

If You're One of Those People Asking How Much Lower Your Mortgage Rate Quote is After Fed Day, This is Required Reading

It's day two of mortgage rates surging higher--now back to the highest levels in 2 weeks (the day before the September 5th jobs report). The juxtaposition of yesterday's Fed rate cut and the sudden mortgage rate spike is incredibly confusing to most of the population, so let's clear it up.

SHORT VERSION:

- The Fed Funds Rate (FFR) doesn't dictate mortgage rates
- The FFR only changes on Fed announcement days, 8 times a year. It changes in response to various economic reports and events.
- Mortgage rates change daily and the bonds that drive mortgage rates change in real-time throughout the day. That means mortgage rates can drop for all the same reasons that drove yesterday's rate cut.
- Because those reasons were already in play well before yesterday, mortgage rates had already responded to them well before yesterday.
- Bottom line: the Fed Funds Rate and mortgage rates dropped for the same reasons, but mortgage rates got to do it sooner because they move more nimbly.

LONG VERSION:

- We've written and re-written the long version too many times to count. Here is one of the most evergreen examples: <https://www.mortgagenewsdaily.com/markets/mortgage-rates-09212022>

SPECIAL NOTE REGARDING OTHER NEWS STORIES SAYING RATES ARE LOWER:

There are an unfortunate number of news articles out there today that claim mortgage rates are LOWER. This is due to Freddie Mac's weekly rate survey dropping to 6.26 from 6.35 last week. Freddie's rate is an average of the 5 days ending yesterday, so 80% of the input is comprised of the lowest rates in a long time. News organizations then quote the survey and give the impression that this week's rates are lower than last week's.

But what the survey really means is that the average rate from Thursday the 11th through yesterday was lower than the average rate between Thursday the 4th and Wednesday the 10th. You can't go back to the first 3 days of this week and lock those rates, so unequivocally, undoubtedly, and incontrovertibly, the rates you can lock today are absolutely higher than last week's and the average lender is at 2-week highs. There is no question, debate, or nuance to this fact. Anyone who tells you something else is wrong or misinformed. Period.

BOTTOM LINE:

Do not call/email/text your loan officer asking how much lower rates are now that the Fed has cut. You're late to the party. Mortgage rates are still lower than almost all of the past 11 months apart from the past 2 weeks. They're SHARPLY higher between yesterday and today (roughly 0.25%, which is a very big 2-day move).

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