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WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 8-7-05

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



Mortgage Rates Climb Week in review 8/1/05 - 8/5/05

A steady flow of bullish economic reports had their way with U.S. Treasury securities. Strength in manufacturing, employment, and the Gross Domestic Product signaled continued rate hikes from the Fed and spurred strong selling. Bond prices plunged and yields, which move in the opposite direction of prices, soared, with the yield on the benchmark 10-year note hitting its highest level since April. Selling was temporarily stalled by news of the return of the 30-year bond, which was discontinued in 2001. But a strong employment report for July sparked another round of selling as concerns about inflation and the rate hikes necessary to control it sent yields back to four-month highs. High yields have forced lenders to increase rates on many mortgage products – especially those with adjustable rates.

July climbed to 56.6 – its highest level of the year. The less influential ISM index on the service sector edged down to 60.5 from 62.2, but included a spike in prices paid – an early sign of inflation. In a separate report, personal income in June rose by a stronger-than-expected 0.5 percent, while personal spending climbed 0.8 percent, due in part to the purchase of employee-discounted autos.

June factory orders rose by an expected 1.0 percent, but the May increase was upwardly revised to 3.6 percent. First-time unemployment claims for the week ended July 29 fell by 1,000 to 312,000, while the four-week average, which smoothes volatility, edged down to 316,750.

An increase in mortgage rates during the week ended July 29 provided mixed results. Applications to purchase rose 1.9 percent, but refis edged down 3.0 percent, according to the Mortgage Bankers Association. The rate on the 30-year-fixed mortgage (based on zero discount points) is somewhat below 5.75 percent, while the 15-year fixed-rate is right at 5.25 percent. The introductory rate on the volatile one-year ARM is at 3.75 percent.

The employment report showed 207,000 jobs added to non-farm payrolls, exceeding the forecast for 183,000. In addition, June numbers were revised upward by 20,000 and hourly labor costs rose \$0.06 an hour – the biggest increase in a year. The ISM index on manufacturing conditions for

Mortgage Rates Could Continue to Rise Week in preview 8/8/05 - 8/12/05

Economic reports are slim until the end of the week when July Retail Sales, the June trade deficit, and a sentiment survey are due. The early week news revolves around Tuesday's Fed decision on interest rates, which are expected to rise another 25 basis points. But investors will focus on the statement, looking for clues of further intentions. Treasuries should continue to feel pressure from the July Employment Report and if economic news is strong, mortgage rates will likely continue to edge up.

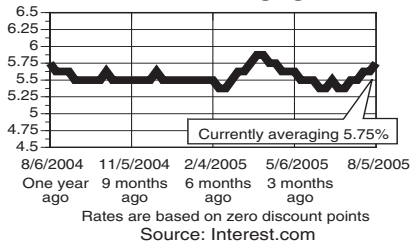
Tuesday is a report on second quarter Productivity and Costs, which could show inflationary pressures with regard to employment costs. Also slated is Wholesale Trade Inventories/Sales for June -- a report which is usually ignored by the financial markets.

The action begins on Tuesday, as the Fed announces its decision on rate hikes. It is expected that the Fed will increase the target fed funds rate by 25 basis points to 3.5 percent. The mystery revolves around what the accompanying statement will say about the economy and future rate increases. Also on tap for

Thursday features Retail Sales for July -- usually a market-mover as it indicates the consumer's willingness to spend. First-time unemployment claims for the week ended August 5 are also due along with Business Inventories/Sales for June.

The U.S. trade deficit for June will be closely watched when it is released on Friday as it can impact the Treasury and currency markets. The U.S. Import/Export price indexes for July are also due, as is the University of Michigan's preliminary survey on Consumer Sentiment for August.

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	7/29/05	8/5/05
2 year T-note	3.99%	4.09%
5 year T-note	4.09%	4.22%
10 year T-note	4.24%	4.38%
30 year T-Bond	4.45%	4.57%

Discount Rate (wk. end 7/29)	4.25%
Fed Funds Rate (wk. end 7/29)	3.26%
Prime rate (wk. end 7/29)	6.25%

ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Jul.)	5.65%
12 mo. mvg. avg. (1-yr. TCM) (Jun.)	2.74%
3 mo. LIBOR (FNMA for Jun.)	3.69%
6 mo. LIBOR (FNMA for Jun.)	3.92%
National COFI (May)	2.43%
11th District COFI (Jun.)	2.68%
6 month CD (wk. end 7/29)	3.87%
1 Year TCM (wk. end 7/29)	3.77%
2 Year TCM (wk. end 7/29)	3.97%
3 Year TCM (wk. end 7/29)	4.02%
5 Year TCM (wk. end 7/29)	4.07%
7 Year TCM (wk. end 7/29)	4.15%
10 Year TCM (wk. end 7/29)	4.25%
20 Year TCM (wk. end 7/29)	4.53%

Required Yields for Delivery

	Freddie Mac (8/05/05)			
	10 day	30 day	60 day	90 day
30 year	5.69%	5.72%	5.48%	5.53%
15 year	5.21%	5.23%	5.26%	5.31%

Fannie Mae no longer offers information on required net yields.

HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	June	\$1.093 tril.	+0.3%
Housing Starts	June	2.04 mil.	unch.
Building Permits	June	2.11 mil.	+2.4%
Existing Home Sales	June	7.33 mil.	+2.7%
New Home Sales	June	1.37 mil.	+4.0%

MORTGAGE APPLICATION INDEXES (MBA)

Wk. ended July 29, 2005

Number of purchase applications	Up	+1.9%
Number of refinance applications	Down	-3.0%

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Aug. 8	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills	
Aug. 9	8:00 am	ICSC/UBS report on chain store sales (Wk. end 8/5)	
	8:00 am	Redbook report on retail sales (Wk. end 8/5)	
	8:30 am	Productivity & Costs (2nd Qtr.)	+2.0%(prod.)
	10:00 am	Wholesale trade/Inventories and Sales (June)	+0.3% (inv.)
	2:15 pm	The FOMC announces its decision on rate increases	+25 basis points
Aug. 10	2:00 pm	Treasury Statement (July monthly budget)	-\$57.9
Aug. 11	8:30 am	Weekly Unemployment Claims (Wk. end 8/5)	320,000
	8:30 am	Advance Retail Sales/ ex-auto (July)	+1.7%/ +0.8%
	8:30 am	Business Inventories/ Sales (June)	+0.2%
Aug. 12	8:30 am	U.S. Internatl. Trade in Goods & Services (June deficit)	-\$57.2 bil.
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes (July)	
	9:45 am	Univ. of Mich. Sentiment Survey (Aug. prelim.)	96.4

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Keeping you abreast of the ever-changing mortgage market

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TRACKING THE ECONOMY -- AUGUST 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS
July 25	10:00 am	Existing Home Sales	June	Natl. Assn. of Realtors®	+2.7% @ 7.33 mil.	+4.5% @ 7.13 mil. (rev.)
	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 23		+0.4%	+0.3%
	8:00 am	Redbook report on retail sales	Wk. end July 22		NA	NA
	10:00 am	Consumer Confidence Report	July	Conference Board	103.2	105.8
July 27	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	June	Commerce Dept.	+1.4%	+6.4%/ -0.2% (rev.)
	10:00 am	New Home Sales	June	Commerce Dept.	+4.0% @ 1.37 mil.	+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	310,000	305,000 (rev.)
July 29	8:30 am	Gross Domestic Product (adv.)	2nd Qtr.	Commerce Dept.	+3.4%	+3.8%
	8:30 am	GDP Chain Deflator (adv.)	2nd Qtr.	Commerce Dept.	+2.4%	+3.0%
	8:30am	Employment Cost Index	2nd Qtr.		+0.7%	+0.7%
	9:45 am	Univ. of Mich. Sentiment Survey (final)	July	Univ. of Michigan	96.5	96.5
	10:00 am	Chicago Purchasing Managers Institute releases	index of July Business Conditions		63.5	53.6
Aug.1	10:00 am	New Construction	June	Commerce Dept.	+0.3%	-1.7% (rev.)
	10:00 am	Institute of Supply Management releases index of July Mfg. Conditions	July		56.6	53.8
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Aug. 2	8:00 am	ICSC/UBS report on chain store sales	Wk. end July 29		NA	+0.4%
	8:00 am	Redbook report on retail sales	Wk. end July 29 v. one year ago		+0.4%	NA
	8:30 am	Personal Incomes and Outlays	June		+0.5%/ +0.8%	0.0%/ +0.2%
	10:00 am	Factory Orders	June	Commerce Dept.	+1.0%	+3.6% (rev.)
Aug. 3	10:00 am	Institute of Supply Management releases index of July Non-Mfg. Conditions	July		60.5	62.2
Aug. 4	8:30 am	Weekly Unemployment Claims	Wk. end July 29	Dept. of Labor	312,000	313,000 (rev.)
Aug. 5	8:30 am	The Employment Report	July	Dept. of Labor	+207,000 @ 5.0%	166,000 @ 5.0% (rev.)
	8:30 am	Hourly wage earnings	July	Dept. of Labor	+0.4% @ \$16.13	+0.2% @ \$16.06
	3:00 pm	Consumer Credit	June	Federal Reserve		-\$3.0 bil.
Aug. 8	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Aug. 9	8:00 am	ICSC/UBS report on chain store sales	Wk. end Aug. 5			
	8:00 am	Redbook report on retail sales	Wk. end Aug. 5			
	8:30 am	Productivity & Costs	2nd Qtr.	Commerce Dept.		+0.4%
	10:00 am	Wholesale trade/Inventories and Sales	June	Commerce Dept.		+0.1%
	2:15 pm	The Federal Open Markets Committee announces its decision on rate increases				+25 basis points
Aug. 10	2:00 pm	Treasury Statement (monthly budget)	July	Treasury Dept.		\$22.46 bil.
Aug. 11	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 5	Dept. of Labor		
	8:30 am	Advance Retail Sales/ ex-auto	July	Commerce Dept.		+1.7%/ +0.7%
	8:30 am	Business Inventories/ Sales	June	Commerce Dept.		+0.1%/ -0.1%
Aug. 12	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	June	Commerce Dept.		-\$55.3 bil.
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	July	Commerce Dept.		-0.4%/ -0.1%
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Aug.	Univ. of Michigan		96.5
Aug. 15	8:30 am	NY Empire State Index of August Manufacturing Conditions				23.9
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Aug. 16	8:00 am	ICSC-UBS report on chain store sales	Wk. end Aug. 12			
	8:00 am	Redbook report on retail sales	Wk. end Aug. 12			
	8:30 am	Consumer Price Index/core rate	July	Dept. of Labor		unch./ +0.1%
	8:30 am	Housing Starts	July	Commerce Dept.		unch @ 2.004 mil.
	8:30 am	Building Permits	July	Commerce Dept.		+2.4% 2.11
	9:15 am	Industrial Production & Capacity Utilization	July	Federal Reserve		+0.9%/ 80.0%
Aug. 17	8:30 am	Producer Price Index/core rate	July	Dept. of Labor		unch./ -0.1%
Aug. 18	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 12	Dept. of Labor		
	10:00 am	Index of Leading Indicators	July	Conference Board		+0.9%
	noon	Philadelphia Fed Report on August manufacturing conditions		Federal Reserve		9.6
Aug. 19		No economic indicators are scheduled for release				
Aug. 22	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Aug. 23	8:00 am	ICSC-UBS report on chain store sales	Wk. end Aug. 19			
	8:00 am	Redbook report on retail sales	Wk. end Aug. 19			
	10:00 am	Existing Home Sales	July	Natl. Assn. of Realtors®		+4.5% @ 7.18 mil.
Aug. 24	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	July	Commerce Dept.		+1.9%/
	10:00 am	New Home Sales	July	Commerce Dept.		+0.2% @ 1.31 mil.
Aug. 25	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 19	Dept. of Labor		
Aug. 26	9:45 am	Univ. of Mich. Sentiment Survey (final)	August	Univ. of Michigan		85.3
Aug. 29	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Aug. 30	8:00 am	ICSC/UBS report on chain store sales	Wk. end Aug. 26			
	8:00 am	Redbook report on retail sales	Wk. end Aug. 26			
	10:00 am	Factory Orders	June	Commerce Dept.		+2.9%
	10:00 am	Consumer Confidence Report	August	Conference Board		105.8
Aug. 31	8:30 am	Gross Domestic Product (prelim.)	2nd Qtr.	Commerce Dept.		+3.1%
	8:30 am	GDP Chain Deflator (prelim.)	2nd Qtr.	Commerce Dept.		+3.2%
	8:30 am	Corporate Profits				
	10:00 am	Chicago Purchasing Managers Institute releases	index of August Business Conditions			63.5
Sept.1	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 26	Dept. of Labor		
	8:30 am	Personal Incomes and Outlays	July			
	10:00 am	New Construction	July	Commerce Dept.		-0.9%
	10:00 am	ISM releases index of August Mfg. Conditions				53.8
Sept. 2	8:30 am	The Employment Report	August	Dept. of Labor		
	8:30 am	Hourly wage earnings	August	Dept. of Labor		

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



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INDUSTRY NEWS

CASH-OUT REFINANCE ACTIVITY RISES IN SECOND QUARTER 2005

McLean, VA – In the second quarter of 2005, 74 percent of Freddie Mac-owned loans that were refinanced resulted in new mortgages with loan amounts that were at least 5 percent higher than the original mortgage balances, according to Freddie Mac's quarterly refinancing review. This is in contrast to the first quarter of 2005, when 64 percent of refinanced loans had higher new loan amounts, and was the highest since the fourth quarter of 2000.

"Interest rates on 30-year, fixed-rate mortgages dipped lower in the second quarter, spurring refinance activity higher," said Frank Nothaft, Freddie Mac vice president and chief economist. "Mortgage borrowers took advantage of these low rates by cashing out some home equity before rates go up as they are expected to in coming quarters."

Freddie Mac expects home sales to hit a new record again in 2005 as low fixed mortgage rates combined with teaser discounts on adjustable-rate mortgages maintain affordability, even as home prices rise. "The Fed's statements regarding expectations of a continued measured pace of increase in the federal funds rate (a key short-term interest rate), while signaling the Fed's vigilance on inflation containment, means that rising mortgage rates should start to dampen enthusiasm in the housing market later this year," noted Nothaft.

Freddie Mac expects 30-year fixed mortgage rates to rise through the end of the year, ending with a fourth quarter average near 6.0 percent, approximately a quarter of a percentage point higher than the second quarter average. Home sales in June set a new monthly record.

"Applications for refinance fell in the second quarter of 2005 to 42 percent, down from the first quarter average of 45 percent," said Amy Crews Cutts, Freddie Mac deputy chief economist. "The second-quarter cash-out refinance volume reflects, in part, borrowers responding to the fact that they may not be able to obtain such favorable rates in the future to fund home improvements or other big purchases. The strong cash-out activity was due to both borrowers who were going to do a cash-out refi regardless of interest rate incentives and those who were primarily attracted by the low rates but decided to convert some equity into cash while they were at it. Based on our July outlook for mortgage originations and refi activity over the next two years, we estimate the amount of home equity cashed-out through prime, first-lien refinances will total \$162 billion in 2005 and about \$69 billion in 2006. Total equity cashed out in the second quarter is estimated at \$59 billion, up from the revised cash-out estimate for the first quarter of 2005 of \$43 billion."

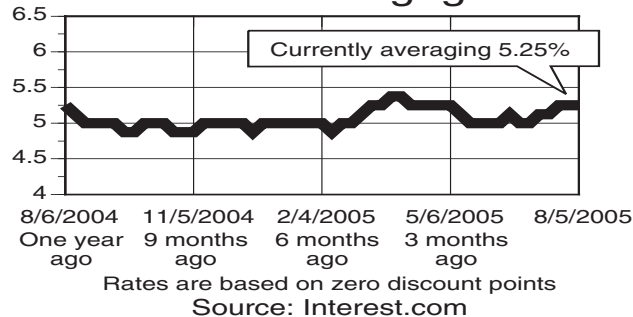
In the second quarter of 2005, the median ratio of old-to-new interest rate was 1.08. In other words, one-half of those borrowers who paid off their original loan and took out a new one had an interest rate on their old loan that was at least 8 percent higher than the new interest rate. "Also, in the second quarter of 2005, homeowners who refinanced their mortgages lowered their rate an average of 0.67 percentage points. On an average loan size of \$150,000, that lower rate translates into a payment that is about \$64 a month lower for a savings of more than \$760 annually," said Cutts.

"By our estimates, homeowners extracted \$140 billion in home equity through first lien refinances in 2004," Cutts added. "Harvard's Joint Center for Housing Studies reports that homeowners spent more than \$140 billion last year on home improvements and remodeling, which often translate into gains in home values that exceed the cost of the improvement. Based on the Joint Center's Remodeling Activity Indicator, the pace of home improvement expenditures remains strong, increasing 4.5 percent in the second quarter."

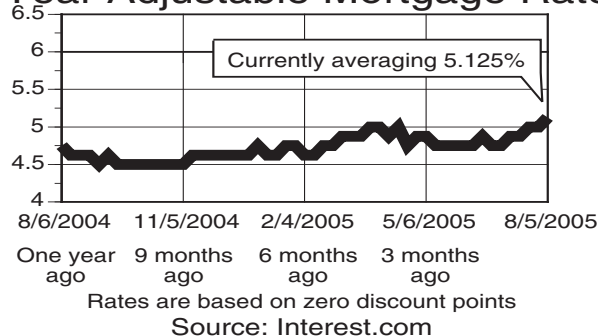
The Cash-Out Refinance Report also revealed that properties refinanced during the second quarter of 2005 experienced a median house-price appreciation of 23 percent during the time since the original loan was made, up from the 17 percent appreciation on loans refinanced in the first quarter 2005. For loans refinanced in the second quarter of 2005, the median age of the original loan was 2.6 years, two months older than the median age of loans refinanced during the first quarter. These estimates come from a sample of properties on which Freddie Mac has funded at least two successive loans. Transactions are further screened to verify that the latest loan is for refinance rather than for home purchase. The Freddie Mac analysis does not track the use of funds made available from these refinances.

MORTGAGE MARKET MONITOR

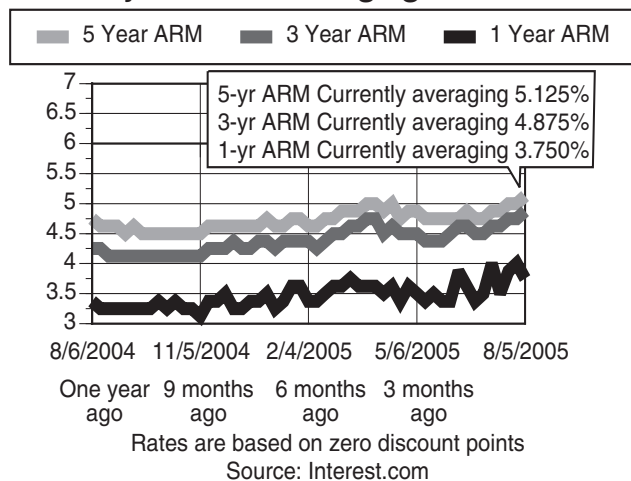
15-Year Fixed Mortgage Rate



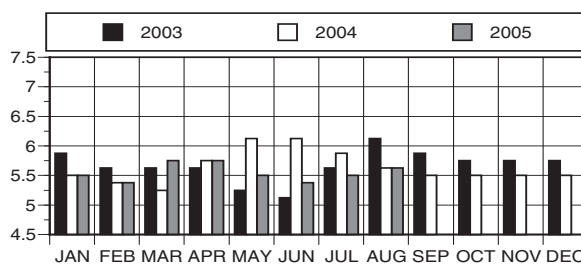
5-Year Adjustable Mortgage Rate



Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage

