Mortgage Rates Hit All-Time Lows, Is It Time To Lock?

By: Matthew Graham | Mon, Mar 2 2020, 9:24 AM

Mortgage rates officially hit **all-time lows this morning.** Even so, it continues to be the case that Treasury yields (often referred to as the basis for mortgage rates) are falling much faster. That's because Treasuries aren't actually the basis for mortgage rates. They're simply a very important source of guidance and momentum in the bigger picture for all kinds of rates. I've written on this extensively in recent days. You can always browse recent posts HERE.

When rates are this low and when they've fallen this fast, the question of locking vs floating is about as prevalent as I ever see it. The easiest advice for those willing to take some risk is to float and continue to watch Treasury yields (specifically, the 10yr). Since mortgage rates have been lagging so badly, they should be able to hold fairly steady for a day or two even if the 10yr signals a bounce. Of course this requires preparation and planning. Be sure your mortgage is ready to lock and to have a realistic idea of your ability to make that happen in a matter of a few hours or less on any given day. In other words, if you're floating, make a "locking game-plan" with your friendly neighborhood mortgage professional.

Speaking of those mortgage professionals, the ones I know (and I know a lot) are increasingly talking about locking their own refinances. Past precedent has a lot to do with this as we've seen rates this low only twice, and there hasn't historically been too much time to think it over or wait for things to improve before something changes. Granted, past precedent doesn't guarantee similar results this time. But there is more and more resistance and uncertainty if rates manage to move lower from current levels. There's also more risk of a corrective bounce.

No matter what you take away from this article, understand this: you're dealing with a number that is a product of financial markets and the decisions of people that are well-accustomed to working with those numbers. Whatever any expert or guru may know (or think they know) about what rates will do in the future, the people trading mortgages and setting rates know just as much. The collective financial market is smarter than any individual opinion, and individual opinions can and will be traded by financial markets before you can react. It's very rare that we see an opportunity like this where we can talk about better than neutral odds for playing the mortgage rate game. Just make sure you understand it's like taking your chance of victory from 50% up to something like 55%.

Loan Originator Perspective - Friday, 2/28/20

Mortgage rates are lagging the improvement in treasuries leaving a lot of room for rates to hold steady even if treasuries sell off some. So, I favor floating over the weekend to see if the rally can continue and to allow time for lenders to pass along gains. - **Victor Burek, Churchill Mortgage**

Today's Most Prevalent Rates For Top Tier Scenarios

- 30YR FIXED - 3.125-3.25%
- FHA/VA-2.875%
- 15 YEAR FIXED - 2.75%
- 7 YEAR ARMS - 2.75% -3.00%

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, quickly bringing rates into all-time low territory

- 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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