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Election Pushes Rates to New 5-Month Highs

Mortgage Rates rose today as early presidential polls showed Clinton leading in several battleground states. At least when it comes to the most immediate future, rates have done better when Trump's numbers have been better.

Some analysis suggests that although a Trump presidency could ultimately be worse for rates in the long run, the near-term uncertainty prompts investors to sell stocks and buy bonds. When demand for bonds increases, rates move lower, all other things being equal.

Mortgage rates didn't have to move too much higher in order to make it to **new 5-month highs**. If we're talking about the actual "note rate," that hasn't changed for most prospective borrowers at all this week. Rather, the changes must be measured in the form of upfront closing costs/credits. Higher upfront costs make for a higher "effective rate," even when the note rate remains unchanged. Most lenders continue quoting 3.625% on top tier conventional 30yr fixed scenarios.

Even before today's market volatility, the risk of floating **outweighed the potential reward**. After today, that's doubly true. Bottom line, even if rates are able to stage a comeback after the election is over, it doesn't make sense to plan on it. We need to see a solid reversal in the ongoing trend before deviating from a defensive strategy.

Today's Best-Execution Rates

- 30YR FIXED - 3.625%
- FHA/VA - 3.25-3.5%
- 15 YEAR FIXED - 2.875%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates have generally been trending higher since hitting all-time lows in early July
- Clearly-defined uptrends provide higher-than-average motivation to lock
- Risk-takers can try to time the dips in rates that may occur during that broader uptrend, but the reward for good timing generally isn't worth

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/17:34PM EST

the risk in these situations.

- We'd need to see a sustained push back toward lower rates (something that lasts more than 1-3 days) before anything less than a cautious, lock-biased approach makes sense for all but the most risk-tolerant borrowers.
- *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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