Mortgage Rates Jump to 7-Year Highs

By: Matthew Graham | Tue, May 15 2018, 4:02 PM

Mortgage rates spiked in a big way today, bringing some lenders to the highest levels in nearly 7 years (you'd need to go back to July 2011 to see worse). That heavy-hitting headline is largely due to the fact that rates were already fairly close to 7-year highs, although today did cover quite a bit more distance than other recent "bad days."

In fact, today covered more ground **BECAUSE** we were so close to those highs. This has to do with trading strategies that are based on math and momentum. The high rates from 3 weeks ago were the same as the high rates seen in 2013/2014. That reinforced a **magic line in the sand** that--if crossed--was likely to result in extra momentum moving through to the other side. True to the formula, today was the first official break of those 2013/2014 highs in terms of 10yr Treasury yields (a benchmark for longer-term rates like mortgages) and as soon as that break occurred, it quickly turned into the heaviest day of selling in months ("selling" bonds = higher rates).

See Rates from Lenders in Your Area

What should you do about it? Days like today are tough. There are plenty of past examples of such days serving to exhaust near-term upward momentum in rates. In other words, rates go so high, so quickly, that they end up improving on the following day. Indeed that's possible, but it's not any more likely than more dire options. Just as many past examples suggest locking a rate sooner vs later, or doing everything in your power to get an existing loan closed before the lock expires.

Loan Originator Perspective

Do not lock today, unless you absolutely need!! Rates are well done. Cooked, fried, charbroiled. If you have locked, ensure with your Loan Officer that you are on track to meet lock expiration date!! Extending will be costly. -**Robert Van Gilder, NMLS 263112**

Bonds sold off abruptly today as treasury yields hit their highest levels since 2011. Mortgages are nearing 5%. My entire pipeline is locked, hope your loan is too. This is not a drill, it's an imminent panic. -**Ted Rood, Senior Originator**

We are now solidly above 3.00/ Locking at origination until further notice. -**Al Hensling**

Today's Most Prevalent Rates

- 30YR FIXED - 4.75-4.875%
- FHA/VA - 4.5%
- 15 YEAR FIXED - 4.25%
- 5 YEAR ARMS - 3.75-4.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates have been moving higher in a serious way due to headwinds that cannot be quickly defeated. These include the Fed's increasingly restrictive monetary policy outlook, the increased amount of Treasury issuance to pay for the tax bill (higher bond issuance = higher rates), and the possibility that fiscal stimulus results in higher growth/inflation.
- While we may see periodic corrections to the broader trend toward higher rates, it's safer to assume that broader trend can and will continue. Until that changes, it makes much more sense to remain heavily-biased toward locking as opposed to floating.
- *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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