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## The Trade Deal Just Made Your Mortgage Rate Higher, But There's a Catch

It would have been hard to make it through this week without hearing about Friday's trade deal progress, but how does it affect you? At face value, a healthy trade partnership is good for the global economy, but if you need a mortgage any time soon, the trade deal just pushed your rate **higher**.

Rates actually began moving higher on Wednesday, but Thursday and Friday were **especially** abrupt as financial markets hurried to get in position for a potential US/China trade announcement.

**Why hurry now?** Because this week was the first time China's top trade negotiator met with US negotiators at the White House since May. Inside sources suggested this would result in at least some sort of progress being announced, even if it was far from a finalized deal. That's exactly what happened.

This is actually where the "catch" in the headline comes in. Yes, the trade news hurt rates, **but** rates were **only** in a position to be hurt because trade news accounts for **so much** of 2019's impressive **drop** in rates.

Here's how that works: tariffs and trade fears damaged business confidence and contributed to a global manufacturing recession. Downbeat economic data led investors to put more money into safer havens like the bond market. When demand for bonds increases, rates fall.

With that in mind, anything that happens to **push back** on trade-related uncertainty would logically be **bad** for rates. This was painfully obvious for anyone who watched mortgage rates move up abruptly by the end of the week, but not so obvious for anyone who read rate coverage based on Freddie Mac's weekly mortgage rate survey.

Long story short, Freddie's survey mainly reflects Monday and Tuesday rates. So when there's a big move in the 2nd half of the week, the survey can be way off by the time it comes out on Thursday.

## National Average Mortgage Rates



|                            | Rate  | Change | Points |
|----------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b> |       |        |        |
| 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

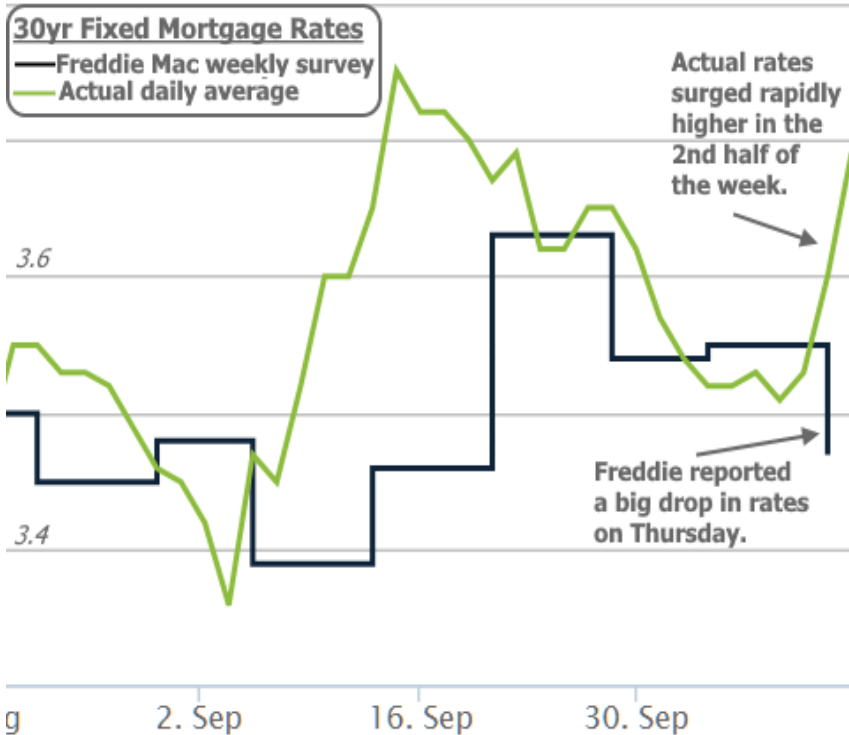
## Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 5.5   | 99.39         | -0.01   |
| MBS GNMA 5.5   | 99.78         | +0.00   |
| 10 YR Treasury | 4.2272        | -0.0107 |
| 30 YR Treasury | 4.4598        | -0.0127 |

Pricing as of: 7/22 10:50PM EST

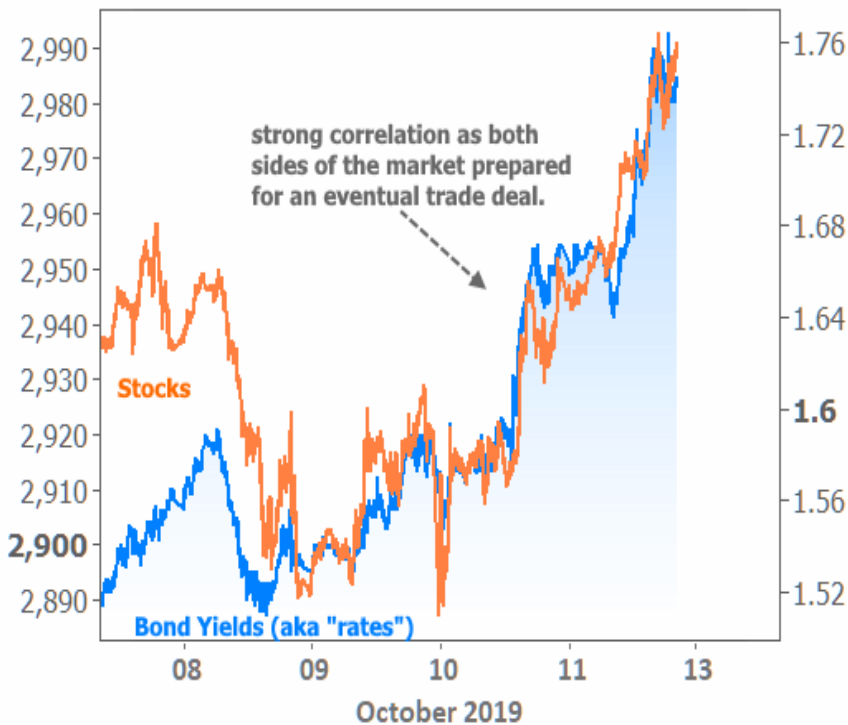
## Recent Housing Data

|                     |        | 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%  |



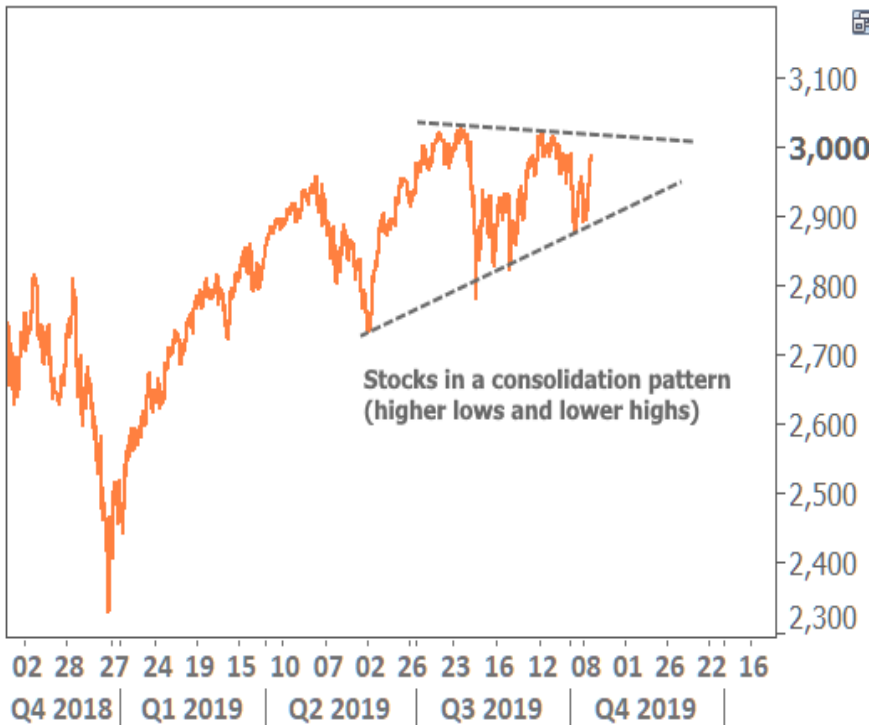
The broader financial market confirms the timing of the volatility, with almost all the drama arriving on Thursday and Friday (the only 2 days that aren't included in Freddie's survey).

**Rates vs Stocks**



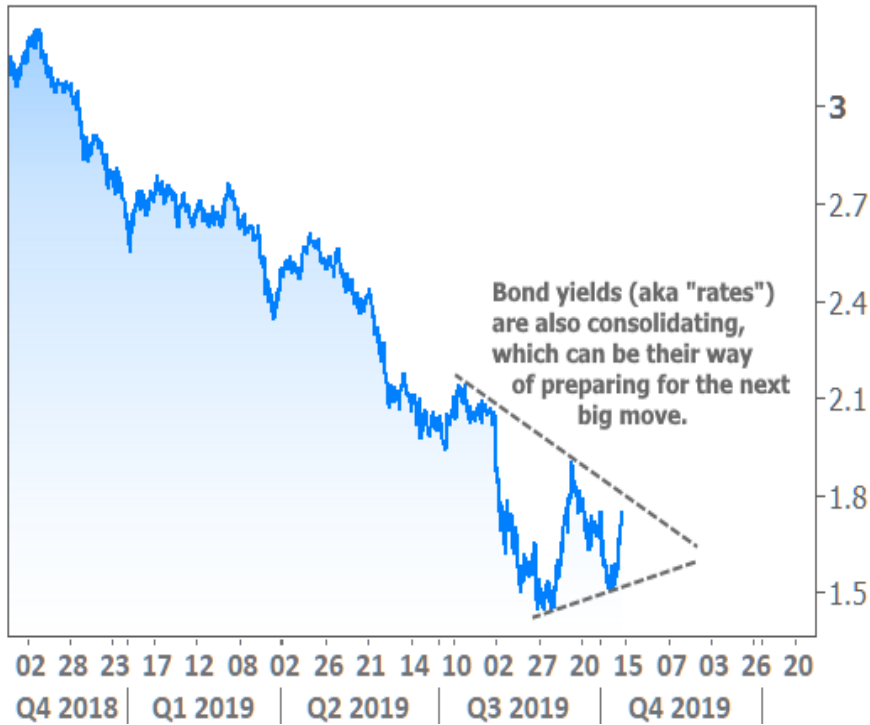
When we examine each of the lines above in a much broader context, we can see a lot of uncertainty. One of the ways markets express that is with a **consolidation pattern**, which is just a fancy way of saying that a chart is making higher lows and lower highs. In other words, the trading range is narrowing.

Stocks



There's no universal rule as to what happens next after a consolidation pattern. Sometimes, a consolidation is merely a reflection of uncertainty that's followed by... **more uncertainty**. More of than not, however, they suggest **bigger moves ahead**. In other words, there's a slightly higher chance that rates will be back on the move after exiting this pattern.

Bonds



The direction of the move depends first and foremost on the **state of economy** (weaker economy = lower rates, stronger economy = higher rates). With that in mind, next week is fairly sparse as far as economic reports are concerned. The Retail Sales data on Wednesday will be the only heavy hitter on the data front.

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## Recent Economic Data

| Date                     | Event                            | Actual | Forecast | Prior  |
|--------------------------|----------------------------------|--------|----------|--------|
| <b>Monday, Oct 07</b>    |                                  |        |          |        |
| 3:00PM                   | Aug Consumer credit (bl)         | 17.90  | 15.25    | 23.29  |
| <b>Tuesday, Oct 08</b>   |                                  |        |          |        |
| 8:30AM                   | Sep Core Producer Prices YY (%)  | +2.0   | 2.3      | 2.3    |
| 1:00PM                   | 3-Yr Note Auction (bl)           | 38     |          |        |
| <b>Wednesday, Oct 09</b> |                                  |        |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 252.2  |          | 263.8  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2418.1 |          | 2202.6 |
| 10:00AM                  | Aug Wholesale inventories mm (%) | 0.2    | 0.4      | 0.4    |
| 1:00PM                   | 10-yr Note Auction (bl)          | 24     |          |        |
| 2:00PM                   | FOMC Minutes                     |        |          |        |
| <b>Thursday, Oct 10</b>  |                                  |        |          |        |
| 8:30AM                   | Sep Core CPI (Annual) (%)        | 2.4    | 2.4      | 2.4    |
| 8:30AM                   | w/e Jobless Claims (k)           | 210    | 214      | 219    |
| 1:00PM                   | 30-Yr Bond Auction (bl)          | 16     |          |        |
| <b>Friday, Oct 11</b>    |                                  |        |          |        |
| 8:30AM                   | Sep Import prices mm (%)         | 0.2    | 0.0      | -0.5   |
| 8:30AM                   | Sep Export prices mm (%)         | -0.2   | 0.0      | -0.6   |
| 10:00AM                  | Oct Consumer Sentiment           | 96.0   | 92.0     | 93.2   |
| <b>Monday, Oct 14</b>    |                                  |        |          |        |
| 12:00AM                  | Columbus Day                     |        |          |        |
| <b>Tuesday, Oct 15</b>   |                                  |        |          |        |
| 8:30AM                   | Oct NY Fed Manufacturing         |        | 1.00     | 2.00   |
| <b>Wednesday, Oct 16</b> |                                  |        |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 250.6  |          | 252.2  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2505.8 |          | 2418.1 |
| 8:30AM                   | Sep Retail Sales (%)             | -0.3   | 0.3      | 0.4    |
| 10:00AM                  | Oct NAHB housing market indx     | 71     | 68       | 68     |
| 10:00AM                  | Aug Business Inventories (%)     | 0.0    | 0.2      | 0.4    |
| <b>Thursday, Oct 17</b>  |                                  |        |          |        |
| 8:30AM                   | Sep House starts mm: change (%)  | -9.4   |          | 12.3   |
| 8:30AM                   | Sep Build permits: change mm (%) | -2.7   |          | 8.2    |

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

| Date                  | Event                             | Actual | Forecast | Prior |
|-----------------------|-----------------------------------|--------|----------|-------|
| 8:30AM                | Sep Housing starts number mm (ml) | 1.256  | 1.320    | 1.364 |
| 8:30AM                | Sep Building permits: number (ml) | 1.387  | 1.350    | 1.425 |
| 8:30AM                | Oct Philly Fed Business Index     | 5.6    | 8.0      | 12.0  |
| 8:30AM                | w/e Jobless Claims (k)            | 214    | 215      | 210   |
| 9:15AM                | Sep Industrial Production (%)     | -0.4   | -0.1     | 0.6   |
| <b>Friday, Oct 18</b> |                                   |        |          |       |
| 10:00AM               | Sep Leading index chg mm (%)      | -0.1   | 0.1      | -0.3  |

## 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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