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More Mortgage Drama--Especially For Investment and 2nd Home Loans

Most of this week's mortgage rate coverage focused on a fairly gentle increase of 3.05 to 3.09 for the average 30yr fixed. That number comes from Freddie Mac's weekly rate survey, which is one of the only games in town when it comes to capturing a broad, best case scenario.

Over time, reporters have found it easy to simply cover mortgage rates once a week when Freddie's report comes out rather than gopher multiple rate quotes from multiple lenders every day. That model has worked well for just about everyone just about every week, but there are times where it **breaks down woefully**. This is one of those times.

At issue is the inherent lag in Freddie's methodology. Surveys are sent out Monday and are accepted through Wednesday. But most of those who are going to respond end up doing so right when they get the survey. That means the rate index that is published on a Thursday is mostly a reflection of Monday vs the previous Monday. As such, it can be **wildly inaccurate** when the rest of the week is volatile.

Beyond that, Freddie's survey rate also tends to move **more slowly** than actual rates for reasons that remain a mystery. For example, this week's report suggests rates were only 0.29% higher compared Feb 12, 2021 (the most recent plateau). But an analysis of **actual** lender rate offerings puts that gap at 0.54%, which is a significant difference in the mortgage world. The chart below tells the story.

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00

Freddie Mac

30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00

Rates as of: 7/26

Market Data

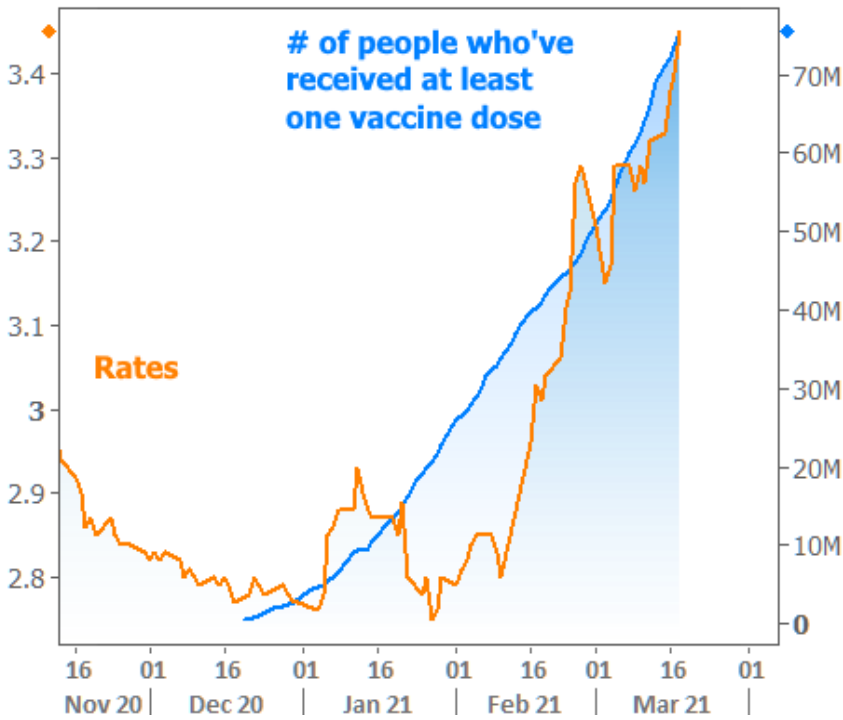
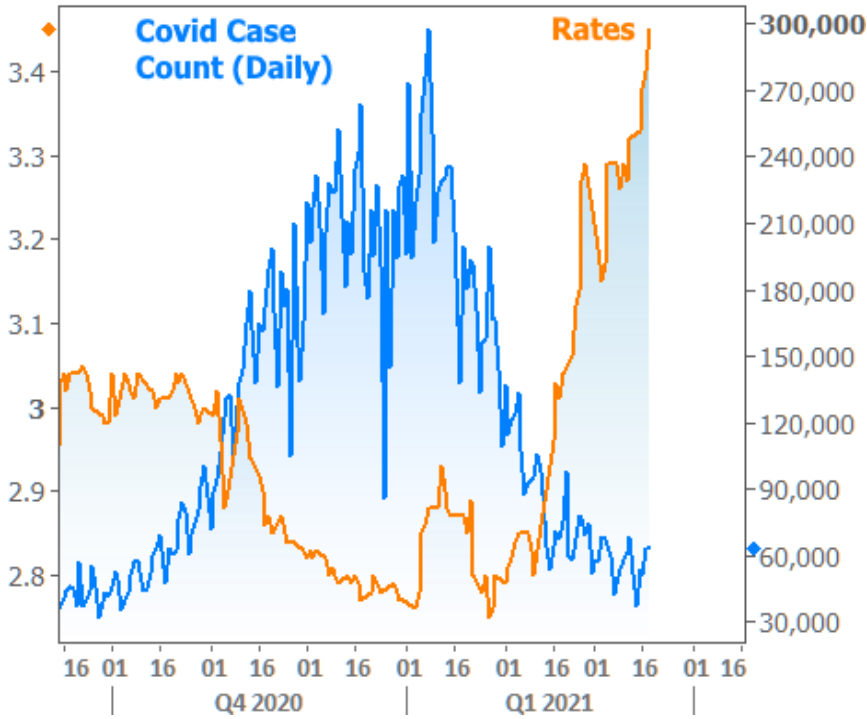
	Price / Yield	Change
MBS UMBS 5.5	99.68	+0.27
MBS GNMA 5.5	99.98	+0.13
10 YR Treasury	4.1958	-0.0474
30 YR Treasury	4.4523	-0.0305

Pricing as of: 7/26 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

US Housing Market Weekly

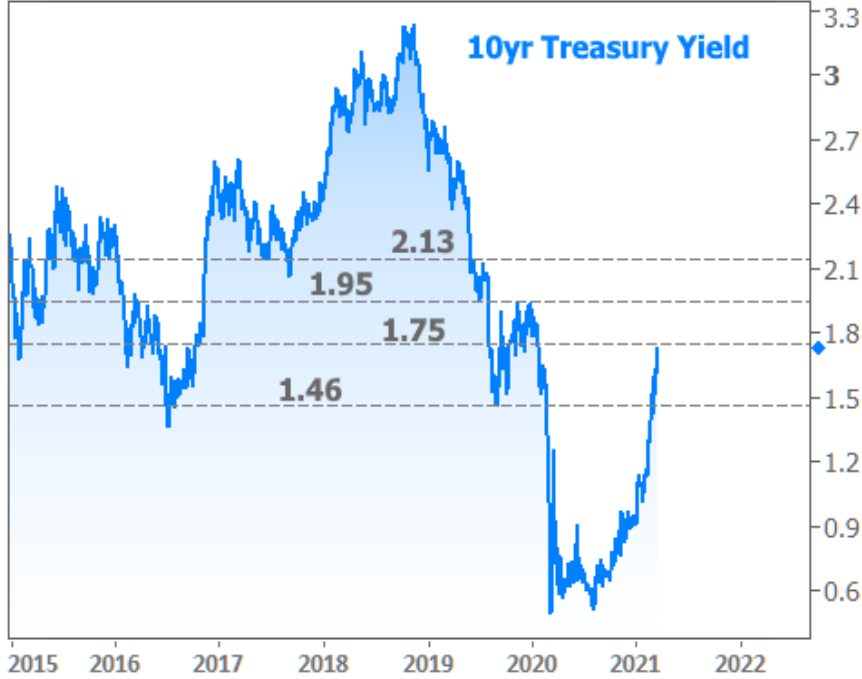


Will we see some relief? Yes, it's just a matter of how much higher rates need to go in order for that to happen. This is already one of the biggest rising rate episodes on record, but the counterpoint is that 2020 was a completely unprecedented falling rate episode.

US Housing Market Weekly

As rates have risen, a great many experts, amateur market watchers and everyone in between has offered an opinion on why things wouldn't get any worse. Yet **every likely ceiling has been broken**. The latest is marked by 1.75% in terms of 10yr Treasury yields. This was a target for a good portion of the trading community a few weeks ago, and we bounced there this week.

None of the above should be taken as an endorsement of 1.75% as a ceiling, however. The only point is to suggest a key level to watch in the week ahead. Things can still go either way.



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Who You Work With Matters

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