# Mortgage Rates Surge to New Long-Term Lows After Fed

By: Matthew Graham | Wed, Mar 20 2019, 5:30 PM

**Mortgage rates** **broke a week-long streak** of silence today following a policy announcement from the Federal Reserve. Even before today's Fed announcement, we knew we'd likely be seeing a move in rates. We just didn't know in which direction, or at what pace. As it happens, we were treated to the best case scenario on both accounts (i.e. rates moved lower at a fast pace).

As we discussed yesterday, it was the Fed's balance sheet that got most of the attention from financial markets. This refers to the Fed's loan portfolio consisting of Treasuries and mortgage-backed-bonds (both forms of loans that entitle the Fed to collect interest and principal payments). As those payments came in, the Fed had previously been **putting the money back** into new loans (buying new bonds to replace the old ones). They began to decrease those reinvestments in 2018. This was/is referred to as "balance sheet runoff" because it makes the balance sheet smaller.

## See Rates from Lenders in Your Area

There was arguably economic fallout from the balance sheet runoff and in early 2019, the Fed was suddenly talking about **ending** the policy in 2019. We knew we'd get more info on that in today's announcement, but we didn't know exactly what it would look like. As it stands, the Fed is cutting the runoff in half starting in May 2019 and fully ending the runoff in Sept 2019. This is about as big of a change as anyone expected. It means the Fed will be buying more bonds more quickly. And bond buying results in lower rates, all other things being equal.

Keep in mind that rates were already positioning for something along these lines. Otherwise we'd be seeing **an even bigger** move. Even so, today's news was easily enough to push rates below the previous 14-month lows. For context, the average lender is offering rates that are roughly an eighth of a percent lower than those seen on March 7th.

### Loan Originator Perspective

Today's Fed announcement marked a significant change in their policy. It amounts to additional bond demand, which will keep rates firmly in check. MBS and treasuries both hit their best levels in a year+, with the prospect of additional future gains. The trend is our friend, time to ride the float boat while it is!**-Ted Rood, Senior Originator**

### Today's Most Prevalent Rates

- 30YR FIXED - 4.375%
- FHA/VA - 4.0-4.125%
- 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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