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Wage Growth Shocker Pushes Mortgage Rates to 2-Month Lows

Get out your calendar. Flip, swipe, or glance back at May 29th. That's where we have to go to see mortgage rates **any lower than they are today.** After a delightful, but incredibly boring streak of mostly good days, rates finally swung for the fences. Actually, that might be a bit of a stretch depending on your perspective, but consider the following.

Mortgage rates tend to be broken up in .125% increments. For the past several weeks (or more, depending on the lender), rates **haven't moved** enough for the **actual interest rate** to change. Instead, the upfront costs act like fine-tuning adjustments for any given rate. In other words, you might be quoted 4.125% on two different days, but with $1000 origination one day and only $500 the next. The rate is the same, but paying less for it means the effective rate is lower (fewer dollars out of your pocket over time). In that case, we'd say "rates fell" because the **effective** rate is lower, even though the **contract** rate (the thing that ends up on Good Faith Estimates and ultimately the Note) remained the same.

With all that having been said, after multiple weeks of unchanged contract rates, we've **finally** seen lenders move down an eighth (.125). Sure, they were pretty close before, but today's solid move left no doubt. Since July 16th, we haven't seen the effective rate change more than 0.02%, and that only happened a few times. Today's drop was 0.06%--certainly enough for a 'swung for the fences' metaphor.

Today's gains came courtesy of an **exceptionally** weak reading on wage growth. It was less than a third the pace of the previous quarter, and way below expectations. A lack of wage growth is one of the key reasons the Fed could hold off on raising rates. And although the Fed Funds Rate doesn't control mortgage rates in the short term, it tends to move the same direction over time. As such, big news for the Fed's rate hike plans is usually also big news for rates across the board. It was certainly a home run for rates today.

As with many home runs, this one **didn't end the game**. Next week brings a slew of important data, culminating in Friday's big jobs report. That data will have a chance to confirm the alarming shift seen in today's data, or to offer a counterpoint. The path of rates should take guidance from that data, which is much more than we've been able to hope for. In fact, until July, we've pretty much been moving higher in rate regardless of the data. Now it feels like we have a fighting chance at more meaningful improvements. In some ways, they're already here, considering the average conventional 30yr fixed quote

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/3

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 5:59PM EST

came down to 4.0% today for top tier scenarios. An increasing number of lenders are back to **3.875%**.

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