

Mortgage Rates End Week Only Slightly Higher After Decent Recovery

The average top tier 30yr fixed rate is set to end the week just a few hundredths of a percent higher than last Friday at 6.92%. That's a victory--albeit a small one--after hitting 6.99% on Wednesday. As always, these rates refer to an index representing broad industry averages for best-case scenarios. Individual lenders and scenarios can be quite a bit different for a variety of reasons.

Today's rate change is a bit misleading because it left us in slightly better shape versus yesterday. The bond market (which is directly responsible for mortgage rate changes) disagrees. Whether we're talking about mortgage-specific bonds or their more popular older sibling US Treasuries, bonds were just a hair weaker across the board.

Weaker bonds = higher rates, all other things being equal. The discrepancy comes down to timing and the rate setting practices of mortgage lenders. Specifically, bonds improved late enough in the day yesterday that many lenders didn't fully adjust their mortgage rates to reflect the gains.

Then this morning, bonds signaled even lower rates before ultimately moving back to more neutral levels. Some lenders bumped rates slightly higher as a result, but the average lender is still slightly below yesterday's rates and bond market levels are still slightly better than they were when most lenders released their last rate update yesterday.

If this is all a bit confusing, remember that mortgage rates only change once or twice a day, apart from extremely volatile trading days. Meanwhile, the bond market is changing every second. Lenders have to decide where to set rates based on that moving target. Here's how the past two days looked to the average lender:

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SPECTRA
MORTGAGE

**mortgage-backed securities prices
expressed in terms of implied 30yr fixed rates**

7.0

6.95

6.90



**= time window in which most lenders
made their last adjustment for the day**

15.May

16.May

19.May