Mortgage Rates Jump Back to Highs

By: Matthew Graham | Thu, Nov 17 2016, 4:48 PM

Mortgage rates may have caught a break yesterday, but today is a different story. Or perhaps it's a different kind of break... a bad one... more of a compound fracture really. Not only did rates resume their move higher, but they skipped right to new 2016 highs, albeit by only a small margin. In fact, not all lenders are in the worst shape of the year today, but the average lender is.

An **ongoing and frustrating** aspect of much of the recent rate drama is that it lacks new, clearly-defined motivation. Naturally, the initial catalyst was the election, but since then, we've seen multiple instances of rates surging higher without being in the presence of anything that would typically motivate such a move. Unfortunately, this is the way momentum can work in financial markets.

Think of it like this: if you're suddenly confronted by a massive heard of some angry beasts **stampeding toward you**, it probably makes sense to turn and run. Indeed, you'd likely keep running until you could get to safety, until you got trampled, or until the herd slowed its proverbial roll.

See Rates from Lenders in Your Area

It's the same story for bond traders (who ultimately drive the day-to-day moves in rates). If momentum gets big enough in one direction, it leads other traders to make similar trades, just to keep pace with the herd.

4.0% remains the most prevalently-quoted conventional 30yr fixed rate on top tier scenarios. Most borrowers will see today's weakness in the form of slightly higher upfront costs.

From a **strategy** standpoint, today only reinforces my constant refrain about needing to see more substantial improvement before anything other than a defensive strategy makes sense.

If you're just getting caught up with the massive mortgage rate drama of the past week, here are the relevant recaps:

(11/9/2016) **Worst Day For Mortgage Rates in Over 3 Years**
(11/10/2016) **Mortgage Rate Pain on Par With Taper Tantrum**
(11/14/2016) **Mortgage Rates Skyrocket to 4%. New Normal?**

Loan Originator Perspective

Our days wouldn't be complete without one (or many) lender price worsens, and Thursday was no exception. There's little demand for bonds at these levels (far more sellers than buyers), and that means rates are still headed up. Floating is a reckless choice here. Like drawing to an inside straight, it might work occasionally, but odds are clearly against you. I'm still locking asap, don't like calling borrowers to tell them their rate went up .5%! -**Ted Rood, Senior Originator**

Today's Best-Execution Rates

- 30YR FIXED - 4.0%
- FHA/VA - 3.75%
- 15 YEAR FIXED - 3.25%
- 5 YEAR ARMS - 2.75 - 3.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates have generally been trending higher since hitting all-time lows in early July, and exploded higher following the presidential election
- Clearly-defined uptrends provide higher-than-average motivation to lock, especially when the pace of rising rates accelerates quickly
- Risk-takers can try to time the dips in rates that may occur during that broader uptrend, but the reward for good timing generally isn't worth the risk in these situations

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- We'd need to see a sustained push back toward lower rates (something that lasts more than 1-3 days) before anything less than a cautious, lock-biased approach makes sense for all but the most risk-tolerant borrowers.

- *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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