Important Lessons From Near-Record Low Mortgage Rates

By: Matthew Graham | Mon, Feb 24 2020, 7:18 PM

Mortgage rates continue to carve out the unlikeliest of **victories** in 2020 with significant help from coronavirus. The epidemic has taken a year that was almost certain to start off with a steady move toward higher rates and turned it into one of the strongest starts on record. In fact, when it comes to the combination of ground covered and levels achieved, no other year has started off any better.

Other years have seen a similarly big drop in rates during Jan/Feb, but there aren't many. Of those years, 2016 was the only one to remotely match the rates we're currently seeing. Unless tragedy strikes the mortgage world by the end of this week, 2020's late February rates will be roughly 0.25% lower than they were in 2016.

But rates ultimately did move lower in 2016 after the Brexit vote in late June. Several lenders approached all-time lows by early July and US Treasury yields actually hit all-time lows. That post-Brexit drop in rates is now the only feature of 2016 that 2020 has yet to surpass. Even then, the average lender matched those rates today! In short, that means today's rates are the lowest they've been in nearly 4 years. Before that, you'd have to **go back to 2012** to see anything lower, and it wouldn't be much lower.

See Rates from Lenders in Your Area

Therein lies a **VERY important lesson** from history. At no time in modern economic memory have mortgage rates been able to move significantly or aggressively lower than they are right now. Sure, if the stars align as they did in 2012 (which I've often referred to as the Golden Era of Low Rates) we could squeeze out another 0.125% of a point, but the clearest part of the lesson is that a bounce is coming. It could happen tomorrow. It could take a week. It could take more than a month, but it is coming. Could we then move back in the other direction and ultimately go on to set new record lows for mortgage rates? Absolutely, but until and unless that happens, the available historical lessons suggest that, for those who would benefit from refinancing, it's far easier to screw up this opportunity by waiting too long than by acting too quickly at this stage in the game. I would not and could not have said the same a month ago.

Loan Originator Perspective

Corona virus contagion fears boosted bonds and sank stocks Monday, as global outbreaks continued to pop up. Bond yields are nearing all time lows, but my pricing has improved minimally so far. I'll be floating until rate sheets reflect far more of bonds' gains. It's not unusual in cases like this for rates to lag, just kind of discouraging when it happens. - **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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