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## Mortgage Rates Rise After Trump Speech, But Not Necessarily Because of It

**Mortgage rates** moved sharply higher today, bringing the average top tier 30yr fixed quote **back to 4.25%** from 4.125% previously. That doesn't exactly mean that rates are .125%, depending on your perspective. While the actual rate applied to loan balances is .125% higher on average, the amount of interest paid in conjunction with a mortgage is also depends on upfront costs. In cases where borrowers are being quoted .125% higher in rate today, those upfront costs are generally lower. If we express those costs in terms of rate, the actual day-over-day change is 0.07%. That may not seem like much, but it's the biggest increase in well over a month.

**So what's the deal?** With Trump's congressional speech yesterday and surging stock prices today, it's tempting to view the rate move against that backdrop--i.e. markets liked the speech, so they bought stocks and sold bonds (selling bonds results in higher rates). But the bigger story for the bond market was a series of comments yesterday from several members of the Fed--particularly NY Fed President Dudley. **Long story short**, investors felt like Dudley gave a compelling warning about a Fed rate hike 2 weeks from today. Most of the negative reaction in the bond market occurred before Trump's speech, and the move was well-correlated with Fed rate hike expectations.

While the day-over-day change is bigger than we've seen recently, the net effect isn't too troubling in the bigger picture. Rates are roughly in the middle of their narrow, post-election range. As long as they stay there, a case can be made for **either locking or floating**. For instance, locking made a lot of sense last Friday when rates were at 3-month lows. While recent weakness creates some more opportunity for risk-takers, keep in mind that because the range is narrow, it might only take a day or two of weakness before you'd be forced to lock at a loss (which is the lesser of two evils if rates end up breaking through the ceiling of this range as opposed to the floor).

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## National Average Mortgage Rates



|                            | Rate  | Change | Points |
|----------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b> |       |        |        |
| 30 Yr. Fixed               | 7.25% | -0.03  | 0.00   |
| 15 Yr. Fixed               | 6.68% | -0.07  | 0.00   |
| 30 Yr. FHA                 | 6.64% | -0.06  | 0.00   |
| 30 Yr. Jumbo               | 7.45% | -0.03  | 0.00   |
| 5/1 ARM                    | 7.32% | -0.03  | 0.00   |

### Freddie Mac

|              |       |       |      |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.22% | -0.22 | 0.00 |
| 15 Yr. Fixed | 6.47% | -0.29 | 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: 5/6

## MBS and Treasury Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 6.0   | 100.05        | -0.03   |
| MBS GNMA 6.0   | 100.92        | -0.11   |
| 10 YR Treasury | 4.4605        | -0.0254 |
| 30 YR Treasury | 4.6090        | -0.0274 |

Pricing as of: 5/7 7:28AM EST