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No, The Fed Didn't Cut Mortgage Rates!

Mortgage rates **were mostly unchanged** today, which will come as a surprise to scores of consumers who mistakenly believe the Fed's 0.25% rate cut equates to a 0.25% drop in rates. The Fed does not set mortgage rates!

Actually, to be fair, the Fed Funds Rate (that thing everyone is talking about today) is in fact the basis for Home Equity Lines of Credit (HELOCs) in many cases, but that's it as far as the mortgage world is concerned. The most common mortgages are determined by **other** parts of the financial market.

In fact, mortgages actually "turn into" securities that are traded in financial markets as a part of the process that makes them safer and easier for investors to buy. Those securities trade just like other securities, for the most part (e.g. stocks, bonds, etc.), and it's the price movement of those securities that most directly dictates mortgage rates. **Shockingly** enough, these are known as Mortgage-Backed Securities (MBS).

Unlike the Fed Funds Rate, which only changes once every 6 weeks, if at all, MBS can change **every minute** of every business day. They've been doing just that for months as market anticipation for the Fed rate cut has increased. Simply put, the Fed rate cut has long since had its impact on the financial market and today merely saw a very small epilogue to that bigger story.

If you want to think about this **in terms of the stock market**, just consider that stocks **LOST** ground today. Why would they do that if a Fed rate cut is universally considered to be positive for stocks? Here again, stocks have already had plenty of time to **PRICE-IN** the rate cut. That left today for them to react to other information from the Fed. Specifically, they were a bit disappointed that Powell didn't do more to offer assurances about additional cuts.

The bottom line is that when financial instruments (like stocks, bonds, and MBS) can move all day every day, it would be **foolish** of them **NOT** to move in anticipation of something that will almost certainly happen. That was the case with today's Fed rate cut. In fact, they have already accounted for at least one more cut.

That means, all other things being equal, if the Fed were to say "we're done cutting for now and will keep rates at these levels for the next 6 months," you'd see an **immediate and rather large** move higher in rates. In other words, we're already counting on another 1-2 Fed rate cuts simply to sustain the low rates that are already here. If those cuts don't come, rates will move back up.

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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