



WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 12-25-05
Annual subscription \$250 (1-800-844-4648)



Mortgage Rates Finally Soften Week in review 12/19/05 - 12/23/05

Yields of U.S. Treasury securities, which move in the opposite direction of prices, rose one day and slipped the next – reacting to economic news. Strong reports sparked selling as traders worried the Fed would be forced to keep hiking short-term rates. But signs of benign inflation encouraged buying, sending yields back down. Finally on Friday, yields edged off once again when much weaker-than-expected new homes sales sparked a Treasury price rally and gave mortgage lenders room to soften rates a bit.

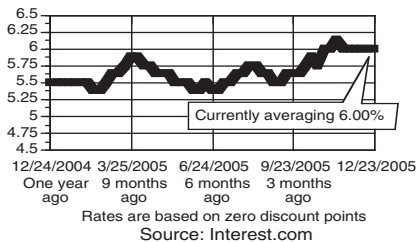
Treasuries got a lift from the Producer Price Index (PPI), which looks for inflation at the wholesale level. It found none, with the PPI posting a 0.7-percent decline in November (due largely to a drop in oil prices), and the core rate, which eliminates volatile food and energy prices, rose only 0.1 percent. But a surge in Housing Starts for November trumped the PPI, reawakening fears of continued rate hikes. Housing starts climbed 5 percent to an annual rate of 2.12 million units, while Building Permits were up 2.9 percent to an annual rate of 2.16 million. This quieted talk, at least temporarily, that the housing boom is over.

The final revision on third-quarter Gross Domestic Product (GDP), the nation's

broadest measure of economic health, came in at 4.1 percent – less than expected but the strongest since the start of 2001. The bugaboo, however, was an increase in personal consumption expenditures – one of the Fed's favored inflation indicators. It rose to 1.4 percent from 1.2 percent, and selling ensued. But the next day Personal Spending/Income for November showed each component up only 0.3 percent. And the index of consumer spending rose by a less-than-forecast 0.1 percent, indicating that inflation is well contained. This turned sellers into buyers and sent Treasury yields back down. On Friday in thin-pre-holiday trade, buyers stepped back in as inflation concerns ebbed again when November new home sales slid 11.3 percent to a 1.245-million-unit annual rate, far weaker than expected.

The Mortgage Bankers Association reported that mortgage applications remained sluggish for the week ended Dec. 16. Applications to purchase fell 5.2 percent, while refinances were off 1.6 percent. The rate on the 30-year fixed-rate mortgage (based on zero discount points) is holding at 6.0 percent, while the 15-year fixed-rate mortgage neared 5.625 percent. The rate on the volatile one-year adjustable-rate mortgage climbed to 4.625 percent.

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	12/16/05	12/23/05
2 year T-note	4.35%	4.37%
5 year T-note	4.34%	4.33%
10 year T-note	4.43%	4.39%
30 year T-Bond	4.63%	4.56%

Discount Rate (wk. end 12/16)	5.25%
Fed Funds Rate (wk. end 12/16)	4.19%
Prime rate (wk. end 12/16)	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 12/16)	4.65%
1 Year TCM (wk. end 12/16)	4.34%
2 Year TCM (wk. end 12/16)	4.40%
3 Year TCM (wk. end 12/16)	4.39%
5 Year TCM (wk. end 12/16)	4.40%
7 Year TCM (wk. end 12/16)	4.43%
10 Year TCM (wk. end 12/16)	4.49%
20 Year TCM (wk. end 12/16)	4.77%

Required Yields for Delivery

	Freddie Mac (12/23/05)			
	10 day	30 day	60 day	90 day
30 year	5.98 %	5.99 %	6.03 %	6.06 %
15 year	5.48 %	5.50 %	5.52 %	5.55 %
	Fannie Mae (12/23/05)			
	10 day	30 day	60 day	90 day
30 year	6.08 %	6.10 %	6.13 %	6.17 %
15 year	5.61 %	5.63 %	5.65 %	5.67 %

HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	Oct.	\$1.13 tril.	+0.7%
Housing Starts	Nov.	2.12 mil.	+4.95%
Building Permits	Nov.	2.16 mil.	+2.9%
Existing Home Sales	Oct.	7.09 mil.	-2.7%
New Home Sales	Nov.	1.25 mil.	-11.3%

MORTGAGE APPLICATION INDEXES (MBA)

	Wk. ended Dec. 16, 2005	Change
Number of purchase applications	Down	-5.2%
Number of refinance applications	Down	-1.6%

Mortgage Rates Likely to Move in Narrow Range Week in preview 12/26/05 - 12/30/05

The last four days of the year feature several market-moving economic releases, but trading is historically light during this holiday-shortened week. First off is the Consumer Confidence report for December from the Conference Board. This index could sway the markets, as a confident consumer is thought to be a spending one. Existing Home Sales for November will also be closely watched for signs of housing market weakness, as existing homes account for about 85 percent of all homes sold. The Chicago PMI index on December business conditions – a well-regarded barometer for regional economic growth – also could have an impact. If reports come in on target, and there are no major surprises, mortgage rates should remain fairly steady.

The Consumer Confidence report for December leads off a short but impressive list of economic indicators due on this, the final week of

2005. Consumer confidence is often pegged to spending, so higher confidence is welcomed by the equity markets, while a drop in confidence would be bond friendly. In recent months, however, this theory has been questioned, as it appears that consumers are spending no matter where their confidence level lies.

On Wednesday the lone reports are two surveys on national retail sales for the week ended Dec. 24.

On Thursday first-time unemployment claims for the week ended Dec. 24 will be released, along with Existing Home Sales for November.

The business week, the quarter and the year closes out on Friday. The only report on the docket is the Chicago PMI index. This report is closely watched as it is often foretells the Institute of Supply Management index due out Jan. 3.

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Dec. 26		The federal government and financial markets will close to observe Christmas Day	
Dec. 27	10:00 am	Consumer Confidence Report (Dec.)	102.5
	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 12/24)	
	8:00 am	Redbook report on retail sales (Wk. end 12/24)	
Dec. 29	8:30 am	Weekly Unemployment Claims (Wk. end 12/24)	320,000
	10:00 am	Existing Home Sales (Nov.)	7.05 mil.
Dec. 30	10:00 am	Chicago PMI releases index on Dec. business conditions	60.0

Interest.com--all times Eastern Standard Time



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Keeping you abreast of the ever-changing mortgage market

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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. Internat. 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		+2.4%	+0.9 %
	8:00 am	Redbook report on retail sales	Wk. end Dec. 17 v. one month ago		-0.3 %	-0.3 %
	8:30 am	Producer Price Index/core rate	Nov.	Dept. of Labor	-0.7%/ +0.1%	+0.7 %/ -0.3 %
	8:30 am	Housing Starts	Nov.	Commerce Dept.	+4.95% @ 2.12 mil.	-5.6 % @ 2.03 mil. (rev.)
	8:30 am	Building Permits	Nov.	Commerce Dept.	+2.9 % @ 2.16 mil.	-6.7 % @ 2.10 mil. (rev.)
Dec. 21	8:30 am	Gross Domestic Product (final)	3rd Qtr.	Commerce Dept.	+4.1%	+4.3 %
	8:30 am	GDP Chain Deflator (final)	3rd Qtr.	Commerce Dept.	+3.3%	+3.0 %
Dec. 22	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 17	Dept. of Labor	318,000	331,000 (rev.)
	8:30 am	Personal Incomes and Outlays	Nov.	Commerce Dept.	+0.3 %/ +0.3 %	+0.4 %/ +0.2 %
	10:00 am	Index of Leading Indicators	Nov.	Conference Board	+0.5%	+1.0 % (rev.)
Dec. 23	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Nov.	Commerce Dept.	+4.4 %/ -0.6%	+3.0 % (rev.)/ +0.3 %
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Dec.	Univ. of Michigan	91.5	88.7
	10:00 am	New Home Sales	Nov.	Commerce Dept.	-11.3% @ 1.25 mil.	+11 % @ 1.40 mil. (rev.)
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		_____	+2.4%
	8:00 am	Redbook report on retail sales	Wk. end Dec. 24		_____	-0.3%
Dec.29	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 24	Dept. of Labor	_____	318,000
	10:00 am	Existing Home Sales	Nov.	Natl. Assn. of Realtors®	_____	-2.74 % @ 7.09 mil.
Dec. 30	10:00 am	Chicago Purchasing Managers Institute release index on Dec. business conditions			_____	61.7



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INDUSTRY NEWS

Freddie Mac Economic & Housing Outlook "Tis the Season"

by Frank Nothaft, Nela Richardson and Michael Schoenbeck
(Part 2)

Real GDP growth. Resilience and momentum characterize the U.S. economy in the second half of this year. Three successive hurricanes, though devastating to the impacted areas, did not thwart above trend growth nationally. The preliminary estimate of annualized GDP growth in the third quarter is 3.8 percent and we're forecasting 3.5 percent growth in the fourth quarter. Robust growth will continue into 2006 stimulated in part by the rebuilding effort in the Gulf region.

Consumer price inflation. Overall the surge in oil prices appears to be receding. Though natural gas prices will be a thorn in the side of households this coming winter, energy price surges are not expected to have a large impact on non-energy prices. We have revised our fourth-quarter estimate of CPI upwards to 4 percent to reflect the short-term impact of the hurricanes. However, we expect CPI inflation to slow to a moderate pace of 2.5 percent in 2006.

Unemployment rate. The October jobs report indicates that the economy added 56,000 non-farm payroll jobs, substantially less than many economists had expected. Regions outside those directly affected by the hurricanes experienced below trend job growth in October, possibly as a result of hurricane related spikes in energy prices. Nevertheless, strong economic growth leads us to decrease our unemployment forecast in the fourth quarter to 5.0 percent from 5.1 percent last month.

Mortgage rates. We increased our forecast of the 30-year fixed rate by 20 basis points to 6.2 percent in the fourth quarter, and expect it to average 5.9 percent and 6.4 percent for 2005 and 2006, respectively. The 1-year ARM is also on the rise, reaching an average of 5.0 percent in the fourth quarter and averaging 4.5 percent for the year.

ARM Share. Flattening of the yield curve (primarily through increasing short-term rates) will cause the adjustable-rate share of mortgage lending to drift down gradually over the next year; our estimate is at 31 percent and 28 percent for 2005 and 2006, respectively.

Housing starts. Solid income growth continues to foster demand for new housing despite increases in home building costs. Our expectation for total housing starts in 2005 is at 2.05 million units, up slightly from our October Outlook. Housing starts are expected to decrease 7.3 percent in 2006 to 1.9 million units as a consequence of higher mortgage rates.

Home sales. Total home sales will easily set a record level in 2005 at around 7.5 million units. We increased our 2006 forecast to 7.0 million – a 7 percent dip from the expected 2005 level set; this is a lower projection than last month's estimate and it ties to our higher interest rate forecast for 2006.

Home value appreciation. Because of higher mortgage rates and seasonal effects we decreased our forecast of fourth-quarter house price appreciation to 5.4 percent, annualized. Still, even with higher mortgage rates, we expect house price growth to average 7.5 percent in 2006 due to continued strong economic growth and high home building costs.

Mortgage activity. Even with higher mortgage rates, refinancing activity was strong in the third quarter, with 44 percent of new mortgage applications being submitted for refis. As interest rates continue to increase the refi share will drop to one-third of total originations in 2006.

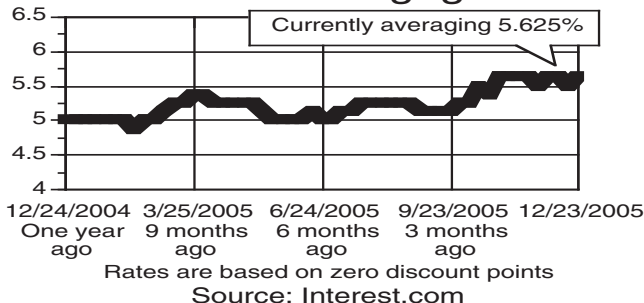
Mortgage Debt. We decreased slightly our estimate of growth in residential mortgage debt to 12.5 percent in 2005 and 11 percent in 2006 to reflect the higher mortgage rates and lower house price growth identified in this month's forecast.

*Happy Holidays
to All*

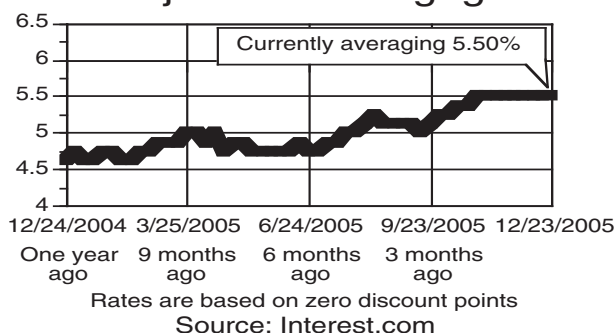
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MORTGAGE MARKET MONITOR

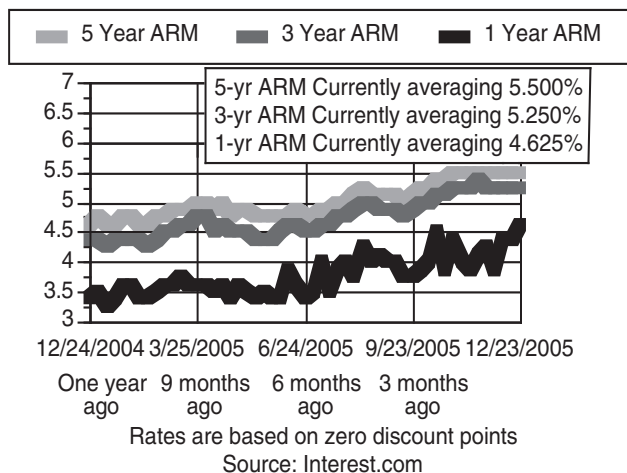
15-Year Fixed Mortgage Rate



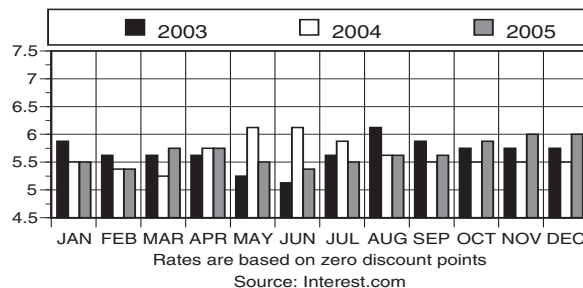
5-Year Adjustable Mortgage Rate



Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage

