



**Mike Baker**

Head Interest Rate Shopper, The Rate Shop  
 Individual NMLS: 259076 Company NMLS: 2554765 State  
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335  
 Mobile: 913-213-3335  
[mike@rateshopkc.com](mailto:mike@rateshopkc.com)  
[View My Website](#)

## One-Two Punch: FHA Cut Reversed and Rates Move Higher

What a difference a week makes--**especially** for certain borrowers in the process of obtaining an FHA loan! Not only will they see the same rising rates that affected all loans this week, but they'll also give up the benefit from the recently-announced cut in FHA mortgage-insurance premiums (MIP).

Last week's newsletter discussed the FHA MIP cut in detail. In short, it amounted to **instant savings** equivalent to an interest rate reduction of roughly 0.375% for most FHA borrowers. The cut was to go in effect for loans closing on or after Jan 27th.

There was speculation that the incoming Secretary for Housing and Urban Development (HUD) might review and rescind the change, but nothing concrete. Then, at the beginning of this week, **rumors circulated** that the Trump administration would be rolling back several of Obama's most recent executive orders and that the MIP cut would be included.

Scarcely an hour after the inauguration, HUD released an [updated Mortgagee Letter](#) (a weird term for their periodic guideline/policy updates) making it official. The **MIP cut is on hold indefinitely**. Even borrowers who were quoted the new, lower premium will be forced to pay the old rate.

All hope is not lost though. The new letter states: "more analysis and research are deemed necessary to assess future adjustments while also considering potential market conditions in an ever-changing global economy that could impact our efforts." Whether or not that means "**don't hold your breath**" remains to be seen.

On a final note, there's been chatter suggesting the cut was **politically motivated**. On that topic, it's worth noting that the cut was executed in substantially similar fashion to the early 2015 cut. **Both** were preceded by a favorable actuarial report in November, and both were announced around the same time in January. There is no recent precedent for an MIP change being on the table days before the inauguration of a president that might seek to reverse it, so any claims of political motivation can't be confirmed or denied.

In addition to the MIP cut evaporating, mortgage **rates rose quickly** this week. Freddie Mac's weekly rate survey (which unfortunately tends to be a "Tuesday over Tuesday" survey) suggests rates **fell** to 3-week lows. But when we include the rest of the week (Wed and Thu were rough!), rates are actually

## National Average Mortgage Rates



Rate      Change      Points

### Mortgage News Daily

30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00

### Freddie Mac

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

## Market Data

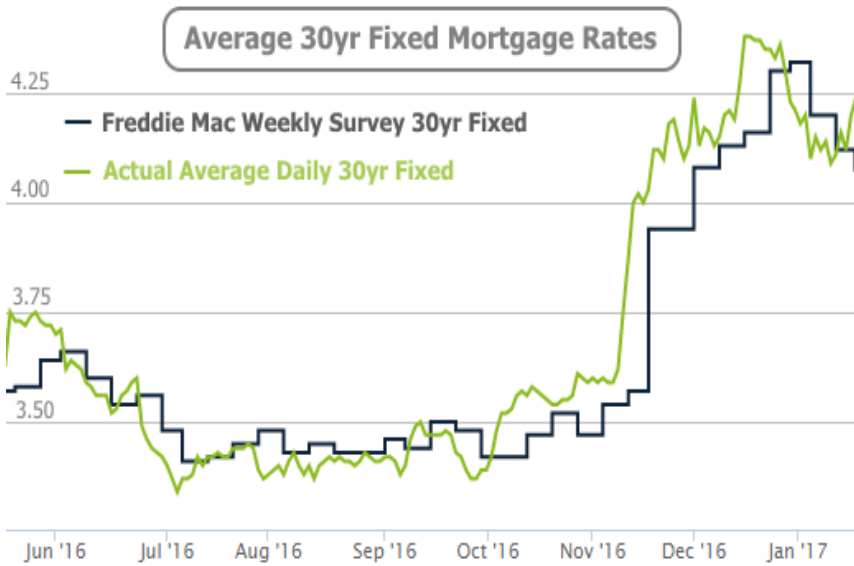
	Price / Yield	Change
MBS UMBS 6.0	100.11	-0.07
MBS GNMA 6.0	100.24	-0.09
10 YR Treasury	4.4395	+0.0415
30 YR Treasury	4.5981	+0.0341

Pricing as of: 7/1 8:50AM EST

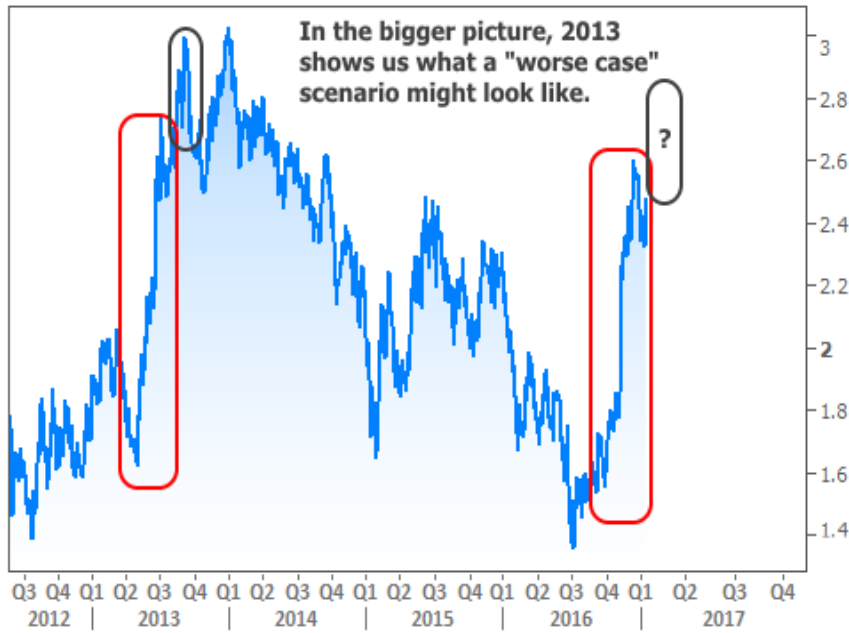
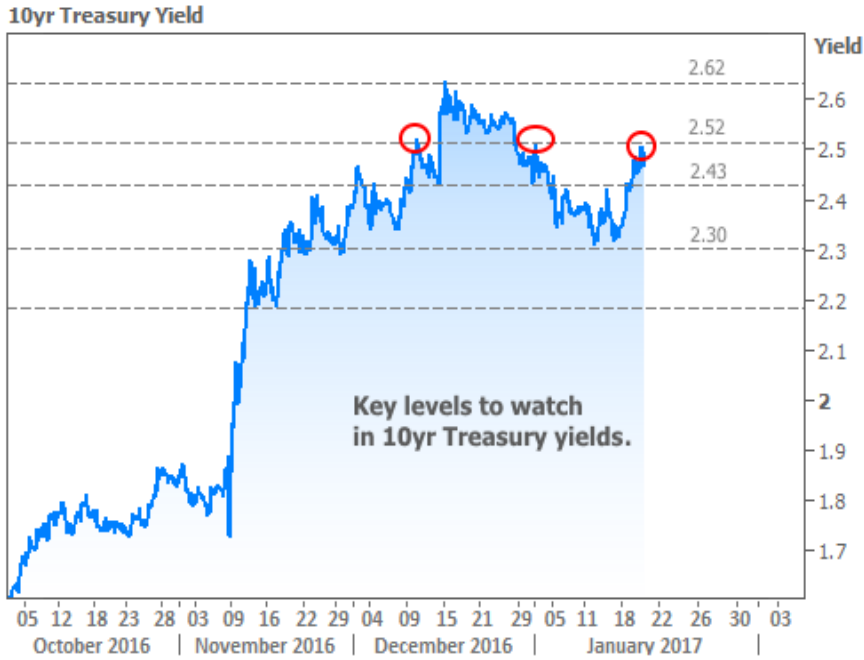
## Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
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%

at the highest levels of the year.



If you're interested in following the **bigger picture trends** in rates, take a look at the following chart of 10yr yields (the best benchmark for momentum in longer-term rates like mortgages). Yields are thankfully still under the late-December ceiling, but they've broken above the 2.43% level which had been holding firm for several weeks. 2.52% is the next key level to watch. It held firm through the end of the week. A more dire scenario would be a break above 2.62%. If that happens, 2013's precedent shows us the sort of "aftershock" that's possible.

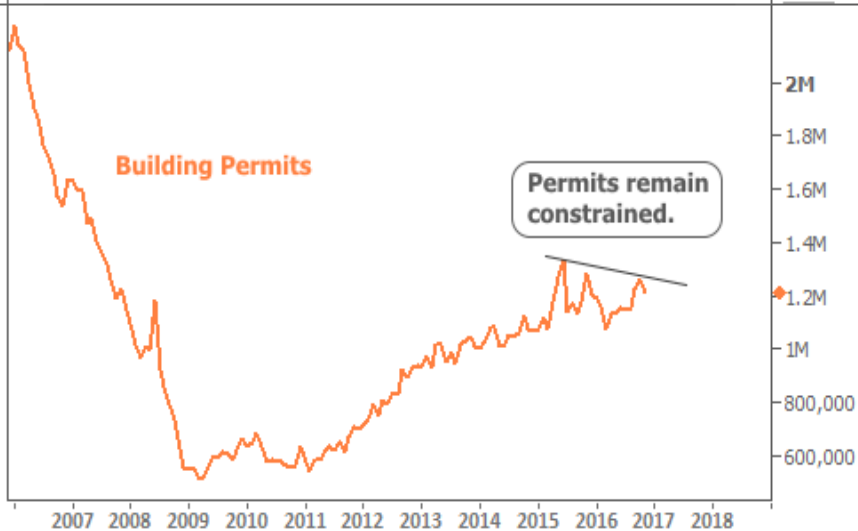


For all of the hurdles faced by housing and mortgage markets this week, a [Fannie Mae report](#) reminds us that **housing will survive** in 2017. Those broader sentiments were echoed in several pieces of data this week. For example, [Builder Confidence](#)--although lower--remains in great shape overall, and very close to recovery highs.

Builder Confidence



Housing Starts and Building Permits also put in a decent showing this week. Although the trend in builders filing for permits remains constrained, the trend is positive when it comes to construction actually beginning (aka, a "housing start").



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Jan 17</b>				
8:30AM	Jan NY Fed manufacturing	+6.5	8.50	9.00
<b>Wednesday, Jan 18</b>				
7:00AM	w/e Mortgage Market Index	382.2		379.2
7:00AM	w/e Mortgage Refinance Index	1263.2		1182.3
7:00AM	w/e MBA Purchase Index	229.4		241.9
8:30AM	Dec Core CPI yy, nsa (%)	+2.2	2.2	2.1
8:30AM	Dec CPI mm, sa (%)	+0.3	0.3	0.2
9:15AM	Dec Industrial output mm (%)	+0.8	0.6	-0.4
9:15AM	Dec Capacity utilization mm (%)	75.5	75.4	75.0
10:00AM	Jan NAHB housing market indx	67	69	70
<b>Thursday, Jan 19</b>				
8:30AM	Dec Housing starts number mm (ml)	1.226	1.200	1.090
8:30AM	Dec Build permits: change mm (%)	-0.2		-3.8
8:30AM	Jan Philly Fed Business Index	23.6	15.8	21.5
8:30AM	w/e Initial Jobless Claims (k)	234	245	247
<b>Tuesday, Jan 24</b>				
10:00AM	Dec Existing home sales (ml)	5.49	5.52	5.61
<b>Wednesday, Jan 25</b>				
7:00AM	w/e Mortgage Market Index	397.4		382.2
<b>Thursday, Jan 26</b>				
10:00AM	Dec New home sales-units mm (ml)	0.536	0.588	0.592
<b>Friday, Jan 27</b>				
8:30AM	Q4 GDP Advance (%)	+1.9	2.2	3.5
8:30AM	Dec Durable goods (%)	-0.4	2.6	-4.5
10:00AM	Jan U Mich Sentiment Final (ip)	98.5	98.1	98.1

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

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