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For the week of Jan 14, 2008 --- Vol. 6, Issue 3

Last Week in Review ▶

"If you don't like the weather, wait a minute"...That's a saying heard often in places where the weather can turn on a dime, making it very difficult to forecast. And while the weather patterns can change direction quickly, the recent movement of stocks and bonds rivals the rides at an amusement park.

"Turbulent" and "volatile" best describe the action in the markets. Stocks and bonds have had wild swings of late as the possibility of a recession loom. The Federal Reserve is concerned about a recession, but doesn't want to cut rates too deeply because it may stoke the flames of inflation. In a speech last Thursday, Fed Chairman Ben Bernanke signaled the Fed will step in with interest rate cuts as necessary in an effort to prevent a full-blown recession from taking place. It sure looks like the Fed will break off a 50 basis point (1/2%) interest rate cut in its battle to fight a potential recession when the Fed next meets to determine monetary policy on January 30th.

But remember that because Fed rate cuts may add to inflation pressures, home loan rates may actually increase after a cut by the Fed. We have seen this type of chilly response to Fed cuts many times before. Just back in September, the Fed cut by 50 basis points, but home loan rates worsened by 0.25% in just 3 days!

THE MARKET ACTION SURE IS HEATING UP, BUT IT MAY BE TIME TO PUT A FREEZE ON YOUR CREDIT PROFILE TO STOP IDENTITY THEFT. FIND OUT IN THIS WEEK'S MORTGAGE MARKET VIEW!

Forecast for the Week ▶

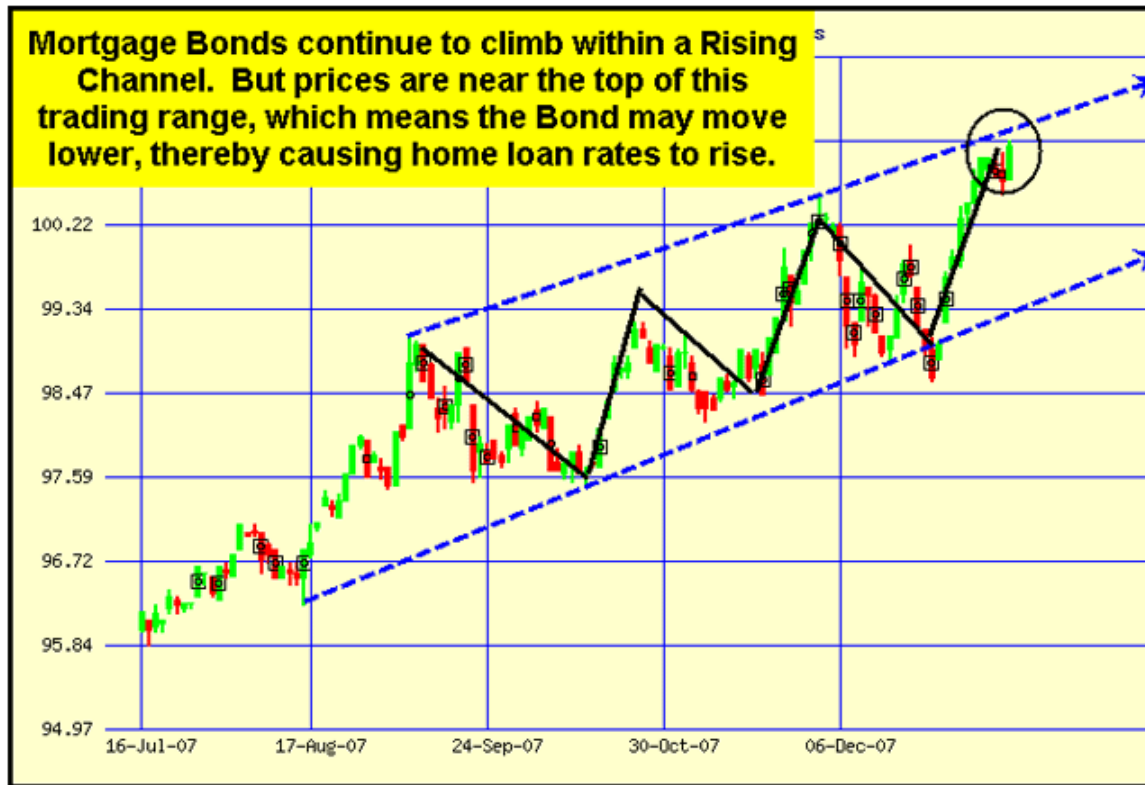
A steamy week of economic news is about to begin. Considering the already ultra high level of volatility in the financial markets, the heavyweight news items to be unleashed could cause more sharp moves for both stocks and bonds. Retail Sales and Consumer Inflation will both carry a punch that could push rates significantly higher or drop them down to levels not seen since mid 2005.

The 2007 holiday shopping season may have been soft, which is good for bonds and home loan rates. But higher energy costs may pump up inflation and that's bad for bonds. We will find out the results and market reaction over the next few days.

A look at the chart below shows a clear pattern of Bond prices zigzagging through a trading channel. Notice how prices are currently near the top of this range, which would suggest that prices are more likely to worsen. This puts added emphasis on the economic news, which drives price direction. Notice how there is a lot more to lose than there might be to gain.

Remember that lower bond prices equal higher home loan rates and vice versa.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Jan 11, 2008)



The Mortgage Market View... ▶

PUTTING A FREEZE ON IDENTITY THEFT

In the time it takes to count to ten, five new people will become victims of identity theft. In fact, according to the U.S. Department of Justice Statistics, identity theft is now passing drug trafficking as the number one crime in the nation--with more than 15 million victims every year.

Rather than lay awake at night worrying and wondering if your identity has been stolen, you can actually take a simple step to protect yourself... it's called a credit freeze (or, sometimes, a security freeze). Essentially, a credit freeze gives you the ability to "freeze" or lock access to your credit file--which helps prevent someone from opening a new account in your name.

Here's How It Works

When someone tries to open an account in your name, they'll be stopped in their tracks. That's because one of the first things a creditor will do before opening the account is pull a credit report.

By having a credit freeze in place, creditors aren't able to pull your credit report. And, since very few lenders will issue credit without first seeing a credit report, identity thieves can't open fraudulent accounts using your name. However, when you want to apply for credit, you can temporarily lift the freeze using a PIN... thus, allowing your legitimate application to be processed.

The Flip Side

First, it's important to remember that a credit freeze only stops someone from *opening* a fraudulent account. It can't stop them from using a stolen credit card. So you still need to keep the phone numbers of your credit cards handy, in case your cards are lost or stolen.

In addition, some critics argue that credit freezes have more of a downside than most people realize. That's

because you won't be able to purchase a car, get a new credit card, or refinance a mortgage at a moment's notice. Instead, you'll have to plan ahead by lifting the freeze, which usually takes about three days.

For most major purchases, this won't be much of an issue--after all, how many of us buy a car or house on a whim? Typically, we make the decision to start looking and, at that point, can easily lift the credit freeze in anticipation of the purchase. However, a credit freeze can be problematic if you're at a department store and the cashier offers you 10% off your purchases if you open an instant credit card with the store.

Other Options

Opponents of credit freezes also argue that consumers can just as easily fight identity theft with fraud alerts, which require lenders to verify identity before issuing loans or credit. If you have reason to believe you've been a victim of identity theft, you can obtain a 90-day fraud alert. And if you provide reliable evidence that you are in fact a victim--using such documents as a police report--you can extend that fraud alert for up to seven years.

The problem is... fraud alerts only come into play AFTER you've been victimized. So for many consumers, credit freezes offer more protection and more peace of mind.

Here's the Shocker... You May Not Have a Choice!

Believe it or not, credit freezes aren't available in every state. Some states have yet to pass credit freeze laws. Why? Well... it all comes down to a battle between the big business of instant credit and the growing need for more secure personal information.

And, don't kid yourself, billions of dollars are at stake in this battle! Credit-reporting agencies sell credit reports to lenders, landlords, employers and other businesses. Department stores and retailers generate huge revenues by offering instant store credit cards that boost profits through interest and increased shopping. And, finally, we as consumers have simply grown accustomed to receiving on-the-spot credit for our purchases.

To learn more about these issues and to find out if your state allows credit freezes, visit www.ConsumersUnion.org/finance/creditfreezeinfo.htm.

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 14 – January 18

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. January 15	08:30	Retail Sales	Dec	0.1%		1.2%	HIGH
Tue. January 15	08:30	Retail Sales ex-auto	Dec	0.1%		1.8%	HIGH
Tue. January 15	08:30	Producer Price Index (PPI)	Dec	0.2%		3.2%	Moderate
Tue. January 15	08:30	Core Producer Price Index (PPI)	Dec	0.1%		0.4%	Moderate
Tue. January 15	08:30	Empire State Index	Jan	11.5		10.3	Moderate
Wed. January 16	08:30	Consumer Price Index (CPI)	Dec	0.2%		0.8%	HIGH
Wed. January 16	08:30	Core Consumer Price Index (CPI)	Dec	0.2%		0.3%	HIGH
Wed. January 16	09:15	Industrial Production	Dec	-0.1%		0.3%	Moderate
Wed. January 16	09:15	Capacity Utilization	Dec	81.3%		81.5%	Moderate
Wed. January 16	02:00	Beige Book					Moderate
Thu. January 17	08:30	Housing Starts	Dec	1150K		1187K	Moderate
Thu. January 17	08:30	Building Permits	Dec	1140K		1162K	Moderate

Thu. January 17	08:30	Jobless Claims (Initial)	1/12	336K	322K	Moderate
Thu. January 17	10:30	Crude Inventories	1/12	NA	-6736K	Moderate
Thu. January 17	12:00	Philadelphia Fed Index	Jan	-2.0	-5.7	HIGH
Fri. January 18	10:00	Index of Leading Econ Ind (LEI)	Dec	-0.1%	-0.4%	Low
Fri. January 18	10:00	Consumer Sentiment Index (UoM)	Jan	74.5	75.5	Moderate

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