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Provided to you Exclusively  
By **Foster Weeks**

Foster Weeks  
Mortgage Specialist  
Guarantee Mortgage  
Office: 415-441-5050  
Cell: 415-819-0534  
Toll Free: 888-768-5626  
E-Mail: [fweeks@gmwest.com](mailto:fweeks@gmwest.com)



For the week of Jul 16, 2007 --- Vol. 5, Issue 29

**Last Week in Review** ▶

**HAVE A BAD CASE OF PARASKAVEDEKATRIAPHOBIA?** If you suffer from this, the fear of Friday the 13th, then you may have chosen to stay home last Friday...but Stocks got very lucky, with the Dow closing at record highs. This was not the case for Bonds and home loan rates, which could have used a rabbit's foot or four leaf clover, as they were buffeted up and down over the course of last week, and **finally settled out close to where they began.**

The economic news calendar is normally responsible for moves like this - but with a super thin schedule of reports last week, it was everything else under the sun driving the action. First, Stocks had a terrific week overall - and investors that want to move money into the Stock market logically have to take that money out of somewhere, right? Guess where that somewhere was? Bonds. So the move of money out of Bonds and into Stocks caused Bond pricing and home loan rates to suffer. Though Stocks enjoyed a great week overall, buyers can be fickle, and a day or two of disappointing Stock earnings news drove midweek volatility, with some anxious buyers moving money right back out of Stocks and into Bonds.

In terms of volatility, it also didn't help matters much that Bond rating services like Standard & Poor's and Moody's announced the potential downgrade of Mortgage Bonds. Most big pools of Mortgage Bonds contain a small number of loans with "subprime" credit - and these loans are currently experiencing a higher rate of default. So if the pool is deemed riskier overall, investors will want a higher rate or yield to compensate them for the higher risk - so this news caused a bit more concern for the Bond market overall.

And when a few news headlines did finally arrive, they were mixed. A very dismal Retail Sales number was shortly followed by a blistering hot Consumer Sentiment number - so it appears that although the consumer didn't get out there and spend their money as expected during June, the consumer's outlook ahead is confident and positive.

**YOU'VE GOT TO ASK YOURSELF ONE QUESTION: ' DO I FEEL LUCKY?' WELL, YOU DO IF YOU KNOW YOUR CREDIT IS CLEAN AND YOUR CREDIT SCORE IS HIGH. BUT IF IT'S NOT, BE AWARE THAT A BIG LOOPHOLE IS CLOSING THAT MANY HAVE USED TO HELP IMPROVE THEIR SCORE QUICKLY. GET THE FACTS IN THIS WEEK'S MORTGAGE MARKET VIEW.**

**Forecast for the Week** ▶

Just when you thought it was safe to look away from the economic calendar...the schedule for the coming week is swimming with potentially market moving events and releases. Manufacturing, producer and consumer inflation, new home construction, the insightful "Minutes" from the last Fed Meeting - this week has a little something for everyone, and the result may be **more volatility lurking ahead for Bonds and home loan rates.**

Remember that when Bond prices move higher, home loan rates get lower and vice versa, so we want to see Bond prices move higher for home loan rates to improve. And lately, they've been held back from making any moves higher by a "ceiling" overhead - the 25-day Moving Average, simply meaning the average closing price of Bonds for the previous 25 days.

Bonds react more strongly to these technical floors and ceilings when the news calendar is light, so with a heavy news week in store, the tone of the headlines will likely determine if Bonds can muster up enough muscle to crack through the overhead ceiling and help home loan rates improve or if they'll be pummeled lower, causing home loan rates to rise. Check out the economic calendar below for all the action...and stay tuned for next week's issue with all the details.

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jul 13, 2007)**



**The Mortgage Market View... ▶**



*Edward Jamison, one of the nation's leading authorities on credit and credit repair, authors this week's article on a pending change in credit scoring. For more information on Edward and his services, visit [www.JamisonLawGroup.com](http://www.JamisonLawGroup.com).*

## Fair Isaac's Pending Credit Scoring Change Will Affect MILLIONS

I have been forecasting for quite some time that Fair Isaac would eliminate the loophole that allows people to quickly increase their credit score by being added as an authorized user on someone else's established credit card...and sure enough, the time has come.

### Marketers Made Loophole Too Prominent to Ignore

For the most part, this loophole has stayed under the radar until recently when a few companies came out of the woodwork with a marketable service that catered to consumers who will benefit from this practice. These companies recruit people from all over the country who have older credit cards with low debt ratios and offer them \$100-\$300 for each person they add to their credit card as an authorized user. Then, they market to consumers with limited credit histories and/or high revolving debt ratios and offer to have them added as an authorized user on a seasoned trade line for around \$1500 per credit card and pocket the difference. As this practice became more popular, it wasn't long before the over exposure of this loophole shed light on the flaws of Fair Isaac's software.

### New Software Will Eliminate the Loophole

Under pressure from lenders, Fair Isaac made the decision to invest the money into correcting this loophole. The correction is fairly simple: When Fair Isaac takes that snapshot of somebody's credit file, they are going to look at one extra field that they previously had not looked at when generating the score. That field is the one that says who is responsible for that account.

If the scoring software sees that the person is the primary on the account, then it will score the report just like it had done before and no change to the credit score will take place between the old and the new scoring model. This will also hold true if it says that the account is a joint account. But if they see that the responsibility on that account is as an authorized user designation, they will completely ignore that entire account when calculating the credit score. It doesn't matter if the authorized user was added five years ago or yesterday; they will instantly lose the benefits created, if any, from that account being shown on their credit report.

### Going Forward

Due to the fact that the scoring model is changing in a few months coupled with the fact that some lenders are even denying applications in some instances if an authorized user account is present, I would advise that people refrain from getting added as an authorized user immediately. The benefit will soon be gone, and taking advantage of that benefit before it leaves may leave a person at risk for having a loan denied by some lenders.

***To learn more about credit - and how you can make sure that your own credit report is as good as possible - just contact the lender who sent you this newsletter, for more information and ideas.***

### 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 July 16 – July 20

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. July 16	08:30	Empire State Index	Jul	17.0	26.5	25.8	Moderate
Tue. July 17	08:30	Core Producer Price Index (PPI)	Jun	0.2%		0.2%	Moderate

Tue. July 17	08:30	Producer Price Index (PPI)	Jun	0.1%	0.9%	Moderate
Tue. July 17	08:30	Capacity Utilization	Jun	81.5%	81.3%	Moderate
Tue. July 17	08:30	Industrial Production	Jun	0.3%	0.0%	Moderate
Wed. July 18	08:30	Housing Starts	Jun	1450K	1474K	Moderate
Wed. July 18	08:30	Core Consumer Price Index (CPI)	Jun	0.2%	0.1%	HIGH
Wed. July 18	08:30	Consumer Price Index (CPI)	Jun	0.1%	0.7%	HIGH
Wed. July 18	08:30	Building Permits	Jun	1490K	1501K	Moderate
Thu. July 19	08:30	Jobless Claims (Initial)	7/14	NA	308K	Moderate
Thu. July 19	08:30	Index of Leading Econ Ind (LEI)	Jun	0.1%	0.3%	Low
Thu. July 19	12:00	Philadelphia Fed Index	Jul	13.0	18.0	HIGH
Thu. July 19	02:00	FOMC Minutes	Jun 28			HIGH

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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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**Foster Weeks  
Guarantee Mortgage  
1860 Lombard St  
San Francisco, CA 94123**

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