Mortgage Rates Bounce Lower to Remain in Recent Range

By: Matthew Graham | Tue, Aug 9 2016, 4:07 PM

It was a **good day for mortgage rates.** After moving higher at a somewhat disconcerting pace last Friday, rates were quickly approaching the upper boundary of their post-Brexit range as of yesterday. Today, however, they bounced nicely lower, keeping them well within the range.

There's **always some apprehension** involved when we're waiting for rates to break out of a narrow, sideways range, but in the current case, it's made more tolerable by the fact we're just a few eighths of a point above all-time lows. Lenders are quoting conventional 30yr fixed rates in a range of **3.375% to 3.5%** on top tier scenarios. For a few days in late 2012, the lowest comparable range was 3.125-3.25%.

For some, today's strong move in rates (and in underlying bond markets) is evidence that investors are interested in buying bonds if the price is right. Higher rates/yields connote lower prices and thus provide more attractive entry points for investors. If we can follow a clearly-defined range in rates over the past 1.5 months, investors are certainly seeing analogous boundaries governing their bond buying decisions.

See Rates from Lenders in Your Area

Simply put, when bond prices get near the lowest points in the range (same as "highest rates"), investors have been more interested in buying. That means we can continue to watch the higher end of the recent range as a line in the sand that could **warn us about a shift** in momentum. In other words, if rates were to break above their post-Brexit highs, then we can worry about a bigger-picture shift. The more conservative way to approach this would be to say that rates have yet to demonstrate a willingness to break BELOW this same range. There's no wrong answer until the range breaks.

Loan Originator Perspective

Bonds held onto some gains following a very strong Treasury Auction today. We have 2 more auctions this week and if they are also well received, I think bonds and treasuries will continue to improve. If you can tolerate the risk, I continue to favor floating. -**Victor Burek, Churchill Mortgage**

Bond markets rallied strongly today, in spite of abundant corporate bond supply and strength in equity markets. Days like this defy logic, which is why predicting market moves is foolhardy. At any rate, we're still locked in recent ranges, with no clear rate trend in sight. If you're floating, and near closing, it's a great day to lock. If you're just starting your loan, discuss your risk tolerance and goals with your originator, then make sure you both understand them! -**Ted Rood, Senior Originator**

Today's Best-Execution Rates

- 30YR FIXED - **3.375 - 3.5%**
- FHA/VA - 3.25%
- 15 YEAR FIXED - 2.75%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- In the biggest of pictures, "global growth concerns" remain the driving force behind the long-term trend toward lower rates
- Amid that trend, periodic corrections toward higher rates can and will happen. These can happen for no apparent reason, or they can be brought on by changes in expectations surrounding central bank policy at home and abroad, as well as geopolitical and systemic risks
- Time horizon and risk tolerance are 2 variables to consider when it comes to locking. If you have plenty of time and don't mind losing some ground, set a limit as to how much higher rates could go before you'd lock to avoid further losses, and then float in the hopes of never seeing that limit.

- In the shorter-term, it's always good to look for lock opportunities after rates have been moving lower or sideways repeatedly, especially if they've since begun to move back up in any sort of consistent way.

- *As always, please keep in mind that the rates discussed generally refer to what we've termed **'best-execution'** (that is, the most frequently quoted, conforming, conventional 30yr fixed rate for top tier borrowers, based not only on the outright price, but also 'bang-for-the-buck.' Generally speaking, our best-execution rate tends to connote no origination or discount points--though this can vary--and tends to predict Freddie Mac's weekly survey with high accuracy. It's safe to assume that our best-ex rate is the more timely and accurate of the two due to Freddie's once-a-week polling method).*

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