



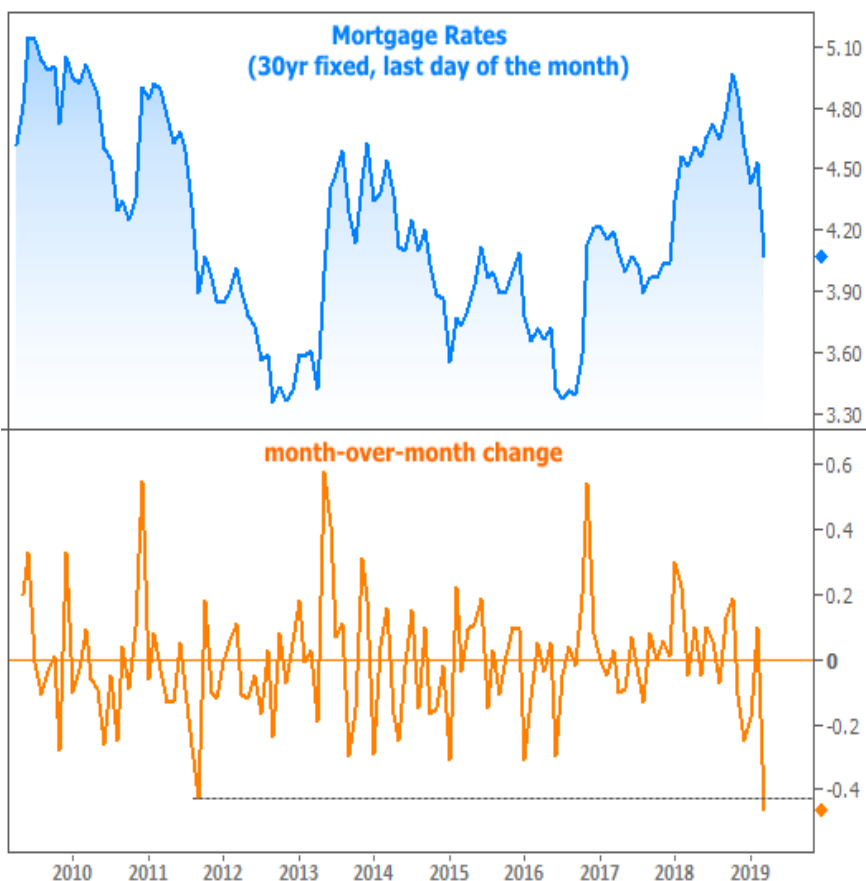
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Best Month in a Decade For Mortgage Rates!

Since February 28th, the average mortgage rate quote for the average lender dropped by roughly half a percentage point. That makes March 2019 the **best month for rates** since the Fed first announced quantitative easing (the bond buying program that targeted mortgage rates) in late 2008.



It's no small coincidence that Fed bond buying was responsible for the big move in 2008 (and 2011 for that matter). I've not been shy about [pointing out](#) that last week's Fed decision was functionally equivalent to announcing **another bond buying program**. Such programs are rising tides that lift all boats. Case in point: stocks and rates improved simultaneously (seen as the orange and blue lines moving apart on the following chart) when the Fed first hinted at the change on January 30th. Last week brought more of the same although the benefits were mostly reserved for rates.

National Average Mortgage Rates



	Rate	Change	Points
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

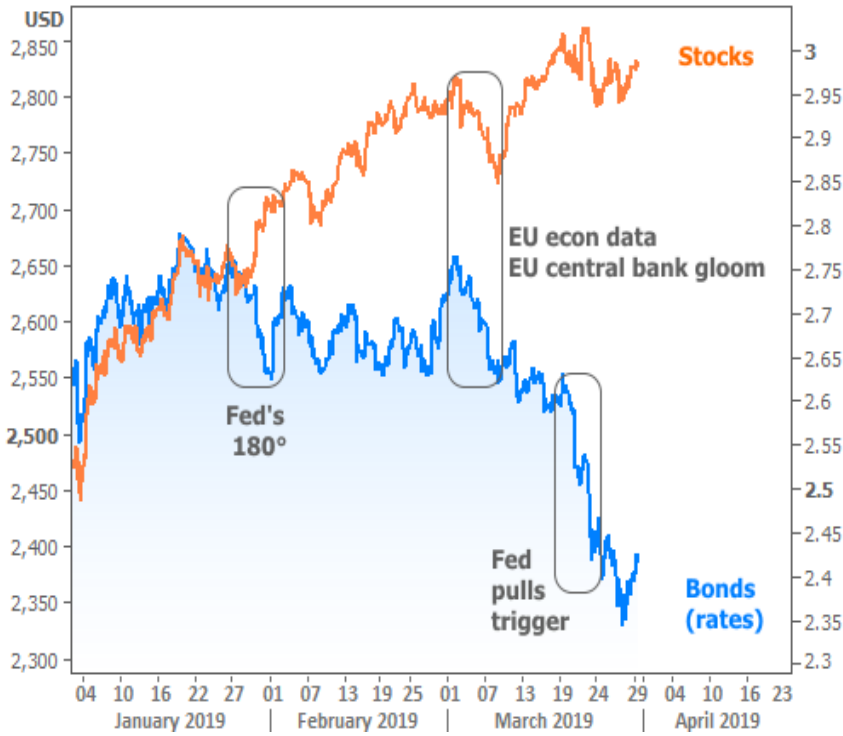
	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2374	-0.0151
30 YR Treasury	4.4542	-0.0183

Pricing as of: 7/23 12:53AM EST

Recent Housing Data

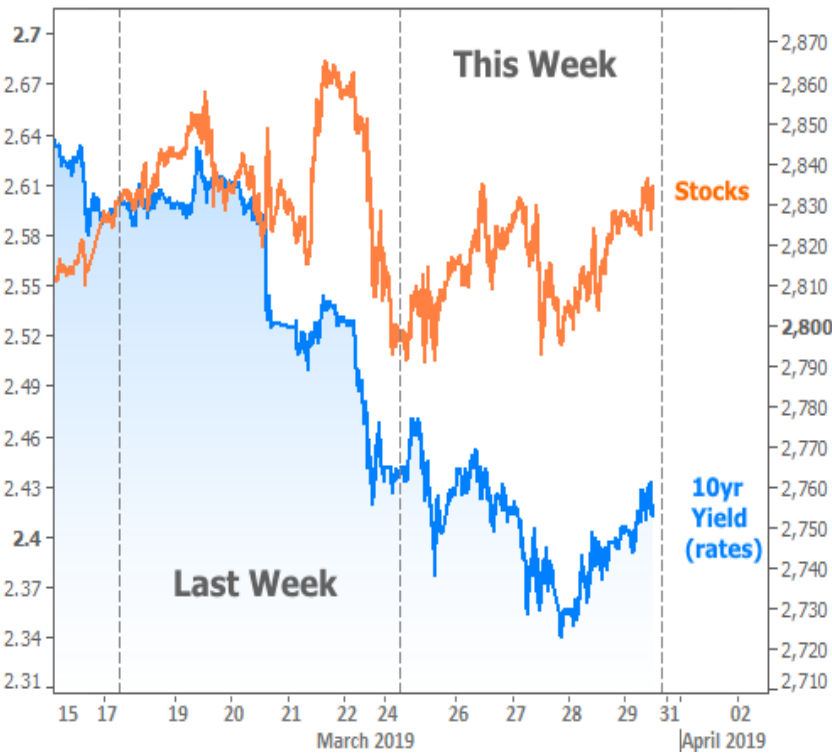
	Value	Change
Mortgage Apps	Jul 10 206.1	-0.19%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%

Rates vs Stocks



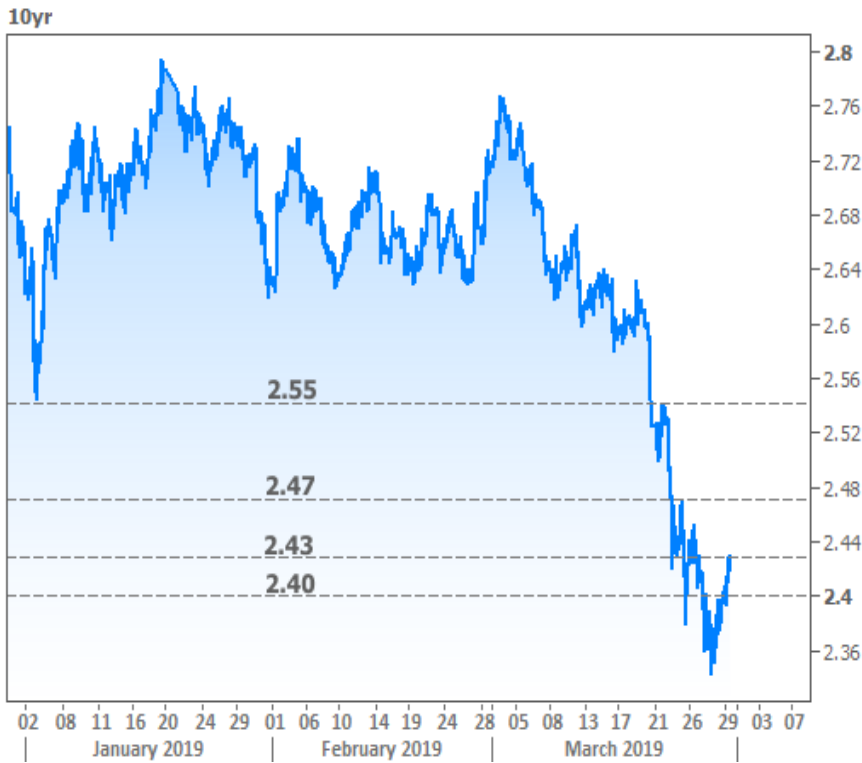
But that was last week's news, and indeed, most of the bond market movement responsible for the drop in rates occurred last week. Since then, things have evened out a bit for both stocks and bonds.

Rates vs Stocks

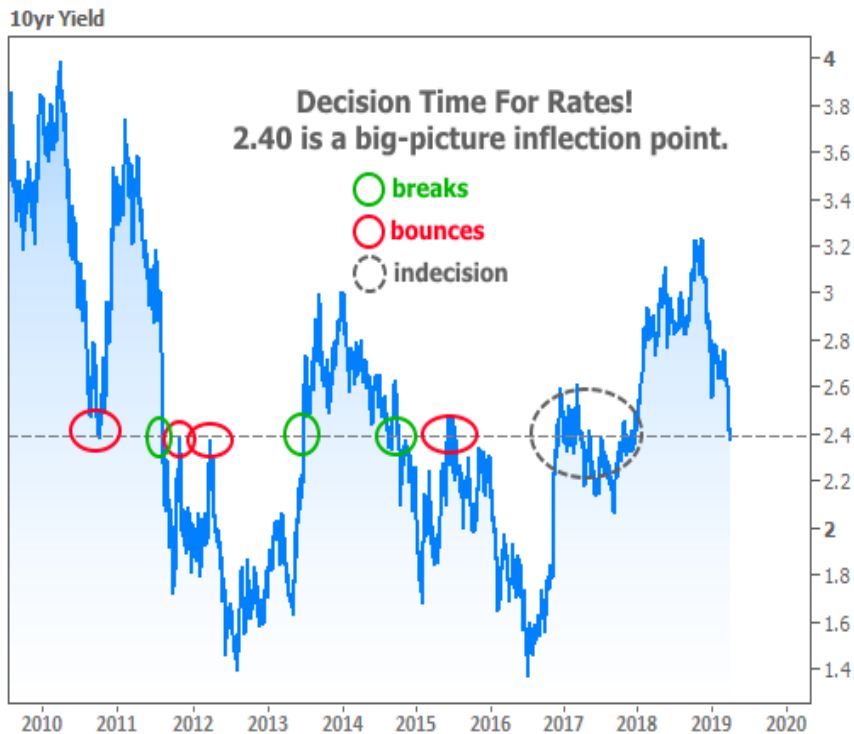


The Fed news has largely been priced-in and markets are turning their attention to other indicators. Economic data will be increasingly important as it will ultimately decide if the Fed is **justified** in its friendly policy shift. Reason being: the Fed cited growth concerns last week, and economic data is all about measuring growth!

As markets wait to see what upcoming economic reports suggest, there are **several important ceilings** and inflection points we can watch in rates. It's easier to do this with 10yr Treasury yields, even if our main concern is mortgage rates. In 10yr terms, rates have convincingly broken below 2.55% and 2.47%. They're now fighting to break under 2.40%.



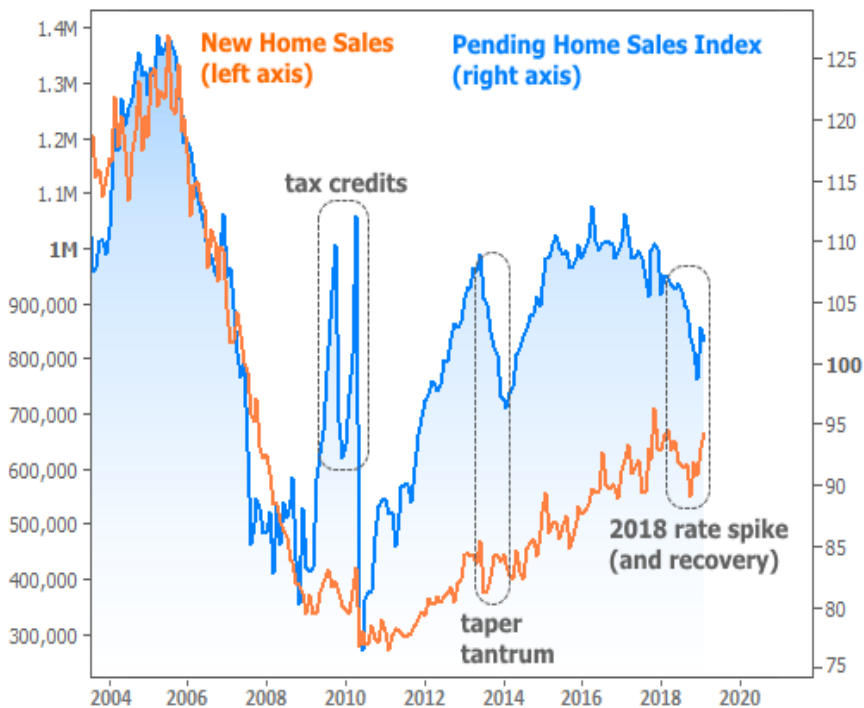
Why should we care if 10yr yields can stay near or under 2.40%? It could turn out to be nothing this time around, but past precedent suggests 2.40% as an important inflection point (meaning rates have **almost always bounced** there, or moved through forcefully). The only time they came close to lingering was in 2017, but even then, there was more of the same "inflection point behavior" on a smaller scale.



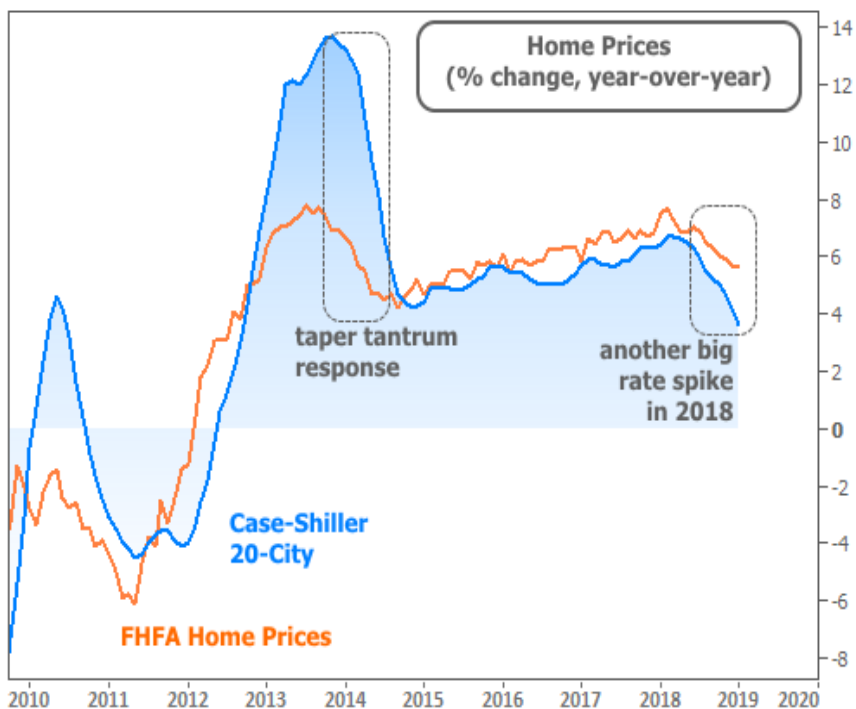
More simply put, assuming the precedent holds, if rates can break below 2.40%, they **should keep moving lower** (as they did in 2011 and 2014). If they bounce, it's not the end of the world. A bounce could actually make the subsequent move more sustainable as long as they stay under 2.55%.

Why should we care if rates move lower? Do we even need to ask? Rates are certainly not the only factor driving home sales and prices, but they are a huge factor. Any time homebuying is made significantly more affordable (either by lower prices, lower rates, or even tax credits), the market responds.

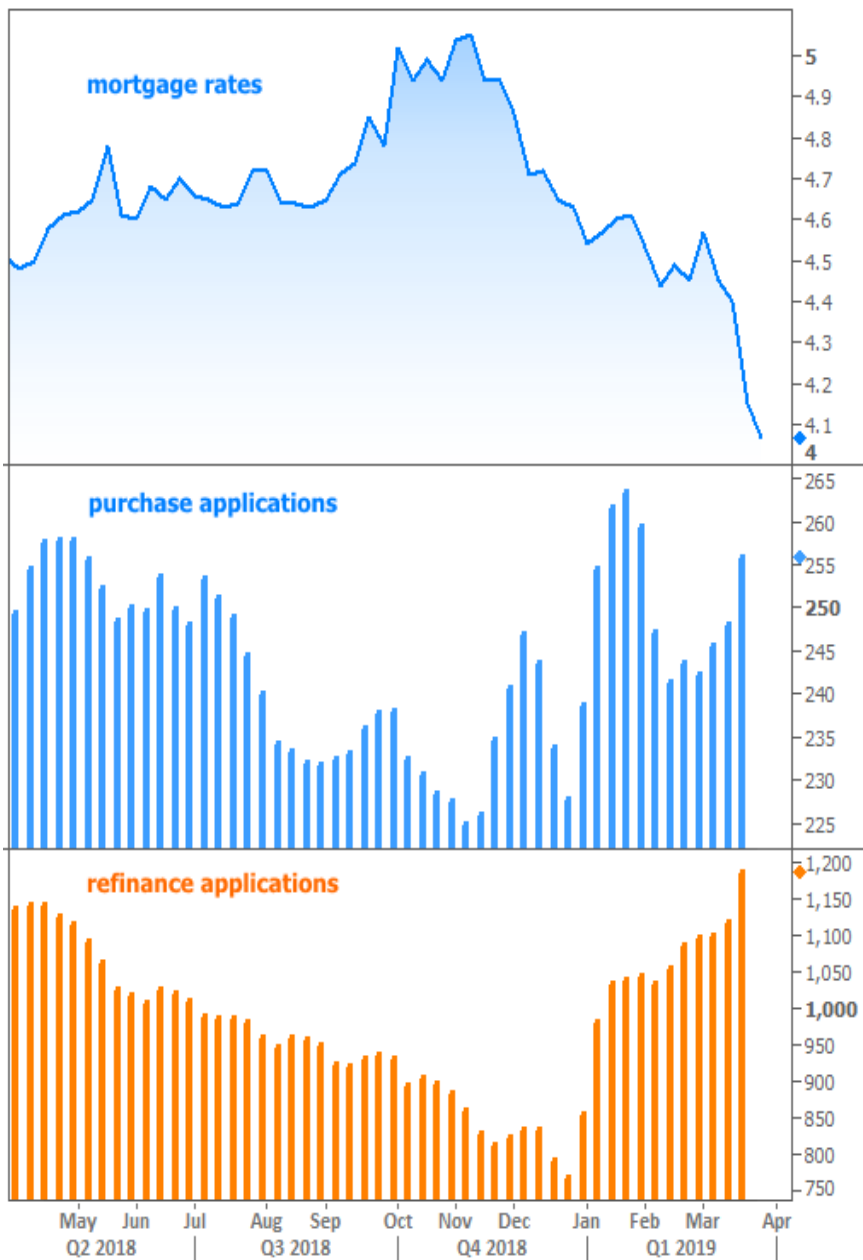
Pending and New Home Sales both reported this week, and both continued to show **resilience** after the 2018 slump. A big rate spike was a key ingredient in that slump, and the big drop in rates is helping reverse the home sales trends ([as we discussed 6 weeks ago](#)).



Elsewhere in the housing data sphere, home price reports, which run a month behind the sales reports, are giving **mixed signals**. Case-Shiller data indicates slower price growth in January while FHFA's price index increased 0.6% compared to December's 0.3% gain. This **isn't** necessarily troubling because prices tend to be slower to respond to changes in interest rates. In any event, both indices continue to operate safely in positive territory.

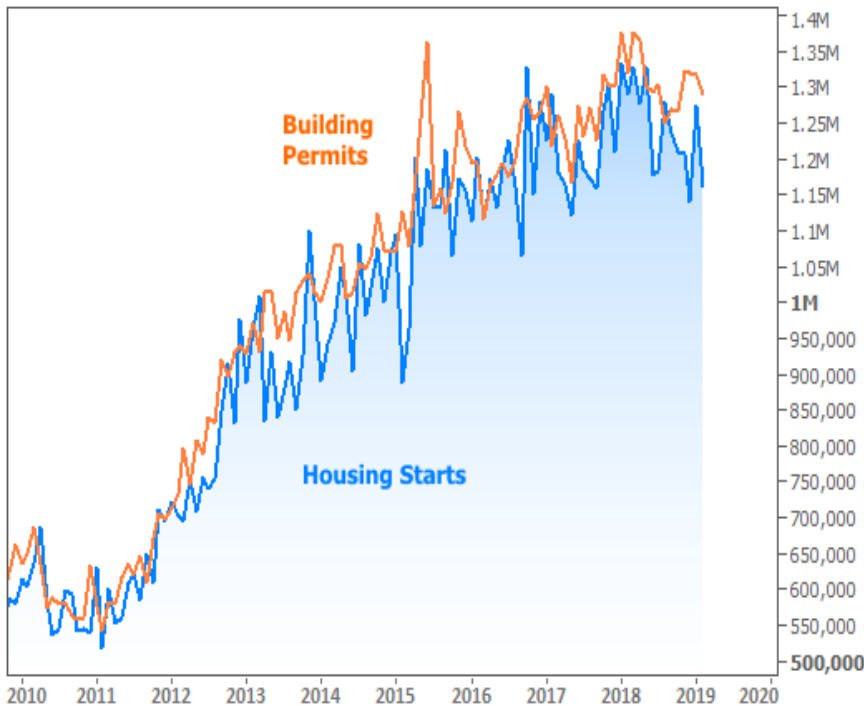


On the other end of the spectrum with respect to lag time, mortgage applications (both purchase and refi) immediately **surged** as rates hit new long-term lows.



Last and least (at least among these peers), New Residential Construction contracted a bit in February. The move was more pronounced in terms of housing starts (the first phase of construction), which are typically **more volatile** compared to the mere filing of building permits. This data series isn't of tremendous interest because it's been much steadier than the sales-

related reports.



If financial markets are going to make big decisions based on economic data, next week could be interesting. 4 out of 5 days have significant reports with Retail Sales and ISM Manufacturing leading things off on Monday. ADP Employment and ISM Manufacturing make Wednesday a candidate for volatility as well, but **Friday trumps all** with the mighty jobs report. The payroll count (part of the jobs report) will be especially interesting following last month's shockingly low 20k. The current consensus is for 170k.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Mar 26				
8:30AM	Feb Build permits: change mm (%)	-1.6		-0.7
8:30AM	Feb Housing starts number mm (ml)	1.162	1.213	1.230
8:30AM	Feb House starts mm: change (%)	-8.7		18.6
8:30AM	Feb Building permits: number (ml)	1.296	1.300	1.317
9:00AM	Jan CaseShiller 20 yy (%)	3.6	4.0	4.2
9:00AM	Jan Monthly Home Price yy (%)	5.6		5.6
10:00AM	Mar Consumer confidence	124.1	132.0	131.4
Wednesday, Mar 27				
7:00AM	w/e MBA Purchase Index	267.5		251.5
7:00AM	w/e Mortgage Refinance Index	1289.5		1146.8

Event Importance:

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

Date	Event	Actual	Forecast	Prior
Thursday, Mar 28				
8:30AM	Q4 GDP Final (%)	2.2	2.4	2.6
8:30AM	w/e Jobless Claims (k)	211	217	221
10:00AM	Feb Pending Home Sales (%)	-1.0	0.7	4.6
10:00AM	Feb Pending Sales Index	101.9		103.2
Friday, Mar 29				
8:30AM	Jan Core PCE Inflation (y/y) (%)	1.8	1.9	1.9
9:45AM	Mar Chicago PMI	58.7	61.0	64.7
10:00AM	Mar Consumer Sentiment (ip)	98.4	97.8	97.8
10:00AM	Feb New home sales-units mm (ml)	0.667	0.620	0.607
10:00AM	Feb New home sales chg mm (%)	4.9	1.3	-6.9
Monday, Apr 01				
8:30AM	Feb Retail Sales (%)	-0.2	0.3	0.2
10:00AM	Mar ISM Manufacturing PMI	55.3	54.5	54.2
10:00AM	Jan Business Inventories (%)	+0.8	0.5	0.6
10:00AM	Feb Construction spending (%)	1.0	-0.2	1.3
Tuesday, Apr 02				
8:30AM	Feb Durable goods (%)	-1.6	-1.8	0.3
8:30AM	Feb Nondefense ex-air (%)	-0.1	0.0	0.8
Wednesday, Apr 03				
7:00AM	w/e MBA Purchase Index	276.6		267.5
7:00AM	w/e Mortgage Refinance Index	1786		1289.5
8:15AM	Mar ADP National Employment (k)	129.0	170	183
10:00AM	Mar ISM N-Mfg PMI	56.1	58.0	59.7
Thursday, Apr 04				
8:30AM	w/e Jobless Claims (k)	202	210	211
Friday, Apr 05				
8:30AM	Mar Average earnings mm (%)	+0.1	0.3	0.4
8:30AM	Mar Unemployment rate mm (%)	3.8	3.8	3.8
8:30AM	Mar Non-farm payrolls (k)	+196	180	20

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

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