



Dan Clifton

Principal Broker and Mortgage Guru, Clifton Mortgage Services, LLC

NMLS # 284174

670 N Orlando Ave Suite 101 Maitland, FL 32751

Office: 888-681-0777 x1001

Mobile: 407-252-3039

Fax: 866-512-0169

dan@cliftonmortgageservices.com

[View My Website](#)

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
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: 9/1 7:34PM EST