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WEEKLY MORTGAGE RATE REPORT

(Fax Weekly Report)

FOR THE WEEK OF 06-03-12
Annual subscription \$250 (1-800-844-4648)



Mortgage rates on the rise Week in review 3/6/06 - 3/10/06

U.S. Treasury securities navigated some choppy waters over the past several days, forcing mortgage rates up on virtually all products. Heavy selling in Treasuries was ignited by fear that increases in global interest rates would draw funds from the debt market. The Bank of Japan, however, said it would keep long-term rates low. This provided a break in selling and flattened the yield curve, which had been inverted since January. Inversion often signals economic slowing or even recession. Strong job growth in February, however, spurred another round of selling and Treasury yields, which move in the opposite direction of prices, continued to climb, sending mortgage rates upward.

There were 243,000 jobs added to nonfarm payrolls last month – enough to keep the Fed on its rate-hike program. The unemployment rate, which is derived from a separate survey, rose to 4.8 percent.

Revised fourth-quarter productivity and costs raised eyebrows. Although revisions were small, year-over-year numbers showed productivity up only 2.9 percent in 2005 – its slowest pace since 2001. On the other hand, labor costs rose 2.6 percent – the biggest increase since 2000. Labor costs are of major concern, as excessive wage gains could be flashpoint for inflation. Factory orders in January plunged due to a steep

decline in aircraft orders. Excluding transportation, factory orders rose 1.6 percent – the third straight increase. A jump in factory orders can lead to increased manufacturing, which could recharge the economic engine.

The U.S. trade deficit hit an all-time high in January, zooming to \$68.5 billion – far stronger than expected. Energy prices, and especially a surge in the cost of oil, were largely responsible for the trade gap. The good news: exports also rose, but not as fast as imports.

First-time jobless claims for the week ended March 4 were up by a hefty 8,000 to 303,000. The more closely watched four-week average, which smoothes volatility, rose to 293,000. Continued claims – benefits paid to people out of work for more than one week – climbed to 2.51 million. This report was a positive for bond traders, who are concerned a tight labor market could lead to wage inflation.

Purchase applications crept down, while refinances edged up for the week ended March 3, according to the Mortgage Bankers Association. The rate on the 30-year fixed-rate mortgage (based on zero discount points) climbed to 6.125 percent, while the 15-year fixed-rate mortgage rose to 5.75 percent. The rate on the five-year, adjustable-rate mortgage increased to 5.75 percent.

Mortgage rates likely to remain high Week in preview 3/13/06 - 3/17/06

This week is packed with market-moving economic news. One of the biggest reports is the consumer price index, an inflation indicator. Reports on retail sales, manufacturing, housing and consumer sentiment also could make waves. If the reports come in on target, it is likely that mortgage rates will hold high. If, however, the releases point to a slowing economy, rates could dip slightly.

The first major report for the week will be released on Tuesday, when retail sales for February comes out, and it could impact the markets as it is based on consumer spending. Business inventories for January is also on tap.

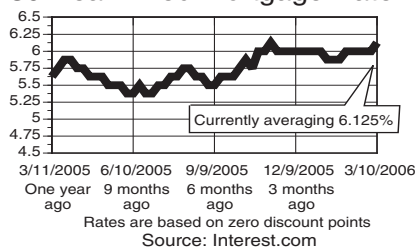
Wednesday begins with the New York Empire State index on March manu-

facturing conditions. This will be followed with a report on U.S. import and export price indexes, which generally has little impact. In the early afternoon the Fed will release the minutes from its Jan. 31 meeting and it will be of keen interest to the bond markets.

Thursday is big, starting with the consumer price index, which looks for inflation at the retail level. Also due: February housing starts, first-time unemployment claims and the Philly Fed survey on March manufacturing conditions. Each of these reports could be influential.

Friday features industrial production for February and a preliminary report on consumer sentiment for March from the University of Michigan.

30-Year Fixed Mortgage Rate



KEY INTEREST RATES

U.S. Treasury Yields	3/3/06	3/10/06
2 year T-note	4.74%	4.75%
5 year T-note	4.70%	4.77%
10 year T-note	4.67%	4.75%
30 year T-Bond	4.65%	4.73%
Discount Rate (wk. end 3/3)		5.50%
Fed Funds Rate (wk. end 3/3)		4.50%
Prime rate (wk. end 3/3)		7.50%

ARM INDEXES

Natl. Avg. Contract Mtg. Rate (Jan.)	6.30%
12 mo. mvg. avg. (1-yr. TCM) (Feb.)	3.88%
3 mo. LIBOR (FNMA for Feb.)	4.82%
6 mo. LIBOR (FNMA for Feb.)	4.99%
National COFI (Dec.)	2.86%
11th District COFI (Jan.)	3.35%
6 month CD (wk. end 3/3)	4.95%
1 Year TCM (wk. end 3/3)	4.74%
2 Year TCM (wk. end 3/3)	4.72%
3 Year TCM (wk. end 3/3)	4.71%
5 Year TCM (wk. end 3/3)	4.66%
7 Year TCM (wk. end 3/3)	4.63%
10 Year TCM (wk. end 3/3)	4.61%
20 Year TCM (wk. end 3/3)	4.76%
30 Year TCM (wk. end 3/3)	4.58%

Required yields for delivery

	Freddie Mac (3/10/06)			
	10 day	30 day	60 day	90 day
30 year	6.15%	6.18%	6.21%	6.24%
15 year	5.75%	5.76%	5.80%	5.82%
	Fannie Mae (3/10/06)			
	10 day	30 day	60 day	90 day
30 year	6.22%	6.24%	6.26%	6.29%
15 year	5.85%	5.86%	5.89%	5.93%

HOUSING SNAPSHOT

	Month	Total	Change
Construction spending	Jan.	\$1.16 tril.	+0.2%
Housing starts	Jan.	2.28 mil.	+14.5%
Building permits	Jan.	2.22 mil.	+6.8%
Existing home sales	Jan.	6.56 mil.	-2.8%
New Home Sales	Jan.	1.23 mil.	-5.0%

MORTGAGE APPLICATION INDEXES (MBA)

	Wk. ended Mar. 3, 2006	Change
Number of purchase applications	Down	-0.4%
Number of refinance applications	Up	+2.6%

EVENTS THAT COULD IMPACT MORTGAGE RATES THIS WEEK

Date	Time	Event	Forecast
Mar. 13	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill	
Mar. 14	8:00 am	ICSC-UBS report on chain store sales (Wk. end 3/11)	
	8:00 am	Redbook report on retail sales (Wk. end 3/11)	
	8:30 am	Advance Retail Sales/ ex-auto (Feb.)	-0.7%/-0.2%
	8:30 am	Business Inventories/ Sales (Jan.)	+0.3% (inv.)
Mar. 15	8:30 am	NY Empire State Index of Mar. Manufacturing Conditions	19
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes (Feb.)	
	2:00 pm	The Federal Reserve releases beige book	
Mar. 16	8:30 am	Weekly Unemployment Claims (Wk. end 3/11)	290,000
	8:30 am	Housing Starts (Feb.)	2.04 mil.
	8:30 am	Building Permits (Feb.)	2.1 mil.
	8:30 am	Consumer Price Index/core rate (Feb.)	+0.2%/ +0.2%
	noon	Philadelphia Fed Report on Mar. manufacturing conditions	11.8
Mar. 17	9:15 am	Industrial Production & Capacity Utilization (Feb.)	+0.7%/ 81.4%
	9:45 am	Univ. of Mich. Sentiment Survey (Mar. prelim.)	89.3

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Keeping you abreast of the ever-changing mortgage market

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TRACKING THE ECONOMY -- MARCH 2006

DATE	TIME	EVENT	PERIOD	SOURCE	OUTCOME	PREVIOUS	
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%	+0.3% (rev.)	
	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%/+0.1% (rev.)	
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.	-9.9%/+0.6% (rev.)	+2.5%/+0.9% (rev.)	
Feb. 27	10:00 am	New Home Sales	Jan.	Commerce Dept.	-5.0% @ 1.23 mil.	+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		+1.8%	+0.2%	
	8:00 am	Redbook report on retail sales	Wk. end Feb. 25 v. one month ago		unch.	unch.	
	8:30 am	Gross Domestic Product (prelim.)	4th Qtr.	Commerce Dept.	+1.6%	+1.1%	
	8:30 am	GDP Chain Deflator (prelim.)	4th Qtr.	Commerce Dept.	+3.3%	+3.0%	
	10:00 am	Existing Home Sales	Jan.	Natl. Assn. of Realtors®	-2.8% @ 6.56 mil.	-5.7% @ 6.6 mil.	
	10:00 am	Consumer Confidence Report	Feb.	Conference Board	101.7	106.3	
	10:00 am	Chicago Purchasing Managers Institute release index on Feb. business conditions			54.9	58.5	
Mar. 1	8:30 am	Personal Incomes and Outlays	Jan.	Commerce Dept.	+0.7%/+0.4%	+0.4%/+0.9%	
	10:00 am	ISM releases index of Feb. Mfg. Conditions			56.7	54.8	
	10:00 am	New Construction	Jan.	Commerce Dept.	+0.2%	+1%	
Mar. 2	8:30 am	Weekly Unemployment Claims	Wk. end Feb. 25	Dept. of Labor	294,000	279,000 (rev.)	
Mar. 3	9:45 am	Univ. of Mich. Sentiment Survey (final)	Feb.	Univ. of Michigan	86.7	87.4	
	10:00 am	ISM releases index of Feb. non-Mfg. Conditions			60.1	56.8	
Mar. 6	10:00 am	Factory Orders/ex. trans	Jan.	Commerce Dept.	-4.5%/+1.6%	+1.1%	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Mar. 7	8:00 am	ICSC/UBS report on chain store sales	Wk. end Mar. 4		+0.2%	+1.8%	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 4 v. one month ago		-2.5%	unch.	
	8:30 am	Productivity & Costs (rev.)	4th Qtr.	Dept. of Labor	-0.5%/+3.3%	-0.6%/+3.5%	
	3:00 pm	Consumer Credit	Jan.	Federal Reserve	+\$4 bil.	+\$3.3 bil.	
Mar. 8		There are no economic indicators scheduled for release today.					
Mar. 9	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 4	Dept. of Labor	303,000	295,000 (rev.)	
	8:30 am	U.S. Internatl. Trade in Goods & Services (deficit)	Jan.	Commerce Dept.	\$68.5 bil,	\$65.7 bil.	
Mar. 10	8:30 am	The Employment Report	Feb.	Dept. of Labor	+243,000 @ 4.8%	+193,000 @ 4.7%	
	8:30 am	Hourly wage earnings	Feb.	Dept. of Labor	+0.4% @ \$16.47	+0.4% @ \$16.41	
	10:00 am	Wholesale Inventories/Sales	Jan.	Commerce Dept.	+0.1%/	+1%/+1%	
	2:00 pm	Treasury Statement (monthly budget)	Feb.	Treasury Dept.	-\$119.2	+\$21 bil.	
Mar. 13	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Mar. 14	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 11		_____	+0.2%	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 11 v. one month ago		_____	-2.6%	
	8:30 am	Advance Retail Sales/ ex-auto	Feb.	Commerce Dept.	_____	+2.3%/+2.2%	
	8:30 am	Business Inventories/ Sales	Jan.	Commerce Dept.	_____	+0.7%/+1.2%	
Mar. 15	8:30 am	NY Empire State Index of Mar. Manufacturing Conditions			_____	20.3	
	8:30 am	U.S. Import (ex. oil)/ Export (ex. ag.) Price Indexes	Jan.	Commerce Dept.	_____	+1.3%/+0.7%	
	2:00 pm	The Federal Reserve releases beige book					
Mar. 16	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 11	Dept. of Labor	_____	303,000	
	8:30 am	Housing Starts	Feb.	Commerce Dept.	_____	+14.5% @ 2.28 mil.	
	8:30 am	Building Permits	Feb.	Commerce Dept.	_____	+6.8% @ 2.22 mil.	
	8:30 am	Consumer Price Index/core rate	Feb.	Dept. of Labor	_____	+0.7%/+0.2%	
	noon	Philadelphia Fed Report on Mar. manufacturing conditions		Federal Reserve	_____	15.4	
Mar. 17	9:15 am	Industrial Production & Capacity Utilization	Feb.	Federal Reserve	_____	-0.2%/ 80.9	
	9:45 am	Univ. of Mich. Sentiment Survey (prelim.)	Mar.	Univ. of Michigan	_____	86.7	
Mar. 20	10:00 am	Index of Leading Indicators	Feb.	Conference Board	_____	+1.1%	
	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bill					
Mar. 21	8:00 am	ICSC-UBS report on chain store sales	Wk. end Mar. 18		_____	_____	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 18 v. one month ago		_____	_____	
	8:30 am	Producer Price Index/core rate	Feb.	Dept. of Labor	_____	+0.3%/+0.4%	
Mar. 22		There are no economic indicators scheduled for release today.					
Mar. 23	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 18	Dept. of Labor	_____	_____	
	10:00 am	Existing Home Sales	Feb.	Natl. Assn. of Realtors®	_____	-2.8% @ 6.56 mil.	
Mar. 24	8:30 am	Durable Goods Orders (adv.)/ ex. trans.	Feb.	Commerce Dept.	_____	-10.2%/+0.6%	
	10:00 am	New Home Sales	Feb.	Commerce Dept.	_____	-5% @ 1.23 mil.	
Mar. 27	1:00 pm	Treasury conducts weekly auction of 3 & 6 month T-bills					
Mar. 28	8:00 am	ICSC/UBS report on chain store sales	Wk. end Mar. 25		_____	_____	
	8:00 am	Redbook report on retail sales	Wk. end Mar. 25 v. one month ago		_____	_____	
	10:00 am	Consumer Confidence Report	Mar.	Conference Board	_____	101.7	
	2:15 pm	The Federal Open Market Committee releases its decision on interest rates			_____	+25 basis points	
Mar. 29		There are no economic indicators scheduled for release today.					
Mar. 30	8:30 am	Weekly Unemployment Claims	Wk. end Mar. 25	Dept. of Labor	_____	_____	
	8:30 am	Gross Domestic Product (final)	4th Qtr.	Commerce Dept.	_____	+1.6%	
	8:30 am	GDP Chain Deflator (final)	4th Qtr.	Commerce Dept.	_____	+3.3%	
	8:30 am	Corporate Profits	4th Qtr.	Commerce Dept.	_____	_____	
Mar. 31	8:30 am	Personal Incomes and Outlays	Feb.	Commerce Dept.	_____	+0.7%/+0.4%	
	9:45 am	Univ. of Mich. Sentiment Survey (final)	Mar.	Univ. of Michigan	_____	_____	
	10:00 am	Chicago Purchasing Managers Institute release index on Mar. business conditions			_____	54.9	
	10:00 am	Factory Orders/Inv.	Feb.	Commerce Dept.	_____	-4.5%/+1.6%	

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



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INDUSTRY NEWS

Deciphering Smoke Signals

Economic Outlook for March 2006
From the Office of the Chief Economist at Freddie Mac

For many months economists have been speculating that the housing market was about to change course – from a seller’s market to a buyer’s market, from a bubble to a bust. Yet the statistics refuse to definitively indicate the direction of the market. The conventional mortgage home price index for the fourth quarter of 2005, released March 2, showed that annual growth in home values hit 13 percent nationally. Housing starts in January rose to 2.28 million units, the highest pace since 1973. No signals of a cooling housing market here. But sales of both new and existing homes fell in January and the inventories of existing single-family homes and condominiums for sale rose to their highest levels since 1999. These contradictory statistics are signs of a slow down.

Some local market evidence is less ambiguous. Phoenix continues to be the hottest housing market with fourth-quarter 2004 to fourth-quarter 2006 appreciation in excess of 41 percent. Its booming economy created 82,000 nonfarm payroll jobs in 2005 out of the nearly 2 million added nationwide. In contrast, Las Vegas, which had been the hottest market in 2004, saw home-price appreciation slow quickly to near the national average growth rate. Michigan saw the slowest price growth among states, reflecting the weak economy caused by the downturn in the manufacturing sector.

It may be some time before we see definite trends in the national housing market, especially as measured by changes in home prices. Prices tend to be “sticky” on the way down as sellers will leave a home on the market longer or offer nonprice concessions to buyers. The prevalence and types of seller concessions are difficult to measure. Nonetheless, we believe the housing market crested during the third quarter of 2005 and that single-digit growth in home values will occur nationally in 2006.

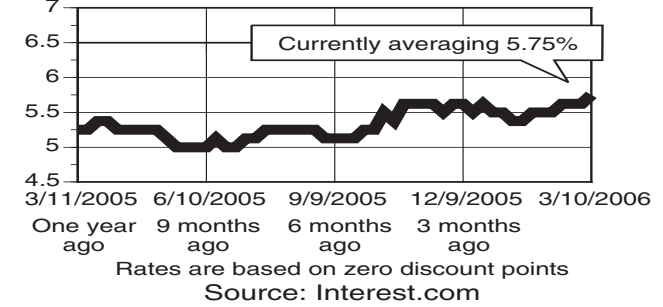
The national economy in the first quarter of 2006 is expected to bounce back strongly from the hurricane-battered, dismal showing in the fourth quarter. Although fourth-quarter real GDP growth was revised upwards to 1.6 percent, productivity growth fell for the first time since the first quarter of 2001 while labor costs accelerated to 3.3 percent on an annualized basis – the biggest jump in a year and troubling for those worried about accelerating inflation risks. First-quarter GDP growth is looking to come in near 4.8 percent, and the market is already pricing in another one-quarter point increase in the federal funds rate when the Federal Open Market Committee meets again at the end of March, moving the fed funds rate to 4.75 percent and the prime rate to 7.75 percent.

The yield curve has remained inverted, with 2-year Treasury yields exceeding the yields on 10-year notes. The inversion has caused fully indexed interest rates on 1-year adjustable-rate mortgages (ARMs) to exceed those on 30-year fixed-rate mortgages by more than a full percentage point. The fully indexed rate is the rate obtained by adding the margin to the appropriate underlying index rate at today’s levels.

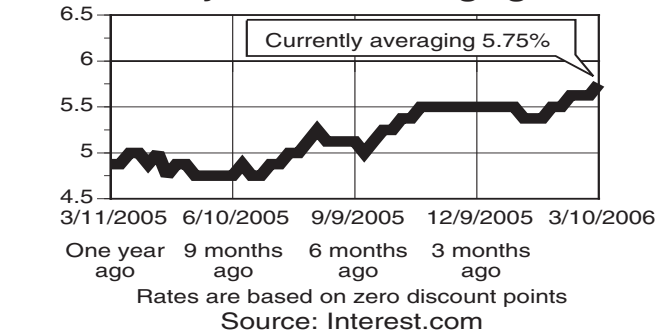
With the inverted yield curve, the ARM share of new mortgage applications is high at 32 percent, but initial-rate teaser discounts are attracting borrowers. Shorter-term ARMs and interest-only or option-payment features on longer-term ARMs are attractive due to lower initial mortgage payments. Fixed mortgage rates are still historically low and a wide variety of mortgage products are available, which means the capital market is well positioned to support the home buyer. When the smoke clears, we expect to find that the housing market has decelerated to a more normal level of activity, not crashed.

MORTGAGE MARKET MONITOR

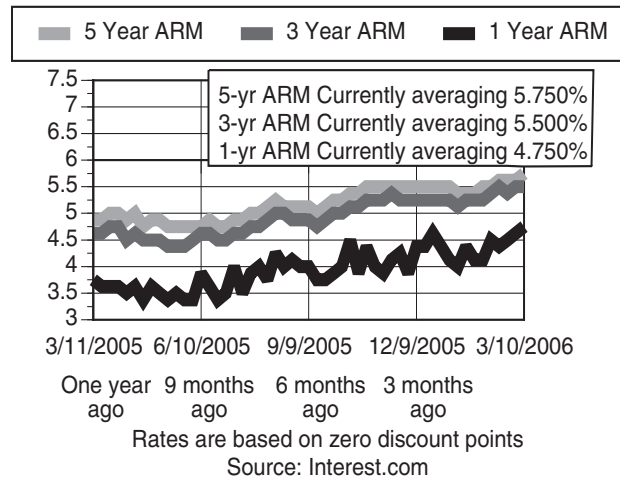
15-Year Fixed Mortgage Rate



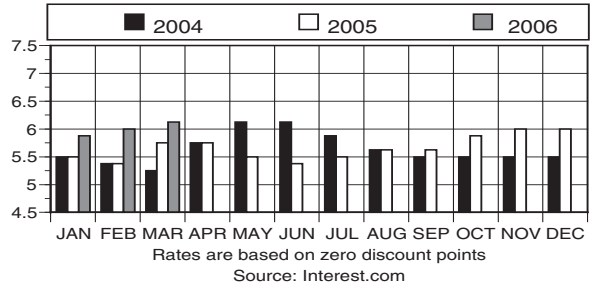
5-Year Adjustable Mortgage Rate



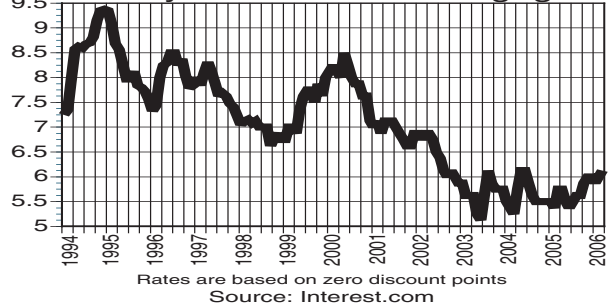
Adjustable Mortgage Rates



30 YEAR FIXED MORTGAGE RATE



30-year fixed-rate mortgage



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