THE MORTGAGE MARKET GUIDE

WEEKLY
Keeping You on the Cutting Edge

MMG WEEKLY

Provided to you Exclusively
By **Foster Weeks**

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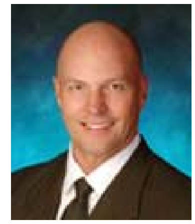


For the week of Jan 07, 2008 --- Vol. 6, Issue 2

Last Week in Review

"THE BEST WAY TO APPRECIATE YOUR JOB IS TO IMAGINE YOURSELF WITHOUT ONE." ***Oscar Wilde*** And unfortunately, last Friday's Jobs Report indicated that many more Americans than expected are not just imagining themselves without a job, they truly are without a job.

The Unemployment Rate jumped up to 5.0% from 4.7%, and new job growth in December was reported at a paltry 18,000 jobs...with private-sector job growth actually falling by 13,000, the largest private sector drop in more than four years. And here's an interesting note - Hourly Earnings actually moved higher than expected. While this seems somewhat contradictory to a slowing jobs number, perhaps it means that employers are attempting to save money by paying more dollars to fewer workers, rather than hiring more staff.

Many experts feel that even the lower than expected number of jobs created is an overstatement, due to averaging that is used by the Labor department, and that this number will eventually be revised lower. Job growth is a leading indicator of economic health, and the latest read points to a strong possibility of a recession in 2008.

Overall, the Jobs Report was much weaker than anticipated - and remembering that negative economic news is generally bad for the Stock market, but good for the Bond market - **Bonds enjoyed some nice gains, sending home loan rates about .25% lower throughout the week.**

RIGHT UNDER YOUR NOSE, YOU MIGHT BE HELPING LARGE FINANCIAL INSTITUTIONS COVER THEIR LOSSES FROM THE PRESENT FINANCIAL MARKET TURMOIL...FIND OUT HOW TO PROTECT YOURSELF, IN THIS WEEK'S MORTGAGE MARKET VIEW!

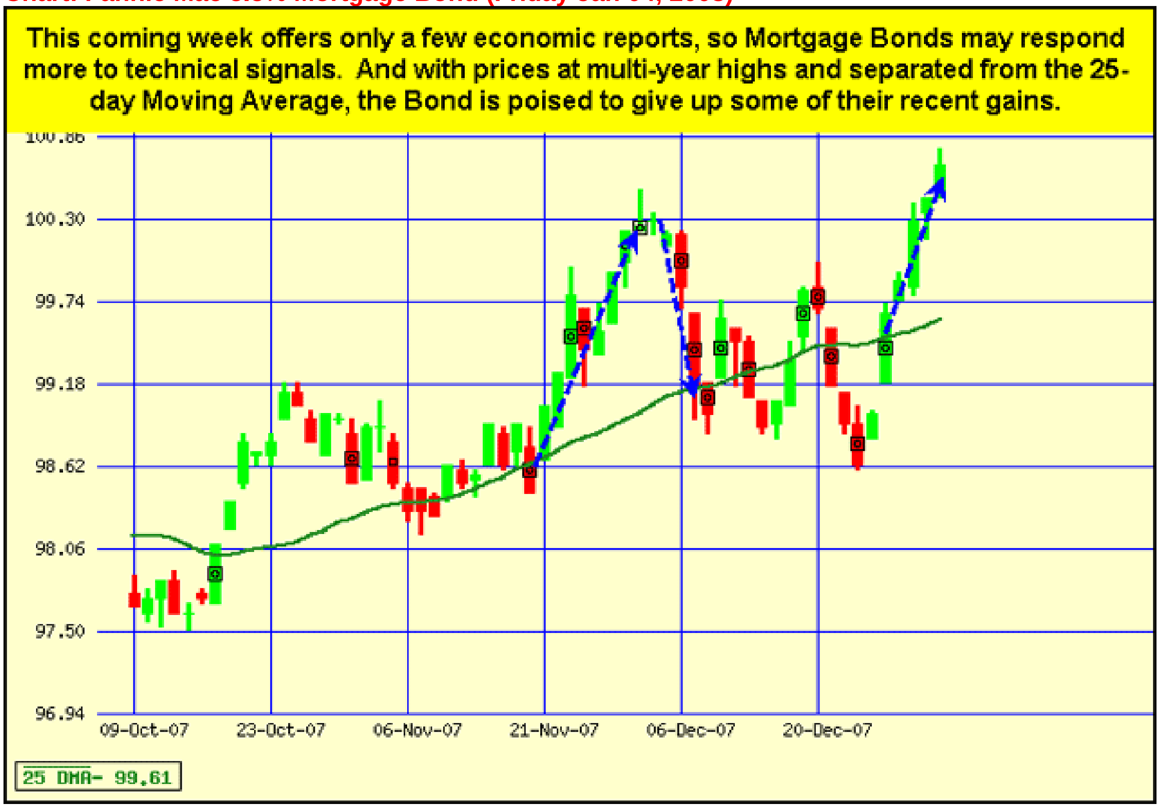
Forecast for the Week

The economic event calendar slows down significantly this week, with only one meaningful report scheduled to arrive on Thursday - Initial Jobless Claims, giving a look at the most recent reports of filings for unemployment. Considering the recent stats on higher unemployment levels, this report will be given special attention.

And notice how prices have recently separated far from their 25-day Moving Average, shown as a green line. Many securities tend to gravitate back towards their 25-day MA once they stray too far above or below it. This is called the "Leash Effect". Imagine a puppy on a leash straying too far...its owner will tug on the leash to bring the puppy back. Mortgage Bonds have historically shown a similar reaction; once prices stray far from their 25-day MA, they tend to snap back towards it. Notice how this happened about a month ago in the chart below. It is likely that Bonds will again be reined in by the "Leash Effect" in the week ahead, which suggests a bit higher rates.

The colorful chart below shows how Bond prices have run up higher in recent days, and in turn, home loan rates have improved. In fact, they've improved so much, that they are somewhat ripe for a reversal. **In the absence of any unexpected news - don't be surprised to see home loan rates worsen a bit in the coming week.**

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Jan 04, 2008)



The Mortgage Market View...

WHO REALLY LOSES?

Over the past several months a steady stream of large financial companies have given notice of large losses that they are sustaining as a result of the credit crunch and sub-prime mortgage market issues. So the question is, who really loses when a company or in this case an industry loses a lot of money?

Clearly, it is rarely the CEO of the firm. And obviously, it is initially the shareholders in the company, as the value of their investments plummet. But who really pays the price in the end...and how? Well, as many Americans are finding, the buck stops with the consumer.

Home Loan Rates

Although home loan rates overall remain fairly low, Fannie Mae and Freddie Mac--the two large government sponsored companies that form the framework for most conventional home loans--have announced a series of changes over the past sixty days. Many of these changes deal with stricter underwriting standards and guidelines, but several are price increases as they work to cover losses incurred based on previous loans.

Price increases are generally not paid in cash, but rather are reflected by a higher interest rate on a new loan - which is why it is crucial that you clearly understand the rates and terms that you qualify for, when you are shopping for a new mortgage.

Credit Cards

It's pretty common practice for credit card issuers to hike rates if a payment is missed or the card is charged over the limit, especially if that consumer had an average or below average credit rating. But it is becoming increasingly common that issuers are starting to place these 'hair trigger' rate resets on consumers with solid credit ratings. The reason? You guessed it, most of the credit card issuers are the same large financial companies that are being hurt by the overall strife in the financial markets.

Many of these companies fear that the financial issues related to the mortgage industry will spill over into the revolving credit card markets, as it only stands to reason that a consumer, if faced with either paying their mortgage or their credit cards, will probably choose their mortgage. So as foreclosures rise, credit card late payments and losses will ramp up accordingly.

How to Protect Yourself

The best defense you can take is to proactively monitor and safeguard your credit - and I would encourage you to call me for an analysis of your current credit standing, as I may be able to make suggestions that could help right away.

Additionally, when it comes to your credit cards in particular, make sure that you do not give that lender reason to bump your rates. If they do, call their customer service lines to ask them to reverse course, or risk losing your business. If your credit score is strong, you will greatly increase your chances of winning this fight, or being able to simply follow through on your threat and take your business elsewhere. This will at least help mitigate the chances that YOU will have to help subsidize the massive losses being experienced by some of the largest banks in the US.

New Year's Resolution Idea

Check all of your credit cards that you carry balances on to confirm the current rate. You may be surprised to see that some of these rates are higher than you recall. Remember that credit card rates can be changed very frequently and easily by the issuer, and rarely in your favor. And even better - give me a call to check your overall debt structure, and let's ensure that it makes sense based on your current financial goals.

The Week's Economic Indicator Calendar

Remember, as a general rule, weaker than expected economic data is good for rates, while positive data causes rates to rise.

Economic Calendar for the Week of January 07 – January 11

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Thu. January 10	08:30	Jobless Claims (Initial)	1/05	345K		336K	Moderate
Thu. January 10	10:30	Crude Inventories	1/05	NA		-4056K	Moderate
Fri. January 11	08:30	Balance of Trade	Nov	-$59.5B		-$57.8B	Moderate

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