



Mid Valley Financial

Mortgage Banker, Since 1985
 Broker CA DRE#01206057 | NMLS ID#219418
 7644 N. Palm Avenue Fresno, CA 93711

Office: (559) 432-8221
 Mobile: (559) 432-8221
 Fax: (559) 432-8298
info@mvloans.com
[View My Website](#)

Big News For Refi Rates As Adverse Market Fee is Removed

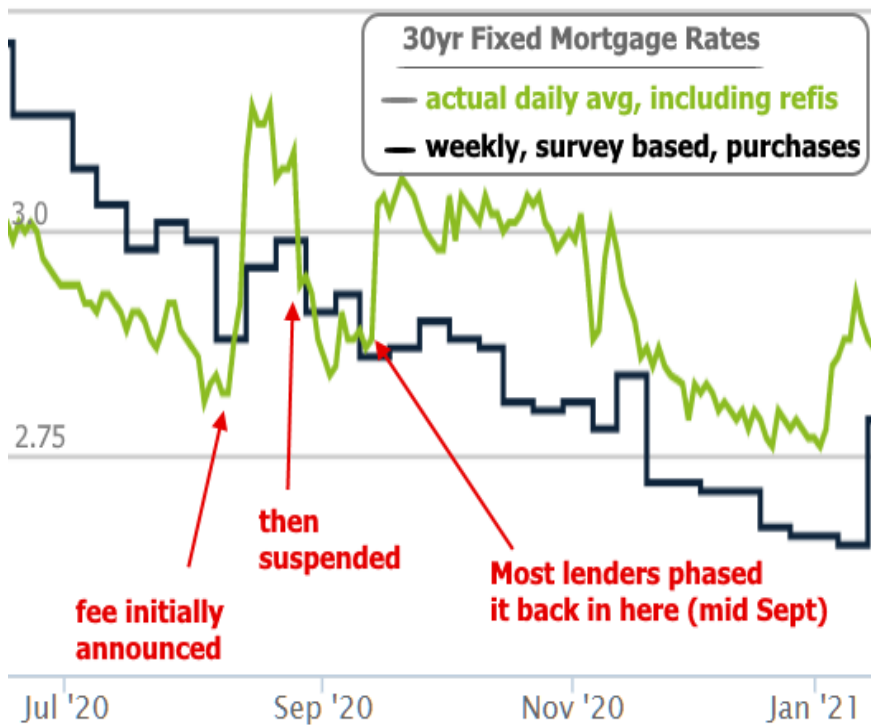
It was big, bad news when it came out last summer. Almost a year later, the 50 basis point "adverse market fee," which affected a majority of refinance mortgages has been eliminated!

Backstory

For those interested in a refresher, [here is the original coverage](#). And here is the [follow-up coverage](#) (which includes more nuts, bolts, and plain English).

Long story short, in early August 2020, Fannie and Freddie (who collectively buy or guarantee a vast majority of all mortgages) announced that virtually all conventional refinance loans would be subject to a new fee of 0.50 points (e.g. an extra \$1500 upfront on a \$300k loan, or a 0.125-0.25% increase in rate).

After much protest, the implementation of the fee was delayed at the end of August. Lenders ultimately began adding it back into rate sheets en masse by mid September. All of the above can be seen in the following chart which shows the effects on average daily rates.



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	4.2423	-0.0102
30 YR Treasury	4.4617	-0.0108

Pricing as of: 7/22 9:02PM 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%

Fast forward to the summer of 2021 and some recent developments raised questions about the longevity of the fee-- specifically the firing of previous FHFA Director Calabria ([here's the full backstory on that](#)). And here's an excerpt:

Why does this matter? Biden can now appoint an FHFA director who will work with Treasury Secretary Yellen to undo the recent PSPA changes that run counter to the current administration's housing policy goals. Some experts believe that means "all of them."

Of all of the changes precipitated by the amended PSPA (preferred stock purchase agreement that gave Treasury the power to set the terms under which it would act as the backstop for Fannie and Freddie) this adverse market fee was the last one that was expected to change any time soon. After all, the last adverse market fee lasted for many years after experts argued it was no longer needed.

But here we are. It has officially been removed!

What Happened?

A fee that increased added half a point in upfront cost to most conventional refinances has been removed by FHFA (Fannie and Freddie's regulator).

What does "half a point upfront" mean?

\$1500 on a \$300k loan, or 0.125-0.25% in rate.

For what loans? When?

Again, this only applies to most conventional refinance loans delivered to the agencies on or after August 1st. It would be very hard to close a new refi before then, let alone deliver it to the agencies, so most lenders have already implemented the change for all new loans.

How about for loans already in process?

This depends... If a loan was not already locked, there's a good chance the fee won't be there when it is ultimately locked. For loans that are already locked, lender strategies vary. Some lenders are removing the fee from any loan that hasn't yet closed. Others are not. If you're not sure how your lender is dealing with it, the best bet is to ask your loan officer.

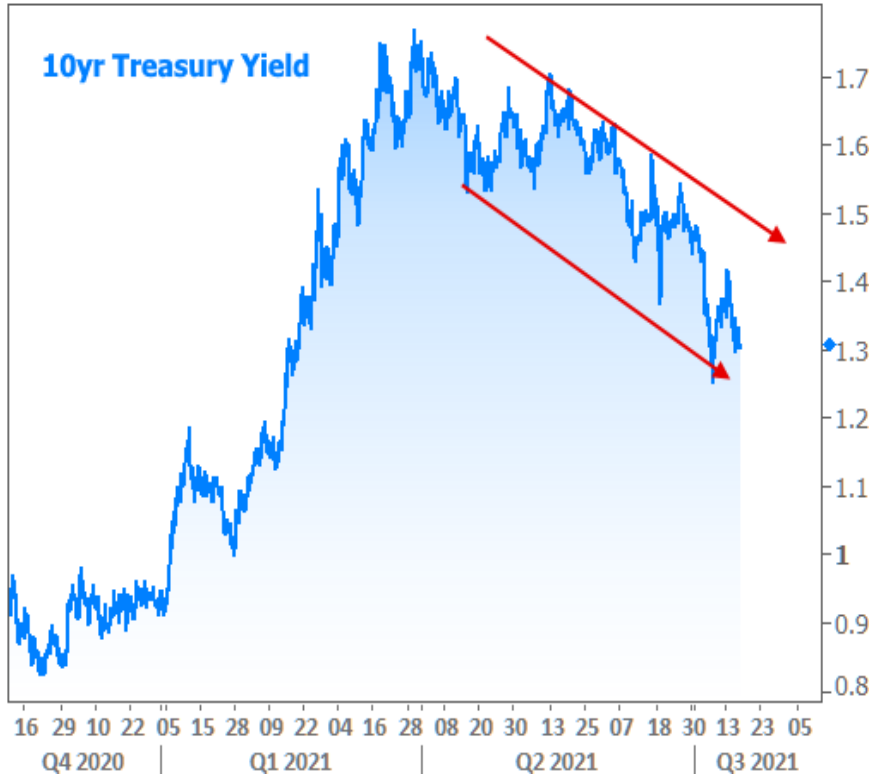
How much will I save if it's removed?

That depends on your loan amount and how the fee was accounted for in your quote. It also depends on your lender's rate sheet structure. In cases where the fee is accounted for on the "rate" side of the equation, the change should be good for at least an eighth of a percent in most cases (0.125%). In cases where it's accounted for on the "cost/points" side of the equation, you should save exactly half a point (i.e. \$500 for every \$100k financed).

My lender said they can't credit the fee because they never charged it. Are they lying?

If you have a PURCHASE (not a refi), or a loan amount of \$125k or less, or a HomePossible or HomeReady loan, or an FHA/VA/USDA loan, or any other loan not sold to or guaranteed by Fannie Mae or Freddie Mac, no. They're not lying. Moreover, some lenders opted to absorb this fee in their pricing structure and never treat it as its own line item. They technically never charged it, even if they were planning on paying it and now no longer have to.

Whatever the case may be, this is good news for the mortgage market and it provides proof of concept regarding other potentially beneficial changes. At the same time, the underlying bond market has generally been improving over the past 2 weeks, which only augments the savings for new refinance transactions.



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 12				
11:30AM	3-Yr Note Auction (bl)	58		
1:00PM	10-yr Note Auction (bl)	38		
Tuesday, Jul 13				
8:30AM	Jun Consumer Price Index (CPI) (%)	0.9	0.5	0.6
8:30AM	Jun Core CPI (Annual) (%)	4.5	4.0	3.8
1:00PM	30-Yr Bond Auction (bl)	24		
Wednesday, Jul 14				
7:00AM	w/e MBA Purchase Index	273.3		252.4
7:00AM	w/e MBA Refi Index	3361.5		2791.3
8:30AM	Jun Core Producer Prices YY (%)	5.6	5.1	4.8

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
Thursday, Jul 15				
8:30AM	Jun Import prices mm (%)	1.0	1.2	1.1
8:30AM	Jul Philly Fed Business Index	21.9	28.0	30.7
8:30AM	Jun Export prices mm (%)	1.2	1.2	2.2
8:30AM	Jul NY Fed Manufacturing	43.00	18.00	17.40
8:30AM	w/e Jobless Claims (k)	360	350	373
8:30AM	w/e Continued Claims (ml)	3.241	3.100	3.339
9:15AM	Jun Industrial Production (%)	0.4	0.6	0.8
Friday, Jul 16				
8:30AM	Jun Retail Sales (%)	0.6	-0.4	-1.7
10:00AM	Jul Consumer Sentiment	80.8	86.5	85.5
10:00AM	May Business Inventories (%)	0.5	0.5	-0.2
Monday, Jul 19				
10:00AM	Jul NAHB housing market indx	80	82	81
Tuesday, Jul 20				
8:30AM	Jun Build permits: change mm (%)	-5.1		-2.9
8:30AM	Jun Housing starts number mm (ml)	1.643	1.590	1.572
8:30AM	Jun Building permits: number (ml)	1.598	1.700	1.683
8:30AM	Jun House starts mm: change (%)	6.3		2.1
Wednesday, Jul 21				
7:00AM	w/e MBA Purchase Index	255.8		273.3
7:00AM	w/e MBA Refi Index	3267.6		3361.5
Thursday, Jul 22				
10:00AM	Jun Existing home sales (ml)	5.86	5.90	5.78
10:00AM	Jun Exist. home sales % chg (%)	+1.4		-1.2
10:00AM	Jun Leading index chg mm (%)	+0.7	0.9	1.2
Friday, Jul 23				
9:45AM	Jul Markit Composite PMI	59.7		63.7

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.

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