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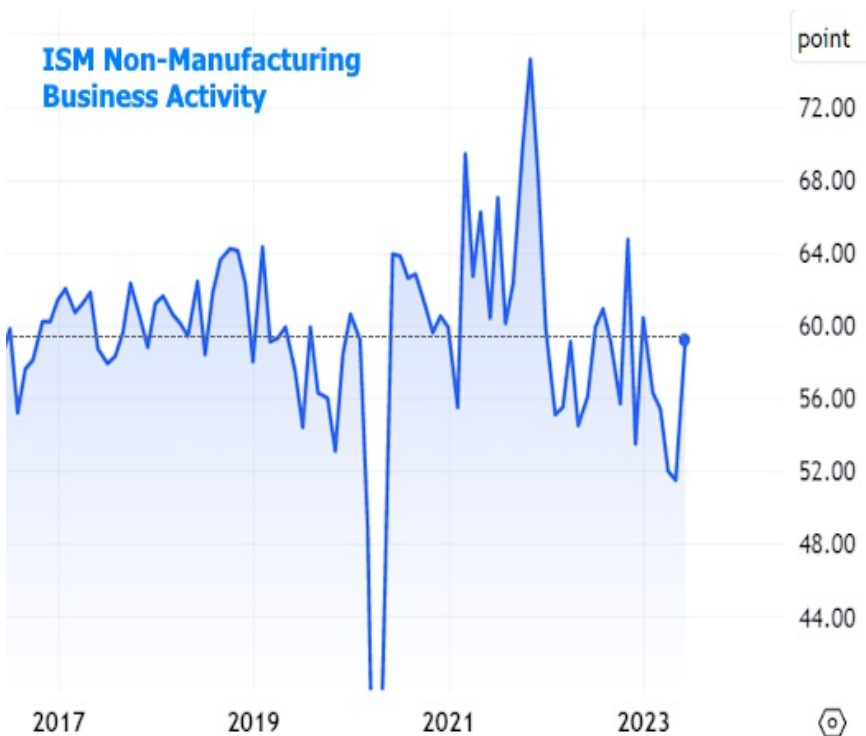
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## Mortgage Rates Back Over 7% as Markets Digest Economic Data

Until a few weeks ago, it looked like we might have seen the last of 7% mortgage rates, but the last 2 weeks have been brutal. The culprit has been a collection of several scheduled economic reports that were stronger than economists expected.

Generally speaking, strong economic data puts upward pressure on rates. This is a particularly sensitive relationship at the moment because the Fed has clearly stated it will hike rates a few more times unless the economy downshifts more abruptly than it has been. With that in mind, some of the recent data hasn't shown any downshift at all!

One solid example from this week was the business activity index in the services sector (via ISM), which rebounded massively:



On the same morning, the ADP employment data proved to be a much bigger deal, coming in at 497k versus a median forecast of 228k. Although the track record is far from perfect, ADP's stated goal is to predict the all-important nonfarm payroll (NFP) count in the Labor Department's big monthly jobs report. In this week's case, NFP was set to come out the following morning.

## National Average Mortgage Rates



	Rate	Change	Points
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### 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

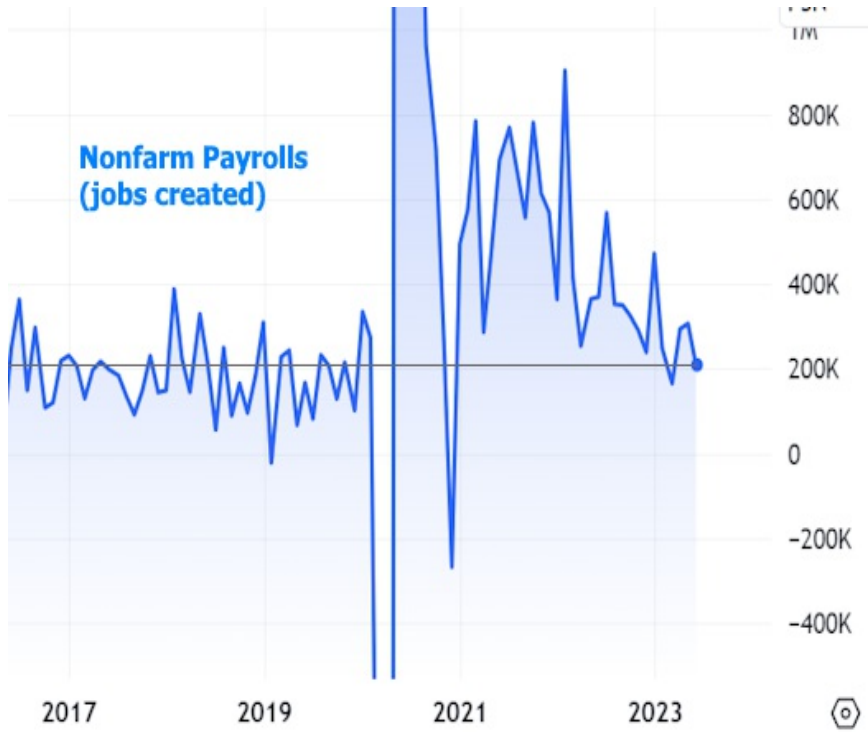
	Price / Yield	Change
MBS UMBS 5.5	99.36	-0.04
MBS GNMA 5.5	99.74	-0.04
10 YR Treasury	4.2594	+0.0215
30 YR Treasury	4.4758	+0.0290

Pricing as of: 7/22 3:00PM EST

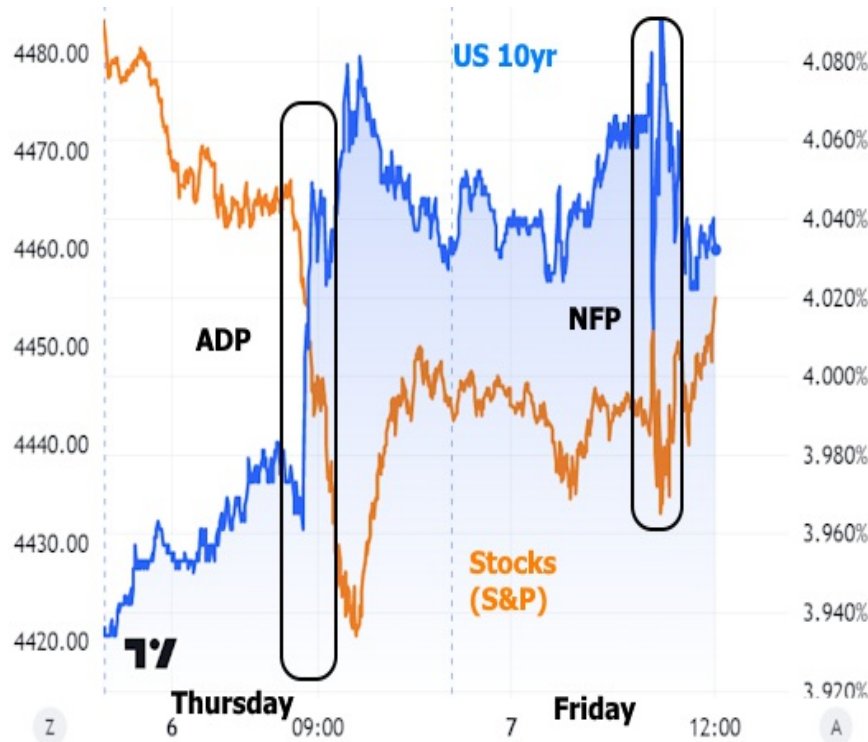
## Recent Housing Data

		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%

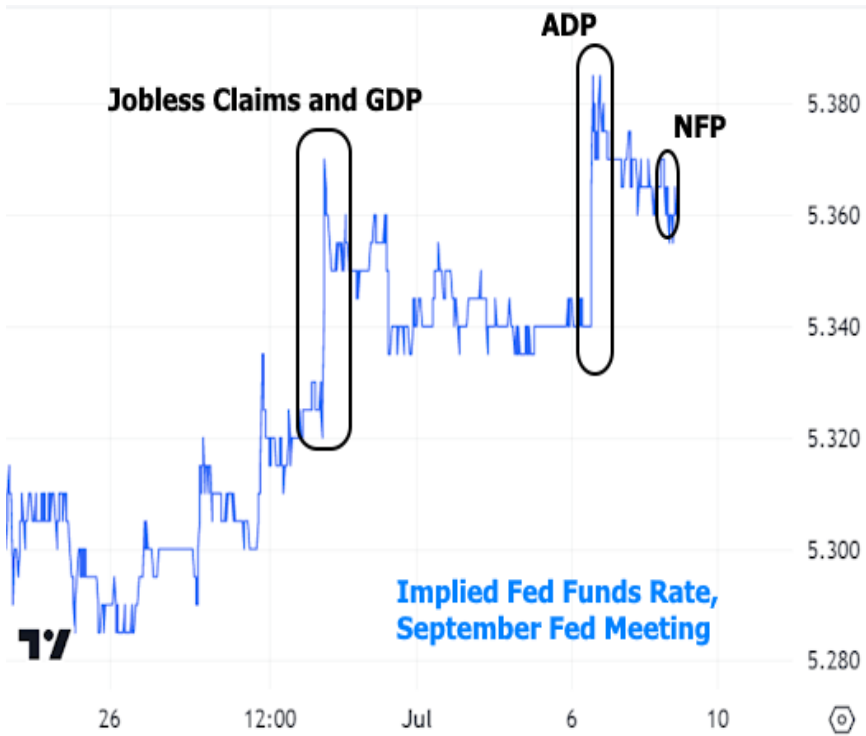
Although NFP didn't nearly live up to ADP's hype, it was nonetheless solid with 209k jobs created versus forecasts calling for 225k. Wages grew a bit faster than expected, and unemployment remained near record lows at 3.6%.



While this is good news for the economy and the labor market, bonds (which drive mortgage rates) like bad news and the news wasn't bad enough for bonds to undo the damage done on Thursday.



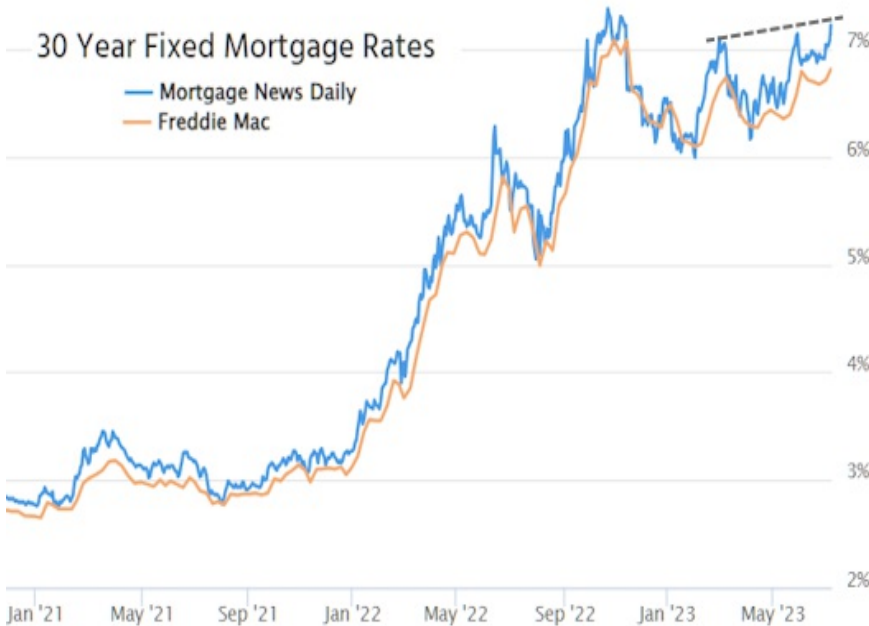
Incidentally, stocks occasionally like bad news these days too. This is a bit counterintuitive, but it has to do with the data's implication on the Fed's rate hike outlook. Specifically, the stronger data causes the market to predict a higher trajectory for the Fed Funds Rate:



In the bigger picture, the recent weakness is changing the shape of the trend in longer-term rates. The following chart uses Treasury yields to show a "breakout" from a recent trend of lower highs.



Mortgage rates are highly correlated with longer-term Treasuries so it's no surprise that they are also breaking out. In fact, they began to break out in late May and then moved even higher this week. The result is a new trend of "higher highs" that started in March:



The average lender moved well into the 7% range this week. That's much higher than suggested by Freddie Mac's weekly rate survey, which came in at 6.81% this week, but keep in mind that Freddie's survey has implied "points" (upfront loan costs that help bring the rate lower) that are not counted or reported. Contrast that to MND's index (the blue line in the chart above) which takes points into consideration. Lastly, Freddie's number is also an average of the 5 preceding days whereas MND is an up-to-the-moment check on prevailing rates.

What's next?

Expect the market to continue readily responding to economic data. One of the most important reports--the Consumer Price Index--will be out next Wednesday morning. If it shows inflation cooling more than expected, rates definitely have room to move lower. But if it takes a page out of this week's book and exceeds forecasts, rates will likely continue the trend of higher highs.

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Monday, Jul 03</b>				
10:00AM	Jun ISM Manufacturing PMI	46	47	46.9
10:00AM	May Construction spending (%)	0.9%	0.6%	0.4%
<b>Wednesday, Jul 05</b>				
2:00PM	FOMC Minutes			
<b>Thursday, Jul 06</b>				
7:00AM	Jun/30 MBA Refi Index	421.3		439.2
7:00AM	Jun/30 MBA Purchase Index	162.4		170.3
7:30AM	Jun Challenger layoffs (k)	40.709K		80.089K
8:15AM	Jun ADP jobs (k)	497K	228K	267K
8:30AM	Jul/01 Jobless Claims (k)	248K	245K	236K
10:00AM	Jun ISM N-Mfg PMI	53.9	51	50.3
10:00AM	Jun ISM Biz Activity	59.2	51.9	51.5
10:00AM	May USA JOLTS Job Openings	9.8M	9.935M	10.32M
<b>Friday, Jul 07</b>				
8:30AM	Jun Unemployment rate mm (%)	3.6%	3.6%	3.7%
8:30AM	Jun Average earnings mm (%)	0.4%	0.3%	0.4%
8:30AM	Jun Non Farm Payrolls	209K	225K	306K
<b>Monday, Jul 10</b>				
10:00AM	May Wholesale inventories mm (%)	0%	-0.1%	-0.3%
3:00PM	May Consumer credit (bl)	\$7.24B	\$20.25B	\$20.32B
<b>Tuesday, Jul 11</b>				
6:00AM	Jun NFIB Business Optimism Index	91	89.9	89.4
<b>Wednesday, Jul 12</b>				

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
7:00AM	Jul/07 MBA Refi Index	416		421.3
7:00AM	Jul/07 MBA Purchase Index	165.3		162.4
8:30AM	Jun m/m Headline CPI (%)	0.2%	0.3%	0.1%
8:30AM	Jun y/y Headline CPI (%)	3%	3.1%	4%
8:30AM	Jun y/y CORE CPI (%)	4.8%	5%	5.3%
8:30AM	Jun m/m CORE CPI (%)	0.2%	0.3%	0.4%
<b>Thursday, Jul 13</b>				
8:30AM	Jul/08 Jobless Claims (k)	237K	250K	249K
8:30AM	Jun Core Producer Prices MM (%)	0.1%	0.2%	0.1%
8:30AM	Jun Core Producer Prices YY (%)	2.4%	2.6%	2.6%
<b>Friday, Jul 14</b>				
10:00AM	Jul Consumer Sentiment (ip)	72.6	65.5	64.4

## 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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