Mortgage Rates Near 23 Year Highs. Is There Any Hope?

Interest rates of all types have been under immense pressure since the beginning of 2022. This resulted in the the highest mortgage rates in more than 2 decades in November of the same year. A decent recovery followed, leading the average 30yr rate from the mid 7's back to 6% by January, but rates have been grinding higher in a volatile pattern ever since then.

As of today, many lenders are back in line with the high rates briefly seen at the beginning of last month. Those rates are only a hair lower than those seen at the November 2022 peak.

We're fond of framing a mortgage rate index in the proper context. It is a number that is best used to measure day over day changes relative to to points of reference in the past. In other words, it's less important that our index is at 7.2% today and more important that it's only 0.1 lower than the 7.3% seen in Nov 2022. Similarly, Freddie Mac's weekly mark of 6.9 is getting close to its 7.08 level from 2022.

Nonetheless, many mortgage lenders are definitely forced to be quoting rates in the mid 7's right now. Our 7.2% index represents a "top tier" scenario. It means most lenders are at 7.25% since few originate loans at rates that don't fall on .125% increments. If the credit score is a bit lower, or if it's a condo, or an investment property, or.... you could quickly be seeing something closer to 8%.

Many loan quotes still exist in the mid to upper 6's because many companies are quoting rates with upfront discount points. A discount point (1% of the loan balance) is still good for at least a 0.375% reduction in rate at most lenders. Just be aware that 7.25% with no points is the exact same deal as 6.875% with one point. Personal preference will dictate whether a borrower would rather pay now or pay more over time.

Is there any hope for relief? There's always hope. The only question is one of timing. Timing will depend on economic data and inflation, among other things. Part of today's rate spike could indeed be due to anxiety over tomorrow's big jobs report. If it's as strong as some of the other recent data, rates could continue higher. But if it shows cracks in the labor market, it could mark a much needed turning point.

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