



## **MarketWise Commentary**

Week of October 6, 2008

The bailout package of 700B passed last week and the uncertainty surrounding broader economic issues is starting to sink into the psyche of the typical American consumer. The mortgage crisis is a contagion that has gone airborne.

There was a fair amount of good news this week although it seems completely overshadowed by the cloud of uncertainty surrounding the credit markets. The fair value rule change by the SEC may be the silver lining in for financial institutions as they can use expected cash flows to value the illiquid mortgage assets. Mortgage rates held steady this week hovering right about 6.1% for a 30 year mortgage loan. Mortgage application activity fell precipitously this week from last year from an index level of 591 to 455 which is roughly a 23% decline. Given the tighter credit and underwriting, this is not unexpected but does spell a new challenge.

Interesting, Andrew Davidson & Company launched a product this week to analyze the credit risk of mortgage bonds. Ellie Mae acquired online documents from Stewart Lender Services. The National MBA is right around the corner so expect more technology vendors to consolidate.

In spite of the severe market disruption, MarketWise is seeing mortgage lenders openly reaching out to vendors for solutions surrounding loss mitigation models, forecasting, rule engines and risk management systems. The survivors are pushing very hard on the loan modification or nonperforming asset acquisition side with new firms forming every week.

Good luck this week.

MarketWise Advisors, LLC.

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