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## Mortgage Rates Jumped Over 7% This Week, Even if You Heard They Were 6.71%

Mortgage rates have been hovering in the high 6's for weeks, but they broke above 7% on Thursday. At the same time, multiple news outlets reported a 30yr fixed rate of 6.71%. Who's lying?

While the 6.71% news may be prolific, it is all traced back to one source: Freddie Mac's weekly rate survey. This is the longest-standing mortgage rate index in the US and the most widely cited. It does a great job of capturing general levels over the long run, but it doesn't necessarily line up with the reality in the trenches on any given day.

Here's the reality: 6.71% implies widespread availability of 6.625% and 6.75% (rates are most frequently offered in .125% increments, and 6.71% is an average). You could certainly get a rate of 6.625% if your scenario, credit, and down-payment were ideal, but at the average lender, you'd be paying a bit more upfront.

In other words, you'd be paying "points" in some form or another. Freddie's survey used to collect information on points. It no longer does. That means a loan at 6.625% with 1 point is counted the same as a loan at 6.625% and no points. But those two loans are not the same. In fact, a point is worth roughly 0.50% in rate! So the "no point" equivalent of 6.625% is actually 7.125%.

The other complicating factor is that Freddie reports the average rate over the preceding 5 business days. In this week's case, rates were in the process of jumping on Thursday--a day that won't be reflected in Freddie's numbers until next week.

With all that in mind, it's less of a surprise to consider that MND's rate index (which accounts for points) jumped back over 7% on Thursday and has been running slightly higher in general.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3980	+0.1111
30 YR Treasury	4.5640	+0.1383

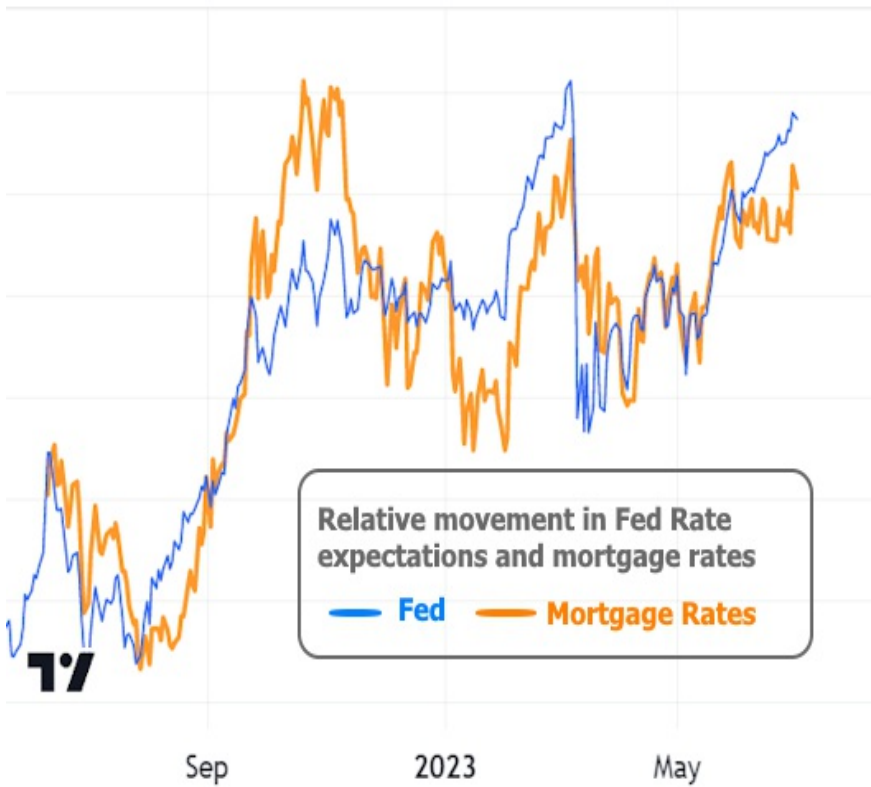
Pricing as of: 6/28 5:59PM EST

## 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%



Thursday's jump was driven by data. Both GDP and Jobless Claims data turned out to be stronger than expected. Strong data tends to push rates higher--especially at present when market participants know that economic resilience means a resumption of rate hikes from the Fed. The Fed doesn't set mortgage rates directly, but expectations for future hikes correlate with mortgage rate movement.



And here's a closer look at how Fed rate expectations evolved this week:



We can get more perspective on recent rate movement by examining 10yr Treasury yields, which tend to move much like mortgage rates. Last week, we examined a 10yr yield range between 3.72 and 3.84%. This has been a mostly boring sideways grind as the market waits for data like Thursday's. Interestingly enough, Thursday just barely resulted in a challenge to the ceiling, and yields were back in the range by Friday.



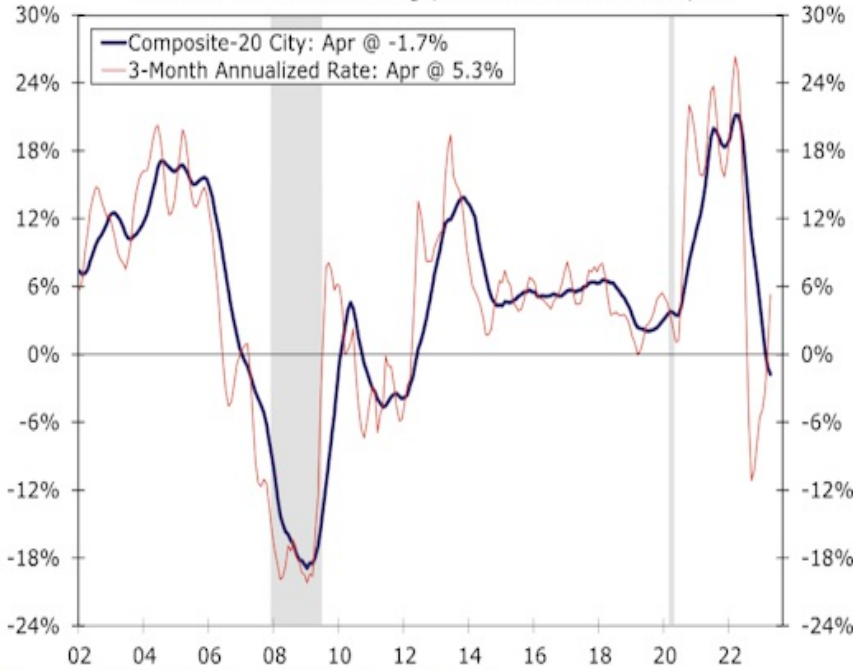
What's the significance? It simply speaks the indecision that continues plaguing the rate market. This range is a drop in the bigger picture bucket. It will take much bigger moves driven by much more data to create meaningful change in the rate landscape.



In this week's housing-related data, home prices defied expectations with FHFA's index rising 0.7% in April. Case Shiller's index was expected to fall 2.6%, but fell only 1.7% over the same time (it is more volatile than FHFA).

### S&P CoreLogic Case-Shiller 20-City HPI

Year-over-Year Percent Change, 3-Month Annualized Rate, SA



Source: S&P CoreLogic and Wells Fargo Economics

New Home Sales came in much higher than expected, and have generally been the saving grace for home sales data as high rates keep homeowners reluctant to give up the low rates on their existing homes.



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### Recent Economic Data

### Event Importance:

No Stars = Insignificant

☆ Low

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Jun 27</b>				
8:30AM	May Durable goods (%)	1.7%	-1%	1.2%
9:00AM	Apr FHFA Home Price Index m/m (%)	0.7%	0.3%	0.5%
9:00AM	Apr FHFA Home Prices y/y (%)	3.1%	3.1%	3.7%
9:00AM	Apr Case Shiller Home Prices-20 y/y (%)	-1.7%	-2.6%	-1.1%
10:00AM	Jun Consumer Confidence (%)	109.7	104	102.5
10:00AM	May New Home Sales (ml)	0.763M	0.675M	0.68M
<b>Thursday, Jun 29</b>				
8:30AM	Jun/24 Jobless Claims (k)	239K	265K	265K
8:30AM	Q1 GDP sales Final (%)	4.2%	3.5%	1.1%
10:00AM	May Pending Home Sales (%)	-2.7%	-0.5%	-0.4%
<b>Friday, Jun 30</b>				
8:30AM	May Core PCE Inflation (y/y) (%)	4.6%	4.7%	4.7%
8:30AM	May Core PCE (m/m) (%)	0.3%	0.3%	0.4%
9:45AM	Jun Chicago PMI	41.5	44	40.4
10:00AM	Jun Consumer Sentiment (ip)	64.4	63.9	59.2
10:00AM	Jun Sentiment: 1y Inflation (%)	3.3%		4.2%
10:00AM	Jun Sentiment: 5y Inflation (%)	3%		3.1%
10:00AM	Jun U Mich conditions	69	68	64.9
<b>Monday, Jul 03</b>				
10:00AM	Jun ISM Manufacturing PMI	46	47	46.9
<b>Wednesday, Jul 05</b>				
2:00PM	FOMC Minutes			
<b>Thursday, Jul 06</b>				
7:00AM	Jun/30 MBA Refi Index	421.3		439.2
7:00AM	Jun/30 MBA Purchase Index	162.4		170.3
8:15AM	Jun ADP jobs (k)	497K	228K	267K
8:30AM	Jul/01 Jobless Claims (k)	248K	245K	236K
9:45AM	Jun S&P Global Services PMI	54.4	54.1	54.9
10:00AM	Jun ISM N-Mfg PMI	53.9	51	50.3
10:00AM	May USA JOLTS Job Openings	9.8M	9.935M	10.32M
<b>Friday, Jul 07</b>				
8:30AM	Jun Unemployment rate mm (%)	3.6%	3.6%	3.7%
8:30AM	Jun Average earnings mm (%)	0.4%	0.3%	0.4%

- ★ 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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