

# Mortgage Rates Steady Near What Might Be The Best Levels of the Year

By: Victor Burek | Tue, Feb 2 2010, 12:51 PM

Mortgage rates held steady yesterday despite a healthy rally in the stock market. Lenders were able to keep mortgage rate sheets mostly unchanged as prices of mortgage backed securities held to a tight range throughout the day. President Obama released his 2011 Budget yesterday morning. We were hoping it would address the ownership position of housing enterprises Fannie Mae and Freddie Mac, however they were not mentioned. What does this mean for mortgage rates? If the Federal Reserve carries on with their exit from the agency MBS market at the end of Q1 2010, which we expect to happen barring a huge shift in economic sentiment, mortgage rates will rise from current levels. This is one reason we have been more biased toward locking than floating lately.

The lone economic report to hit news wires today was another look at the increasingly important housing market: Pending Home Sales. The National Association of Realtors releases this report which shows the monthly change in the amount of existing homes, not new construction, in which a contract has been signed, but is yet to close. This is a leading indicator of housing activity and economic momentum as consumers would have to feel pretty confident about their own finances to purchase a home. Additionally, when a home is purchased, there are many other items needed to furnish the home, this adds to consumer spending which benefits the overall economy. The data in this report has a two month lag time, so today's data is for the month of December. Economists surveyed prior to the release expected Pending Home Sales to post a 1.0% month over month rebound following November's disappointing 16% decline.

## See Rates from Lenders in Your Area

The NAR reported Pending Home Sales for December are up 1% from the prior month, matching economists' expectations. November's report was revised for the worse to post a decline of 16.4%. [HERE](#) are some charts and deeper analysis if you're interested.

Reports from fellow mortgage professionals indicate lender rate sheets to be similar to yesterday's...again. This keeps the par 30 year conventional rate mortgage in the 4.75% to 5.00% 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. If you are seeking a FHAVA mortgage, you should expect a par rate in the same range with higher fees; however, they allow for lower credit scores.

My lock advice will be the same as yesterday. I feel 4.75% is the bottom we will see with mortgage rates. If you are within 30 days of closing, you should strongly consider locking as we believe mortgage rates will be on the rise in the months to come. We have a saying, float at the price lows, lock the price highs. Well, MBS are near recent prices highs. You should be looking to lock in while they are holding at those levels.

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