MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Mortgage Rates Near 2-Week Lows

Mortgage rates were **slightly lower** today as the bond market improved for the 2nd straight day. When bonds prices move higher, bond yields (or rates) move lower, all other things being equal. In the current case, bonds were generally cautious heading into yesterday's reading of the minutes from the most recent Fed meeting (read more), but have been bouncing back ever since.

All that having been said, the movement has been fairly gradual. The average mortgage borrower may not even see any different between yesterday and today's rates. That's because mortgage lenders typically offer rates in 0.125% increments, and it takes quite a bit more movement in the bond market for rates to change that much.

But alas! I just told you rates improved slightly! **What's up with that?**

There are **two ways** to look at "rates." The mortgage rate that most people discuss is the one that their payment is actually based on, aka the **"note rate."** But mortgages have upfront costs as well. Granted, these can also be credits and they can also be paid by the lender, but they're always there, and they almost always change every day. Today was just another day in that regard. The underlying costs implied for borrowers moved lower, thus meaning the effective cost of a mortgage is lower. We can express the cost in terms of effect on monthly payments over the average life of the loan to determine a change in the **"effective rate."**

Long story short, if you're seeing the same note rate as you saw yesterday, but slightly lower closing costs (or a higher lender credit), your effective rate is lower. That should indeed be the case as the average lender is **very close** to the lowest levels in 2 weeks (something we'll be able to say if we don't lose any ground tomorrow).

So will we lose ground tomorrow? No one could competently predict that sort of thing consistently. All we can do is take stock of the bigger picture and the key factors behind the potential moves. On that note, covid continues to be the critical underlying theme, as well as the uncertainty surrounding additional potential lockdowns as the new school year begins. That said, covid only matters if it has an impact on the economy. Market participants are eager to see how big that impact will be in the coming weeks. Traders are also anxious to see if Fed Chair Powell's tone changes at the end of next week. He's set to speak at the Jackson Hole Symposium, which will be occurring a full month after the meeting that produced the "minutes" that moved markets yesterday. Given the uptick on covid cases during that time, it wouldn't be a surprise to see a softer relative stance on pulling back its rate-friendly bond buying programs.

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

VA Loan Guy®

EQUAL HOUSING LENDER