
|         | 8:30 am              | Consumer Price Index/core rate   | June            | Dept. of Labor           |                   | -0.1%/ +0.1%            |
| July 15 | 8:30 am              | Producer Price Index/core rate   | June            | Dept. of Labor           |                   | -0.6%/ +0.1%            |
|         | 8:30 am              | Business Inventories/ Sales  | May             | Commerce Dept.           |                   | +0.3% (inv.)            |
|         | 9:15 am              | Industrial Production & Capacity Utilization   | June            | Federal Reserve          |                   | +0.4% / 79.4            |
|         | 9:45 am              | Univ. of Mich. Sentiment Survey (prelim.)  | July            | Univ. of Michigan        |                   |                         |
| July 18 | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bill   |                 |                          |                   |                         |
| July 19 | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end July 15 |                          |                   |                         |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end July 15 |                          |                   |                         |
|         | 8:30 am              | Housing Starts   | June            | Commerce Dept.           |                   | +0.2% @ 2.01 mil.       |
|         | 8:30 am              | Building Permits   | June            | Commerce Dept.           |                   | -4.7 @ 2.05 mil.        |
| July 20 | 8:30 am              | NY Empire State Index of July Manufacturing Conditions   |                 |                          |                   | 11.6                    |
| July 21 | 8:30 am              | Weekly Unemployment Claims   | Wk. end July 15 | Dept. of Labor           |                   |                         |
|         | 10:00 am             | Index of Leading Indicators  | June            | Conference Board         |                   | -0.2%                   |
|         | noon                 | Philadelphia Fed Report on July manufacturing conditions                                       |                 | Federal Reserve          |                   | -2.2                    |
| July 22 |                      | <b>No economic indicators are scheduled for release</b>  |                 |                          |                   |                         |
| July 25 | 8:30 am              | Gross Domestic Product (adv.)  | 2nd Qtr.        | Commerce Dept.           |                   | +3.1%                   |
|         | 8:30 am              | GDP Chain Deflator (final)   | 2nd Qtr.        | Commerce Dept.           |                   | +3.2%                   |
|         | 10:00 am             | Existing Home Sales  | June            | Natl. Assn. of Realtors® |                   | +4.5% @ 7.18 mil.       |
|         | 1:00 pm              | Treasury conducts weekly auction of 3 & 6 month T-bill   |                 |                          |                   |                         |
| July 26 | 8:00 am              | ICSC-UBS report on chain store sales   | Wk. end July 22 |                          |                   | NA                      |
|         | 8:00 am              | Redbook report on retail sales   | Wk. end July 22 |                          |                   | NA                      |
|         | 10:00 am             | Consumer Confidence Report   | July            | Conference Board         |                   |                         |
| July 27 | 8:30 am              | Durable Goods Orders (adv.)/ ex. trans.  | June            | Commerce Dept.           |                   | +1.9%/                  |
|         | 10:00 am             | New Home Sales   | June            | Commerce Dept.           |                   | +0.2%/ 1.31 mil.        |
|         | 2:00 pm              | Federal Reserve releases Beige Book  |                 |                          |                   |                         |
| July 28 | 8:30 am              | Weekly Unemployment Claims   | Wk. end July 22 | Dept. of Labor           |                   |                         |
| July 29 | 10:00 am             | Employment Cost Index  | 2nd Qtr.        |                          |                   |                         |
|         | 9:45 am              | Univ. of Mich. Sentiment Survey (final)  | July            | Univ. of Michigan        |                   | 85.3                    |
|         | 10:00 am             | Chicago Purchasing Managers Institute releases index of July Business Conditions               |                 |                          |                   | 65.6                    |

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



# WEEKLY MORTGAGE RATE REPORT

Formerly the Fax Weekly Report

Keeping you abreast of the ever-changing mortgage market

FOR THE WEEK OF 6-26-05

Page 3

INTEREST.COM

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

## INDUSTRY NEWS

### Studies Confirm Risk Factors Drive Mortgage Loan Pricing

DALLAS, June 23 /PRNewswire/ -- The interest rate a borrower pays on a mortgage loan is directly related to his or her credit risk profile, according to two new studies commissioned by the law firm of Sirote and Permutt P.C. of Birmingham, Alabama at the request of the National Home Equity Mortgage Association (NHEMA).

The studies, authored by Professors Richard F. DeMong and James E. Burroughs of the University of Virginia's McIntire School of Commerce, are based on a detailed analysis of approximately 1 million mortgage loans made in all 50 states and the District of Columbia during 2004 by multiple lenders that specialize in non-prime mortgage lending.

"The question of how certain risk factors and the presence of prepayment fee clauses affect mortgage pricing came up when I testified at House of Representatives Financial Services Committee hearings last year," said Professor DeMong. "I had to admit I didn't know of any hard data on these issues that could help the Committee members. That's when I started moving forward on these studies. They directly address the vital questions -- is the mortgage market efficiently pricing loans based on risk? Are prepayment fee clauses on loans an option that really benefits consumers? Those questions go to the heart of informed consumer choice and effective policy-making."

To answer these questions, professors DeMong and Burroughs looked at a range of borrower characteristics on a huge number of loans, and found that the level of risk these characteristics represented, along with the presence of a prepayment fee clause, directly related to the price the borrower paid for the loan, as measured by annual percentage rate, or APR. Higher credit ratings and a borrower's willingness to accept a prepayment clause translated into lower interest rates.

Specifically, the analysis by Professors DeMong and Burroughs found that:

- \* The higher the FICO score the lower the interest rate on the loan. FICO scores, which measure risk based on a consumer's financial history, have the largest influence on mortgage prices. On average, each 10-point increase in a borrower's FICO score reduces the APR on the loan by 10 basis points (or 0.10 percent).

- \* Borrowers with more secure income pay less. Borrowers who can fully document their incomes pay lower APRs on their mortgages than borrowers who supply only "stated income" to lenders.

- \* Buyers who live in their homes pay less than those purchasing property for rental or other investment. Prices are generally less for mortgages on homes the borrower plans to occupy than on non-owner-occupied homes -- the average APR for owner-occupied homes is 62 basis points (or 0.62 percent) less.

- \* Borrowers who use less equity, that is have lower loan-to-value generally pay less for their loans. On average, for every one-percentage-point increase in LTV, the APR increases by 0.6 basis points (or 0.006 percent).

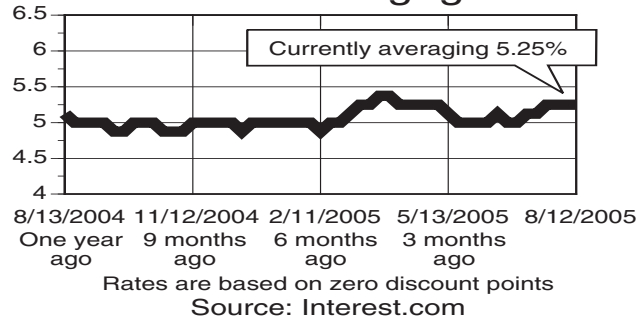
Regarding prepayment fees, the studies found that borrowers pay less for mortgage loans that include prepayment fee clauses (in which they agree to pay a small fee if they pay off or refinance their loan before a certain amount of time has passed; usually two or three years). On average, a loan with a prepayment fee has an APR 38 basis points (or 0.38 percent) lower than a loan with no prepayment fee. Furthermore, the studies found that borrowers with higher FICO scores are actually more likely to opt for a prepayment fee than borrowers with lower FICO scores.

"Professors DeMong and Burroughs have performed an invaluable service," said NHEMA President Jeffrey Zeltzer. "Their studies bring a new level of transparency to mortgage pricing, giving consumers vital information about what factors affect mortgage prices and how. NHEMA has long worked to give consumers the tools and information they need to make smart mortgage borrowing choices. These studies represent a major step forward in consumer education and awareness."

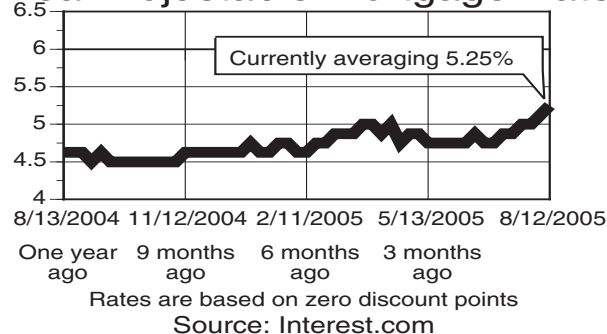
The full studies produced by professors DeMong and Burroughs -- Mortgage Pricing Is Based on Risk and Prepayment Fees Lead to Lower Interest Rates -- can be viewed on NHEMA's Web site at <http://www.nhema.org>.

## MORTGAGE MARKET MONITOR

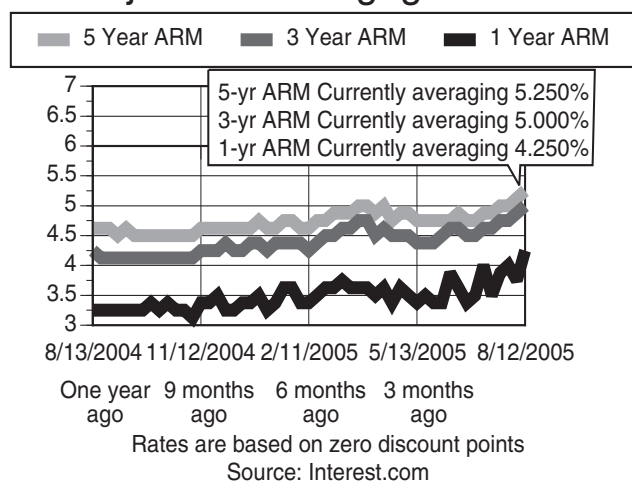
### 15-Year Fixed Mortgage Rate



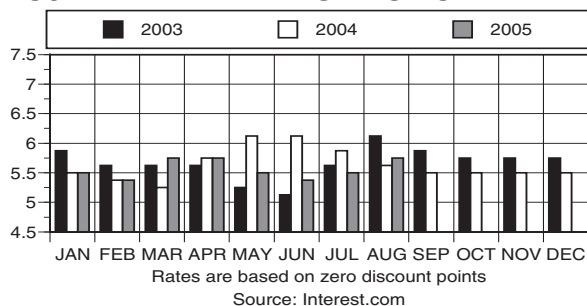
### 5-Year Adjustable Mortgage Rate



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE



### 30-year fixed-rate mortgage

