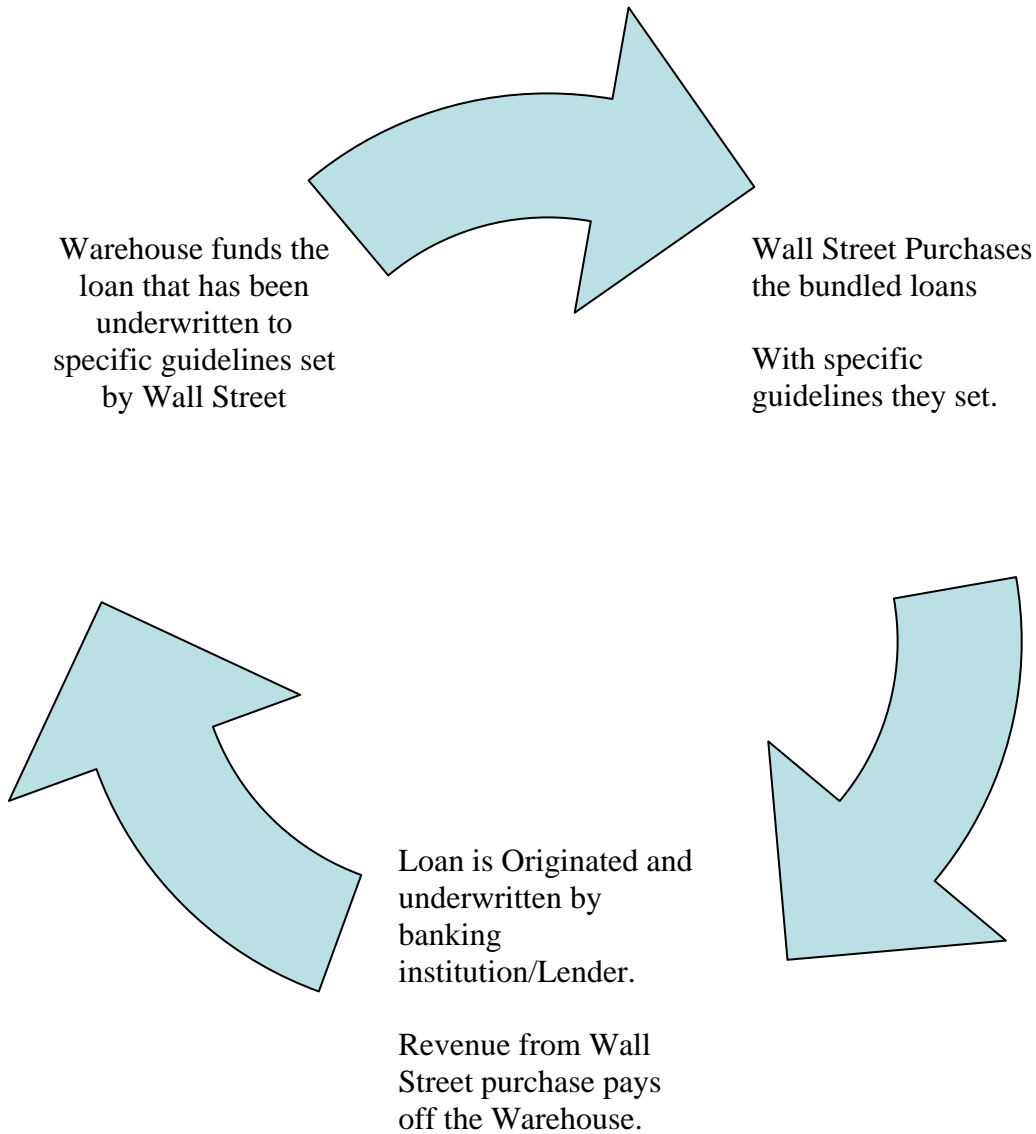


Understanding the flow of money



The above cycle can last from 3 days to 15 days. Typically 7 days. The problem is Wall Street can decide overnight that they will no longer purchase loans with old guidelines (yesterdays). The Lender now has loans that have been funded by the Warehouse funds but no way to sell them. If the number of loans is too great, the company is forced to file bankruptcy.

Understanding the Federal Fund rate

<u>1 Year CMT</u>	↓	2.91%
<u>10 Year CMT</u>	↓	3.82%
<u>2-Year Treasury</u>	↓	2.54%
<u>10-Year Treasury</u>	↓	3.73%
<u>30-Year Treasury</u>	↓	4.31%
<u>12 MTA</u>	↓	4.522%
<u>USD 6M LIBOR</u>	↓	3.854%
<u>USD 12M LIBOR</u>	↓	3.496%
<u>USD 1M LIBOR</u>	↓	4.081%
<u>11th District COFI</u>	↓	4.172%
<u>Federal Funds</u>	—	4.25%

This is a list of Indexes. An ARM is based on an Index and margin.

HOW MONEY WORKS

Stocks

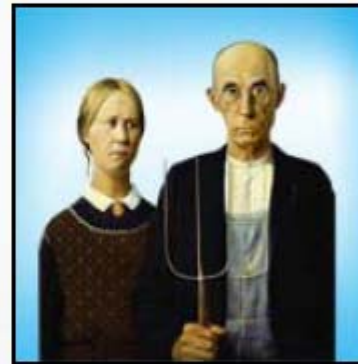
Hot and Sexy



- **Hot or Strong** economic news:
 - Buy Stocks
 - Sell Bonds

Bonds

Boring and Safe



- **Weak or Negative** economic news:
 - Buy Bonds
 - Sell Stocks

FIXED RATE MORTGAGE-BACKED SECURITIES

Fri, Jan 18 11:12 EST

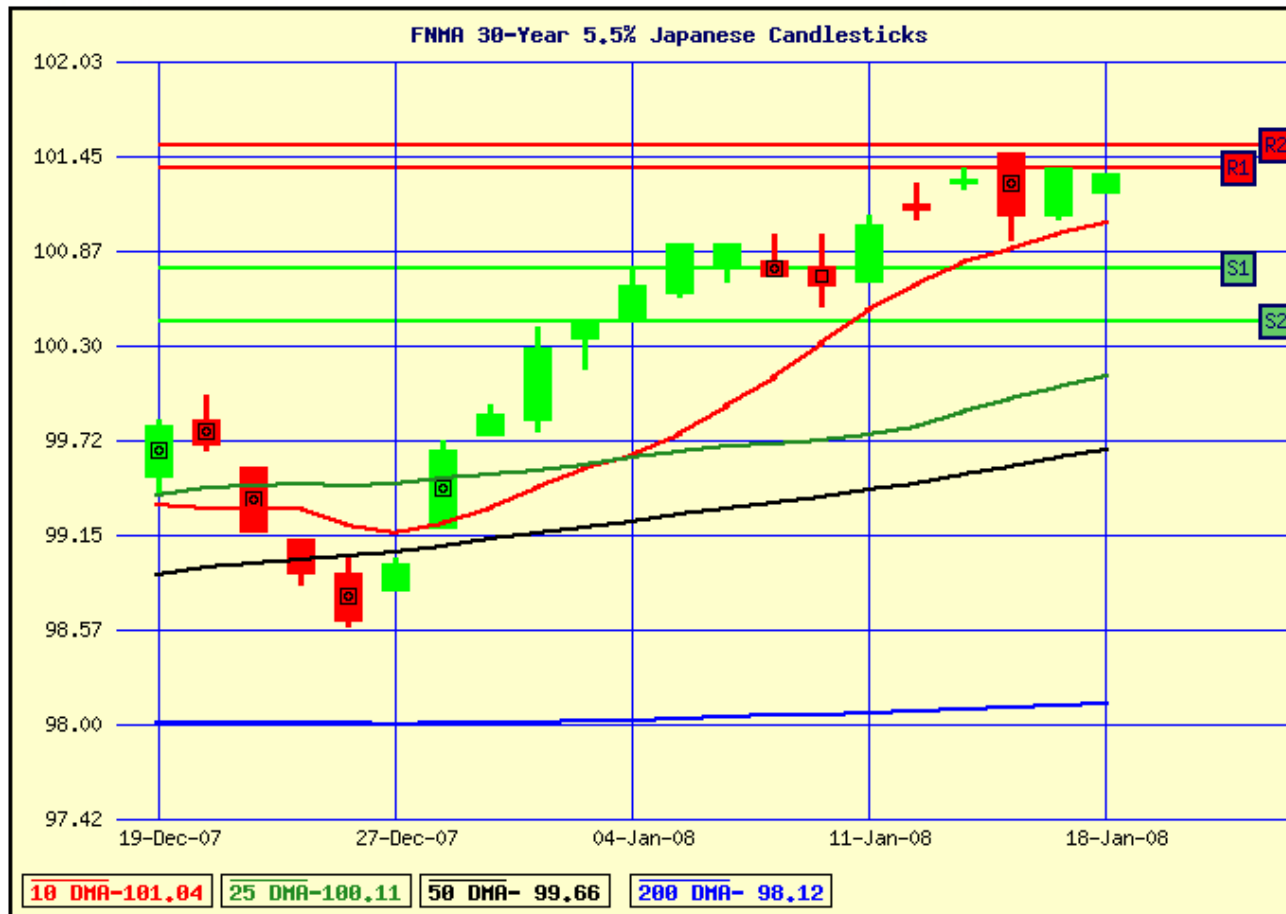
Security	Last Sale	Day Change	9:00am EST	9:30am EST	10:00am EST	10:30am EST	11:00am EST	11:30am EST Thu
FNMA 30-Year 5.5%	\$101.34	-3bp	9bp	6bp	6bp	12bp	12bp	9bp
FNMA 30-Year 6.0%	\$102.56	-3bp	6bp	0bp	3bp	6bp	6bp	3bp
FNMA 30-Year 5.0%	\$99.62	-12bp	12bp	3bp	6bp	12bp	12bp	6bp
GNMA 30-Year 6.0%	\$103.28	-3bp	6bp	0bp	3bp	6bp	6bp	9bp
FNMA 15-Year 6.0%	\$102.56	-3bp	6bp	0bp	3bp	6bp	6bp	3bp
US 10-Year T-Note	\$105.00	-6bp	19bp	12bp	6bp	28bp	28bp	28bp

[Learn More](#)

[Bond Quotes Fixed Rates - Tour](#)

[Web Alerts - Tour](#)

[Edit Web Alerts](#)



What Is a Mortgage Backed Security

A [mortgage-backed security](#) (MBS), also known as a "[mortgage](#) pass-through" or a "pass-through certificate", is an investment instrument that represents ownership of an undivided interest in a group of mortgages. Principal and interest from the individual mortgages are used to pay principal and interest on the MBS.

When you invest in a mortgage-backed security, you are lending money to a homebuyer or a business. MBSs are a way for small regional banks to give [mortgages](#) to their customers without having to worry if they have the assets to cover the loan. Instead, the bank acts as an intermediary between the homebuyer and the investment markets.

Who pools these mortgages together? The majority of MBSs are issued and backed by government-sponsored corporations such as the [Government National Mortgage Association](#) (Ginnie Mae), [Federal Home Loan Mortgage Corporation](#) (Freddie Mac) and the [Federal National Mortgage Association](#) (Fannie Mae). Each entity offers a slightly different variation in the securities it issues. Ginnie Mae MBSs are typically the most popular and widely held because they are backed by the U.S. government, whereas Fannie Mae is government sponsored but also trades as a public company.

Supply and Demand

- Housing has an upward price bias
- US Population – Where will they live?

<u>Year</u> <u>Price</u>	<u>Population</u>	<u>Chg from last 50</u>	<u>US Median Home</u>
1906	75,000,000	Double	\$5,000
1956	150,000,000	Double	\$16,200
Today	300,000,000	Double	\$231,000
2056	600,000,000?	Double	\$????????