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Rates Are Still Low, But Let's Talk About Forbearances

Mortgage rates **moved slightly higher** this week, but not enough to worry about too terribly much. Most lenders are still in the mid-to-low 3% range and there's not much fear about an abrupt move to significantly higher levels any time soon. Whether or not that makes the market complacent remains to be seen. Either way, rates just haven't moved much when it comes to the rates we can actually talk about.

What do I mean by that?

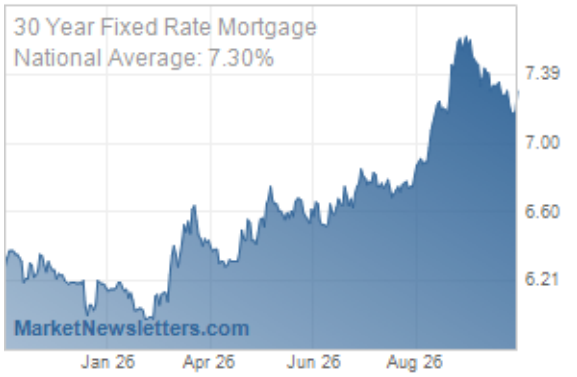
While we can talk about any rate for any program, there's **only one way** to compare changes in rates from day to day and year to year. To do that, we have to keep track of the best-case rates at multiple lenders. Fortunately, that's exactly what I do. Unfortunately, the landscape has been far more varied than normal as we step away from those top tier scenarios.

The variation in question is an indirect result of coronavirus. Massive joblessness and overly-inviting wording in the CARES Act with respect to forbearances is creating the **biggest surge** in mortgage non-payment ever seen. Mortgage investors have quickly reevaluated what they're willing to pay for certain scenarios. The greater the number of forbearance risk factors, the higher you can expect the rate to be, EVEN IF you personally don't agree that the risk factor applies in your case.

For instance, many lenders have increased rates or altogether **ceased offering** cash-out mortgages. The "cash-out" piece is the risk factor the industry has identified. That means that a borrower with an 800 credit score who only owes 25% of their home's value would still pay a much higher rate, even if they only want to take out another 25% of that value.

To a great extent, this would be happening regardless of the people opting for forbearances who don't really need them. But those people are certainly **making things worse** for everyone else, and significantly worse for their mortgage originators. And let's not confuse originators and lenders. They're not always the same entity. In many current cases, lenders will be charging originators 7 percent of your loan balance if you agree to a forbearance soon after closing.

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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Why should you care? A few reasons. First off, the more financial damage (potential or realized) sustained by originators, the more they'll need to charge. And on a more **selfish note (for you)**, there's no guarantee that you'll be able to refinance or get a new mortgage with forbearance on your credit report. True, the law states that it will not be reported as a late mortgage payment, but it says nothing about the impact on your ability to qualify for a loan in the future.

Moreover, certain creditors are **freezing/decreasing available revolving balances** in the event forbearance shows up on a credit report (and it's showing up QUICK). When they do that, your debt-to-available-credit ratio goes up, and that's a key ingredient in determining your FICO score. In other words, even though the forbearance itself is not hurting your FICO, it can lead other lenders to do things that hurt your FICO and it can absolutely hurt your ability to buy/refi in the future. Could that be clarified to your advantage in the future? Certainly, but it's important to know that's not the way it is right now.

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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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