



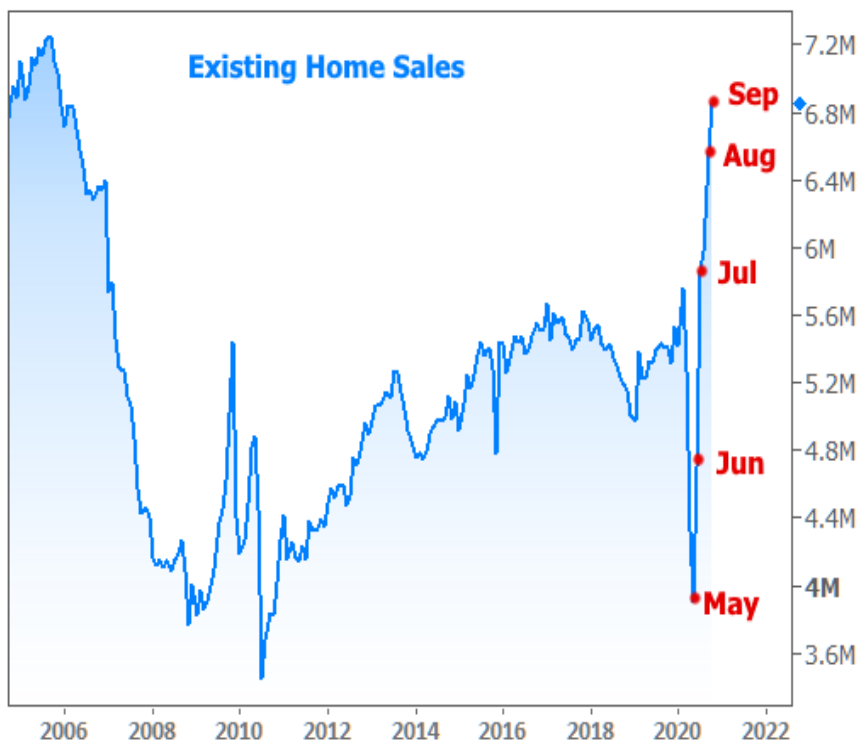
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Biggest Housing Boom Since 2006 And The Truth About "All-Time Low" Rates

The National Association of Realtors' Existing Home Sales report is the broadest measure of housing market activity. It just hit a **14-year record** for the 3rd month in a row.



It's not just existing homes. The new home market is **crushing** it as well. This week's data on Housing Starts (the ground-breaking phase of new construction) showed another solid step back toward the boomy levels of late 2019.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2398	-0.0127
30 YR Treasury	4.4570	-0.0155

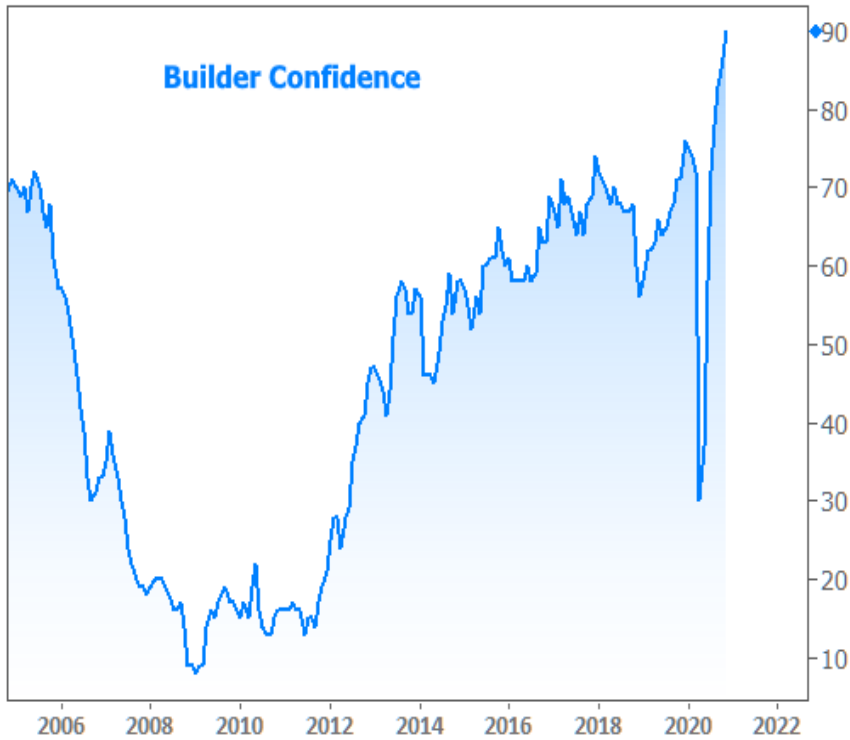
Pricing as of: 7/22 10:44PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



Builders may not be breaking ground as fast as they were a year ago (before covid), but that has **everything** to do with covid and **nothing** to do with demand. This week's record result for builder confidence reflects that.



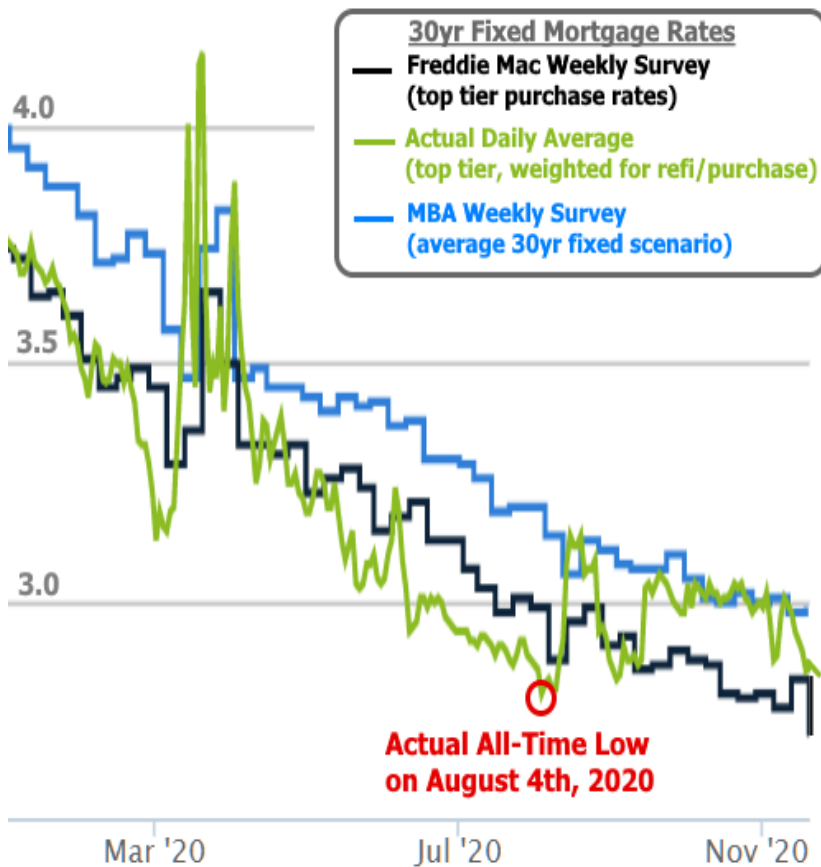
To top it all off, this week brought another round of news articles proclaiming "all-time low" mortgage rates. But are they really?

For some borrowers in some scenarios, yes. But in absolute terms, August 4th, 2020 was the best day ever for mortgage rates. So why is there so much news to the contrary?

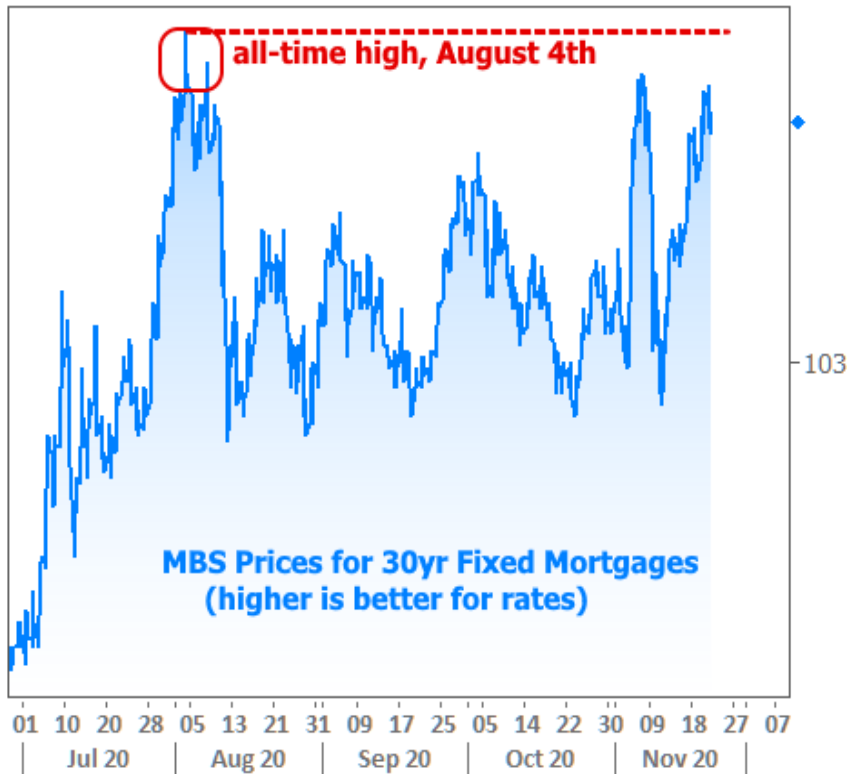
First off, **there is no universal mortgage rate**. The only thing that's remotely constant in the world of mortgage cost determination is the price of the bonds that mortgages eventually "become."

These bonds (mortgage-backed securities or MBS) correlate directly with the average mortgage rate. They are like wholesale flour whereas mortgage **lenders** are like donut shops. Some are better than others whether we're talking about price, quality, or service, but that wouldn't stop us from coming up with an average price for the average donut.

It's the same story with the average 30yr fixed mortgage rate. Some surveys measure top tier rate offerings once a week (see Freddie Mac below) while others try to capture the average across all loans for the entire week (see MBA below). The following chart compares those approaches with an actual daily average that's been weighted for the balance of refinance versus purchase rates (which are currently very different due to the recently imposed fee on many refis).



With this chart in mind, it's no surprise to see MBS prices have yet to make it back to the highs seen at that time (higher prices = lower rates).



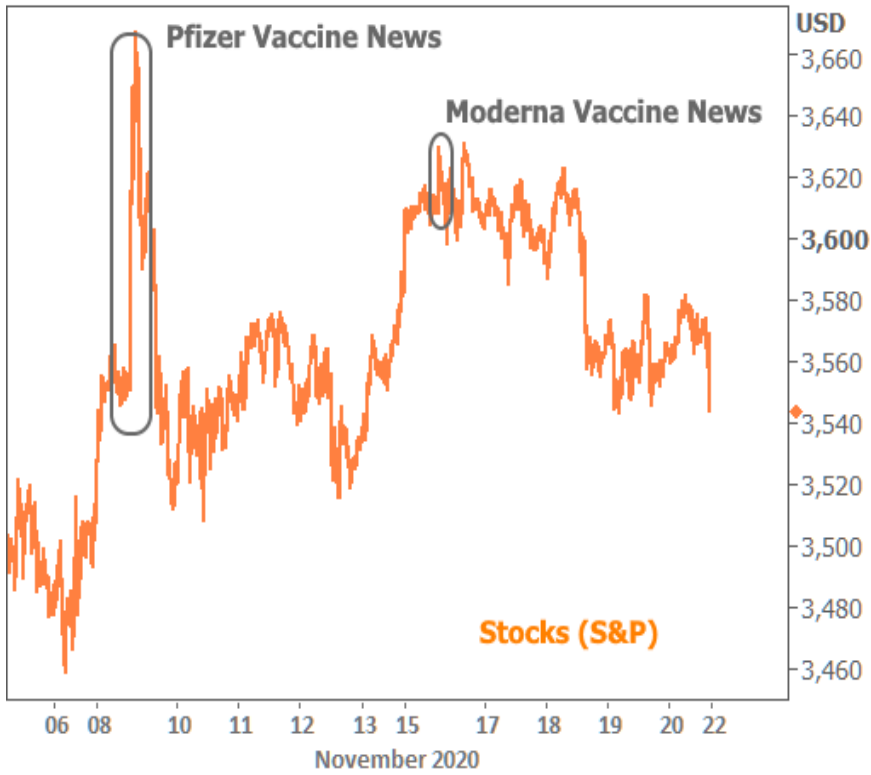
So how is it that we're **still** seeing claims of all-time low rates? The first source of distortion is Freddie Mac's focus on "the best" rate which, in the current case, will be for purchase mortgages due to the new refinance fee mandated by Fannie and Freddie for a vast majority of conventional refinances. It increased rates on the average refi by an average of .25% depending on the lender. Most lenders began including it in loan quotes by the end of September.

MBA's data paints a similar picture though, and it includes refi data. **The difference** is that MBA is capturing **vastly** more input than Freddie (up to 75% of all loans according to their methodology). On the first full week of August, their average rate should absolutely be higher than the rates that were only available for a few hours on August 4th. Given that rates are now doing a better job of **remaining** low with less volatility on any given week, it's actually no surprise to see "all-time lows" continue to make the headlines.

Bottom line: The best rates ever happened on August 4th. Some weekly survey data suggests otherwise because it focuses on purchases and is limited in scope. Other survey data suggests otherwise because it is intentionally broad, thus capturing too much of the activity in any given week for August 4th's lows to stand out. And all of the above is splitting hairs! Whether we're technically at all-time low rates or not, we might as well be--especially for purchases.

Reminder: New conforming loan limits are expected next Tuesday. For a full discussion on that, see [last week's newsletter](#).

Bonus Charts: Stocks yawn at Moderna's vaccine news after Pfizer caused a big move last week. Similar story for bonds, with 10yr yields consolidating in a narrower, lower pattern since the Pfizer news.



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Recent Economic Data

Event Importance:

No Stars = Insignificant

Date	Event	Actual	Forecast	Prior
Monday, Nov 16				
8:30AM	Nov NY Fed Manufacturing	6.30	12.75	10.50
Tuesday, Nov 17				
8:30AM	Oct Import prices mm (%)	-0.1	0.2	0.3
8:30AM	Oct Retail Sales (%)	0.3	0.5	1.9
9:15AM	Oct Industrial Production (%)	1.1	1.0	-0.6
10:00AM	Nov NAHB housing market indx	90	85	85
10:00AM	Sep Business Inventories (%)	0.7	0.6	0.3
Wednesday, Nov 18				
7:00AM	w/e MBA Purchase Index	303.9		293.5
7:00AM	w/e Mortgage Refinance Index	3901.6		3973.1
8:30AM	Oct House starts mm: change (%)	4.9		1.9
8:30AM	Oct Housing starts number mm (ml)	1.530	1.460	1.415
8:30AM	Oct Building permits: number (ml)	1.545	1.560	1.545
8:30AM	Oct Build permits: change mm (%)	0.0		4.7
Thursday, Nov 19				
8:30AM	Nov Philly Fed Business Index	26.3	22.0	32.3
8:30AM	w/e Jobless Claims (k)	742	730	709
8:30AM	w/e Continued jobless claims (ml)	6.372	6.470	6.786
10:00AM	Oct Exist. home sales % chg (%)	4.3	-1.2	9.4
10:00AM	Oct Existing home sales (ml)	6.85	6.45	6.54
10:00AM	Oct Leading index chg mm (%)	0.7	0.7	0.7
Monday, Nov 23				
9:45AM	Nov PMI-Composite (source:Markit)	57.9		56.3
11:30AM	2-Yr Note Auction (bl)	56		
1:00PM	5-Yr Note Auction (bl)	57		
Tuesday, Nov 24				
9:00AM	Sep Monthly Home Price yy (%)	9.1		8.0
9:00AM	Sep Monthly Home Price mm (%)	1.7		1.5
9:00AM	Sep CaseShiller 20 mm SA (%)	1.3	0.7	0.5
1:00PM	7-Yr Note Auction (bl)	56		
Wednesday, Nov 25				
7:00AM	w/e MBA Refi Index	4077.7		3901.6
7:00AM	w/e MBA Purchase Index	314.6		303.9
8:30AM	Q3 GDP Prelim (%)	33.1	33.2	33.1
10:00AM	Oct New Home Sales (ml)	0.999	0.970	0.959
10:00AM	Nov Consumer Sentiment (ip)	76.9	77.0	77.0
10:00AM	Oct New Home Sales (%) (%)	-0.3	1.5	-3.5
10:00AM	Oct Core PCE Inflation (y/y) (%)	1.4	1.4	1.5

- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
Thursday, Nov 26				
12:00AM	Thanksgiving Day			

Who is Mid Valley Financial?

Mid Valley Financial, located in Fresno, CA, is the Central Valley's premier destination for a wide range of residential and commercial real estate loans. Our commitment to excellence has made us a trusted partner for property buyers and investors seeking tailored financial solutions.

****Why Choose Us:****

With a track record spanning back to our inception in 1985, we have established ourselves as a reliable and innovative lender. We proudly serve properties exclusively within California, having funded loans in all 58 counties of the state. Our deep-rooted experience enables us to navigate complex loan scenarios with expertise and efficiency.

****Our Approach:****

At Mid Valley Financial, we prioritize your financial goals. Whether you're a first-time homebuyer, envisioning your dream property, refinancing an existing mortgage, or looking to tap into your property's equity, our seasoned loan officers offer a wealth of knowledge and over 300 years of collective experience. We ensure that your funds are prepared when you need them, providing a smooth and swift loan process.

****Unlocking Possibilities:****

As one of California's leading direct lenders, we've streamlined the loan process, minimizing obstacles that often deter borrowers. Many of our clients receive approvals within an hour, showcasing our dedication to quick and hassle-free solutions.

****Your Journey with Us:****

Contact the MVF team today and let us put your journey to property ownership on cruise control. Our mission is to empower borrowers while fostering enduring and meaningful relationships. With highly competitive rates, a commitment to transparency, and a dedication to your financial success, Mid Valley Financial is your partner in realizing your real estate aspirations.

Mid Valley Financial 