



Mid Valley Financial

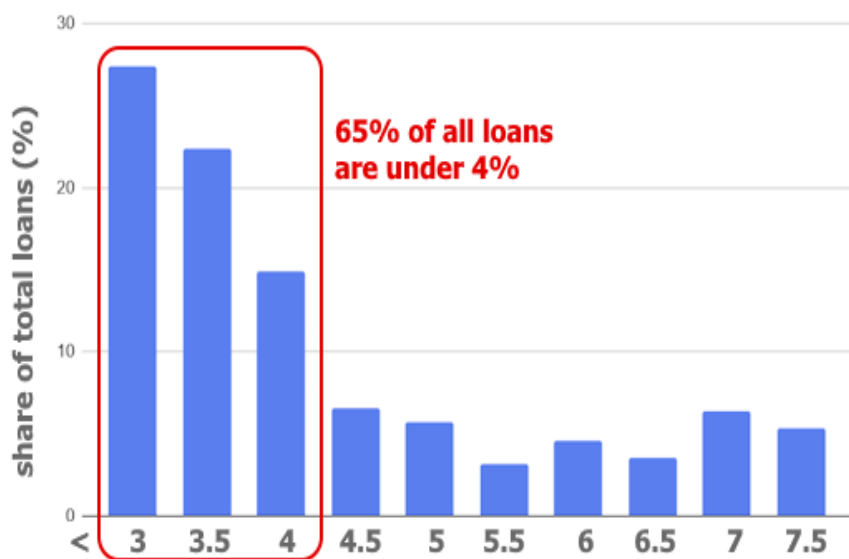
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Refi Demand Exploded (Relatively), But Rates Are Settling (For Now)

There's been widespread speculation as to the effect that falling rates will have on refinance demand in a world where 2/3rds of mortgages have rates under 4%. This week's data suggests it's worth discussing.

Outstanding Conventional Mortgage Balances by Rate



While the blue bars on the right side of the chart above may not be as big, they still represent 100s of millions of dollars of loan balances. In fact, there are nearly 10 billion dollars outstanding at rates of 7% and higher. As such, when last week's rates dropped briefly into the low 6% range, there was a mini glut of refi demand. The following chart shows the latest refinance application index from the Mortgage Bankers Association (MBA).

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 6.44% | -0.04 | 0.00 |
| 15 Yr. Fixed | 5.97% | -0.03 | 0.00 |
| 30 Yr. FHA | 5.90% | -0.04 | 0.00 |
| 30 Yr. Jumbo | 6.66% | -0.02 | 0.00 |
| 5/1 ARM | 6.32% | -0.06 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 6.46% | -0.40 | 0.00 |
| 15 Yr. Fixed | 5.62% | -0.54 | 0.00 |

Rates as of: 8/23

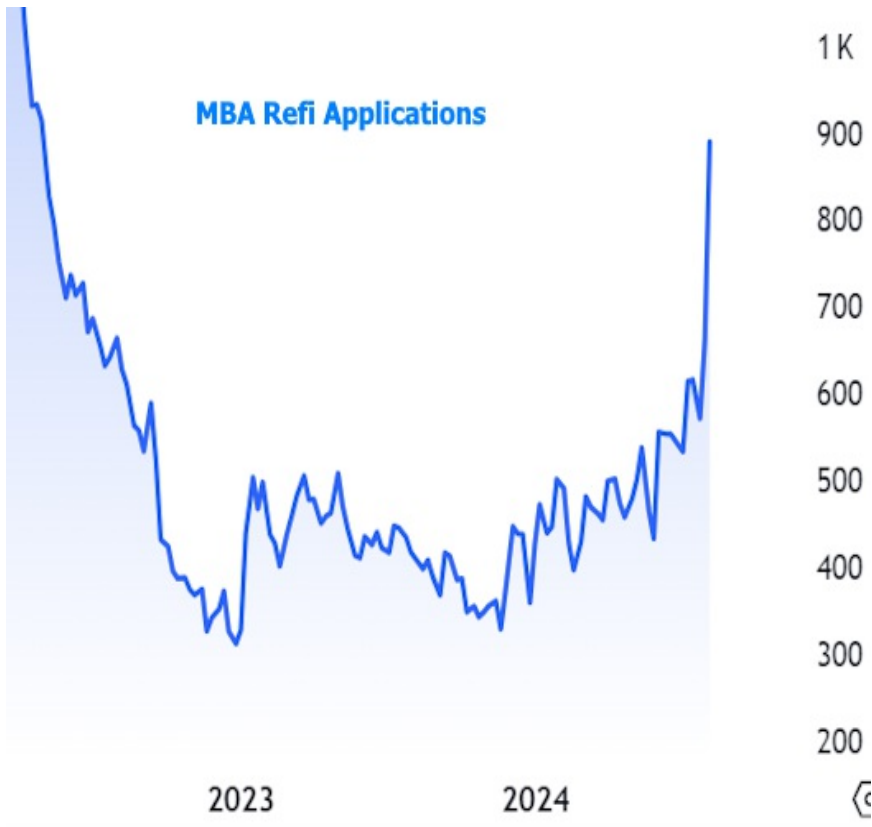
Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.5 | 100.93 | +0.26 |
| MBS GNMA 5.5 | 100.83 | +0.22 |
| 10 YR Treasury | 3.7999 | -0.0531 |
| 30 YR Treasury | 4.0908 | -0.0309 |

Pricing as of: 8/23 5:59PM EST

Recent Housing Data

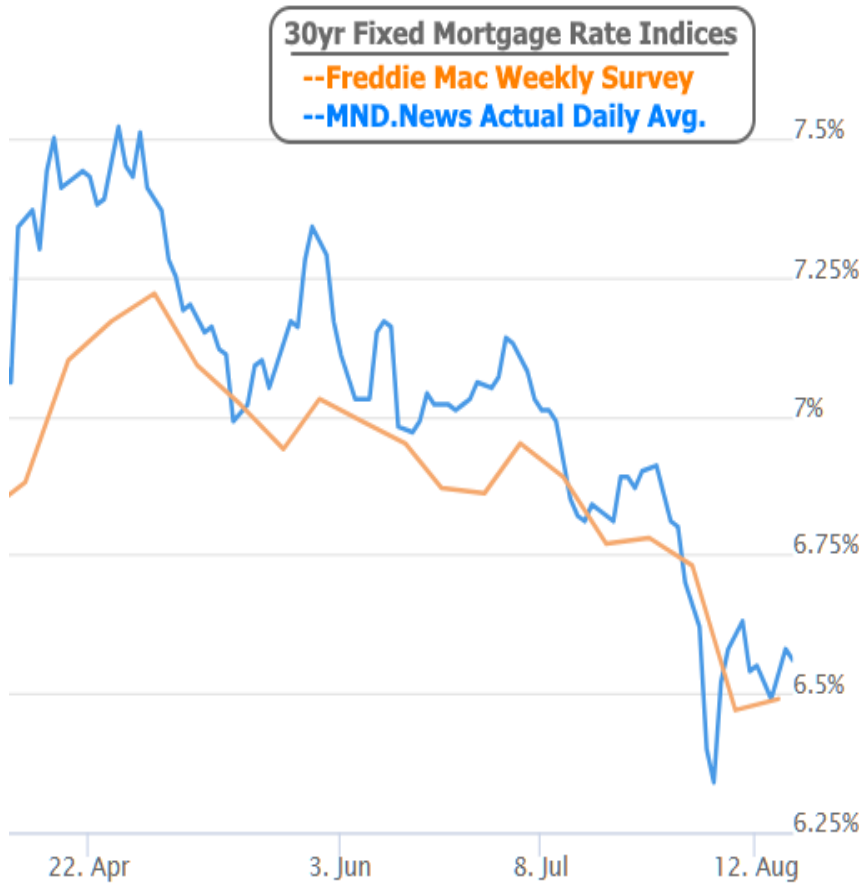
| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Aug 14 | 251.3 | +16.83% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |



That may not look too "mini" at first glance, but context is important.



In other words, we're barely back to what had been historically low levels of refi activity seen in late 2018. The counterpoint is that rates were only in the low 6's for an hour or two last Monday morning. Bottom line: this is still proof of concept for more widespread refi demand in a scenario where rates move back into the 5s and hold those levels for more than a few hours.



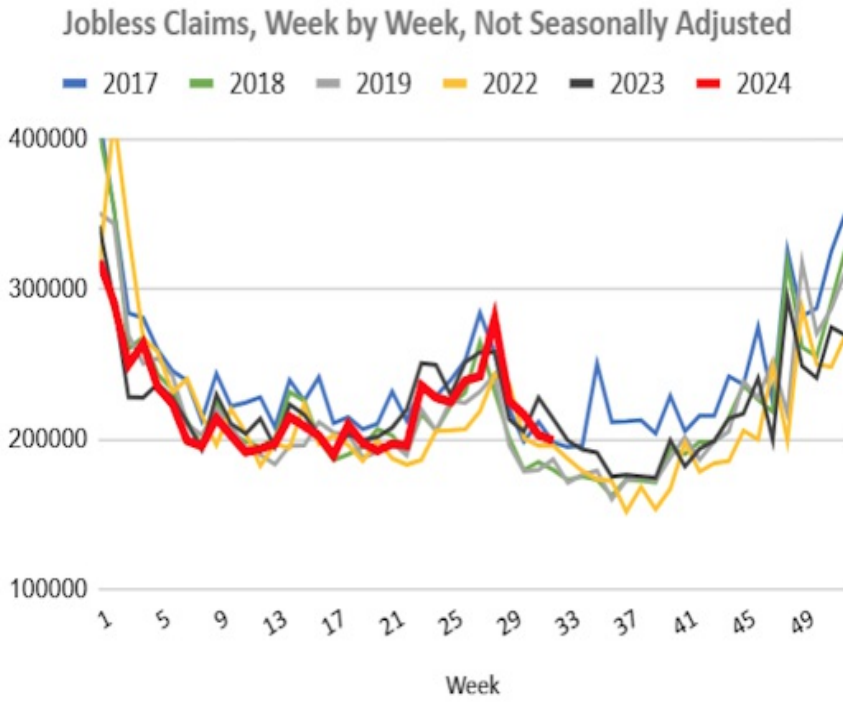
So how likely is a move back into the 5s? Based on the recent trajectory of economic data 2 weeks ago, it's only a matter of time. Since then, the data has been more of a two way street. The first few days of this week saw rates move lower in response to lower inflation. Thursday brought a sharp bounce in response to higher retail sales numbers and lower jobless claims.

The weekly Jobless Claims report is becoming rapidly more important due to the confluence of the most recent jobs report (a different, significantly larger and more important report compared to the jobless claims data) and the Federal Reserve's increased level of focus on the health of the labor market.

In not so many words, the Fed just talked about watching employment more closely in the announcement 2 weeks ago. 2 days later, the big jobs report came out much weaker than expected. Markets figured the Fed would have been even more rate friendly if they'd known about the jobs data.

From that point on, every little shred of employment data has been more important than normal. Jobless Claims, in particular, are very useful because they're reported on a weekly basis, thus allowing the market to potentially get ahead of any shift in the trend.

Rather than confirm the downbeat message from the big jobs report, Jobless Claims have instead been signaling business as usual, cutting a substantially similar path to the past 5 non-lockdown-distorted years.



As seen in 10yr Treasury yields, rates have responded accordingly.

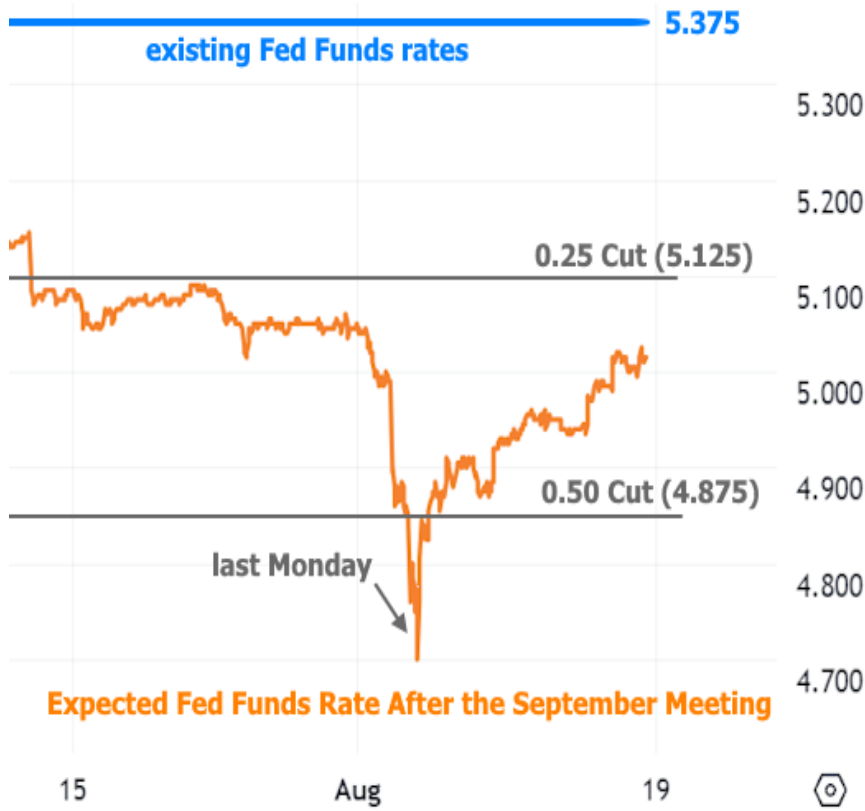


Thankfully for fans of low rates, these bumps have been contained by a broader consolidation near the lowest rate levels of the year.



Between now and the September Fed meeting, there are FIVE more jobless claims releases, another big jobs report, and another installment of the Consumer Price Index (CPI) in addition to plenty of strong supporting actors of the economic data world. If there's a cohesive message, rates should move accordingly (i.e. weaker data = lower rates, stronger data = higher rates).

As always, mortgage rates and Treasury yields would move well before the Fed announces a rate cut (seen as 100% likely for September). The market is constantly trading its expectations for the Fed Funds Rate, and those expectations tend to look a lot like the day to day movement in consumer rates.



Here's a longer term chart of a different Fed Funds Rate futures contract (June 2025) overlaid with a 5yr Treasury yield. 5yr Treasuries are actually more correlated with mortgage rate movement these days than 10yr Treasuries. Either way, the point is to show that the rate market will have already made its move by the time the Fed meeting rolls around.



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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|--------------------------|-----------------------------------|--------|----------|--------|
| Tuesday, Aug 13 | | | | |
| 8:30AM | Jul Core Producer Prices MM (%) | 0% | 0.2% | 0.4% |
| 8:30AM | Jul Core Producer Prices YY (%) | 2.4% | 2.7% | 3% |
| Wednesday, Aug 14 | | | | |
| 7:00AM | Aug/09 MBA Refi Index | 889.3 | | 661.4 |
| 7:00AM | Aug/09 MBA Purchase Index | 137.7 | | 133.9 |
| 8:30AM | Jul m/m CORE CPI (%) | 0.2% | 0.2% | 0.1% |
| 8:30AM | Jul y/y CORE CPI (%) | 3.2% | 3.2% | 3.3% |
| Thursday, Aug 15 | | | | |
| 8:30AM | Aug NY Fed Manufacturing | -4.70 | -6 | -6.60 |
| 8:30AM | Aug Philly Fed Business Index | -7.0 | 7 | 13.9 |
| 8:30AM | Jul Import prices mm (%) | 0.1% | -0.1% | 0% |
| 8:30AM | Jul Retail Sales (%) | 1% | 0.3% | 0% |
| 8:30AM | Aug/10 Jobless Claims (k) | 227K | 235K | 233K |
| 9:15AM | Jul Industrial Production (%) | -0.6% | -0.3% | 0.6% |
| 10:00AM | Aug NAHB housing market indx | 39 | 43 | 42 |
| Friday, Aug 16 | | | | |
| 8:30AM | Jul Housing starts number mm (ml) | 1.238M | 1.33M | 1.353M |
| 8:30AM | Jul Building permits: number (ml) | 1.396M | 1.43M | 1.454M |
| 10:00AM | Aug Consumer Sentiment (ip) | 67.8 | 66.9 | 66.4 |
| Wednesday, Aug 21 | | | | |
| 2:00PM | FOMC Minutes | | | |
| Thursday, Aug 22 | | | | |
| 8:30AM | Aug/17 Jobless Claims (k) | 232K | 230K | 227K |
| 9:45AM | Aug S&P Global Services PMI | 55.2 | 54 | 55.0 |
| 10:00AM | Jul Existing home sales (ml) | 3.95M | 3.93M | 3.89M |
| Friday, Aug 23 | | | | |
| 10:00AM | Jul New Home Sales (ml) | 0.739M | 0.63M | 0.617M |
| 10:00AM | Fed Chair Powell Speech | | | |

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

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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