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2 Paradoxes For Mortgage Rates

Mortgage rates were microscopically higher today, which is paradoxical on two levels. The first paradox has to do with today's bond market improvements. Bonds underlie rates and bond market improvements coincide with rates moving lower--usually! In some cases, the day-to-day change in the bonds that underlie mortgage rates can be quite a bit smaller than the change in US Treasuries (the core of the US bond market). That was part of the problem today. The other part had to do with weakness yesterday afternoon. That weakness meant today's improvements merely got mortgage-backed bonds back to yesterday morning's levels despite being in stronger territory compared to yesterday afternoon's latest levels.

The **second paradox** has to do with the most prevalent mortgage rate headline out in the world today. It's some iteration of "mortgage rates lower this week." Any such headline is almost certainly citing Freddie Mac's weekly mortgage rate survey which, although accurate over time, tends to be stale. That's the case today as Freddie's survey was merely getting caught up to the drop in rates it failed to detect last week. In other words, the rates seen on the first few days of this week are indeed lower than those seen on the first few days last week. But if we look at rates from last Thursday or Friday (or even from yesterday) as a baseline, today's are flat to slightly higher.

Today's Most Prevalent Rates

- 30YR FIXED - 4.625
- FHA/VA - 4.375%
- 15 YEAR FIXED - 4.00%
- 5 YEAR ARMS - 3.75-4.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates have been moving higher in a serious way due to headwinds that cannot be quickly defeated. These include the Fed's increasingly restrictive monetary policy outlook, the increased amount of Treasury issuance to pay for the tax bill (higher bond issuance = higher rates), and the possibility that fiscal stimulus results in higher growth/inflation.
- While we may see periodic corrections to the broader trend toward higher rates, it's safer to assume that broader trend can and will continue. Until that changes, it makes much more sense to remain

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	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: 7/5

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

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

heavily-biased toward locking as opposed to floating.

- *Rates discussed refer to the most frequently-quoted, conforming, conventional 30yr fixed rate for top tier borrowers among average to well-priced lenders. The rates generally assume little-to-no origination or discount except as noted when applicable. Rates appearing on [this page](#) are "effective rates" that take day-to-day changes in upfront costs into consideration.*

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