Mortgage Rates Rally on Weak Economic Data

By: Victor Burek | Tue, Aug 24 2010, 5:13 PM

Mortgage rates began the week on a bad note but reversed course today following a weak read on the housing sector.

The National Association of Realtors this morning released Existing Home Sales data for July. This data totals the number of previously owned homes in which a sale closed during the prior month. Since the expiration of the home buyer tax credit, home sales have fallen significantly and many economists have lowered their economic forecasts.

This report was horrible. There is no other way to describe it...

Existing Home sales fell by a record 27.2% in July to an annualized pace of only 3.83 million home sales. This was far short of expectations. Making matters worse, the June report was revised lower, from 5.37million to 5.26 million. The report also indicated that supply of homes on the market increased 2.5% to 3.984 million units, this equates to a record 12.5 months of inventory supply. The only good news was a 0.7% increase in the median home price to $182,600.

See Rates from Lenders in Your Area

HERE is a full recap with charts and commentary

The bond market must have seen this coming because interest rates were already in full on rally mode before the data was released. Although the 10 year Treasury note yield fell a few more basis points after the data flashed, the post release reaction was minimal. In fact, as the day progressed benchmark yields moved higher, which put pressure on mortgage rates to follow. This pressure was soon alleviated though, the 10 year Treasury note rallied back to its best levels of the session this afternoon. Mortgage-backed securities ended up closing near two-week price highs.

The best 30 year conventional rate mortgage remain in a range between 4.25 and 4.50% for well qualified consumers. There are a few lenders offering 4.125% but nothing widespread. As always, to secure a par interest rate on a conventional mortgage you must pay all closing costs including an estimated one point loan origination/discount/broker fee. If you are seeking a 15 year term, you should expect a par rate in the 3.75% to 4.00% range with similar costs but lower FICO score requirements.

Lender rate sheets are modestly better than yesterday, so if you have been floating you should look to take advantage of the recent gains. If you want to roll the dice and hope for better lender pricing tomorrow, keep an eye on the stock market. If stocks recover the morning losses, it will more than likely be at the expense of the fixed income sector. I am recommending that my clients closing within 30 days go ahead and lock in at today's rates.

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