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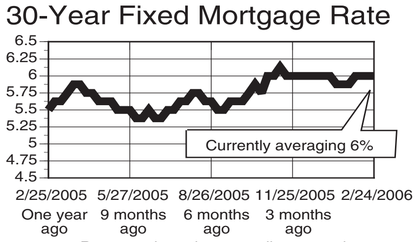
# WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 06-02-26

Annual subscription $250 (1-800-844-4648)

30-Year Fixed Mortgage Rate




Rates are based on zero discount points

Source: Interest.com

## KEY INTEREST RATES

| U.S. Treasury Yields | 2/17/06 | 2/24/06 |
|---|---|---|
| 2 year T-note | 4.66% | 4.71% |
| 5 year T-note | 4.54% | 4.63% |
| 10 year T-note | 4.53% | 4.57% |
| 30 year T-Bond | 4.51% | 4.51% |

| | | |
|---|---|---|
| Discount Rate | (wk. end 2/17) | 5.50% |
| Fed Funds Rate | (wk. end 2/17) | 4.49% |
| Prime rate | (wk. end 2/17) | 7.50% |

ARM INDEXES

| | | |
|---|---|---|
| Natl. Avg. Contract Mtg. Rate | (Dec.) | 6.29% |
| 12 mo. mvg. avg. (1-yr. TCM) | (Jan.) | 3.75% |
| 3 mo. LIBOR | (FNMA for Jan.) | 4.68% |
| 6 mo. LIBOR | (FNMA for Jan.) | 4.81% |
| National COFI | (Dec.) | 2.86% |
| 11th District COFI | (Dec.) | 3.30% |
| 6 month CD | (wk. end 2/17) | 4.90% |
| 1 Year TCM | (wk. end 2/17) | 4.70% |
| 2 Year TCM | (wk. end 2/17) | 4.69% |
| 3 Year TCM | (wk. end 2/17) | 4.67% |
| 5 Year TCM | (wk. end 2/17) | 4.59% |
| 7 Year TCM | (wk. end 2/17) | 4.58% |
| 10 Year TCM | (wk. end 2/17) | 4.59% |
| 20 Year TCM | (wk. end 2/17) | 4.76% |
| 30 Year TCM | (wk. end 2/17) | 4.56% |

Required yields for delivery

Freddie Mac (2/24/06)

| | 10 day | 30 day | 60 day | 90 day |
|---|---|---|---|---|
| 30 year | 6.02% | 6.04% | 6.07% | 6.09% |
| 15 year | 5.59% | 5.60% | 5.63% | 5.66% |

Fannie Mae (2/24/06)

| | 10 day | 30 day | 60 day | 90 day |
|---|---|---|---|---|
| 30 year | 6.10% | 6.12% | 6.14% | 6.17% |
| 15 year | 5.71% | 5.72% | 5.74% | 5.77% |

## HOUSING SNAPSHOT

| | Month | Total | Change |
|---|---|---|---|
| Construction spending | Dec. | $1.16 bil. | +1.0% |
| Housing starts | Jan. | 2.28 mil. | +14.5% |
| Building permits | Jan. | 2.22 mil. | +6.8 % |
| Existing home sales | Dec. | 6.9 mil. | -5.7 % |
| New Home Sales | Dec. | 1.27 mil. | +2.9% |

| MORTGAGE APPLICATION INDEXES | | (MBA) |
|---|---|---|
| | | Wk. ended Feb. 17, 2006 |
| Number of purchase applications | Up | +4.3% |
| Number of refinance applications | Down | -4.0% |

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A CONSUMER MORTGAGE MAGAZINE

## Good news, bad news – mortgage rates steady
## Week in review 2/20/06 - 2/24/06

Traders in U.S. Treasury securities found reasons to both buy and sell, but in the end, mortgage rates -- which move in tandem with Treasury yields -- held close to recent levels. The holiday-shortened week offered little economic news, but a key economic report and minutes from the Jan. 31 meeting of the Federal Open Market Committee kept the markets humming. Treasury yields, which move in the opposite direction of prices, rose one day and fell the next, leaving mortgage rates largely unchanged.

The big plus for Treasuries came from the consumer price index, or CPI, which showed underlying inflation remained contained. Although the CPI climbed by a stronger-than-expected 0.7 percent in January, the core CPI, which excludes volatile food and energy prices, rose 0.2 percent -- right on target. Energy was responsible for the unexpected leap, but strong gains in prices for food and housing also contributed. The index showed that the high cost of energy is not yet affecting prices at the retail level. This spurred a rally in Treasuries, as inflation erodes the value of fixed-rate assets.

Most of the time, the markets ignore the index of leading economic indicators, or LEI. But the January LEI, which looks at the economy six months out, posted an eye-opening 1.1-percent gain. This fourth-straight increase sparked concerns about strong economic growth that would have to be contained with further rate hikes. But the minutes from the Fed meeting in January soothed such fears, showing that members remain convinced that core inflation is tame. The committee conceded, however, that inflation is a long-term concern and rate-hike decisions will be data-dependent.

First-time unemployment claims reversed course, for the week ended Feb. 17. Claims fell by 20,000 to 278,000 after rising by 19,000 the previous week. Claims have held below 300,000 for six straight weeks. The four-week average, which smoothes volatility, fell to 281,750. In a separate report, durable goods orders plunged 10.2 percent in January, but weak aircraft orders were responsible. There were strong upward revisions for December.

Demand for mortgage applications was mixed during the week ended Feb. 17. Applications to purchase rose 4.3 percent, while refis fell again, this week by 4 percent, according to the Mortgage Bankers Association.The rate on the 30-year fixed-rate mortgage (based on zero discount points) is just below 6 percent, while the 15-year fixed-rate mortgage remains under 5.625 percent. The rate on the five-year, adjustable-rate mortgage held at 5.625 percent.

## Mortgage rates will hold if data don't surprise
## Week in preview 2/27/06 - 3/3/06

There is a full schedule on tap of economic indicator releases, headed by January new and existing home sales, manufacturing data, personal incomes/outlays for January, revised 4th-quarter gross domestic product, or GDP, and two consumer confidence reports for February. Signs of strong economic growth would put pressure on Treasuries and a slight increase in mortgage rates could follow.

The week begins with new home sales for January, which will be closely watched after the big rebound in December. The Monday weekly auction of 3- and 6-month Treasury bills is also on tap.

Tuesday will be huge, with preliminary 4th-quarter GDP, existing home sales for January and a report on consumer confidence for February. An index of business conditions in the greater Chicago area also is on the schedule and can be influential.

Wednesday features personal incomes and outlays for January, which contains one of the Fed favored inflation indicators. Also due, the ISM report on nationwide manufacturing conditions for February and data on new construction for January.

The news slows on Thursday, with only weekly first-time jobless claims due.

Friday has the final consumer sentiment survey for February from the University of Michigan, and it has been influential of late. The ISM index on the service sector also is scheduled. The February employment report will be released March 10.

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

| Date | Time | Event | Forecast |
|---|---|---|---|
| Feb. 27 | 10:00 am | New Home Sales (Jan.) | 1.25 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 2/25) | |
| | 8:00 am | Redbook report on retail sales (Wk. end 2/25) | |
| | 8:30 am | Gross Domestic Product (4th Qtr. prelim.) | +1.3 |
| | 8:30 am | GDP Chain Deflator (4th Qtr. prelim.) | +3.0% |
| | 10:00 am | Existing Home Sales (Jan.) | 6.6 mil. |
| | 10:00 am | Consumer Confidence Report (Feb.) | 104.5 |
| | 10:00 am | Chicago PMI index on Feb. business conditions | 58.6 |
| Mar. 1 | 8:30 am | Personal Incomes and Outlays (Jan.) | +0.6%/ +1% |
| | 10:00 am | ISM releases index of Feb. Mfg. Conditions | 55.6 |
| | 10:00 am | New Construction (Jan.) | +0.8% |
| Mar. 2 | 8:30 am | Weekly Unemployment Claims (Wk. end 2/25) | 285,000 |
| Mar. 3 | 9:45 am | Univ. of Mich. Sentiment Survey (Feb. final) | 87.5 |
| | 10:00 am | ISM releases index of Jan. non-Mfg. Conditions | 58.5 |

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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 | | +2% | -1.1% |
| | 8:00 am | Redbook report on retail sales | Wk. end Feb. 4 v. one month ago | | +0.4% | -0.2% |
| | 3:00 pm | Consumer Credit | | Federal Reserve | +$3.3 bil. | -$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 | 277,000 | 273,000 |
| | 10:00 am | Wholesale Inventories/Sales | Jan. | Commerce Dept. | +1%/ +1% | +0.4%/ -0.7% |
| Feb. 10 | 8:30 am | U.S. Internatl. Trade in Goods & Services (deficit) | Dec. | Commerce Dept. | $65.7 bil. | $64.7 bil. (rev.) |
| | 2:00 pm | Treasury Statement (monthly budget) | Jan. | Treasury Dept. | +$21 bil. | +$8.6 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 | | -2% | +2% |
| | 8:00 am | Redbook report on retail sales | Wk. end Feb. 11 v. one month ago | | +0.3% | +0.4% |
| | 8:30 am | Advance Retail Sales/ ex-auto | Jan. | Commerce Dept. | +2.3%/ +2.2% | +0.7%/ +0.2% |
| | 8:30 am | Business Inventories/ Sales | Dec. | Commerce Dept. | +0.7%/ +1.2% | +0.5%/ |
| Feb. 15 | 8:30 am | NY Empire State Index of Feb. Manufacturing Conditions | | | 20.3 | 20.1 |
| | 9:15 am | Industrial Production & Capacity Utilization | Jan. | Federal Reserve | -0.2%/ 80.9 | +0.9%/ 81.2 (rev.) |
| Feb. 16 | 8:30 am | Weekly Unemployment Claims | Wk. end Feb. 11 | Dept. of Labor | 297,000 | 277,000 |
| | 8:30 am | U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes | Jan. | Commerce Dept. | +1.3%/ +0.7% | -0.2%/ +0.1% |
| | 8:30 am | Housing Starts | Jan. | Commerce Dept. | +14.5% @ 2.28 mil. | -8.9% @ 1.93 mil. |
| | 8:30 am | Building Permits | Jan. | Commerce Dept. | +6.8% @ 2.22 mil. | -1% @ 2.07 mil. |
| | noon | Philadelphia Fed Report on Feb. manufacturing conditions | | Federal Reserve | 15.4 | 3.3 |
| Feb. 17 | 8:30 am | Producer Price Index/core rate | Jan. | Dept. of Labor | +0.3%/ +0.4% | +0.6%/ +0.1% (rev.) |
| | 9:45 am | Univ. of Mich. Sentiment Survey (prelim.) | Feb. | Univ. of Michigan | 87.4 | 91.2 |
| Feb. 20 | | **The federal government and financial markets will be closed in observance of Presidents Day** | | | | |
| Feb. 21 | 10:00 am | Index of Leading Indicators | Jan. | Conference Board | +1.1% | +0.1% |
| | 1:00 pm | Treasury conducts weekly auction of 3 & 6 month T-bill | | | | |
| | 2:00 pm | Release of the minutes of the Jan. 31 FOMC meeting | | | | |
| Feb. 22 | 8:00 am | ICSC-UBS report on chain store sales | Wk. end Feb. 18 | | +0.2% | -2% |
| | 8:00 am | Redbook report on retail sales | Wk. end Feb. 18 v. one month ago | | unch. | +0.3% |
| | 8:30 am | Consumer Price Index/core rate | Jan.. | Dept. of Labor | +0.5%/ +0.2% | -0.1%/ +0.2% |
| Feb. 23 | 8:30 am | Weekly Unemployment Claims | Wk. end Feb. 18 | Dept. of Labor | 278,000 | 297,000 |
| Feb. 24 | 8:30 am | Durable Goods Orders (adv.)/ ex. trans. | Jan. | Commerce Dept. | -10.2%/+0.6% | +2.5%/ +0.9% (rev.) |
| 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 | | __________ | +0.2% |
| | 8:00 am | Redbook report on retail sales | Wk. end Feb. 25 v. one month ago | | __________ | unch. |
| | 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 |
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| 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 | __________ | 278,000 |
| Mar. 3 | 9:45 am | Univ. of Mich. Sentiment Survey (final) | Feb. | Univ. of Michigan | __________ | 87.4 |

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

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## INDUSTRY NEWS

### New Study Shows Predatory Lending in Maine is Growing

AUGUSTA, Maine, Feb. 13 /PRNewswire/ -- Predatory lending practices cost Mainers at least $23 million a year, say Coastal Enterprises Inc. and the Center for Responsible Lending in the first comprehensive study of predatory lending in Maine.

These predatory practices endanger the homes and financial security of some of Maine's most vulnerable citizens. Based on the findings of the report, approximately 1,000 families are affected each year by these practices.

"Our findings are not about Maine banks and credit unions which serve our communities," said Ron Phillips, president of Coastal Enterprises. "Rather, it's about the aggressive and exploitative practices of a segment of the fast-changing mortgage industry that's causing the problem."

That segment is the out-of-state lenders that dominate Maine's corner of the subprime mortgage market, where people who may not qualify for conventional credit borrow. Subprime lending plays an important role in access to credit and is booming in the nation, but at the same time predatory practices have been flourishing in a subset of this market.

Maine's subprime market, too, is booming. It jumped more than 400 percent in the five years through 2004, to 8,000 mortgages.

Among the study's conclusions: In 2000 alone, the study estimates, Maine homeowners lost more than $23 million to predatory lenders, and the problem is growing.

The study found that a disproportionate number of these loans go to rural areas and minorities. Furthermore, a quarter of the people who were in foreclosure in four Maine counties had mortgages with at least one predatory characteristic.

One problem the study uncovers is the extent to which Mainers could get regular mortgages. As many as 15 percent of borrowers qualified for cheaper loans than they actually got.

The study describes a number of predatory practices. One example of these characteristics: "prepayment penalties over two years," which prevents people from refinancing and keeps them chained to expensive loans. Another example: Excessive points and fees that strip homeowners' hard-earned equity, threatening them with the loss of their home, bankruptcy and ruined credit.

Some of Maine's lenders and brokers say the state needs to curb abuses of predatory lenders: "As a lender, with 20 years of experience," says Tony Armstrong, president of Maine Home Mortgage, "I can tell you that I think greater consumer protection laws are needed and this won't prevent anyone from getting a loan. They just won't have to pay as much."

The study recommends strengthening a 2003 state law, and building on the experiences of other best practice states. For example, now protections for consumers don't kick in until the lender's points and fees reach 8 percent of the loan. The study suggests lowering the threshold to 5 percent as in Massachusetts and North Carolina.

And Maine law only bars "flipping" when a lender racks up excessive fees by convincing a homeowner to refinance repeatedly, in a small percentage of loans. North Carolina and New Mexico, two states with strong laws, prohibit all flips.

"There is real risk here to whole communities and to the state when people lose their homes and their savings," said Uriah King, policy associate at the Center for Responsible Lending. "And all the evidence from our study points to the probability it's only going to get worse."

That is one reason Maine Attorney General Steven Rowe supports stronger protections for Mainers. "Thanks to the work of CEI and CRL in producing this report, we now have a much better understanding of the size and nature of this problem. Hopefully the report's conclusions and recommendations will result in stronger protections against these unfair and deceptive consumer practices," he said.

The study demonstrated that predatory lending is a problem in Maine. "We've made several recommendations on new legislation to improve Maine law, and we look forward to working with legislators and stakeholders to address this issue," said Ron Phillips of Coastal Enterprises.

To read the study go to Coastal Enterprise's website, http://www.ceimaine.org, or the Center for Responsible Lending, http://www.responsiblelending.org.

## MORTGAGE MARKET MONITOR