Mortgage Rates Are Actually Lower This Week!

By: Matthew Graham | Thu, Mar 7 2019, 4:53 PM

Mortgage rates dropped noticeably today, as the underlying bond market benefited from overseas developments. The European Central Bank (ECB) is Europe's counterpart to the Federal Reserve. Like the Fed, they've also dabbled in bond-buying and ultra-low policy rates. In fact, they still haven't gotten around to hiking rates as a part of the current global economic expansion. Just today, they said they don't expect rates to rise in 2019 and possibly beyond.

Combined with several other comments and updated forecasts, the message from the ECB was that the European economic outlook is downbeat and they'll be keeping the monetary punchbowl on the table as a result. Central banks' easy money policies tend to benefit bonds (which **translates to lower rates**) and these were no exception.

The net effect was a drop to the **lowest rates in more than a week** for the average lender--a claim that runs counter to several news reports that say rates are higher this week. At issue is the source material for those news reports: Freddie Mac's weekly rate survey, which only tends to capture Monday and Tuesday's rate quotes (and it completely excludes Thursday and Friday of any given week). As such, when there are big moves in the 2nd half of a week (and especially if there are opposing moves in two adjacent weeks, Freddie's survey will likely say rates did the exact opposite of what they're actually doing.

See Rates from Lenders in Your Area

Case in point, last Thu/Fri, rates were rising fairly quickly, but that rise wasn't captured by the Freddie survey. This created a lower baseline for the current week. From there, even though rates began to recover on Mon/Tue this week, they hadn't recovered enough to get back to Mon/Tue levels last week. So the Freddie survey sees and reports rates as being higher. If we look at today's rates versus last Thursday or Friday's however, we see rates are easily in better shape.

Loan Originator Perspective

Bond markets posted minimal gains today, as dovish ECB rhetoric boosted bond demand. My pricing was marginally better than yesterday's. The week's big event tomorrow (NFP jobs report) will further inform where rates head from here. I seldom float into NFP day, and this month isn't any different, I am locking loans closing within 30 days. **-Ted Rood, Senior Originator**

Today's Most Prevalent Rates

- 30YR FIXED - 4.375 - 4.5%
- FHA/VA - 4.125 - 4.25%
- 15 YEAR FIXED - 4.0 - 4.125%
- 5 YEAR ARMS - 4.25 - 4.625% depending on the lender

Ongoing Lock/Float Considerations

- Headwinds that had plagued rates for most of the past 2 years began to die down in late 2018. A rapid decline in the stock market certainly helped drive investors into bonds (which helps rates) Highest rates in more than 7 years in Oct/Nov. 8-month lows by the end of the year

- This is a bit of a crossroads. The rising rate environment could flare up again. We may look back at Oct/Nov and see a long-term ceiling, or we may look back at early December and see a temporary correction before more pain.

- Either way, late 2018 was a sign that rates are willing to take opportunities presented to them. From here, it will be up to economic data, fiscal policies, and the stock market to decide on the next set of opportunities. The rougher the overall outlook, the better interest rates tend to do.

- *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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