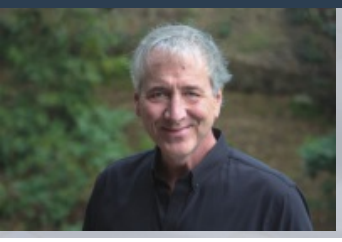


Roland Wilcox
Owner, Sierra Capital Mortgage Company
NMLS License #245214
1055 E. Colorado Blvd. Suite 500 Pasadena, CA

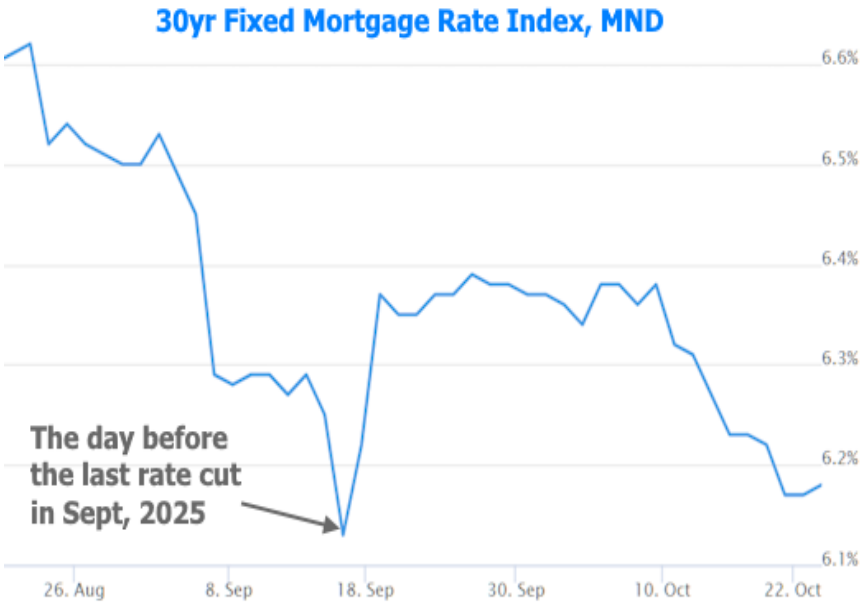
Office: (626) 449-8545
roland@sierracap.net
View My Website

The Fed is Cutting Rates Next Week, But Not Mortgage Rates!

The end of October brings the next Fed announcement and it is a 100% certainty that they will be cutting rates again. Many people believe this means lower mortgage rates. Many people are wrong.

To be perfectly fair, mortgage rates COULD move lower after the Fed rate cut, but they could also move higher. We've certainly seen our fair share of counterintuitive reactions to rate cuts in the past.

In fact, most of the recent examples involve mortgage rates RISING after the Fed CUTS. September 2025's example couldn't be clearer:



Before that, the last time the Fed began cutting rates was September 2024, which also saw a large, counterintuitive reaction:

National Average Mortgage Rates

Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.29%	-0.06	0.00
15YR Fixed	6.95%	-0.05	0.00
30YR FHA	6.91%	-0.08	0.00
30YR Jumbo	7.55%	-0.05	0.00
7/6 SOFR	6.88%	+0.02	0.00
30YR VA	6.92%	-0.08	0.00

Rates as of: 10/29

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.59	0.00
10 YR Treasury	4.9989	-0.0176
30 YR Treasury	5.3361	-0.0092

Pricing as of: 10/29 11:55AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 14	188.6	-5.32%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Aug	684K	+12.69%
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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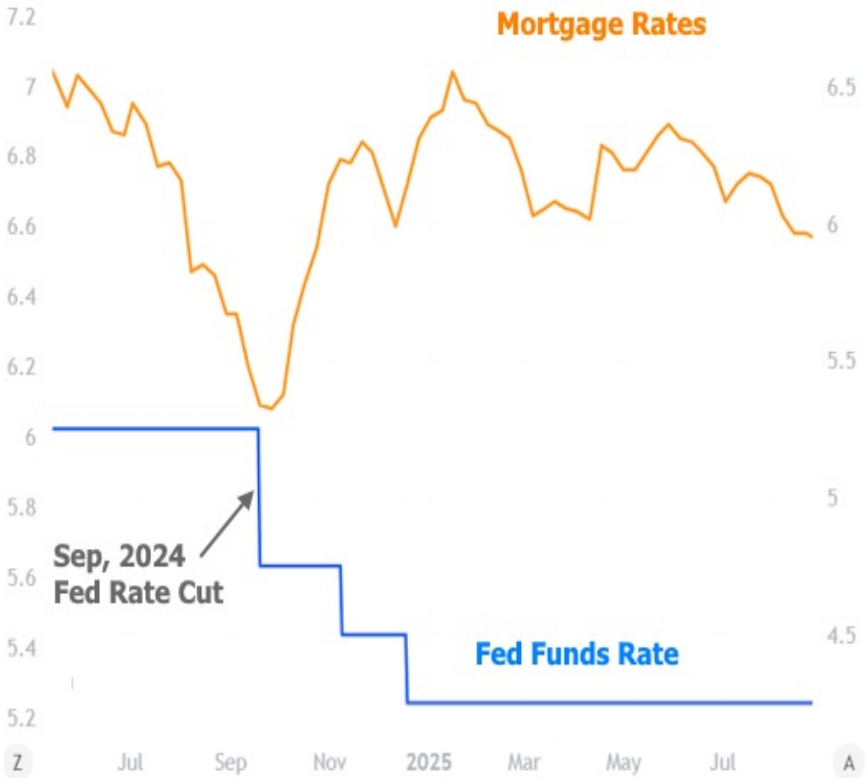

To be fair, whereas the Fed itself had a hand in pushing mortgage rates higher last month (based on the verbiage of the press conference), 2024's rate spike had a lot more to do with a shift in economic data. Either way, here's what matters:

BY THE TIME THE FED CUTS RATES, THE MARKET (INCLUDING THE MORTGAGE RATE MARKET) HAS LONG SINCE GOTTEN IN POSITION.

How does the market know what to expect? Most times, it's very clear when the Fed will cut based on the tone of comments from Fed speeches and a general understanding of the economic data that informs the Fed's decisions. The market can actually trade the anticipated Fed Funds Rate via futures contracts.

The following chart shows those rate expectations. In not so many words, the market has been roughly 100% sure of a Fed cut next week ever since the jobs report that came out in September.

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Bottom line: any potential benefit for mortgage rates due to the Fed Funds Rate was realized way back in early September. Mortgage rates have moved for other reasons since then because they don't have to wait for a set schedule to adapt to changing information. Contrast that to the Fed which only meets to set rates 8 times a year, thus often simply delivering what the market had already priced in.

Last but not least: This isn't to say that Fed Day can't have an impact on rates, only that said impact would have to come from unexpected WORDS in the Fed's statement or press conference. The rate change itself is not at all unexpected.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Oct 22				
7:00AM	Oct/17 MBA Refi Index	1214.7		1168.0
7:00AM	Oct/17 MBA Purchase Index	157.3		166.0
Thursday, Oct 23				
10:00AM	Sep Existing home sales (ml)	4.06M	4.1M	4M
Friday, Oct 24				
8:30AM	Sep y/y Headline CPI (%)	3%	3.1%	2.9%
8:30AM	Sep m/m Headline CPI (%)	0.3%	0.4%	0.4%
8:30AM	Sep m/m CORE CPI (%)	0.2%	0.3%	0.3%
8:30AM	Sep y/y CORE CPI (%)	3%	3.1%	3.1%
9:45AM	Oct S&P Global Manuf. PMI	52.2	52	52.0

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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Date	Event	Actual	Forecast	Prior
9:45AM	Oct S&P Global Services PMI	55.2	53.5	54.2
10:00AM	Oct Consumer Sentiment (ip)	53.6	55	55.1
Tuesday, Oct 28				
9:00AM	Aug Case Shiller Home Prices-20 y/y (%)	1.6%	1.9%	1.8%
Wednesday, Oct 29				
10:00AM	Sep Pending Home Sales (%)	0%	1.6%	4%
2:00PM	Fed Interest Rate Decision	4.0%	4.0%	4.25%
2:30PM	Fed Press Conference			
Friday, Oct 31				
9:45AM	Oct Chicago PMI	43.8	42.3	40.6

Experienced Mortgage Guidance. Personal Service. Reliable Closings.

With over 20 years of experience I help homebuyers and homeowners throughout California find mortgage solutions tailored to their needs. As co-owner of Sierra Capital Mortgage I work directly with clients and Realtors providing personalized guidance, clear communication, and dependable service from preapproval through closing.
Whether handling a straightforward purchase or a complex financing situation my priority is making the mortgage process as smooth and successful as possible while building lasting relationships.
I hold an MBA from USC and previously held management positions at EarthLink and Mattel. Before entering the mortgage industry I was a professional musician in Los Angeles.

Roland Wilcox

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