Mortgage Rates Mysteriously Surge Back Toward Long Term Highs

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OK, it may be a bit of stretch to consider today's jump a "surge" as it wasn't much bigger than some of the other increases seen in the past few weeks, but it was certainly mysterious.

When it came to the potential for interest rate volatility, today's main event was the release of the Consumer Price Index (CPI) for July. This is one of the major monthly economic reports that guide financial markets and the Fed in determining where interest rates should be. If inflation came out higher than expected, rates were likely to rise, but the data actually suggested the opposite.

Despite the friendly inflation report, rates ended up rising somewhat abruptly in the afternoon. There are several potential scapegoats being discussed around the bond market campfire, but none of them aligned with the timing of the movement.

When bonds lose enough ground over the course of the day, mortgage lenders can make mid-day adjustments to their rate offerings. This happened for almost every lender today--and more than once in many cases. The net effect is a 30yr fixed rate that is back near 7.125% for top tier scenarios. The less "top tier" the scenario (i.e. less than 25% equity or 760 credit score) quickly pushes that number into the mid 7's.