

## Mortgage Rates Still Sideways to Slightly Lower

The average mortgage lender continues to offer top tier conventional 30yr fixed rates in the "high 2% to low 3%" neighborhood. Exactly where any given quote will reside in that neighborhood depends on several factors. The most important of those is the re-introduction of the new adverse market fee for all conventional refinances. If you're not up to speed on that, here's some additional background.

The adverse fee is the **most important factor** because it instantly accounts for a change of at least 0.125% in rate for refinances. Purchase mortgages are officially unaffected, but they've been caught in the crossfire, to some extent, as many lenders are generally pricing more cautiously during the phasing-in process for the new fee. After all, the fee significantly affects lender cash flows. Moreover, it introduces uncertainty because it's impossible to know exactly which loans will make the cut-off date to avoid the fee. As such, from a lender's standpoint, it makes more sense to err on the side of caution (i.e. keep rates slightly higher than they otherwise might be) until that uncertainty is behind them.

Apart from the adverse fee, interest rates have been **extremely stable** recently. That's largely a reflection of the underlying bond market, which has been even more sideways than mortgage rates! While traders aren't seeing much on the near term horizon to threaten this low rate regime, volatility is always possible. The nearest risk on the horizon is tonight's presidential debate. Elections always have the power to motivate changes among bond traders. If the debate suggests a clear shift in election probabilities, we could see the effects in the bond market which, in turn, could exert a bit more influence on rates tomorrow than we've seen in the past few weeks.



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