MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Minimal Damage For Mortgage Rates Following Fed

Mortgage rates moved higher today after the Federal Reserve announced a reduction in its rate-friendly bond buying program. Actually, to be fair, rates moved higher **before** the Fed made that announcement, and largely for other reasons. The biggest issue today was, in fact, a widely followed report on the service sector (ISM Non-Manufacturing PMI) which crushed its previous record high. Bonds experienced additional volatility in the afternoon following the Fed announcement, but they were able to recover back to pre-Fed levels within 2 hours.

The average mortgage lender began the day offering similar rates to those seen yesterday. Several lenders responded to bond market weakness by raising rates slightly in the middle of the day. The average borrower won't notice much of a difference though. The changes weren't big enough to affect the "note rate" in most cases (the actual interest rate applied to the principal balance of a mortgage). Instead, the changes would be seen in the form of slightly higher **upfront** costs which impact the "effective rate."

All that having been said, it's not uncommon for the bond market to wait until the day after a Fed announcement to begin making a longer-lasting move in one direction or the other. **Translation:** don't assume that we're in the clear simply because today's damage was minimal.

Gregory Pavlich
President, Resource Mortgage Corp
www.rmcboulder.com
P: (303) 444-1200
M: (303) 717-1359
1221 Pearl St
Boulder CO 80302