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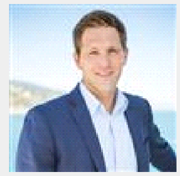
Rates Catch a Break, but Remain Higher on The Day

BY MATTHEW GRAHAM



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Mortgage Rates continued higher today. Even though the spike wasn't as severe as Friday's, we nonetheless find ourselves well into the highest levels since the UK voted to leave the EU ("Brexit," a flashpoint for financial markets and the last major source of downward pressure on interest rates).

All that having been said, today **could have been worse**. Indeed, bond market trading in the morning was bad enough for rates to begin the day noticeably higher. Investors were nervous about a Fed speech that they thought might contain clues about an upcoming rate hike. When that proved to be a false alarm, markets breathed a small sigh of relief and several lenders offered improved rate sheets in the afternoon. Keep in mind, however, that this is improvement relative to this morning's first rate sheets, thus leaving us higher on the day.

Since Thursday, most lenders are **nearly an eighth of a point** higher in rate on top-tier conventional 30yr fixed scenarios (from 3.375% to 3.5% on the competitive end of the market). It continues to make most sense to anticipate further weakness until it can be ruled out. That means favoring locking vs floating until and unless we see a big bounce toward lower rates.

Loan Originator Perspectives

Today's good news is that rate markets haven't (yet) continued last week's sell-off. The bad new, sadly, is they haven't recoup any of them either. It's both predictable and frustrating when Fed members drop nuggets touting economic recovery (as happened Friday). then other members then mention tepid economic data (as happened today). Until I see confirmation that our upward rate trend has ended, I'll still be locking most loans sooner rather than later. I'd rather lock and be wrong, than float and be wrong, and right now, rates don't know where they want to go. **-Ted Rood, Senior Originator**

Today's Best-Execution Rates

- 30YR FIXED - **3.5%**
- FHA/VA - 3.0 - 3.25%

- 15 YEAR FIXED - 2.75%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- In the biggest of pictures, "global growth concerns" remain the driving force behind the long-term trend toward lower rates

- Amid that trend, periodic corrections toward higher rates can and will happen. These can happen for no apparent reason, or they can be brought on by changes in expectations surrounding central bank policy at home and abroad, as well as geopolitical and systemic risks

- Time horizon and risk tolerance are 2 variables to consider when it comes to locking. If you have plenty of time and don't mind losing some ground, set a limit as to how much higher rates could go before you'd lock to avoid further losses, and then float in the hopes of never seeing that limit.

- In the shorter-term, it's always good to look for lock opportunities after rates have been moving lower or sideways repeatedly, especially if they've since begun to move back up in any sort of consistent way.

- *As always, please keep in mind that the rates discussed generally refer to what we've termed **'best-execution'** (that is, the most frequently quoted, conforming, conventional 30yr fixed rate for top tier borrowers, based not only on the outright price, but also 'bang-for-the-buck.' Generally speaking, our best-execution rate tends to connote no origination or discount points--though this can vary--and tends to predict Freddie Mac's weekly survey with high accuracy. It's safe to assume that our best-ex rate is the more timely and accurate of the two due to Freddie's once-a-week polling method).*