

MORTGAGE RATE WATCH

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Mortgage Rates Lowest in More Than a Week

Mortgage rates haven't been moving much recently, but they've logged enough small victories to make it back to the lower levels seen on **February 1st**. Depending on the specific scenario and the lender, a quoted rate may or may not be visibly different between now and then. In cases where they seem to be the same, the change could come down to the "upfront cost" side of the mortgage rate equation (which allows lenders to make fine-tuning adjustments without having to move rates by the customary 0.125%).

The underlying bond market serves as the foundation for all interest rates. US Treasuries and mortgage-backed bonds tend to behave similarly. That **hasn't** been the case for much of the past year, but things have been getting **back to normal** recently.

With that in mind, there was some risk today that the 10yr Treasury auction would cause volatility for mortgage rates. But this morning's inflation report proved to be the **driving force** today. By coming in lower than expected, it helped bonds by suggesting bond investors need not worry too much about inflation right now. Inflation erodes bond market returns over time, thus forcing investors to seek higher yields/rates.



Jason Wood

Mortgage Advisor & VA
Loan Specialist, VA Loan
Guy - American Mortgage
Network

www.valoanguy.us

P: (760) 350-3989

M: (760) 217-0820

1185 LINDA VISTA DR
SAN MARCOS CA 92078
317293

VA Loan Guy