

Mortgage Rates Holding Near All-Time Lows Ahead of The Fed

Mortgage rates were mixed today, depending on the lender. The bond market--the driving force behind interest rate movement--was stronger yesterday. Many mortgage lenders thought it was strong enough to justify mid-day improvements in mortgage rates. Those lenders were the ones generally offering modestly higher rates today. Conversely, lenders who abstained yesterday were able to offer slightly better terms today. All told, the average lender is roughly unchanged with 30yr fixed rates that remain very close to true all-time lows.

Tomorrow brings the week's biggest risks with important economic data in the morning and an even more important announcement from the Federal Reserve in the afternoon. Although this is a regularly scheduled Fed announcement, there's been ample speculation about a change to the Fed's bond buying program. The change in question involves adjusting the balance of bond purchases in favor of longer-term debt. In other words, the Fed wouldn't spend any more money, but they'd be buying longer-term bonds. This would have a **positive** effect on longer-term rates like mortgages and 10yr Treasury yields, provided the Fed pulls the trigger.

If the Fed **doesn't** pull the trigger, it could have a bit of an opposite effect simply because traders have positioned themselves, to some extent, for the possibility that the Fed would make that change. Simply put, the market is ready for either eventuality, and ready to move accordingly. Fortunately for the mortgage market, this is mainly a concern for Treasury yields. Even if mortgage-backed debt takes a hit, there are still other factors in play that give lenders some cushion to absorb the type of bond market drama that would normally push rates higher. That's not to say rates can't or won't go higher--simply that any increase would be modest relative to what past examples of similar eventualities.



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