Mortgage Rates See Small Decline Ahead of Busy Day of Data

By: Victor Burek | Tue, Feb 16 2010, 4:38 PM

I was unable to write the blog on Friday because I was without power thanks to a record amount of snowfall in Dallas. Thank you Adam for stepping in with your post and updating the readers

Last Friday, although mortgage-backed securities prices did move higher, the improvements did not lead to reprices for better as banks were reluctant to pass along better mortgage pricing with a long 3-day weekend ahead. U.S. markets were closed yesterday in honor of President's Day.

The only economic report to hit the news wires this morning was the Empire State Manufacturing Survey.   Each month, the New York Federal Reserve conducts a survey of approximately 175 manufacturing executives in New York State on the strength of business conditions. Readings above 0 indicate expanding or improving conditions while readings below 0 indicate contraction.   This data has indicated steady improvements since August of 2009.

The New York Fed reported that manufacturing conditions continue to improve, coming in at 24.9. This was much better than what economists had expected.   Despite that, the bond market had very little reaction to this lower tier report. However in the lunch hour MBS prices began to rally and a few lenders even passed along lower mortgage rates.

See Rates from Lenders in Your Area

Reports from fellow mortgage professionals indicate lender rate sheets to be slightly improved from yesterday, which were pretty much the same as Friday. The par 30 year conventional rate mortgage remains in the 4.875% to 5.125% range for well qualified consumers. There are however a few lenders offering 4.75% at par, but that will require discount points be paid by the consumer. 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. This is ideal for any consumer not planning on keeping their home for more than three years.

There is much more to come in the form of economic data tomorrow. We get two readings on the status of housing with the MBA's Mortgage Applications Index and then Housing Starts. The Federal Reserve will release Industrial Production data. We also get a report on inflation from Import and Export Prices. Later in the day the Federal Reserve will release the minutes from the last Federal Open Market Committee’s meeting which occurred on January 26th and 27. Market watchers will be looking for any new hints as to the sentiment of Fed officials and their economic outlooks. READ MORE ON THE WEEK AHEAD

With mortgage rates holding at the best levels of the year, I still favor locking over floating especially for loans closing in under 15 days.   AQ and Matt wrote an excellent commentary about why we won’t see 2009 rates in 2010, check it out here.

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