

Mortgage Rates Lowest Since Early March, But Not For Everyone

By: Matthew Graham | Tue, Apr 28 2020, 6:24 PM

Mortgage rates moved down nicely last week and have either maintained or improved upon those levels this week. The **catch** is that the good times aren't rolling for everyone. Borrowers with lower credit scores, less equity, and especially those needing a cash-out refinance are quickly finding the landscape to be very different than the last time they received a mortgage rate quote.

Coronavirus has had far-reaching effects for the economy, obviously. The impact on the mortgage market isn't nearly as publicized but it's **no less significant** in the context of this particular industry. Nearly 7% of mortgage holders have sought forbearance arrangements--a higher number than the industry ever imagined. Mortgage investors risk heavy losses on those loans. Thus demand has dried up for the loans seen as having the greatest risk of entering forbearance (or simply those that would be the most costly for investors in the event of forbearance).

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This is having an inordinate impact on loans that are outside the box in terms of top tier qualifications. Whereas a normal 30yr fixed refi with a top tier scenario is seeing the lowest rates since early March today, a borrower with a sub 700 FICO seeking a cash out refi is seeing rates or upfront costs that are **staggeringly high** by comparison. In many cases, lenders are simply saying "sorry, we're not doing those scenarios currently."

The increased costs and decreased credit availability **will continue to be an issue** for the mortgage market. It will likely get **worse** before it gets **better** and we'll need to see the breadth of the forbearance issue before having any hints of a shift in those trends.

Loan Originator Perspective

Another day, another bond rally with minimal actual pricing improvement. "Non-vanilla" loan options (high balance, cash out refi, jumbo, low score FHA) continue to diminish, those seeking anything other than A credit conforming loans need to act immediately. If you like your pricing, lock it. -**Ted Rood, Senior Loan Originator, Bayshore Mortgage**

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