

Another Nice Drop in Mortgage Rates, But Still Not "All-Time"

Any discussion of "**all-time low**" mortgage rates requires careful attention to specifics. Are we talking about weekly survey numbers or actual daily numbers? Intraday vs end of day? Best-case rates or averages? Purchases or refis? Depending on the specifics, it is true that some lenders are offering all-time lows on purchase mortgages. Refis are another story due to the new adverse market fee that is now being added to nearly all conventional refinance transactions.

Sidenote for those confused about extension of the refi fee deadline to "**Dec 1.**" This doesn't mean you can avoid the fee if you lock/apply before December 1st. The event that must occur by Dec 1st is the **DELIVERY** of the loan--a milestone in the lifecycle of a loan that occurs 2-4 weeks **AFTER** it closes. In other words, no loan that isn't already locked and in progress is going to beat that date with certainty (and is therefore being hit by the new fee).

That's really the **biggest point of distinction** between sources claiming all-time lows and those saying "not quite there yet." The others are much easier to understand. For instance, there's **ALWAYS** going to be a big difference between best-case scenario rates and the average loan scenario seen by any given lender. The MBA's data is the best example of such an average, and that's why it runs higher than my numbers or Freddie Mac's weekly survey.

Lastly, at times there can be **very** big differences between individual lenders and the average lender from hour to hour and day to day, even though they tend to even out over time.

With all of that housekeeping out of the way, **here's what's important:** over the past 2 days, the average lender has improved rates significantly. This is mostly a reflection of lenders playing it safe heading into the potential election-related market volatility and breathing a collective sigh of relief as bonds have improved since then (stronger bonds = lower rates, all other things being equal). But another consideration is that lenders are starting to feel a little more competitive with one another.

Why would that be? Simply put, bond markets improved so much, so fast, that lenders didn't need to drop rates remotely as much as they could have in order to be **busier than ever**. At times, we saw lenders actually **RAISE** rates even when bonds suggested the opposite move. Now that seasonal factors are kicking in and with more and more of the refi boom being worked through, lenders are finding that inbound application volume needs a bit of encouragement to maintain the same breakneck pace. Fortunately, lenders have plenty of room to tighten their margins (fancy talk for "bring rates lower even if the bond market is merely holding steady"). There would ultimately be a limit to their ability to do that, but we're not close enough to that limit to even begin to discuss it today.



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