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## Housing and Rates Having Tough Time Finding Momentum

Mortgage rates fell nicely to start the week but only after rising rather abruptly in the previous two weeks. That said, short term ups and downs are just a sideshow in the bigger picture where rates have been locked in a pattern of indecision that will ultimately give way to the next big move.

**30yr fixed mortgage rate index**  
**MND.NEWS**



There's a slightly smaller version of the bigger picture seen in 10yr Treasury yields, which tend to correlate highly with mortgages.

## National Average Mortgage Rates



### Mortgage News Daily

	Rate	Change	Points
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

	Rate	Change	Points
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

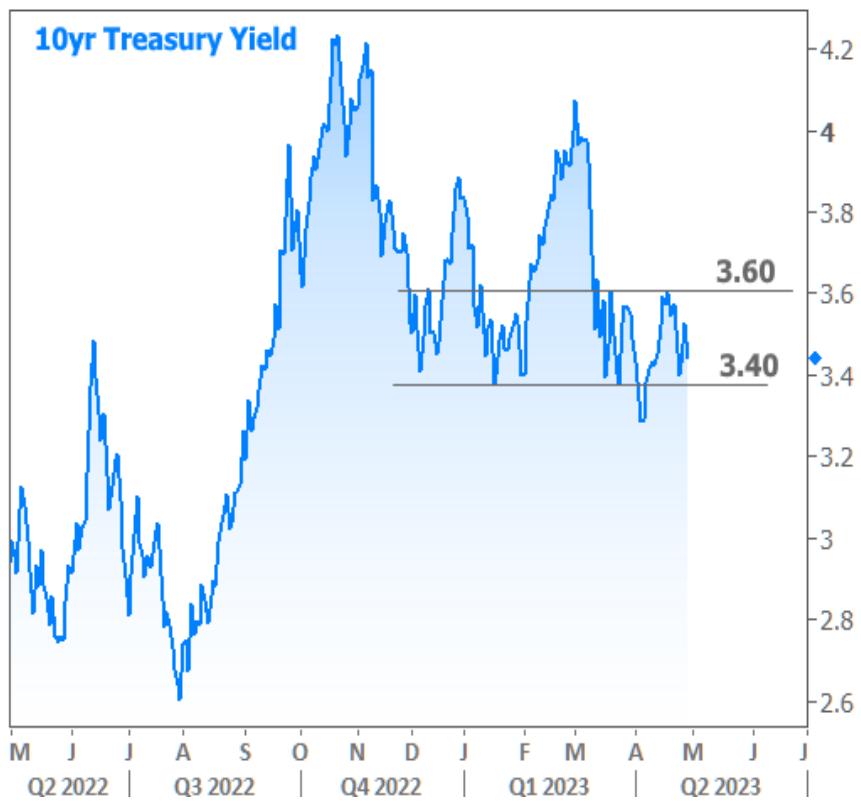
### Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.37	-0.03
MBS GNMA 5.5	99.74	-0.04
10 YR Treasury	4.2599	+0.0220
30 YR Treasury	4.4776	+0.0308

Pricing as of: 7/22 2:55PM EST

### Recent Housing Data

	Value	Change
Mortgage Apps	Jul 10	-0.19%
Building Permits	Mar	-3.95%
Housing Starts	Mar	-13.15%
New Home Sales	Mar	+4.68%
Pending Home Sales	Feb	+1.75%
Existing Home Sales	Feb	-0.75%
Builder Confidence	Mar	+6.25%



If it looks like Treasuries have been a bit more willing to hang out near the bottom of their range, there's good reason. A resurgence of concerns over the banking sector sent investors to seek cover in the safest of havens. After several back-and-forth headlines, the week ended with reports that it was only a matter of time before First Republic Bank officially failed.

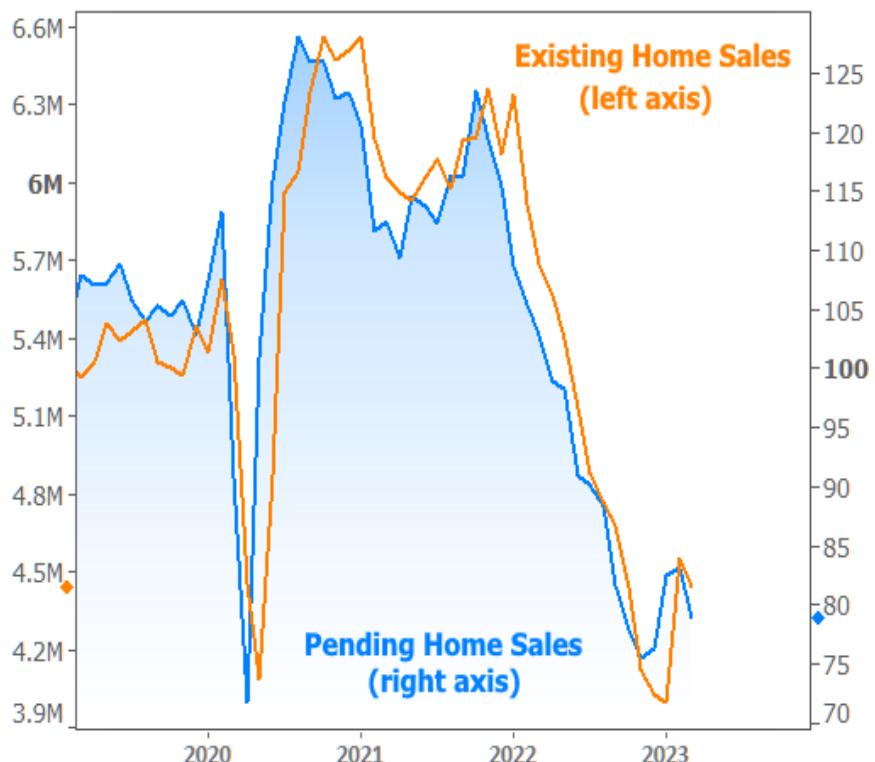
In not so many words, when these banks officially fail, another bank or financial firm acts as a sort of trustee to minimize the amount of FDIC's insurance payout. That involves selling the bank's assets. In SVB's case, there have been billions in mortgage-backed securities. From there, it's just supply/demand 101. Higher supply = lower prices. And in the bond market, lower prices mean higher rates.

What's it going to take for things to change? In a word: inflation. That's how we ended up here in the first place, after all. The present market limbo is a reflection of the present inflation limbo, which has been more persistent than many fans of low rates expected.

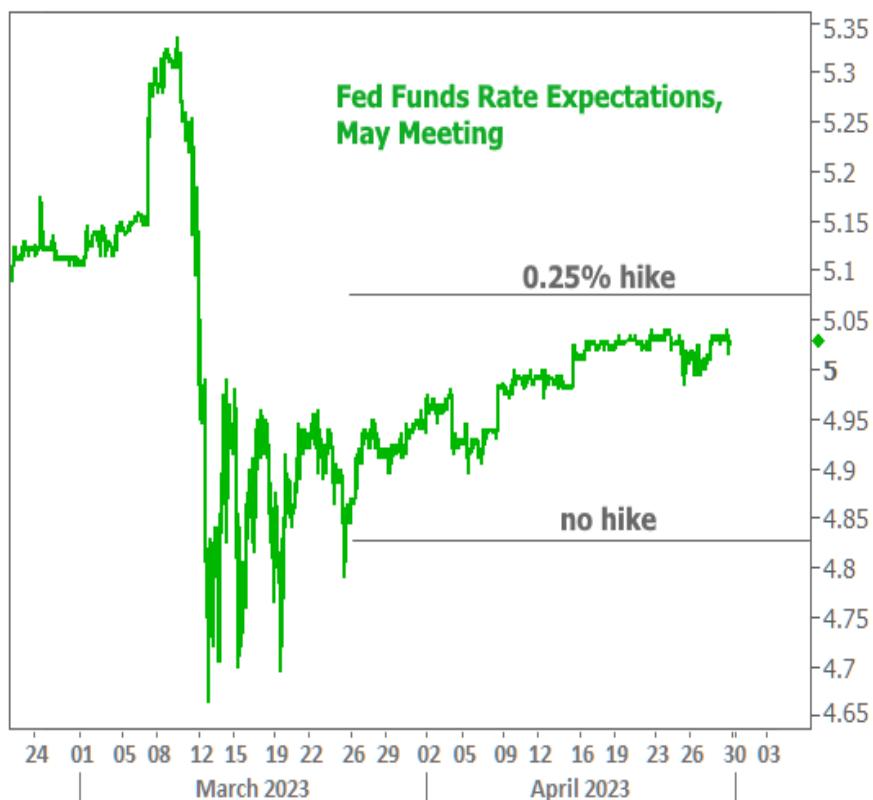
This week brought another update on the state of inflation in March, this time from the PCE price index (not to be confused with the Consumer Price Index or CPI which tends to have a much bigger impact on rates). PCE prices were close to expectations, but far from looking eager to return to target levels.



In separate data, some of the effects of March's higher mortgage rates were seen in the form of lower Pending Home Sales. This data series from the National Association of Realtors is an advance indicator of Existing Home Sales. The chart below compares the two. Simply put, the sharp drop in pending sales suggests the housing market is also in a sort of limbo and not necessarily eager for a sharp rebound.



Next week brings more significant economic data as well as the latest rate decision from the Fed. It's all but certain that we'll see another 0.25% rate hike, but at that point, there will be an even more intense focus on data to determine if that's the ceiling until further notice.



Next Friday's jobs report and the Consumer Price Index release on the following Wednesday could go a long way toward challenging the sideways pattern in rates, but only if they both send the same message.

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Apr 25</b>				
9:00AM	Feb FHFA Home Prices y/y (%)	4.0		5.3
9:00AM	Feb CaseShiller Home Prices m/m (%)	+0.1	-0.4	-0.4
9:00AM	Feb Case Shiller Home Prices-20 y/y (%)	+0.4	0.0	2.5
9:00AM	Feb FHFA Home Price Index m/m (%)	0.5		0.2
10:00AM	Apr Consumer confidence	101.3	104.0	104.2
10:00AM	Mar New Home Sales (ml)	0.683	0.630	0.640
10:00AM	Mar New Home Sales (%) (%)	9.6	1.1	1.1
<b>Wednesday, Apr 26</b>				
7:00AM	w/e MBA Refi Index	457.6		449.8
8:30AM	Mar Durable goods (%)	3.2	0.7	-1.0
8:30AM	Mar Core CapEx (%)	-0.4	-0.1	-0.1

## Event Importance:

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

Date	Event	Actual	Forecast	Prior
1:00PM	5-Yr Note Auction (bl)	43		
<b>Thursday, Apr 27</b>				
8:30AM	Q1 GDP Advance (%)	1.1	2.0	2.6
8:30AM	w/e Jobless Claims (k)	230	248	245
10:00AM	Mar Pending Home Sales (%)	-5.2	0.5	0.8
10:00AM	Mar Pending Sales Index	78.9		83.2
1:00PM	7-Yr Note Auction (bl)	35		
<b>Friday, Apr 28</b>				
8:30AM	Q1 Employment costs (%)	1.2	1.1	1.0
8:30AM	Mar Core PCE Inflation (y/y) (%)	4.6	4.5	4.6
8:30AM	Mar Core PCE (m/m) (%)	0.3	0.3	0.3
9:45AM	Apr Chicago PMI	48.6	43.5	43.8
10:00AM	Apr Consumer Sentiment (ip)	63.5	63.5	63.5
<b>Monday, May 01</b>				
10:00AM	Mar Construction spending (%)	0.3	0.1	-0.1
10:00AM	Apr ISM Manufacturing PMI	47.1	46.8	46.3
<b>Wednesday, May 03</b>				
7:00AM	w/e MBA Purchase Index	165.8		169.1
8:15AM	Apr ADP jobs (k)	296	148	145
10:00AM	Apr ISM N-Mfg PMI	51.9	51.8	51.2
2:00PM	N/A FOMC rate decision (%)	5.000 - 5.250	5.125	4.875
<b>Thursday, May 04</b>				
8:30AM	w/e Jobless Claims (k)	242	240	230
<b>Friday, May 05</b>				
8:30AM	Apr Non-farm payrolls (k)	253	180	236
8:30AM	Apr Unemployment rate mm (%)	3.4	3.6	3.5

## 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 ask 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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