Mortgage Rates Threatening to Break Post-Brexit Range

By: Matthew Graham | Mon, Aug 8 2016, 4:29 PM

Mortgage rates continued higher today, extending a sharp move that began on Friday following stronger-than-expected employment data. There are two distinctly different ways to look at the current rate environment. On the one hand, the average conventional 30yr fixed rate continues hovering in the mid 3's on top tier scenarios. While that's not quite as low as it was in early July, or on some occasions in 2012-2013, it's still in the territory of "all-time lows" in the big picture.

On the other hand, current rates are near the highest levels in just over a month. This means they're **'threatening'**--for lack of a better term--to break out of the low range that followed The UK's vote to leave the EU (Brexit). According to some schools of thought, once rates move up and out of that range, it could be a while before they come back. Opinions vary widely as to what "a while" might look like, but the point is that rates are getting back up to levels that risk a broader shift in momentum toward slightly higher rates.

We'll cross that bridge when and if we come to it. For now, it simply argues for a **more defensive** strategy (i.e. favoring locking vs floating) until we see a more inspired push back to lower rates. More risk tolerant borrowers wouldn't be crazy to float here in the hopes that the upper end of the range continues to hold, as long as they're prepared to lock at a loss if rates do happen to break up and out of that range.

Loan Originator Perspective

Bonds have managed to not lose any more ground today following Friday's huge jobs beat. With us holding ground here, I continue to favor floating. As always, only float if you can afford to be wrong. If you are happy with current terms, nothing wrong with locking. -**Victor Burek, Churchill Mortgage**

Today's Best-Execution Rates

- 30YR FIXED - **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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