

Market Commentary

For Week of December 8, 2008

Assets are selling, prices are falling as the market looks for a bottom. IndyMac is trading with activity shown by private equity firms including Apollo. Capital One acquired Chevy Chase Bank. There are several others in play this week with likely announcements by year end. There are pressures to push down mortgage interest rates as the yield on a 10 year treasury reached a 45 year low this week. The basic concept is a 4.5% loan rate for consumers would spark a much needed refinance boom. Mortgage lenders certainly would like that holiday present and are likely to get it as we go into the New Year.

Speaking of presents, Freddie Mac was infused with an additional 13.8 B this week which is a temporary floatation device. This is a nice coupling the auto bailout on the hill this week which is gaining steam to help the auto industry with 15B to get them through the first quarter, 2009. It is certainly not clear how GMAC can survive if GM ends up in bankruptcy.

Ok that is the good news. The scary news is that 1 trillion dollars (10.27%) of mortgages are now late according National Mortgage News%. This nightmare is now spearheaded by a subprime delinquency level of 33.88%. It is not surprising that Fed Chairman blasted servicers to get move faster on loan modifications this week. This remains a feverish area of focus for mortgage technology firms and specialized loan servicers.

We are 44 days from a new administration and Obama said this morning that there will new accountability for mortgage lenders and mortgage brokers. All mortgage players should plan for increased regulation, tighter controls and a laser focus on the mortgage quality. Supporting products and services are likely to be bright spots in 2009. This is in the wake of reported incidents of fraud up 45% in the second quarter from a year ago. The spotlight is on the industry and there the trend is towards a zero fraud tolerance threshold.

So is this bottom? Probably not but one thing is certain—it will be good to get 2008 in the history books and hopefully look to 2009 as a transition year back to a stable economy.

MarketWise Advisors, LLC.

www.marketwiseadvisors.com

1-800-815-9484

