



**Tom Payne**

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

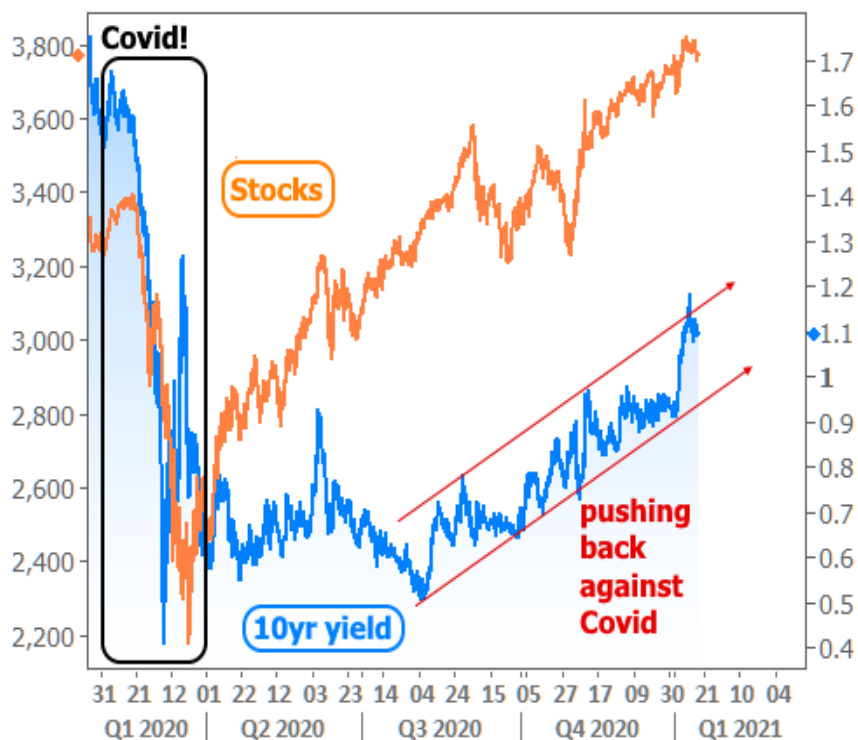
Office: 702-303-0243  
 Mobile: 702-303-0243  
[tompaynemortgage@gmail.com](mailto:tompaynemortgage@gmail.com)  
[View My Website](#)

## Refi Demand Surges as Mortgage Volatility Comes Roaring Back

It was easy to get lulled into complacency by the second half of 2020 when it came to mortgage rates. Even as other indicators said rates should be rising, they continued on a calm journey to multiple record lows. 2021 has been very different so far!

Covid and its impacts on the economy remain the driving forces behind market trends. That's generally been great for rates, but it also means that rates should gradually rise as we battle back against covid. If the onset of the pandemic pushed rates to all-time lows, it's **only fair** that progress against the pandemic would result in rates moving up from all-time lows.

If you ask 10yr Treasury yields, that's been the case for quite a while.



And while the stock market has been singing a similar tune, the mortgage market has been in its own glorious world with rates seemingly **oblivious** to Treasury trends.

## 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	4.2418	-0.0107
30 YR Treasury	4.4622	-0.0103

Pricing as of: 7/22 9:01PM EST

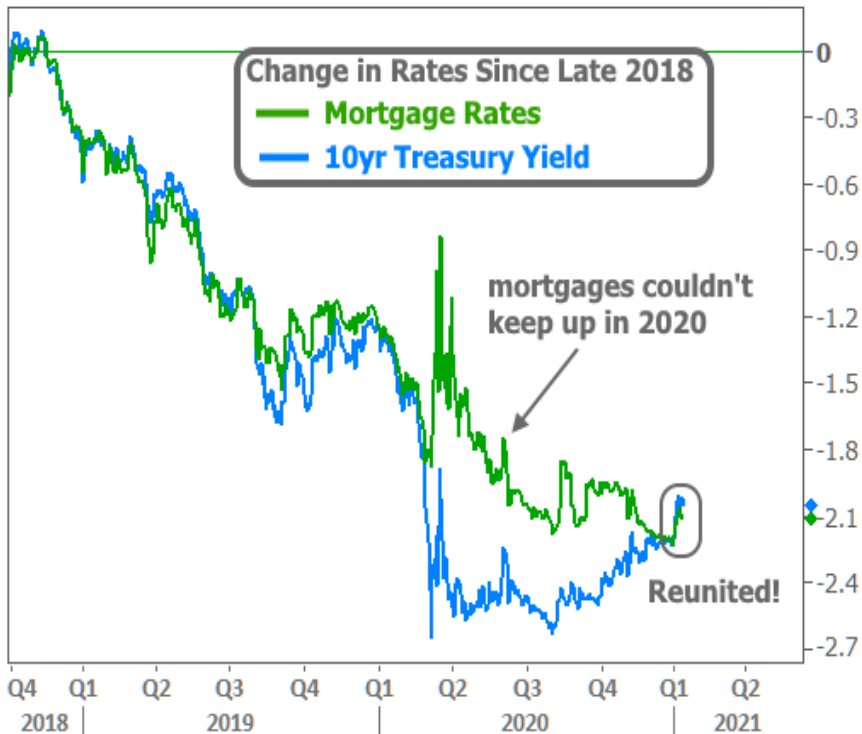
### Recent Housing Data

		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%

Mortgage rates and Treasuries typically follow each other in near lock-step. There are notable exceptions, but none have been as pronounced as 2020. Mortgages simply couldn't keep up with Treasuries on the way down. That left them with a **cushion** to absorb virtually all of that "push back" seen in the chart above.

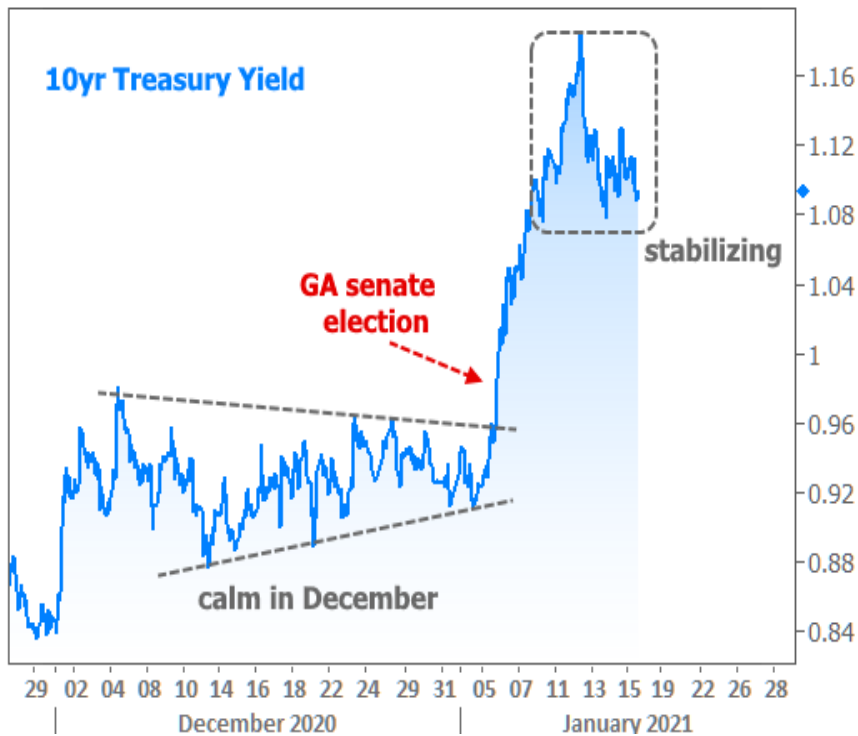
In other words, that cushion allowed mortgage rates to move sideways or lower for months, even as Treasury yields moved higher. We've **warned repeatedly** that this was increasingly likely to change. Last week, it finally did.

Although there's technically still some cushion left, it's now too small to soak up bigger instances of volatility in Treasuries.



As last week's newsletter discussed ([get caught up here](#)), the Georgia senate election resulted in one of the **sharpest interest rate spikes** of the past few years. Granted, that's a fairly low bar to clear when rates have been doing so well over that time, but it nonetheless raised concerns about where we may be going next.

When rates rise this quickly, traders are on the lookout for additional weakness (and an opportunity to find a ceiling). That was the first order of business this week. No one wanted to be the first to catch that falling knife (big moves like this can create momentum that lasts for days/weeks, and **traders can get burned** if they bet on a rebound too quickly), but risks began to subside on Tuesday afternoon after a strong 10yr Treasury auction. Bonds didn't panic again for the rest of the week, leaving the bigger-picture impression that the early 2021 rate spike has stabilized.



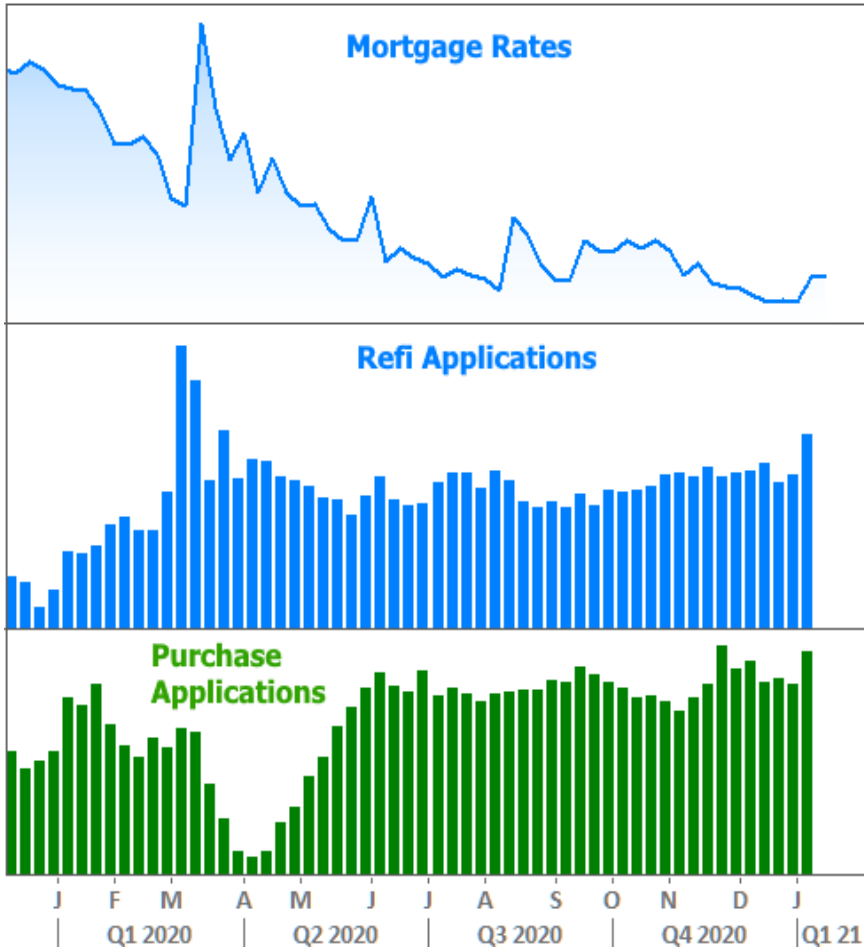
You may have seen other news headlines that suggest it was a **bad** week for mortgage rates. It wasn't. That was **LAST** week. The headlines in question are based on stale information. By Friday afternoon, the average lender was offering rates that were at least as low as those seen last Friday.

The issue has to do with a popular weekly rate survey from industry giant Freddie Mac. The survey does a fine job capturing broad strokes over time, but is severely limited when it comes to timely day-to-day changes. In short, the survey is just now capturing **LAST WEEK'S** rate spike. Here's how daily rates have been moving by comparison (note: the green line is a bit higher because it includes refinances. Freddie just asks loan officers for their "best" rate, and in this market, that's always purchases).

30yr Fixed Mortgage Rates



Speaking of purchases and refis, this week's mortgage application data was **very interesting**. While you might expect a big rate spike to dissuade refi demand (and generally speaking, you'd be right), last week's rate spike motivated homeowners to get off the fence. The count of refi applications was the highest it's been since the 2 best weeks at the start of the pandemic.



Next week brings additional housing market data starting on Wednesday with another look at mortgage applications and a new report on builder confidence. Additional construction and sales data will be reported on Thursday and Friday. Bonds (and most mortgage lenders) will be closed on Monday in observance of Martin Luther King Jr. Day.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, Jan 11</b>				
1:00PM	3-Yr Note Auction (bl)	58		
<b>Tuesday, Jan 12</b>				
1:00PM	10-yr Note Auction (bl)	38		
<b>Wednesday, Jan 13</b>				
7:00AM	w/e MBA Refi Index	4706.3		3917.6
7:00AM	w/e MBA Purchase Index	338.9		313.8
8:30AM	Dec Core CPI (Annual) (%)	1.6	1.6	1.6
1:00PM	30-Yr Bond Auction (bl)	24		
<b>Thursday, Jan 14</b>				

Event Importance:

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

Date	Event	Actual	Forecast	Prior
8:30AM	Dec Import prices mm (%)	0.9	0.7	0.1
8:30AM	Dec Export prices mm (%)	1.1	0.4	0.6
8:30AM	w/e Jobless Claims (k)	965	868	787
<b>Friday, Jan 15</b>				
8:30AM	Dec Core Producer Prices YY (%)	1.2	1.3	1.4
8:30AM	Dec Retail Sales (%)	-0.7	0.0	-1.1
8:30AM	Jan NY Fed Manufacturing	+3.5	6.00	4.90
9:15AM	Dec Industrial Production (%)	1.6	0.5	0.4
10:00AM	Jan Consumer Sentiment	79.2	80.0	80.7
10:00AM	Nov Business Inventories (%)	+0.5	0.5	0.7
<b>Monday, Jan 18</b>				
12:00AM	Martin Luther King Jr. Day			
<b>Wednesday, Jan 20</b>				
7:00AM	w/e MBA Purchase Index	348.2		338.9
7:00AM	w/e MBA Refi Index	4484.2		4706.3
10:00AM	Jan NAHB housing market indx	83	86	86
<b>Thursday, Jan 21</b>				
8:30AM	Dec House starts mm: change (%)	5.8		1.2
8:30AM	Dec Housing starts number mm (ml)	1.669	1.560	1.547
8:30AM	Dec Building permits: number (ml)	1.709	1.604	1.635
8:30AM	Dec Build permits: change mm (%)	4.5		5.9
<b>Friday, Jan 22</b>				
10:00AM	Dec Existing home sales (ml)	6.76	6.55	6.69
10:00AM	Dec Exist. home sales % chg (%)	+0.7	-2.0	-2.5

## 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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