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Yes, The Fed Will Cut Rates, But Not Mortgage Rates

You may have heard that the Federal Reserve is highly likely to cut rates this week. That is true. It's happening **tomorrow**. It would be a big surprise for financial markets if the Fed did NOT cut rates at this point. You may be wondering if this means anything for **mortgage rates** or worse, you may actually be convinced that a Fed rate cut means lower mortgage rates.

The only mortgage rates that have anything to do with the Fed Funds Rate (the thing the Fed cuts or hikes) are those associated with some home equity lines of credit (HELOCs). But when it comes to 1st mortgages, and most 2nd mortgages, any impact from the Fed's rate cut has long since been felt. That's because the bond market that dictates mortgage rates can move in real-time whereas the Fed only meets once every 6 weeks. So if the market thinks a Fed rate cut is 100% likely, traders can trade bonds based on that assumption, and that's **exactly** what they've been doing for weeks and weeks.

Even then, the Fed Funds Rate doesn't always follow the same trends as longer term rates like mortgages, depending on the time frame examined. Right now, the rates associated with longer term loans are historically low compared to overnight rates like Fed Funds. That leaves more room for them to move in the opposite direction from any general trend in Fed Funds.

All of the above having been said, the focus shouldn't even be on the Fed's rate cut/hike probabilities. Again, by the time we're within a few days of the meeting, there's little left to react to. Instead, rates are more likely to take guidance from that which **cannot** be perfectly predicted: the verbiage of the Fed's statement and Jerome Powell's press conference. This has the ability to push rates in either direction at a fairly quick pace, but there are plenty of examples of tame reactions as well. The best bet is to simply be prepared for increased volatility in the bond market tomorrow afternoon. That means having a game-plan with respect to locking/floating in place for any mortgage currently in process.

Today's Most Prevalent Rates

- 30YR FIXED -3.75-3.875%
- FHA/VA - 3.375-3.5%
- 15 YEAR FIXED - 3.375-3.5%
- 5 YEAR ARMS - 3.25-3.75% depending on the lender

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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Ongoing Lock/Float Considerations

- 2019 has been the best year for mortgage rates since 2011. Big, long-lasting improvements such as this one are increasingly susceptible to bounces/corrections
- Fed policy and the US/China trade war have been key players. Major updates on either front could cause a volatile reaction in rates
- The Fed and the bond market (which dictates rates) will be watching economic data closely, both at home and abroad, as well as trade war updates. The stronger the data and trade relations, the more rates could rise, while weaker data and trade wars will lead to new long-term lows.
- *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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Expert Advice | Exceptional Service | Flawless Execution

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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