



# WEEKLY MORTGAGE RATE REPORT (Fax Weekly Report)

FOR THE WEEK OF 06-01-01  
Annual subscription \$250 (1-800-844-4648)



## Mortgage Rates Creeping Down Week in review 12/26/05 - 12/30/05

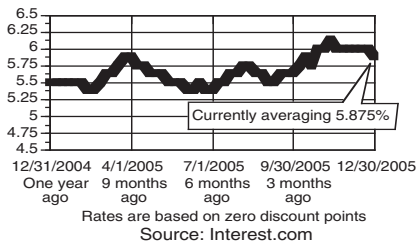
The U.S. Treasury markets witnessed a rarely seen yield curve inversion, which occurs when the yield on the two-year note exceeds that of the 10-year note. It happened on Dec. 27 for the first time in five years, and is significant in that previous inversions have preceded economic slowdowns and the recessions of 2000 and 1989. Many pundits are now forecasting economic deceleration in 2006, but recession is not currently in the picture. Expectations that economic growth will slow fostered a one-day Treasury rally that sent the 10-year yield to its lowest level since late September – prices and yields move in opposite directions. This decline in yields, which are used to set rates, allowed lenders to edge them down on many popular products.

During a week of scant news, two releases stood out: Existing Home Sales (EHS) for November and Consumer Confidence. EHS slid below 7 million for the first time since March. Sales were down 1.7 percent to an annual rate of 6.97 million units. Even so, the median price of homes is up 13.2 percent from a year ago, but so are inventories. Presently, there is a five-month supply of existing homes on the market. Although total home sales declined, they remain strong by historical standards.

Consumer Confidence in December climbed to 103.6 from a revised 98.3 in November – higher than forecast. This is the strongest showing in confidence since August (pre-hurricanes), and once again consumers cited lower gasoline prices and a better job market as reasons for optimism. The Chicago Purchasing Managers Institute index on December business conditions edged down to 61.5 from 61.7. Inventories, new orders and employment were up, but the prices-paid index – an inflation indicator – corrected from unusually high November figures. In addition, first-time unemployment claims rose to 322,000 for the week ended Dec. 24, while the more telling four-week average edged up to 325,000.

For the week ended Dec. 23, mortgage applications fell to their lowest level since April 2002, according to the Mortgage Bankers Association. An 11.2 percent decline in refinances led the slide, while purchases dropped 4.5 percent. The rate on the 30-year fixed-rate mortgage (based on zero discount points) edged below 6.0 percent for the first time in six weeks. It is now just above 5.875 percent. The 15-year fixed-rate mortgage retreated to slightly over 5.5 percent, while the rate on the volatile one-year adjustable-rate mortgage fell to 4.375 percent.

### 30-Year Fixed Mortgage Rate



## KEY INTEREST RATES

U.S. Treasury Yields	12/23/05	12/30/05
2 year T-note	4.37%	4.36%
5 year T-note	4.33%	4.30%
10 year T-note	4.39%	4.34%
30 year T-Bond	4.56%	4.48%

Discount Rate (wk. end 12/23)	5.25%
Fed Funds Rate (wk. end 12/23)	4.24%
Prime rate (wk. end 12/23)	7.25%

### ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Nov.)	6.22%
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 12/23)	4.64%
1 Year TCM (wk. end 12/23)	4.37%
2 Year TCM (wk. end 12/23)	4.40%
3 Year TCM (wk. end 12/23)	4.39%
5 Year TCM (wk. end 12/23)	4.38%
7 Year TCM (wk. end 12/23)	4.39%
10 Year TCM (wk. end 12/23)	4.45%
20 Year TCM (wk. end 12/23)	4.71%

### Required Yields for Delivery

	10 day	30 day	60 day	90 day
Freddie Mac (12/30/05)				
30 year	5.95 %	5.97 %	6.01 %	6.04 %
15 year	5.48 %	5.50 %	5.53 %	5.56 %
Fannie Mae (12/30/05)				
30 year	6.04 %	6.06 %	6.10 %	6.14 %
15 year	5.60 %	5.61 %	5.64 %	5.68 %

## 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	Nov.	6.97 mil.	-1.7 %
New Home Sales	Nov.	1.25 mil.	-11.3%

### MORTGAGE APPLICATION INDEXES (MBA)

	Wk. ended Dec. 23, 2005	Change
Number of purchase applications	Down	-4.5%
Number of refinance applications	Down	-11.2%

## Mortgage Rates Should Remain Steady Week in preview 1/2/06 - 1/6/06

The new year begins tentatively with regard to economic indicators, but ends with a bang, as the Employment Report for December comes out on Friday. Prior to that the most important data come from the Institute for Supply Management (ISM), which releases both its index on nationwide manufacturing and non-manufacturing (the retail sector) conditions. The ISM on manufacturing is the more important of the two and can move the markets. Other reports include New Construction and Factory Orders for November. During this holiday-shortened period it is unlikely the data on tap early in the week will have the power to move mortgage rates far from present levels.

The first economic report of the new year could sway the markets. It is the Institute of Supply Management index of nationwide manufacturing conditions in December. This report is widely regarded as a good barometer

of the health of the manufacturing sector due to its breadth and recent data. New Construction for November also will be released, but it is not generally a factor. In the afternoon The Fed will release the minutes of its Dec. 13 meeting and they will be scrutinized for clues regarding future rate hikes.

On Wednesday Factory Orders for November will come out, along with two weekly surveys on retail sales across the country, which have little influence on trading.

First-time unemployment claims for the week ended Dec. 31 will be released on Thursday along with the ISM index on the service sector.

The all-important Employment Report for December is the most influential one of the week -- and the month. This indicator generally impacts the financial markets, whether it's good or bad.

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Jan. 2		The federal government and financial markets will observe New Year's Day	
Jan. 3	10:00 am	New Construction (Nov.)	+0.3%
	10:00 am	ISM releases index of Dec. Mfg. Conditions	57.3
	2:00 pm	Minutes of Dec.13 FOMC Meeting	
Jan. 4	8:00 am	ICSC-UBS report on chain store sales (Wk. end 12/31)	
	8:00 am	Redbook report on retail sales (Wk. end 12/31)	
	10:00 am	Factory Orders (Nov.)	+2.2%
Jan. 5	8:30 am	Weekly Unemployment Claims (Wk. end 12/31)	320,000
	10:00 am	ISM releases index of Dec. non-Mfg. Conditions	59.5
Jan. 6	8:30 am	The Employment Report (Dec.)	+200,000 @ 5%
	8:30 am	Hourly wage earnings (Dec.)	+0.2%

Interest.com--all times Eastern Standard 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 -- JANUARY 2006

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS	
Dec. 26		<b>The federal government and financial markets will be closed in observance of Christmas Day</b>					
Dec. 27	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		+2.8%	+2.4%	
	8:00 am	Redbook report on retail sales	Wk. end Dec. 24		0.0%	-0.3%	
	10:00 am	Consumer Confidence Report	Dec.	Conference Board	103.6	98.3 (rev.)	
Dec. 29	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 24	Dept. of Labor	322,000	319,000 (rev.)	
	10:00 am	Existing Home Sales	Nov.	Natl. Assn. of Realtors®	-1.7% @ 6.97 mil.	-2.74% @ 7.09 mil.	
	10:00 am	Chicago Purchasing Managers Institute release index on Dec. business conditions			61.5	61.7	
Dec. 30		<b>No economic indicators are scheduled for release</b>					
Jan. 2		<b>The federal government and financial markets will be closed in observance of New Year's Day</b>					
Jan. 3	10:00 am	New Construction	Nov.	Commerce Dept.		+0.7 %	
	10:00 am	ISM releases index of Dec. Mfg. Conditions				58.1	
	2:00 pm	Minutes of FOMC Meeting on Dec. 13				Jan. 4	
	8:00 am	ICSC-UBS report on chain store sales	Wk. end Dec. 31			+2.4%	
	8:00 am	Redbook report on retail sales	Wk. end Dec. 31 v. one month ago			0.0%	
	10:00 am	Factory Orders	Nov.	Commerce Dept.		+2.2%	
Jan. 5	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 31	Dept. of Labor		322,000	
	10:00 am	ISM releases index of Dec. non-Mfg. Conditions				58.5	
Jan. 6	8:30 am	The Employment Report	Dec.	Dept. of Labor		+215,000 @ 5 %	
	8:30 am	Hourly wage earnings	Dec.	Dept. of Labor		+0.2 % @ \$16.32	
Jan. 9	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
	3:00 pm	Consumer Credit		Federal Reserve		-\$7.2 bil.	
Jan. 10	8:00 am	ICSC-UBS report on chain store sales	Wk. end Jan. 7				
	8:00 am	Redbook report on retail sales	Wk. end Jan. 7 v. one month ago				
	10:00 am	Wholesale Inventories/Sales	Dec.	Commerce Dept.		+0.2 %	
Jan. 11		<b>No economic indicators are scheduled for release</b>					
Jan. 12	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 7	Dept. of Labor			
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Dec.	Commerce Dept.		-0.9 %/ -0.2 %	
	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Nov.	Commerce Dept.		-\$69.8 bil.	
	2:00 pm	Treasury Statement (monthly budget)	Dec.	Treasury Dept.		-\$83.1 bil.	
Jan. 13	8:30 am	Advance Retail Sales/ ex-auto	Dec.	Commerce Dept.		+0.3%/ -0.3 %	
	8:30 am	Business Inventories/ Sales	Nov.	Commerce Dept.		-0.7%/ +0.1%	
	8:30 am	Producer Price Index/core rate	Dec.	Dept. of Labor		+0.7 %/ -0.3 %	
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Jan.	Univ. of Michigan		91.5	
Jan. 16	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Jan. 17	8:00 am	ICSC-UBS report on chain store sales	Wk. end Jan. 14				
	8:00 am	Redbook report on retail sales	Wk. end Jan. 14 v. one month ago				
	9:15 am	Industrial Production & Capacity Utilization	Dec.	Federal Reserve		+0.7 %/ 80.2%	
Jan. 18	8:30 am	Consumer Price Index/core rate	Dec.	Dept. of Labor		-0.6 %/ +0.2 %	
	noon	Federal Open Market Committee releases Beige Book					
Jan. 19	8:30 am	Housing Starts	Dec.	Commerce Dept.		+4.95% @ 2.12 mil.	
	8:30 am	Building Permits	Dec.	Commerce Dept.		+2.9 % @ 2.16 mil.	
	8:30 am	NY Empire State Index of Jan. Manufacturing Conditions				28.7	
	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 14	Dept. of Labor			
	noon	Philadelphia Fed Report on Jan. manufacturing conditions		Federal Reserve		12.6	
Jan. 20		<b>No economic indicators are scheduled for release</b>					
Jan. 23	10:00 am	Index of Leading Indicators	Dec.	Conference Board		+0.5%	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					
Jan. 24	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 21				
	8:00 am	Redbook report on retail sales	Wk. end Jan. 21 v. one month ago				
Jan. 25	10:00 am	Existing Home Sales	Dec.	Natl. Assn. of Realtors®		-1.7% @ 6.97 mil.	
Jan. 26	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 21	Dept. of Labor			
	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Dec.	Commerce Dept.		+4.4 %/ -0.6%	
Jan. 27	8:30 am	Gross Domestic Product (adv.)	4th Qtr.	Commerce Dept.		+4.1 %	
	8:30 am	GDP Chain Deflator (adv.)	4th Qtr.	Commerce Dept.		+3.3 %	
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Jan.	Univ. of Michigan			
	10:00 am	New Home Sales	Dec.	Commerce Dept.		-11.3% @ 1.25 mil.	
Jan. 30	8:30 am	Personal Incomes and Outlays	Dec.	Commerce Dept.		+0.3 %/ +0.3 %	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					
Jan. 31	8:00 am	ICSC/UBS report on chain store sales	Wk. end Jan. 28			+2.4%	
	8:00 am	Redbook report on retail sales	Wk. end Jan. 28			-0.3%	
	8:30 am	Employment Cost Index	4th Qtr.	Dept. of Labor		+0.8%	
	10:00 am	Chicago Purchasing Managers Institute release index on Jan. business conditions				61.5	
	10:00 am	Consumer Confidence Report	Jan.	Conference Board		103.6	
	2:15 pm	The Federal Open Market Committee releases its decision on interest rates				+25 basis points	
Feb. 1	10:00 am	ISM releases index of Jan. Mfg. Conditions					
	10:00 am	New Construction	Dec.	Commerce Dept.			
Feb. 2	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 28	Dept. of Labor			
	8:30 am	Productivity & Costs (prelim.)	4th Qtr.	Dept. of Labor		+4.7%/ -1.0%	
Feb. 3	8:30 am	The Employment Report	Jan.	Dept. of Labor			
	8:30 am	Hourly wage earnings	Jan.	Dept. of Labor			
	10:00 am	Factory Orders	Nov.	Commerce Dept.			
	10:00 am	ISM releases index of Jan. non-Mfg. Conditions					

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



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## INDUSTRY NEWS

### Risky Mortgages Unfit for Many Homeowners - Crisis May Loom in Near Future

DURHAM, N.C., Dec. 8 /PRNewswire/ – First-time homeowners who purchased a home during the housing boom of the past few years may find it difficult to manage their monthly mortgage payments in the near future. Certain types of higher-risk or "exotic" mortgages that have exploded in popularity among first-time buyers are scheduled to reset to new interest rates for many families between now and 2007. This will result in monthly payments rising significantly for many homeowners.

"While exotic mortgages made the dream of homeownership a reality for many families, they can also turn into a real nightmare without much warning," says Stella Adams, executive director of the North Carolina Fair Housing Center (NCFHC) and a national housing advocate for minority, lower income, and first-time home buyers. "If you're shopping around for the lowest monthly payment and all you can afford is one of these exotic loans, then homeownership might not be a good idea just yet."

In April 2005, Adams testified before the U.S. Congress about abusive mortgage lending, offering legislative suggestions to ensure lower income and first-time home buyers are not misguided into predatory home financing. Studies show that approximately \$1.5 trillion worth of mortgages are scheduled to reset by 2007, which even at today's interest rates would cause monthly mortgage payments to increase for millions of new homeowners who took advantage of historically low interest rates offered over the past few years. The North Carolina Fair Housing Center released a chart entitled, "What Do Interest Rates Mean for My Mortgage?," which shows how monthly payments on some mortgage products can rise sharply with even a moderate increase in interest rates. NCFHC provides this chart so that mortgage lenders, real estate professionals and the media can share this information with consumers to raise awareness about various mortgage risks.

These risks are due primarily to the overwhelming popularity of these high-risk mortgages, often called "exotic loans," that pair low monthly payments with a low down payment at the expense of a long-term fixed interest rate. Instead, these "exotic" mortgages feature an appealing interest rate lower than an average 30-year fixed rate mortgage for a short introductory period, most commonly five years but sometimes as few as one. And, these low interest rates are not always fixed during the introductory period and may adjust as interest rates fluctuate.

High-risk mortgages come in different forms. An adjustable-rate mortgage (ARM) features an initial low interest rate that fluctuates as interest rates rise. ARMs are a very popular form of second mortgage used on a combo or "piggyback" mortgage. Piggybacks combine a large traditional 80 percent loan with a smaller, but higher-interest-rate second mortgage so that the buyer can avoid a large down payment.

"Piggybacks have been promoted by many lenders as a way to avoid private mortgage insurance," said Adams, "but there's no way out of an adjustable second mortgage since it must be paid-off in full."

Another popular exotic mortgage is the Interest-Only (I/O) loan, which allows homeowners to pay only interest on the principal and therefore a smaller monthly payment. Most I/Os feature a low fixed-interest rate for a period of one, three or five years. The risk, according to many experts, with an I/O involves zero equity. Since none of the monthly payment goes toward paying the principal loan, the homeowner owes 100 percent of the mortgage at the end of the fixed rate period.

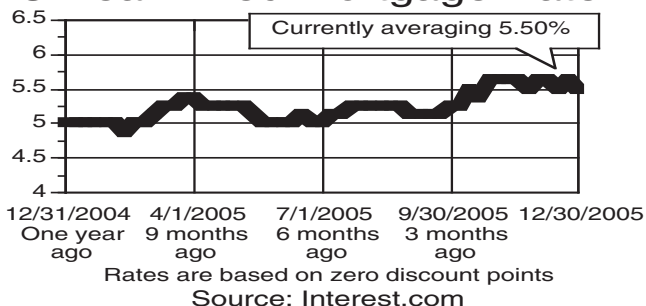
"Should the real estate market continue to cool as it has been, homeowners with an I/O might end up owing the bank more than their house is worth," Adams warns. "This could make it impossible to sell and create a financial sinkhole for homeowners."

While the pitfalls of these risky mortgages have been a hot topic recently, Adams says there needs to be a greater focus on solutions, so that current homeowners know their options and those looking to buy who cannot afford an unexpected increase in their monthly mortgage payment avoid these types of mortgages.

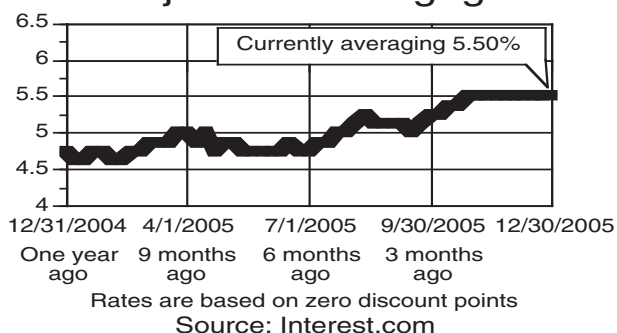
"These loans might be suitable for a small population of homebuyers who are financially prepared to manage a more expensive mortgage payment, but it is startling that so many buyers – particularly first time buyers who have no experience with financing a home – are turning to these loans because they offer a short-term low monthly payment," continued Adams. "Fixed-rate mortgages are the safest and most secure way to finance a home," she said. "A 30-year fixed rate mortgage is available

## MORTGAGE MARKET MONITOR

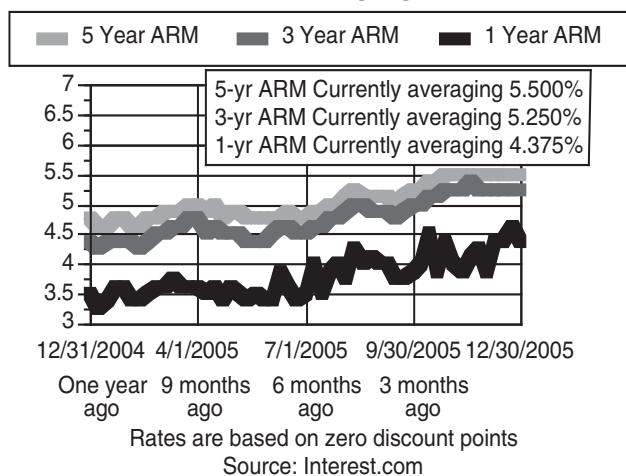
### 15-Year Fixed Mortgage Rate



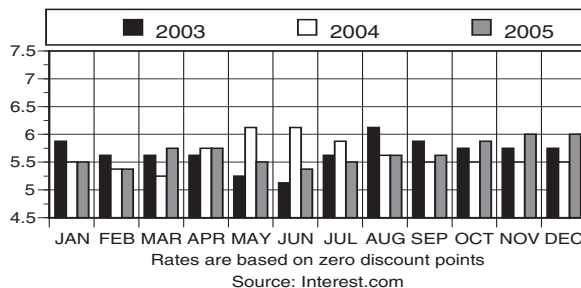
### 5-Year Adjustable Mortgage Rate



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE



with a low down payment and no second mortgage when mortgage insurance is used to secure the loan," Adams explains. "Mortgage insurance has a bad reputation for no real reason, but it will pale in comparison to the reputation of these exotic mortgages in a few years."

Mortgage insurance can help lower income families with imperfect credit purchase a home with as little as 3 percent down, and it avoids the need for a piggyback loan. Additionally, mortgage insurance can be cancelled once 20 percent equity is earned through payments on principal or through home value appreciation.

"Given what's happening with interest rates and the real estate market today, a fixed-rate loan with mortgage insurance is a secure option that more people should consider," Adams concluded.

SOURCE: North Carolina Fair Housing Center