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All-Time Low Mortgage Rates!

Before coronavirus, the average 30yr fixed mortgage rate was almost always 1.6% to 2.0% higher than 10yr Treasury yields. When bond volatility was extreme (especially when Treasury yields were dropping quickly), that gap could be wider, but it was never even close to current levels. Why might this be?

When an investor buys a US Treasury Note, there's effectively **no risk** that the government will fail to send a payment on time. Believe it or not, this is largely the case with most of the mortgage market as well--or at least it was the case before coronavirus.

Mortgage investors have a safety net that guarantees timely payment even if homeowners **aren't** making payments. The problem with coronavirus is that the amount of non-paying homeowners is higher than ever thought possible. It led mortgage investors to question the strength of existing safety nets.

Even though investors have no doubt they'll get paid **eventually**, there has been plenty of uncertainty surrounding the timeliness of the payments as well as other costs that might arise in this unprecedented environment.

When a mortgage investor is guarding against uncertainty, it makes rates **higher** than they otherwise would be. When they're guarding against an unprecedented amount of uncertainty, it makes rates **MUCH** higher than they otherwise would be.

That can be seen in the following chart of average 30yr fixed rates versus the 10yr Treasury yield. The orange line is simply the difference between the two. The higher it is, the higher mortgage rates are relative to Treasury yields. As the pace of new forbearances subsides, they've been closing the gap surprisingly well.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.45%	-0.07	0.00
15 Yr. Fixed	6.86%	-0.05	0.00
30 Yr. FHA	6.95%	-0.05	0.00
30 Yr. Jumbo	7.64%	-0.04	0.00
5/1 ARM	7.50%	-0.05	0.00

Freddie Mac

30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00

Rates as of: 4/26

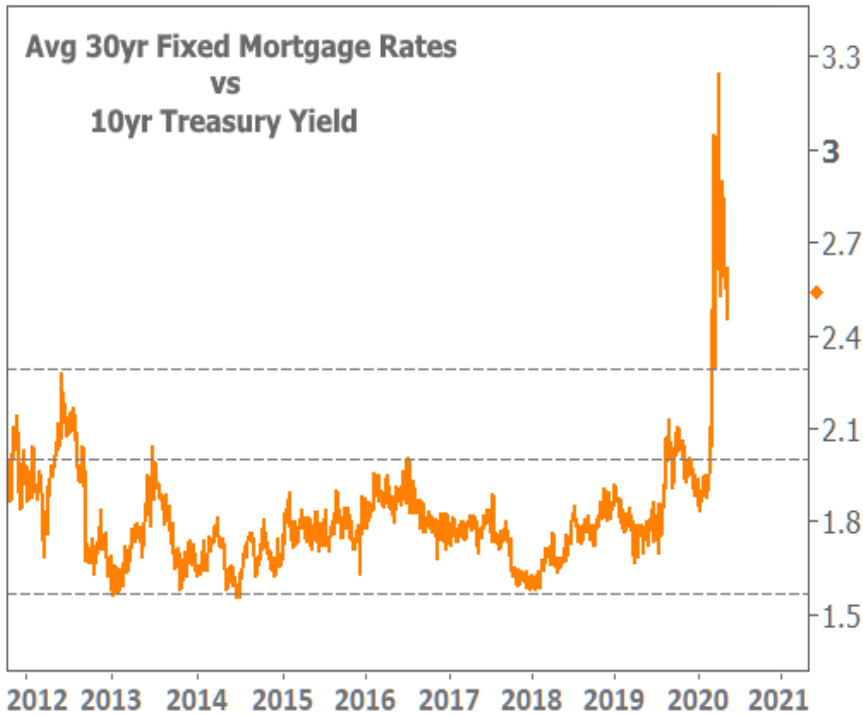
Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.37	+0.30
MBS GNMA 6.0	100.35	+0.27
10 YR Treasury	4.6645	-0.0394
30 YR Treasury	4.7739	-0.0400

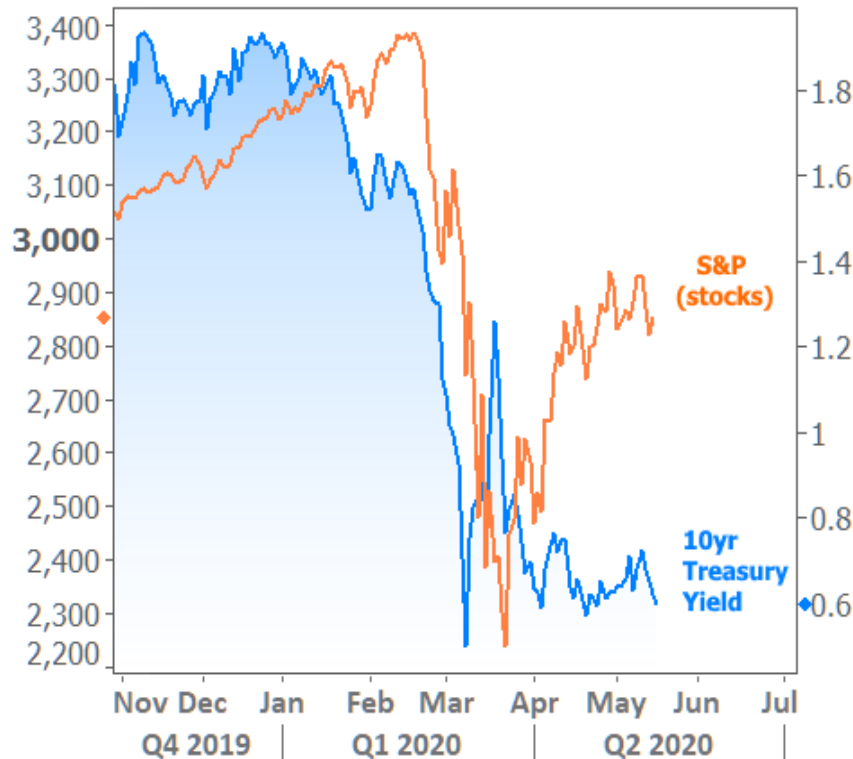
Pricing as of: 4/26 5:05PM EST

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%



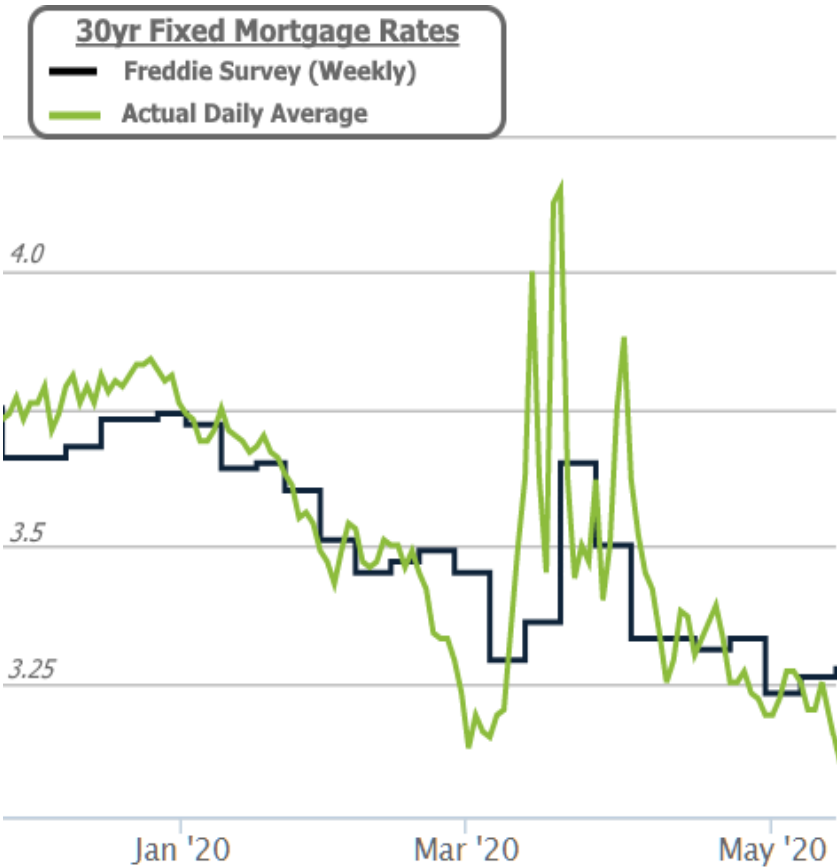
This **wouldn't** mean too much for the mortgage market if Treasuries happened to be following stock prices higher. Thankfully they're not.



Actually, the notion of being thankful for the current stance in Treasuries is a double-edged sword because it amounts to being **thankful for bad news**. If there's a reason that Treasury yields have been able to remain so resiliently low, it's the incredibly downbeat economic outlook. The latest evidence came in the form of Friday morning's Retail Sales report, which was easily the weakest on record.



Let's put these pieces together. We have super low, relatively flat Treasury yields. We also have mortgage rates that are finally starting to close their historical gap with Treasury yields. Together, this adds up to a nice drop in mortgage rates. As of Friday, the average conforming conventional 30yr fixed rate set a new all-time low.



This victory is tempered, for some, by the current reality of cautious mortgage investors. While they've begun to warm up to the most ideal loan scenarios, anything "off-the-beaten-path" isn't nearly as close to historical lows. This group includes risk factors like cash-out refinances, lower FICO scores, investment properties, and higher loan-to-value ratios. Combine more than a few of those factors and many lenders won't even do the loan, let alone offer a decent rate. This will change eventually, but it will take clarity on the reopening of the economy and plenty of **time**.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, May 12				
8:30AM	Apr Core CPI (Annual) (%)	1.4	1.7	2.1
Wednesday, May 13				
7:00AM	w/e MBA Purchase Index	243.3		220.0
7:00AM	w/e Mortgage Refinance Index	3709.3		3835.7
8:30AM	Apr Core Producer Prices YY (%)	0.6	0.9	1.4
Thursday, May 14				
8:30AM	w/e Jobless Claims (k)	2981	2425	3169
8:30AM	w/e Continued jobless claims (ml)	22.833	25.100	22.647
Friday, May 15				
8:30AM	Apr Retail Sales (%)	-16.4	-12.0	-8.7
8:30AM	May NY Fed Manufacturing	-48.50	-63.50	-78.20
9:15AM	Apr Industrial Production (%)	-11.2	-11.5	-5.4
10:00AM	May Consumer Sentiment	73.7	68.0	71.8
10:00AM	Mar Business Inventories (%)	-0.2	-0.2	-0.4
Monday, May 18				
10:00AM	May NAHB housing market indx	37	35	30
Tuesday, May 19				
8:30AM	Apr Build permits: change mm (%)	-20.8		-7.0
8:30AM	Apr Housing starts number mm (ml)	0.891	0.927	1.216
8:30AM	Apr Building permits: number (ml)	1.074	1.000	1.350
8:30AM	Apr House starts mm: change (%)	-30.2		-22.3
Wednesday, May 20				
7:00AM	w/e MBA Purchase Index	258.9		243.3
7:00AM	w/e Mortgage Refinance Index	3474.1		3709.3
Thursday, May 21				
8:30AM	May Philly Fed Business Index	-43.1	-41.5	-56.6
9:45AM	May PMI-Composite (source:Markit)	36.4		27.0
10:00AM	Apr Existing home sales (ml)	4.33	4.30	5.27
10:00AM	Apr Exist. home sales % chg (%)	-17.8	-18.9	-8.5

Event Importance:

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

Date	Event	Actual	Forecast	Prior
10:00AM	Apr Leading index chg mm (%)	-4.4	-5.5	-6.7
Wednesday, Jul 08				
1:00PM	10-yr Note Auction (bl)	29		

“We exist to make a difference in people’s lives by providing the right mortgage products.”

Scott is the Portland Mortgage Coach, an Ideas Machine, a Revolutionist and a Rock N' Roller!

With over 20 years in the Mortgage Industry. Scott Munds is #1 a family man. Married over 25 years to his lovely wife Susie with four amazing children all living in the Portland Metro area. He enjoys spending time in the community serving with the Community Action group and the Blanchet House. Scott has a serving heart! In business, Scott is known as a straight shooter full of Integrity and is a Master at the Mortgage Loan Process. With a legendary reputation in the mortgage and real estate industry. Scott has earned an extensive following of Real Estate agents, Clients who love Scott and an Avant-Garde mind that attracts Respect inside and out of his business.

If you are looking for the Nordstrom Mortgage Loan experience... you have found the right guru and mortgage team to Open the Door to your new home!

Scott Munds

