Rich E. Blanchard
Managing Director, RICH Home Loans LLC
NMLS: 492461
1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900
Mobile: 303.328.7047
Fax: 214.975.2874
richblanchard@richhomeloans.com
View My Website

February Easily The Worst Month For Rates in Long Time

There are still 4 business days left in the month of February and thus still 4 days for the bond market to undergo an **epic** recovery that helps mortgage rates come back down. But traders and market-watchers alike have pined for--if not outright expected--such a recovery several times in the past few weeks only to be **disappointed**. Merely avoiding additional rate spikes would be a victory at this point.

Even if we can manage to avoid further rate spikes, February will still go down as the **worst month** for rates since January 2018 (March 2020 was worse at face value, but it's not really a fair comparison due to the unprecedented bond market reaction to the pandemic).

Some back-of-the-napkin math (OK, it's actually more official than that) shows the average lender charging **at least a quarter of a percent** more today than at the end of January. Depending on the initial rate quote, today's rates are .375% higher in many cases.

Why are rates suddenly rising so quickly?

That's a simple question with a lengthy answer. Last week's commentary goes into **greater detail** to answer it, but the short version is that the bond market has been pointing toward rising rates since August 2020 and the most recent increases merely represent a bit of an acceleration of that process. As for the reasons underlying that reason, here are a few bullet points for those not inclined to click the link above:

- Bonds/rates initially accounted for a bleak reality in mid-2020 and that reality grew less threatening in some ways by the end of the year, and significantly less threatening in 2021
- Case counts are plummeting in 2021 and vaccine distribution--while not perfect--is going fairly well (60mln+ doses so far)
- Fiscal stimulus prospects increased dramatically with the democratic sweep of congress in early Jan, and fiscal stimulus puts obvious upward pressure on rates
- inflation metrics have been causing conversations about inflation returning to the stage as threat to interest rates after more than a decade being extremely subdued
- economy doing better than many expected with respect to adapting to covid-related restrictions
- Optimistic attitudes about people being able to return to 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	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	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

workforce in greater numbers after widespread vaccine distribution
and a return to full-time in-person schooling.
- generally stronger economic data despite recent lockdowns
- the belief that a combination of fiscal and monetary stimulus will continue to underpin economic resilience and inflation
- the certainty that the Fed will buy fewer bonds as soon as the economy justifies the shift, thus inciting a "taper tantrum" part 2.

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