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## Mortgage Rates In Best Territory Since February

This week's mortgage rates are hard to compare to last week's. There are two simple reasons for this.

The **first** is the recent removal of the adverse market fee that artificially increased rates for refinance transactions starting late last summer (discussed in greater detail last week).

The **second** is the general strength in the bond market compared to last week. Mortgage rates are, after all, based on trading levels in the bond market where higher prices coincide with lower yields/rates. This is why mortgage rates and certain bond yields tend to correlate so well.

The 10yr Treasury yield is the perennial benchmark for mortgage rates. Even though the correlation occasionally breaks down completely, it still does a great job of capturing momentum shifts for the overall bond market.

Recent momentum has been almost exclusively toward **lower** rates/yields. In the short term, bonds benefited this week from their European counterparts as the European Central Bank maintained its rate-friendly stance. Germany's 10yr yield is the closest thing we have to a hypothetical "EU 10yr yield."

## 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	4.2525	+0.0146
30 YR Treasury	4.4725	+0.0257

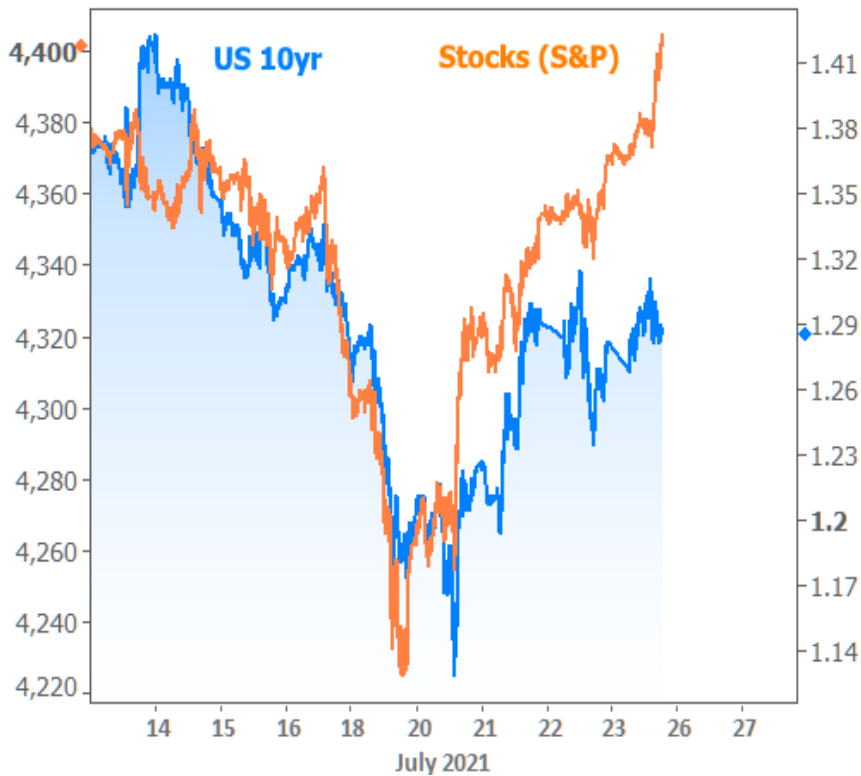
Pricing as of: 7/22 5:59PM EST

## 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%

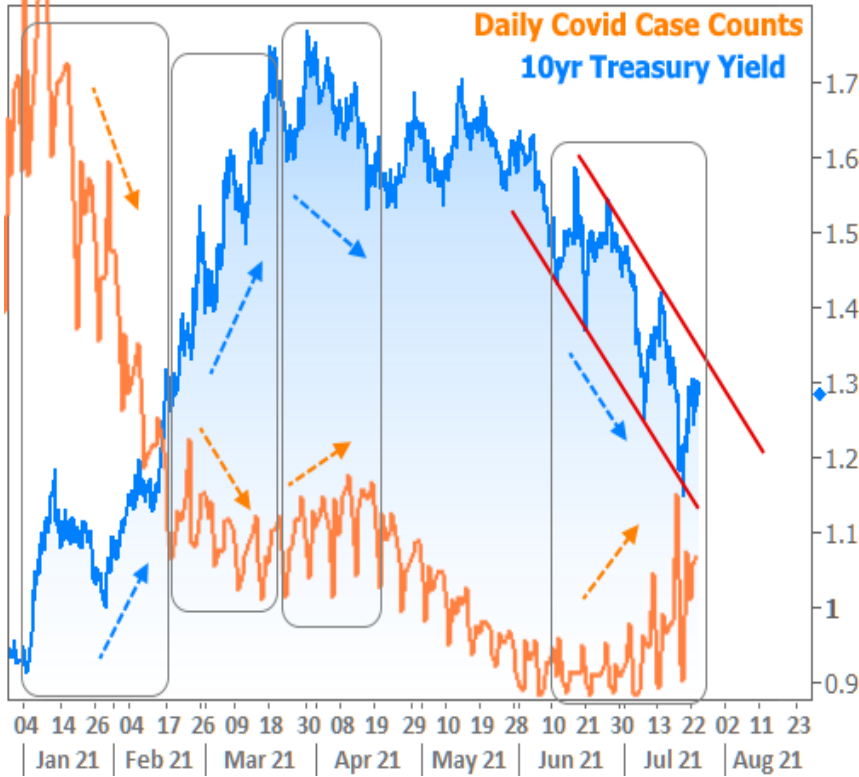


Based on the chart above, US rates weren't solely relying on European influence. Volatility in the **stock market** helps explain the divergence as traders moved away from risk early this week and back in the other direction as the week progressed.



Much of the risk aversion is predicated on **fear and uncertainty** surrounding rising covid case counts, especially as they concern the delta variant of the virus. Investors conclude that, as long as that uncertainty persists, the Fed won't be in a position to start winding down its rate-friendly bond buying program, nor will the economy be firing on as many cylinders as it otherwise might.

These are the core reasons that noticeable shifts in case counts have produced a reliable reaction in rates/yields. In the **simplest terms: more covid = lower rates** and less covid = higher rates, all other things being equal.



How have mortgage rates fared relative to Treasury yields? Fairly well! In fact, mortgages are much **closer to all-time lows** than Treasury yields. Either way, you'd have to go back to February to see anything lower.



If the bond market paid attention to the European Central Bank this week, then next week is at least as important with the Federal Reserve releasing its latest policy statement on Wednesday afternoon.

The Fed is **not yet** in a position to make any substantive changes to current policy. Nonetheless, investors will be paying careful attention to the verbiage of the announcement (as well as the press conference with Fed Chair Powell) for clues as to how and when policies may change in the future.

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**Recent Economic Data**

Date	Event	Actual	Forecast	Prior
<b>Monday, Jul 19</b>				
10:00AM	Jul NAHB housing market indx	80	82	81
<b>Tuesday, Jul 20</b>				
8:30AM	Jun Build permits: change mm (%)	-5.1		-2.9
8:30AM	Jun Housing starts number mm (ml)	1.643	1.590	1.572
8:30AM	Jun Building permits: number (ml)	1.598	1.700	1.683
8:30AM	Jun House starts mm: change (%)	6.3		2.1
<b>Wednesday, Jul 21</b>				
7:00AM	w/e MBA Purchase Index	255.8		273.3
7:00AM	w/e MBA Refi Index	3267.6		3361.5
1:00PM	20yr Treasury Auction			
<b>Thursday, Jul 22</b>				

**Event Importance:**

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

Date	Event	Actual	Forecast	Prior
8:30AM	w/e Jobless Claims (k)	419	375	368
10:00AM	Jun Existing home sales (ml)	5.86	5.90	5.78
10:00AM	Jun Exist. home sales % chg (%)	+1.4		-1.2
10:00AM	Jun Leading index chg mm (%)	+0.7	0.9	1.2
<b>Friday, Jul 23</b>				
9:45AM	Jul Markit Composite PMI	59.7		63.7
9:45AM	Jul Markit Services PMI	59.8	64.8	64.6
9:45AM	Jul Markit Manuf. PMI	63.1	62.0	62.1
<b>Monday, Jul 26</b>				
10:00AM	Jun New Home Sales (ml)	0.676	0.800	0.724
10:00AM	Jun New Home Sales (%) (%)	-6.6	3.0	-5.9
1:00PM	2-Yr Note Auction (bl)	60		
<b>Tuesday, Jul 27</b>				
8:30AM	Jun Durable goods (%)	0.8	2.1	3.2
9:00AM	May Monthly Home Price yy (%)	18.0		15.7
9:00AM	May Monthly Home Price mm (%)	1.7		1.8
9:00AM	May CaseShiller 20 yy (%)	17.0	16.4	14.9
10:00AM	Jul Consumer confidence	129.1	123.9	127.3
1:00PM	5-Yr Note Auction (bl)	61		
<b>Wednesday, Jul 28</b>				
7:00AM	w/e MBA Purchase Index	251.7		255.8
7:00AM	w/e MBA Refi Index	3570.4		3267.6
2:00PM	N/A FOMC rate decision (%)	0.000 - 0.250	0.125	0.125
<b>Thursday, Jul 29</b>				
8:30AM	Q2 GDP Advance (%)	6.5	8.5	6.4
10:00AM	Jun Pending Sales Index	112.8		114.7
10:00AM	Jun Pending Home Sales (%)	-1.9	0.3	8.0
1:00PM	7-Yr Note Auction (bl)	62		
<b>Friday, Jul 30</b>				
8:30AM	Jun Core PCE Inflation (y/y) (%)	3.5	3.7	3.4
9:45AM	Jul Chicago PMI	73.4	64.6	66.1
10:00AM	Jul Consumer Sentiment (ip)	81.2	80.8	80.8

## 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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