Nice Little Reprieve For Rates, But We've Seen This Show Before

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Mortgage rates hit their **highest** levels since 2009 yesterday amid one of the most abrupt spikes seen during the adult lifetime of the average prospective mortgage borrower. Only those above-average folks who were adults more than 40 years ago have seen anything worse. But comparing this move to that move is not the point.

The point is that rates are a lot higher than they were a few days/weeks/months ago and they got there **quickly**. As this process has unfolded, we've seen several instances of friendly corrections that offer some hope that rates may have found a ceiling. Today would be **"day 1"** of the current example. Past examples made it as far as "day 4" before giving way to ongoing upward momentum.

As such, until we get past **day 4** (if we get past day 4), we'll remain skeptical and defensive when it comes to expectations for the immediate future.

For those taking things one day at a time, if the average conventional 30yr fixed rate moved up to 5.35% yesterday, it's now nearly back in line with Monday's levels (5.25%). As always, the **most useful** way to use these numbers is by focusing on the day-over-day change as opposed to outright levels.

One great reason for this at the moment is the fact that it makes very little sense (for most lenders) to originate loans at 5.25% due to the structure of the MBS market. Long story short, due to limitations in MBS liquidity, it costs most lenders the same to offer 5.125% as it does to offer 5.25%.

In these cases, our rate index continues to target the **center** of the distribution of available top tier rates. In other words, in this case, that means a fairly even split between 5.125% and 5.375%. It also means paying points to buy a rate down from 5.375% to 5.125% may make more financial sense for some borrowers depending on the lender's cost structure.