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Volatility Means What You See Is Not Necessarily What You Get

Every Thursday, Freddie Mac releases the most widely circulated **survey of mortgage rates**. It is relied upon not only in financial markets, but also by almost every major media outlet as the definitive source for keeping track of mortgage rate movement.

I've said in the past--and it continues to be true--that Freddie Mac's data is quite good. In fact, they send out exactly what they say they are going to send out week after week. The **problem** is that most of the major media outlets that pick up the story choose to **ignore** the fact that mortgage **rates move every day**—sometimes multiple times per day. As such, reducing a week's worth of mortgage rate movement to a single number can cause problems when things are more volatile.

Things are more volatile.

Interest rates began the year by following oil and stock prices quickly lower. The **best day of the year for rates** was February 11th, and by a **wide margin**. That happened to be a Thursday—a day that the Freddie Mac survey doesn't count. The two adjacent days also largely escape Freddie's methodology. The bottom line is that a lot of borrowers heard about low rate opportunities a week or two ago and are now seeing headlines saying mortgage rates have fallen to new long term lows only to find that today's rates are nowhere near as low as what they may have encountered earlier in the month.

This chart shows a daily log of average rates compared to the weekly readings from Freddie Mac and The Mortgage Bankers Association. **Keep in mind** that these numbers are averages that won't necessarily apply to every scenario. They are most useful for the trends they convey as opposed to the outright levels.

National Average Mortgage Rates



| | Rate | Change | Points |
|---------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 7.28% | -0.09 | 0.00 |
| 15 Yr. Fixed | 6.75% | -0.07 | 0.00 |
| 30 Yr. FHA | 6.70% | -0.12 | 0.00 |
| 30 Yr. Jumbo | 7.48% | -0.07 | 0.00 |
| 5/1 ARM | 7.35% | -0.07 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|-------|------|
| 30 Yr. Fixed | 7.22% | -0.22 | 0.00 |
| 15 Yr. Fixed | 6.47% | -0.29 | 0.00 |

Rates as of: 5/3

Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 6.0 | 100.09 | +0.31 |
| MBS GNMA 6.0 | 101.03 | +0.29 |
| 10 YR Treasury | 4.5138 | -0.0657 |
| 30 YR Treasury | 4.6711 | -0.0579 |

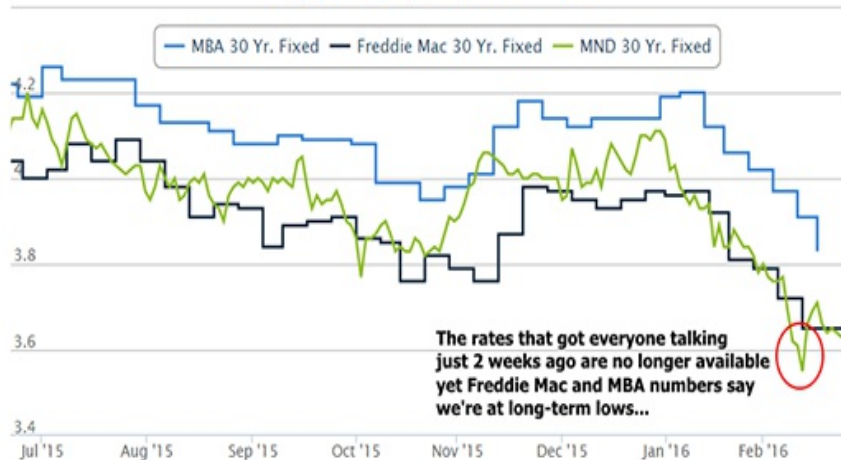
Pricing as of: 5/3 5:04PM EST

Recent Housing Data

| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Apr 24 | 196.7 | -2.67% |
| 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% |

Average 30 Year Fixed Mortgage Rates

Mortgage News Daily, MBA, and Freddie Mac



Are we still fairly close in the bigger picture? Definitely! But if borrowers go to their mortgage professionals expecting to lock rates from 2 weeks ago, it's a **recipe for confusion and distrust**. Fortunately, the explanation is hiding in plain sight and should help everyone get on the same page. To see for yourself, [check this link](#) where Freddie says "The survey is collected from Monday through Wednesday."

Market Recap

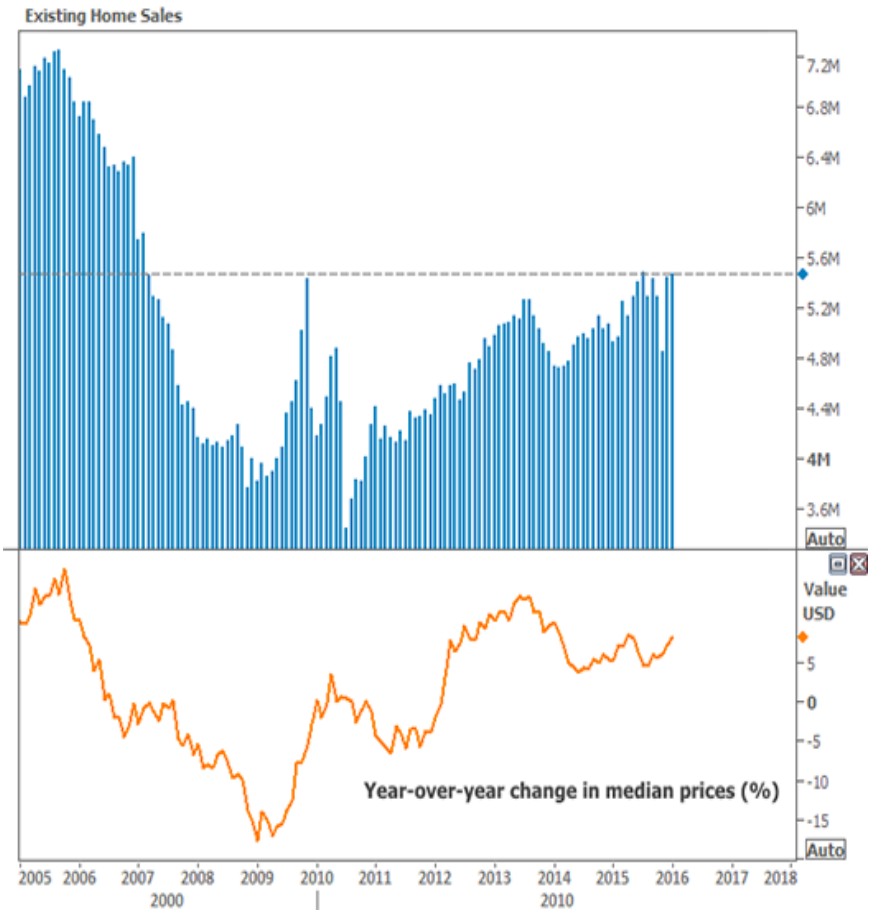
Bond markets continue taking most of their cues from the fluctuations in oil and stock prices. This is a break from historical norms where bonds (and thus, mortgage rates) have typically paid much more attention to economic data (the reports on various economic metrics that are released on a set schedule throughout the month).

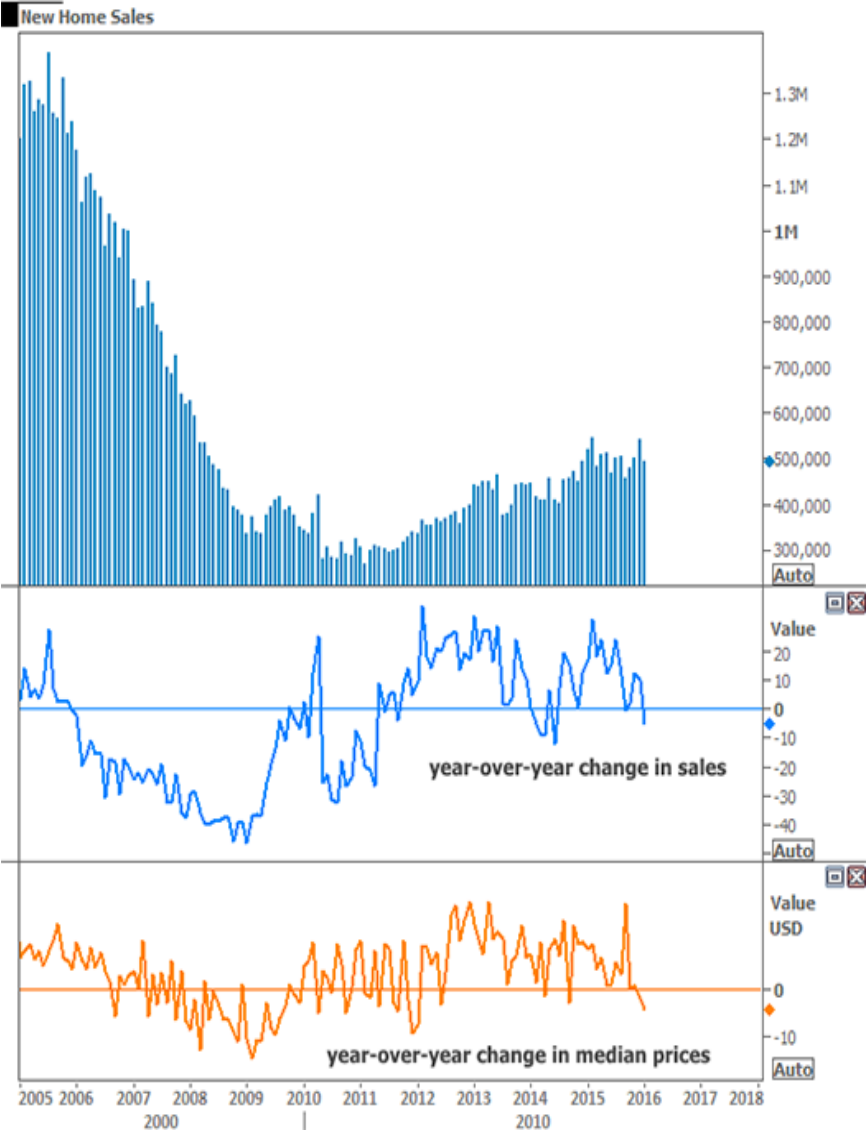
For instance, this week's Durable Goods data was much stronger than expected. At most points in the past, this would put pressure on rates to move higher. This time around, however, rates held near their lowest levels of the week. Simply put, bond markets are waiting to see if stocks and oil are really going to take a **nose-dive**, and look fairly content to hold the recent range until such a nose-dive can be ruled-out or confirmed.

In **housing-specific news**, [foreclosures are still growing](#) in **nearly half** of the country, according to RealtyTrac. And that's not simply a factor of lenders working through foreclosure pipelines. Black Knight released its "First Look" at [January's mortgage data](#) and noted that delinquency rates have increased to an **11-month high**.

[Case-Shiller](#) home prices showed **cooling** appreciation rates in general although several metro areas are still experiencing **double-digit** year-over-year growth.

In terms of sales numbers, the Census Bureau's [New Home Sales](#) report painted a vastly different picture compared to The National Association of Realtors Existing Home Sales data. Whereas New home sales and median prices both slipped into negative year-over-year territory for the first time since mid-2014, [Existing Home Sales](#) were very close to 9-year highs and median prices appreciated at their fastest year-over-year pace since April 2015.





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Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|-------------------|---------------------------------|--------|----------|--------|
| Tuesday, Feb 23 | | | | |
| 9:00AM | Dec CaseShiller 20 mm SA (%) | +0.8 | 0.9 | 0.9 |
| 9:00AM | Dec CaseShiller 20 yy (%) | +5.7 | 5.8 | 5.8 |
| 10:00AM | Jan Exist. home sales % chg (%) | +0.4 | -2.9 | 14.7 |
| 10:00AM | Jan Existing home sales (ml) | 5.47 | 5.32 | 5.46 |
| 10:00AM | Feb Consumer confidence | 92.2 | 97.0 | 98.1 |
| Wednesday, Feb 24 | | | | |
| 7:00AM | w/e Mortgage Refinance Index | 2267.4 | | 2456.7 |
| 7:00AM | w/e MBA Purchase Index | 217.9 | | 213.3 |
| 10:00AM | Jan New home sales chg mm (%) | -9.2 | -4.4 | 10.8 |

Event Importance:

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

| Date | Event | Actual | Forecast | Prior |
|-------------------|-----------------------------------|--------|----------|-------|
| 10:00AM | Jan New home sales-units mm (ml) | 0.494 | 0.520 | 0.544 |
| Thursday, Feb 25 | | | | |
| 8:30AM | w/e Continued jobless claims (ml) | 2.253 | 2.255 | 2.273 |
| 8:30AM | w/e Initial Jobless Claims (k) | 272 | 271 | 262 |
| 8:30AM | Jan Durable goods (%) | +4.9 | 2.5 | -5.0 |
| 8:30AM | Jan Nondefense ex-air (%) | +3.9 | 1.0 | -4.3 |
| Friday, Feb 26 | | | | |
| 8:30AM | Q4 GDP Prelim (%) | +1.0 | 0.4 | 0.7 |
| 10:00AM | Jan Core PCE price index mm (%) | +0.3 | 0.2 | 0.0 |
| 10:00AM | Jan PCE price index mm (%) | +0.1 | | -0.1 |
| 10:00AM | Jan Personal consump real mm (%) | +0.4 | | 0.1 |
| 10:00AM | Jan Consumption, adjusted mm (%) | +0.5 | 0.3 | 0.0 |
| Monday, Feb 29 | | | | |
| 9:45AM | Feb Chicago PMI | 47.6 | 53.0 | 55.6 |
| 10:00AM | Jan Pending homes index | 106.0 | | 106.8 |
| Tuesday, Mar 01 | | | | |
| 10:00AM | Jan Construction spending (%) | +1.5 | 0.4 | 0.1 |
| 10:00AM | Feb ISM Manufacturing PMI | 49.5 | 48.5 | 48.2 |
| Wednesday, Mar 02 | | | | |
| 8:15AM | Feb ADP National Employment (k) | 214.0 | 190 | 205 |
| 9:45AM | Feb ISM-New York index | 720.8 | | 718.9 |
| Friday, Mar 04 | | | | |
| 8:30AM | Feb Unemployment rate mm (%) | 4.9 | 4.9 | 4.9 |
| 8:30AM | Feb Private Payrolls (k) | +230 | 185 | 158 |
| 8:30AM | Feb Non-farm payrolls (k) | +242 | 190 | 151 |

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