

MORTGAGE RATE WATCH

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Mortgage Rates Off To Slow Start, Which is Great

Mortgage rates are off to a **slow start** in the new year, and that's a good thing. An absence of movement means the average lender continues offering rates that are at or near **record** lows. For top tier, conventional 30yr fixed loans, that's around 2.75% for refinances and 2.5% for purchases.

Whether or not rates remain in this territory in the short term may come down to **Georgia's senate run-off elections** this Wednesday. Why would rates care about that?

Simply put, any time one political party has full control (i.e. House, Senate, Presidency), it's easier for the government to spend money (or legislate a revenue shortfall, as was the case with the tax bill in 2017). In either case, the result is more Treasury debt, and the level of Treasury debt is a **key input** for interest rates in general.

This is neither bad nor good, but there are pros and cons depending upon what you value. One downside is that increased Treasury issuance puts **upward pressure** on Treasury yields which, in turn, but upward pressure on mortgage rates, all other things being equal. That said, it remains to be seen how big the move in Treasuries would be and if any unforeseen developments would be in a position to offset that move. Beyond that, the mortgage market still has a moderate amount of insulation against rising Treasury yields.



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