Mortgage Rates Quickly Down to 2 Week Lows

By: Matthew Graham | Tue, Mar 27 2018, 4:51 PM

As of yesterday, it looked like **mortgage rates** would be more interested in staying in a narrow, sideways range for the holiday-shortened Spring Break/Good Friday trading week. Today, financial markets gave us a reminder about how much reality can differ from apparently probable outcomes. Fortunately, the surprises work **in the favor of the mortgage market** today as rates are **sharply lower** (at least in the context of the recent range, which has been extremely narrow).

Bonds (which underlie rates) drew motivation from a **combination of factors** today. These included compulsory trades that had to be made by the end of the month, automatic trades made in response to certain lines in the sand, and safe-haven trades resulting from the massive losses in the stock market. The net effect for the average mortgage borrower is a noticeable improvement in upfront costs at the very least (for instance, a quoted rate may be the same as yesterday, but the associated closing costs would be lower).

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In other cases, the rate itself could be an **eighth of a percentage point** lower, although in those cases, the drop in rate would likely be offset, in part, by a slight increase in upfront costs. If we derive an "effective rate" from the combination of the two, today's drop is equivalent to 0.04% for the average lender.

Loan Originator Perspective

Bond yields bounced lower today, finally cracking the previously impenetrable 2.8% barrier. While the rally is "just one day" in a short trading week, it progressed throughout the day, which is encouraging. While it's far too early to call this a trend, I'm willing to see where it leads, and will float new applications overnight. **-Ted Rood, Senior Originator**

Bonds are trying again to break the 2.80 level in 10yr Treasuries. For those that are risk tolerant, you could probably float overnight but my clients and I are still favoring locking. **-Victor Burek, Churchill Mortgage**

With Good Friday upon us and the shortened trading week Good Tuesday seems like a Good Time to take advantage of the modest improvement in Rates. **-Al Hensling, Mortgage Originator**

Today's Most Prevalent Rates

- 30YR FIXED - 4.5%
- FHA/VA - 4.375%
- 15 YEAR FIXED - 3.875%
- 5 YEAR ARMS - 3.5-3.75% depending on the lender

Ongoing Lock/Float Considerations

- 2017 had proven to be a relatively good year for mortgage rates despite widespread expectations for a stronger push higher after the presidential election in late 2016.
- While rates remain low in absolute terms, they moved higher in a more threatening way heading into the beginning of 2018
- The scariest part of the move higher looks like it ended as of early February, and rates have been generally sideways since then
- Even so, the potential remains for more weakness (i.e. higher rates). It makes more sense to remain defensive (i.e. more inclined to lock) until we've seen a more convincing shift lower.
- *Rates discussed refer to the most frequently-quoted, conforming, conventional 30yr fixed rate for top tier borrowers among average to well-priced lenders. The rates generally assume little-to-no origination or discount except as noted when applicable. Rates appearing on this page are "effective rates" that take day-to-day changes in upfront costs into consideration.*

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