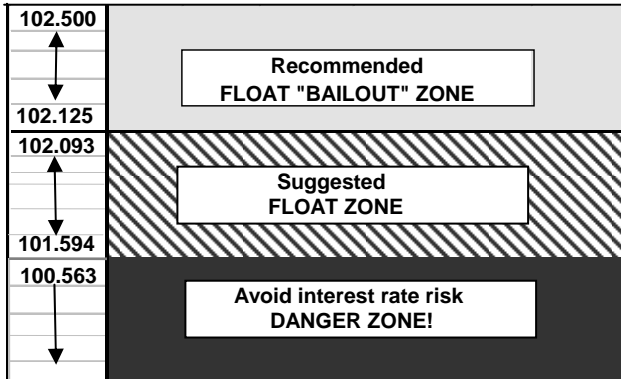


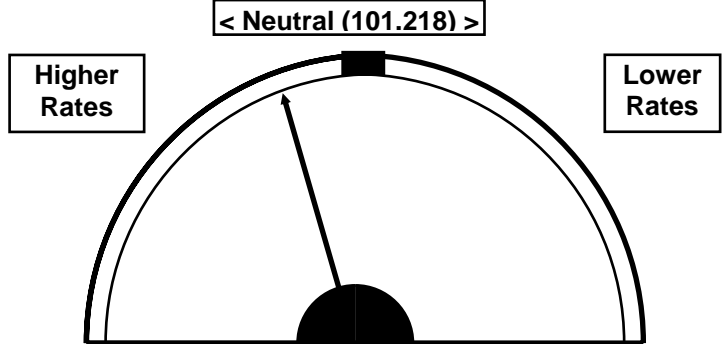
The **only** source that provides **specific** pipeline risk management **strategies** for tomorrow's market - **today!**

The following market analysis is designed for use with new risk positions created during the week of October 27th, 2008

SHORT TERM RISK MATRIX



LONG TERM TREND METER



The "Short Term Risk Matrix" is indexed to the Fannie Mae 6.0% 30-year fixed rate mortgage-backed security – **November** delivery - and is applicable for loans with **20 days or less to scheduled closing**. If the "Long Term Trend Meter" is suggesting that higher rates are ahead, I recommend that you use the "Short Term Risk Matrix" to set your long term "locks" as well. The Fannie 6.0% mortgage-backed security closed at a price of 100.812 on Friday, October 24th.

This forecast applies to loans with more than **21 days to scheduled closing**. The Long Term Trend Meter is indexed to the Fannie Mae 6.0 % 30-year, fixed rate mortgage-backed security.

In terms of the US 10-year Treasury note, a major trend reversal to higher note rates will occur, in my opinion, if the yield rises and closes above **4.106%**.

The Economic Calendar for the week of Monday, October 27th through Monday, November 3rd, 2008

Release Date & Time	Economic Indicator	Consensus Estimate	Analysis
Mon. Oct. 27, 10:00 a.m. ET	Sept. New Home Sales	Down 2.1%	Mortgage investors will probably give news that new home sales fell by 2.0% or more in September little more than a passing glance. A sales gain of 0.5% or more will likely put some upward pressure on mortgage interest rates.
Tue, Oct. 28, 9:00 a.m. ET	First day of a two day Fed meeting begins		
Tue, Oct. 28, 10:00 a.m. ET	Oct. Consumer Confidence	+52.0 vs. last 59.8	The drop in consumer confidence during the month of October is almost guaranteed and will therefore likely have little, if any impact on the direction of mortgage interest rates today.
Wed. Oct. 29, 8:30 a.m. ET	Sept. Durable Goods Orders	-1.1% vs. last -4.8%	Sagging demand and a freeze in the short-term credit markets took toll on the manufacturing sector last month. The only thing this report will do for investors is clarify the magnitude of the slowdown. The deeper the decline in durable goods orders the more supportive it will be for steady to perhaps fractionally lower mortgage interest rates.
Wed. Oct. 29, 2:15 p.m. ET	Federal Open Market Committee meeting ends	50 basis-point rate cut	Traders have priced in a 75% chance the Fed will cut their benchmark fed fund rate by 50 basis-points today. If their assessment proves accurate the impact on mortgage interest rates will likely be minimal. In my opinion there is a chance the Fed will slash the fed fund rate by 75 basis-points. A move of that size will almost certainly carry the power to nudge mortgage rates fractionally lower. In the unlikely case the Fed chooses to stand-pat and make no change -- look for investors to register their sharp disappointment by pushing rates notably higher.
Thurs. Oct. 30, 8:30 a.m. ET	1 st estimate Q3 Gross Domestic Product	-0.5% vs. last +2.8%	If the slowdown in third-quarter economic growth exceeds the consensus estimate for a drop of 0.5% -- look for strong selling in the stock markets as investors brace for a long and protracted recession. Expectations for further weakness in the mortgage market caused by deteriorating conditions in the labor sector will likely make it very difficult for mortgage interest rates to move notably lower from current levels.
Thurs. Oct. 30, 8:30 a.m. ET	Initial jobless claims for the week ended 10/25	Down 3,000	The modest expected decline for initial jobless claims will likely draw nothing more than a passing glance from mortgage investors today.
Fri. Oct. 31, 8:30 a.m. ET	Q3 Employment Cost Index	+0.7% vs. last +0.7%	The modest gain in the third-quarter employment cost index shows that the inflation threat from the labor sector is virtually non-existent. Look for this data to have little influence on the direction of mortgage interest rates.
Fri. Oct. 31, 8:30 a.m. ET	Sept. Personal Income Spending PCE Index	+0.1% vs. last +0.5% -0.3% vs. last 0.0% +0.1% vs. last +0.2%	Most market participants expect this data to reflect a strong drop in spending by consumers while a measure of inflation at the consumer level (the personal consumption expenditure index) barely registers a blip. Under normal conditions this news would be supportive of steady to fractionally lower mortgage interest rates – this time around it is hard to be quite so confident.

Market Commentary: It is going to be a very busy week with lots of economic data to be released together with a very important monetary policy decision due from the Federal Open Market Committee.

In my judgment, the "wild card" of the week in terms of the trend trajectory of mortgage interest rates will be Fed Chairman Bernanke's presentation before a

symposium on the Mortgage Meltdown, the Economy and Public Policy on Friday.

Bernanke will have an opportunity to diffuse the current fear in the fixed-income community surrounding ownership of agency eligible mortgage-backed securities. Keep your fingers crossed that he manages to put the bloom back on our rose.