Mortgage Monitor

Weekly

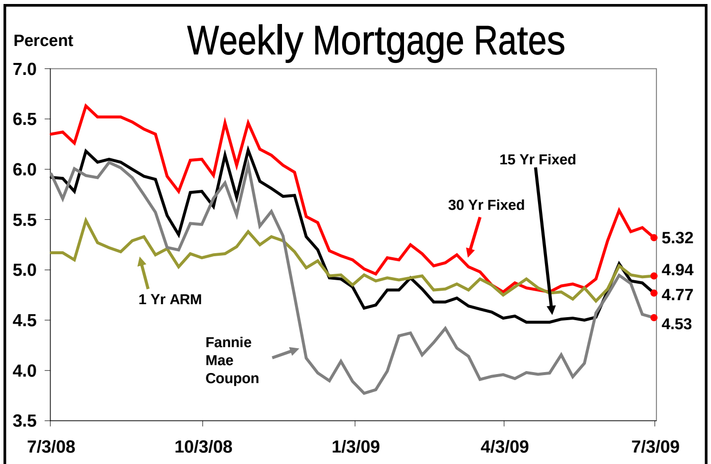
For the Period: June 25, 2009 - July 1, 2009

Historical comparisons	1-Yr ARM	15-Yr fixed	30-Yr fixed	Fannie Mae coupon	Mortgage Applications (Y/Y%)	
This week	*4.94*	*4.77*	*5.32*	*4.53*	Total	*-6.9%*
Last week	*4.93*	*4.87*	*5.42*	*4.56*	Purchase	*-21.9%*
Year ago	*5.17*	*5.92*	*6.35*	*5.95*	Refinance	*16.8%*

30-Year Rate Falls to 5.32%

Recap: The average 30-year fixed rate fell to 5.32% from 5.42%, the 15-year fixed rate fell to 4.77% from 4.87%, and the 1-year ARM rose to 4.94% from 4.93%.

Week in review: *In the most recent survey period, long-term mortgage rates fell as Treasury yields dropped following a very strong 7-year note auction, while inflation remained muted.* A very strong 7-year note auction, along with a rise in initial and continuing jobless claims, led to a plunge in 10-year Treasury and MBS yields on June 25. Yields changed little throughout the rest of the survey period as economic data was mixed. Increases in personal spending and income, Chicago PMI, ISM manufacturing and pending home sales, along with a slower rate of decline in the Case-Shiller home price index, were countered by a surprise drop in consumer confidence, record-low PCE inflation, a drop in construction spending and a worse-than-expected drop in the ADP payroll report. Comments from China stating they will not diversify their foreign currency holdings anytime soon, and from San Francisco Fed President Janet Yellen stating that the Fed may hold the Fed Funds rate near zero for several years, also fueled demand for Treasuries.



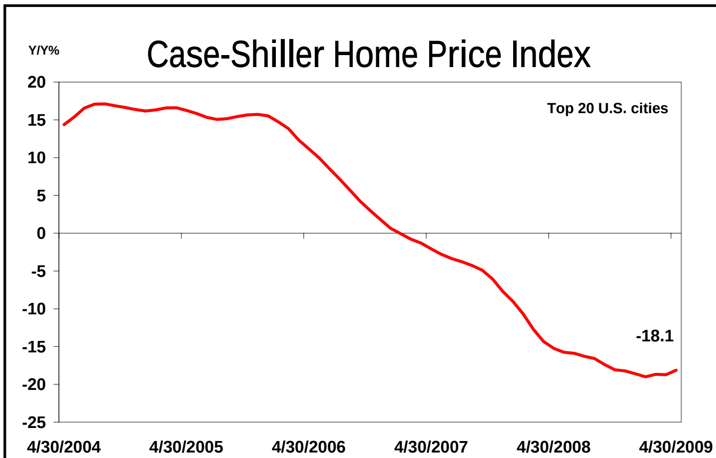
Source: Freddie Mac; Fannie Mae; Mortgage Bankers Association; Wells Fargo Economics

The 7-year note auction was the largest offering of the securities since regular sales began in 1981. Thus, the strong demand in the face of record supply shows that, at least for now, the market is absorbing the debt needed to finance all the bailouts and the deficit. This, combined with record-low inflation, a very weak labor market and a moribund housing market, suggests Treasury yields and mortgage rates may not have much upward risk in the near term, although volatility will continue. However, we continue to believe that rates will move higher in the medium to longer term as the economy recovers and demand for Treasuries wanes.

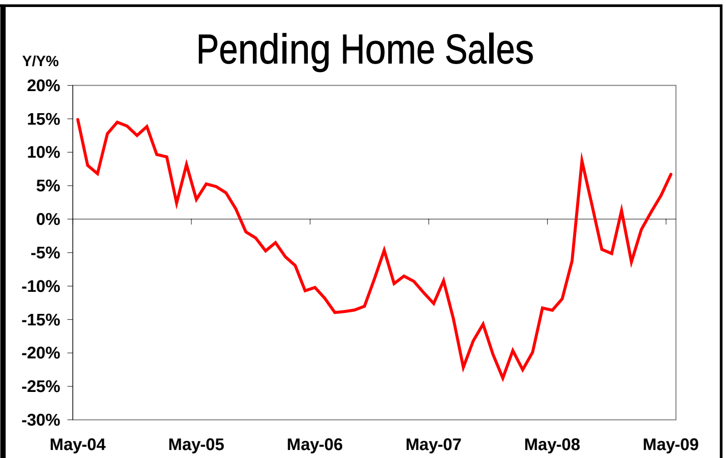
Fed Funds Rate: The Fed Funds target range is now 0-0.25%. The next meeting is August 12. The Fed said they expect rates to remain very low for some time.

After the survey: Yields fell on July 2 as payrolls fell more than expected and the unemployment rate hit a 26-year high. Next week brings reports on services, consumer credit, the trade balance and import prices.

-Ed Kashmarek, Economist
Wells Fargo & Company



Source: Case-Shiller



Source: National Association of Realtors; Freddie Mac; Wells Fargo Economics

	History						Month-to-Date	Current	Forecast (monthly)							
Financial Data	2009.01	2009.02	2009.03	2009.04	2009.05	2009.06	2009.07	7/2/2009	2009.08	2009.09	2009.10	2009.11	2009.12	2010.01	2010.02	2010.03
Federal Funds Rate	0.17	0.23	0.22	0.15	0.18	0.21	0.19	0.22	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Treasury-10 Year Notes (yield)	2.50	2.87	2.82	2.93	3.30	3.72	3.55	3.49	3.73	3.78	3.83	3.88	3.93	3.98	3.98	3.98
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Mortgage-15 Year (yield)	4.73	4.79	4.65	4.51	4.51	4.85	4.82	4.77	5.01	5.06	5.11	5.16	5.21	5.26	5.26	5.26
Mortgage-Adjustable (yield)	4.90	4.88	4.85	4.83	4.76	4.90	4.94	4.94	5.18	5.23	5.28	5.33	5.38	5.43	5.43	5.43
Mortgage-30 Year (yield)	5.05	5.13	5.02	4.82	4.84	5.35	5.37	5.32	5.56	5.61	5.66	5.71	5.76	5.81	5.81	5.81