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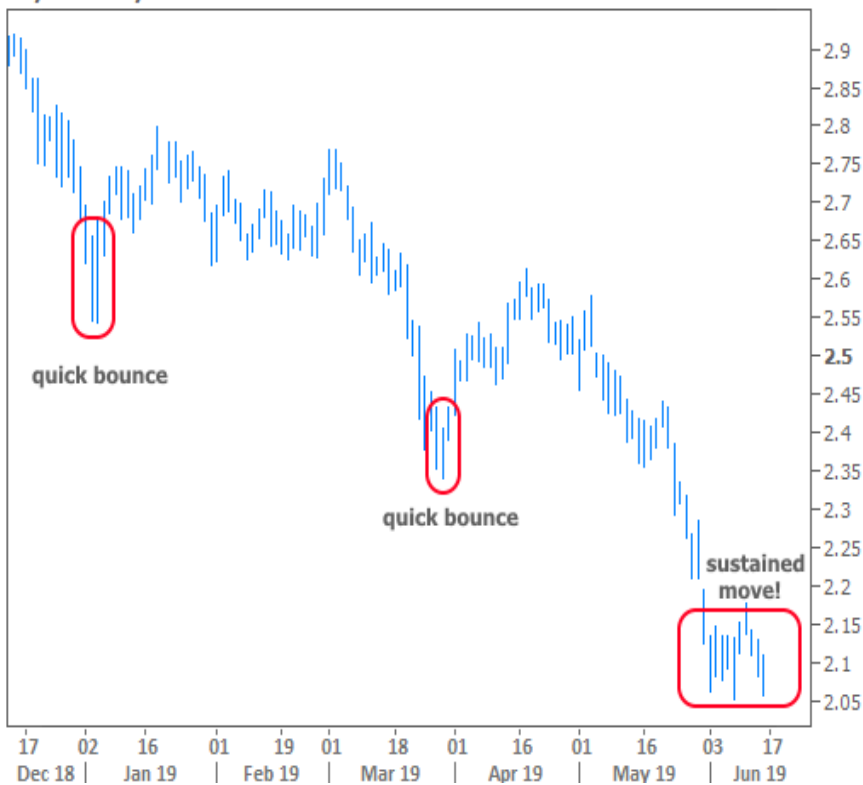
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Low Rates Lighting a Fire Under Housing/Mortgage Markets

You've heard of time healing all wounds, but what about low rates healing the mortgage and housing markets? It's not that either was particularly distressed, but **both** have benefited in a **major** way from the recent drop in rates. Just as important as the drop itself has been rates' ability to **HOLD** at or near long-term lows for 2 full weeks now.

It's not at all uncommon for rates to make big moves from time to time. When that happens, it's far more common to see the most extreme rates (either highs or lows) persist for a few hours to a few days. This is easy to see in the bar chart of 10yr Treasury yields below. Notice the previous surges toward lower rates in 2019 were **quickly turned away** while the most recent surge has had some serious staying power.

10yr Treasury Yield



The reason this is such a profound benefit for the mortgage market is that it allows a far greater portion of eligible homeowners to **hear about** the move in rates while they **still have time** to take advantage of it. This was the reason

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

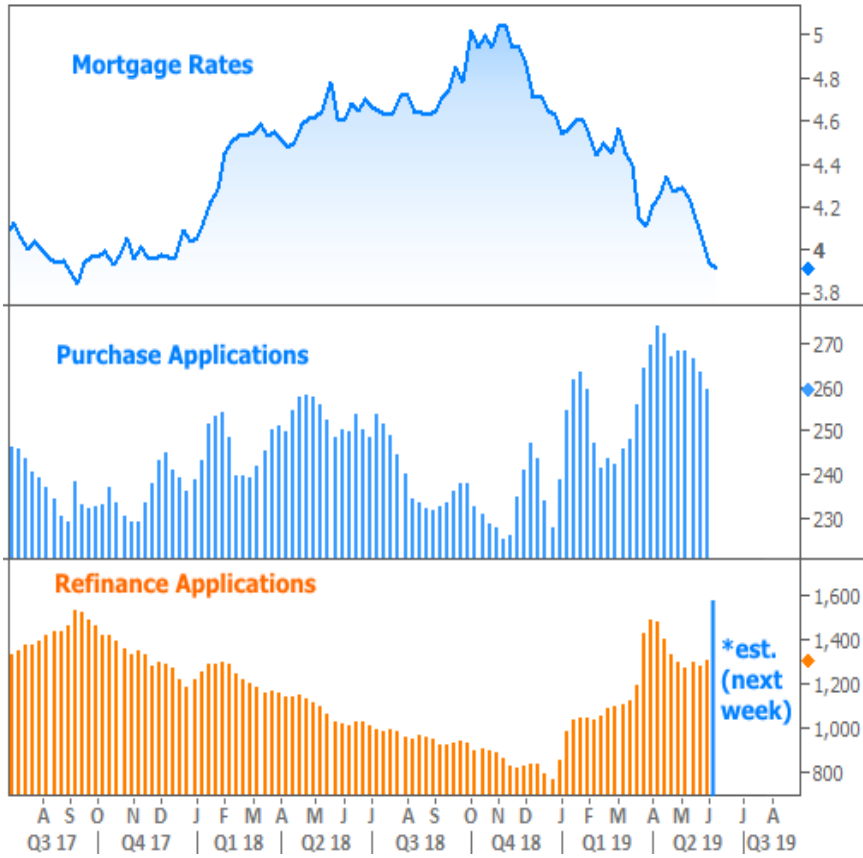
	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2379	-0.0146
30 YR Treasury	4.4561	-0.0164

Pricing as of: 7/23 12:40AM EST

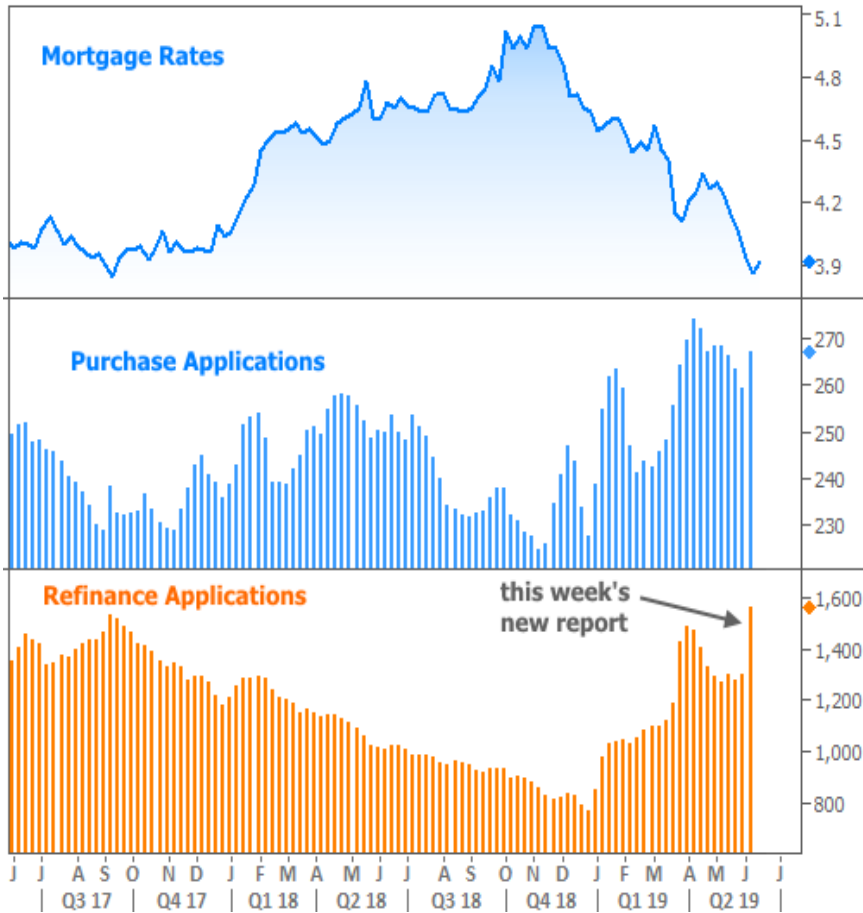
Recent Housing Data

		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%

that I predicted a massive surge in refinance demand in last week's Newsletter with the following chart:



And here's the **most up-to-date version** of the same chart after this week's application data came in:



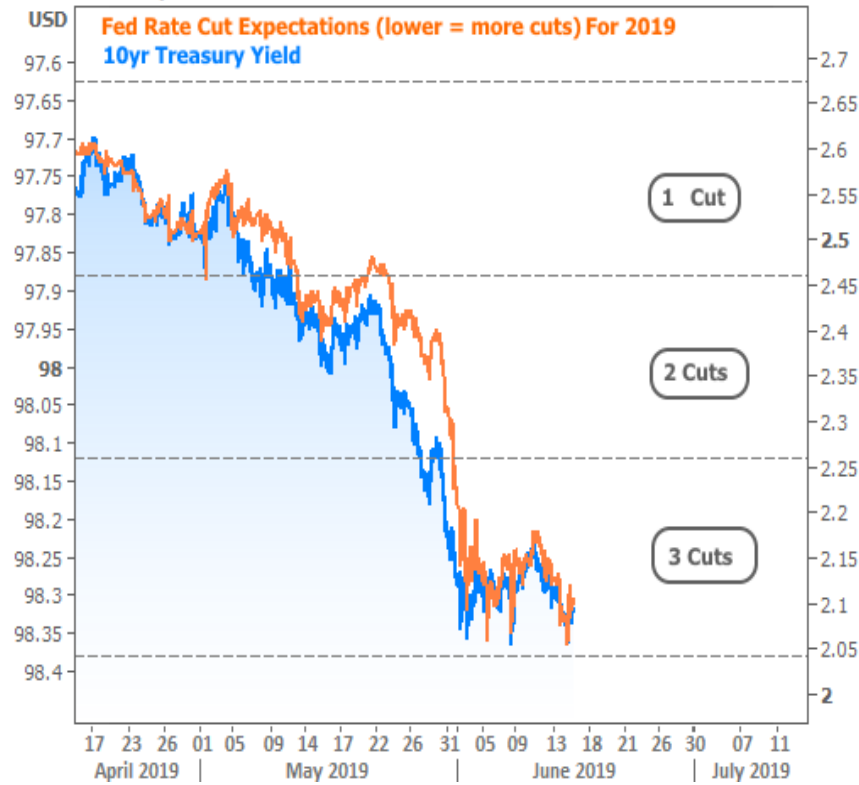
In other words, **persistent availability of the lowest rates since September 2017** had a perfectly logical impact! In addition to the surging refi demand, low rates are also boosting purchase activity and leading to **improvements in lender sentiment**.

Can the good times keep rolling? This is a great question--especially considering the longevity of the rate rally to date. It's impossible to answer, unfortunately, without knowing how key events will unfold. These include various economic reports, Fed policy changes, and any political developments that fall under the "trade war" category.

What we **do know** is that we'll receive important updates on all fronts in the coming weeks. These include a new policy announcement from the Fed next Wednesday, the G-20 summit at the end of the month, and an extremely important slate of economic data in the first week of July. In general, the worse things look for the economy, the better the odds are for rates to continue lower. An accommodative response from the Fed (i.e. if they offer hints about rate cuts) would **solidify and accelerate** such a move.

While the Fed Funds Rate doesn't directly affect conventional mortgage rates, the market's **expectation** for Fed rate hikes/cuts is a **different story**. As speculators have gradually increased their calls for 3 rate cuts by the end of 2019, longer-term rates (represented below by 10yr Treasury yields) have followed a substantially similar path.

Rates vs Fed Expectations



This makes next week's Fed announcement (and press conference) all the more important. Keep in mind that the market's expectation is **already** reflected in today's interest rates. Investors are expecting the Fed to do/say **something** to acknowledge weaker economic data and increased global growth headwinds. To whatever extent the Fed isn't "concerned enough" in the eyes of traders, rates could move back up just as easily as they could continue to fall.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jun 11				
8:30AM	May Core Producer Prices YY (%)	+2.3	2.3	2.4
1:00PM	3-Yr Note Auction (bl)	38		
Wednesday, Jun 12				
7:00AM	w/e MBA Purchase Index	278.4		253.1
7:00AM	w/e Mortgage Refinance Index	1956.5		1335.6
8:30AM	May Core CPI (Annual) (%)	+2.0	2.1	2.1
Thursday, Jun 13				
8:30AM	May Import prices mm (%)	-0.3	-0.2	0.2
8:30AM	May Export prices mm (%)	-0.2	-0.1	0.2
8:30AM	w/e Jobless Claims (k)	222	220	218
Friday, Jun 14				
8:30AM	May Retail Sales (%)	0.5	0.6	-0.2

Event Importance:

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

Date	Event	Actual	Forecast	Prior
9:15AM	May Industrial Production (%)	0.4	0.2	-0.5
10:00AM	Jun Consumer Sentiment	97.9	98.0	100.0
Monday, Jun 17				
8:30AM	Jun NY Fed Manufacturing	-8.60	10.00	17.80
10:00AM	Jun NAHB housing market indx	64	67	66
Tuesday, Jun 18				
8:30AM	May Building permits: number (ml)	1.294	1.296	1.290
8:30AM	May Housing starts number mm (ml)	1.269	1.239	1.235
8:30AM	May Build permits: change mm (%)	0.3		0.2
8:30AM	May House starts mm: change (%)	-0.9		5.7
Wednesday, Jun 19				
7:00AM	w/e Mortgage Refinance Index	1888.8		1956.5
7:00AM	w/e MBA Purchase Index	268.6		278.4
2:00PM	N/A FOMC rate decision (%)	2.250 - 2.500	2.375	2.375
Thursday, Jun 20				
8:30AM	Jun Philly Fed Business Index	0.3	11.0	16.6
8:30AM	w/e Jobless Claims (k)	216	218	222
10:00AM	May Leading index chg mm (%)	0.0	0.1	-0.1
Friday, Jun 21				
10:00AM	May Existing home sales (ml)	5.34	5.25	5.19
10:00AM	May Exist. home sales % chg (%)	2.5	1.2	-0.4
Wednesday, Jul 10				
1:00PM	10-yr Note Auction (bl)	24		
Thursday, Jul 11				
1:00PM	30-Yr Bond Auction (bl)	16		

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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