



**Tom Payne**

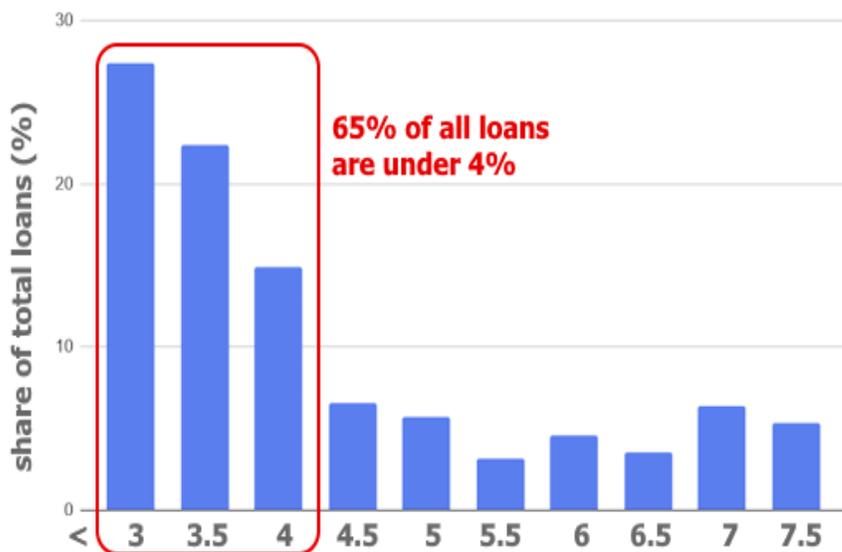
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## Refi Demand Exploded (Relatively), But Rates Are Settling (For Now)

There's been widespread speculation as to the effect that falling rates will have on refinance demand in a world where 2/3rds of mortgages have rates under 4%. This week's data suggests it's worth discussing.

### Outstanding Conventional Mortgage Balances by Rate



While the blue bars on the right side of the chart above may not be as big, they still represent 100s of millions of dollars of loan balances. In fact, there are nearly 10 billion dollars outstanding at rates of 7% and higher. As such, when last week's rates dropped briefly into the low 6% range, there was a mini glut of refi demand. The following chart shows the latest refinance application index from the Mortgage Bankers Association (MBA).

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.44%	-0.04	0.00
15 Yr. Fixed	5.97%	-0.03	0.00
30 Yr. FHA	5.90%	-0.04	0.00
30 Yr. Jumbo	6.66%	-0.02	0.00
5/1 ARM	6.32%	-0.06	0.00

### Freddie Mac

30 Yr. Fixed	6.46%	-0.40	0.00
15 Yr. Fixed	5.62%	-0.54	0.00

Rates as of: 8/23

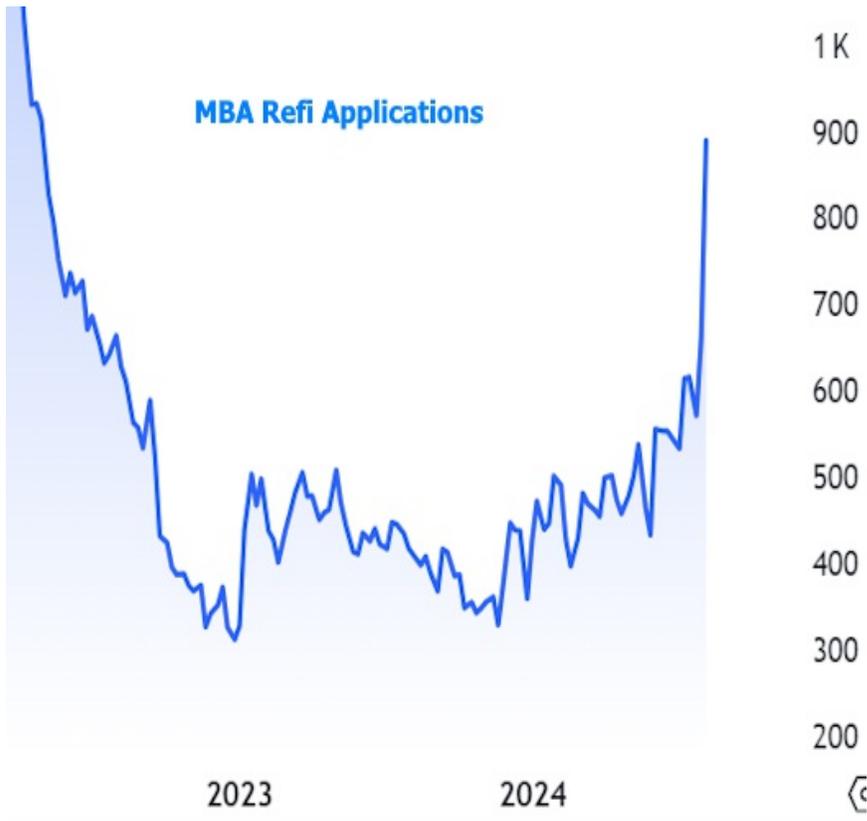
## Market Data

	Price / Yield	Change
MBS UMBS 5.5	100.93	+0.26
MBS GNMA 5.5	100.83	+0.22
10 YR Treasury	3.7999	-0.0531
30 YR Treasury	4.0908	-0.0309

Pricing as of: 8/23 5:59PM EST

## Recent Housing Data

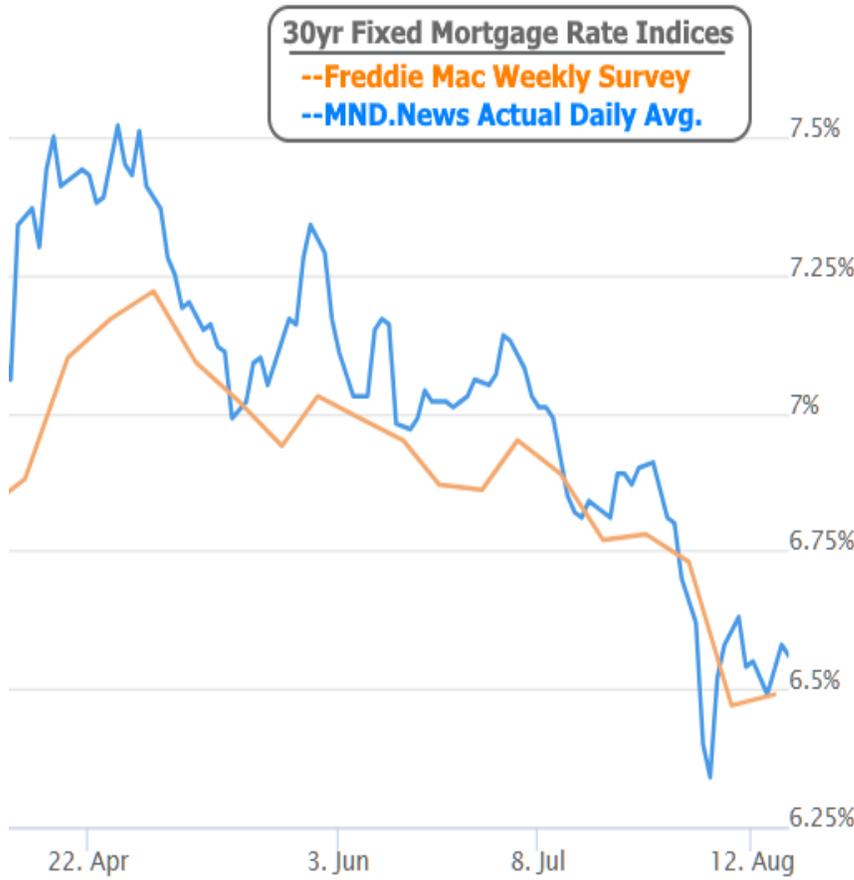
	Value	Change
Mortgage Apps	Aug 14 251.3	+16.83%
Building Permits	Mar 1.46M	-3.95%
Housing Starts	Mar 1.32M	-13.15%
New Home Sales	Mar 693K	+4.68%
Pending Home Sales	Feb 75.6	+1.75%
Existing Home Sales	Feb 3.97M	-0.75%
Builder Confidence	Mar 51	+6.25%



That may not look too "mini" at first glance, but context is important.



In other words, we're barely back to what had been historically low levels of refi activity seen in late 2018. The counterpoint is that rates were only in the low 6's for an hour or two last Monday morning. Bottom line: this is still proof of concept for more widespread refi demand in a scenario where rates move back into the 5s and hold those levels for more than a few hours.



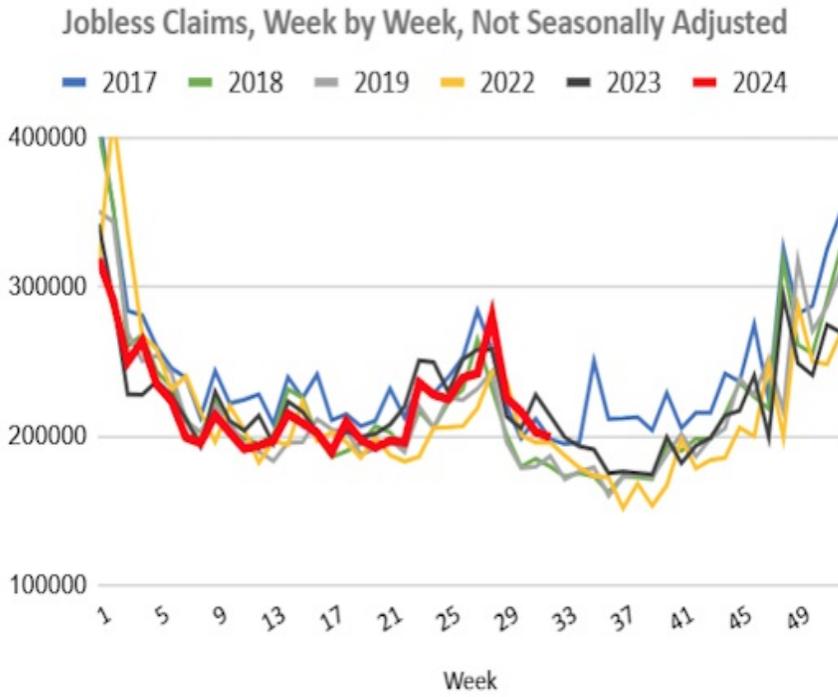
So how likely is a move back into the 5s? Based on the recent trajectory of economic data 2 weeks ago, it's only a matter of time. Since then, the data has been more of a two way street. The first few days of this week saw rates move lower in response to lower inflation. Thursday brought a sharp bounce in response to higher retail sales numbers and lower jobless claims.

The weekly Jobless Claims report is becoming rapidly more important due to the confluence of the most recent jobs report (a different, significantly larger and more important report compared to the jobless claims data) and the Federal Reserve's increased level of focus on the health of the labor market.

In not so many words, the Fed just talked about watching employment more closely in the announcement 2 weeks ago. 2 days later, the big jobs report came out much weaker than expected. Markets figured the Fed would have been even more rate friendly if they'd known about the jobs data.

From that point on, every little shred of employment data has been more important than normal. Jobless Claims, in particular, are very useful because they're reported on a weekly basis, thus allowing the market to potentially get ahead of any shift in the trend.

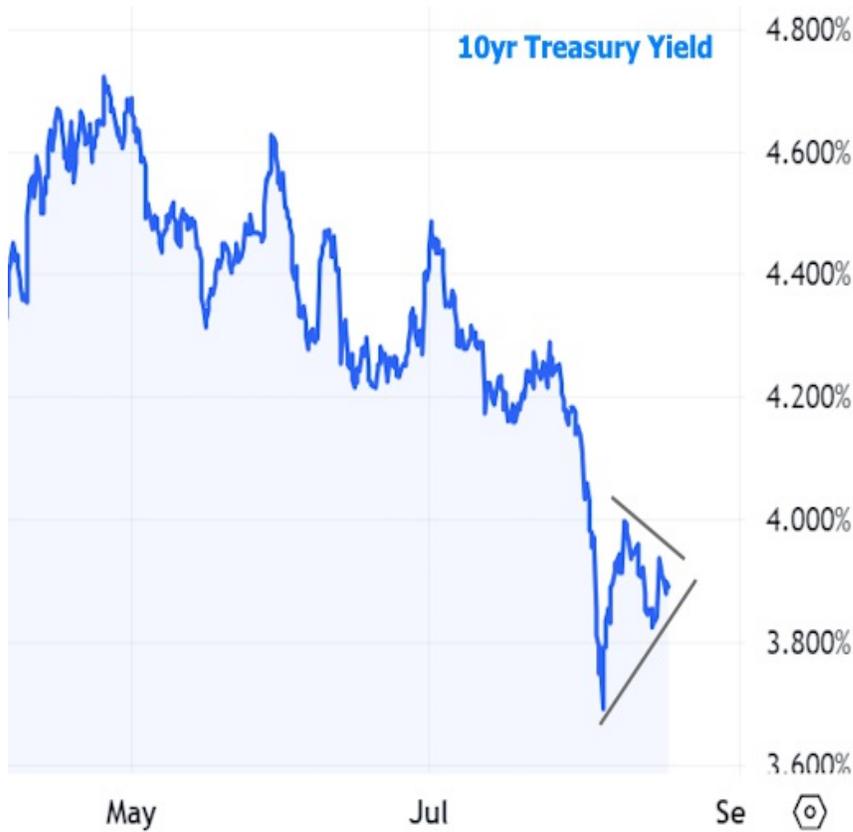
Rather than confirm the downbeat message from the big jobs report, Jobless Claims have instead been signaling business as usual, cutting a substantially similar path to the past 5 non-lockdown-distorted years.



As seen in 10yr Treasury yields, rates have responded accordingly.

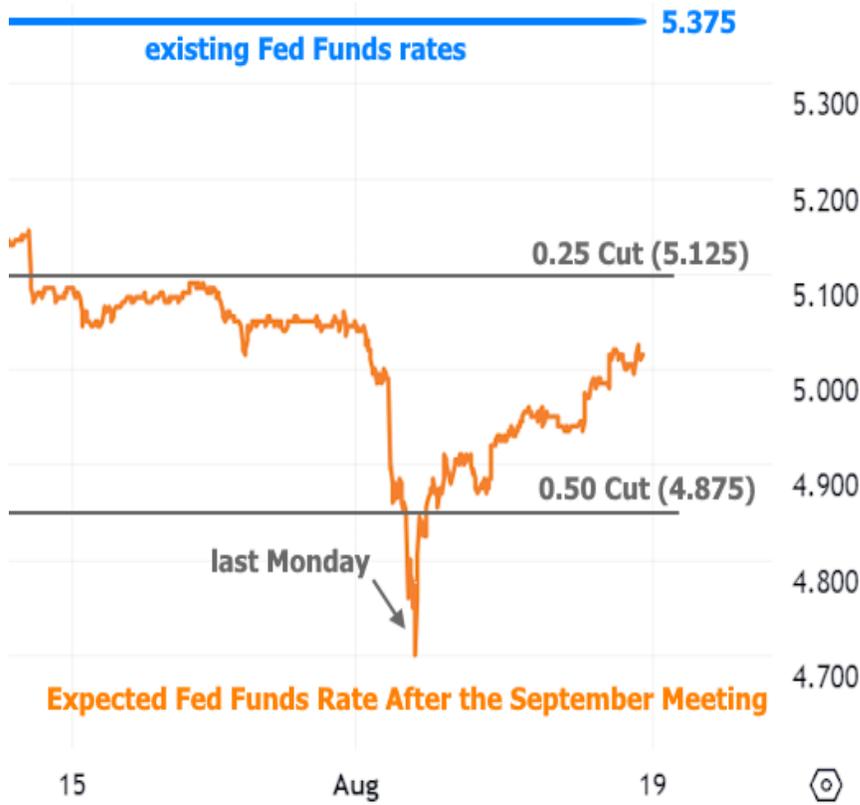


Thankfully for fans of low rates, these bumps have been contained by a broader consolidation near the lowest rate levels of the year.



Between now and the September Fed meeting, there are FIVE more jobless claims releases, another big jobs report, and another installment of the Consumer Price Index (CPI) in addition to plenty of strong supporting actors of the economic data world. If there's a cohesive message, rates should move accordingly (i.e. weaker data = lower rates, stronger data = higher rates).

As always, mortgage rates and Treasury yields would move well before the Fed announces a rate cut (seen as 100% likely for September). The market is constantly trading its expectations for the Fed Funds Rate, and those expectations tend to look a lot like the day to day movement in consumer rates.



Here's a longer term chart of a different Fed Funds Rate futures contract (June 2025) overlaid with a 5yr Treasury yield. 5yr Treasuries are actually more correlated with mortgage rate movement these days than 10yr Treasuries. Either way, the point is to show that the rate market will have already made its move by the time the Fed meeting rolls around.



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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Aug 13</b>				
8:30AM	Jul Core Producer Prices MM (%)	0%	0.2%	0.4%
8:30AM	Jul Core Producer Prices YY (%)	2.4%	2.7%	3%
<b>Wednesday, Aug 14</b>				
7:00AM	Aug/09 MBA Refi Index	889.3		661.4
7:00AM	Aug/09 MBA Purchase Index	137.7		133.9
8:30AM	Jul m/m CORE CPI (%)	0.2%	0.2%	0.1%
8:30AM	Jul y/y CORE CPI (%)	3.2%	3.2%	3.3%
<b>Thursday, Aug 15</b>				
8:30AM	Aug NY Fed Manufacturing	-4.70	-6	-6.60
8:30AM	Aug Philly Fed Business Index	-7.0	7	13.9
8:30AM	Jul Import prices mm (%)	0.1%	-0.1%	0%
8:30AM	Jul Retail Sales (%)	1%	0.3%	0%
8:30AM	Aug/10 Jobless Claims (k)	227K	235K	233K
9:15AM	Jul Industrial Production (%)	-0.6%	-0.3%	0.6%
10:00AM	Aug NAHB housing market indx	39	43	42
<b>Friday, Aug 16</b>				
8:30AM	Jul Housing starts number mm (ml)	1.238M	1.33M	1.353M
8:30AM	Jul Building permits: number (ml)	1.396M	1.43M	1.454M
10:00AM	Aug Consumer Sentiment (ip)	67.8	66.9	66.4
<b>Wednesday, Aug 21</b>				
2:00PM	FOMC Minutes			
<b>Thursday, Aug 22</b>				
8:30AM	Aug/17 Jobless Claims (k)	232K	230K	227K
9:45AM	Aug S&P Global Services PMI	55.2	54	55.0
10:00AM	Jul Existing home sales (ml)	3.95M	3.93M	3.89M
<b>Friday, Aug 23</b>				
10:00AM	Jul New Home Sales (ml)	0.739M	0.63M	0.617M
10:00AM	Fed Chair Powell Speech			

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## National Association of Realtors - New Rules & Open Houses

New rules stemming from the National Association of Realtors' commission lawsuit settlement went into effect Saturday following years of litigation, potentially upending the industry, including how agents get paid.

This week, I have been hearing from agents, brokers, MLS executives, portals and other insiders as the rules roll out.

**COMMISSION QUESTIONS:** In the wake of NAR's new settlement rules, many buyer's agents are suddenly confronting a new question: What commission should they ask for in their buyers' broker representation agreements?

Here are a few responses found in a real estate master-mind group:

"I'm asking the buyer to pay my rate but advising them the seller may be offering something towards that," one agent responded. "If that's the case they only have to pay what's left."

"Sit down with your buyer and a trusted loan officer" another suggested. "Have the loan officer complete the various costs including your compensation and without any compensation (seller contributes). Once the buyer sees how much they have to come up with, they can make a decision. Then you make yours."

Some commenters also said that their brokers are making recommendations.

"This thread is illegal," one commenter argued, echoing a number of other remarks. "It is price fixing and the whole reason the U.S. Department of Justice got involved. Commission/Concessions should only be discussed between the agent and his/her client, never among agents."

The debate highlights the fact that many practical issues stemming from the settlement are yet to be worked out – and that additional litigation is top of mind for many real estate professionals,

**OPEN HOUSE, OPEN QUESTION:** Among the real estate professionals watching how the settlement changes unfolded this weekend was Randy Bell of Life Realty – The District in Henderson, NV who told me that "Buyers appear to be leery about signing short-term agreements and may favor open houses over individual tours until they're at ease with the rule." He went on to state "It'll be very interesting to see whether open house traffic increases, which I expect it will once buyers understand they don't have the same friction with agreements by going directly to open houses,"

One stat I'm going to be looking at is the number of open houses relative to active listings. I'll have numbers for you in the weeks to come. ...More to follow in future Newsletters.

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

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**Tom Payne**

