

# Mortgage Rates Fully Recovered from Recent Uptick. Energy Building in Benchmarks

By: Victor Burek | Tue, Mar 23 2010, 4:55 PM

Consumer mortgage borrowing costs improved a few basis points yesterday as prices of mortgage backed securities ticked higher, recapturing the price losses that occurred late last week. As the price gains held through close, most lenders repriced better, **lowering consumer borrowing costs by 0.125 to 0.25 discount points.**

It was another light day of economic data, but the one report we did get was pertinent to our market: **Existing Home Sales**

This data totals the number of existing homes, not new construction, in which a sale closed in the prior month. Many believe that until housing rebounds, it will be very difficult for our economy to sustain acceptable growth, this makes tracking home sales data much more important today than in past economic downturns. Since the original first time home buyer tax credit expired in November, this report has indicated falling demand for existing home. December's numbers indicated a huge decline of 16.2% to an annualized pace of 5.44 million while January's report showed another 7.2% decline to an annualized pace of 5.05 million. This is troubling as mortgage rates continue to hold near record low levels and new government stimulus for home buyers has been implemented, yet no positive progress has occurred. Economists surveyed prior to the release expected this trend to extend in February.

## See Rates from Lenders in Your Area

The National Association of Realtors (NAR) reported existing home sales fell 0.6% to an annualized pace of 5.02 million. This was the third consecutive month of declining sales. We learned that the **number of existing homes available for sale increased 9.5% to 3.59 million**, which works out to 8.6 months of supply compared to last month's 7.8 month supply. The additional supply of homes available for sale will continue to pressure home prices lower. Some of the decline in sales can be attributed to the horrible weather experienced around the country during February. For charts and more perspective [READ THE MND STORY](#)

New home sales data will be released tomorrow.

At 1pm eastern, the Department of Treasury auctioned \$44 billion 2 year notes. Demand was weaker than 2009/2010 averages as **overseas investors were not as supportive as usual.** [READ MORE](#)

Reports from fellow mortgage professionals indicate lender rate sheets to be improved from yesterday. The par 30 year conventional rate mortgage has once again declined to the 4.75% to 5.00% range for well qualified consumers. To secure a par interest rate on a conventional mortgage 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 can elect to pay additional discount points and buy the rate lower if you wish. Typically, each discount point buys the rate down by .25%.

Over the past two days benchmark Treasury yields and MBS prices have barely budged from a tight trading range. Trading has been very slow as market participants have been unmotivated by recent headline news developments and a generally slow economic calendar. AQ refers to this tight range as "coiling" or energy storage, this won't last much longer though. The coiled up energy will be released as soon as the market is presented with new data or information that justifies a broad based move. When that happens, **prices/rates will probably jump considerably.** This is a scary environment, especially with mortgage rates near their most aggressive levels of the year. With that in mind, I continue to believe that rates will not move lower than current levels. On a consistent basis, lenders have proven their reluctance to move interest rates lower than 4.75%. My advice would be to lock any loan closing and funding within the next 30 days with the only exception being consumers a day away from a shorter lock period. If you are 16 days away from closing, I would float and lock tomorrow on a 15 day lock which offers better pricing.

View this Article: <https://www.mortgagenewsdaily.com/markets/03232010-existing-home-sales>