Mortgage Rates Steady at Aggressive Levels

By: Victor Burek | Tue, Jan 19 2010, 12:57 PM

Mortgage rates improved last week after the Treasury Deparment completed debt auctions totaling $84 billion. On Friday, lenders improved rate sheets to their best levels all week (best in about a month really!). All US markets were closed yesterday in honor of Martin Luther King Jr. day. A few lenders issued rate sheets, they were unchanged from Friday.

We had no major economic data releases this morning; however, Citigroup announced third quarter results matching expectations of a 0.33 cent loss per share but missing on total revenue. In total, Citigroup lost $7.6 billion mainly due to a pre-tax charge of $8 billion which repaid TARP bailout funds. At 1pm today the National Association of Home Builders will release their Housing Market Index. This survey gives the market a view into the sentiment of home builders. If the housing market is to help add momentum the overall economic recovery, home builders will have to feeling positive enough to start building homes again.

See Rates from Lenders in Your Area

Tomorrow data picks up with the weekly Mortgage Bankers Associations Application Index followed by Housing Starts which will give market participants a look into the strength of the housing sector. We also get a reading on inflation with the Producer Price index.

Thursday brings us the weekly jobless claims, leading indicators and Philadelphia Fed Survey. In addition to the data we also get another round of treasury auction terms from the U.S. Department of Treasury. They will announcethe size of next week's offering of 2 year, 5 year and 7 year notes. The additional supply of debt may push benchmark Treasury yields higher to attract buyers which can cause mortgage rates to rise as well.

Friday we have no economic reports hitting the news wires. For more on the week ahead, check out the MND STORY.

Reports from fellow mortgage professionals indicate lender rate sheets to be unchanged this morning. The par 30 year conventional rate mortgage remains in the 4.875% to 5.125% range for well qualified consumers, a few lenders are still offering 4.75%, but not many. 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. You may elect to pay less in closing costs but you will have to accept a higher interest rate. If you are looking to secure a 15 year term, you should expect a par rate in the 4.25% to 4.50% range with similar fees. Again, these are par mortgage rates, consumers will likely need to pay at least one point to get these rates.

Last week I advised that I am providing lock float guidance on a very short term basis. In the near term, as in this week, I expect to see only marginal mortgage rate improvements, nothing huge. I am thinking that locking before Thursday will likely be the best strategy (lock before the Treasury announces debt supply later this week).

I think I must repeat what I wrote on Friday afternoon:

While I am comfortable with a float recommendation into next week, I must share with you that we are very defensive of these mortgage rate improvements. We don't see gains being a long lasting trend. With that in mind, if you are closing in the next month, you should be looking to lock in soon. If you are a "fence sitter" or have an Interest Only ARM that is about to adjust, you should be considering a refinance before interest rates start rising. I hope its obvious how defensive we are...floating one day at a time.

I am in need of some participation from consumers that read my blog. Starting this year, there is a new good faith estimate that must be used. It is intended to more accurately present the closing costs of a loan to the consumer and prevent added fees once the good faith estimate has been provided.

Among the mortgage professionals I speak with on a daily basis, the new GFE hasn't been met with much optimism. The consumers I have spoken with have found it to be very confusing. A one page document has now been expanded to three pages in an attempt to make it easier to understand. If you are a consumer that has received the new GFE from your mortgage professional, please provide us your feedback. Do you find it to be easier to understand? What do you like or dislike about it?

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