MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

You Only Wish Mortgage Rates Were Still 3.22%

Regular readers know that we're fond of setting the weekly record straight in cases where day-to-day rate movements paint a drastically different picture than weekly surveys. When it comes to the latter, there's really only one game in town.

Freddie Mac's Primary Mortgage Market Survey is not only the longest running weekly survey. It's also by far and away the most widely cited in financial media. It's even relied upon by the mortgage industry for certain calculations that affect borrower eligibility.

Unfortunately, the rate that Freddie published today (**3.22%** for a 30yr fixed) is a drastic departure from reality. 3.375% would be an **aggressive** rate quote this afternoon, and the average lender is closer to **3.50%!** A gap of just over 0.25% might not **seem** like a lot, but consider that held inside a range roughly half as big for the entirety of the 4th quarter of 2021! It can take months for rates to rise a quarter of a point and we just did it in a few days.

So is Freddie's number **wrong?** Not exactly. It would be more accurate to say it's "**late**" or "stale." Freddie's methodology allows for survey responses from Monday through Wednesday before publishing results on Thursday. Most of the responses are in on Monday morning. Few come in on Wednesday. As such, the survey ends up being a fairly accurate record of "Monday vs Monday" mortgage rates.

But the reporters who cover it simply refer to it as **"this week's mortgage rates."** While that's all well and good when rates are holding fairly flat, or when the audience is simply keeping an eye on long-term rate trends, it does a disservice to those who are following rate changes for more timely reasons. This is especially true when there's been muted movement at the end of the previous week and big movement in the new week, as is the case currently.

Bottom line, no one is lying to you, but the timelier truth is that 3.22% is old news.

As for the **WHY**... rates are moving higher for a variety of reasons in the bigger picture. Most recently, it was the release of the minutes from the last Fed meeting yesterday afternoon. The minutes showed a Fed that was clearly more eager to remove accommodation from the economy than they'd conveyed 3 weeks ago in their official policy announcement.

"**Accommodation**" is rate-friendly, all other things being equal. But even before that, rates had been trending higher as investors hold out hope that omicron serves as some sort of explosion that extinguishes the pandemic's fire. To be sure, no one is under the illusion that covid is going away, but traders are now positioning for the possibility that an endemic phase arrives sooner than previously expected. Even if it doesn't, the surge in cases would put more upward pressure on inflation due to supply chain issues, and inflation is an arch enemy of low rates.

Lastly, there's always a bit of **extra volatility** potential at the start of a new year. That doesn't mean the rate spike is any less threatening. It only helps add to the explanation of why the past few days have been so abrupt.

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