



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
[View My Website](#)

Mortgage Rates Are Actually Much Higher This Week

Several sources for mortgage rate data are doing consumers a **major disservice** this week. At least two of them are claiming that the average top tier 30yr fixed rate is still under 3.00%. It's not.

One **disclaimer** right up front: different companies have different rate-quoting policies. Even within the same company, borrowers can typically opt for different combinations of rates and fees. Sometimes two rates that seem very different are actually very similar.

Still, none of those subtleties would get the average lender under 3.00% this week--especially not by Friday.

Let's focus on the specific example of Freddie Mac's weekly rate survey which showed 30yr fixed rates at 2.98% 2 short days ago. We've discussed the downsides of this methodology before. **Specifically**, Freddie collects responses from lenders through the first half of the week and reports the results on Thursday (Wednesday this week, due to the Veterans Day holiday).

Most of the responses come in on Monday. That means the survey is better viewed as "**Monday vs Monday**" as opposed to "weekly." It's one thing to say "here's where rates were as of this past Monday" and something entirely different to say "here's where mortgage rates are this week." In the second example, someone might see the news on Thursday or Friday and conclude that Monday's rates are still available.

Monday's rates are not still available!

Obviously, Freddie's methodology will fall short on weeks with lots of market volatility. This is just such a week! In fact, rates actually were at their **lowest** levels in more than a month at the beginning of the week. Things changed abruptly on Wednesday as seen in the chart of 10yr Treasury yields below (the 10yr closely matches the movement in the mortgage rate market, but allows us to see finer intraday detail).

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

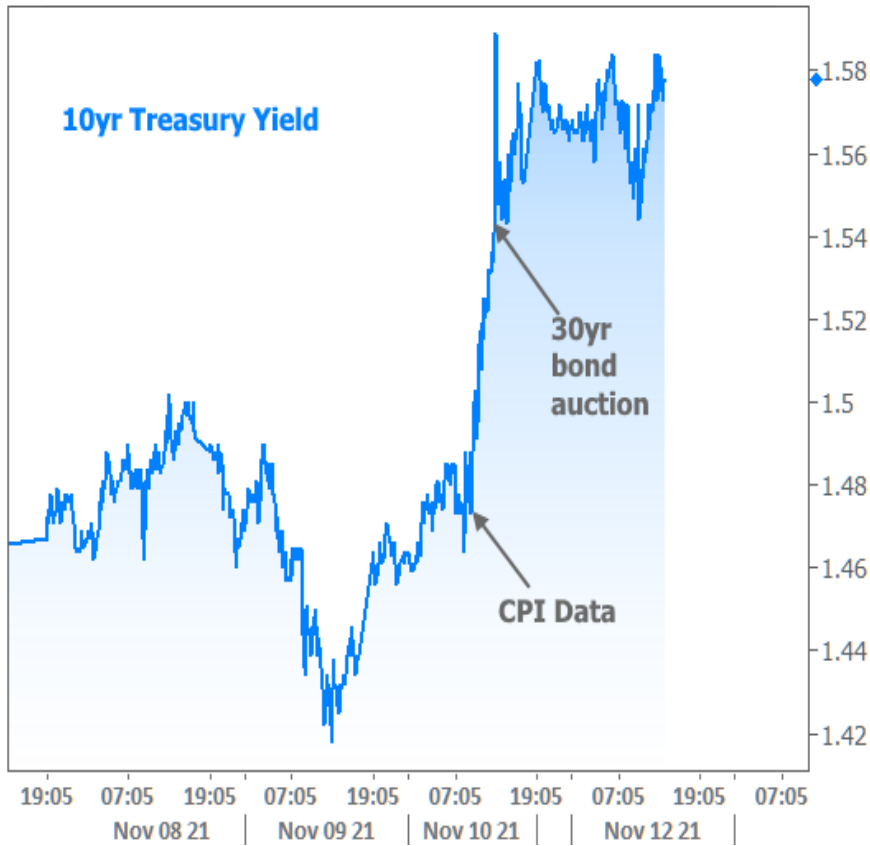
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2525	+0.0146
30 YR Treasury	4.4725	+0.0257

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

Recent Housing Data

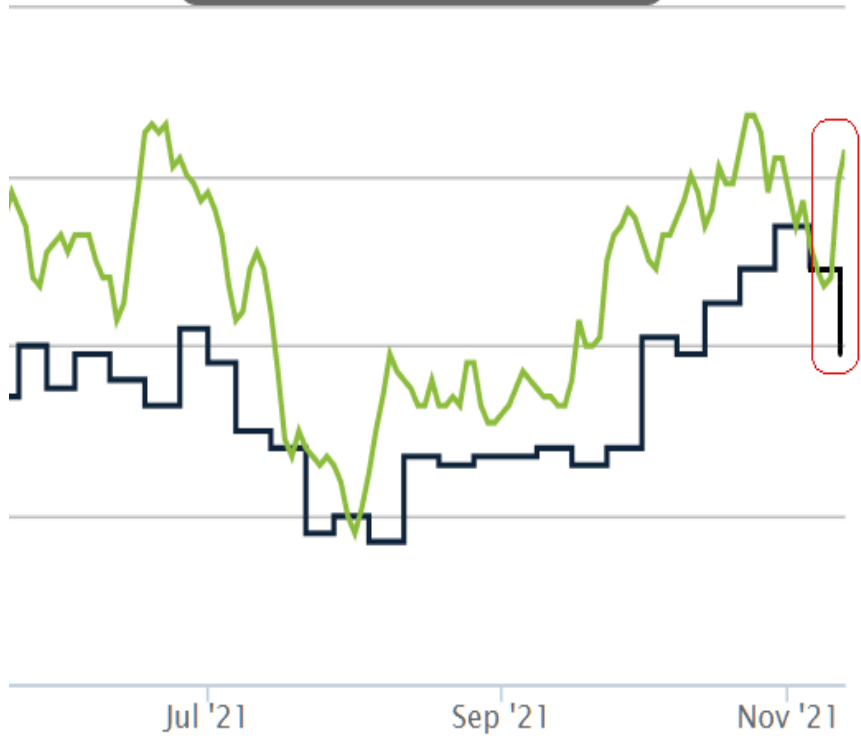
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



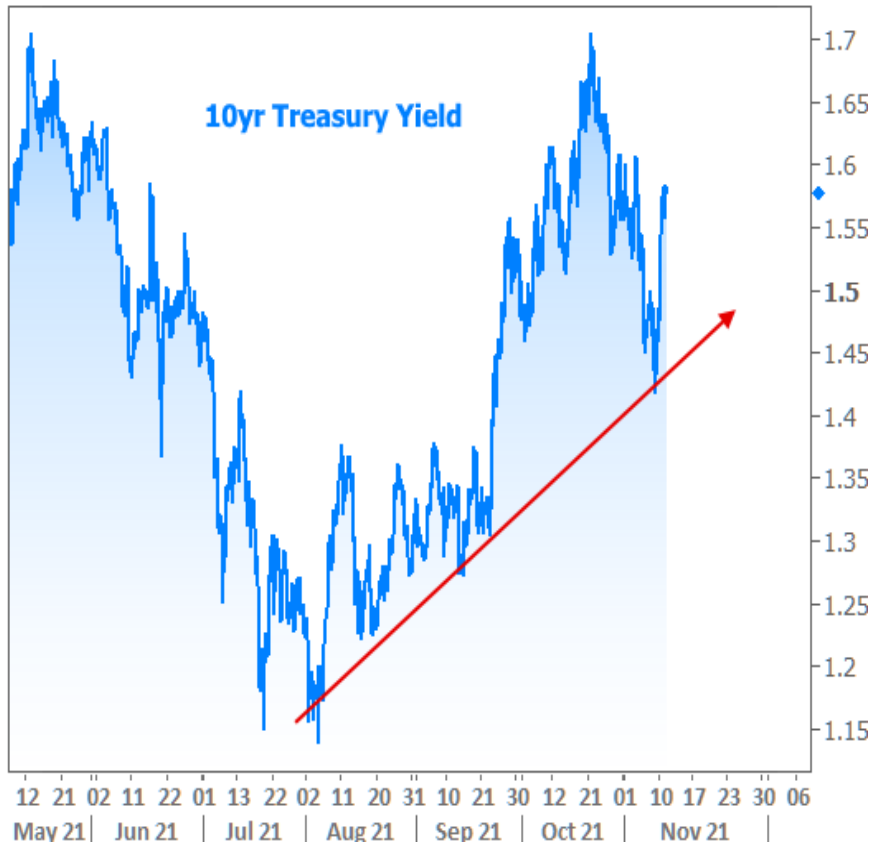
The catalysts were twofold (at least). In the morning, the **Consumer Price Index** or "**CPI**" (a key measure of inflation) rose to the highest level in 30 years. This was more than economists were expecting. Inflation pushes rates higher, all other things being equal, so that was a bad way to begin the day. Then in the afternoon, a scheduled auction of 30yr Treasury bonds was met with very light demand--another cue for rates to continue higher.

By the end of the day, mortgage lenders were forced to raise rates at least once. Without any improvement on Friday, rates moved higher yet again. The result is a rather **epic mismatch** of Freddie's weekly survey data and actual daily mortgage rates.

30yr Fixed Mortgage Rates
— weekly, survey based
— actual daily average



In the bigger picture, this jump in rates coincides with the bond market maintaining a longer-term trend leading up from the near-all-time lows seen earlier this year.

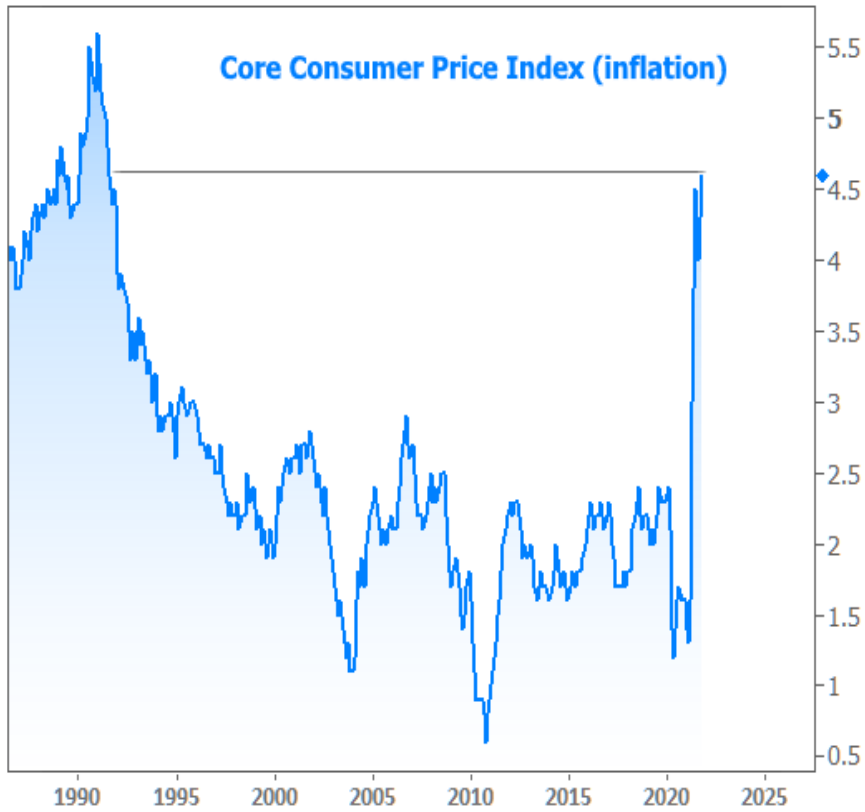


It also reinforces the gradual move up from the all-time lows seen at the end of 2020. That said, there is also a case to be made for a downtrend in rates based on the "lower highs" in 2021.

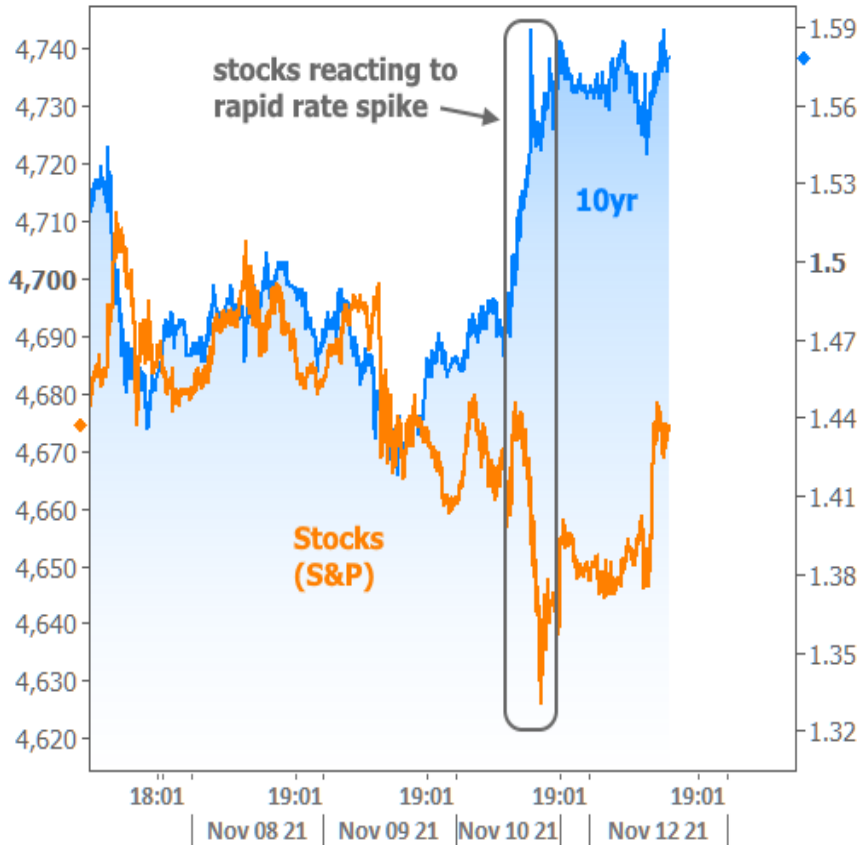


Musings over the future aside, the past 45 days send a clear message that rates have moved quickly to get back near post-covid highs. That's all we can really know at the moment, even if it's easy to be concerned that rates could continue moving higher.

The ultimate trajectory will depend on covid, the economy, and inflation. To reiterate, the inflation situation is not great. Here's the chart of the aforementioned jump in the Consumer Price Index:



Several recent economic reports have been very strong (not good for rates). Last week's ISM Non-Manufacturing Index came in at a record level, in fact. But higher rates and higher inflation bring a natural cooling effect to economic sentiment. This was even apparent in the short term based on the stock market's reaction to Wednesday's rate surge.



Then on Friday, the Consumer Sentiment reading for November dropped to its lowest level since 2011--largely reflecting inflation concerns.



Granted, this isn't the sort of thing that's going send rates significantly lower in the short term, but it does highlight the fact that higher rates/prices eventually become their own reason for rates/prices to move back down.

Subscribe to my newsletter online at: <http://housingnewsletters.com/thomaspayne>

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Nov 08				
1:00PM	3-Yr Note Auction (bl)	56		
Tuesday, Nov 09				
8:30AM	Oct Core Producer Prices YY (%)	6.8	6.8	6.8
Wednesday, Nov 10				
7:00AM	w/e MBA Purchase Index	278.4		271.1
7:00AM	w/e MBA Refi Index	2841.0		2645.0
8:30AM	Oct Consumer Price Index (CPI) (%)	0.9	0.6	0.4
8:30AM	Oct Core CPI (Annual) (%)	4.6	4.3	4.0
8:30AM	w/e Jobless Claims (k)	267	265	269
Friday, Nov 12				
10:00AM	Nov Consumer Sentiment	66.8	72.4	71.7
Tuesday, Nov 16				
8:30AM	Oct Retail Sales (%)	1.7	1.4	0.7
9:15AM	Oct Industrial Production (%)	+1.6	0.7	-1.3
10:00AM	Nov NAHB housing market indx	83	80	80
10:00AM	Sep Business Inventories (%)	0.7	0.7	0.6
Wednesday, Nov 17				
7:00AM	w/e MBA Purchase Index	282.5		278.4
7:00AM	w/e MBA Refi Index	2695.0		2841.0
8:30AM	Oct House starts mm: change (%)	-0.7		-1.6
8:30AM	Oct Housing starts number mm (ml)	1.520	1.576	1.555
8:30AM	Oct Building permits: number (ml)	1.650	1.638	1.586
8:30AM	Oct Build permits: change mm (%)	4.0		-7.8
Thursday, Nov 18				
8:30AM	Nov Philly Fed Business Index	39.0	24.0	23.8
8:30AM	w/e Jobless Claims (k)	268	260	267
10:00AM	Oct Leading index chg mm (%)	0.9	0.8	0.2
Wednesday, Jan 12				
1:00PM	10-yr Note Auction (bl)	36		
Thursday, Jan 13				
1:00PM	30-Yr Bond Auction (bl)	22		

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

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

We are a direct nationwide lender.
EQUAL HOUSING LENDER

Tom Payne

