Mortgage Rates Move Lower. Most Aggressive Lender Pricing Seen in Weeks

By: Victor Burek | Wed, Mar 17 2010, 3:24 PM

Mortgage rates rallied lower yesterday after the Federal Reserve reiterated they intend to keep the Fed Funds rate at at exceptionally low levels for an “extended period”. The Fed also held steady in their belief that inflation is not posing a threat to economic stability. In regard to the MBS Purchase Program, although the door for some sort of extension or reopening is not completely closed, the Fed is still widely expected to finish the program at the end of March READ MORE. Following the release of the statement, benchmark Treasury yields declined and prices of mortgage backed securities moved higher. **This allowed most lenders to reprice for the better, lowering consumer borrowing costs by a few basis points**. Still, the price improvements were not enough to push the par 30 year fixed mortgage rate below 4.75%.

The economic data calendar was pretty quiet today.

See Rates from Lenders in Your Area

First out was the release of the Mortgage Bankers Association's Weekly Mortgage Applications Index. The MBA survey covers over 50 percent of all US residential mortgage loan applications taken by mortgage bankers, commercial banks, and thrifts. The data gives economists a look into consumer demand for mortgage loans. A rising trend of mortgage applications indicates an increase in home buying interest, a positive for the housing industry and economy as a whole. Furthermore, in a low mortgage rate environment, such a trend implies consumers are seeking out lower monthly payments which can result in increased disposable income and therefore more money to spend on discretionary items or to pay down other debt.

The prior two weeks reports indicated big percentage gains in applications but modest overall index gains. Today's survey results indicated a small decline in both purchase and refinance activity. T**he** p**urchase index fell 2.3% while the refinance index dropped 1.7%**, in the week of March 12. For additional insight on this report and several charts, check out the MND STORY.

The only other data to hit the news wires today was the release of the Producer Price Index. PPI measures the changes in prices that manufacturers and wholesalers pay for goods during different stages of production. If businesses have to pay more for the materials they use to produce their widgets …they may be forced to pass along those additional costs to you…the consumer. Although inflation at the producer level does not always lead to higher prices paid by consumers, as producers are reluctant to pass along higher costs during bad economic times. As stated before, **inflation is one of the largest enemies of low interest rates**.

The release indicated that producer level inflation was much cooler than expected. Month over month, prices paid by producers dropped 0.6%, economists had forecast a 0.2% decline. **The more important core rate, which strips out and food and energy from the numbers, came in right on expectations with a month over month 0.1% increase**. We have another report confirming that inflation is not a concern.

Reports from fellow mortgage professionals indicate lenders offering the best loan pricing we've seen in weeks. The par 30 year conventional mortgage rate does however remain in the 4.75% to 5.00% range for well qualified consumers, it will cost slightly less to obtain these rates though. 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 securing a government loan, par is also in the 4.75% to 5.00% range with similar costs but much lower credit score requirements.

We are seeing very aggressive rate sheets from lenders today. My advice would be to lock any loan closing and funding in the next 30 days. Same exception as last week… if you are one day away from a shorter lock term, than I would float and lock tomorrow to take advantage of the better pricing a shorter lock period offers.

If you are sitting on the fence hoping for lower rates, I would strongly encourage you to get moving now. Lenders continue to be reluctant to lower rates below 4.75%. Additionally, these low rates will not stay around forever.

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