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Mortgage Rates Highest in Nearly a Month

Mortgage rates have only been moving higher **gradually**, but things are **adding up**. Today's move brings them to the highest levels in nearly a month.

In recent weeks, I've made it a point to qualify the actual pace of the movement by drawing a distinction between **actual** interest rates and the **upfront** costs associated with those rates. Because mortgage lenders tend to offer rates in **0.125% increments**, it takes a certain amount of market movement before the average loan applicant would see a change in their quoted rate. But bond markets are moving every day. Upfront costs allow lenders a way to fine tune a loan quote.

How many days can we see small increases in these upfront costs before actual interest rates begin to change? As it happens, today is probably the **first day** where a majority of lenders would be quoting rates 0.125% higher than they were a few weeks ago. Realistically, however, this should always be a "net present value" calculation for prospective borrowers. Would you rather have a higher monthly payment and pay more upfront? Or vice versa?

In other words, borrowers **could still decide** to go with the same interest rate quoted 2 weeks ago, but the upfront costs would be high enough that most would consider simply moving up to the next 0.125% higher in rate and erasing the increase in upfront costs. To oversimplify, here's an example with a \$200k loan:

Scenario 1:

- 4.625% rate (payment \$1028)
- Closing costs are \$800 more than 2 weeks ago
- "interest rate" is unchanged, but "effective rate" is higher due to higher closing costs

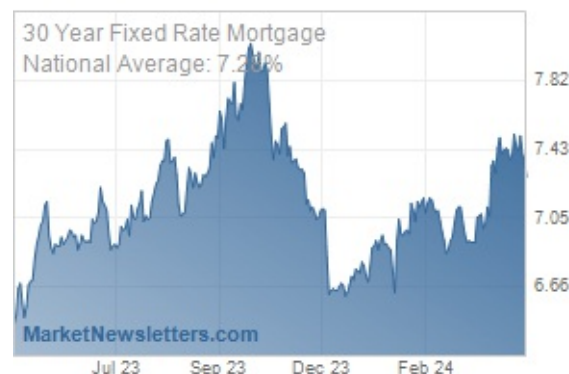
Scenario 2:

- 4.75% rate (payment \$1043)
- Closing costs would be \$400 lower than 2 weeks ago
- Interest rate is higher, effective rate is also higher because the change in monthly payments will quickly supersede the savings in upfront costs.

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National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	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: 5/3

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.09	+0.31
MBS GNMA 6.0	101.03	+0.29
10 YR Treasury	4.5138	-0.0657
30 YR Treasury	4.6711	-0.0579

Pricing as of: 5/3 5:04PM EST

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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.

Rich E. Blanchard

