



WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 12-18-05
Annual subscription \$250 (1-800-844-4648)



Mortgage Rates Bobble Week in review 12/12/05 - 12/16/05

The Federal Open Market Committee gave bond traders a reason for optimism by suggesting that interest-rate hikes could slow or even cease in the undefined 'future.' This was enough to spark a big rally in U.S. Treasury securities, which sent prices soaring and their yields, which move in the opposite direction of prices, to their lowest levels since late November. But bullish numbers on manufacturing halted the surge and yields are moving back up. Mortgage lenders who base their rates on Treasury yields were able to edge rates down, but increased yields may force them back to previous levels.

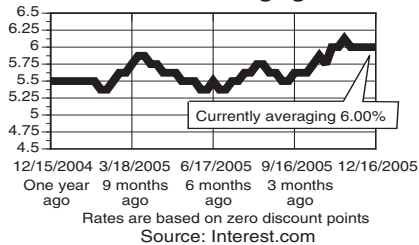
Even though the Fed raised short-term interest rates by 25 basis points to 4.25 percent, Treasuries cheered the statement, which said further increases will be made with the intention of keeping economic growth and price stability 'roughly' in balance. But two days later a mound of data showing strong growth in manufacturing turned Treasuries around. Industrial Production in November rose by a higher-than-expected 0.7 percent, while production in October was revised upward to 1.3 percent. In addition, capacity utilization – the percent of mines, factories and utilities in production – rose to 80.2 percent. The NY Empire State index on December manufacturing

conditions hit a year-high 28.7 as new orders climbed to 30. The weightier Philly Fed survey for the Middle Atlantic States, however, edged up to 12.6 and featured a decline in prices paid.

The Consumer Price Index (CPI), usually a market-mover, exerted only slight pressure in spite of a 0.6 percent drop in November. The decline – the biggest in 56 years – was pegged to an 8-percent slide in energy prices, which included a whopping 16 percent drop in gasoline. The CPI core, which eliminates volatile food and energy prices, rose by an in-line 0.2 percent. Retail Sales for November edged up by a weaker-than-expected 0.3 percent, but when autos were excluded, sales fell 0.3 percent. Business Inventories in October were 0.3 percent higher, while sales rose 0.8 percent, suggesting increased production may be warranted.

Mortgage applications slowed for the week ended Dec. 9, according to the Mortgage Bankers Association. Purchase applications were down 3.5 percent, while refis sank 5.7 percent. The rate on the 30-year fixed-rate mortgage (based on zero discount points) is just below 6.0 percent, while the 15-year fixed-rate mortgage slid to 5.5 percent. The rate on the volatile one-year adjustable-rate mortgage climbed to 4.375 percent.

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	12/9/05	12/16/05
2 year T-note	4.40%	4.35%
5 year T-note	4.41%	4.34%
10 year T-note	4.51%	4.43%
30 year T-Bond	4.72%	4.63%

Discount Rate (wk. end 12/9)	5.00%
Fed Funds Rate (wk. end 12/9)	4.00%
Prime rate (as of 12/13)	7.25%

ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Oct.)	5.98%
12 mo. mvg. avg. (1-yr. TCM) (Nov.)	3.48%
3 mo. LIBOR (FNMA for Nov.)	4.41%
6 mo. LIBOR (FNMA for Nov.)	4.58%
National COFI (Oct.)	2.74%
11th District COFI (Oct.)	3.07%
6 month CD (wk. end 12/9)	4.61%
1 Year TCM (wk. end 12/9)	4.35%
2 Year TCM (wk. end 12/9)	4.42%
3 Year TCM (wk. end 12/9)	4.42%
5 Year TCM (wk. end 12/9)	4.43%
7 Year TCM (wk. end 12/9)	4.46%
10 Year TCM (wk. end 12/9)	4.52%
20 Year TCM (wk. end 12/9)	4.80%

Required Yields for Delivery

	Freddie Mac (12/16/05)			
	10 day	30 day	60 day	90 day
30 year	5.98%	6.00%	6.03%	6.06%
15 year	5.49%	5.50%	5.53%	5.53%
	Fannie Mae (12/16/05)			
	10 day	30 day	60 day	90 day
30 year	6.07%	6.09%	6.13%	6.17%
15 year	5.60%	5.62%	5.64%	5.66%

HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	Oct.	\$1.13 tril.	+0.7%
Housing Starts	Oct.	2.01 mil.	-5.6%
Building Permits	Oct.	2.07 mil.	-6.7%
Existing Home Sales	Oct.	7.09 mil.	-2.74%
New Home Sales	Oct.	1.42 mil.	+13.0%

MORTGAGE APPLICATION INDEXES (MBA)		
Wk. ended Dec. 9, 2005		
Number of purchase applications	Down	-3.5%
Number of refinance applications	Down	-5.7%

Mortgage Rates Likely to Move in Narrow Range Week in preview 12/19/05 - 12/23/05

The week before Christmas features a number of influential economic releases for November including the Producer Price Index, which checks for inflation at the wholesale level, Housing Starts and Building Permits, New Home Sales, Personal Incomes/Outlays and Durable Goods Orders. The final revision of third-quarter Gross Domestic Product also is on tap, along with the Index of Leading Economic Indicators. If the reports come in target and there are no signs of growing inflationary pressures, Treasuries will likely trade in a narrow range, allowing mortgage rates to do the same.

The reports start coming in on Tuesday, headed by the Producer Price Index for November. This report may not be as crucial this month, as it comes out the week following the release of the Consumer Price Index on retail inflation. Housing Starts and

Building Permits will offer the first look at the nation's housing industry for November.

On Wednesday the Commerce Department will release the final revision of third-quarter Gross Domestic Product. This could move the markets if it is stronger or weaker than its previous 4.3 percent revision. This report has been moved up a week due to the Christmas holiday.

On Thursday first-time unemployment claims for the week ended Dec. 17 will be released, along with Personal Incomes/Outlays for November. The Personal Consumption Expenditure (PCE) within this report will be looked at for signs of inflation. Also on tap is the Index of Leading Indicators, which looks ahead at the nation's economy.

November Durable Goods Orders is due Friday along with New Home Sales for November.

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Dec. 19	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills	
Dec. 20	8:00 am	ICSC/UBS report on chain store sales (Wk. end 12/17)	
	8:00 am	Redbook report on retail sales (Wk. end 12/17)	
	8:30 am	Producer Price Index/core rate (Nov.)	-0.4%/ +0.2%
	8:30 am	Housing Starts (Nov.)	2.03 mil.
	8:30 am	Building Permits (Nov.)	2.09 mil.
Dec. 21	8:30 am	Gross Domestic Product (3rd Qtr. final)	+4.3%
	8:30 am	Chain Deflator (3rd Qtr. final)	+3.0%
Dec. 22	8:30 am	Weekly Unemployment Claims (Wk. end 12/17)	325,000
	8:30 am	Personal Incomes and Outlays (Nov.)	+0.4%/ +0.5%
	10:00 am	Index of Leading Indicators (Nov.)	+0.5%
Dec. 23	8:30 am	Durable Goods Orders (adv.)/ ex. trans. (Nov.)	+1.2%
	10:00 am	New Home Sales (Nov.)	1.3 mil.

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Formerly the Fax Weekly Report

Keeping you abreast of the ever-changing mortgage market

FOR THE WEEK OF 12-18-05 Page 2

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TRACKING THE ECONOMY -- DECEMBER 2005

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS
Nov. 21	10:00 am	Index of Leading Indicators	Oct.	Conference Board	+0.9%	-0.8% (rev.)
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill				
Nov. 22	8:00 am	ICSC-UBS report on chain store sales	Wk. end Nov. 19		+1.0%	-0.6%
	8:00 am	Redbook report on retail sales	Wk. end Nov. 19		NA	NA
	2:00 pm	Federal Open Market Committee minutes of Nov. 1 meeting				
Nov. 23	8:30 am	Weekly Unemployment Claims	Wk. end Nov. 19	Dept. of Labor	335,000	305,000 (rev.)
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Nov.	Univ. of Michigan	81.6	79.9
Nov. 24		The federal government and the financial markets will be closed in observance of Thanksgiving Day.				
Nov. 25		No economic indicators are scheduled for release				
Nov. 28	10:00 am	Existing Home Sales	Oct.	Natl. Assn. of Realtors®	-2.74% @ 7.09 mil.	+2.0% @ 7.29 mil.
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill				
Nov. 29	8:00 am	ICSC-UBS report on chain store sales	Wk. end Nov. 26		-0.7%	+1.0%
	8:00 am	Redbook report on retail sales	Wk. end Nov. 26		NA	NA
	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Oct.	Commerce Dept.	+3.4%/ +0.3%	-2.0%/
	10:00 am	Consumer Confidence Report	Nov.	Conference Board	98.9	86.6
	10:00 am	New Home Sales	Oct.	Commerce Dept.	+13% @ 1.42 mil.	-9.9% @ 1.26 mil. (rev.)
Nov. 30	8:30 am	Gross Domestic Product (prelim.)	3rd Qtr.	Commerce Dept.	+4.3%	+3.3%
	8:30 am	GDP Chain Deflator (prelim.)	3rd Qtr.	Commerce Dept.	3.0%	+3.1%
	10:00 am	Chicago Purchasing Managers Institute releases index on November business conditions			61.7	62.9
	noon	Federal Open Market Committee releases Beige Book				
Dec. 1	8:30 am	Weekly Unemployment Claims	Wk. end Nov. 26	Dept. of Labor	320,000	337,000 (rev.)
	8:30 am	Personal Incomes and Outlays	Oct.		+0.4%/ +0.2%	+1.7%/ +0.5%
	10:00 am	New Construction	Oct.	Commerce Dept.	+0.7%	+0.5%
	10:00 am	ISM releases index of November Mfg. Conditions			58.1	59.1
Dec. 2	8:30 am	The Employment Report	Oct.	Dept. of Labor	+215,000 @ 5%	+44,000 @ 5.0% (rev.)
	8:30 am	Hourly wage earnings	Oct.	Dept. of Labor	+0.2% @ \$16.32	+0.5% @ \$16.27
Dec. 5	10:00 am	ISM releases index of November non-Mfg. Conditions			58.5	60
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill				
Dec. 6	8:00 am	ICSC-UBS report on chain store sales	Wk. end Dec. 3		-3.1%	-0.7%
	8:00 am	Redbook report on retail sales	Wk. end Dec. 3 v. one month ago		-0.3%	NA
	8:30 am	Productivity & Costs	3rd Qtr. (rev.)		+4.7%/ -1.0%	+4.1%/ -0.5%
	10:00 am	Factory Orders	Oct.	Commerce Dept.	+2.2%	-1.7%
Dec. 7	3:00 pm	Consumer Credit		Federal Reserve	-\$7.2 bil.	-\$59.4 mil.
Dec. 8	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 3	Dept. of Labor	327,000	321,000 (rev.)
Dec. 9	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Dec.	Univ. of Michigan	88.7	81.6
	10:00 am	Wholesale Inventories/Sales	Oct.	Commerce Dept.	+0.2%	+0.6%
Dec. 12	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill				
	2:00 pm	Treasury Statement (monthly budget)	Nov.	Treasury Dept.	-\$83.1 bil.	-\$47.2 bil.
Dec. 13	8:00 am	ICSC-UBS report on chain store sales	Wk. end Dec.10		+0.9%	-3.1%
	8:00 am	Redbook report on retail sales	Wk. end Dec.10 v. one month ago		-0.3%	-0.3%
	8:30 am	Advance Retail Sales/ ex-auto	Nov.	Commerce Dept.	+0.3%/ -0.3%	+0.3%/ +0.8% (rev.)
	8:30 am	Business Inventories/ Sales	Oct.	Commerce Dept.	+0.3%	+0.5%
	2:15 pm	The Federal Open Market Committee releases its decision on interest rates			+25 basis points	+25 basis points
Dec.14	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Nov.	Commerce Dept.	-0.9%/ -0.2%	+0.7%/ +0.8% (rev.)
	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Oct.	Commerce Dept.	-\$69.8 bil.	-\$66.1bil.
Dec.15	8:30 am	NY Empire State Index of Dec. Manufacturing Conditions			28.7	22.8
	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 10	Dept. of Labor	328,000	327,000
	8:30 am	Consumer Price Index/core rate	Nov.	Dept. of Labor	-0.6%/ +0.2%	+0.2%/ +0.2%
	9:15 am	Industrial Production & Capacity Utilization	Nov.	Federal Reserve	+0.7%/ 80.2	+0.9%/ 79.5
	noon	Philadelphia Fed Report on Dec. manufacturing conditions		Federal Reserve	12.6	11.5
Dec.16		No economic indicators are scheduled for release				
Dec.19	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills				
Dec. 20	8:00 am	ICSC/UBS report on chain store sales	Wk. end Dec. 17			+0.9%
	8:00 am	Redbook report on retail sales	Wk. end Dec. 17			-0.3%
	8:30 am	Producer Price Index/core rate	Nov.	Dept. of Labor		+0.7%/ -0.3%
	8:30 am	Housing Starts	Nov.	Commerce Dept.		-5.6% @ 2.01 mil.
	8:30 am	Building Permits	Nov.	Commerce Dept.		-6.7% @ 2.07 mil.
Dec. 21	8:30 am	Gross Domestic Product (final)	3rd Qtr.	Commerce Dept.		+4.3%
	8:30 am	GDP Chain Deflator (final)	3rd Qtr.	Commerce Dept.		+3.0%
Dec. 22	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 17	Dept. of Labor		328,000
	8:30 am	Personal Incomes and Outlays	Nov.			+0.4%/ +0.2%
	10:00 am	Index of Leading Indicators	Nov.	Conference Board		+0.9%
Dec. 23	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Nov.	Commerce Dept.		+3.4%/ +0.3%
	10:00 am	New Home Sales	Nov.	Commerce Dept.		+13% @ 1.42 mil.
Dec. 26		The federal government and bond markets will be closed in observance of Christmas Day				
Dec. 27	10:00 am	Consumer Confidence Report	Dec.	Conference Board		98.9
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills				
Dec.28	8:00 am	ICSC/UBS report on chain store sales	Wk. end Dec. 24			
	8:00 am	Redbook report on retail sales	Wk. end Dec. 24			
Dec.29	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 24	Dept. of Labor		
	10:00 am	Existing Home Sales	Nov.	Natl. Assn. of Realtors®		-2.74% @ 7.09 mil.
Dec. 30	9:45 am	Univ. of Mich. Sentiment Survey (final)	Dec.	Univ. of Michigan		88.7
	10:00 am	Chicago Purchasing Managers Institute release index on Dec. business conditions				61.7

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



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Page 3

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INDUSTRY NEWS

Freddie Mac Economic & Housing Outlook "Tis the Season"

by Frank Nothaft, Nela Richardson and Michael Schoenbeck

'Tis the season to be jolly...and, there is plenty to be jolly about where the economy is concerned. The Bureau of Economic Analysis revised its third quarter estimate of GDP growth upwards from 3.8 percent to 4.3 percent. The Labor Department released a report of a hardy 215,000 gain in payroll employment during November, more than offsetting the downward revision in October jobs to only a 44,000 pick-up. Furthermore, in response to a sizable retreat in gasoline prices and an improving job market, consumer confidence rose last month to its highest level since last August. Confident consumers translate to enthusiastic shoppers, just in time for the holiday season. Retailers enjoyed sales of \$27.8 billion during the kickoff weekend to the holiday shopping season, November 25-27, the second best season-starting volume in six years.

November's job growth was widespread throughout the economy, however construction did particularly well, posting 37,000 new jobs. Some of the new jobs in construction are related to the hurricane clean up and rebuilding efforts in the U.S. Gulf Region. Estimates of the total dollars of construction work done in October set a record for the fourth straight month at \$1.13 trillion (seasonally adjusted annual rate). Construction numbers underscore the importance of housing in the U.S. economy. New construction will continue to put upward pressure on home building costs, increasing new-house prices and supporting the value of existing homes in most areas.

All this good news has some on Wall Street betting that the Federal Reserve will up the federal funds rate at the next FOMC meeting on December 13 for the 13th straight time to offset the inflationary pressure caused by strong economic growth. The prices on futures contracts indicate traders have already anticipated a quarter percentage increase in the federal funds rate to 4.25 percent. (Editor's note: This was done.) However, robust increases in worker productivity (the amount a worker produces per hour of work) and falling labor costs may ease inflationary concerns. The Department of Labor announced that worker productivity more than doubled in the third quarter from second quarter estimates to an annual rate of 4.7 percent, while labor costs have decreased by one percent (annual rate). Labor productivity in the fourth quarter is expected to have a similar moderating effect on wage increases, further reducing inflationary pressure.

The encouraging reports about enduring productivity gains are one reason that long-term inflationary expectations have remained well contained. For four straight years, the Livingston Survey (conducted by the Philadelphia Federal Reserve Bank) has reported that financial economists expect the 10-year inflation rate of the Consumer Price Index to be 2.5 percent per year. A continuing benign inflation outlook over a long horizon helps to keep long-term interest rates low. We expect 30-year fixed-rate mortgages to carry interest rates next year that average about three-fifths of a percentage point higher than in 2005...still modest relative to the 9.5 percent average of the past 30 years.

There is a little naughty in all this niceness as natural gas prices have yet to abate, more than doubling since last year. As colder weather chills the Northeast and Midwest, residents may feel a bit of the chill in their pocketbooks. Furthermore, home equity cash-out (via conventional refinance) is expected to drop by 40 to 50 percent in 2006, further moderating consumer spending aspirations and tempering a bit of the jolliness that strong economic growth can bring.

Freddie Mac's outlook on specific areas, such as GDP, inflation, unemployment, mortgage rates and housing will be published next week in this space.

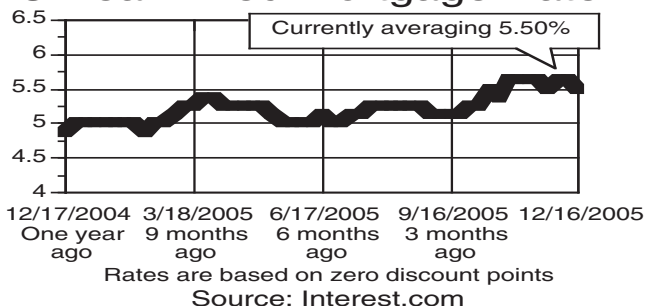
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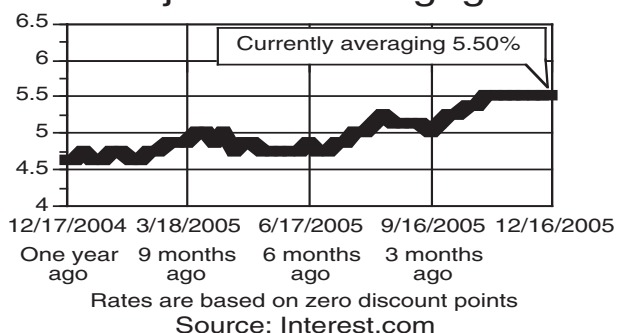
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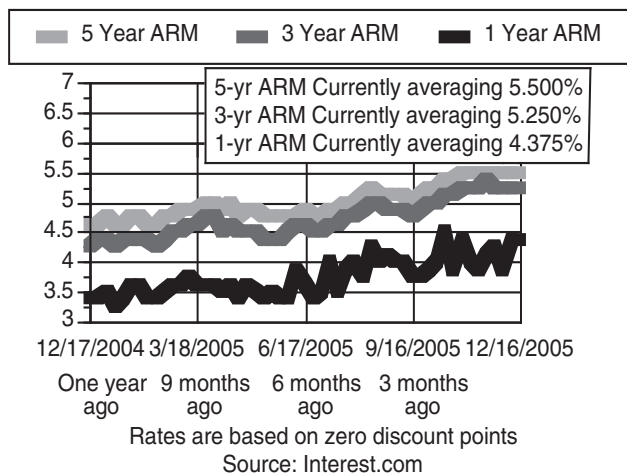
15-Year Fixed Mortgage Rate



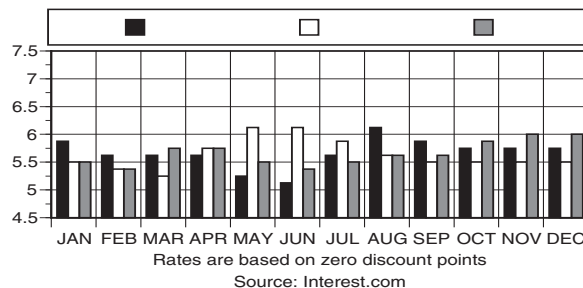
5-Year Adjustable Mortgage Rate



Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage

