



Mid Valley Financial

Mortgage Banker, Since 1985

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Conflicting News on Rates, But Everyone Agrees on The Next Main Event

Last Thursday, Mortgage News Daily (MND) published an article titled: "Rates Right in Line With Long-Term Lows, But That Could Change on Friday." Indeed, rates ended up jumping in a big way--the biggest in more than a year.

There was no clairvoyance involved, nor was it a lucky guess. In fact, the intention of the headline was to point out that rates could go big in EITHER direction. It was not destined to be the case, necessarily. All we knew is that we would receive one of the two most important monthly economic reports the following morning and that interest rates routinely react to any big surprises in that report.

The report in question was the employment situation (aka "the jobs report"), and if you've read anything about mortgage rates in the past week, you've [seen the damage](#). Then again, that depends on what you read.

Freddie Mac's weekly mortgage rate survey (yes, we're aware that it's no longer a traditional question and answer survey) has a massive reach with write-ups in a many of the biggest media outlets. There are even some high level financial firms that still pay attention despite the newer, superior alternatives.

Case in point, just one short day ago, Freddie's survey was updated to show essentially no change in mortgage rates from last week. The index moved from 6.63 to 6.64 and the survey's landing page said "Mortgage rates remain stagnant, hovering in the mid-six percent range over the past several weeks."

Occasionally, Freddie has used that space to point out that daily rates began to shoot up at the end of the survey period--a nice courtesy to anyone reading "mid-six percent range" when the average mortgage lender was closer to 7.0%.

On that note, by the time of this week's Freddie survey, the average mortgage lender was indeed much higher than last week. Depending on the details of the specific scenario, many borrowers saw rates that were HALF A PERCENT higher!

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	4.2525	+0.0146
30 YR Treasury	4.4725	+0.0257

Pricing as of: 7/22 5:59PM 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%



There are several different ways to attempt to justify this discrepancy. The best is to understand that Freddie's number is a 5 day average and the first few days of the survey period saw much higher rates. In fact, if we calculate the average daily rate from the MND index that corresponds with Freddie's survey days, we find a small increase of 0.04% this week. At first glance, that makes Freddie's 0.01% increase seem like no big deal, but everything's relative.

Notice the flat orange line goes all the way back into late December. Freddie logged a rate that was 0.03% lower for that survey period. If we run the same math on MND's daily rates, we find they were 0.25% lower! In other words, it's not hard to account for a Thu-Wed survey showing minimal change this week, but it's impossible to explain how it could come up with an increase of only 0.03% when actual rate sheets were 0.25% higher. 0.25% might not seem like a big number, but it's huge in the world of mortgage rates.

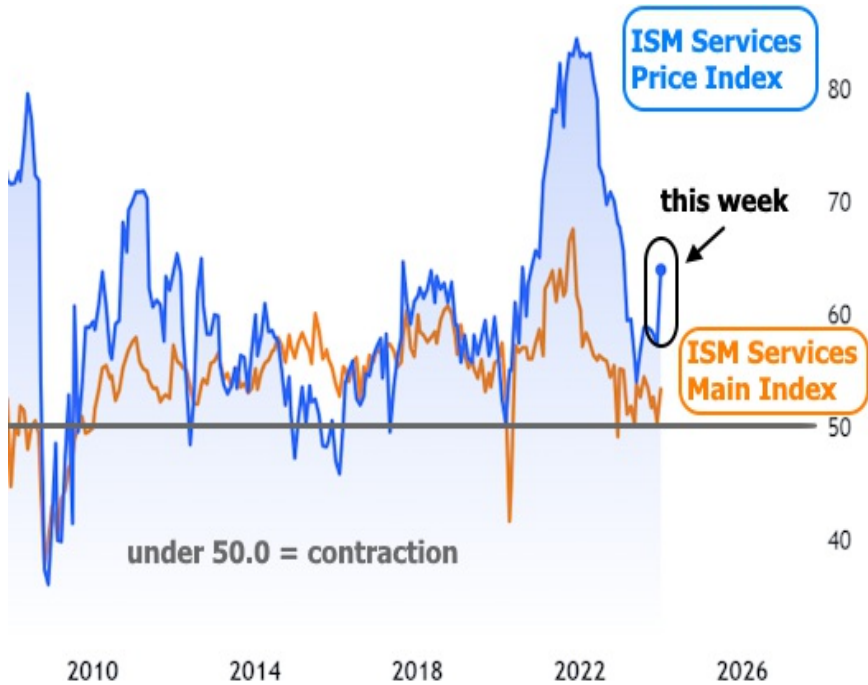
Bottom line: the bottom line (the orange one) in the chart above is fishy. Rates are substantially higher than they were last Thursday or at the end of December.

In this week's other news, we were treated to a slew of speeches from various members of the Federal Reserve. They could easily have been reading from the same exact notes. Here are the talking points that are ubiquitous at the Fed right now:

- Inflation has come down nicely, but it's still too high overall and we'd like to see it come down a bit more with a bit better balance across sectors
- If we had to guess, we think we'll be in a position to cut rates this year, but not too soon, and it still depends on the economy
- The economy and job market have been surprisingly strong and that helps us feel comfortable about waiting to make a decision on rate cuts

US Housing Market Weekly

There was one other highly important economic report this week. While not in the same league as the jobs report or CPI, the ISM services index often pushes rates higher or lower. Stronger data pushes rates higher and vice versa. This week's release was stronger across the board. The headline index was only slightly stronger, but the "prices" component of the data surged much higher, and while it was nowhere near recent highs, it's still a negative anecdote on inflation ahead of next week's data.



What's up with next week's data? Remember the reference to "one of the two most important monthly economic reports" above? The other report is the Consumer Price Index (CPI), a key measure of inflation. It will be released this coming Tuesday morning and it has just as much power to cause volatility for rates as the jobs report. As always, keep in mind that volatility implies potential movement in EITHER direction.

The bond traders that ultimately dictate mortgage rate movement tend to be most focused on core inflation (which excludes food and energy prices). Core monthly CPI is expected to be 0.3% again. If it's 0.4% or higher, rates will likely rise. If it's 0.2% or lower, rates have a good chance of moving lower.

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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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