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## Wildest Week For Mortgage Rates, Ever (Seriously)

The headline makes a lofty claim, but let's put doubt to rest with 3 facts right up front.

1. Mortgage rates were at all time lows on Monday Morning for most lenders
2. By Friday, rates had risen as fast as they've ever risen in one week
3. By Friday, the gap between mortgages and Treasury yields was the widest on record.

When we have things happening in other markets such as all-time low 10yr Treasury yields (Monday) or the biggest-ever single day loss in stocks (several times, depending on the index), it's not hard to imagine that big things are happening elsewhere in financial markets.

What's causing all this? In a word: Coronavirus. The stock market reaction is well-documented, but the record rally in rates is just as impressive.

### 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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

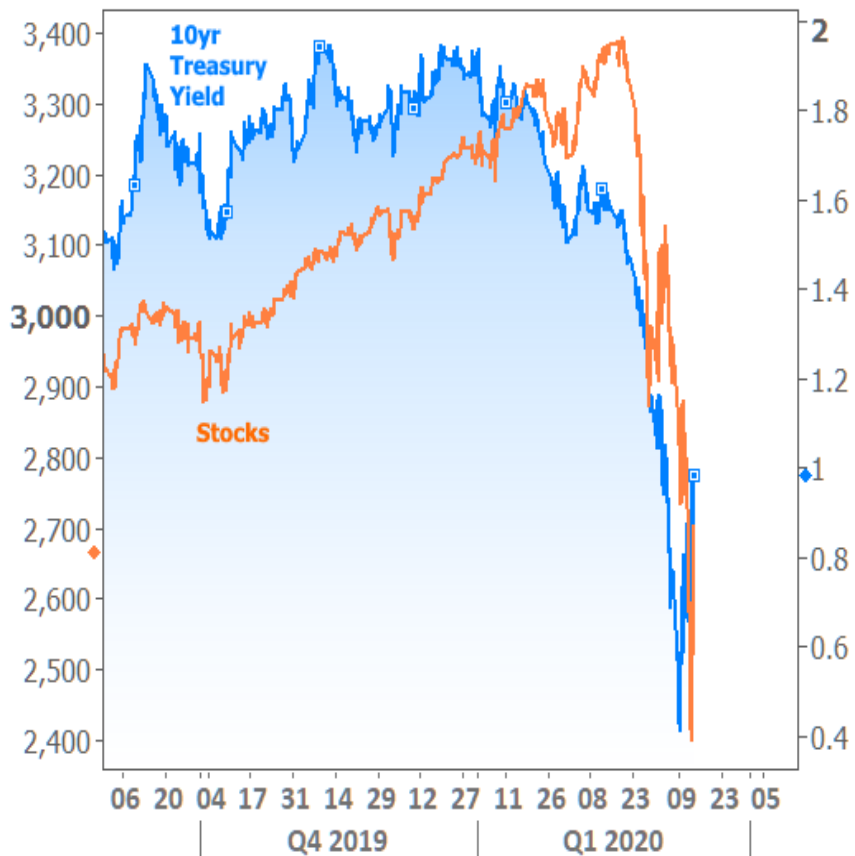
### Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2423	-0.0102
30 YR Treasury	4.4603	-0.0122

Pricing as of: 7/22 10:59PM 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%

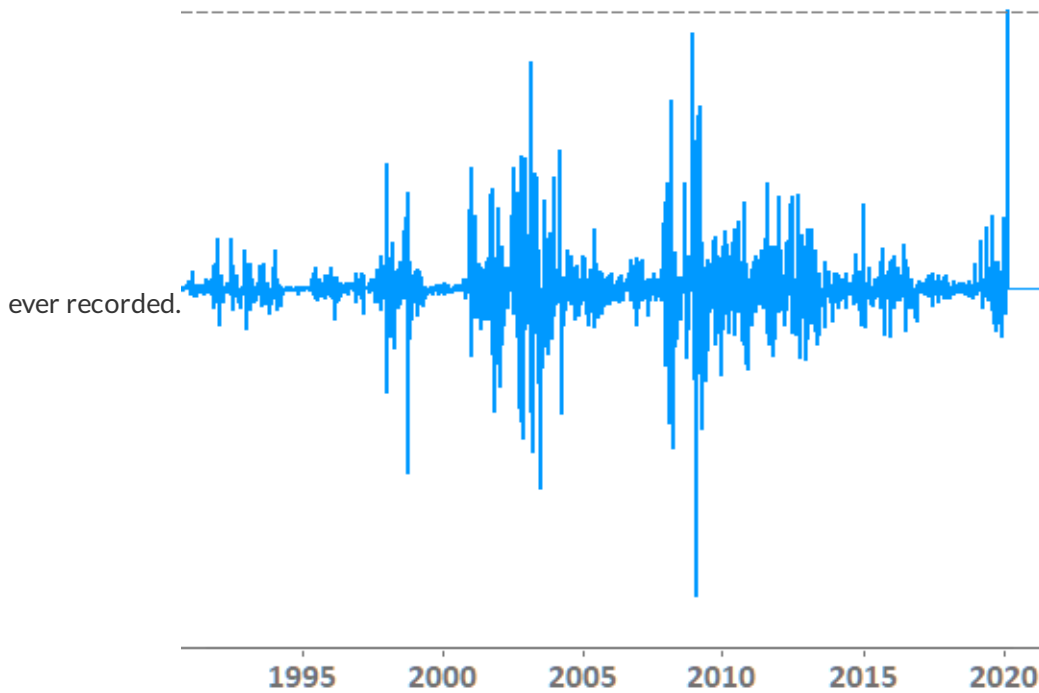


In the interest of keeping this short and sweet, here are the previous newsletters that have covered the unfolding market drama:

- 2020 Refi Boom Surpasses 2016's And It's Still Growing
- Why Can't Mortgage Rates Keep Up With Record Low Treasury Yields?
- Mortgage Market in Chaos. What You Need To Know

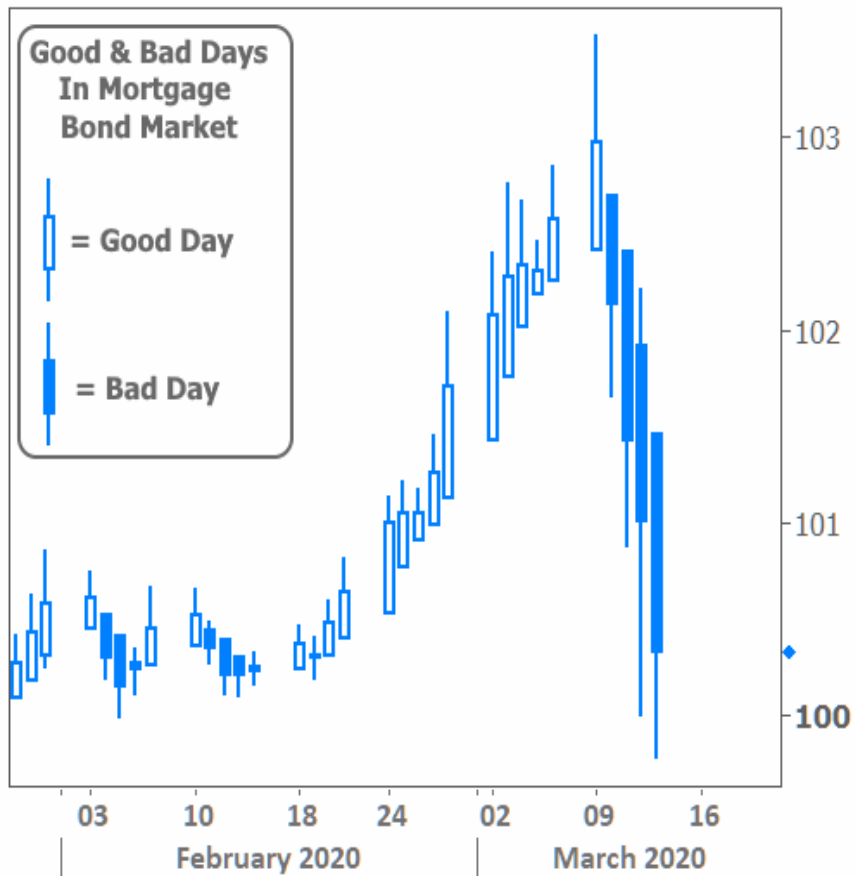
While coronavirus dominated the headlines, massive drama was unfolding in the mortgage market. All-time low mortgage rates were already in place by March 2nd. Refinance demand was already spiking, but the subsequent jump was the biggest

**week-over-week change in refinance mortgage apps**

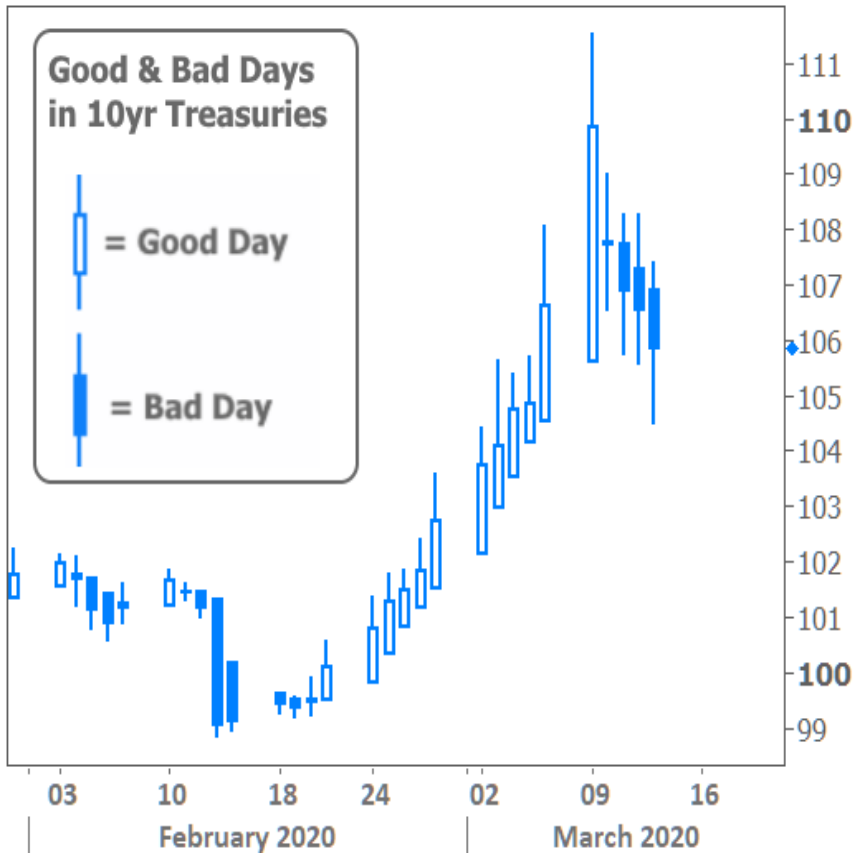


In financial markets, unprecedented opportunity often comes with unprecedented consequences. In this case, the glut of refi demand was so overwhelming that mortgage lenders couldn't move loans off their books quick enough to keep up with demand for new loans. The demand could only be created by selling the loans to investors at lower and lower prices.

When investors pay less for mortgages, rates move higher. In the chart below, each candlestick represents 1 day of price movement in this market for loans sold to investors (mortgage-backed securities or MBS).



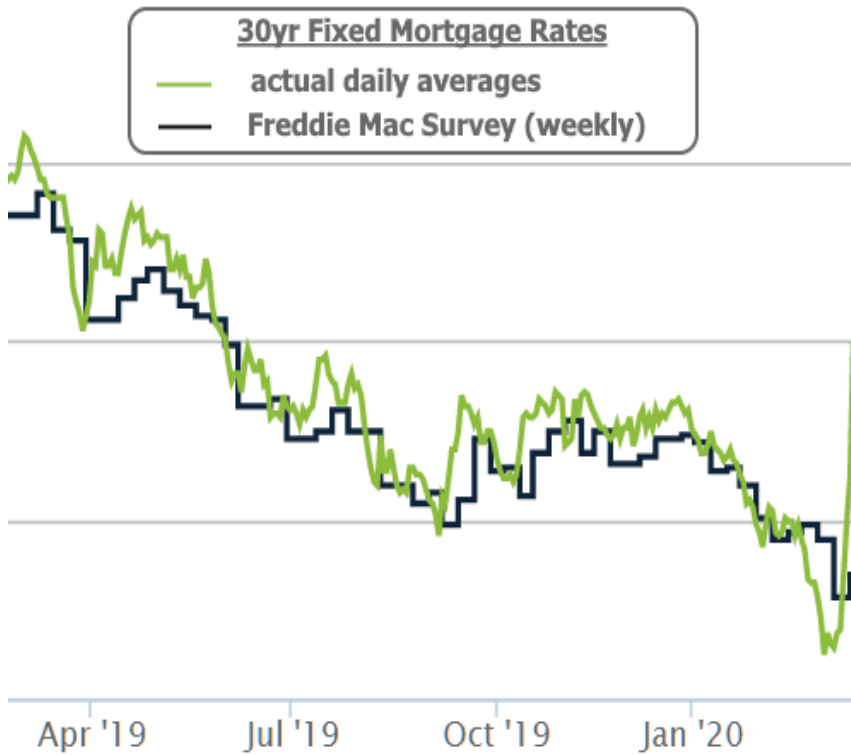
Contrast that to the price of 10yr Treasury debt (frequently thought of as a key indicator for mortgage rates). There's really no comparison.



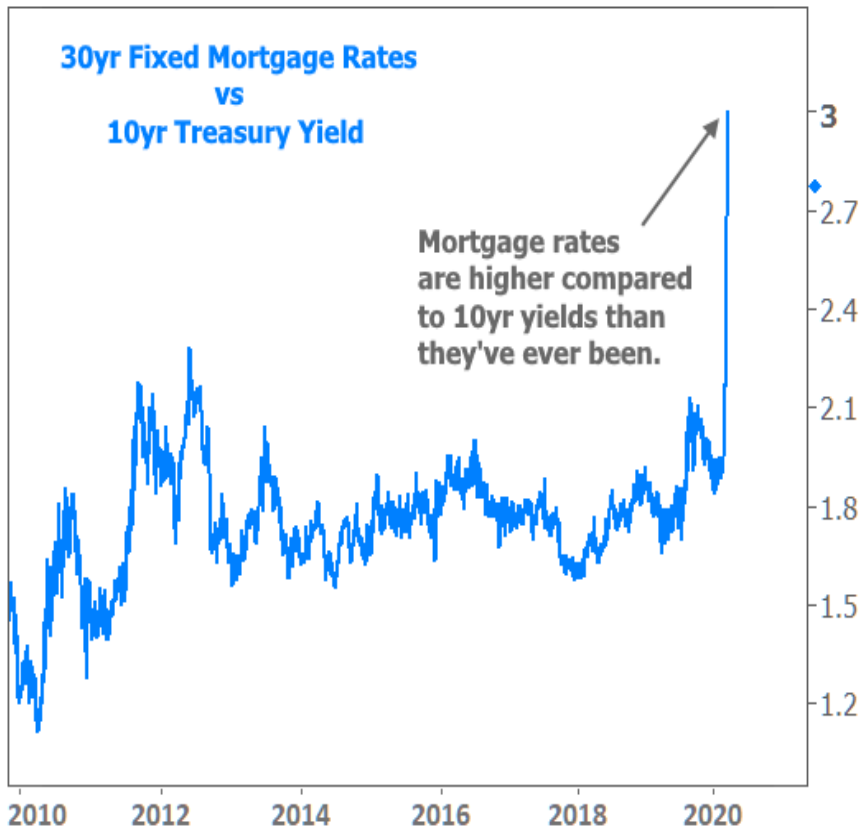
Funding issues compounded the problem as some lenders completely exhausted their own sources of financing. In other words, many lenders borrow money with short-term loans in order to originate more mortgages, and many of those wells ran dry this week. Where water remained, there was a steep price to be paid. Lenders' creditors greatly increased their margins which directly results in higher rates for consumers.

Lower prices from investors... Higher margins from creditors... Underlying momentum toward higher rates after Monday's bounce at all-time lows... It all added up to the **fastest-ever** spike in mortgage rates (seriously... and yes, I'm including 1987 in my look-back).

Mainstream media is a bit behind the curve when it comes to mortgage rates. The most widely cited resource is Freddie Mac's weekly rate survey. Unfortunately, it only captures the first few days of any given week, and a majority of this week's drama unfolded in the 2nd half.



Traditional mortgage rate comparisons to 10yr Treasury yields have been thrown out the window by this unprecedented set of circumstances. The average mortgage rate is now higher compared to 10yr Treasury yields than it's EVER been, and by a wide margin at that!



The Federal Reserve is widely expected to cut rates again next week and possibly announce a new round of large-scale bond buying (quantitative easing or "QE"). But remember, a Fed rate cut **doesn't directly affect mortgage rates**. Fortunately, the mortgage bond market may have pushed prices low enough for investors to start nibbling on new loans instead of pushing them off the table.

Even so, a bounce back toward lower levels will take some time. Rates moved up and out of most peoples' target refi ranges this week. That makes this the **perfect time** to make a game-plan with your friendly neighborhood mortgage pro so all parties can be ready to rock (and LOCK) as soon as rates get into your target range.

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Mar 10</b>				
1:00PM	3-Yr Note Auction (bl)	38		
<b>Wednesday, Mar 11</b>				
7:00AM	w/e MBA Purchase Index	280.7		265.8
7:00AM	w/e Mortgage Refinance Index	6418.9		3594.4
8:30AM	Feb Core CPI (Annual) (%)	2.4	2.3	2.3
<b>Thursday, Mar 12</b>				
8:30AM	Feb Core Producer Prices YY (%)	1.4	1.7	1.7
8:30AM	w/e Jobless Claims (k)	211	215	216
<b>Friday, Mar 13</b>				
8:30AM	Feb Import prices mm (%)	-0.5	-0.8	0.0
8:30AM	Feb Export prices mm (%)	-1.1	-0.4	0.7
10:00AM	Mar Consumer Sentiment	95.9	95.0	101.0
<b>Monday, Mar 16</b>				
8:30AM	Mar NY Fed Manufacturing	-21.5	4.00	12.90
<b>Tuesday, Mar 17</b>				
8:30AM	Feb Retail Sales (%)	-0.5	0.2	0.3
9:15AM	Feb Industrial Production (%)	0.6	0.4	-0.3
11:00AM	Mar NAHB housing market indx	72	73	74
<b>Wednesday, Mar 18</b>				
7:00AM	w/e MBA Purchase Index	278.1		280.7
7:00AM	w/e Mortgage Refinance Index	5751.0		6418.9
8:30AM	Feb House starts mm: change (%)	-1.5		-3.6
8:30AM	Feb Housing starts number mm (ml)	1.599	1.500	1.567
8:30AM	Feb Building permits: number (ml)	1.464	1.500	1.550
8:30AM	Feb Build permits: change mm (%)	-5.5		9.2
2:00PM	N/A FOMC rate decision (%)		0.875	0.125

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
<b>Thursday, Mar 19</b>				
8:30AM	Mar Philly Fed Business Index	-12.7	10.0	36.7
8:30AM	w/e Jobless Claims (k)	281	560	211
10:00AM	Feb Leading index chg mm (%)	+0.1	0.1	0.8
<b>Friday, Mar 20</b>				
10:00AM	Feb Existing home sales (ml)	5.77	5.50	5.46
<b>Tuesday, Apr 07</b>				
1:00PM	10-yr Note Auction (bl)	25		
<b>Wednesday, Apr 08</b>				
1:00PM	30-Yr Bond Auction (bl)	17		
<b>Thursday, May 21</b>				
1:00PM	10-yr Note Auction (bl)	12		



## 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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