



# WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 9-18-05  
Annual subscription \$250 (1-800-844-4648)



## Mortgage Rates on the Rise Week in review 9/12/05 - 9/16/05

It's been a volatile week in the bond pits what with falling energy prices, mixed economic reports and concerns about the Sept. 20 meeting of the Fed. U.S. Treasury securities fell one day and rallied the next in a rapidly changing economic environment. Reports showing benign inflation on both the retail and wholesale levels, however, supported both stocks and bonds. Treasury yields, which move in the opposite direction of prices, are higher than they were a week ago, and mortgage rates, which are based on yields, are beginning to creep up.

Oil prices, which bond traders believe will slow the economy, fell this week, and were one of the negatives affecting Treasuries. Advance Retail Sales for August added pressure. Although headlines said sales fell 2.1 percent, when a steep decline in auto sales was excluded, sales rose by a healthy 1 percent. This evoked visions of a spending consumer who would strengthen the economy. But Thursday's regional manufacturing indexes from New York and Philadelphia spurred a huge sell-off in Treasuries -- and yields soared. The Philly Fed index plunged to 2.2 in September from 17 in August, but the 'prices paid' components within both indexes rose sharply, awakening fears of

inflation. The University of Michigan's preliminary consumer sentiment survey plummeted to 76.9 in September from 89.1, but Treasuries were unruffled, as their focus is now on the Fed.

The Producer Price Index rose 0.6 percent in August, and the core rate, which excludes volatile energy and food prices, was flat. No signs of inflation at the wholesale level led to the week's biggest rally in the bond markets. The Consumer Price Index for August also was friendly, rising by an expected 0.5 percent. The core edged up 0.1 percent, which was in line with forecasts. Although this news was welcome, it was negated by the news from Philadelphia. First-time unemployment claims for the week ended Sept. 9 reflected the impact of Katrina. Claims rose by 71,000 -- a 10-year high -- coming in at 398,000.

Mortgage applications were mixed for the week ended Sept 9, according to the Mortgage Bankers Association. Applications to purchase rose 2.9 percent, while refis slid 6.7 percent. The rate on the 30-year-fixed mortgage (based on zero discount points) neared 5.625 percent, while the 15-year fixed-rate is above 5.125 percent. The introductory rate on the volatile one-year ARM held at 3.75 percent.

## Mortgage Rates Likely to Tick Up Week in preview 9/19/05 - 9/23/05

Tuesday's Fed meeting will be the biggest influence for the week -- not for the expected 25-basis-point rate hike, but for clues as to what the Fed plans for the last two meetings of the year. Fed funds futures point to a pause at one of those meetings.

Economic reports are scarce, with only August Housing Starts and Building Permits due on Tuesday. This will be the first look at the housing industry for that month. On Thursday first-time jobless claims for the week ended September 16 are on tap along with the Index of Leading Economic Indicators (LEI) for August.

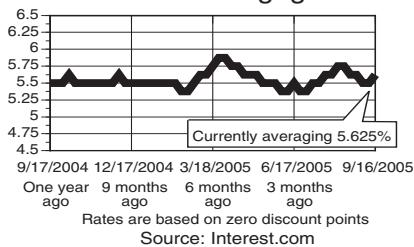
Sky-high yields should send mortgage rates up, but if the Fed suggests it may skip a rate hike, mortgage rates would likely recede.

Tuesday is the heaviest day of releases, and it is the day that the Fed will announce

its decision on interest rates. Although most insiders expect an eleventh straight 25-basis-point increase, there is no clear consensus about future moves. Will they pause at the Nov. 1 meeting if October economic data point to slowing? Or, will they continue in their mission to ward off inflation? The financial markets are hoping for answers to these questions in the accompanying statement. Also due are Housing Starts and Building Permits for August. No reports are scheduled for Wednesday.

On Thursday the first-time unemployment claims for the week ended Sept. 16 could be strong as more hurricane victims file for benefits. The Index of Leading Indicators for August looks at the economy three to six months down the road, but is of marginal importance. There are no economic reports set for release on Friday.

30-Year Fixed Mortgage Rate



### KEY INTEREST RATES

U.S. Treasury Yields	9/9/05	9/16/05
2 year T-note	3.85%	3.93%
5 year T-note	3.91%	4.04%
10 year T-note	4.11%	4.27%
30 year T-Bond	4.38%	4.57%
Discount Rate (wk. end 9/9)		4.50%
Fed Funds Rate (wk. end 9/9)		3.55%
Prime rate (wk. end 9/9)		6.50%

### ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Jul.)	5.68%
12 mo. avg. (1-yr. TCM) (Aug.)	3.02%
3 mo. LIBOR (FNMA for Aug.)	3.69%
6 mo. LIBOR (FNMA for Aug.)	3.92%
National COFI (Jun.)	2.48%
11th District COFI (Jul.)	2.76%
6 month CD (wk. end 9/9)	3.89%
1 Year TCM (wk. end 9/9)	3.76%
2 Year TCM (wk. end 9/9)	3.86%
3 Year TCM (wk. end 9/9)	3.88%
5 Year TCM (wk. end 9/9)	3.93%
7 Year TCM (wk. end 9/9)	4.01%
10 Year TCM (wk. end 9/9)	4.13%
20 Year TCM (wk. end 9/9)	4.44%

### Required Yields for Delivery

	Freddie Mac (9/16/05)	10 day	30 day	60 day	90 day
30 year	5.62%	5.64%	5.68%	5.72%	5.72%
15 year	5.13%	5.15%	5.18%	5.20%	5.20%

	Fannie Mae (9/16/05)	10 day	30 day	60 day	90 day
30 year	5.68%	5.70%	5.73%	5.77%	5.77%
15 year	5.22%	5.24%	5.27%	5.30%	5.30%

### HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	July	\$1.099 tril.	unch.
Housing Starts	July	2.04 mil.	-0.2%
Building Permits	July	2.17 mil.	+1.6%
Existing Home Sales	July	7.16 mil.	-2.6%
New Home Sales	July	1.41 mil.	+6.5%

### MORTGAGE APPLICATION INDEXES (MBA)

	Wk. ended Sept. 9, 2005	Change
Number of purchase applications	Up	+2.9%
Number of refinance applications	Down	-6.7%

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Sept. 19	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill	
Sept. 20	8:00 am	ICSC-UBS report on chain store sales (Wk. end 9/16)	
	8:00 am	Redbook report on retail sales (Wk. end 9/16)	
	8:30 am	Housing Starts (Aug.)	2.03 mil.
	8:30 am	Building Permits (Aug.)	2.12 mil.
	2:15 pm	The FOMC announces its decision on rate increases	+25 basis points
Sept. 21		<b>No economic indicators are scheduled for release</b>	
Sept. 22	8:30 am	Weekly Unemployment Claims (Wk. end 9/16)	455,000
	10:00 am	Index of Leading Indicators (Aug.)	-0.3%
Sept. 23		<b>No economic indicators are scheduled for release</b>	

Interest.com--all times Eastern Daylight 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 -- SEPTEMBER 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS
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		-0.2%	-0.3%
	8:00 am	Redbook report on retail sales	Wk. end Aug. 19		NA	NA
	10:00 am	Existing Home Sales	July	Natl. Assn. of Realtors®	-2.6% @ 7.16 mil.	+2.75% @ 7.33 mil.
Aug. 24	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	July	Commerce Dept.	-4.9%/ -3.2%	+1.9%/
	10:00 am	New Home Sales	July	Commerce Dept.	+6.5%/ 1.41 mil.	+0.2%/ 1.32 mil. (rev.)
Aug. 25	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 19	Dept. of Labor	315,000	319,000 (rev.)
Aug. 26	9:45 am	Univ. of Mich. Sentiment Survey (final)	August	Univ. of Michigan	89.1	92.8
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		NA	NA
	8:00 am	Redbook report on retail sales	Wk. end Aug. 26		NA	NA
	10:00 am	Factory Orders	June	Commerce Dept.	-1.9%	+1.4%
	10:00 am	Consumer Confidence Report	August	Conference Board	105.6	105.8
	2:00 pm	Minutes from the Aug. 9 meeting of the FOMC will be released				
Aug. 31	8:30 am	Gross Domestic Product (prelim.)	2nd Qtr.	Commerce Dept.	+3.3%	+3.4%
	8:30 am	GDP Chain Deflator (prelim.)	2nd Qtr.	Commerce Dept.	+2.4%	+2.4%
	8:30 am	Corporate Profits	2nd Qtr.	Commerce Dept.	+26.95%	+24.5% (rev. 1st Qtr.)
	10:00 am	Chicago Purchasing Managers Institute releases	index of August Business Conditions		49.2	63.5
Sept. 1	8:30 am	Weekly Unemployment Claims	Wk. end Aug. 26	Dept. of Labor	320,000	317,000 (rev.)
	8:30 am	Personal Incomes and Outlays	July		+0.3%/ +1.0%	+0.5%/ +1.0% (rev.)
	10:00 am	New Construction	July	Commerce Dept.	unch.	-0.6% (rev.)
	10:00 am	ISM releases index of August Mfg. Conditions			53.6	56.6
Sept. 2	8:30 am	The Employment Report	Aug.	Dept. of Labor	169,000 @ 4.9%	242,000 @ 5% (rev.)
	8:30 am	Hourly wage earnings	Aug.	Dept. of Labor	+0.1% @ \$16.16	+0.3% @ \$16.14
Sept. 5	<b>The federal government and the financial markets will be closed in observance of Labor Day.</b>					
Sept. 6	10:00 am	Institute of Supply Management releases index of August Non-Mfg. Conditions			65	60.5
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Sept. 7	8:00 am	ICSC/UBS report on chain store sales	Wk. end Sept. 2		NA	NA
	8:00 am	Redbook report on retail sales	Wk. end Sept. 2		NA	NA
	8:30 am	Productivity & Costs (rev.)	2nd Qtr.	Commerce Dept.	+1.8%/+2.5%	+2.2%/ +1.3%
	noon	Federal Open Market Committee releases Beige Book				
Sept. 8	8:30 am	Weekly Unemployment Claims	Wk. end Sept. 2	Dept. of Labor	319,000	320,000
	10:00 am	Wholesale trade/Inventories and Sales	July	Commerce Dept.	-0.1% (inv.)	+0.7%/ +0.6%
	3:00 pm	Consumer Credit	July	Federal Reserve	+\$4.4 bil.	+\$14.5 bil.
Sept. 9	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Aug.	Commerce Dept.	+1.3%/ 0.0%	+0.8%/ +0.1% (rev.)
Sept. 12	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Sept. 13	8:00 am	ICSC/UBS report on chain store sales	Wk. end Sept. 9			NA
	8:00 am	Redbook report on retail sales	Wk. end Sept. 9			NA
	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	July	Commerce Dept.	\$57.9 bil.	\$59.5 bil. (rev.)
	8:30 am	Producer Price Index/core rate	Aug.	Dept. of Labor	+0.6%/ 0/0%	+1.0%/ +0.4%
	2:00 pm	Treasury Statement (monthly budget)	Aug.	Treasury Dept.	-\$50.0 bil.	-\$52.79 bil.
Sept. 14	8:30 am	Advance Retail Sales/ ex-auto	Aug.	Commerce Dept.	-2.1%/ +1.0%	+1.8%/ +0.3%
	9:15 am	Industrial Production & Capacity Utilization	Aug.	Federal Reserve	+0.1%/ 79.8%	+0.1%/ 79.7%
Sept. 15	8:30 am	Weekly Unemployment Claims	Wk. end Sept. 9	Dept. of Labor	398,000	319,000
	8:30 am	NY Empire State Index of Sept. Manufacturing Conditions			17	23
	8:30 am	Business Inventories/ Sales	July	Commerce Dept.	-0.5%/ +1.1%	unch./ +0.7%
	8:30 am	Consumer Price Index/core rate	Aug.	Dept. of Labor	+0.5%/ +0.1%	+0.5%/ +0.1%
	noon	Philadelphia Fed Report on Sept. manufacturing conditions				
Sept. 16	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Sept.	Univ. of Michigan	76.9	89.1
Sept. 19	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Sept. 20	8:00 am	ICSC-UBS report on chain store sales	Wk. end Sept. 16			NA
	8:00 am	Redbook report on retail sales	Wk. end Sept. 16			NA
	8:30 am	Housing Starts	Aug.	Commerce Dept.		-0.2% @ 2.042 mil.
	8:30 am	Building Permits	Aug.	Commerce Dept.		+1.6% @ 2.17 mil.
	2:15 pm	The Federal Open Market Committee announces its decision on rate increases				
Sept. 21	<b>No economic indicators are scheduled for release</b>					
Sept. 22	8:30 am	Weekly Unemployment Claims	Wk. end Sept. 16	Dept. of Labor		398,000
	10:00 am	Index of Leading Indicators	Aug.	Conference Board		+0.1%
Sept. 23	<b>No economic indicators are scheduled for release</b>					
Sept. 26	10:00 am	Existing Home Sales	Aug.	Natl. Assn. of Realtors®		-2.6% @ 7.16 mil
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Sept. 27	8:00 am	ICSC-UBS report on chain store sales	Wk. end Sept. 23			
	8:00 am	Redbook report on retail sales	Wk. end Sept. 23			
	10:00 am	New Home Sales	Aug.	Commerce Dept.		+6.5%/ 1.41 mil.
Sept. 28	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Aug.	Commerce Dept.		-4.9%/ -3.2%
Sept. 29	8:30 am	Weekly Unemployment Claims	Wk. end Sept. 23	Dept. of Labor		
	8:30 am	Gross Domestic Product (final)	2nd Qtr.	Commerce Dept.		3.3%
	8:30 am	GDP Chain Deflator (final)	2nd Qtr.	Commerce Dept.		2.4%
	8:30 am	Corporate Profits (rev.)	2nd Qtr.	Commerce Dept.		26.95%
Sept. 30	8:30 am	Personal Incomes and Outlays	Aug.			+0.3%/ +1.0%
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Sept.	Univ. of Michigan		
	10:00 am	Chicago Purchasing Managers Institute releases	index of Sept Business Conditions			49.2

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



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## INDUSTRY NEWS

### Freddie Mac Grants Three-Month Suspension of Mortgage Payments for Borrowers Affected by Hurricane Katrina

MCLEAN, Va., Sept. 8 /PRNewswire/ -- Freddie Mac (NYSE: FRE) announced several special policies intended to put emergency funds in the pockets of single-family mortgage borrowers impacted by Hurricane Katrina.

"We are determined to do all that we can to help the victims of this disaster," said Freddie Mac Chairman and CEO Richard F. Syron. "Therefore, we are instructing our servicers to suspend mortgage collections for the months of September, October and November in some of the key major disaster areas designated by the Federal Emergency Management Agency. This temporary suspension will apply to every borrower with a Freddie Mac-owned single-family mortgage in these FEMA designated zones, regardless of the condition of their home," Syron said.

Following the three-month suspension, servicers have the discretion to continue suspending or reducing payments on Freddie Mac-owned mortgages for an additional nine months on a case-by-case basis, depending upon each borrower's specific circumstances, according to an advisory letter sent to Freddie Mac's 2300 single-family servicers. Servicers must make their determinations before the mortgage's December payment due date, Freddie Mac said.

The new policies apply only to Freddie Mac-owned loans on homes in major disaster areas designated by FEMA as qualifying for individual assistance.

Another new policy announced to help cash-strapped borrowers gives Freddie Mac servicers the discretion to return September mortgage payments that were already made, but not yet reported to Freddie Mac. Or, alternatively, the new policy gives borrowers the option to contact their servicers to request the return of their September payments to help them cope with short-term financial emergencies. In either case, borrowers will still be required to make all mortgage payments once the temporary suspension period ends.

In cases where borrower payments have been reported, servicers should contact Freddie Mac for additional instructions. Mortgage payments are typically not reported until the 16th of the month in which they are due.

"These temporary measures do not affect Freddie Mac's guarantee on its mortgage Participation Certificates," Syron said. "What's more, by continuing to fulfill our investor obligations while helping America's borrowers get back on their feet forcefully underscores Freddie Mac's capacity to help protect America's housing finance system and the broader national economy from the shock of unexpected events."

Other policy changes made in the advisory letter instruct Freddie Mac servicers:

- \* Not to report to credit bureaus any reversed and suspended payments on Freddie Mac-owned loans as a result of Hurricane Katrina during the suspension period;

- \* To suspend all late fees, collection and foreclosure activities in the storm-affected areas during the three-month suspension period.

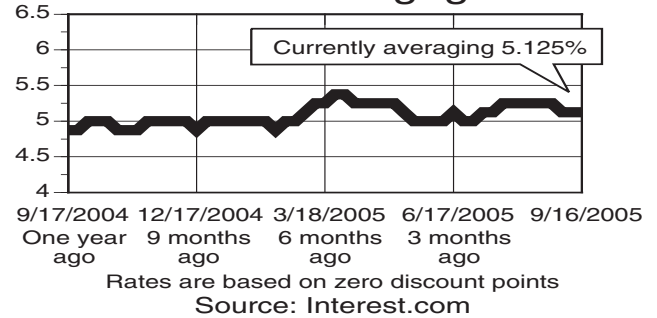
- \* That they have the option not to advance interest on any Freddie Mac mortgage granted forbearance under the company's special Hurricane Katrina policies.

The announcement builds on Freddie Mac's previous decision to authorize servicers to provide a wide range of options to help borrowers in the declared major disaster areas to protect their credit ratings and financial interests in their homes, such as reducing or suspending mortgage payments for up to 12 months for borrowers with Freddie Mac-owned mortgages.

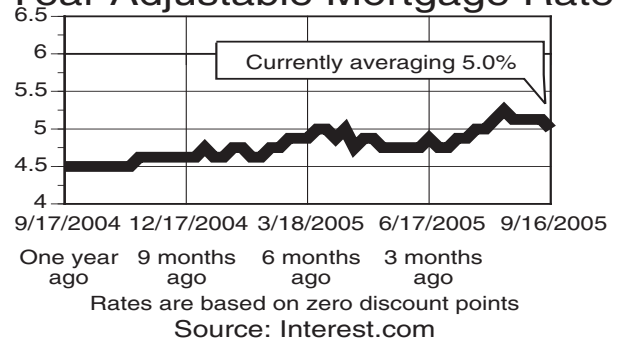
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## MORTGAGE MARKET MONITOR

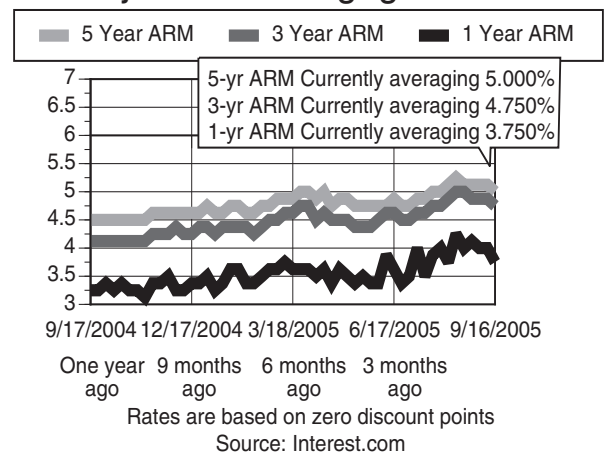
### 15-Year Fixed Mortgage Rate



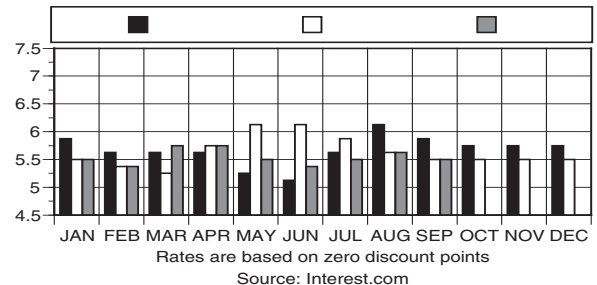
### 5-Year Adjustable Mortgage Rate



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE



### 30-year fixed-rate mortgage

