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## What Does This Week's Rate Spike Mean?

Mortgage rates came **very close to all-time lows** last week. Throughout 2016, their move lower had been almost completely unopposed. When anything in financial markets moves faster than normal in one direction, it's only a matter of time before we see a correction.

We've certainly seen a correction in rates this week (they've moved quickly higher), but that **may mean different things** to different people. For instance, if you didn't happen to follow day-to-day mortgage rate changes last week, this week's rates would still look quite good. In fact, apart from last week, this week's rates are the lowest in about a year!

That's little consolation to those who **did** happen to see last week's rates and missed the chance to lock. In other words, this week could be viewed in a positive or negative light. The same is true in thinking about what the correction means going forward.

Optimists could decide that the spike is merely a correction to an 'overheating' of the positive trend in 2016 (a **trend that could now continue**). In other words, maybe rates went too low, too quickly and had to adjust to a more sustainable pace. This version of reality is seen in the top pane in the following chart of 10yr Treasury yields (a more active proxy for mortgage rate momentum).

## National Average Mortgage Rates



	Rate	Change	Points
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### Mortgage News Daily

30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

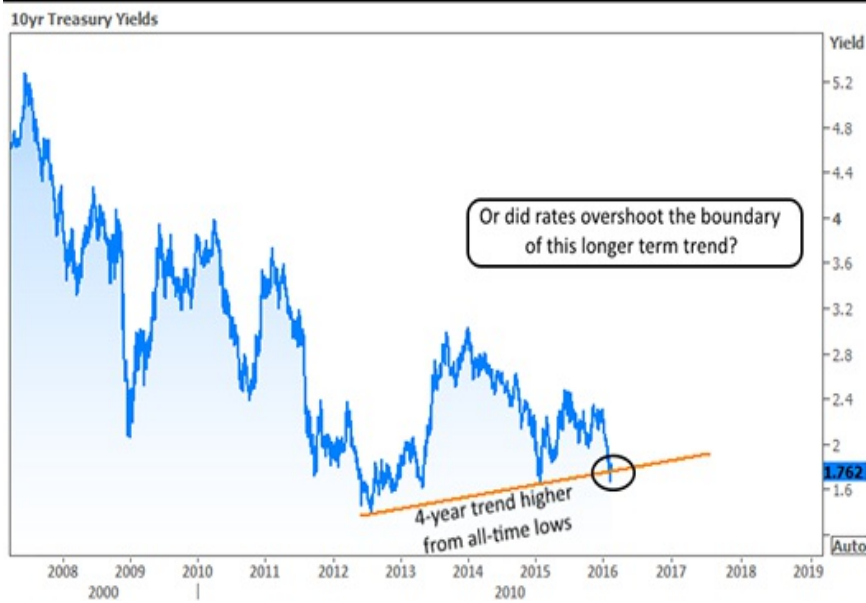
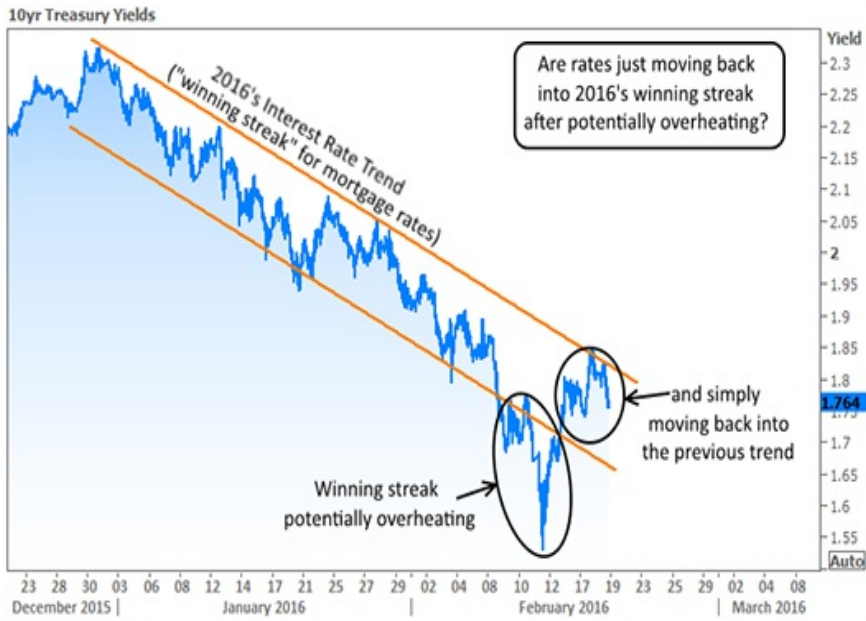
## Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.49	+0.10
MBS GNMA 5.5	99.93	+0.15
10 YR Treasury	4.2267	-0.0258
30 YR Treasury	4.4519	-0.0206

Pricing as of: 7/23 8:47AM EST

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



The lower pane, of course, represents the more cautious, pessimistic view. Specifically, this week's spike could be seen as an attempt to get **back in line** with a **much** longer-term trend leading away from 2012's all-time lows.

It is always **good to remember** that there is no way to know which one of these assessments is more accurate. Cases can be made and trends can be followed, but ultimately, the very best strategy is to be aware of the possibilities and to have a game-plan ready to execute for any given outcome.

I do think it's fair to say that we haven't seen enough weakness in rates markets (or enough strength in stocks) to conclude that the good times are over in 2016. Corrections and spikes like those seen this week will always happen periodically when rates are moving as aggressively as they have been.

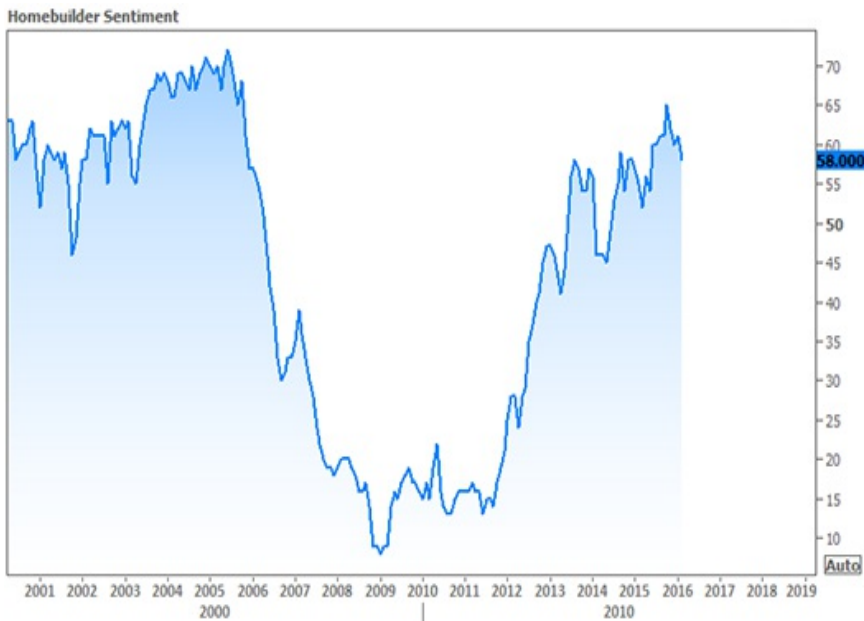
### Housing and Mortgage-Specific News

Unsurprisingly, last week's stellar mortgage rates resulted in another sharp increase in the refinance component of the [MBA's Mortgage Market Index](#).

Housing Starts and Building Permits came in just slightly lower for January, but **remained in strong territory** overall. Starts were down 3.8 percent to 1.099 million and Permits fell 0.2 percent to 1.202 million.

Freddie Mac Announced **expanded loan-to-value ratios** for super-conforming loan amounts (higher loan limits intended to provide lenders liquidity in the highest cost areas of the country).

Finally, **Builder Confidence** continued to slide this week according to **NAHB's Homebuilder Sentiment Index**. Some context is important here though. First of all, there are normal seasonal distortions in this data that result in confidence typically bottoming out in the spring. It looks like we're heading into that same cyclical pattern. Beyond that, the Index is still in great shape in the bigger picture:



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, Feb 15</b>				
12:00AM	Presidents Day			
<b>Tuesday, Feb 16</b>				
8:30AM	Feb NY Fed manufacturing	-16.64	-10.00	-19.37
10:00AM	Feb NAHB housing market indx	58	60	60
4:00PM	Dec Foreign buying, T-bonds (bl)	-35.9		38.4
<b>Wednesday, Feb 17</b>				
7:00AM	w/e Mortgage Refinance Index	2456.7		2117.2
7:00AM	w/e MBA Purchase Index	213.3		221.6
8:30AM	Jan Building permits: number (ml)	1.202	1.200	1.204
8:30AM	Jan Build permits: change mm (%)	-0.2		-6.1
8:30AM	Jan Housing starts number mm (ml)	1.099	1.170	1.149
<b>Thursday, Feb 18</b>				

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	w/e Initial Jobless Claims (k)	262	270	269
8:30AM	w/e Continued jobless claims (ml)	2.273	2.257	2.239
<b>Friday, Feb 19</b>				
8:30AM	Jan CPI mm, sa (%)	0.0	-0.1	-0.1
8:30AM	Jan Core CPI index, sa	245.23		244.52
<b>Tuesday, Feb 23</b>				
9:00AM	Dec CaseShiller 20 mm nsa (%)	0.0	0.1	0.1
10:00AM	Jan Exist. home sales % chg (%)	+0.4	-2.9	14.7
10:00AM	Jan Existing home sales (ml)	5.47	5.32	5.46
10:00AM	Feb Consumer confidence	92.2	97.0	98.1
<b>Wednesday, Feb 24</b>				
10:00AM	Jan New home sales chg mm (%)	-9.2	-4.4	10.8
10:00AM	Jan New home sales-units mm (ml)	0.494	0.520	0.544
<b>Friday, Feb 26</b>				
8:30AM	Q4 GDP Prelim (%)	+1.0	0.4	0.7
10:00AM	Jan Core PCE price index mm (%)	+0.3	0.2	0.0
10:00AM	Jan PCE price index mm (%)	+0.1		-0.1
10:00AM	Jan Personal consump real mm (%)	+0.4		0.1
10:00AM	Jan Consumption, adjusted mm (%)	+0.5	0.3	0.0
<b>Wednesday, Apr 05</b>				
2:00PM	FOMC Minutes			

## Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or [TPayne@loandepot.com](mailto:TPayne@loandepot.com)

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