Mortgage Rate Update

January 6, 2017

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Mortgage Rates Higher, But Still in Good Shape After Jobs Report

Mortgage rates moved **moderately higher** today after the Employment Situation Report (aka "the jobs report" or simply "NFP," after its trademark component "non-farm payrolls"). This was a bit counterintuitive considering headline job growth was slower than expected. Closer inspection reveals that the previous report was revised for the better. This offset the current report's weakness. From there, traders focused on the stronger-than-expected wage gains--a key ingredient in the case for inflation (which pushes rates higher).

Today **wasn't** all about the data though. The last 6 business days saw the best winning streak for rates since the election. Some traders were simply ready to cash in that winning streak, regardless of the jobs data. That's it for bad news.

The **good news** is that today is still the 2nd best day in more than a month. Rates rose to logical levels based on the recent range. If we look at the movement in terms of 10yr Treasury yields (which set the tone for momentum in long-term rates like mortgages), the levels of 2.42% and 2.34% have been of the greatest importance. 2.42% acted as a sort of levee. It was broken yesterday and rates quickly flowed to 2.34%, but that's where markets have set up the next levee. Rates rose back to the 2.42% waterline today.

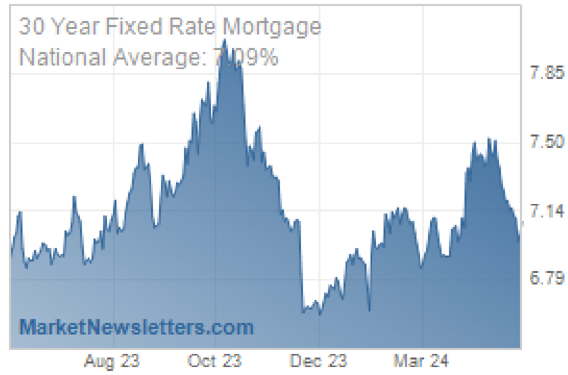
The example is a bit crude, but the point is that **IF** we were forced to endure rising rates today, we wouldn't have wanted to see 10yr Treasury yields move any higher than 2.42%. The net effect on conventional 30yr fixed rate quotes was minimal, with most lenders remaining at **4.125%** on top tier scenarios. Several lenders moved up to 4.125% from 4.0%, and only a few moved back up to 4.25%. In general, most of the deterioration was seen in the form of slightly higher upfront costs vs yesterday.

I referred to yesterday's strength as a **cause for celebration**. That's still true as long as 10yr yields remain around 2.42% or lower. In the better-case scenario, today would end up being a brief correction amid a slightly bigger move toward lower rates. If we find rates moving higher again early next week, the **celebration will be over.**

Today's Best-Execution Rates

- 30YR FIXED - 4.125%

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

- FHA/VA - 3.75%
- 15 YEAR FIXED - 3.25-3.375%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates had been trending higher since hitting all-time lows in early July, and exploded higher following the presidential election
- Some investors are increasingly worried/convinced that the decades-long trend toward lower rates has been permanently reversed, but such a conclusion would require YEARS to truly confirm
- With the incoming administration's policies driving a large portion of upward rate momentum, mortgage rates will be hard-pressed to return to pre-election levels until well after Trump takes office. Rates can move for other reasons, but it would take something **big and unexpected** for rates to get back to pre-election levels.
- We'd need to see a sustained push back toward lower rates (something that lasts more than 3 days) before anything less than a cautious, lock-biased approach makes sense for all but the most risk-tolerant borrowers. The beginning of 2017 may be bringing such a push, but there's no telling how long it will last.
- *As always, please keep in mind that the rates discussed generally refer to what we've termed **'best-execution'** (that is, the most frequently quoted, conforming, conventional 30yr fixed rate for top tier borrowers, based not only on the outright price, but also 'bang-for-the-buck.' Generally speaking, our best-execution rate tends to connote no origination or discount points--though this can vary--and tends to predict Freddie Mac's weekly survey with high accuracy. It's safe to assume that our best-ex rate is the more timely and accurate of the two due to Freddie's once-a-week polling method).*

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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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