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### Last Week in Review ▶

**"ROLLER COASTER...OF LOVE - SAY WHAT?"** *Ohio Players, 1976* Bond Traders and investors alike didn't buy tickets for this ride, but they've had that "funny feeling in their tummy" for the past few weeks, as Mortgage Bonds and home loan rates continue to swing sharply higher, then plummet back lower, sometimes in the course of just a few hours. Say what indeed - what's causing all this dramatic action?

Last week, there was a definite lack of economic headlines to drive the ride, but the action was still intense for a variety of reasons. Our Mortgage Bonds are purchased by many foreign investors, who are watching global interest rates rise, and contemplating keeping more of their money "closer to home" and investing in their own country, rather than in the US. If they sell off...Mortgage Bonds plunge nauseatingly lower. Additionally, US companies that issue their own Corporate Bonds also buy and sell huge blocks of Treasuries and Mortgage Bonds, which can jolt the Bond market higher or lower on any given day. They do this in an effort to protect their own Corporate Bond issuance against rising interest rates, as they prepare and then sell off their own Corporate Bond issuance. Further, with oil prices ratcheting ever higher, investors pulled money out of Stocks on Friday and sent them swooning lower...but parked the money in Bonds, helping Bonds regain the altitude they'd lost earlier in the week.

A little sick to your stomach just trying to follow all the action? **The good news is that despite lots of midweek action - home loan rates pulled back into the station on Friday around the very same levels they started the week at.** But last week may have just been a kiddie ride compared to what the coming week may have in store...read on for this week's forecast, and learn why the action is likely to stay intense.

**AND WHILE YOU'RE IN THE LEARNING MODE, BE SURE TO READ THIS WEEK'S MORTGAGE MARKET VIEW. YOU'LL GET SEVERAL SMART IDEAS TO MAKE SURE YOUR CHILD'S LEARNING CURVE STAYS ON TRACK AS WELL, BY HELPING FINANCIALLY ENSURE THAT A COLLEGE EDUCATION IS IN THEIR FUTURE.**

### Forecast for the Week ▶

The recent economic headline drought is over - this week brings a tidal wave of news and headlines, all of which will very likely have an impact on where home loan rates will head next. **Remember that strong economic reports that are laced with the scent of inflation will be bad for Bonds and home loan rates; while vice versa, weak economic reports will be good news for rates ahead.** The week kicks off with a look at the housing market, via Existing Home Sales on Monday and New Home Sales on Tuesday. And before the week is over, we'll also get a read on Consumer Confidence and Consumer Sentiment, Personal Income and Spending, Construction Spending and several more...the list seems endless.

But although all these reports will be of interest, there are two main attractions coming this week...and the timing will be quite interesting. On Thursday afternoon, the Fed will wrap up their latest Monetary Policy Meetings, and issue their formal Statement and interest rate decision. There is virtually no chance of a rate change - but the wording of the Policy Statement will be analyzed down to its last vowel. Does the Fed really feel inflation is

moderating as expected...or are they still concerned? We'll all find out Thursday - and here's where it gets really interesting. As fate would have it, the calendar just happens to bring the Fed's most favored gauge of inflation, the Core Personal Consumption Expenditure (PCE)...on Friday, the day *after* the Fed announcement.

So on Friday, will the Fed be eating their words, or feeling pretty smart that their Policy Statement verbiage lines up with the most recent read on inflation? We'll all know soon - so stay tuned for the results in the next Weekly newsletter!

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jun 22, 2007)**



### The Mortgage Market View... ▶

#### WHAT WOULDN'T YOU DO FOR YOUR CHILD?

You'd do anything for your child. And you want your child to have the brightest future imaginable. You probably also know that a college education is more important than ever for a successful financial future. The income disparity between college grads and non-college grads continues to grow, and many jobs that do not require a college education have gone overseas or been replaced by a computer or machine. But it's not cheap - college costs generally inflate at twice the rate of all the other goods and services we pay for.

#### So what can you do now, to ensure your child has that important college education?

The very best idea is to start saving early, while your children are still young. And as your trusted Mortgage Planner, I can help you look at strategies that will help get that college account kick-started or even completely funded right away. Saving for it may seem overwhelming...yet it doesn't need to be. Here's a game plan to help make sure your college savings plans are right on track.

First, talk with a qualified financial planner about a 529 college savings plan - I would be happy to make a referral if you do not have a great financial planner that you work with presently. 529 plans are offered in most states, allow for gifts from parents and grandparents, and the money invested grows tax-free until withdrawn.

When the time comes to start making withdrawals for college, the growth is then taxed to the student, not to you, the investor - and the benefit is that the student will likely have a much lower tax bracket than you. And here's an interesting idea - when researching 529 plans, be sure to ask your financial planner about investing funds in other states 529 plans. Shop around, as many states provide higher yields - and even if the money is invested in another state's 529 plan, it does not limit where the child can go to college. These accounts can be used to fund any accredited college and most likely, even a graduate school.

Another creative idea is a "pre-paid tuition" plan. Pre-paid tuition plans allow individuals to lock in future college costs at today's prices and are designed to increase in value at the same rate as tuition inflation. For example, if a parent wanted to invest in a newborn's college fund today and pre-pay the entire cost based on today's cost, the fund is guaranteed to cover the cost of college 18 years from now when the child is ready for college. Or if the investment is enough to cover only half of the education, the fund guarantees to cover half of the tuition costs at that time. The plan does have some restrictions, so be sure to research this option carefully with your financial planner before making the investment.

Student loans are also an option, but watch carefully what rates you are paying and shop around. Student loans can be very costly and many have limits as to what a child or parent can borrow. For example, a Stafford loan will only lend a maximum loan amount of \$3,500 to a freshman and \$5,500 to a senior...but with the average public in state college costing nearly \$13,000 per year, the difference may have to come from a private loan, these rates can range from 7.25% - 18.00%. A far better alternative may be a home equity line of credit, or even a refinance of your first mortgage. The interest rate will likely be cheaper, and may even be tax deductible. Even with the recent climb in interest rates; exploring your options is important to ensure you are making the best financial decision for your child's education.

For more information about the above options simply click on the following link: [www.savingforcollege.com](http://www.savingforcollege.com) - and if you want to discuss planning for college further, please contact me. We'll look at your situation, decide if a mortgage strategy could work for you, and consult with a great Financial Planner to help put all the pieces together.

### 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 June 25 – June 29

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. 25	June 10:00	Existing Home Sales	May	5.90M	5.99M	6.01M	Moderate
Tue. 26	June 10:00	Consumer Confidence	Jun	106.0		108.0	Moderate
Tue. 26	June 10:00	New Home Sales	May	925K		981K	Moderate
Wed. 27	June 08:30	Durable Goods Orders	May	-0.1%		0.8%	Moderate
Wed. 27	June 10:30	Crude Inventories	6/22	NA		6902K	Moderate
Thu. 28	June 08:30	Jobless Claims (Initial)	6/23	315K		324K	Moderate
Thu. 28	June 08:30	GDP Chain Deflator	Q1	4.0%		4.0%	Moderate
Thu. 28	June 08:30	Gross Domestic Product (GDP)	Q1	0.8%		0.6%	Moderate
Thu.	June 02:15	FOMC Meeting					HIGH

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Fri. June 29	08:30	Personal Income	May	0.6%	-0.1%	Moderate
Fri. June 29	08:30	Personal Spending	May	0.7%	0.5%	Moderate
Fri. June 29	08:30	Personal Consumption Expenditures and Core PCE	May	0.1%	0.1%	HIGH
Fri. June 29	08:30	Personal Consumption Expenditures and Core PCE	YOY	1.9%	2.0%	HIGH
Fri. June 29	09:45	Chicago PMI	Jun	58.0	61.7	HIGH
Fri. June 29	10:00	Consumer Sentiment Index (UoM)	Jun	84.0	83.7	Moderate

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**As your trusted advisor, I am sending you the *MMG WEEKLY* because I am committed to keeping you updated on the economic events that impact interest rates and how they may affect you.**

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