Mortgage Rates Are Flat To HIGHER Today (Yes, Really)

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Mortgage rates would kindly like to reserve the right not to make sense to you, or anyone else these days. They haven't been pulled in so many directions and for such esoteric reasons since at least 2008. Even then, as the mortgage meltdown came to a head, most consumers could appreciate that credit quality issues made investors not want to buy mortgages which, in turn, made rates higher than they otherwise would/should have been.

This time around there are no credit quality issues and no other overt reasons for mortgages to avoid moving lower at the same pace as other rates. If you didn't catch the newsletter link I posted last week, it does a good job of scratching the surface of our current dilemma:

https://housingbrief.com/article/5e62e220f40efc075062a21f/4fe094c7507eae194022246e

Today was more frustrating still, by several orders of magnitude. One small example is the current day-over-day change in mortgage rates vs Treasury yields. Treasuries would have you believe rates should be 0.20% lower. Meanwhile the average mortgage rate is now flat to slightly higher on the day! This brings the gap between the two to the highest levels since the financial crisis--easily eclipsing the previous highs in 2012.

Rates may be flat, higher, or lower than they were the last time you looked based on the time of day, the lender, and the details of your scenario. Remember, the lowest quoted rates generally assume a conforming loan amount, lots of equity (at least 25%), exceptional credit (760+), a purchase transaction (or "no cash-out refi"), and the financed property being a stick-built single family residence. For every aspect of your scenario that's imperfect, rates move higher exponentially in this market because investors DO NOT want to be holding higher-rate mortgage debt as they're afraid it will be paid off more quickly.

Loan Originator Perspective

Financial markets are in total disarray, some lenders are not accepting new loans or locks, and lock pricing engines are crashing repeatedly due to excessive volume. If this sounds like a mess, it is. While this panic won't subside overnight, if you like your current pricing and lender is locking loans, why not lock? There's no logic or reason in this market now, who knows what the mood will be tomorrow/next week? **-Ted Rood, Senior Originator**

Today's Most Prevalent Rates For Top Tier Scenarios

- 30YR FIXED - 3.0-3.25%
- FHA/VA -2.75-3.00%
- 15 YEAR FIXED - 2.75-2.875%
- 7 YEAR ARMS - 2.75% -3.00%

Ongoing Lock/Float Considerations

- 2019 was the best year for mortgage rates since 2011. Big, long-lasting improvements such as this one are increasingly susceptible to bounces/corrections, but 2020's coronavirus outbreak has provided a second wind for low-rate momentum, quickly bringing rates into all-time low territory

- Fed policy, trade negotiations, and the 2020 presidential election will all play a part in driving rate momentum as the year progresses.

- The Fed and the bond market (which dictates rates) will be watching economic data closely, both at home and abroad to see just how much of an impact coronavirus will have. Once it looks like that impact is waning, we could see sharp upward pressure in rates (unless another rate-friendly variable steals the show), but that would require a similar bounce in the economic data that has already begun to suffer due to coronavirus.

- *Rates discussed refer to the most frequently-quoted, conforming, conventional 30yr fixed rate for top tier borrowers among average to well-priced lenders. The rates generally assume little-to-no origination or discount except as noted when applicable. Rates appearing on this page are "effective rates" that take day-to-day changes in upfront costs into consideration.*