



# Mortgage Monitor



Weekly

November 2, 2007

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Historical comparisons	1-Yr ARM	15-Yr fixed	30-Yr fixed	Fannie Mae coupon	Mortgage Applications (Y/Y%)	
This week	5.57	5.91	6.26	5.77	Total	19.4%
Last week	5.66	5.99	6.33	5.74	Purchase	9.9%
Year ago	5.53	6.02	6.31	5.80	Refinance	31.6%

## 30-Year Rate Falls to 6.26%

**Recap:** The average 30-year fixed rate fell to 6.26% from 6.33%, the 15-year fixed rate fell to 5.91% from 5.99%, and the 1-year ARM fell to 5.57% from 5.66%.

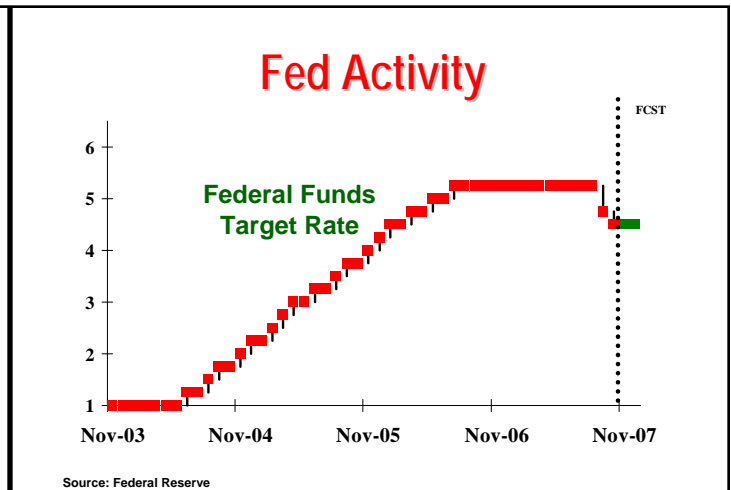
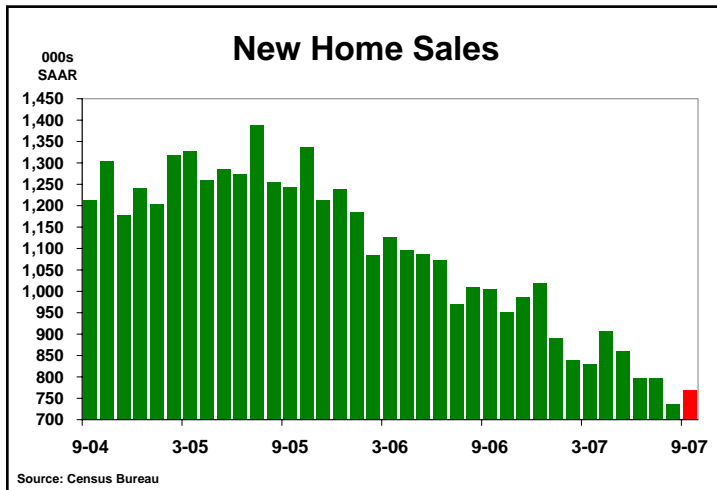
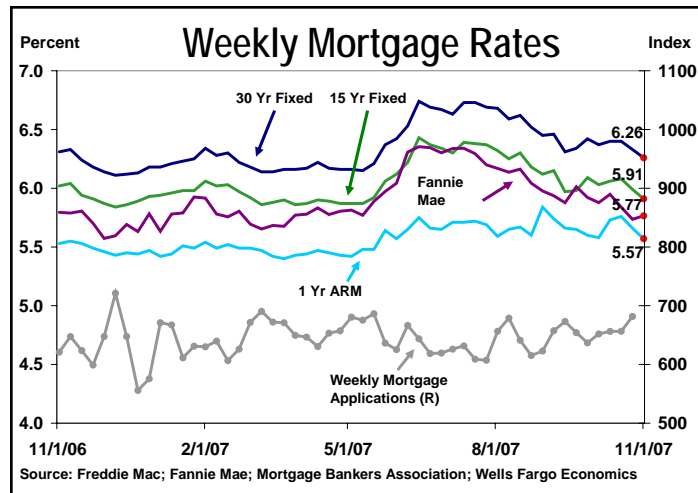
**Week in review:** Although 10-year Treasury yields rose this week amid rising inflation concerns, mortgage rates fell amid a drop in consumer confidence and continuing housing market weakness. Despite a 1.7% drop in September durable goods orders, Treasury yields rose slightly on October 25 as September new home sales rebounded to 770K, initial jobless claims fell by 8K and oil prices reached another record high. On October 26, even though the University of Michigan Sentiment Index fell to 80.9 in October, Treasury yields rose further as oil prices continued to rise and Countrywide Financial said it expects a return to profitability in the fourth quarter. Yields fell slightly on October 29 as traders pared bets the Fed would cut more than 25 basis points, easing inflation concerns. Despite a 4.4% drop in the August Case/Shiller home price index and a decline in October

consumer confidence to 95.6, Treasury yields held relatively steady on October 30 as traders were reluctant to make any major moves before the FOMC meeting. Yields then jumped on October 31 after the Fed lowered the Fed Funds rate to 4.5% and suggested the risks to growth and inflation were "roughly" balanced, indicating further cuts this year are unlikely. A 0.3% rise in September construction spending, a strong 106K gain in the ADP job report and solid 3.9% Q3 GDP growth also helped to lift yields.

**Fed Funds Rate:** The Fed Funds rate currently stands at 4.50%. The next meeting is December 11, at which time we expect the Fed to hold rates steady as the Fed has stated the risks to growth and inflation are roughly balanced.

**Outlook:** Treasury yields plunged on November 1 as a rout in the stock market and weak consumer spending and manufacturing reports fueled demand for Treasuries. Despite a strong October jobs report, yields fell early on November 2 amid continued credit concerns. These reports, along with productivity and services reports next week, will drive mortgage rates in the upcoming week.

-Ed Kashmarek, Economist  
Wells Fargo & Company



Financial Data	History					Month-to-Date		Current	Forecast (monthly)							
	2007.05	2007.06	2007.07	2007.08	2007.09	2007.10	2007.11	11/2/2007	2007.12	2008.01	2008.02	2008.03	2008.04	2008.05	2008.06	2008.07
Federal Funds Rate	5.26	5.24	5.23	4.53	4.89	4.62	4.59	4.56	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Treasury-10 Year Notes (yield)	4.75	5.10	5.01	4.67	4.52	4.53	4.36	4.31	4.40	4.45	4.45	4.50	4.50	4.60	4.60	4.60
Prime Rate	8.25	8.25	8.25	8.25	8.03	7.74	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Mortgage-15 Year (yield)	5.93	6.30	6.36	6.25	6.05	6.05	5.91	5.91	5.93	5.98	6.03	6.03	6.13	6.13	6.13	6.13
Mortgage-Adjustable (yield)	5.50	5.66	5.70	5.65	5.70	5.67	5.57	5.57	5.57	5.62	5.62	5.67	5.67	5.77	5.77	5.77
Mortgage-30 Year (yield)	6.23	6.61	6.69	6.59	6.39	6.38	6.26	6.26	6.27	6.32	6.32	6.37	6.37	6.47	6.47	6.47

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