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Mortgage Rates Showing Some Signs of Improvement

Just as the mortgage industry was coming to terms with unprecedented market volatility due to coronavirus, the details of the CARES Act (the coronavirus rescue/stimulus/relief bill) presented their own set of challenges.

For some lenders and borrowers, these challenges are an even bigger deal than the recent market movement. The past few articles detail those challenges, but the net effect has been a **staggering** level of inconsistency in mortgage rate behavior from hour to hour, day to day, and from lender to lender. It's also resulted in rates moving quickly higher for some programs even as the underlying mortgage bond market suggested rates should be moving lower.

While the hardest-hit programs are still priced very poorly or **altogether missing**, the mainstream components of the mortgage market began to show signs of improvement this week. To be sure, things are a long way from normal, but at least lenders moved rates in logical directions based on market movement.

A few things to keep in mind if you're trying to navigate the mortgage market as buyer or homeowner:

- Mortgage rates are not based on the Fed Funds Rates. They are not at 0% and they didn't move lower when the Fed cut rates.
- Any single quoted rate you see on the internet will only apply to one scenario--typically a rather ideal scenario with high credit, high equity, etc.
- In many cases, today's rates are not as low as those seen in early March.
- If you have certain risk factors in your scenario (lower FICO, higher loan-to-value, investment property vs owner-occupied), you will likely be looking at paying points upfront because investors simply aren't offering any pricing advantages for higher rates like they normally do. Those advantages normally exist because the increased potential for return on investment is bigger than the price of those risk factors, but that price remains elevated and is thus largely offsetting any benefits to upfront cost associated with opting for a higher rate. Read more here.
- Some lenders are able to offer much better rates than others and it has nothing to do with how much money they're making on your loan. Rather, it's a factor of what that lender ultimately does with the

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	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: 7/3

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 5:59PM EST

servicing component of your loan. Lenders that keep it in house are generally able to offer lower rates in this environment, but they do so at increased risk of losing money in the future. Lenders who sell servicing are beholden to the extremely low prices that secondary investors are currently paying. All of this will come out in the wash eventually and lenders will be much closer to one another.

- If you have a scenario that is very far outside the box, there may not currently be a loan program for you. This could change eventually, but it could take months.
- You may not be able to lock a rate until you've reached a certain milestone in the loan process. Some lenders are doing this in order to offer their customers lower rates on average. Guaranteeing your rate lock in this environment has turned out to be prohibitively expensive on several recent occasions.
- Please, DO NOT get a new mortgage with the intention of immediately requesting forbearance. This is the mortgage market's biggest fear and nothing will do more to put lenders out of business and effectively shut down the system's ability to provide home financing to those who need it.
- Please do not request forbearance if you continue to enjoy job security and have no other financial reason to do so. Not only will this also contribute to the crippling of the mortgage market, but you may be doing unintentional harm to yourself. While there is no negative credit bureau reporting for forbearances, they are still reported. You will almost certainly be forced to wait longer than you otherwise would have to buy or refi again. Lender policies vary as to how the back payments are brought current. If you're on a fence as to whether you legitimately need forbearance, find out your servicer's policies so you can make an informed decision with all the pros and cons.

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