Holding Near Six Month Rate Lows. Why Float When Rates Are This Low?

By: Victor Burek | Mon, Nov 23 2009, 10:48 AM

Last week ended basically where it began with prices of mortgage backed securities moving sideways near record highs and mortgage rates holding steady near six month lows. MBS traded in a very narrowing range as the week progressed which allowed lenders to publish base 30 year conventional mortgage rates in the 4.625% to 4.875% range. While the week ahead is holiday shortened in observance of Thanksgiving, there is still plenty of data to take note of...housing data specifically.

The week begins with Existing Home Sales data from the National Association of Realtors. This release totals the number of previously constructed homes in which a sale closed in the previous month. Recent reports have shown existing home sales moving higher thanks to near all time low mortgage rates and government stimulus for first time buyers. Today's report was expected to show existing home sales moving higher at an annualized pace of 5.70 million following the prior month's read of 5.57million annual sales.

The report indicated that existing home sales were much higher than expected in October, increasing to a pace of 6.10 million sales per year, the highest level since February 2007. Low home prices, low mortgage rates and government stimulus appear to be having a positive effect on the housing sector. Many economists believe that our economy will have trouble rebounding until the housing sector stabilize, making housing data more relevant to market watchers.

Besides a busy economic calendar, the Treasury Department will auction $118 billion in Treasury notes this week, with the first auction today.

At 1pm today, the U.S Treasury will conduct it's first auction of the week, offering $44 billion 2 year notes. Market participants will look at the demand for our nation's debt to gauge the success of the auction. Strong demand has helped keep mortgage rates near historic lows despite record borrowing. Recent auctions, especially for shorter term securities such as 2 year notes, have seen very strong demand. Tomorrow the Treasury will auction $42 billion 5 year notes, $32 billion 7 year notes go off on Wednesday. Matt and AQ will cover the results on the MBS Commentary blog once they are released shortly after 1pm.

The remainder of the holiday shortened week is packed with economic data. Tomorrow, we get our second look at Gross Domestic Product(GDP) for the third quarter when the revised reading is released. We also get another peek into how you, the consumer, is feeling with the release of Consumer Confidence and the Federal Open Market Committee will release the minutes from their last meeting. The economic data wraps up on Wednesday, with the release of Personal Income and Outlays, Durable Goods Orders, Jobless Claims, Consumer Sentiment, and New Home sales. Friday is a half day in the markets, no data will be released and there will be no Treasury auctions.

For more on the week ahead, check out the MND STORY.

Reports from fellow mortgage professionals indicate lenders rate sheets to be similar to last week's closing rates. The par 30 year conventional rate mortgage remains in the 4.625% to 4.875% range for well qualified consumers. To secure a par interest rate you must have a FICO credit score of 740 or higher, a loan to value at 80% or less and pay all closing costs including an estimated one point loan origination/discount/broker fee.

With MBS prices near record highs and mortgage rates near six months, I continue to advise clients and readers to lock. Does anyone feel mortgage rates will move lower? I see no reason to be floating at these mortgage rates.

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