Mortgage Educational Series



Jeffrey Chalmers

Senior Loan Officer, Movement Mortgage NMLS #76803 - #39179 Licensed: CA, CT, FL, MA, ME, NH, 99 Rosewood Dr, Suite 270 Danvers, MA 01923 Office: (774) 291-6527 Mobile: (774) 291-6527 Fax: (855) 951-5626 jeffrey.chalmers@movement.com View My Website

The 2 Components of Mortgage Rates: Upfront Cost and the Rate Itself

Mortgage rates, for the purposes of this article, will refer to the most commonly-quoted loans available through the most prevalent channels. That essentially means **conforming**, **fixed rate loans**—especially 30yr and 15yr fixed.

An example of one of these mainstream **rate quotes** would be a 30yr fixed from a big bank or mortgage lender either directly via a retail branch of that bank or indirectly via a mortgage originator who has access to several correspondent or brokered banking channels. In **both cases** we're talking about some large underlying financial entity that is in the business of making lots of loans.

These sorts of lenders will typically **adjust their rate sheet offerings** every day. In fact, it's **extremely rare** to see absolutely no change in any given lender's rate sheet from one day to the next. That said, it's also rare for rates to change so much that the actual contract interest rate is affected. That's because rates are almost universally quoted in .125% increments. As such, rates would have to change by .125% in order for a rate that had been quoted at 4.0% to now be quoted at 4.125%, all other things being equal.

The **"fine-tuning adjustment"** for mortgage rates lies in the upfront cost side of the equation. This can either be an actual cost out of the borrower's pocket ("discount points"), or a rebate from the lender. Rebates to cover closing costs, etc., are a common feature of loan quotes, and lenders are able to offer them because of the interest collected over time. The higher the rate, the higher the potential rebate. The lower the rate, the higher the cost. **For example**, if a 4% rate involved neither an upfront discount nor a rebate from the lender, then a 3.875% might require a 1.0% discount point and a 4.125% might result in a 1% rebate from the lender.

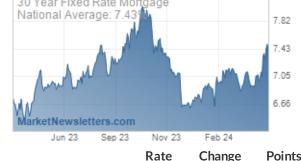
In that example the discount point and the rebate are both part of the same component of "mortgage rates." One is negative and the other is positive, but they both represent the COST side of the equation. This is the side of the mortgage rate equation that is almost guaranteed to be changing every day —**sometimes multiple times per day**, and those changes can be extrapolated to changes in effective rate. In other words, an effective rate of 4.04 doesn't mean that people are being quoted 4.04. Rather, the actual rate quotes are mostly likely 4.0% with an upfront cost or 4.125% with a rebate.

Subscribe to my newsletter online at:

© 2024 MBS Live, LLC. - This educational newsletter is a service of MarketNewsletters.com.

 Mortgage Rates:
 National Average Mortgage Rates

 ate Itself
 30 Year Fixed Rate Mortgage



Mortgage News Daily

into i gage i tews i	Jany		
30 Yr. Fixed	7.43%	+0.02	0.00
15 Yr. Fixed	6.84%	+0.01	0.00
30 Yr. FHA	6.90%	+0.03	0.00
30 Yr. Jumbo	7.62%	+0.02	0.00
5/1 ARM	7.40%	+0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.10%	-0.34	0.00
15 Yr. Fixed	6.39%	-0.37	0.00
Rates as of: 4/18			

Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.30	-0.29
MBS GNMA 6.0	100.06	-0.09
10 YR Treasury	4.6192	-0.0073
30 YR Treasury	4.7069	+0.0036
Pricing as of: 4/188:26PM EST		

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 17	202.1	+3.27%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Feb	662K	+0.15%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/clicknfinance

http://housingnewsletters.com/clicknfinance

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.

Jeffrey Chalmers



 $\label{eq:masses} @\ 2024\,\text{MBS Live, LLC.-This educational newsletter is a service of } \underline{\mathsf{MarketNewsletters.com.}} \\$

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.