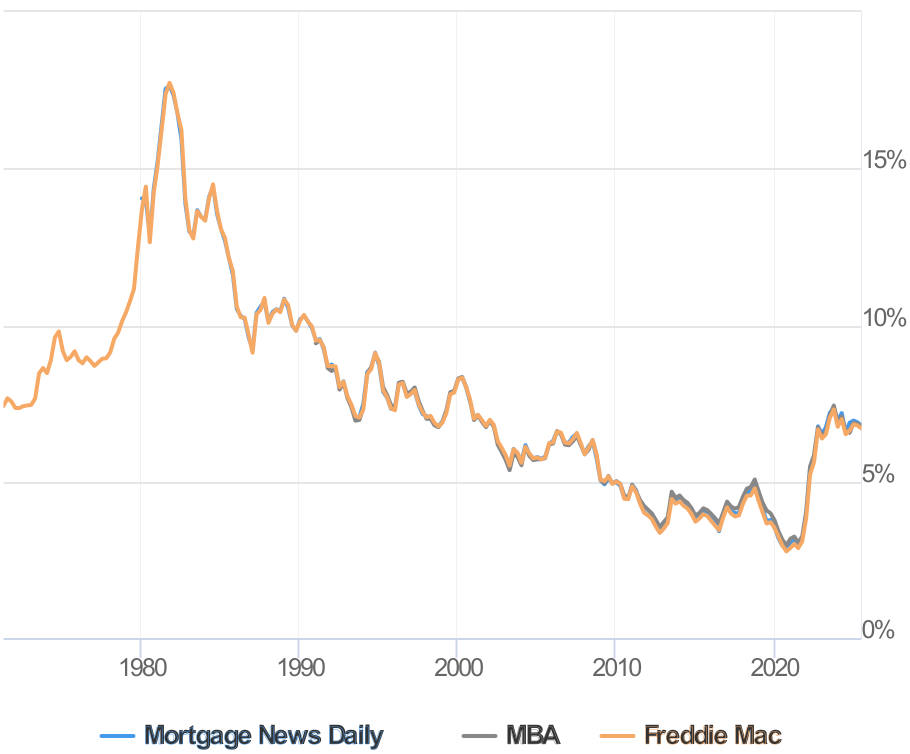
Mortgage Rates Drop to 3-Month Lows

Mortgage rates are based primarily on the bond market (specifically, mortgage-backed securities or MBS). When MBS improve, lenders are creating loans that are worth more money and can thus offer them at lower rates. Supply, demand, etc.

Today's rates improved by more than would be suggested by the improvement in MBS, so there's clearly something else going on as well. In today's case, it's quite simply the mortgage market's sigh of relief after having moved through the week's riskiest events (inflation data on Tuesday and the Fed announcement on Wednesday).

The market volatility following the Fed is so late in the day that lenders seldom adjust their mortgage rates to match the bond market reality. Things often change the following morning anyway. Bottom line: it makes sense to wait for Thursday morning following a Wednesday afternoon Fed announcement before fully adjusting rates for changes in the bond market.

It's a familiar song and dance. This time around, it coincided with MBS at their best levels in more than 3 months and mortgage rates were quickly able to make the same claim. The average conventional 30yr fixed rate is moving into the low 6% range for top tier scenarios. Aggressive lenders are quoting in the high 5's. The last time rates were this low was during the first few days of September. As long as nothing too crazy happens with inflation or economic data, this week all but confirms that rates topped out in late October.



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