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# WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 06-08-01  
Annual subscription \$250 (1-800-844-4648)



## Mortgage rates lower on some products

Week in review 1/2/06 - 1/6/06

Two days of gains in U.S. Treasury securities allowed lenders, who base their moves on Treasury yields, to edge rates down on many popular products. Buying was spurred by Fed minutes that suggested rate hikes would be coming to an end, an unexpected downturn in manufacturing conditions and a steepening of the yield curve.

The minutes from the Dec. 13 meeting of the Fed told traders what they wanted to hear: "The number of additional firming steps required would not be large." Although an end-of-January rate hike is expected, traders hope it will be the last one of the 18-month campaign. This possibility accelerated buying in Treasuries, and especially in two-year notes, which are more sensitive to rate increases. The decline in the two-year note yield, which moves in the opposite direction of price, widened the gap between the yields on the two-year and 10-year notes, nullifying the inversion curve that often predicts economic slowdown.

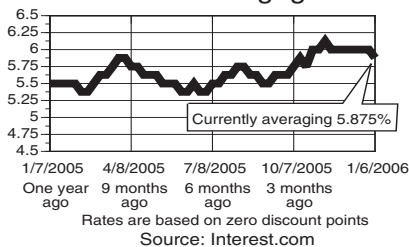
The employment report for December put slight upward pressure on Treasury yields due to a huge upward revision of November data, which caused concern about future rate hikes. Jobs added in December totaled 108,000 – half of what was forecast. A bond friendly report from the Institute of Supply

Management on December manufacturing conditions came in lower than expected — down to 54.2 from 58.1 in November. New orders and employment also were down, but the "prices paid" component — the one looked at for signs of inflation — plunged to 63 from 74. Inflation is the sworn enemy of bonds, as it erodes their long-term value.

First-time jobless claims tumbled by 35,000 for the week ended Dec. 31 to 291,000—the lowest level since September 2000. Analysts, however, noted holiday volatility could be at least partially responsible for the decrease. The more influential four-week average, which smoothes volatility, slid to 316,750. Other reports included new construction for November, which rose 0.2 percent to a record annualized rate of \$1.46 trillion.

For the week ended Dec. 30, mortgage applications were mixed, according to the Mortgage Bankers Association. Applications to purchase fell 3.4 percent, while refinances rebounded, rising by a strong 8.3 percent. The rate on the 30-year fixed-rate mortgage (based on zero discount points) edged down to 5.875 percent, while the 15-year fixed-rate mortgage fell below 5.5 percent. The rate on the volatile one-year adjustable-rate mortgage slid to 4.125 percent.

### 30-Year Fixed Mortgage Rate



## KEY INTEREST RATES

U.S. Treasury Yields	12/30/05	1/6/06
2 year T-note	4.36%	4.34%
5 year T-note	4.30%	4.30%
10 year T-note	4.34%	4.37%
30 year T-Bond	4.48%	4.56%

Discount Rate (wk. end 12/30)	5.25%
Fed Funds Rate (wk. end 12/30)	4.22%
Prime rate (wk. end 12/30)	7.25%

### ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Nov.)	6.22%
12 mo. mvg. avg. (1-yr. TCM) (Dec.)	3.61%
3 mo. LIBOR (FNMA for Dec.)	4.53%
6 mo. LIBOR (FNMA for Dec.)	4.69%
National COFI (Oct.)	2.74%
11th District COFI (Nov.)	3.19%
6 month CD (wk. end 12/30)	4.65%
1 Year TCM (wk. end 12/30)	4.36%
2 Year TCM (wk. end 12/30)	4.38%
3 Year TCM (wk. end 12/30)	4.34%
5 Year TCM (wk. end 12/30)	4.33%
7 Year TCM (wk. end 12/30)	4.34%
10 Year TCM (wk. end 12/30)	4.37%
20 Year TCM (wk. end 12/30)	4.60%

### Required Yields for Delivery

	Freddie Mac (1/6/06)			
	10 day	30 day	60 day	90 day
30 year	5.91%	5.93%	5.97%	6.01%
15 year	5.39%	5.42%	5.43%	5.46%
	Fannie Mae (1/6/06)			
	10 day	30 day	60 day	90 day
30 year	5.96%	5.98%	6.02%	6.07%
15 year	5.51%	5.52%	5.55%	5.59%

## HOUSING SNAPSHOT

	Month	Total	Change
Construction Spending	Nov.	\$1.15 tril.	+0.2%
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. 30, 2005			
Number of purchase applications	Down		-3.4%
Number of refinance applications	Up		+8.3%

## Mortgage rates could hold at lower levels

Week in preview 1/9/06 - 1/13/06

There are a few market-moving reports on tap, including retail sales for December, the University of Michigan preliminary consumer sentiment report for January, and the all-important producer price index (PPI) for December, which checks for inflation at the wholesale level. Early reports show holiday sales were good. Any inflationary signs from the PPI would also put pressure on Treasuries, which could send mortgage rates up.

The week begins slowly but picks up steam, with Friday being the day to watch. Monday consumer credit for November will be released, but it is not generally a factor. In the afternoon the Treasury will conduct its weekly auction of three- and six-month notes.

On Tuesday wholesale inventories and sales for December will be out. Although

this report has only minor influence, a trend toward decreasing inventories should at some time force manufacturers to ramp up production in order to restock dwindling supplies. Two weekly surveys of nationwide retail sales for the week ended Jan. 7 also are due.

There are no reports scheduled for Wednesday, but Thursday features weekly first-time unemployment claims, which can influence the markets. Also on tap are U.S. import/export price indexes for December and the U.S. trade deficit for November.

Friday is packed with market-movers, beginning with retail sales and the producer price index (PPI) for December. The PPI is especially important due to inflation data. A consumer sentiment survey and business inventories also are set for release.

### EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Jan. 9	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill	
	3:00 pm	Consumer Credit (Nov.)	\$4.8 bil.
Jan. 10	8:00 am	ICSC-UBS report on chain store sales (Wk. end 1/7)	
	8:00 am	Redbook report on retail sales (Wk. end 1/7)	
	10:00 am	Wholesale Inventories/Sales (Dec.)	+0.5%
Jan. 11		<b>No economic indicators are scheduled for release</b>	
Jan. 12	8:30 am	Weekly Unemployment Claims (Wk. end 1/7)	325,000
Jan. 13	8:30 am	U.S. Import (ex. oil) / Export (ex. ag.) Price Indexes (Dec.)	
	8:30 am	U.S. Internatl. Trade in Goods & Services (Nov. deficit)	
	2:00 pm	Treasury Statement (Dec. monthly budget)	-\$0.9 bil.
	8:30 am	Advance Retail Sales/ ex-auto (Dec.)	+0.9%
Jan. 13	8:30 am	Business Inventories/ Sales (Nov.)	+0.5%
	8:30 am	Producer Price Index/core rate (Dec.)	+0.4%/ +0.2%
	9:45 am	Univ. of Mich. Sentiment Survey (Jan. prelim.)	

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Keeping you abreast of the ever-changing mortgage market

FOR THE WEEK OF 06-08-01 Page 2

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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.	+0.2%	+0.7 %	
	10:00 am	ISM releases index of Dec. Mfg. Conditions			54.2	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		-0.8%	+2.4%	
	8:00 am	Redbook report on retail sales	Wk. end Dec. 31 v. one month ago		-0.2%	0.0%	
	10:00 am	Factory Orders	Nov.	Commerce Dept.	+2.5% @ +0.2%	+2.2%	
Jan. 5	8:30 am	Weekly Unemployment Claims	Wk. end Dec. 31	Dept. of Labor	291,000	326,000 (rev.)	
	10:00 am	ISM releases index of Dec. non-Mfg. Conditions			59.8	58.5	
Jan. 6	8:30 am	The Employment Report	Dec.	Dept. of Labor	+108,000 @ 4.9%	+305,000 @ 5 % (rev.)	
	8:30 am	Hourly wage earnings	Dec.	Dept. of Labor	+0.3% @ \$16.37	+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			-0.8%	
	8:00 am	Redbook report on retail sales	Wk. end Jan. 7 v. one month ago			-0.2%	
	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		291,000	
	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				54.2	
	10:00 am	New Construction	Dec.	Commerce Dept.		+2.5%	
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		+108,000 @ 4.9%	
	8:30 am	Hourly wage earnings	Jan.	Dept. of Labor		+0.3% @ \$16.37	
	10:00 am	Factory Orders/Inv.	Nov.	Commerce Dept.		+2.5%/-0.2%	
	10:00 am	ISM releases index of Jan. non-Mfg. Conditions				59.8	

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

### Housing valuation analysis of top 299 metro areas

#### Global Insight/National City finds 38% of housing stock 'extremely overvalued'

WALTHAM, Mass. and CLEVELAND, Ohio Dec. 9 /PRNewswire-FirstCall/ -- The third-quarter update of the Global Insight/National City Housing Valuation Analysis shows 38 percent of the top 299 metro housing markets are extremely overvalued and at risk for a price correction. The number of extremely overvalued markets actually declined to 65 from 67 in the second quarter, showing the incidence of overvalued markets is becoming more concentrated.

"While the incidence of overvaluation clearly increased, we are beginning to see more diversity among metro areas. Not all are moving toward loftier valuations, as was the case during the 2003-2004 period," said Richard DeKaser, chief economist at National City Corporation (NYSE: NCC). "Whether the most extremely overvalued markets will have an orderly price correction to more normal, historic levels re-mains to be seen."

Four new metro areas joined the list of extremely overvalued markets, while six cities dropped off the list. Newly included among the extremely overvalued are Honolulu, Hawaii; Orlando, Fla.; Pensacola, Fla.; and Phoenix, Ariz.

Moving off the list of extreme overvaluation was Essex, Mass.; Worcester, Mass.; Jackson, Mich.; Bay City, Mich.; Portland, Maine; and Charlottesville, Va. Generally, Massachusetts is experiencing a return to more normal valuations while Florida is doing the opposite.

"The slower pace of price appreciation, in combination with more recent evidence since the third quarter, suggests that a return to normal valuations lies ahead," stated Philip Hopkins, managing director of U.S. Regional Services at Global Insight.

The Global Insight/National City Housing Valuation Analysis examines the top 299 U.S. real estate markets to determine what home prices should be, controlling for differences in population density, relative income levels, interest rates, and historically observed market premiums or discounts.

Markets with valuation premiums above 30 percent were deemed at risk for price corrections based on the typical degree of overvaluation that preceded the 63 known local market price declines observed since 1985.

The Global Insight/National City Housing Valuation Analysis is a joint venture that combines a statistical model originally developed at National City Corporation with data largely developed at Global Insight. More information is available at <http://www.globalinsight.com/housingindex> or <http://www.nationalcity.com/economics>

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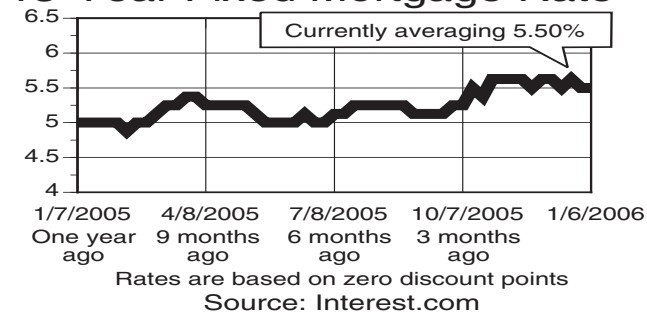
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to increase the quality and quantity of their mortgage inquiries.

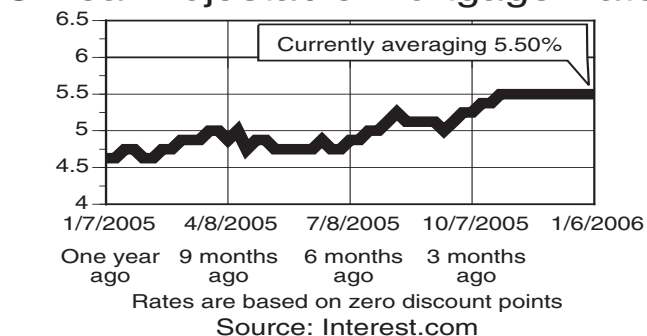
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## MORTGAGE MARKET MONITOR

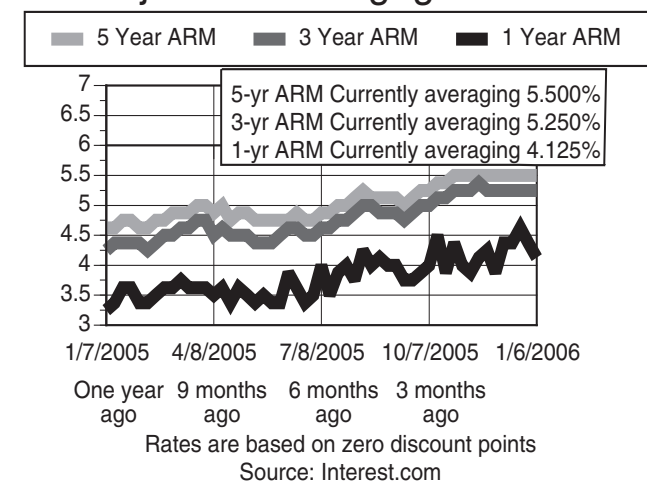
### 15-Year Fixed Mortgage Rate



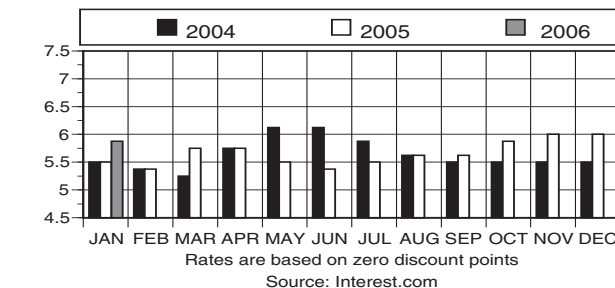
### 5-Year Adjustable Mortgage Rate



### Adjustable Mortgage Rates



### 30 YEAR FIXED MORTGAGE RATE



### 30-year fixed-rate mortgage

