MORTGAGE RATE WATCH
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Mortgage Rates Fell Today, But Remain Higher Than Last Week

Mortgage rates stabilized yesterday after moving higher on the first 2 days of the week. They managed to **improve** modestly today despite some volatility surrounding a scheduled auction of 30yr Treasury bonds. Mortgage rates are based primarily on mortgage-backed-securities or MBS (bonds that tend to correlate with US Treasuries). As such, drama in Treasuries often spills over to mortgage rates.

Fortunately, Treasury traders were able to take today's weak auction results in stride. The bond market weakened **temporarily**, but quickly returned to the slightly **stronger** levels from morning hours. This allowed mortgage lenders to hold rate sheets steady at slightly lower levels than yesterday.

All that having been said, the average lender is **still not back** in line with last week's rates. This depends on the points of comparison, but for example, almost every lender is priced slightly worse at the moment than they were on Friday afternoon. This assertion runs counter to the widely-cited Freddie Mac rate survey. The reason for that is the lag between Freddie's data collection and the survey release. If, like Freddie, we were to focus on Monday morning's rates versus the previous Monday, rates would indeed be modestly lower instead of modestly higher.

Either way, the movement is **small**, and the average borrower will be seeing the same "note rate" then or now. The difference in rates comes down to the upfront costs. These affect the "effective rate" by making the overall cost of financing slightly higher.

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