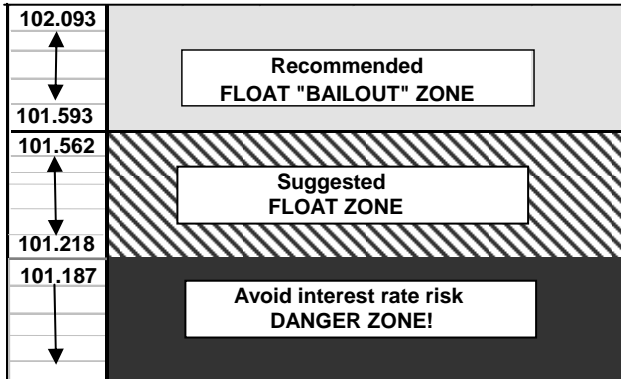


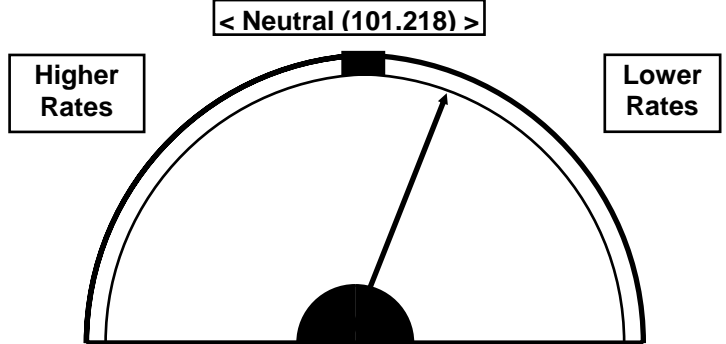
The **only** source that provides **specific** pipeline risk management **strategies** for tomorrow's market - **today!**

The following market analysis is designed for use with new risk positions created during the week of December 15th, 2008

SHORT TERM RISK MATRIX



LONG TERM TREND METER



The "Short Term Risk Matrix" is indexed to the Fannie Mae 5.0% 30-year fixed rate mortgage-backed security – **January** 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 5.0% mortgage-backed security closed at a price of 101.812 on Friday, December 12th.

This forecast applies to loans with more than **21 days to scheduled closing**. The Long Term Trend Meter is indexed to the Fannie Mae 5.0 % 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 **2.958%**.

The Economic Calendar for the week of Monday, December 15th through Monday, December 22nd, 2008

Release Date & Time	Economic Indicator	Consensus Estimate	Analysis
Mon. Dec. 15, 9:00 a.m. ET	Fed begins first-day of two-day monetary policy meeting		
Mon. Dec. 15, 9:15 a.m. ET	Nov. Industrial Production & Capacity Utilization	-0.8% vs. last +1.3% 75.7 vs. last 76.4	Manufacturing sector fundamentals were mostly negative in November so investors will not find it surprising that production and factory utilization numbers fell. Look for this report to have little, if any measurable impact on the trend trajectory of mortgage interest rates.
Tues. Dec. 16, 8:30 a.m. ET	Nov. Housing Starts & Building Permits	-6.4% -4.1%	Builders have made headway in reducing their oversupply of inventory, but market demand remains low. Most observers expect this report to reflect another solid reduction in both the number of building permits filed -- and the number of actual groundbreaking for new home construction.
Tues. Dec. 16, 8:30 a.m. ET	Nov. Consumer Price Index Core Rate	-1.3% vs. last -1.0% +0.1% vs. last -0.1%	If the consensus estimate proves anywhere close to accurate, overall price inflation at the consumer level will have fallen the most in a single month since records began in 1947 -- thanks to plummeting oil and commodity prices. Excluding food and energy, core inflation at the consumer level probably crept a mere 0.1% higher for the month. This report will leave the door wide open for a sizable cut in short-term interest rates from the Fed later in the day.
Tues. Dec. 16, 2:15 p.m. ET	Fed meeting concludes with the issuance of their post-meeting statement	.50 basis-point rate cut	This will be the Fed's last meeting of the year. Since December 2007 the members of the FOMC have cut the benchmark fed fund rate from 4.25% to 1.0%. Today's cut will leave the Fed with one more rate cut in January before reaching 0.0%. Investors will scour the Fed's post-meeting statement for clues to what other "tricks" the Fed has up its sleeve to stimulate economic growth -- now that short-term rate cuts are essentially a thing of the past.
Wed. Dec. 17			
Thurs. Dec. 18, 8:30 a.m. ET	Initial jobless claims for the week ended 12/13	-13,000	The modest expected decline in the initial jobless claims figure will likely draw nothing more than a passing glance from mortgage investors today.
Fri. Dec. 19			
Mon. Dec. 22			

Market Commentary: Tuesday's post-meeting statement from the Federal Open Market Committee will likely take center stage in terms of its impact on the trend trajectory of mortgage interest rates.

The Committee is broadly expected to slash their benchmark fed fund rate (the interest rate banks charge each other for overnight loans) by at least 50 basis-points on Tuesday. There are some who believe the cut will be 75 basis-points and yet others who are looking for a full 100 basis-point cut -- pushing the fed fund rate to zero.

In my judgment another Fed rate cut amounts to nothing more than attempting to drain the ocean with a teaspoon. We've reached a juncture where it really doesn't matter how low interest rates go -- banks are refusing to lend and consumers either have no desire to borrow -- or they are in such troubled financial straits they can't meet the qualification criteria for the loan.

So what's the Fed to do? Many believe the Fed will announce in their post-meeting statement on Tuesday that the answer to rekindling economy growth is actually quite simple -- print money like crazy.

In a nutshell the idea here is that by flooding the economy with money -- banks will ultimately find themselves bursting at the seams with capital -- and they will have to start lending. As the short-term credit market swings back into action, business confidence will rise, employment will improve and the engines of commerce will roar back to life.

The potential for very high inflation down the road if the Fed is successful with this strategy is exceptionally high -- but from the Fed's perspective -- that's a story for a different day. I'm not so sure mortgage investors will be so lackadaisical with their inflation concerns. Should the Fed announce big plans to ramp up their "quantitative easing" -- look for mortgage interest rates to begin to edge higher.