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Lamorinda Home Loan Financing

By Steve Snyder

Are mortgage rates going up? Are mortgage rates going down? I am a regular in reading the Bankrate dot com Mortgage Rate Trend Survey. This past week's survey may point you in the right direction.

The Bankrate.com survey is for conforming and high balance mortgages to $729,000.00 only. It does not apply to FHA mortgages, VA mortgages, jumbo mortgages, or foreign national mortgages. Jumbo size rates sometimes have a life of their own in the competitive markets and sometimes surprise us. As rates change daily and these days sometimes twice daily, for the most current rates, feel free to contact me directly.

The BankRate's Trend Group's survey for 30-day prediction for mortgage rates:

- 50% predict mortgage rates will increase
- 25% predict mortgage rates will decrease
- 25% predict mortgage rates will remain unchanged

A couple of things are happening in markets right now and none of them are good for mortgage rates. If we use our 20/20 hindsight, we probably could have seen it coming.

1. Home prices are no longer on a steep decline. Lamorinda never took a dive, only flattened.
2. Consumer Confidence is has risen a bit and starting to point its head to a rising model. Let's see where "Back-to-School" retail sales fall by the middle of September. This is a good indicator for retail sales for the balance of the year and the largest retail percentage of annual sales, holiday. Holiday sales can traditionally generate 25-35% of a store's annual sales.
3. The financial system is returning to profitability with higher rates with the cost of funds at the lowest in history? Thus more profits for the banks and stable mortgage rates with an upward edge to higher rates as the consumer gets back into the housing market.

Furthermore, Americans no longer have recession on the brain like they did last September and October. Back then, the financial crisis was the leading story of every news-related show on TV and in print (along with the news of a potentially historical election). Now that we are past that, a positive note creeps in every now and then. This may be one reason why consumer purse strings are starting to loosen. For the fourth straight month in May, retail sales figures were hotter-than-expected while June's reporting indicated more flat sales. We know when the consumer's purse strings loosen up, the economy gets better.

We also know consumer spending accounts for the majority of the economy's activity and, now that spending is up, Wall Street is betting that businesses will prosper. When The Dow Jones goes up the ten year bond goes down. And then? Mortgage rates go up! It shouldn't have surprised us, but mortgage rates have tanked (gone up) over the same period of time. The last conforming 4.25% rate and 4.75% high balance rate I locked was in mid April. I was locking jumbo over a million at just over 5.00%. Look now.

In 2008, mortgage rates benefited from the stock markets' losses. Investors fled risk and parked their dollars in the relative safe haven of the mortgage-backed bond market. Now, in 2009, as the stock market improves, some of those safe haven trades are getting unwound. Over the next few weeks, at least, gains in the stock market should come at the expense of mortgage rates. Guess which way?

Remember, though, mortgage rates move quickly. If you're not already working with a loan officer and know you'll want a new mortgage soon, you should consider being a part of your loan officer's rate watch program which automatically updates you regarding market changes. If you are refinancing, you have the luxury giving your loan agent a full file of docs, enabling them to lock your refinance based on a goal and a strategy for lower payments laying in wait for the rate to fly by and rate locked when it hits as apposed to a purchase. In a purchase, your loan officer has only so much time to float the file before locking is necessary to complete and close the transaction within the guidelines of the purchase contract. You will need to plan either way.

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