

MORTGAGE RATE WATCH

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Mortgage Rates Surge Lower After Fed Announcement

Mortgage rates dropped quickly today. This wasn't necessarily destined to be the case this morning, but after the Fed released its most recent policy announcement, mortgage-backed bonds improved significantly, thus allowing lenders to offer lower mortgage rates via mid-day price changes.

Bonds loved what the Fed had to say because the announcement **unequivocally committed** to ongoing bond purchases in amounts equal to what we've seen in recent weeks. In a nutshell, the Fed will continue to be the single biggest buyer of new mortgage debt. When demand for that debt is strong, mortgage bond prices move higher. When prices move higher, rates move lower.

Today's mortgage rate move is **NOT** related to the Fed forecasting near-zero rates through 2022. Those forecasts pertain to the Fed Funds Rate which applies only to overnight transactions between banks. Mortgage rates are nowhere near 0%. That said, they are right in line with the all-time lows seen on June 1st and May 21st. A few lenders are slightly better, actually.

For the average lender, this means the ability to offer ideal borrowers in ideal scenarios conventional 30yr fixed rates of 2.875-3.125% , with the average lender erasing a good amount of the weakness seen last week.



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