Mortgage Rates Hold Near Best Levels of 2010 as Benchmark Yields Rise

By: Victor Burek | Mon, Mar 8 2010, 11:33 AM

I described last week as a roller coaster ride for mortgage rates. A busy schedule of economic data provided much of the motivation for movement in the rates marketplace with the release of the Employment Situation Report on Friday capping off the volatile action. The jobs report indicated fewer jobs were lost than economists had forecast. This better than expected read on the health of the labor market pushed benchmark Treasury yields higher and mortgage-backed security prices lower. While most lenders repriced for the worse after the data was released, several ended up repricing for the better before the week came to a close as of MBS prices rebounded late in the day. This brought mortgage rates right back to the lows of 2010, basically unchanged on the week. To remind readers, as the price of MBS move higher, lenders can offer lower mortgage rates.

If you missed my recap of the Employment Situation Report and the accompanying chart of reprices for the worse and reprices for the better: HERE IT IS

See Rates from Lenders in Your Area

There are no major economic data releases scheduled for release today. As for the week ahead, there isn't much to discuss either. The highest impacting events and releases will be Treasury supply coming to auction block and Retail Sales on Friday.

Tuesday

- $40 billion 3 year Treasury notes will be auctioned (medium impact)

Wednesday

- Mortgage Bankers Association's Weekly Applications Index (low impact)
- $21 billion 10 year Treasury notes will be auctioned. Since the average life of a mortgage loan is much closer to 10 years than 3 years, this auction will be of higher importance for mortgage rate watchers.
- January Wholesale Business Inventories (medium impact with poential to be high impact because of slow economic calendar)

Thursday

- January International Trade (medium impact) The Trade Balance report measures the monthly difference between what our nation imports and what our nation exports.
- Weekly Jobless Claims (more than medium impact less than high impact)
- $13 billion 30 year Treasury bonds will be auctioned. Treasuries with terms of less than 2 years are known as bills, terms of 2 years to 10 years are known as notes, and terms of more than 10 years are referred to as bonds. The last auction of the week usually carries the greatest potential to disturb the interest rate market.

Friday

- February Retail Sales (high impact). Did the snow storms impact shopping?
- Consumer Sentiment (medium impact)

For more on the week ahead, READ THIS POST.

Reports from fellow mortgage professionals indicate lender rate sheets to be marginally worse when compared to Friday afternoon pricing. However the best par 30 year fixed conventional mortgage rate does remain in the 4.75% to 5.00% range for well qualified consumers. Mortgage rates are more or less holding steady near the lowest levels of 2010 even as benchmark Treasury yields have risen. READ MORE. 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. Rates for 15 year fixed rate mortgages' remain in the 4.25% to 4.50% range with similar costs.

If you have been sitting on the sidelines waiting to refinance, now is the time. The Fed is about to end its MBS purchase program at the end of the month, while we do not expect mortgage rates to skyrocket, we do anticipate they will move steadily higher. I have been saying all year that the only way mortgage rates will move back to the best levels of 2009 is a fundamental shift in economic outlooks or a surprise announcement from the Fed regarding the extension of the MBS purchase program. At the moment, both events seem highly unlikely. Still locking.

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