



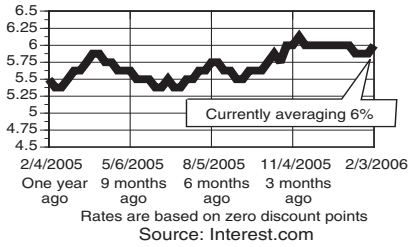
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WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 06-02-05
Annual subscription \$250 (1-800-844-4648)

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	1/27/05	2/3/06
2 year T-note	4.49%	4.60%
5 year T-note	4.44%	4.50%
10 year T-note	4.51%	4.54%
30 year T-Bond	4.69%	4.63%

Discount Rate (wk. end 1/27)	5.25%
Fed Funds Rate (wk. end 1/27)	4.26%
Prime rate (as of 1-31)	7.50%

ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Dec.)	6.29%
12 mo. mvg. avg. (1-yr. TCM) (Dec.)	3.61%
3 mo. LIBOR (FNMA for Jan.)	4.68%
6 mo. LIBOR (FNMA for Jan.)	4.81%
National COFI (Nov.)	2.82%
11th District COFI (Dec.)	3.30%
6 month CD (wk. end 1/27)	4.72%
1 Year TCM (wk. end 1/27)	4.50%
2 Year TCM (wk. end 1/27)	4.44%
3 Year TCM (wk. end 1/27)	4.39%
5 Year TCM (wk. end 1/27)	4.38%
7 Year TCM (wk. end 1/27)	4.40%
10 Year TCM (wk. end 1/27)	4.46%
20 Year TCM (wk. end 1/27)	4.69%

Required yields for delivery

	Freddie Mac (2/3/06)			
	10 day	30 day	60 day	90 day
30 year	6.09%	6.11%	6.13%	6.15%
15 year	5.60%	5.62%	5.65%	5.69%
	Fannie Mae (2/3/06)			
	10 day	30 day	60 day	90 day
30 year	6.16%	6.12%	6.14%	6.17%
15 year	5.69%	5.70%	5.73%	5.75%

HOUSING SNAPSHOT

	Month	Total	Change
Construction spending	Dec.	\$1.16 bil.	+1.0%
Housing starts	Dec.	1.93 mil.	-8.9%
Building permits	Dec.	2.07 mil.	-1.0%
Existing home sales	Dec.	6.9 mil.	-5.7%
New Home Sales	Dec.	1.27 mil.	+2.9%

MORTGAGE APPLICATION INDEXES		(MBA)
Wk. ended Jan. 27, 2006		
Number of purchase applications	Down	-8.0%
Number of refinance applications	Down	-1.5%



Mortgage continue to rise

Week in review 1/30/06 - 2/3/06

Inflation concerns and disappointment in the Fed's statement on rate hikes, as well as nervousness about a flood of bond issues kept pressure on U.S. Treasury securities. Sellers outnumbered buyers and Treasury yields, which move in the opposite direction of prices, marched higher. Since lenders use yields as a guide for setting rates, many have already repriced their rates upward.

Alan Greenspan passed the torch to Ben Bernanke, who was sworn in as the chairman of the Federal Open Market Committee on Feb. 1. The day prior, however, the Fed increased short-term interest rates by another 25 basis points and left the door open for future hikes, stating: "Some further policy firming might be needed to keep...sustainable economic growth and price stability roughly in balance." Disappointed bond traders hoped the Fed would signal an end to the current 14-meeting rate hike program.

And then the January employment report hit. While jobs added to nonfarm payrolls were weaker than expected at 193,000, hourly wages rose by 4 cents to \$16.41 an hour. This increase is regarded as inflationary and ignited aggressive selling in bonds. The unemployment rate dropped to 4.7 percent, signaling a healthy labor market that worried traders. But disappointing reports on the ISM index on the service sector and consumer sentiment reversed the markets.

The ISM index, which measures manufacturing conditions, edged down to 54.8 in January, but showed prices-paid rising slightly, a hint of inflation down the road. Fourth-quarter productivity and costs also raised a warning flag, with productivity diving into negative territory with a 0.6 percent decline. Unit labor costs jumped 3.5 percent, the biggest increase in 2005, an early sign of inflation.

First-time unemployment claims, for the week ended Jan. 28, dropped to 273,000. The more closely watched four-week average, which smoothes volatility, hit its lowest level since June 2000. In a separate report, construction spending climbed 1 percent, eclipsing forecasts for a 0.1 percent gain. This indicator generally goes unnoticed, but the markets responded to the possibility that the once-booming housing market may not be ready to lie down.

Mortgages applications fell for the week ended Jan. 28. The Mortgage Bankers Association said applications to refinance were off 1.5 percent, while purchase applications dropped by a whopping 8 percent. The rate on the 30-year fixed-rate mortgage (based on zero discount points) climbed to just below 6 percent, while the 15-year fixed-rate mortgage is now above 5.5 percent. The rate on the volatile one-year adjustable-rate mortgage held at 4.125 percent.

Mortgage rates could keep moving up

Week in preview 2/5/06 - 2/10/06

The economic calendar is barren for this week, with only the U.S. trade deficit for December, wholesale inventories, the Treasury statement and first-time unemployment claims due. This will leave Treasuries to focus on auctions of three- and 10-year notes and the revival of the 30-year bond. Traders will monitor sales to foreign banks and this will guide trading for the week. If demand is strong, Treasuries should rally. But signs of weakness will likely spur selling. In either case, mortgage rates should hold near present higher levels.

Monday features the weekly auction of 3- and 6-month Treasury bills and this has little effect on the financial markets.

There will be two weekly surveys of nationwide retail sales released on Tuesday. The Johnson Redbook surveys sales at 15 stores while the ICSC/UBS report monitors chain store sales at shopping malls across the country.

There are no economic indicators due out on Wednesday.

Thursday, however, features first-time jobless claims for last week and wholesale inventories for January, which could provide clues about future manufacturing.

The trade deficit for December will be released Friday, but it mainly affects the currency markets. Also due are business inventories for December and the U.S. Treasury statement on the monthly budget.

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Feb. 6	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill	
Feb. 7	8:00 am	ICSC/UBS report on chain store sales (Wk. end 2/4)	
	8:00 am	Redbook report on retail sales (Wk. end 2/4)	
	3:00 pm	Consumer Credit	+\$6 bil.
Feb. 8	There are no economic indicators scheduled for release today.		
Feb. 9	8:30 am	Weekly Unemployment Claims (Wk. end 2/4)	283,000
	10:00 am	Wholesale Inventories/Sales (Jan.)	+0.4%
Feb. 10	8:30 am	U.S. Internatl. Trade in Goods & Services (Dec. deficit)	+\$64.1 bil.
	2:00 pm	Treasury Statement (Jan. monthly budget)	\$5.5 bil.

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 -- FEBRUARY 2006

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS	
Jan. 23	10:00 am	Index of Leading Indicators	Dec.	Conference Board	+0.1%	+0.9% (rev.)	
	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		+0.3%	-1.4%	
	8:00 am	Redbook report on retail sales	Wk. end Jan. 21 v. one month ago		-0.4%	-0.6%	
Jan. 25	10:00 am	Existing Home Sales	Dec.	Natl. Assn. of Realtors®	-5.7% @ 6.6 mil.	-1.7% @ 6.97 mil.	
Jan. 26	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 21	Dept. of Labor	283,000	272,000 (rev.)	
	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Dec.	Commerce Dept.	+1.3%/ +0.9%	+5.4 %/-0.6% (rev.)	
Jan. 27	8:30 am	Gross Domestic Product (adv.)	4th Qtr.	Commerce Dept.	+1.1%	+4.1 %	
	8:30 am	GDP Chain Deflator (adv.)	4th Qtr.	Commerce Dept.	+3.0%	+3.3 %	
	10:00 am	New Home Sales	Dec.	Commerce Dept.	+2.9% @ 1.27 mil.	-11.3% @ 1.25 mil.	
Jan. 30	8:30 am	Personal Incomes and Outlays	Dec.	Commerce Dept.	+0.4%/ +0.9%	+0.4 %/ +0.5 % (rev.)	
	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		-1.1%	+0.3%	
	8:00 am	Redbook report on retail sales	Wk. end Jan. 28 vs. last month		-0.2%	-0.4%	
	8:30 am	Employment Cost Index	4th Qtr.	Dept. of Labor	+0.8%	+0.8%	
	10:00 am	Chicago Purchasing Managers Institute release index on Jan. business conditions			58.5	61.5	
	10:00 am	Consumer Confidence Report	Jan.	Conference Board	106.3	103.6	
	2:15 pm	The Federal Open Market Committee releases its decision on interest rates			+25 basis points	+25 basis points	
Feb. 1	10:00 am	ISM releases index of Jan. Mfg. Conditions			54.8	55.6	
	10:00 am	New Construction	Dec.	Commerce Dept.	+1%	+0.2%	
Feb. 2	8:30 am	Weekly Unemployment Claims	Wk. end Jan. 28	Dept. of Labor	273,000	284,000 (rev.)	
	8:30 am	Productivity & Costs (prelim.)	4th Qtr.	Dept. of Labor	-0.6%/ +3.5%	+4.7%/ -1.0%	
Feb. 3	8:30 am	The Employment Report	Jan.	Dept. of Labor	+193,000 @ 4.7%	+140,000 @ 4.9% (r)	
	8:30 am	Hourly wage earnings	Jan.	Dept. of Labor	+0.4% @ \$16.41	+0.3% @ \$16.37	
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Jan.	Univ. of Michigan	91.2	93.4	
	10:00 am	Factory Orders/Inv.	Dec.	Commerce Dept.	+1.1%	+3.3%/ +0.2% (rev.)	
	10:00 am	ISM releases index of Jan. non-Mfg. Conditions			56.8	61	
Feb. 6	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill				
Feb. 7	8:00 am	ICSC/UBS report on chain store sales	Wk. end Feb. 4			-1.1%	
	8:00 am	Redbook report on retail sales	Wk. end Feb. 4 v. one month ago			-0.2%	
	3:00 pm	Consumer Credit		Federal Reserve		-\$0.60 bil.	
Feb. 8		There are no economic indicators scheduled for release today.					
Feb. 9	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 4	Dept. of Labor		273,000	
	10:00 am	Wholesale Inventories/Sales	Jan.	Commerce Dept.		+0.4%/ -0.7%	
Feb. 10	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Dec.	Commerce Dept.		\$64.2 bil.	
	2:00 pm	Treasury Statement (monthly budget)	Jan.	Treasury Dept.		-\$11.0 bil.	
Feb. 13	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill				
Feb. 14	8:00 am	ICSC/UBS report on chain store sales	Wk. end Feb. 11				
	8:00 am	Redbook report on retail sales	Wk. end Feb. 11 v. one month ago				
	8:30 am	Advance Retail Sales/ ex-auto	Jan.	Commerce Dept.		+0.7%/ +0.2%	
	8:30 am	Business Inventories/ Sales	Dec.	Commerce Dept.		+0.5%/	
Feb. 15	9:15 am	Industrial Production & Capacity Utilization	Jan.	Federal Reserve		+0.6%/ 80.7	
Feb. 16	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 11	Dept. of Labor			
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Jan.	Commerce Dept.		-0.2%/ +0.1%	
	8:30 am	Housing Starts	Jan.	Commerce Dept.		-8.9% @ 1.93 mil.	
	8:30 am	Building Permits	Jan.	Commerce Dept.		-1% @ 2.07 mil.	
Feb. 17	8:30 am	Producer Price Index/core rate	Jan.	Dept. of Labor		+0.9%/ +0.1%	
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Feb.	Univ. of Michigan		91.2	
Feb. 20		The federal government and financial markets will be closed in observance of Presidents Day					
Feb. 21	8:30 am	NY Empire State Index of Feb. Manufacturing Conditions				20.1	
	10:00 am	Index of Leading Indicators	Jan.	Conference Board		+0.1%	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bill				
Feb. 22	8:00 am	ICSC/UBS report on chain store sales	Wk. end Feb. 18				
	8:00 am	Redbook report on retail sales	Wk. end Feb. 18 v. one month ago				
	8:30 am	Consumer Price Index/core rate	Jan..	Dept. of Labor		-0.1%/ +0.2%	
Feb. 23	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 18	Dept. of Labor			
	noon	Philadelphia Fed Report on Feb. manufacturing conditions		Federal Reserve		3.3	
Feb. 24	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Jan.	Commerce Dept.		+1.3%/ +0.9%	
Feb. 27	10:00 am	New Home Sales	Jan.	Commerce Dept.		-2.9% @ 1.27 mil.	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month	T-bills				
Feb. 28	8:00 am	ICSC/UBS report on chain store sales	Wk. end Feb. 25				
	8:00 am	Redbook report on retail sales	Wk. end Feb. 25 v. one month ago				
	8:30 am	Gross Domestic Product (prelim.)	4th Qtr.	Commerce Dept.		+1.1%	
	8:30 am	GDP Chain Deflator (prelim.)	4th Qtr.	Commerce Dept.		+3.0%	
	10:00 am	Existing Home Sales	Jan.	Natl. Assn. of Realtors®		-5.7% @ 6.6 mil.	
	10:00 am	Consumer Confidence Report	Feb.	Conference Board		106.3	
	10:00 am	Chicago Purchasing Managers Institute release index on Feb. business conditions				58.5	
Mar. 1	8:30 am	Personal Incomes and Outlays	Jan.	Commerce Dept.		+0.4%/ +0.9%	
	10:00 am	ISM releases index of Feb. Mfg. Conditions				54.8	
	10:00 am	New Construction	Jan.	Commerce Dept.		+1%	
Mar. 2	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 25	Dept. of Labor			
Mar. 3	9:45 am	Univ. of Mich. Sentiment Survey (final)	Feb.	Univ. of Michigan			

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



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INDUSTRY NEWS

Bubble conditions may be emerging in certain local markets in the west

CHICAGO, Jan. 24 /PRNewswire/ - While the recent rise in prices in the U.S. housing market is not currently indicating a bubble, the increases may be showing the emergence of one, according to a new report released by the Chicago-based Harris Economics Department. However, bubble conditions are unambiguously emerging in several local markets, especially in the West.

A housing market bubble is characterized as a sharp run-up in prices, followed by a subsequent rapid retracement. "The initial rise is usually fueled by speculative activity that results in a sharp divergence from underlying economic fundamentals," according to Paul Ferley, assistant chief economist for Harris. "The second phase of falling prices, however, brings the real worry to lenders and borrowers alike, since lending may have occurred on the basis of inflated, and thus unsustainable, asset values."

The report concludes first that though recent price increases are not yet flagging bubble conditions, the increases are starting to approach worrisome levels. "Housing prices nationally were rising largely due to favorable fundamentals rather than to speculative pressures that would be indicative of a housing market bubble," said Ferley. "However, the situation seems to have changed recently. Affordability has deteriorated significantly in the second and third quarters of 2005 as housing price increases have spiked higher. As a result, affordability is quickly closing the gap relative to this measure's long-run historical average."

Ferley notes that if the projected near-term peak in mortgage rates were used in making the affordability calculations, these measures would generally deteriorate to levels not seen since the early 1990s, the last period that resulted in marked declines in housing prices. As a result, affordability is approaching levels that suggest price gains may be starting to reflect more speculative pressures rather than favorable economic conditions.

"Bubble conditions may not be present yet but are approaching such and thus require close monitoring going forward," stated Ferley. "To allay this concern, housing price increases will need to start to moderate soon from recent sharp increases. Our expectation is that this should occur, since rising mortgage rates should slow the growth in housing prices to a rate below gains in income."

The paper also concludes, however, that concerns about national market conditions can be tempered by the fact that economic conditions in the two most recent periods of a pronounced drop in housing prices were quite different from today's environment. "Sizeable declines in housing prices occurred in the early 1980s and the early 1990s, but both of these periods followed recessions," said Ferley. "The attendant weakening in family income exacerbated the decline in housing prices by sharply reducing household demand."

"But in the current environment, interest rates are not rising to punitive levels; rather, the current tightening is meant to keep growth at a sustainable pace," noted Ferley. He stated that as a result, the current economic environment is less vulnerable to a pronounced weakening in housing prices.

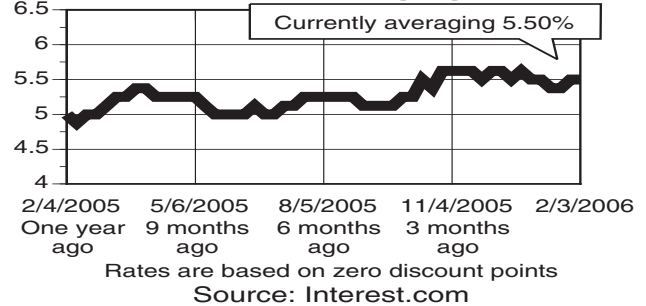
Despite these conditions, the paper further concludes that bubble conditions are definitely emerging in several local markets. "Pressures are particularly evident in the West where housing prices in local markets such as Riverside-San Bernardino (outside of Los Angeles) and Las Vegas are rising rapidly with an attendant marked deterioration in affordability," said Ferley. "Rising prices in those areas seem more the result of speculative pressures and thus are indicative of local housing market bubbles. There is the definite risk in these markets that prices will eventually need to correct sharply lower."

Ferley also noted that housing prices in Chicago and the Midwest are more in line with the national numbers, which suggests that there are no clear cut signs of a bubble although the possibility exists the market could be approaching one. As with the national market, developments there will need to be monitored closely.

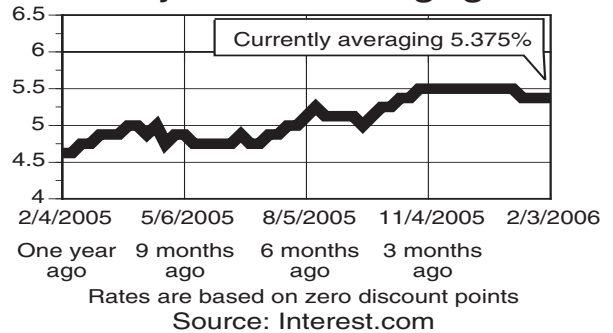
The full report is available at <http://www.bmo.com/economic>.

MORTGAGE MARKET MONITOR

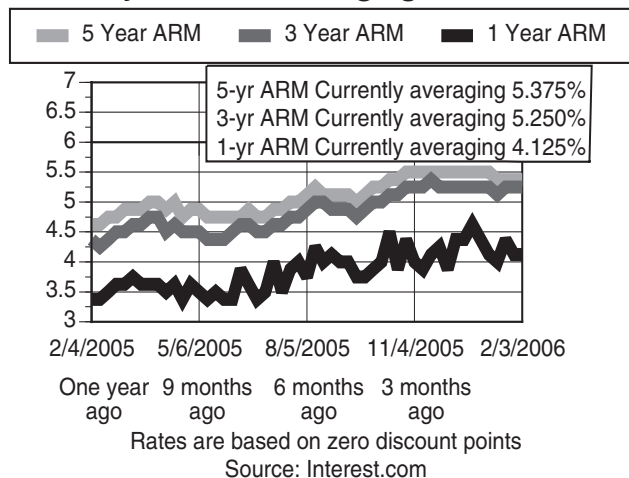
15-Year Fixed Mortgage Rate



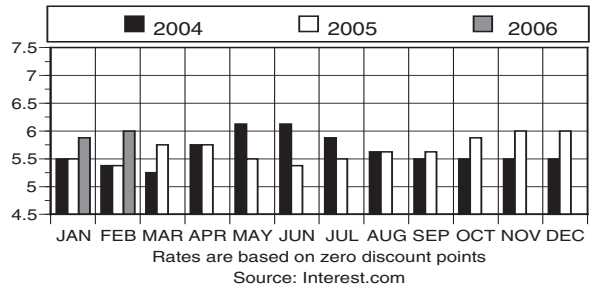
5-Year Adjustable Mortgage Rate



Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage

