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Cost of Imperfection Remains High in The Mortgage World

Mortgage rates **moved off their recent lows** to start the new week, but only slightly. That keeps the average lender very close to the lowest rates in roughly 2 months. It also keeps us fairly close to the lowest rates ever. In fact, some lenders were at their best rates ever last Friday, but they were the exception.

Am I perhaps splitting hairs here? Absolutely. When you follow rates as closely as we do, we're forced to consider not only the quoted interest rates themselves, but also the fluctuations in upfront costs for any given rate. In other words, the actual rate at the top of a loan quote is likely the **same** for most mortgage seekers as it was on Friday. The **only difference** is that the upfront costs associated with that rate are slightly higher. Thus, rates are effectively higher.

Notably, we're **only** seeing near-all-time low rates for the most ideal scenarios. The **cost of imperfection** remains extremely elevated by historical standards. As the loan industry sees it, a perfect mortgage scenario is one with a very small loan to value ratio (LTV), very high FICO, no cash being taken out, and for the purpose of financing a single-family, owner-occupied, detached, stick-built home. The farther away a scenario moves from those ideals, the more quickly the costs will mount.

That's always the case to some extent, but the ill effects are magnified right now due to coronavirus. The pandemic response obviously involves the highest unemployment rate of our lifetimes. In turn, that's brought on the **highest percentage** of non-paying mortgages in our lifetimes. Granted, most of the non-payment is taking place with the blessing of all parties involved, but that nonetheless causes mortgage investors to quickly reevaluate the price of additional risk factors.

Like so many other corners of the financial market (or life in general), we'll need **sustained progress** and clarity on the fight against coronavirus before things can change in a meaningful way for the mortgage market. We're not quite there yet.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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