



## Mid Valley Financial

Mortgage Banker, Since 1985

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## The 2 Components of Mortgage Rates: Upfront Cost and the Rate Itself

Mortgage rates, for the purposes of this article, will refer to the most commonly-quoted loans available through the most prevalent channels. That essentially means **conforming, fixed rate loans**—especially 30yr and 15yr fixed.

An example of one of these mainstream **rate quotes** would be a 30yr fixed from a big bank or mortgage lender either directly via a retail branch of that bank or indirectly via a mortgage originator who has access to several correspondent or brokered banking channels. In **both cases** we're talking about some large underlying financial entity that is in the business of making lots of loans.

These sorts of lenders will typically **adjust their rate sheet offerings** every day. In fact, it's **extremely rare** to see absolutely no change in any given lender's rate sheet from one day to the next. That said, it's also rare for rates to change so much that the actual contract interest rate is affected. That's because rates are almost universally quoted in .125% increments. As such, rates would have to change by .125% in order for a rate that had been quoted at 4.0% to now be quoted at 4.125%, all other things being equal.

The "**fine-tuning adjustment**" for mortgage rates lies in the upfront cost side of the equation. This can either be an actual cost out of the borrower's pocket ("discount points"), or a rebate from the lender. Rebates to cover closing costs, etc., are a common feature of loan quotes, and lenders are able to offer them because of the interest collected over time. The higher the rate, the higher the potential rebate. The lower the rate, the higher the cost. **For example**, if a 4% rate involved neither an upfront discount nor a rebate from the lender, then a 3.875% might require a 1.0% discount point and a 4.125% might result in a 1% rebate from the lender.

In that example the discount point and the rebate are both part of the same component of "mortgage rates." One is negative and the other is positive, but they both represent the **COST** side of the equation. This is the side of the mortgage rate equation that is almost guaranteed to be changing every day — **sometimes multiple times per day**, and those changes can be extrapolated to changes in effective rate. In other words, an effective rate of 4.04 doesn't mean that people are being quoted 4.04. Rather, the actual rate quotes are mostly likely 4.0% with an upfront cost or 4.125% with a rebate.

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## National Average Mortgage Rates



	Rate	Change	Points
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### 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	99.37	-0.03
MBS GNMA 5.5	99.76	-0.01
10 YR Treasury	4.2599	+0.0220
30 YR Treasury	4.4776	+0.0308

Pricing as of: 7/22 3:05PM 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%

# 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** 