

MORTGAGE RATE WATCH

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Mortgage Rates Inch Higher From 3 Year Lows

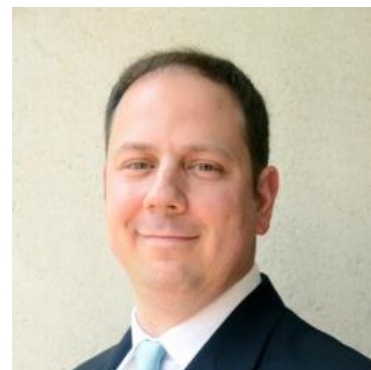
Mortgage rates are either higher or lower today, depending on the lender in question. Some lenders raised rates on Friday afternoon in response to weakness in the bond market (lenders set rates based on the trading levels of MBS, the bonds that underlie the mortgage market). Those lenders are actually slightly lower today.

Lenders who didn't raise rates on Friday afternoon are slightly higher today.

In all cases, apart from Friday morning, today's rates remain well below anything seen for nearly 3 years. This is notable considering 10yr are near 4 month highs and more than 0.20% higher than the lower end of the range during that time.

One reason for mortgage rates outperforming the 10yr Treasury is the fact that the 10yr isn't always the best indicator for mortgages. In recent years, a 5yr Treasury has behaved more like mortgage rates in terms of day to day movement.

An even bigger reason for mortgage outperformance is last week's announcement regarding Fannie/Freddie purchases of MBS. This is the news that sent rates surging lower on Friday. The market is continuing to hone in on a new trading range for MBS today, but the bulk of the initial volatility seems to have passed.



Michael Levine

Senior Loan Officer,
CrossCountry Mortgage

M: 914-391-1183

2900 Westchester Ave.
Purchase NY 10577-____
307827