

MORTGAGE RATE WATCH

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Rates Move Lower Again as Bond Demand Stays Strong

The bond market is the main ingredient that lenders use to determine lending rates. The mortgage market is **no exception**. In fact, mortgages have specific bonds that dictate the prices of loans that sold between investors on the secondary market. Those prices let lenders know where to set their mortgage rates on any given day.

There's a longstanding belief that the 10yr Treasury yield guides **mortgage rates** as well. While that's not exactly the case, longer-dated Treasuries (think 5, 7, 10yr) tend to move in relative lock-step with the rates implied by mortgage-backed bonds. As such, when "things" happen that help longer-dated Treasuries, mortgages tend to benefit as well, even if the timing and magnitude can vary.

That's **exactly what happened**. A scheduled 10yr Treasury auction showed very solid demand for bonds. It was joined by several other events that conspired to push 10yr Treasury yields to their lowest levels since May 7th (and close to the lowest levels in nearly 4 months).

The same can be said for mortgage rates, but keep in mind that the range of movement has been fairly small recently. In the best cases, borrowers may be seeing a rate quote that is an eighth of a percent lower versus the highs from the end of last week (Thursday afternoon or Friday morning, depending on the lender), but most would simply realize the improvement in the form of lower upfront costs or a higher lender credit.

Purchase loans continue carrying the best rates. Expect to see rates move up at least an eighth of a point for a **refinances**, and more still for cash-out refinances. That all assumes an owner-occupied primary residence. Due to recent changes at the regulatory level, 2nd homes and investment properties are even farther away from top tier rates than they normally are. There's no reason to expect that trend to end any time soon.



Jason Wood

Mortgage Advisor & VA
Loan Specialist, VA Loan
Guy

www.valoanguyusa.com

P: (760) 350-3989

M: (760) 217-0820

2714 Loker Ave. W.
Carlsbad CA 92010____
317293

