



WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 10-16-05
Annual subscription \$250 (1-800-844-4648)



Inflation Fears Send Mortgage Rates Up

Week in review 10/10/05 - 10/14/05

Ongoing concerns about inflation and the rate hikes necessary to control it added up to one tough week for U.S. Treasury securities. Bond prices fell sharply and their yields, which move in the opposite direction of prices, are hovering near the highest levels since August 2004. Stirring the cauldron of anxiety over inflation, which erodes the value of fixed-rate assets, are Fed officials who have been relentless in their support for more rate hikes to keep inflation contained. The run-up in yields over the past week has forced mortgage lenders who use yields as a guide to set rates to move them up.

There was much anxiety over the Consumer Price Index (CPI) for September, which looks for inflation at the retail level – and it found some. The CPI soared 1.1 percent, the biggest one-month rise in 25 years. But the core, which excludes volatile food and energy prices and is looked at as the true measure of inflation, edged up by a smaller-than-expected 0.1 percent. Retail sales for September climbed by a weaker-than-expected 0.2 percent, but excluding auto sales they rose 1.1 percent. This did not appear to disturb the markets.

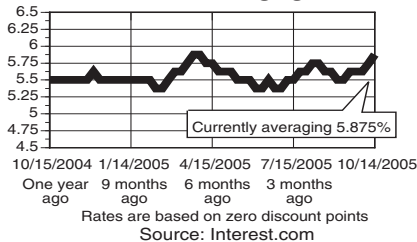
The biggest influence on Treasuries was the decline in consumer sentiment – falling

to 75.4 from 76.9, when a reading of 80 was expected. This should have been a positive for bonds, but when deeper information regarding the University of Michigan survey circulated it revealed strong concerns about future inflation, which spurred more selling. In a separate report, the U.S. trade deficit August rose to \$59 billion from \$58 billion the previous month, but it was short of analysts' forecasts.

First-time jobless claims fell for the week ended Oct. 7. The decline of 2,000 to 389,000 included 75,000 claims tied to the hurricanes. A total of 438,000 storm-related claims have been filed since the beginning of September. The more influential four-week average, which smoothes volatility, slid to 395,000 from 404,500, and continued claims, people collecting benefits for more than one week, also fell to 2.87 million.

Mortgage applications to purchase and refinance slowed for the week ended Oct. 7, as mortgage rates rose, according to the Mortgage Bankers Association. The rate on the 30-year fixed mortgage (based on zero discount points) is below 5.875 percent, while the 15-year fixed-rate neared 5.5 percent. The introductory rate on the volatile one-year ARM climbed to 4.5 percent.

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	10/7/05	10/14/05
2 year T-note	4.19%	4.26%
5 year T-note	4.23%	4.34%
10 year T-note	4.36%	4.49%
30 year T-Bond	4.59%	4.71%
Discount Rate (wk. end 10/7)		4.75%
Fed Funds Rate (wk. end 10/7)		3.77%
Prime rate (wk. end 10/7)		6.75%

ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Aug.)	5.81%
12 mo. mvg. avg. (1-yr. TCM) (Sep.)	3.17%
3 mo. LIBOR (FNMA for Sep.)	4.06%
6 mo. LIBOR (FNMA for Sep.)	4.22%
National COFI (Jul.)	2.54%
11th District COFI (Aug.)	2.87%
6 month CD (wk. end 10/7)	4.25%
1 Year TCM (wk. end 10/7)	4.08%
2 Year TCM (wk. end 10/7)	4.20%
3 Year TCM (wk. end 10/7)	4.21%
5 Year TCM (wk. end 10/7)	4.24%
7 Year TCM (wk. end 10/7)	4.29%
10 Year TCM (wk. end 10/7)	4.37%
20 Year TCM (wk. end 10/7)	4.64%

Required Yields for Delivery

Freddie Mac (10/14/05)				
	10 day	30 day	60 day	90 day
30 year	5.86%	5.88%	5.91%	5.94%
15 year	5.36%	5.37%	5.39%	5.41%

Fannie Mae (10/14/05)				
	10 day	30 day	60 day	90 day
30 year	5.96%	5.99%	6.02%	6.05%
15 year	5.49%	5.51%	5.54%	5.56%

HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	Aug.	\$1.108 tril.	+0.4%
Housing Starts	Aug.	2.02 mil.	-1.3%
Building Permits	Aug.	2.12 mil.	-2.3%
Existing Home Sales	Aug.	7.29 mil.	+2.0%
New Home Sales	Aug.	1.24 mil.	-9.9%

MORTGAGE APPLICATION INDEXES

(MBA)

Wk. ended Oct. 7, 2005

Number of purchase applications	Down	-0.9%
Number of refinance applications	Down	-4.9%

Mortgage Rates Could Continue to Climb

Week in preview 10/17/05 - 10/24/05

Reports on manufacturing and housing are coming up, but the focus will be on the Producer Price Index (PPI), which checks for inflation at the wholesale level. This report will be key, as producers generally experience inflationary pressures before the consumer does. This report, due Tuesday, could shape trading for the remainder of the week. Until then it is likely that mortgage rates will remain near present high levels.

The week begins with a report on manufacturing conditions in New York State for October. A very high or low reading can impact the markets, but this index is not as influential as the Philadelphia Fed survey due out Thursday. Tuesday features the PPI for September and is the report of the week.

Housing Starts and Building Permits

for September will be scrutinized on Wednesday, as they are the first reports on the housing market for that month. The Beige Book, which looks at economic conditions in the 12 Federal Bank districts, will be released at noon and could rattle the markets if signs of a robust economy are present.

Thursday reveals first-time unemployment claims for the week ended Oct. 14. In the wake of hurricanes Katrina and Rita, this report has not wielded its usual influence, perhaps due to the possibility of revisions. Also out on Thursday is the Index of Leading Indicators for September. This report looks at several key economic reports and determines what they will mean to the economy for the upcoming three to six months.

There are no reports due out Friday.

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Oct. 17	8:30 am	NY Empire State Index of Oct. Manufacturing Conditions	21.0
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills	
Oct. 18	8:00 am	ICSC/UBS report on chain store sales (Wk. end 10/14)	
	8:00 am	Redbook report on retail sales (Wk. end 10/14)	
	8:30 am	Producer Price Index/core rate (Sept.)	+1.2%/+0.2%
Oct. 19	8:30 am	Housing Starts (Sept.)	1.96 mil.
	8:30 am	Building Permits (Sept.)	2.06 mil.
Oct. 20	noon	Federal Open Market Committee releases Beige Book	
	8:30 am	Weekly Unemployment Claims (Wk. end 10/14)	350,000
	10:00 am	Index of Leading Indicators (Sept.)	-0.6%
Oct. 21	noon	Philadelphia Fed Report on Oct. manufacturing conditions	13.0
		No economic indicators are scheduled for release	

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Keeping you abreast of the ever-changing mortgage market

FOR THE WEEK OF 10-16-05 Page 2

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TRACKING THE ECONOMY -- OCTOBER 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS
Sept. 26	10:00 am	Existing Home Sales	Aug.	Natl. Assn. of Realtors®	+2.0% @ 7.29 mil.	-2.6% @ 7.16 mi
	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		NA	NA
	8:00 am	Redbook report on retail sales	Wk. end Sept. 23		NA	NA
	10:00 am	Consumer Confidence Report	Sept.	Conference Board	86.6	105.6
	10:00 am	New Home Sales	Aug.	Commerce Dept.	-9.9% @ 1.24 mil.	+6.5% @ 1.37 mil. (rev.)
Sept. 28	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Aug.	Commerce Dept.	+3.3%/ +4.2%	-4.9%/ -3.2%
Sept. 29	8:30 am	Weekly Unemployment Claims	Wk. end Sept. 23	Dept. of Labor	356,000	435,000 (rev.)
	8:30 am	Gross Domestic Product (final)	2nd Qtr.	Commerce Dept.	3.3%	3.3%
	8:30 am	GDP Chain Deflator (final)	2nd Qtr.	Commerce Dept.	2.4%	2.4%
	8:30 am	Corporate Profits (rev.)	2nd Qtr.	Commerce Dept.	19.72%	26.95%
Sept. 30	8:30 am	Personal Incomes and Outlays	Aug.		+0.5%/ +0.1%	+0.3%/ +1.0%
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Sept.	Univ. of Michigan	76.9	76.9
	10:00 am	Chicago Purchasing Managers Institute releases	index of Sept Business Conditions		60.5	49.2
Oct. 3	10:00 am	ISM releases index of Sept. Mfg. Conditions			59.4	53.6
	10:00 am	New Construction	Aug.	Commerce Dept.	+0.4%	unch.
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Oct. 4	8:00 am	ICSC/UBS report on chain store sales	Wk. end Sept.30		NA	NA
	8:00 am	Redbook report on retail sales	Wk. end Sept.30		NA	NA
	10:00 am	Factory Orders	Aug.	Commerce Dept.	+2.5%	-2.5% (rev.)
Oct. 5	10:00 am	Institute of Supply Management releases index of	Sept. Non-Mfg. Conditions		53.3	65
Oct. 6	8:30 am	Weekly Unemployment Claims	Wk. end Sept.30	Dept. of Labor	390,000	356,000
Oct. 7	8:30 am	The Employment Report	Sept.	Dept. of Labor	-35,000 @ 5.1%	169,000 @ 4.9%
	8:30 am	Hourly wage earnings	Sept.	Dept. of Labor	+0.2% @ \$16.18	+0.1% @ \$16.16
	10:00 am	Wholesale trade/Inventories and Sales	Sept.	Commerce Dept.	+0.5%	-0.1% (inv.)
	3:00 pm	Consumer Credit	Aug.	Federal Reserve	\$4.9 bil.	+\$4.4 bil.
Oct. 10	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Oct. 11	8:00 am	ICSC/UBS report on chain store sales	Wk. end Oct. 7		NA	NA
	8:00 am	Redbook report on retail sales	Wk. end Oct. 7		NA	NA
	2:00 pm	FOMC minutes of the Sept. 20 meeting are released				
Oct. 12		No economic indicators are scheduled for release				
Oct. 13	8:30 am	Weekly Unemployment Claims	Wk. end Oct. 7	Dept. of Labor	389,000	391,000 (rev.)
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Sept.	Commerce Dept.	+2.3%/ +1.1%	+1.3%/ 0.0%
	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Aug.	Commerce Dept.	\$59.0 bil.	\$57.9 bil.
Oct. 14	8:30 am	Consumer Price Index/core rate	Sept.	Dept. of Labor	+1.2%/ +1.1%	+0.5%/ +0.1%
	8:30 am	Advance Retail Sales/ ex-auto	Sept.	Commerce Dept.	+0.2%/ -1.1%	-2.1%/ +1.0%
	8:30 am	Business Inventories/ Sales	Aug.	Commerce Dept.	+0.5%	-0.5%/ +1.1%
	9:15 am	Industrial Production & Capacity Utilization	Sept.	Federal Reserve	-1.3%/ 78.6	+0.1%/ 79.8%
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Oct.	Univ. of Michigan	75.4	76.9
	2:00 pm	Treasury Statement (monthly budget)	Sept.	Treasury Dept.	TBA	-\$50.0 bil.
Oct. 17	8:30 am	NY Empire State Index of Oct. Manufacturing Conditions				17
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills			
Oct. 18	8:00 am	ICSC/UBS report on chain store sales	Wk. end Oct. 14			
	8:00 am	Redbook report on retail sales	Wk. end Oct. 14			
	8:30 am	Producer Price Index/core rate	Sept.	Dept. of Labor		+0.6%/ 0/0%
Oct. 19	8:30 am	Housing Starts	Sept.	Commerce Dept.		-1.3% @ 2.01 mil.
	8:30 am	Building Permits	Sept.	Commerce Dept.		-2.3% @ 2.12 mil.
	noon	Federal Open Market Committee releases Beige Book				
Oct. 20	8:30 am	Weekly Unemployment Claims	Wk. end Oct. 14	Dept. of Labor		
	10:00 am	Index of Leading Indicators	Sept.	Conference Board		-0.2%
	noon	Philadelphia Fed Report on Oct. manufacturing conditions		Federal Reserve		2.2
Oct. 21		No economic indicators are scheduled for release				
Oct. 24	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Oct. 25	8:00 am	ICSC/UBS report on chain store sales	Wk. end Oct. 21			
	8:00 am	Redbook report on retail sales	Wk. end Oct. 21			
	10:00 am	Existing Home Sales	Sept.	Natl. Assn. of Realtors®		+2.0% @ 7.29 mil.
	10:00 am	Consumer Confidence Report	Oct.	Conference Board		86.6
Oct. 26		No economic indicators are scheduled for release				
Oct. 27	8:30 am	Weekly Unemployment Claims	Wk. end Oct. 21	Dept. of Labor		
	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Sept.	Commerce Dept.		+3.3/ +4.2%
	10:00 am	New Home Sales	Sept.	Commerce Dept.		-9.9% @ 1.24 mil.
Oct. 28	8:30 am	Gross Domestic Product (adv.)	3rd Qtr.	Commerce Dept.		+3.3%
	8:30 am	GDP Chain Deflator (adv)	3rd Qtr.	Commerce Dept.		+2.4%
	8:30 am	Employment Cost Index				
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Oct.	Univ. of Michigan		
Oct. 31	8:30 am	Personal Incomes and Outlays	Sept.			
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill			
Nov. 1	8:00 am	ICSC/UBS report on chain store sales	Wk. end Oct. 28			
	8:00 am	Redbook report on retail sales	Wk. end Oct. 28			
	10:00 am	ISM releases index of August Mfg. Conditions				
	10:00 am	New Construction	Sept.	Commerce Dept.		
Nov. 2		No economic indicators are scheduled for release.				
Nov. 3	8:30 am	Weekly Unemployment Claims	Wk. end Oct. 28	Dept. of Labor		
	10:00 am	ISM releases index of August Mfg. Conditions				
	10:00 am	Factory Orders	Sept.	Commerce Dept.		
	8:30 am	Productivity & Costs	3rd Qtr.			
Nov. 4	8:30 am	The Employment Report	Oct.	Dept. of Labor		
	8:30 am	Hourly wage earnings	Oct.	Dept. of Labor		

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



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Page 3

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INDUSTRY NEWS

LoanPerformance Introduces SecondLook™ to Identify Presence of Second Mortgage Risk

SecondLook™ Provides Mortgage Securities Issuers and Investors with Enhanced Information for Pricing and Bidding

SAN FRANCISCO, Sept. 15 /PRNewswire-FirstCall/ -- LoanPerformance, a subsidiary of First American Real Estate Solutions (RES®) and a leader in residential mortgage data and analytics, announced the introduction of SecondLook, a new service that, for the first time, uncovers the existence of second mortgages added after origination.

Identifying second-mortgage liens has been a challenge for mortgage industry stakeholders, especially issuers and investors of mortgage securities. SecondLook enables originators, investors and issuers to identify, evaluate and monitor home equity lines of credit (HELOC) and second-mortgage loans on active first mortgage pools and portfolios.

SecondLook offers one-time, monthly or quarterly monitoring of additional liens. In addition, a daily update of new liens with alerts to servicing and portfolio managers is available with the monthly or quarterly monitoring service.

SecondLook combines the resources of LoanPerformance's industry-leading HELOC and second lien loan database with First American RES' property data, which covers 97 percent of all real estate transactions in the United States. Earlier this year, First American launched a companion product, LienWatch™, which provides holders of junior liens with an automated method for monitoring a first lien's delinquency status.

"The growing popularity of second liens, and the inability, until now, to identify their presence, has added a significant element of risk for mortgage lenders and investors," said Dan Feshbach, chief executive officer of LoanPerformance. "Our analysis of outstanding mortgage pools shows that between 23 percent and 53 percent of first mortgage borrowers add a second mortgage within three years of origination, masking the true risk of the assets being held or under consideration for investment."

Feshbach added that these encumbrances place Wall Street traders bidding on pools of loans at a disadvantage since the true combined loan-to-value (CLTV) ratio may be significantly higher than what is disclosed, due to the addition of hidden mortgages concurrent or subsequent to the first lien's recordation.

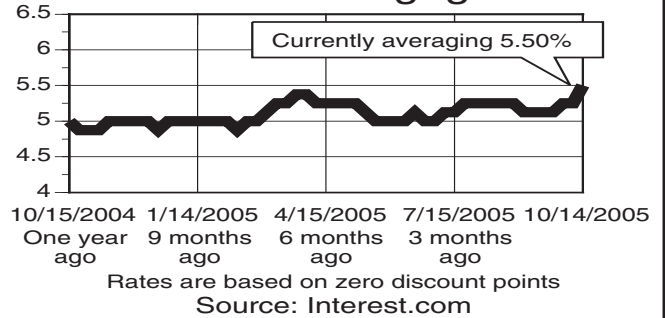
SecondLook can identify a wide range of second liens, such as "silent" seconds, where the seller finances the second; "piggyback" seconds, in which the originator provides a second simultaneous to closing; "up-sell or cross-sell" seconds, where the originator markets a second after closing; or "borrower-initiated" seconds, where the borrower acquires a second after closing through another lender.

When clients provide first mortgage loan information, including borrower and co-borrower name and address, SecondLook automatically returns appended files that describe all additional liens recorded on the properties, including new lien dates and amounts, and an updated loan-to-value (LTV) ratio based on automated valuations or repeat sales indices with summary reports detailing changing risk profiles of mortgage securities pools.

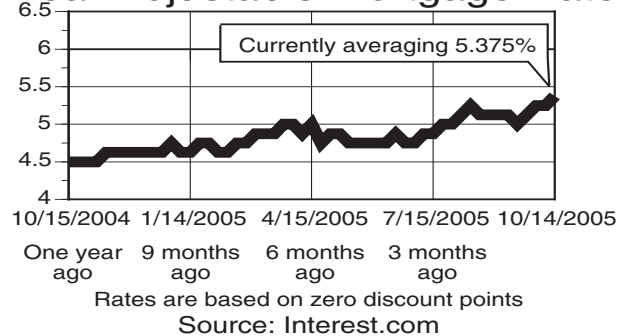
For more information about SecondLook, please call LoanPerformance at (415) 536-3526.

MORTGAGE MARKET MONITOR

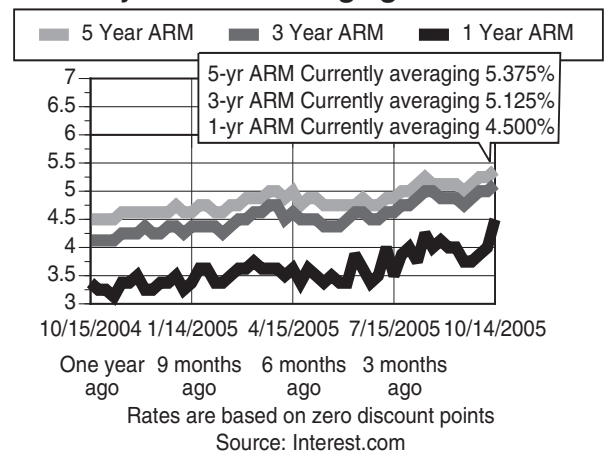
15-Year Fixed Mortgage Rate



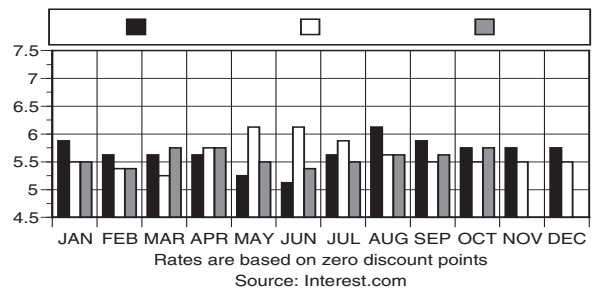
5-Year Adjustable Mortgage Rate



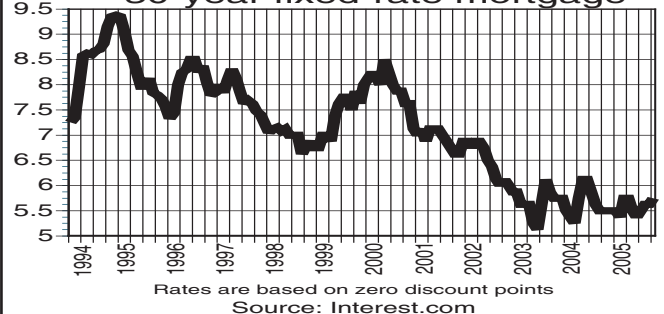
Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage



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