



Mortgage Time

Mortgage Market News for the week ending January 13, 2012



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ABC Lending
Mortgage Consultant

PHONE:
(123) 456-7890

www.yourwebsitelink.com

johndoe@abcmortgage.com

1000 Mortgage Way

Loansville, TX 12345

Cell: (789) 123-4567
Your Marketing Tagline!

European Concerns Increase

Increased concerns about Europe helped mortgage rates improve this week, although the impact of the recently passed extension to the payroll tax reduction is beginning to push up mortgage rates for certain loans (discussed below).

The news from Europe was mostly negative this week. Economic growth in Germany was slower than expected. Negotiations on restructuring Greek debt did not progress as planned, increasing the risk of default. S&P is downgrading the debt of several European countries, including France. Finally, the European Central Bank (ECB) provided no relief, as it gave no indication that it would increase the level of aid available to troubled countries. As a result, investors shifted funds to relatively safer investments, including US mortgage-backed securities (MBS), which helped mortgage rates move lower.

The recently passed extension to the temporary payroll tax reduction contained a lightly publicized revenue raising provision to increase the guarantee fees charged on Fannie Mae and Freddie Mac loans. This fee results in higher rates for borrowers, and mortgage rates for loans not expected to close within the next month or so have begun to reflect this coming increase in guarantee fees.

Also Notable:

- Consumer Sentiment jumped to the highest level since May
- Retail Sales ex-autos posted its first monthly decline since May 2010
- The Fed's Beige Book reported that economic activity expanded at a "modest to moderate" pace
- The European Central Bank (ECB) made no change in rates

Events This Week:

Retail Sales Mixed

Sentiment Rose

Jobless Claims Up

Trade Deficit Higher

Events Next Week:

Wed 1/18

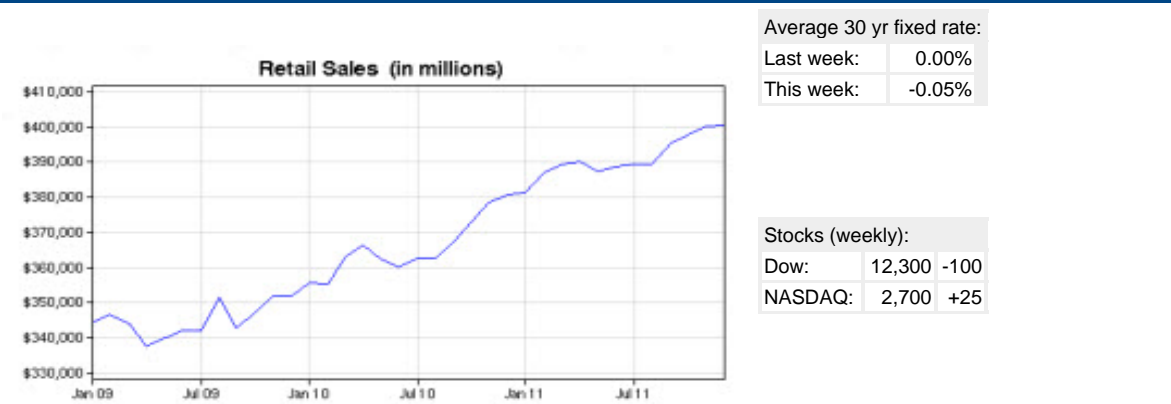
PPI
Ind. Production

Thur 1/19

CPI
Housing Starts

Fri 1/20

Existing Sales



Week Ahead

The most significant economic data next week will be the monthly inflation reports. The Producer Price Index (PPI) focuses on the increase in prices of "intermediate" goods used by companies to produce finished products and will come out on Wednesday. The Consumer Price Index (CPI), the most closely watched monthly inflation report, will come out on Thursday. CPI looks at the price change for those finished goods which are sold to consumers. In addition, Industrial Production, an important indicator of economic growth, will come out on Wednesday. Housing Starts will be released on Thursday, and Existing Home Sales will come out on Friday. Philly Fed and Empire State will round out the schedule. Mortgage markets will be closed on Monday in observance of MLK Day.

To learn more about news impacting interest rates and mortgage markets, go to www.mbsquoteline.com

To learn more about the newsletter, please call 800-627-1077

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