MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

Mortgage Rates Near 1-Year Highs

Interest rates are based on bonds. Because the bonds underlying the average mortgage are fixed rate, inflation is the enemy. Imagine you're an investor fronting the money for a fixed-rate mortgage. You know your schedule of payments from day one. Let's say the payment is $5 or enough to buy a dozen eggs.

Now let's say inflation raises the price of those eggs to $7. You're still only receiving $5 because you invested in a fixed-rate loan. Because of this dynamic, when inflation fears increase, investors demand higher rates of return.

We're dealing with two inflation threats right now: one is specific and one is general. The specific threat is that of elevated fuel prices stemming from the Iran war. As the fighting picked back up in July, so have rates. Today's war headlines were just the latest addition to the growing problem.

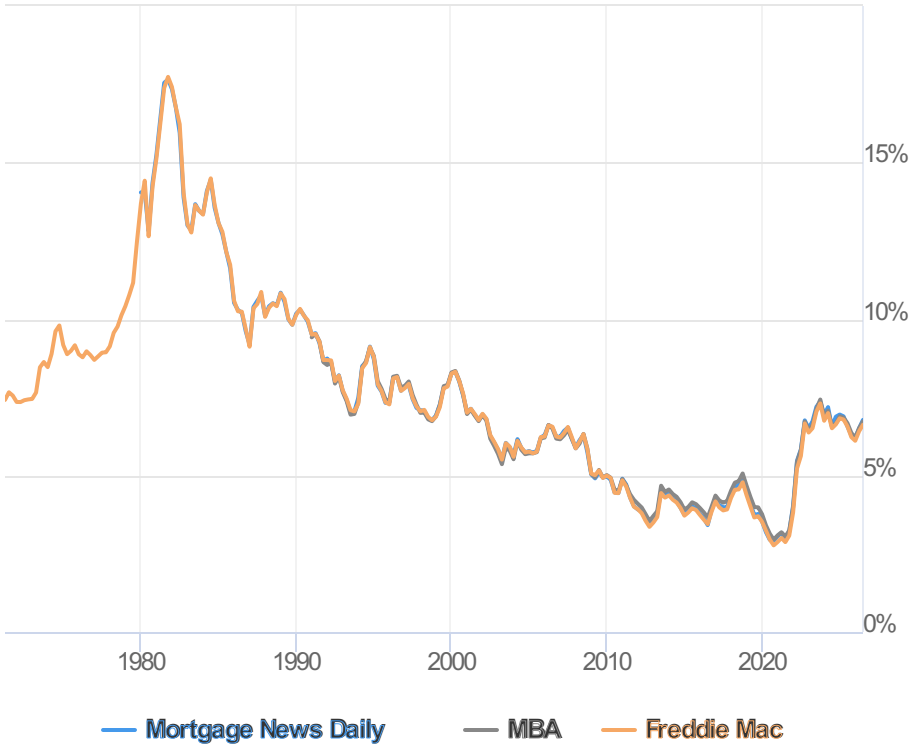
The general threat is a broad array of other prices in the marketplace that aren't directly impacted by fuel or tariffs. Fed governor Waller spoke about this additional inflation today and said that if it was high enough according to this week's inflation data (tomorrow and Wednesday) that the Fed could consider hiking rates as soon as this month.

So on the one hand, rates were already under pressure from the steady increase in fuel prices in recent days. Waller's comments added additional pressure.

Yesenia Ruvalcaba-Garcia
Mortgage Broker, Elite Fundings
www.NewcenturyBroker.com
M: (626) 252-0839
newcenturybroker@gmail.com
550 E Badillo St
Covina CA 91723
NMLS: 255242
DRE:01293970

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

The result is a top-tier, 30yr fixed rate that has returned to 6.75% for the average lender. This matches the high seen on May 19th, and you'd have to go back more than 11 months to see anything higher.



© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.