Full Steam Ahead for Refi Boom as Rates Hit New Lows

By: Matthew Graham | Fri, Feb 21 2020, 3:52 PM

Yesterday's **mortgage rate** commentary noted a fresh move down to the **lowest levels in more than 3.5 years**. With just a bit more improvement, the **same is true today**. This isn't some isolated opportunity. Rates have been pushing long-term lows off-and-on for months. In fact, we've spent more than 7 months in territory that makes refinancing attractive for big contingent of homeowners who purchased or refi'd in 2017-2018. Making the boom even boomier is the fact that folks who refi'd in early 2019 are already back in the money for another refi now.

The numbers corroborate this. The Mortgage Banker's Association continues showing refi applications at **higher levels** than those seen during the 2016 refi boom. Simply put, we're looking at the strongest refi demand since 2012.

As for the **motivation**, most of the focus remains on coronavirus. Not only are investors concerned about how the disease may continue to spread but we're also seeing it show up in economic data in a fairly major way. Today was one of the first opportunities to do that, and it had an immediate impact on the bond market that underlies mortgage rates. Naturally, when the virus has finally run its course, we should see upward pressure on rates, but the economic damage will have been done. As such, a sharp bounce in rates would require a bonafide economic rebound. Bottom line: the mortgage rate environment is looking strong and fairly well insulated from risks in the short term.

See Rates from Lenders in Your Area

Loan Originator Perspective

Bonds shrugged off a robust manufacturing report this AM, continuing their slow but steadfast trudge higher. My pricing improved marginally over Wednesday's. There's no meaningful economic data on tap tomorrow, so doubtful rates will change significantly. I'm locking most March closings, floating most beyond that. - **Ted Rood, Senior Originator**

Today's Most Prevalent Rates For Top Tier Scenarios

- 30YR FIXED - 3.375 - 3.5%
- FHA/VA -3.25%
- 15 YEAR FIXED - 3.125-3.25%
- 5 YEAR ARMS - 3.25-3.75% depending on the lender

Ongoing Lock/Float Considerations

- 2019 was the best year for mortgage rates since 2011. Big, long-lasting improvements such as this one are increasingly susceptible to bounces/corrections, but 2020's coronavirus outbreak has provided a second wind for low-rate momentum
- Fed policy, trade negotiations, and the 2020 presidential election will all play a part in driving rate momentum as the year progresses.
- The Fed and the bond market (which dictates rates) will be watching economic data closely, both at home and abroad to see just how much of an impact coronavirus will have. Once it looks like that impact is waning, we could see sharp upward pressure in rates (unless another rate-friendly variable steals the show), but that would require a similar bounce in the economic data that has already begun to suffer due to coronavirus.
- *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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