MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Best Month Ever For Mortgage Rates

Mortgage rates managed **another** slight improvement today, which means the average lender is offering new **all-time low** rates for the 4th time this month. Even if rates had lurched unexpectedly higher today, June still would have gone down as the best month in the history of the mortgage market with many lenders now offering conventional 30yr fixed rates under 3% on top tier scenarios.

The low rate environment has been made possible **first and foremost** by the economic contraction resulting from coronavirus. In and of itself, however, that still likely wouldn't be sufficient to get rates as low as they are. The rest of the heavy lifting has been done by the Federal Reserve, which stepped in when markets were experiencing the height of their recent volatility in early March 2020. The Fed helped restore liquidity by buying Treasuries and mortgage-backed bonds directly. This helps push interest rates down not only for mortgages, but also for the US government (which needs to borrower more heavily than ever before in order to finance the fiscal response to coronavirus).

Either way, we're talking about the pandemic. As long as it's an issue--**especially** one that is staying the same or getting worse--there will be a reason for rates to be historically low. There is a lot of **uncertainty** in the market right now as several states see rapidly rising positive test rates and case counts. If that proves to be a temporary reaction to increased social interaction (and one that is ultimately manageable), rates will start seeing some pressure to move higher, but we have yet to turn that corner. Until then, keep the following caveats in mind (repeated from yesterday):

1. **Different borrowers will see different pricing.** This sort of goes without saying, but it's much more pronounced than it has been before coronavirus. Specifically, we're talking about the big differences in mortgage rate quotes for borrowers with certain combinations of risk factors. These include things like investment properties, cash-out, higher loan-to-value ratios, and the like. The all-time low rates seen in 2012 (and almost again in 2016) were much lower than what these off-the-beaten path scenarios are seeing today.

2. **It's all about coronavirus.** The market is hanging on every major update on covid-19 case counts (focusing on positive test rates and hospitalizations). These are then balanced against the extent to which the state/county in question has lifted quarantine measures. If it looks like the economy can slowly lurch back to business, rates will feel pressure to move higher. If it looks like coronavirus retains the upper hand, rates could continue inching toward more all-time lows.

3. **Mind the gap.** There's been a very wide gap between mortgage rates and what the bond market says mortgage rates should be--much wider than any pre-coronavirus time period. That allowed mortgage rates to fall even as Treasury yields were flat to slightly higher over the past 2 months. That gap has largely been closed now, so mortgage rates are playing on a more level playing field now (i.e. if bond yields move higher, mortgage rates are more prone to follow moving forward).

Jason Wood
Mortgage Advisor & VA Loan Specialist, VA Loan Guy
www.valoanguyusa.com
P: (760) 350-3989
M: (760) 217-0820
2714 Loker Ave. W.
Carlsbad CA 92010___
317293


8%
6%
4%
2%
0%
2016
2018
2020
2022
2024
30 Yr. Fixed
15 Yr. Fixed
30 Yr. FHA
30 Yr. Jumbo
5/1 Yr. ARM