



## 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](mailto:tompaynemortgage@gmail.com)  
[View My Website](#)

## Most Serious Move Higher For Rates in Over a Year

Following last week's announcement from the European Central Bank, the **tone** in rates markets has **shifted**. This time around, it's less about the fear of a potential Fed hike and more about the risk that central banks won't be able to keep longer term rates low forever.

Right now, the **driving force** behind ultra-low long-term rates is central bank bond buying. Even in the US, despite the absence of an official quantitative easing (QE) program, the Fed continues reinvesting the money it receives each month from the mortgages it bought during the the 3 previous QE programs.

Europe and Japan's central banks are **still expanding** their balance sheets. That means they're **pumping new money** into the financial system. Currently, the primary vehicle for this money creation is the purchase of bonds (similar to the Fed's QE programs). This is great for mortgage rates because higher demand for bonds results in lower rates, and central banks are a HUGE source of demand!

But as of late last week, **investors began to worry** that Europe and Japan might be reaching an inflection point where their conversations shift from "should we buy even more bonds?" to "maybe we can get away with buying fewer bonds."

The catalysts were twofold, at least. **First of all**, European Central Bank President Mario Draghi avoided his typical level of reassurance regarding asset purchases and easy money. In separate news, Japanese officials expressed concerns over the efficacy of their central bank's easy money policies.

**Speculation is increasing** that both banks may run out of bonds to buy, ushering a shift from "monetary accommodation" (easy money from central banks) to "fiscal stimulus" (government programs intended to help their respective economies). The latter is bad for financial markets (including rates) in the short term, because it doesn't involve the creation of new money.

These bigger-picture considerations mean that this week's volatility in rates has much **less** to do with **Fed rate hike fears** (which had been a key consideration in recent weeks). In fact, rate hike expectations have **decreased**, even as 10yr Treasury yields (the best proxy for big-picture momentum in longer-term rates like mortgages) have risen.

## 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

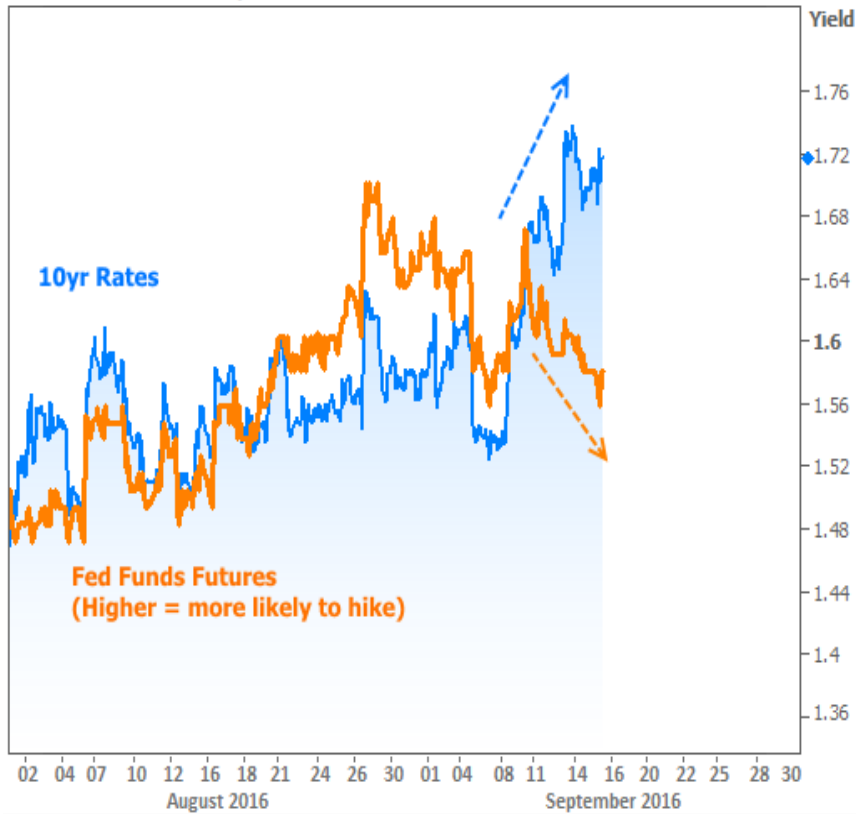
	Price / Yield	Change
MBS UMBS 5.5	99.50	+0.11
MBS GNMA 5.5	99.91	+0.14
10 YR Treasury	4.2325	-0.0200
30 YR Treasury	4.4542	-0.0183

Pricing as of: 7/23 9:01AM EST

## Recent Housing Data

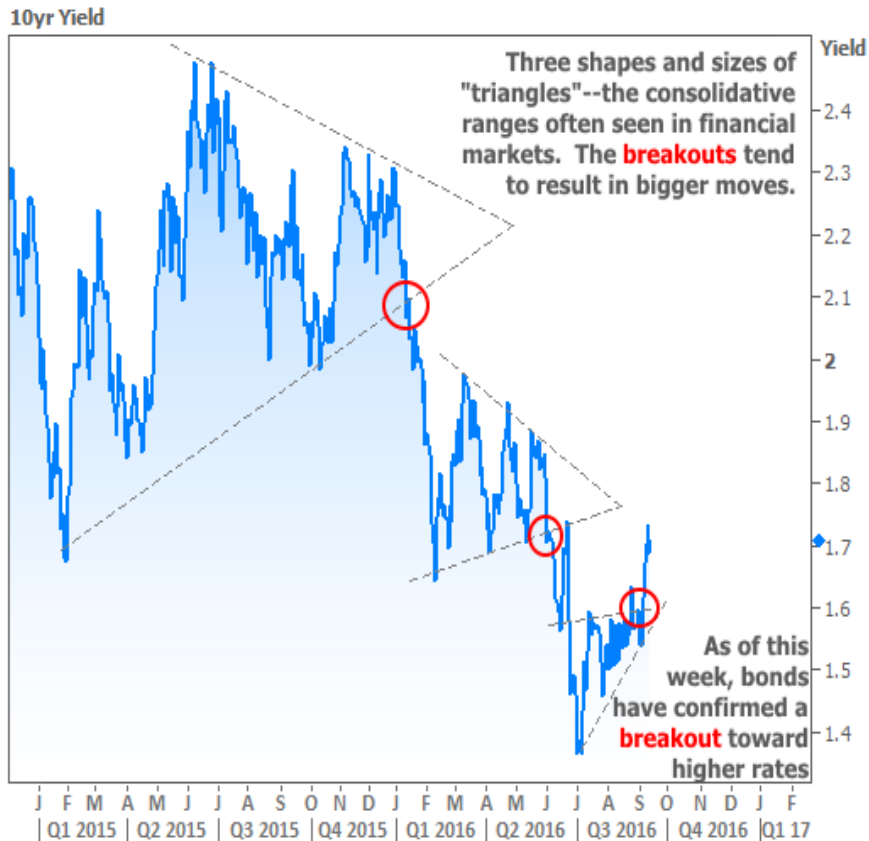
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

Fed Funds Futures vs 10yr Yield



**The move in rates is serious.** It fits a pattern that some market watchers refer to as a "triangle breakout." The term comes from the lines that can be drawn along the highs and lows of any chart. When those lines converge, prices or yields are consolidating--moving closer together. Such consolidations are often followed by more substantial moves, be they higher or lower.

The thinking is that markets are either finally making a decision after a period of indecisiveness, or simply that they've finally spent enough time finding their footing from the last major move that they're ready for the next one. **Unfortunately** for rates, the current triangle is being broken on the upper line.



There are **two great sources of perspective** though. First of all, consider the depth of the last "triangle breakout" earlier this year. Rates didn't cover too much ground before changing course. In other words, the fact that we're breaking toward higher rates doesn't mean rates have to go significantly higher. It merely identifies the current trend.

The other source of perspective is pretty simple, and it has to do with where we are in the **biggest of pictures**:

Mortgage Rates



## Housing News and Economic Data

It was a light week for economic data until Thursday. Multiple reports were released with the most significant--**Retail Sales**--coming in at -0.3 versus a median forecast of -0.1. Odds for a Fed rate hike decreased further following the data, but that wasn't much consolation to mortgage rates, for the reasons discussed above.

In news off the beaten path, CoreLogic [highlighted the the interesting phenomenon](#) of **lower-FICO borrowers** increasingly moving away from urban areas.

Next week's **focal point** will be Wednesday's Federal Reserve Announcement. Again, the Fed is not expected to hike rates (although it is technically a possibility), but markets will be very interested to see what Yellen has to say in the press conference following the announcement. Also potentially significant are the updated economic projections from Fed members, released with the announcement at 2pm.

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

## 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)

We are a direct nationwide lender.  
EQUAL HOUSING LENDER

**Tom Payne** 