MORTGAGE RATE WATCH
Daily Coverage. Industry Leading Perspective.

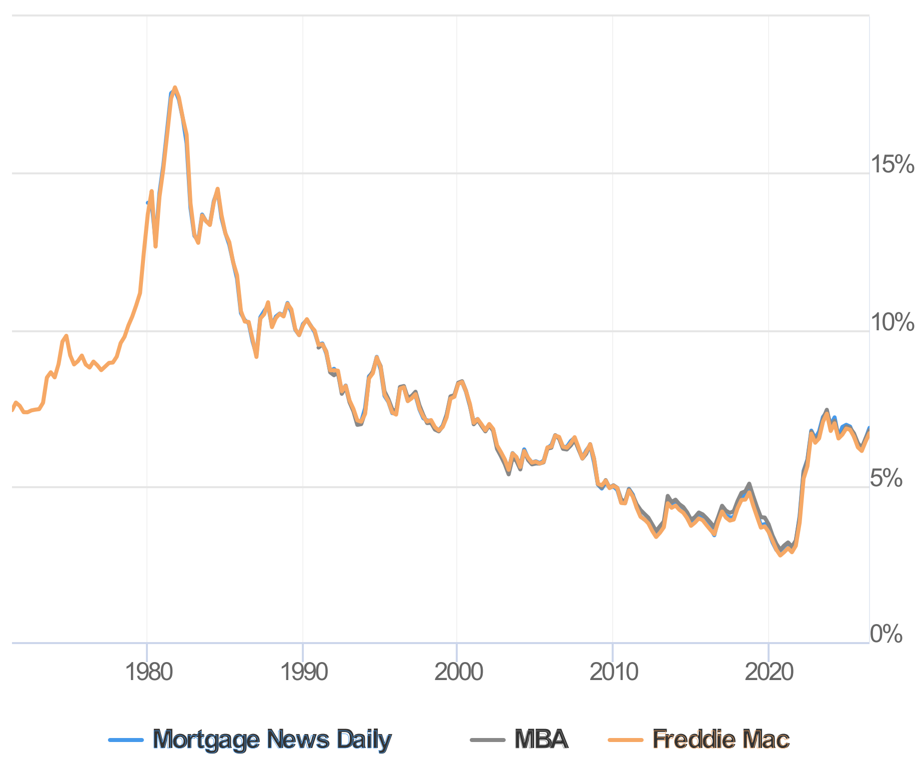
Mortgage Rates Now Close to 7.5%

More than a few media outlets will tell you that 30yr fixed mortgage rates are just now moving over 7% based on the fact that Freddie Mac's weekly rate survey hit 7.03%, up from 6.95% last week.

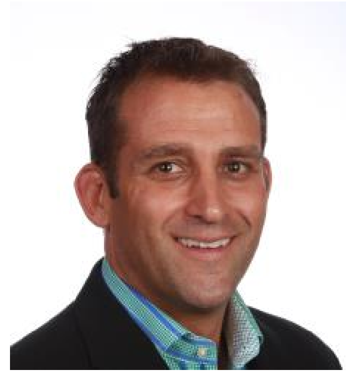
Before continuing, let's be clear that Freddie's weekly rates are a valuable resource for long-term, big picture analysis. But the survey is not an ideal tool to keep track of where rates are on any given day. There are a few reasons for this, but the easiest to understand is that today's update from Freddie is calculated from an average of rates seen between last Wednesday and yesterday. In other words, it hasn't even measured what rates did today, not to mention the fact that the number is artificially dragged down by lower rates earlier on in the 5-day cycle.

In daily terms, 7% was first broken back on September 10th following inflation reports that raised the risk of the Fed rate hike seen last week. A combination of Fed comments, higher oil prices, and stronger economic data have added to the pain since then.

As of yesterday, our daily rate index was already up to 7.26%. Today, it's up to 7.45%.



It is still definitely possible for a mortgage NOTE RATE to be quoted in the high 6% range today, but 7.45% is the rate that captures an apples to apples comparison to all of the past daily rate index entries we've published over the years. A rate that's near or under 7% would require additional upfront points/costs/buydown relative to the average rate quote methodology. Our index automatically takes points/buydown into account in order to capture the true change in rates over time.



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As for reasons, they're familiar: higher oil prices, stronger econ data, fear that next week's econ data will imply an even faster Fed rate hike path, etc.