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For the week of Feb 04, 2008 --- Vol. 6, Issue 6

Last Week in Review ▶

"A GOOD CONSPIRACY IS UNPROVABLE. I MEAN, IF YOU CAN PROVE IT, IT MEANS THEY SCREWED UP SOMEWHERE ALONG THE LINE." Mel Gibson as Jerry Fletcher in the movie, "Conspiracy Theory"
And those who believe in the conspiracy theory that the Fed has access to economic data in advance of the official release dates sure felt their position was proven correct last week...let's take a look.

The main financial event of the week was the Fed, cutting the Fed Funds Rate another .50%, on top of their surprise .75% cut just eight days before. This brings the Fed Funds Rate down to 3.00% and will lower rates for business and consumer loans as well as Home Equity Lines of Credit and Adjustable Rate Home Loans - so please give me a call to discuss how this may help you. **Bonds and home loan rates moved with volatility throughout the week, yet ended up close to where they started on Monday.**

But the economic calendar stacked up such that two significant economic reports would come just after the Fed decision - the inflation measuring Personal Consumption Expenditure (PCE) Index, and the heavy hitting monthly Jobs Report. While inflation numbers were relatively in-line and as expected...the Jobs number was one of the worst in years, showing no job creations at all, but instead a net loss of 17,000 jobs. Although future revisions may erase this negative number, this weak indicator made the Fed move look pretty smart, whether the conspiracy theory is true or not.

DID YOU KNOW THAT THE MEDICAL INDUSTRY IS CONSPIRING TO DEVELOP A MEDICAL "CREDIT SCORE", TO HELP THEM BETTER DETERMINE IF YOU'LL PAY YOUR MEDICAL BILLS OR NOT? THE POTENTIAL IMPLICATIONS ARE ALARMING...SO LEARN MORE IN THIS WEEK'S MORTGAGE MARKET VIEW.

Forecast for the Week ▶

After the last few weeks frenzied and jam packed economic calendars - this weeks schedule takes a much needed rest, with only a few mid-level reports of interest due for release. But with all the explosive market action that has been seen in the last several weeks - don't get too relaxed just yet.

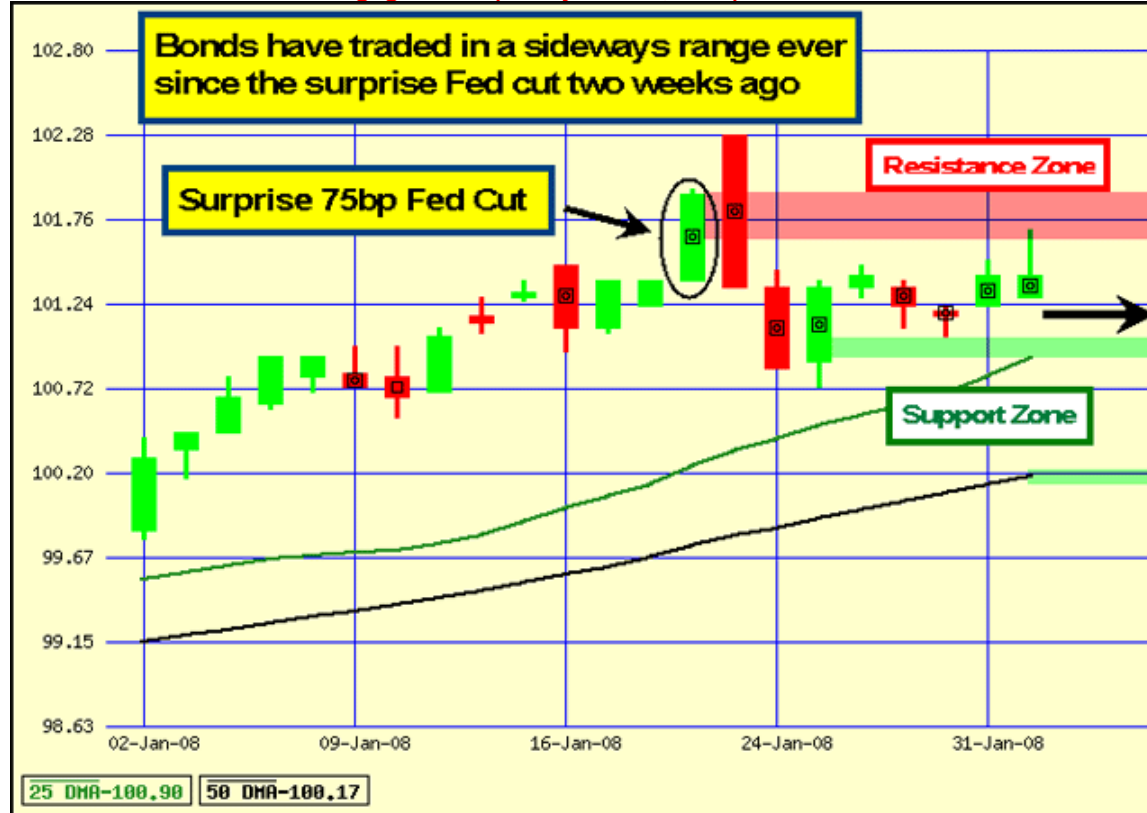
The chart below shows how Bonds and home loan rates have overall been moving "sideways" since the surprise cut the Fed made about two weeks ago, which means the open and closing price of Bonds have been within a pretty tight range. And if you didn't know better - you'd think this would mean home loan rates have been pretty stable. However - here's a quick primer on Japanese Candlesticks, which tell a very different story of volatility.

The red and green markers on the chart below are called Japanese Candlesticks, and have been used by savvy traders over the years to gain more information on a Stock or Bond than a simple open and closing price will provide. A red candle means the closing price was lower than the open, and a green candle means the closing price was higher than the open...but it's the "wicks" on the candles that often tell the real tale. A wick on the top of the candle shows the highest trading point reached throughout the day, and a wick on the bottom of a candle

shows the lowest trading point reached during the day.

Now look at the chart again...you can see that last week was actually very volatile for Bonds and home loan rates throughout the trading days, although the open and closing prices alone wouldn't indicate so. And even with a light economic calendar ahead - more volatility likely lies ahead as well.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Feb 01, 2008)



The Mortgage Market View... ▶

BETTER KNOW THE SCORE

It looks like lenders, landlords, insurance companies and employers aren't the only ones interested in credit scores these days - now the health industry is getting in on the act.

Credit industry giant Fair Isaac is working with Healthcare Analytics and Tenet Healthcare to create a new "MedFICO" score. This new credit score is intended to judge a person's likelihood of paying their medical bills and could debut as early as this summer. Understandably, the new score is already raising concerns from consumer advocacy groups that fear it will be checked before patients are treated. They are afraid that people with low medical credit scores could receive lower-quality care than those with a higher MedFICO.

According to Stephen Farber, chairman and chief executive of Healthcare Analytics, that will not happen. Hospitals will check the score, which will be based on the patient's medical bill payment history, only after the patient is discharged.

And under the Fair Credit Reporting Act, hospitals and doctors may report health care debts to credit reporting agencies but cannot indicate what they were for. Hospitals generally do not report delinquent accounts, but they do turn them over to collection agencies. In such cases, only the medical provider's name and the amount owed should be listed. And even then great care must be taken so as not to reveal the type of care given, as would be the case with the Betty Ford Clinic, which is widely known for treating drug and alcohol addiction.

But can they be trusted?

Given the problems with the credit system in general - such as identity theft and inaccurate scoring data - consumer advocates question whether or not this information should be used as the basis for a new medical version. In an analysis of more than 500,000 individuals' credit scores, the Consumer Federation of America says 29 percent were 50 points lower than they should have been.

They ask, "What's going to happen if there's a mis-scoring due to clerical error or when there are two people with names like Bob Jones who have similar numbers?" Insurance companies are already using a person's credit score to determine their premiums now. What's going to stop health insurance providers from doing the same thing once the new MedFICO score is available?

If you ever doubted the importance or legitimacy of your credit score being as high as possible, this should be your wake up call!

[Learn More About Credit Scoring and Credit Repair](#)

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 February 04 – February 08

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. February 05	10:00	ISM Services Index	Jan	53.0		53.9	Moderate
Thu. February 07	08:30	Jobless Claims (Initial)	2/02	350K		375K	Moderate
Thu. February 07	10:30	Crude Inventories	2/02	NA		NA	Moderate

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