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Last Week in Review ▶

“TAKE TIME TO DELIBERATE; BUT WHEN THE TIME FOR ACTION ARRIVES...STOP THINKING AND GO IN.” Napoleon Bonaparte. And taking action after deliberating was exactly what the Fed did last week, when they cut the Fed Funds Rate by .50%, lowering it to 1.00%.

Why did the Fed take action last week, after it had already lowered the Fed Funds Rate by .50% on October 8 in a coordinated effort with other central banks? To continue to help ease the credit crisis, and prevent a long and severe global recession. In fact, several foreign central banks followed the Fed's lead again last week, with Hong Kong cutting their lending rate by .50%, Taiwan cutting by .25%, and Japan cutting by .20%. This is important because cuts by other nations help stabilize the US Dollar, which typically loses ground after our Fed cuts rates, because of the lower yield offered comparatively offered in the US. Another interesting point to note: since oil is Dollar denominated, the price per barrel typically jumps after our Fed cuts rates, because of the decline in the value of the Dollar. The cuts by other central banks should keep oil...and gas prices, in turn...from skyrocketing again.

Another reason the Fed took action: The Fed's statement discounted threats of inflation, saying that slowing economic growth should lower inflation pressures over time, but added that downside risks to economic growth remain. And last week's negative Gross Domestic Product reading is confirmation that things have slowed quite a bit. Although experts have speculated that the US may already be in a recession, the first hardcore sign appeared when the Third Quarter Advance GDP report showed that consumer spending declined at the fastest pace in 28 years. The report also reflected the largest quarterly decline since the end of the last recession in 2001.

So what did all of this mean for Bonds and home loan rates last week? After worsening early in the week, Bonds and home loan rates attempted to stabilize by week end. **And while it was a treat that Bonds did bounce off an important level of technical support, home loan rates still ended the week nearly .125-.25% worse than where they began.**

SPECIAL NOTE: BRAND NEW VIDEO FEATURE IN THIS WEEK'S MORTGAGE MARKET VIEW! CHECK IT OUT TO LEARN SOME HOT TIPS TO CONSIDER WHEN BUYING OR LEASING YOUR NEXT VEHICLE.

Forecast for the Week ▶

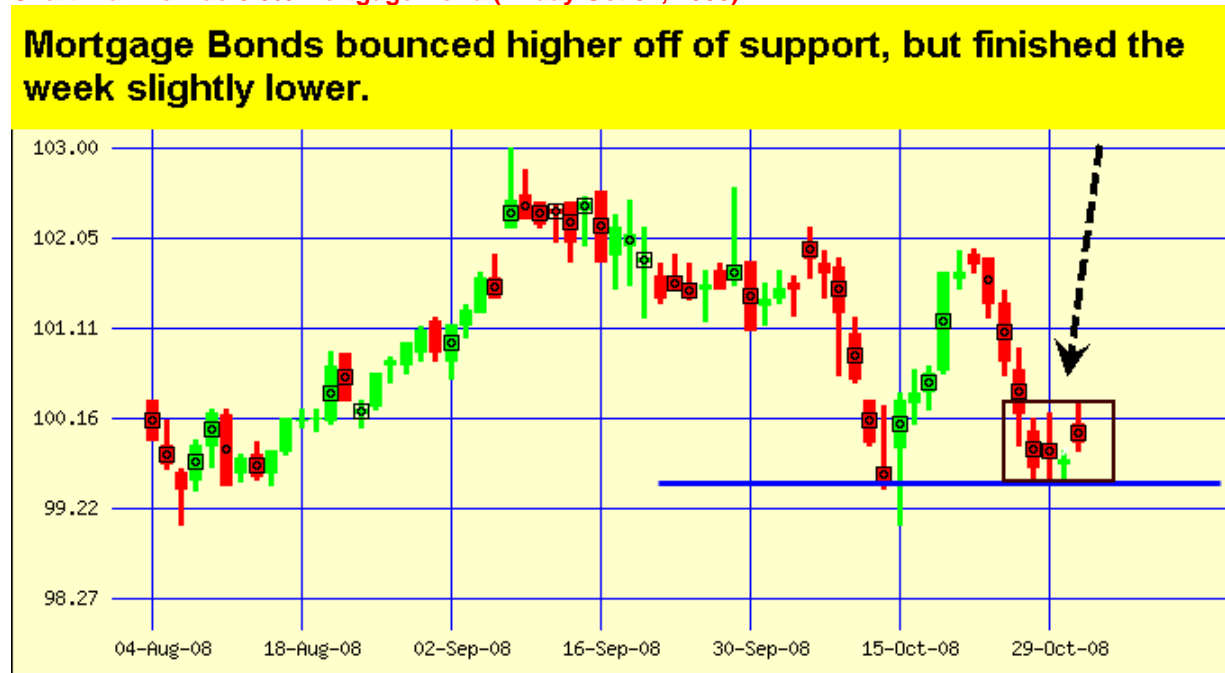
The excitement continues, as the heavyweight Jobs Report is scheduled for release this Friday, which will show the number of jobs lost or gained in October. Remember that the Department of Labor averages their numbers, and part of each month's report includes "revisions" to the several prior months' numbers. Last month, the Labor Department reported that 159,000 jobs were lost in September, which was worse than the 105,000 lost jobs that economists were expecting. As of last month's report, the US has lost 760,000 jobs so far in 2008. And the news for October is not expected to be any better.

A negative report could be bad news for Stocks and good news for Bonds and Home loan rates, as bad

economic news typically causes money to flow from Stocks and into Bonds. But as has been noted in recent weeks, things are anything but typical at the moment. **Bottom line: count on me to be watching closely to see how the markets react to this report and all the other news of the week...and feel free to call me anytime, even if you'd just like to do a quick review of your own current financial and credit situation.**

As you can see in the chart below, Bonds did bounce off a key technical support level late in the week. I will let you know if Bonds can remain above this important support during the week ahead.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Oct 31, 2008)



[The Mortgage Market View... ▶](#)



Should You Buy or Lease?
By Mark K. Solheim

To hear the critics wail, you'd think leasing a car is as bad for your finances as smoking cigarettes is for your health. Does that mean you're a closet wastrel if you've ever been tempted by ads that trumpet affordable monthly payments for a new car? Or, worse, that you are hurtling down the highway to financial ruin if you've already given in?

Relax. Leasing is not a mortal sin of money management. For some drivers, in fact, it makes sound fiscal sense. Leasing's not for everyone, but there's no reason to scorn the 15% of our fellow travelers who choose leasing over buying.

A Closer Look

Leasing often gets a bum rap because the lingo can make your head spin. It's difficult to compare one lease with another, not to mention to compare leasing with buying. And it can be tough to get a handle on leasing because the decision to lease or buy often depends on your mindset. "A lot of people are freaked out by having to turn in their car at the end of the lease," says Phil Reed, author of Edmunds.com's *Strategies for Smart Car Buyers*. "What they fail to realize is that they got the first years of a brand-new car's life."

One of the biggest criticisms of leasing is that in a buck-for-buck comparison of leasing and buying, leasers usually shell out more money. That's because, after the loan payments are done, buyers get to keep the vehicle (pay cash and you come out further ahead). If your modus operandi is to buy a car and run it till it sputters and dies, leasing isn't right for you. But you're a good candidate, Reed says, if you've decided that you're always going to have a car payment – as many drivers do, now that six- and even seven-year loans are gaining popularity. It's a good bet that you can drive more car for less money if you lease. You'll never actually own the car, but who really owns a car when the bank holds the title until the loan is paid off?

A few other advantages: A lease usually ends about the same time as the warranty, so you probably won't pay for any repairs. You won't have to worry about whether you'll get a fair deal on a trade-in. In most states, you pay sales tax only on the monthly payments rather than on the full value of the car. Plus, many of today's leases include gap insurance to cover the difference between the lease payoff and an insurance settlement if the car is totaled or stolen.

Yes, there are early-termination fees if you change your mind. But if you finance a car and bail out before the loan is paid off, you could easily owe more on the loan than the car is worth. And it's true that you pay extra for exceeding the 10,000- to 15,000-mile yearly limit typically written into a contract. But buyers who rack up high mileage also pay a penalty: lower trade-in value.

Design Your Own Lease

If you choose a manufacturer-subsidized lease, you'll probably be locked in to the terms. But if the car you want isn't being pushed by the carmaker, there's plenty of room for bargaining. Either way, contact several dealers to see who's willing to cut you the best deal. Reed of Edmunds.com recommends a term of three years because that's often the turning point in a car's life (when the warranty expires, for instance, or you may need new tires).

Ask the dealer to compare leasing offers on the car from the manufacturer's financing arm as well as a few banks. That may produce a lower "money factor" (basically the interest rate) or higher residual, either of which translates into lower payments.

Next, target the capitalized cost – leasing lingo for the price of the car written into the lease. Gross cap cost includes the price of the vehicle, fees, extended service plans, gap-insurance premiums and any other add-ons. Adjusted cap cost is the gross cap cost minus reductions for trade-in, down payment, and rebates. That adjusted cost is the amount you actually finance. Don't pay sticker unless you have to. Both Kelley Blue Book (www.kbb.com) and www.Edmunds.com list actual transaction prices to give you an idea of what others are paying.

If you expect to drive more than the number of miles included in the standard contract, try to negotiate a higher limit. Or you may be able to buy extra miles up front for an extra 10 or 15 cents per mile, versus the usual 15- to 30-cent-per-mile penalty charged at the end of the lease.

You usually have the option of buying the car at the end of the lease instead of turning it in. The purchase amount, typically the residual value, is written into the lease. Buying may not be a good idea, though, if the residual was set artificially high.

Not up for haggling? Kiplinger's has teamed with CarBargains, a buying service from the nonprofit Consumers' Checkbook organization. Its LeaseWise service will negotiate with five local dealers for you. The cost is \$335.

Visit www.kiplinger.com/links/carbargains or call 800-475-7283.

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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 November 03 – November 07

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. November 03	10:00	ISM Index	Oct	42.0	38.9	43.5	HIGH
Wed. November 05	08:15	ADP National Employment Report	Oct	-80K		-8K	HIGH
Wed. November 05	10:00	ISM Services Index	Oct	48.5		50.2	Moderate
Wed. November 05	10:30	Crude Inventories	11/1	NA		493K	Moderate
Thu. November 06	08:30	Jobless Claims (Initial)	11/1	NA		479K	Moderate
Fri. November 07	08:30	Average Work Week	Oct	NA		33.6	HIGH
Fri. November 07	08:30	Hourly Earnings	Oct	0.3%		0.2%	HIGH
Fri. November 07	08:30	Non-farm Payrolls	Oct	-198K		-159K	HIGH
Fri. November 07	08:30	Unemployment Rate	Oct	6.2%		6.1%	HIGH

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