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For the week of Aug 18, 2008 --- Vol. 6, Issue 34

Last Week in Review ▶

"You can't put a limit on anything." Michael Phelps. And while swimmer Michael Phelps has had a record-setting week at the Beijing Olympics, Bonds and home loan rates have been battling some tough opponents at home.

Bonds began the week trading lower due to inflation fears after crude shipments from Georgia were halted amid the Russian bombardment of the country. However, some poor economic reports (remember, bad economic news is bad for Stocks and typically causes money to flow from Stocks into Bonds)...including poor earnings reports from Macy's and farm equipment maker Deere & Co....helped Bonds and home loan rates regain some of the early ground they had lost.

Bonds continued to rally in the latter part of the week despite the hotter than expected read on consumer inflation in the July Consumer Price Index (CPI) report. According to the index, consumer prices increased 5.6% over the last year, which is the biggest year-over-year increase since January 1991. However, Bonds shrugged off the bad inflation news and traded higher because this hot reading came during the time that oil prices spiked to \$147 a barrel in the month of July. Since then, oil prices have dropped significantly and are now \$113 a barrel, which left traders thinking that next month's CPI reading may be tamer. And Bonds and home loan rates continued their rally on Friday in response to some tame inflation news within the Empire State Index Report.

While inflation has been a tough opponent for Bonds and home loan rates, the technical factor known as the 25-day Moving Average (a moving average is the average closing price of a financial instrument over a given time) has been an even tougher opponent of late. Bonds and home loan rates have attempted to improve past this level several times over the last few weeks, finally succeeding on Friday **to end the week nearly unchanged from where they began.**

PUTTING A LIMIT ON OVER-CONSUMPTION IS AN IMPORTANT THING TO DO! CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW TO LEARN HOW GOING GREEN CAN MAKE A DIFFERENCE NOT JUST FOR THE WORLD, BUT FOR YOUR MORTGAGE, TOO!

Forecast for the Week ▶

Tuesday is an especially important day to stay tuned to the markets as two reports...the wholesale inflation measuring Producer Price Index and the state of the housing market measuring Housing Starts and Building Permits Report...could impact the direction of Bonds and home loan rates.

Thursday is another important day to note as the Philadelphia Fed Report will be released. This monthly survey of manufacturing purchasing managers conducting business around the tri-state area of Pennsylvania, New Jersey, and Delaware is one of the most-watched manufacturing reports. If manufacturing is stronger than expected in this area, Stocks could move higher at the expense of Bonds and Home Loan Rates.

Remember when Bond prices move higher, home loan rates move lower...and vice versa. As you can see in the

chart below, Bonds and home loan rates were able to battle back and end the week near where they started. However, a new level of resistance at the 50-day Moving Average (seen as the solid Black Line) may have an affect on the direction of home loan rates. **I will be watching to see whether Bonds and home loan rates can beat out their next opponent to reach even better levels.**

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Aug 15, 2008)



[The Mortgage Market View... ▶](#)

Green Mortgages Equal Larger Loans and Efficient Homes

Tired of heat and energy prices skyrocketing out of your budget? Now you can do something about it...and your mortgage can help!

Energy-efficient improvements, such as installing double-paned windows and additional ceiling insulation, can save you money every month, not to mention pay for themselves in the long run. But how do you come up with the cash to pay for those projects up front or to buy a slightly more expensive house that already has them? One way is with a "green mortgage."

What is a Green Mortgage?

Green mortgages actually come in a couple of different formats. Officially these loans are classified as either Energy Efficient Mortgages (EEMs) or Energy Improvement Mortgages (EIMs).

An Energy Efficient Mortgage essentially allows you to purchase a home that is already energy efficient - even if the price of that home is larger than you would normally qualify for under your debt-to-income ratio. Energy Improvement Mortgages, on the other hand, allow you to take out a larger loan to make energy efficient repairs and improvements to a house that is not currently rated as energy efficient.

The main benefit of both of these mortgages is that they help you to qualify for a larger loan amount and help

make it possible for you to live in a better, more energy-efficient home. The basic principle behind this type of financing is that the money you save from the more efficient home will offset the larger mortgage payments.

Qualifying for a Green Mortgage

To qualify for a green mortgage, you typically need to have a Home Energy Rating conducted. This rating provides the lender with an Energy Savings Value, which is the estimated monthly energy savings and the value of the energy efficiency measures.

Depending on your unique circumstances, you may qualify for a conventional, FHA, or even a VA green mortgage. Each type of loan is designed to fit specific situations and, therefore, each loan has specific requirements that must be met.

You can learn more about the differences between conventional, FHA, and VA green mortgages at the [Energy Star website](#). And for more details about green mortgages in general, visit the [HUD website](#).

Whether you're looking to add energy-efficient improvements to your current home or want to purchase a new energy-efficient house, green mortgages offer benefits that are definitely worth looking into. Call today to discuss your options in more detail.

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 August 18 – August 22

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. August 19	08:30	Building Permits	Jul	949K	937K	1138K	Moderate
Tue. August 19	08:30	Core Producer Price Index (PPI)	Jul	0.2%	0.7%	0.2%	Moderate
Tue. August 19	08:30	Producer Price Index (PPI)	Jul	0.5%	1.2%	1.8%	Moderate
Tue. August 19	08:30	Housing Starts	Jul	963K	965K	1084K	Moderate
Wed. August 20	10:30	Crude Inventories	8/16	NA	9390K	-316K	Moderate
Thu. August 21	08:30	Jobless Claims (Initial)	8/16	438K	432K	445K	Moderate
Thu. August 21	10:00	Index of Leading Econ Ind (LEI)	Jul	-0.3%	-0.7%	0.0%	Low
Thu. August 21	10:00	Philadelphia Fed Index	Aug	-13.4	-12.7	-16.3	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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