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For the week of Sep 22, 2008 --- Vol. 6, Issue 39

### Last Week in Review ▶

**"THE PATH TO SUCCESS IS TO TAKE MASSIVE, DETERMINED ACTION."** Anthony Robbins. And success in stabilizing the markets and the economy is exactly what the government is hoping will happen as a result of the massive, determined actions they took late last week in response to unprecedented happenings in the financial markets.

Treasury Secretary Hank Paulson announced that the US government will guarantee money market funds, after panic led to a "run on the bank" type of environment. A whopping \$180 Billion was withdrawn from market funds on Thursday alone. And the fear was so great that a premium to put money into Treasury securities was paid, which actually exceeded the rate of return. So effectively, the return was negative! People were actually paying for a place to put their money that would be safe because they had fears of losing principal. The government guarantee helped to ease these fears and stabilize the markets.

The Fed announced plans to create a market place for illiquid mortgage debt. This should do a lot of long-term good to help the housing and lending environment. As if that weren't enough, the Securities and Exchange Commission also placed a temporary ban on the short selling of 799 different financially related stocks.

What prompted these dramatic actions? Very dramatic happenings earlier in the week.

After 158 years in existence, Lehman Brothers filed for bankruptcy last Monday due to overexposure of high-risk loans in the mortgage arena. Then, the Fed gave insurance giant AIG an \$85 Billion lifeline to keep it from going into bankruptcy, after initially stating it would not intervene. Then it was announced that Merrill Lynch is being acquired by Bank of America, which will save them from the same fate as Lehman Brothers, and now troubled bank Washington Mutual is looking for a buyer as well.

Also playing a role was the fact that the Fed left its benchmark Fed Funds Rate (the rate banks charge each other for overnight lending) unchanged on Tuesday, not wanting to counter the recent improvements the US economy has made in the way of inflation. While this benefited Bonds and home loan rates earlier in the week, Stocks felt heavy selling pressure on the news...which added to the reasons for the actions taken late last week.

The government's announcements on Friday are great news for the overall health of our financial system, though they did cause Bonds and home loan rates to move away from their best levels of the week. All in all, Bonds and home loan **ended the week slightly worse than where they began**. Additionally, stocks had their most volatile week in history - but ended the week almost exactly where they started.

**THE PATH TO SMART SPENDING DEFINITELY INVOLVES TAKING ADVANTAGE OF GREAT DEALS! CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW FOR FIVE FANTASTIC FREEBIES...AND A LINK TO TWENTY-FIVE MORE!**

### Forecast for the Week ▶

The ride isn't over...the coming week may see more wild movement in the markets, as the financial sector responds to all the recent action, along with several reports due in the latter part of the week. We'll get a read on the housing market with Wednesday's Existing Home Sales Report and Thursday's New Home Sales Report. And we will get a read on the economy with Friday's Gross Domestic Product Report (GDP is the broadest measure of economic activity) and Thursday's Durable Goods Report.

What are "durable goods"? Simply put, they are items that are durable (i.e. cars, furniture, appliances, games, cameras, business equipment, etc), and are made to last longer than three years. This report shows a good measure of consumer and business consumption and buying behavior, and depending on the health of the report, could add to the volatility we have seen.

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 are still much improved from several weeks ago, despite giving up some recent gains.** This could be a great time to take a close look at your home loan financing needs, as rates remain at historic lows. As always, I will be watching closely to see how Bonds and home loan rates continue to respond in these volatile times.

**Chart: Fannie Mae 5.5% Mortgage Bond (Friday Sep 19, 2008)**



[The Mortgage Market View...](#) ▶

### Five Fantastic Freebies

These days, many people are looking for new ways to cut costs and save money. Here are five great ideas from the editors of Kiplinger:

**Free TV & Movies:** Full episodes of more than 300 shows from NBC Universal and Fox stations are available on [www.hulu.com](http://www.hulu.com). The site also offers over 165 free full-length movies in a variety of genres. In addition, other networks like ABC and CBS are also starting to post full episodes of various shows on their Web sites.

**Free College Savings:** Sign up at [www.Upromise.com](http://www.Upromise.com) and you can turn everyday purchases into college savings. You'll earn cash rewards for eligible purchases of groceries, gas, dining out, travel, and online shopping. The money is then automatically transferred to your child's 529 account. In addition, your family and friends can help, too, by linking their rewards to your Upromise account.

**Free Directory Assistance:** The next time you need to call 411, dial 1-800-FREE-411 instead for free directory

assistance for both residential and business listings. While you may have to listen to a short advertisement after the voice prompts, you will still save a few dollars.

**Free Credit Report:** By law, you can receive one free credit report once a year from each of the three main credit bureaus. Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) to request your report.

**Free Recipes:** Need some inspiration in the kitchen? Check out [www.allrecipes.com](http://www.allrecipes.com) and [www.Epicurious.com](http://www.Epicurious.com) where you can access over 100,000 recipes for all kinds of meals...no matter your level of expertise. You can search by meal, occasion, or ingredient, and there are plenty of user reviews and cooking demonstration videos to help.

For twenty-five more great freebies, visit [www.kiplinger.com/features/archives/2007/08/free.html](http://www.kiplinger.com/features/archives/2007/08/free.html).

### 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 September 22 – September 26

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. September 24	10:00	Existing Home Sales	Aug	4.93M		5.00M	Moderate
Wed. September 24	10:30	Crude Inventories	9/20	NA		-6328K	Moderate
Thu. September 25	08:30	Durable Goods Orders	Aug	-1.3%		1.3%	Moderate
Thu. September 25	08:30	Jobless Claims (Initial)	9/20	445K		455K	Moderate
Thu. September 25	10:00	New Home Sales	Aug	518K		515K	Moderate
Fri. September 26	08:30	GDP Chain Deflator	Q2	1.2%		1.2%	Moderate
Fri. September 26	08:30	Gross Domestic Product (GDP)	Q2	3.4%		3.3%	Moderate
Fri. September 26	10:00	Consumer Sentiment Index (UoM)	Sept	70.9		73.1	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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