



**Tom Payne**

Senior Loan Consultant, loanDepot  
 NMLS# 1017004 #174457 Licensed in all 50 States  
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243  
 Mobile: 702-303-0243  
[tompaynemortgage@gmail.com](mailto:tompaynemortgage@gmail.com)  
[View My Website](#)

## Political Headlines Send Rates to 2017 Lows

Last week, mortgage rates were just beginning to break the upward trend that's been in place since mid-April. Without much on the event calendar, it was unclear what this week would do to confirm the breakout. Unexpected political headlines **quickly** became the focal point, sending shockwaves through the entire financial market and confirming the rate breakout.

10yr Treasury Yield



The headlines in question generally concern potentially inappropriate communications between Trump and former FBI Director Comey, the presence of records to that effect, and the ability of congress to request those records. This led to widespread speculation about impeachment, but the "I" word isn't necessarily **the big news** for investors.

Following the election, stocks and interest rates moved higher on the **promise of fiscal reforms** (especially tax reform). An administration that is embroiled in controversy is seen as less likely to quickly deliver on those promises.

Therefore, it's logical to see stocks and interest rates react by moving lower in concert. This correlation is also common when markets are reacting to unexpected developments in the news (aka "headline risk").

## 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	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2267	-0.0258
30 YR Treasury	4.4458	-0.0267

Pricing as of: 7/23 6:53AM 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%

Stocks vs Bonds



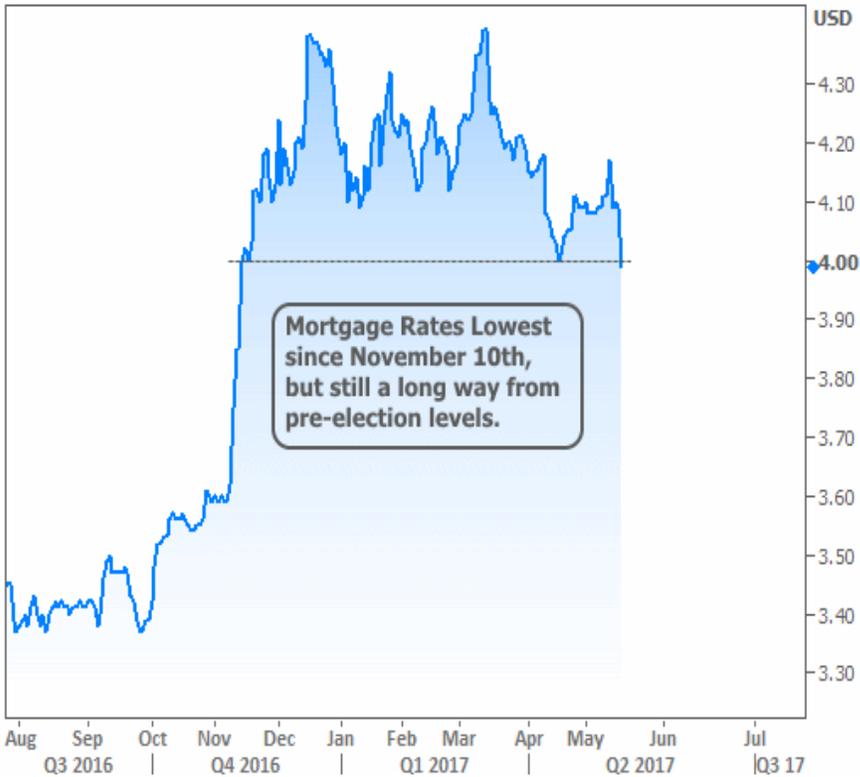
It's worth pointing out that rates **had been** more tied to Fed rate hike expectations in recent weeks. As such, the correlation with stocks represents a bit of a departure from the recent norm. It suggests that bonds (aka "rates") are benefiting as a safe-haven for panicked investors. To whatever extent **new headlines** come out that cause panic to subside, rates are susceptible to a bounce back in line with Fed rate hike expectations.

Fed Hike Expectations vs Rates



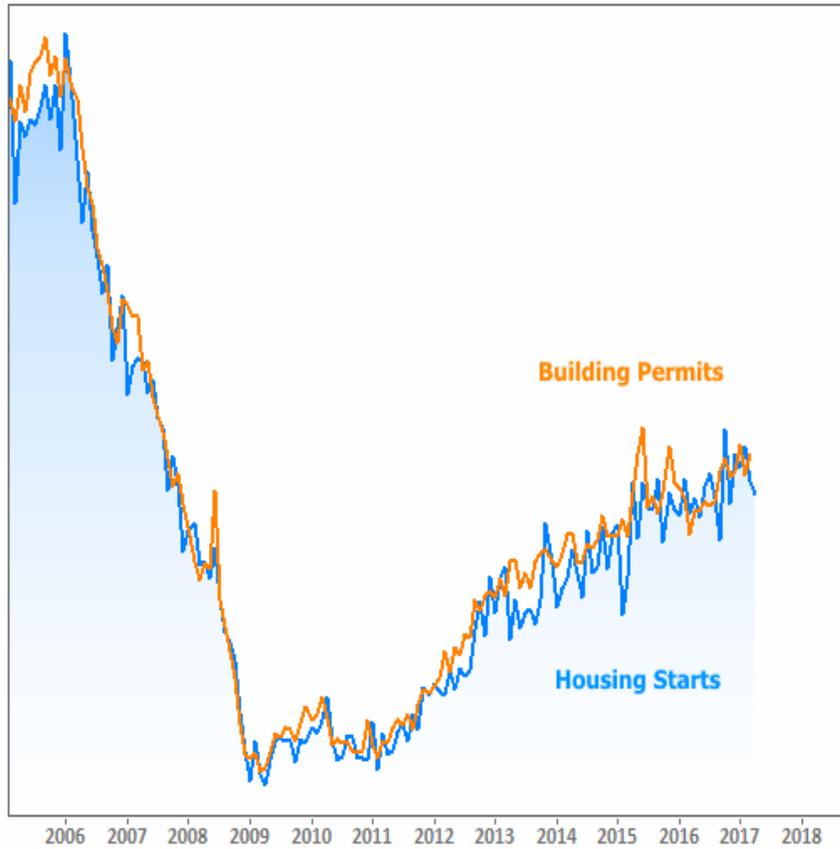
If rates are going to capitalize on this week's momentum, they need to do it **quickly**. The longer they wait, the more these levels (also seen in mid-April) will begin to look like a post-election floor.

Mortgage Rates



In **housing-specific news** this week, economic data was mixed. New Residential Construction was slightly lower than expected, according to the [Census Bureau](#), but the general trends in Housing Starts and Building Permits remain favorable. In a separate report, the National Association of Home Builders' [Housing Market Index](#) **outpaced expectations** to remain near post-recession highs.

Housing Starts and Building Permits Relative to Peak



Housing Market Index



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, May 15</b>				
8:30AM	May NY Fed manufacturing	-1.0	7.00	5.20
<b>Tuesday, May 16</b>				
8:30AM	Apr Housing starts number mm (ml)	1.172	1.260	1.215
8:30AM	Apr Building permits: number (ml)	1.229	1.270	1.267
8:30AM	Apr House starts mm: change (%)	-2.6		-6.8
8:30AM	Apr Build permits: change mm (%)	-2.5		4.2
9:15AM	Apr Industrial Production (%)	+1.0	0.4	0.5
9:15AM	Apr Capacity Utilization (%)	76.7	76.3	76.1
<b>Wednesday, May 17</b>				
7:00AM	w/e Mortgage Market Index	398.8		415.7
7:00AM	w/e MBA Purchase Index	243.6		250.3
7:00AM	w/e Mortgage Refinance Index	1269.1		1345.5
<b>Thursday, May 18</b>				
8:30AM	May Philly Fed Business Index	38.8	19.5	22.0
8:30AM	w/e Initial Jobless Claims (k)	232	239	236
8:30AM	w/e Continued jobless claims (ml)	1.898	1.928	1.918

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Tuesday, May 23</b>				
10:00AM	Apr New home sales-units mm (ml)	0.569	0.610	0.621
1:00PM	2-Yr Note Auction (bl)	26		
<b>Wednesday, May 24</b>				
9:00AM	Mar Monthly Home Price mm (%)	0.6		0.8
10:00AM	Apr Existing home sales (ml)	5.57	5.65	5.71
1:00PM	5-Yr Note Auction (bl)	34		
<b>Friday, May 26</b>				
8:30AM	Apr Durable goods (%)	-0.7	-1.2	1.7
8:30AM	Q1 GDP Prelim (%)	+1.2	0.9	0.7
10:00AM	May U Mich Sentiment Final (ip)	97.1	97.5	97.7
2:00PM	Memorial Day			
<b>Tuesday, May 28</b>				
1:00PM	7-Yr Note Auction (bl)	41		

## 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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