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EQUAL HOUSING LENDER

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What Does This Week's Rate Spike Mean?

Mortgage rates came **very close to all-time lows** last week. Throughout 2016, their move lower had been almost completely unopposed. When anything in financial markets moves faster than normal in one direction, it's only a matter of time before we see a correction.

We've certainly seen a correction in rates this week (they've moved quickly higher), but that **may mean different things** to different people. For instance, if you didn't happen to follow day-to-day mortgage rate changes last week, this week's rates would still look quite good. In fact, apart from last week, this week's rates are the lowest in about a year!

That's little consolation to those who **did** happen to see last week's rates and missed the chance to lock. In other words, this week could be viewed in a positive or negative light. The same is true in thinking about what the correction means going forward.

Optimists could decide that the spike is merely a correction to an 'overheating' of the positive trend in 2016 (**a trend that could now continue**). In other words, maybe rates went too low, too quickly and had to adjust to a more sustainable pace. This version of reality is seen in the top pane in the following chart of 10yr Treasury yields (a more active proxy for mortgage rate momentum).

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:20PM EST

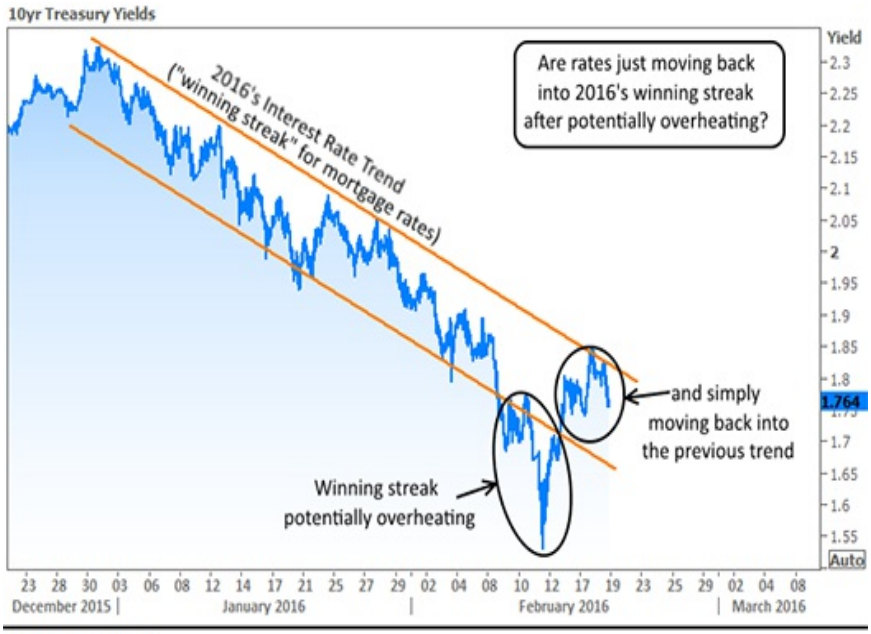
Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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The lower pane, of course, represents the more cautious, pessimistic view. Specifically, this week's spike could be seen as an attempt to get **back in line** with a **much** longer-term trend leading away from 2012's all-time lows.

It is always **good to remember** that there is no way to know which one of these assessments is more accurate. Cases can be made and trends can be followed, but ultimately, the very best strategy is to be aware of the possibilities and to have a game-plan ready to execute for any given outcome.

I do think it's fair to say that we haven't seen enough weakness in rates markets (or enough strength in stocks) to conclude that the good times are over in 2016. Corrections and spikes like those seen this week will always happen periodically when rates are moving as aggressively as they have been.

Housing and Mortgage-Specific News

Unsurprisingly, last week's stellar mortgage rates resulted in another sharp increase in the refinance component of the MBA's Mortgage Market Index.

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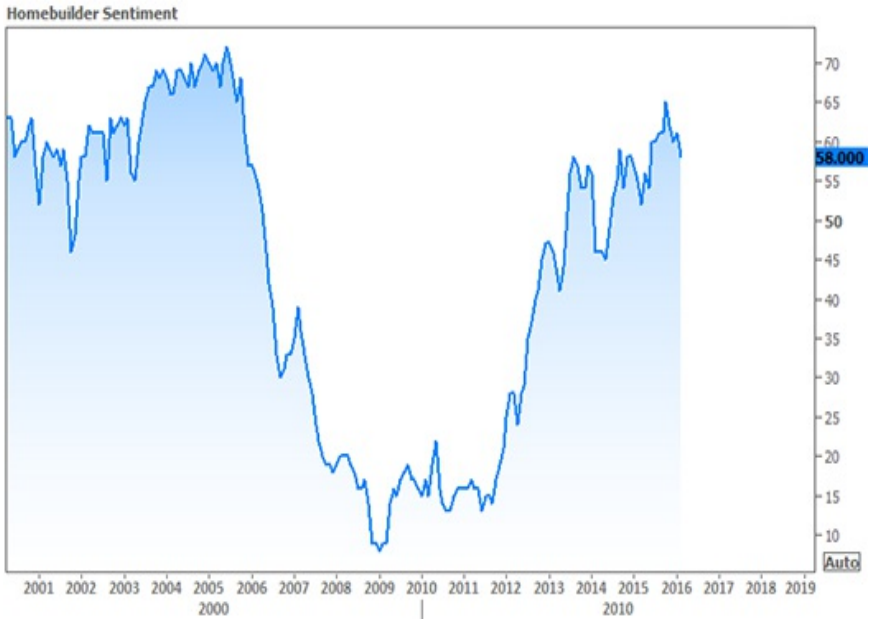
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Housing Starts and Building Permits came in just slightly lower for January, but **remained in strong territory** overall. Starts were down 3.8 percent to 1.099 million and Permits fell 0.2 percent to 1.202 million.

Freddie Mac Announced **expanded loan-to-value ratios** for super-conforming loan amounts (higher loan limits intended to provide lenders liquidity in the highest cost areas of the country).

Finally, **Builder Confidence** continued to slide this week according to NAHB's Homebuilder Sentiment Index. Some context is important here though. First of all, there are normal seasonal distortions in this data that result in confidence typically bottoming out in the spring. It looks like we're heading into that same cyclical pattern. Beyond that, the Index is still in great shape in the bigger picture:



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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Feb 15				
12:00AM	Presidents Day			
Tuesday, Feb 16				
8:30AM	Feb NY Fed manufacturing	-16.64	-10.00	-19.37
10:00AM	Feb NAHB housing market indx	58	60	60
4:00PM	Dec Foreign buying, T-bonds (bl)	-35.9		38.4
Wednesday, Feb 17				
7:00AM	w/e Mortgage Refinance Index	2456.7		2117.2
7:00AM	w/e MBA Purchase Index	213.3		221.6
8:30AM	Jan Building permits: number (ml)	1.202	1.200	1.204
8:30AM	Jan Build permits: change mm (%)	-0.2		-6.1
8:30AM	Jan Housing starts number mm (ml)	1.099	1.170	1.149
Thursday, Feb 18				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	w/e Initial Jobless Claims (k)	262	270	269
8:30AM	w/e Continued jobless claims (ml)	2.273	2.257	2.239
Friday, Feb 19				
8:30AM	Jan CPI mm, sa (%)	0.0	-0.1	-0.1
8:30AM	Jan Core CPI index, sa	245.23		244.52
Tuesday, Feb 23				
9:00AM	Dec CaseShiller 20 mm nsa (%)	0.0	0.1	0.1
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				
10:00AM	Jan New home sales chg mm (%)	-9.2	-4.4	10.8
10:00AM	Jan New home sales-units mm (ml)	0.494	0.520	0.544
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
Wednesday, Apr 05				
2:00PM	FOMC Minutes			

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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