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Conflicting News on Rates, But Everyone Agrees on The Next Main Event

Last Thursday, Mortgage News Daily (MND) published an article titled: "Rates Right in Line With Long-Term Lows, But That Could Change on Friday." Indeed, rates ended up jumping in a big way--the biggest in more than a year.

There was no clairvoyance involved, nor was it a lucky guess. In fact, the intention of the headline was to point out that rates could go big in EITHER direction. It was not destined to be the case, necessarily. All we knew is that we would receive one of the two most important monthly economic reports the following morning and that interest rates routinely react to any big surprises in that report.

The report in question was the employment situation (aka "the jobs report"), and if you've read anything about mortgage rates in the past week, you've [seen the damage](#). Then again, that depends on what you read.

Freddie Mac's weekly mortgage rate survey (yes, we're aware that it's no longer a traditional question and answer survey) has a massive reach with write-ups in a many of the biggest media outlets. There are even some high level financial firms that still pay attention despite the newer, superior alternatives.

Case in point, just one short day ago, Freddie's survey was updated to show essentially no change in mortgage rates from last week. The index moved from 6.63 to 6.64 and the survey's landing page said "Mortgage rates remain stagnant, hovering in the mid-six percent range over the past several weeks."

Occasionally, Freddie has used that space to point out that daily rates began to shoot up at the end of the survey period--a nice courtesy to anyone reading "mid-six percent range" when the average mortgage lender was closer to 7.0%.

On that note, by the time of this week's Freddie survey, the average mortgage lender was indeed much higher than last week. Depending on the details of the specific scenario, many borrowers saw rates that were HALF A PERCENT higher!

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
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%



There are several different ways to attempt to justify this discrepancy. The best is to understand that Freddie's number is a 5 day average and the first few days of the survey period saw much higher rates. In fact, if we calculate the average daily rate from the MND index that corresponds with Freddie's survey days, we find a small increase of 0.04% this week. At first glance, that makes Freddie's 0.01% increase seem like no big deal, but everything's relative.

Notice the flat orange line goes all the way back into late December. Freddie logged a rate that was 0.03% lower for that survey period. If we run the same math on MND's daily rates, we find they were 0.25% lower! In other words, it's not hard to account for a Thu-Wed survey showing minimal change this week, but it's impossible to explain how it could come up with an increase of only 0.03% when actual rate sheets were 0.25% higher. 0.25% might not seem like a big number, but it's huge in the world of mortgage rates.

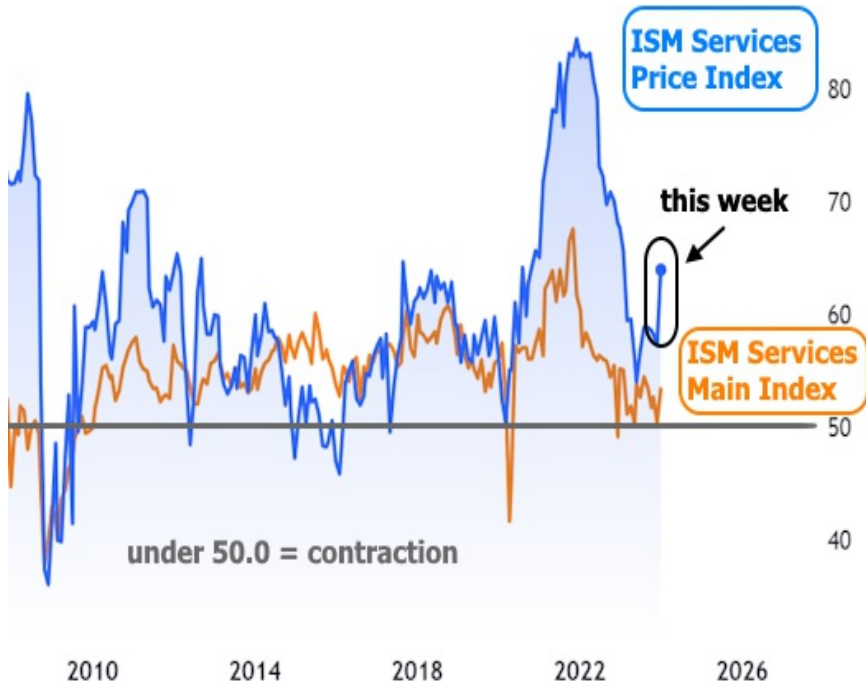
Bottom line: the bottom line (the orange one) in the chart above is fishy. Rates are substantially higher than they were last Thursday or at the end of December.

In this week's other news, we were treated to a slew of speeches from various members of the Federal Reserve. They could easily have been reading from the same exact notes. Here are the talking points that are ubiquitous at the Fed right now:

- Inflation has come down nicely, but it's still too high overall and we'd like to see it come down a bit more with a bit better balance across sectors
- If we had to guess, we think we'll be in a position to cut rates this year, but not too soon, and it still depends on the economy
- The economy and job market have been surprisingly strong and that helps us feel comfortable about waiting to make a decision on rate cuts

US Housing Market Weekly

There was one other highly important economic report this week. While not in the same league as the jobs report or CPI, the ISM services index often pushes rates higher or lower. Stronger data pushes rates higher and vice versa. This week's release was stronger across the board. The headline index was only slightly stronger, but the "prices" component of the data surged much higher, and while it was nowhere near recent highs, it's still a negative anecdote on inflation ahead of next week's data.



What's up with next week's data? Remember the reference to "one of the two most important monthly economic reports" above? The other report is the Consumer Price Index (CPI), a key measure of inflation. It will be released this coming Tuesday morning and it has just as much power to cause volatility for rates as the jobs report. As always, keep in mind that volatility implies potential movement in EITHER direction.

The bond traders that ultimately dictate mortgage rate movement tend to be most focused on core inflation (which excludes food and energy prices). Core monthly CPI is expected to be 0.3% again. If it's 0.4% or higher, rates will likely rise. If it's 0.2% or lower, rates have a good chance of moving lower.

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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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