

If you can't see the newsletter, or would like to view it online, [use this link](#)

If you have received this newsletter indirectly and would like to be added to our weekly distribution list, [use this link](#)



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 Dec 08, 2008 --- Vol. 6, Issue 50

### Last Week in Review ▶

**"I KNEW THE RECORD WOULD STAND UNTIL IT WAS BROKEN."** Yogi Berra. And while last week's Jobs Report wasn't the worst record breaker of all time, it showed a loss of 533,000 jobs during the month of November, which represented the most job losses the US has seen in 35 years. And adding more pain to the Report were heavy downward revisions for September and October, which erased an additional 199,000 jobs. In addition, last month was only the fourth time in 58 years that our economy lost over 500,000 jobs.

So what does this mean for Bonds and home loan rates? We first have to acknowledge that we are not in a typical trading environment, where weak or negative economic reports always lead to improved pricing for home loans and vice versa. The dynamics of hedge funds de-levering - where fund managers are selling all types of securities with whatever timing they need to, in order to raise capital - have caused unprecedented volatility of late, and it is not quite clear when that will end.

The Fed has indicated that they would like to be a buyer of Mortgage Bonds, which has resulted in attractive, lower rates right now. But as stated above, the trading environment is extremely volatile, and opportunities to capitalize on lower rates that make sense should be taken advantage of. There have been recent rumors of interest rates being brought down towards 4.5% by the Treasury. This irresponsible release included no definitive plan, no indication of who might qualify, or what the restrictions would be. Like many other recent legislative "solutions", the restrictions might be very tight, with income limits set very low, and as a result, helping very few people. Remember, it may make sense for you to act now, and take advantage of current historically low rates...with the possibility of refinancing should rates decline further.

In other news to note from last week, the Bank of England and the European Central Bank both cut their key benchmark interest rates in an effort to revive their sagging economies. The reduction in rates was expected as part of a global coordinated effort, and our Fed is widely expected to cut its benchmark rate during its meeting on December 16. While a cut by the Fed often causes home loan rates to rise - because a Fed rate cut can lead to inflation, which is the arch enemy of Bonds and home loan rates - the deflationary environment we are currently in may prevent home loan rates from worsening significantly after the Fed cut.

Bonds and home loan rates tested their best levels of 2008 throughout last week, but could not improve beyond them. **As a result, Bonds and home loan rates ended the week slightly worse than where they began...even in the midst of rumors of rates declining as mentioned above.**

**GAS PRICES SURE HIT A RECORD EARLIER THIS YEAR, BUT NOW THAT THEY HAVE IMPROVED, THE IRS HAS ISSUED NEW MILEAGE RATES FOR 2009. SEE THIS WEEK'S MORTGAGE MARKET VIEW FOR ALL THE DETAILS!**

### Forecast for the Week ▶

We will likely see another volatile Friday this week, with the release of several important reports at 8:30am ET. First we have the Producer Price Index, which measures inflation at the wholesale level. Given the recent

whispers of deflation, this will be an important report to watch. Consumer Sentiment will also be released...but given the state of the economy, the results likely won't be much of a surprise.

In addition, we'll get a read on consumer spending patterns with November's Retail Sales Report. This Report is a measure of the total receipts of retail stores from samples representing all sizes and kinds of business in retail trade throughout the nation. Black Friday kicked off the holiday shopping season last week and the National Retail Federation amazingly estimated that shoppers spent 7.2% more than last year...but this is likely a result of the deep discounting seen by retailers, and it could well be that many shoppers who normally wait until December to get started on holiday purchases went out early to take advantage of the sales. Don't be surprised if this is a horrible report, as not only have the holiday shopping lists become shorter, but the amount spent for each individual has likely been reduced. In any event, it will be important to see what the report reveals, as a lousy report should be friendly towards home loan rates.

**Remember, as Bond prices move higher, home loan rates move lower. And as you can see in the chart below, Bonds have stalled out in their improving direction for the time being, after making some great gains over the last month. Home loan rates currently stand at historic lows.**

I will keep you updated as things progress, but give me a call to talk about the current historically low rates, and how this opportunity might benefit you.

**Chart: Fannie Mae 5.5% Mortgage Bond (Friday Dec 05, 2008)**



[The Mortgage Market View... ▶](#)

## IRS RELEASES NEW MILEAGE RATES

If you drive a car, truck or van for work, the Internal Revenue Service (IRS) has announced news that impacts you. That's because the IRS has released the new standard mileage rates for 2009. The rates will be used to calculate deductible costs for driving an automobile for business, charitable, medical and moving purposes. The new mileage rates for business, medical and moving purposes will be slightly lower than the rates for the second half of 2008, which were raised in the middle of last year due to spiking gas prices. The rate for charitable driving, however, is set by law and will remain unchanged from 2008.

Beginning January 1, 2009, the standard mileage rates for 2009 are as follows:

- Businesses = 55 cents per mile driven
- Medical or moving = 24 cents per mile driven

- Charitable organizations = 14 cents per mile driven

Overall, these rates reflect the higher transportation costs compared to a year ago. However, the rates are slightly lower than the second half of 2008 to factor in the recent drop in gasoline prices. While gasoline is a significant factor in the mileage rate, other fixed and variable costs, such as depreciation, also enter the calculation.

But before you calculate your deduction, make sure you qualify. The IRS reminds taxpayers that they cannot use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Remember, you don't have to use the standard rate! Although the IRS provides the standard mileage rate for ease and convenience, you're not required to use it. If you choose, you have the option of calculating the actual costs of using your vehicle instead of using the standard mileage rates. So keep that in mind as you calculate your automobile usage for business, medical, moving, or charity driving in 2009!

**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 December 08 – December 12**

| Date             | ET    | Economic Report                 | For   | Estimate | Actual | Prior    | Impact   |
|------------------|-------|---------------------------------|-------|----------|--------|----------|----------|
| Wed. December 10 | 10:30 | Crude Inventories               | 12/06 | NA       |        | 0465K    | Moderate |
| Thu. December 11 | 08:30 | Jobless Claims (Initial)        | 12/6  | NA       |        | 509K     | Moderate |
| Thu. December 11 | 08:30 | Balance of Trade                | Oct   | -\$54.0B |        | -\$56.5B | Moderate |
| Fri. December 12 | 08:30 | Core Producer Price Index (PPI) | Nov   | 0.2%     |        | 0.4%     | Moderate |
| Fri. December 12 | 08:30 | Producer Price Index (PPI)      | Nov   | -1.8%    |        | -2.8%    | Moderate |
| Fri. December 12 | 08:30 | Retail Sales                    | Nov   | -1.4%    |        | -2.8%    | HIGH     |
| Fri. December 12 | 08:30 | Retail Sales ex-auto            | Nov   | -1.7%    |        | -2.2%    | HIGH     |
| Fri. December 12 | 08:30 | Consumer Sentiment Index (UoM)  | Dec   | 58.0     |        | 55.3     | Moderate |

The material contained in this newsletter is provided by a third party to real estate, financial services and other professionals only for their use and the use of their clients. The material provided is for informational and educational purposes only and should not be construed as investment and/or mortgage advice. Although the material is deemed to be accurate and reliable, we do not make any representations as to its accuracy or completeness and as a result, there is no guarantee it is not without errors.

**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.**

**In the unlikely event that you no longer wish to receive these valuable market updates, please [USE THIS LINK](#) or email: [fweeks@gmwest.com](mailto:fweeks@gmwest.com)**

**If you prefer to send your removal request by mail the address is:**

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

**Mortgage Success Source, LLC** is the copyright owner or licensee of the content and/or information in

this email, unless otherwise indicated. **Mortgage Success Source, LLC** does not grant to you a license to any content, features or materials in this email. You may not distribute, download, or save a copy of any of the content or screens except as otherwise provided in our Terms and Conditions of Membership, for any purpose.

