

Mortgage Rates Move Lower Today, But Don't Count on a Repeat Tomorrow

Mortgage rates were **little-changed** yesterday--a fact that was ultimately at odds with underlying market movement by the end of the day. What does that mean? Simply put, mortgage rates are primarily determined by the trading prices of certain bonds (MBS, in this case). MBS change every second of the trading day though, so mortgage lenders have to pick a certain price they're willing to offer. From there, they usually only adjust rates in the middle of the day if MBS move significantly.

By the end of the day yesterday, MBS had moved enough (in a friendly direction) for a few lenders to pull the trigger on slightly **lower** rates. Today, on the other hand, is **almost a mirror image**. MBS started strong. Lenders offered better rates. Then MBS lost ground throughout the day. Like yesterday, only a few lenders saw fit to change their rates mid-day. That means the rest of them are waiting until tomorrow morning to adjust for today's bond market weakness.

This **isn't** a reason to **panic**. First off, we're only talking about very small changes in the bigger picture. Moreover, the bond market has plenty of time to move between now and tomorrow morning. If things improve, mortgage lenders wouldn't have a reason to bump rates, but again, even if they do, we're not talking about a big shift (something along the lines of 0.02-0.03% in terms of effective rate (about \$5/month on a \$300,000 loan).



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