Mortgage Rates Hold Steady

Mortgage rates managed to stay sideways today after beginning the week with a move higher yesterday. This is a victory all things considered.

Rates take guidance from multiple sources. When it comes to mortgages, the prices of mortgage-backed bonds are the key ingredients in determining rates. While other factors had a **massively** outsized impact during the market volatility in March and April, mortgage rates have returned to their normal habit of following bond market cues.

If mortgages are taking cues from the broader bond market, where is the bond market getting its cues? In the past few weeks, bonds are just as likely to be watching the **stock market** for guidance as anything else. This is fairly logical considering both stocks and bonds have a stake in the nation's economic recovery and the general push back against coronavirus impacts. Progress pushes stock prices higher, and it also tends to put upward pressure on rates. The big caveat here is that the correlation is best seen over short time horizons.

In other words, mortgage bonds were indeed pointing toward **lower** rates when stocks were falling this morning and toward **higher** rates when stocks were rising in the afternoon. But whereas the movement in stocks was impressively large, mortgage bond movement was relatively contained. We certainly could see a few lenders begin the day with slightly higher rates tomorrow morning as a result of today's mortgage bond weakness, but the average lender remained in line with yesterday's levels as of 5pm Eastern time.

Loan Originator Perspective

Mortgage pricing is/was as good today as I've seen recently. There may be some month end demand helping us. I'm still locking loans once submitted to UW, our short term lock pricing is vastly superior to longer term locks. -**Ted Rood, Senior Originator, Bayshore Mortgage**

Ongoing Reminder on Forbearance

Coronavirus has created unprecedented challenges for people and industries. For homeowners facing a big reduction in income due to coronavirus-related hardship, a forbearance can make excellent sense. But for those who have the capacity to continue making mortgage payments, there are downsides to consider. Forbearance itself does not hurt your credit score, but it does show up on your credit report. This will affect your ability to qualify for a loan in the present and near future. It can also result in your other creditors decreasing your available credit balances. This has the unintended effect of increasing your ratio of debt to available credit which is a key component of credit scoring models. Thus, even though forbearance itself is not hurting your credit, it can indirectly lower your credit score and it will absolutely impact your mortgage creditworthiness in the short term.

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