Locking My Loans After a Week of Mortgage Rate Improvements

By: Victor Burek | Fri, Jan 22 2010, 3:44 PM

Mortgage rates hit their lowest levels in over a month yesterday after mortgage backed securities prices rallied to new 2010 highs. These improvements were triggered by a stock sell off which forced investors to reallocate funds into less risky assets like US Treasuries. Panic in stock markets was prompted by a proposal from the Obama administration which limits the size of banks and their risk taking/profit making strategies. While details have yet to be provided, the stock market did not react well to this news. Bank stocks sold off rapidly as market participants scrambled to make sense of the regulatory proposal. This event turned out to be very supportive of interest rates. As MBS price gains held into the trading session close, many lenders reissued rate sheets which lowered consumer borrowing costs.

To read more on the proposed bank regulations, check out the MND STORY.

No economic data was released today...which makes my life easier! :-D

See Rates from Lenders in Your Area

Reports from fellow mortgage professionals indicate mortgage rates to be slightly worse than yesterday.While the par 30 year conventional mortgage rate remains in the 4.75% to 5.00% range, it is marginally more expensive to get those rates today. These rates are the most aggressive in the mortgage market, only very well qualified consumers will have access to these borrowing costs. To secure a par rate you must have a FICO credit score of 740 or higher, a loan to value at 80% or less. These quotes also assume the borrower is willing to pay all closing costs including an estimated one point loan origination/discount/broker fee. If you are seeking a 15 year term, you should expect a par rate in the 4.25% to 4.50% range with similar costs.

With lenders still offering the best rates we've seen in over a month and further progress unknown in the rates market, I still think most should be locking in their mortgage rate. As I said yesterday, we have picked up significant gains this week, by locking you take advantage of those gains and remove risks. At this point, without a fundamental shift in investor sentiment or the economy, it is going to be very difficult for mortgage rates to move much lower. In my opinion you do not have much to gain by floating.

If you decide to risk it and float, keep an eye on the stock market. If stocks rebound, money will flow out of the fixed income market, benchmark yields will rise, and mortgage rates will increase. If stocks trade in the red or sell off, we could possibly see mortgage rates move lower; however, the safe call is to lock and take advantage of the price gains we have enjoyed this week.

As I have said in the past, it is better to lock when you should have floated than it is to float when you should have locked.I would like to hear from fellow mortgage professionals. What is your opinion of lock or float?

I hope everyone has a great weekend.

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