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Mortgage Rates Rocket to Lowest in a Year

Mortgage rates dropped significantly today, officially hitting the lowest levels in almost exactly 1 year. For most lenders, that means a conventional 30yr fixed rate quote of 3.625% for top tier borrowers, though there are still quite a few lenders at 3.75%. That's an important point to keep in mind today as several lenders are still much closer to Friday's rates. Even then, a "significant drop" will mean different things depending on your point of view.

For instance, if you follow each day's market movement, today is indeed a **bigger** drop in rates than average. In fact, there are usually less than 20 days in any given year that move this much. From another perspective, it leaves plenty to be desired. Case in point: lots of lenders are still quoting the same rates as Friday, but with slightly lower closing costs. Lenders who are quoting lower rates won't have moved any more than 1/8th of 1 percent (0.125%).

This is a symptom of a **well-known disease** in the mortgage market. The bonds that underly mortgage rates (MBS or "mortgage-backed-securities") tend to act more like the rest of the interest rate world when trading is calm, but they tend to underperform when the rest of the interest rate world is moving quickly lower. So on days like today when 10yr Treasuries (a perennial yard-stick for MBS and mortgage rates) is down 10bps, it's no surprise to see most lenders haven't lowered rates by a similar amount.

Theoretically, if market trading levels held their ground right here, mortgage rates would have **a bit farther to fall**, but of course, there's never a guarantee that markets will hold their ground. We have a positive long-term trend that is very much intact. It has consistently offered opportunity this year. The opportunity is **offset** by the risk that markets will bounce along with the enticement of the lowest rates in more than a year.

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National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	0.00

Freddie Mac

30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66

Rates as of: 5/17

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.40	-0.15
MBS GNMA 6.0	100.78	+0.04
10 YR Treasury	4.4223	+0.0454
30 YR Treasury	4.5610	+0.0549

Pricing as of: 5/17 5:59PM EST