



## Philip Bennett

President, Bennett Capital Partners Mortgage Brokers  
Business NMLS # 2046862  
1101 Brickell Ave STE 800 Miami, FL 33131

Office: 800-457-9057  
Mobile: 305-407-0747  
[philip@bcmortgage.com](mailto:philip@bcmortgage.com)  
[View My Website](#)

## Highest Rates in Years Raise Questions About Housing in 2017

Just this week, Freddie Mac [referred to 2016](#) as the **best year for housing in a decade** before going on to say that 2017 is up in the air. With rates having risen rapidly to the highest levels in more than 2 years, "up in the air" is an understatement. In fact, forget housing... 2017 is up in the air across the board.

The apex of the financial crisis was the last time the political and economic climate of the country was so fraught with uncertainty. Love him or hate him, market movement suggests **high hopes** for Trump's fiscal policies. Whether or not those policies can possibly justify the growth and inflation suddenly predicted by financial markets will be the **biggest story** of the coming year.

If financial markets could actually be certain of a best-case scenario, rates would already be rising at the **fastest pace in history**. As it stands, the rate spike is merely "one of the fastest" in history. Reason being: the only certainty so far is that 2017's fiscal environment will generally be less friendly for bonds (read: higher rates) and more friendly for stocks. Investors have responded to that certainty as you'd expect them to:

## National Average Mortgage Rates



|                            | Rate  | Change | Points |
|----------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b> |       |        |        |
| 30YR Fixed                 | 7.33% | 0.00   | 0.00   |
| 15YR Fixed                 | 7.01% | +0.02  | 0.00   |
| 30YR FHA                   | 6.98% | +0.02  | 0.00   |
| 30YR Jumbo                 | 7.60% | 0.00   | 0.00   |
| 7/6 SOFR                   | 6.85% | +0.03  | 0.00   |
| 30YR VA                    | 6.99% | +0.01  | 0.00   |

Rates as of: 10/27

## MBS and Treasury

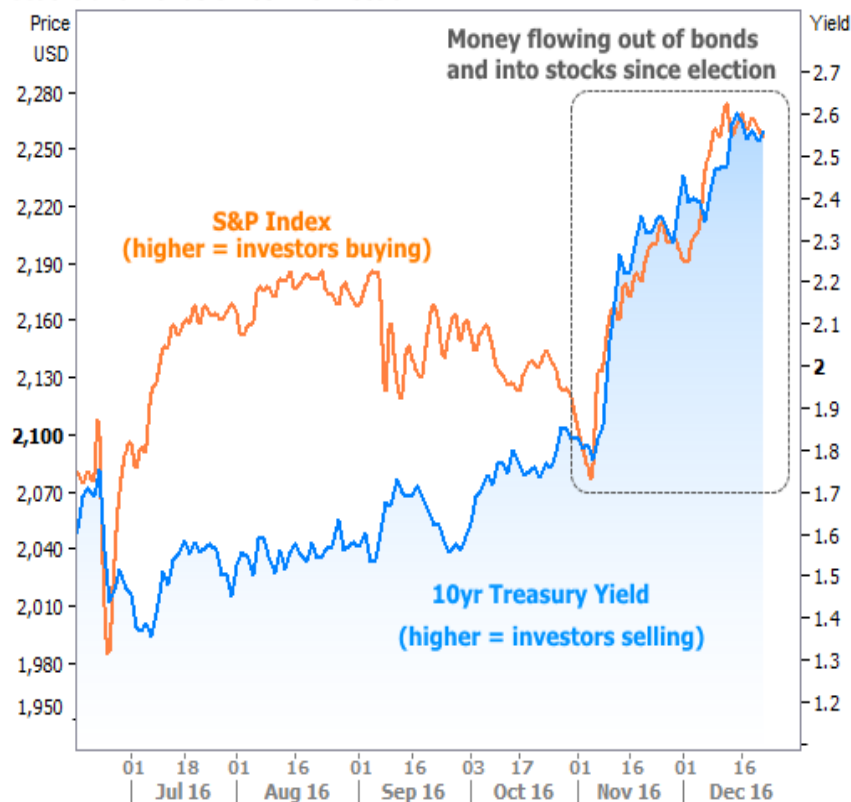
|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 6.0   | 99.41         | -0.05   |
| 10 YR Treasury | 5.0051        | +0.0063 |
| 30 YR Treasury | 5.3103        | -0.0016 |

Pricing as of: 10/28 7:09AM EST

## Recent Housing Data

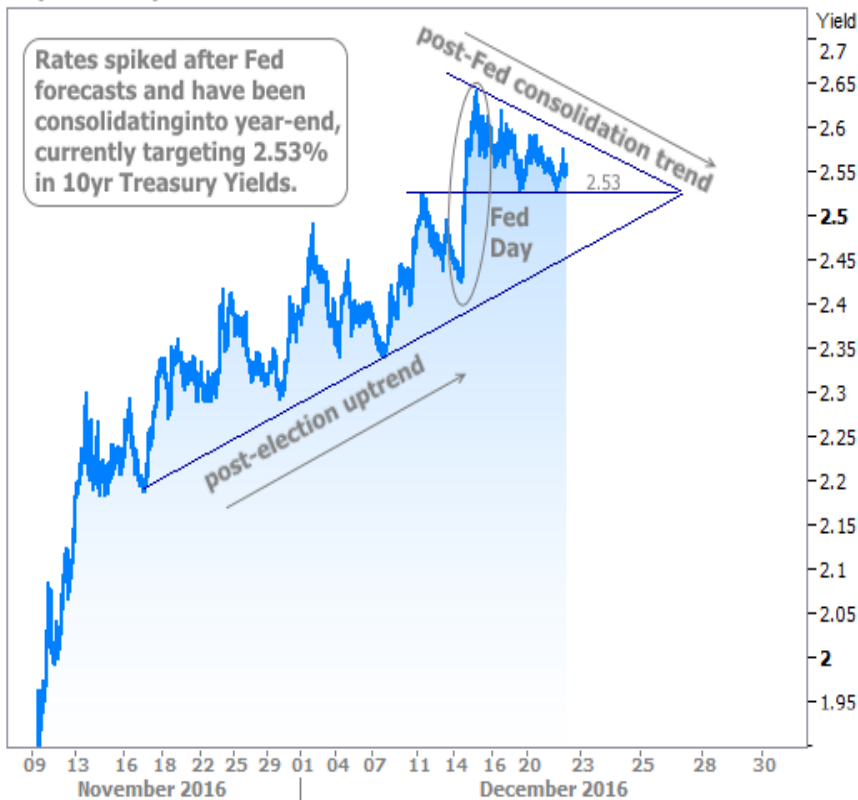
|                     |        | Value | Change  |
|---------------------|--------|-------|---------|
| Mortgage Apps       | Oct 14 | 188.6 | -5.32%  |
| Building Permits    | Sep    | 1.4M  | +0.43%  |
| Housing Starts      | Sep    | 1.22M | -4.24%  |
| New Home Sales      | Aug    | 684K  | +12.69% |
| Pending Home Sales  | Aug    | 71.2  | 0%      |
| Existing Home Sales | Oct    | 3.99M | +0.25%  |
| Builder Confidence  | Oct    | 29    | -9.38%  |

## Stocks and Bonds Since The Election

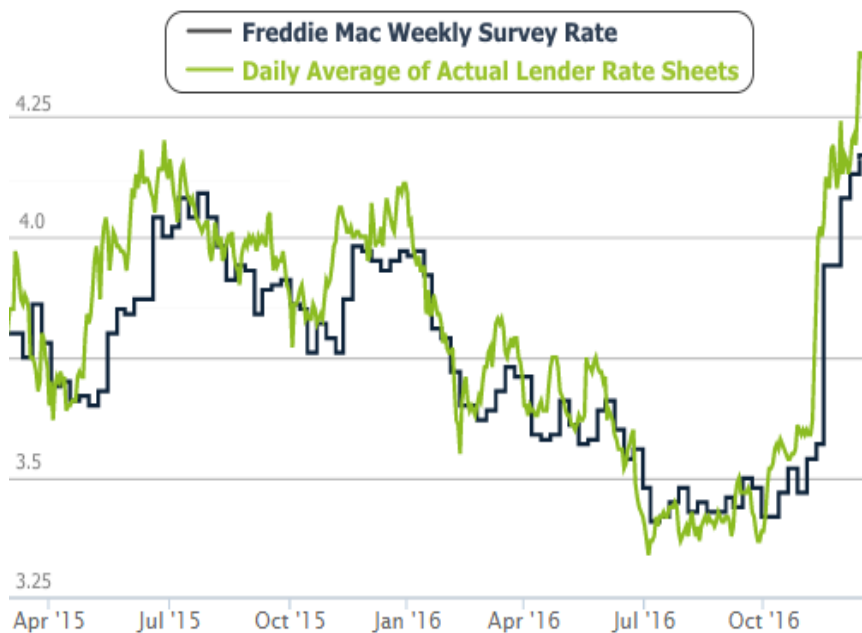


The quick, post-election reallocation between stocks and bonds now looks to have **run its course**. At the very least, it's calming down heading into the end of the year. The net effect for rates is similar to 2013, but with slightly lower outright levels. (NOTE: 10yr Treasury yields are the favored benchmark for longer-term rates like mortgages.)

10yr Treasury Yield



It will take a while for the effects of this rate spike to be widely understood. Case in point, just this week, the nation's most widely-cited source of mortgage rate movement (Freddie Mac's Primary Mortgage Market Survey) finally caught up to reality. This isn't a knock on Freddie--simply evidence that **it takes time** for big developments on the front lines to be reflected in higher-level data.



The scary thing is that Freddie's weekly rate survey is in an **EARLY indicator** compared to the housing data that will ultimately speak to the effects of rising rates. For example, this week's [Existing Home Sales](#) data--which covered November--was unfazed, rising to the highest levels in **nearly a decade**.

#### Existing Home Sales Highest Since Feb 2007



At the very least, it would be fair to expect some deterioration in housing based on 2013's example. By the time we consider that sales were only ever higher during **history's greatest housing bubble** (not to mention more esoteric considerations like the maturity of the economic cycle or waning central bank stimulus), we'd be well within our right to wonder if things will be even worse this time around.

It's **not all doom and gloom** though. Cases could be made that the current labor market leaves the average American in a better position to weather a storm of rising rates than they were in 2013. The point is that until we see how the higher-level data evolves in the coming months, uncertainty over the housing/mortgage market outlook will be a major theme in 2017.

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## Recent Economic Data

| Date                     | Event                             | Actual | Forecast | Prior  |
|--------------------------|-----------------------------------|--------|----------|--------|
| <b>Wednesday, Dec 21</b> |                                   |        |          |        |
| 7:00AM                   | w/e Mortgage Market Index         | 407.3  |          | 397.5  |
| 7:00AM                   | w/e Mortgage Refinance Index      | 1449.4 |          | 1407.0 |
| 7:00AM                   | w/e MBA Purchase Index            | 232.9  |          | 226.7  |
| 10:00AM                  | Nov Existing home sales (ml)      | 5.61   | 5.50     | 5.60   |
| <b>Thursday, Dec 22</b>  |                                   |        |          |        |
| 8:30AM                   | Nov Nondefense ex-air (%)         | +0.9   | 0.3      | 0.2    |
| 8:30AM                   | Nov Durable goods (%)             | -4.6   | -4.7     | 4.6    |
| 8:30AM                   | Q3 GDP Final (%)                  | +3.5   | 3.3      | 3.2    |
| 8:30AM                   | w/e Initial Jobless Claims (k)    | 275    | 265      | 254    |
| 8:30AM                   | w/e Continued jobless claims (ml) | 2.036  | 2.035    | 2.018  |
| 9:00AM                   | Oct Monthly Home Price yy (%)     | +6.2   |          | 6.1    |
| 10:00AM                  | Nov Consumption, adjusted mm (%)  | +0.2   | 0.3      | 0.3    |
| 10:00AM                  | Nov Personal income mm (%)        | 0.0    | 0.3      | 0.6    |
| 10:00AM                  | Nov Core PCE price index yy (%)   | +1.6   |          | 1.7    |
| <b>Friday, Dec 23</b>    |                                   |        |          |        |
| 10:00AM                  | Nov New home sales-units mm (ml)  | 0.592  | 0.575    | 0.563  |
| <b>Tuesday, Dec 27</b>   |                                   |        |          |        |
| 9:00AM                   | Oct CaseShiller 20 mm SA (%)      | +0.6   | 0.5      | 0.4    |
| 10:00AM                  | Dec Consumer confidence           | 113.7  | 109.0    | 107.1  |
| <b>Wednesday, Dec 28</b> |                                   |        |          |        |
| 10:00AM                  | Nov Pending homes index           | 107.3  |          | 110.0  |
| <b>Friday, Dec 30</b>    |                                   |        |          |        |
| 9:45AM                   | Dec Chicago PMI                   | 54.6   | 57.0     | 57.6   |

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## From Bennett Capital Partners Mortgage Brokers

At Bennett Capital Partners Mortgage Brokers, located on Brickell Avenue in Miami, we are your trusted Florida mortgage broker, specializing in residential and commercial loans.

Our services are tailored to your needs, offering competitive rates and fast turnarounds. Whether you're seeking a conventional, VA, or FHA loan, we've got you covered. We also offer financing for warrantable and non-warrantable condos, condo-tels, first-time homebuyers, foreign nationals, and more.

Our specialties include:

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- Hard money loans
- Bridge Loans
- Private lending
- Jumbo loans
- Investment property loans
- 100 percent financing

We proudly serve all of Florida, including areas like Edgewater, South Beach, Brickell, Coral Gables, Tampa, Orlando, Fort Lauderdale, Naples, and more. Contact us today for expert mortgage advice and personalized loan solutions across the state!

**Philip Bennett**

