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Mortgage Market is Freaking People Out

There are too many counter-intuitive and frustrating developments in the mortgage market to comprehend all at one time, let alone discuss. That's not a cop-out as much as it is a favor I'm doing for you. If we tried to cover all of the nonsensical ground right here, this would become yet another wall of text in this era where they're all too common. So I'll try to make this pithy and interesting.

The bottom line is that mortgage rates are all over the place, depending on the lender and the loan program. Lender rates on the same program are farther apart than they've ever been. Day-to-day and intraday movements are huge and seemingly random. Whereas mortgage rates typically take a vast majority of their guidance from the trading levels in the mortgage bond market (95%+), the correlation is less than 50% right now. On many mornings (like today), mortgage bonds say rates **should** be lower, yet they were unequivocally higher for most lenders.

As has been the case for so many industries, families, and individuals, coronavirus has presented unique and unprecedented challenges for the mortgage market. We're NOT dealing with the same sort of issues that caused mortgage drama in 2007/2008. But mortgage companies **ARE** dealing with a shortage of short-term cash in many cases. That is preventing signed loans from being funded at times, and it's greatly contributing to rates being massively higher than market movement would suggest.

A host of other factors are creating paradoxical upward pressure on rates. Chief among these is the **UNCERTAINTY** created by the oncoming tidal wave of forbearance and payment deferment requests. Until lenders and mortgage investors see a better plan in place to address all questions raised by this tidal wave or until they have a better idea of how things are actually playing out in the coming months, they are being tremendously **CAUTIOUS**.

In the mortgage market, here's what caution and uncertainty look like: **AN ABSENCE OF DEMAND** for loans that don't fit the lowest risk boxes. Yes, the Fed is buying mortgage bonds, but they're not servicing mortgages. There is a ton of negative value assigned to that component of a mortgage's overall value. When investors pay less, rates move higher.

Bottom line: a generally tense mind-set in the bond market already has investors prizing cash over bonds that carry unknown risks. It's a very tall order to get those investors to part with cash for anything other than the mortgage bonds with the most known risks. But even there, unknown risks

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.39%	+0.01	0.00
15 Yr. Fixed	6.83%	+0.01	0.00
30 Yr. FHA	6.87%	+0.01	0.00
30 Yr. Jumbo	7.58%	0.00	0.00
5/1 ARM	7.40%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	7.10%	-0.34	0.00
15 Yr. Fixed	6.39%	-0.37	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 4/24

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.44	-0.18
MBS GNMA 6.0	100.25	-0.15
10 YR Treasury	4.6450	+0.0028
30 YR Treasury	4.7780	+0.0068

Pricing as of: 4/25 3:24AM EST

are high enough to be having serious consequences for rates.

The only way to fully solve this problem is to move forward in TIME. We need to see what happens to the economy and the housing market. We need to see what the fallout looks like it will be for mortgage lenders (and especially servicers). We need to see if people can come OUT of forbearance and resume their payments in a way that keeps their mortgages in good standing both terms of their own credit scores and the ability of their loan to move freely in the secondary mortgage market (a good thing for you, if you want low rates today).

In other words, there's no quick fix here and no way to know exactly which programs will stay dead. There's **no way to know** exactly when rates will stop exhibiting lender caution/uncertainty. And there's no way to forecast exactly how quickly a more normal set of ifs and thens will be restored. What I can tell you is that it won't be measured in days or weeks. If things do begin making more sense before May, 2020, it would only be because they reached a limit moving in the wrong direction up to that point.

YES, rates are as high/different/unavailable/illogical as you're being told. No, in some cases, your lender really doesn't have any idea why the answers to your questions are the answers to your questions. Many lenders are **just as in the dark** as you depending on the answers they're getting from other participants in the value chain. All we can do in this environment is make game plans with whoever is on "our team" for any particular mission and be ready to execute if an opportunity presents itself (and opportunities still do present themselves).

Above all else, if it's not already implied, **be patient** with those on your team, be good to each other, and be optimistic. This is temporary, even if it lasts longer than we'd like.

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Because Integrity Matters™

Jeffrey has spent the last three decades perfecting an Honest, Open and Transparent (HOT™) loan and closing process that is laser-focused on enhancing the consumer mortgage experience. By combining old-school, trustworthy customer service with real-time, mobile-friendly technology, he has successfully built thousands of loyal, raving fans.

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