



Mid Valley Financial

Mortgage Banker, Since 1985

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## Rates at 2-Month Highs; Big Changes For Investor/2nd Home Loans

Mortgage rates ended the week at the **highest** levels in roughly 2 months as investors moved to the sidelines ahead of next week's Fed announcement.

In other words, investors sold bonds (among other things) and in the bond market, selling pressure means lower prices and higher rates, all other things being equal.

Despite the poor finish, things **started** out well enough. The Consumer Price Index (CPI), a key inflation report, came out lower than expected on Tuesday. With inflation being an important consideration for the bond market at the moment, the reaction was obvious. Unfortunately, it was also short-lived.



If we add S&P futures to the chart above, we can see that stocks were also generally moving to the sidelines (i.e. **more sellers** than buyers).

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

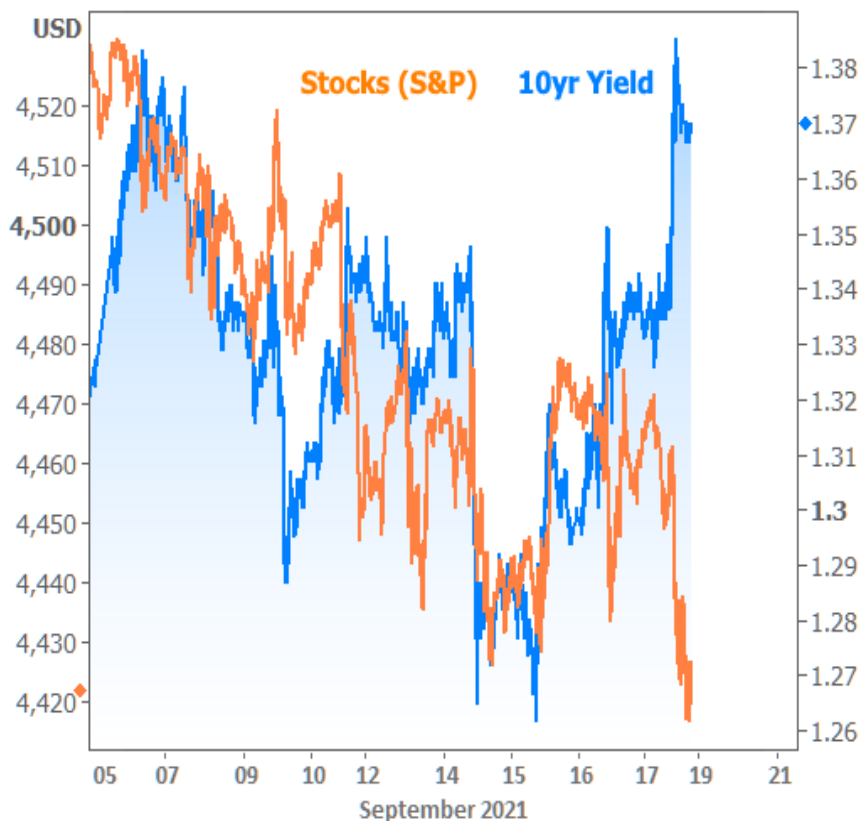
## Market Data

	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	4.4598	-0.0127

Pricing as of: 7/22 10:50PM 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%



While there is never one singular motivation for stocks and bonds, they definitely share a concern for Fed policy. With next week bringing an **important** policy announcement from the Fed, it would make sense to see investors circling the wagons in preparation.

With a specific eye on the bond market, this preparation has arguably been going on for some time. The result is the consolidation pattern seen in the following chart. The green line simply marks the calendar date of next week's Fed announcement.



In the chart above, the inception of the pattern is **no coincidence**. It began after the strong jobs report in early August. The labor market is a key consideration for the Fed, and some Fed members were on record saying it would only take one more report like the one in early August to justify a shift toward tighter policy (i.e. not good for rates).

The next report arrived on September 3rd and once again, rates pushed up to the near-term **ceiling** marked by 10yr Treasury yields in the 1.37-1.38 range. Now at the end of this week, we're back at the same ceiling levels.

Bonds haven't been eager to break that ceiling because the conditions that warrant more austerity from the Fed **haven't been met yet**. Chair Powell has said on many occasions that the labor market has more progress to make before the Fed will begin to taper its rate-friendly bond purchases.

In addition, the Fed would like to see how covid and the economy are interacting after the start of the new school year, and it's **just a bit too soon** to draw any sweeping conclusions.

The longer-term chart conveys the sense of limbo for rates (10yr Treasury yields are widely used as a benchmark for other rates like mortgages). They're neither in the ultra-low zone associated with the first year of the pandemic, nor are they back into the pre-covid range. That said, they're **likely to pick a side** in the coming weeks--perhaps as early as next week.



In other news this week, the FHFA and Treasury made a **big announcement** that affects certain mortgage scenarios. This goes back to earlier changes that we discussed in previous newsletters [HERE](#) and [HERE](#). The biggest impacts were seen in loans for investment properties and 2nd homes.

To make a **long story** short, the regulatory changes (which forced many lenders to raise rates significantly for those loans) have been rescinded for at least a year. The implication is that those lenders can begin lowering the cost for those loans. The timing and magnitude of that process will vary depending on the lender. Either way, please be sure to note that this does not impact a vast majority of mortgages tied to owner-occupied properties.

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**Recent Economic Data**

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Sep 14</b>				
8:30AM	Aug Consumer Price Index (CPI) (%)	0.3	0.4	0.5
8:30AM	Aug Core CPI (Annual) (%)	4.0	4.2	4.3
<b>Wednesday, Sep 15</b>				
7:00AM	w/e MBA Purchase Index	277.9		258.4
7:00AM	w/e MBA Refi Index	3185.6		3292.1
8:30AM	Sep NY Fed Manufacturing	34.30	18.00	18.30
9:15AM	Aug Industrial Production (%)	0.4	0.4	0.9
<b>Thursday, Sep 16</b>				

**Event Importance:**

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	Aug Retail Sales (%)	0.7	-0.8	-1.1
8:30AM	Sep Philly Fed Business Index	30.7	18.8	19.4
8:30AM	w/e Jobless Claims (k)	332	320	310
10:00AM	Jul Business Inventories (%)	0.5	0.5	0.8
<b>Friday, Sep 17</b>				
10:00AM	Sep 5yr Inflation Outlook (%)	2.9		2.9
10:00AM	Sep 1yr Inflation Outlook (%)	4.7		4.6
10:00AM	Sep Consumer Sentiment	71.0	72.0	70.3
<b>Monday, Sep 20</b>				
10:00AM	Sep NAHB housing market indx	76	74	75
<b>Tuesday, Sep 21</b>				
8:30AM	Aug House starts mm: change (%)	+3.9		-7.0
8:30AM	Aug Housing starts number mm (ml)	1.615	1.555	1.534
8:30AM	Aug Building permits: number (ml)	1.728	1.600	1.630
8:30AM	Aug Build permits: change mm (%)	6.0		2.3
<b>Wednesday, Sep 22</b>				
7:00AM	w/e MBA Purchase Index	283.9		277.9
7:00AM	w/e MBA Refi Index	3391.1		3185.6
10:00AM	Aug Existing home sales (ml)	5.88	5.89	5.99
10:00AM	Aug Exist. home sales % chg (%)	-2.0		2.0
2:00PM	N/A FOMC rate decision (%)	0 - 0.25	0.125	0.125
<b>Thursday, Sep 23</b>				
9:45AM	Sep Markit Composite PMI	54.5	58.3	55.4
10:00AM	Aug Leading index chg mm (%)	+0.9	0.7	0.9
<b>Friday, Sep 24</b>				
10:00AM	Aug New Home Sales (%) (%)	+1.5		1.0
10:00AM	Aug New Home Sales (ml)	0.740	0.714	0.708

## 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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