Cornerstone Mortgage Group, LLC
TEAM SADLER

Stewart Sadler
Managing Partner, Cornerstone Mortgage Group
Company NMLS 147913 Individual NMLS 147938
41 Marietta Street alpharetta, Georgia 30009

Office: 678-578-7605
Mobile: 404-441-4765
ssadler@cmghl.com
View My Website

Mortgage Rates See Glimmer of Hope After Jobs Data

Mortgage rates **fell again** today after the jobs report showed slower payroll growth in July and persistently flat wage growth. On average, this is the most important piece of economic data for interest rates over the years as it speaks both to economic strength and implied inflation (because higher wages are thought to beget higher inflation). Growth and inflation are two of the most basic building blocks for interest rates. The higher they are, the higher rates would go, unless there was some special circumstance such as the Fed's bond buying regime during the initial recovery from the Great Recession.

The bottom line is that today's jobs data didn't do anything to suggest growth or inflation was any higher than anyone thought heading into today. As such, bonds were able to improve a bit and lenders offered token improvements on rate sheets. The **caveat** is that we haven't seen the actual **NOTE** rate change (the rate that most people are thinking and talking about when it comes to mortgages)--just the **EFFECTIVE** rate. The latter takes microscopic changes to upfront costs into account and translates them in terms of an imaginary interest rate. In other words, if the EFFECTIVE rate is 4.72%, most loan quotes would be 4.75% and a few would be around 4.625%. If the EFFECTIVE rate moves down to 4.71%, it would imply that the closing costs for your 4.75% quote got slightly lower.

With today's gains, rates have a **CHANCE** at forming a bigger picture **ceiling** at this week's highs. But notably, rates also had a tough time making it through some key floors. We'd still need to see confirmation of today's improvement before abandoning a defensive, lock-biased stance.

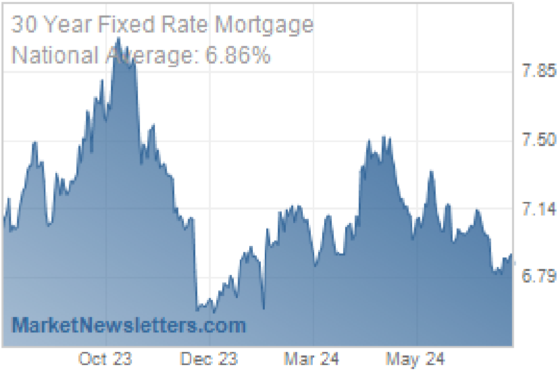
Today's Most Prevalent Rates

- 30YR FIXED - 4.625-4.75
- FHA/VA - 4.25-4.5%
- 15 YEAR FIXED - 4.125%
- 5 YEAR ARMS - 3.75-4.25% depending on the lender

Ongoing Lock/Float Considerations

- Rates moved higher in a serious way due to several big-picture headwinds, including: the Fed's rate hike outlook (and general policy tightening), the increased amount of Treasury issuance to pay for the tax bill (higher bond issuance = higher rates), and the possibility that

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/26

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.68	+0.27
MBS GNMA 5.5	99.98	+0.13
10 YR Treasury	4.1958	-0.0474
30 YR Treasury	4.4523	-0.0305

Pricing as of: 7/26 5:59PM EST

fiscal stimulus results in higher growth/inflation.

- Despite those headwinds, the upward momentum in rates has cooled off heading into the summer months. This could merely be the eye of the storm, or it could end up being the moment where markets began to doubt that prevailing trends would continue.

- It makes sense to remain defensive (i.e. generally more lock-biased) because the headwinds mentioned above won't die down quickly. Temporary corrections can be explained away, but it will take a big change in economic fundamentals or geopolitical risk for the big picture to change. While that doesn't necessarily mean rates have to skyrocket, there's a good chance it means rates will struggle to move much lower than early 2018 lows until more convincing motivation shows up.

- *Rates discussed refer to the most frequently-quoted, conforming, conventional 30yr fixed rate for top tier borrowers among average to well-priced lenders. The rates generally assume little-to-no origination or discount except as noted when applicable. Rates appearing on this page are "effective rates" that take day-to-day changes in upfront costs into consideration.*

Subscribe to my newsletter online at: http://mortgageratesweekly.com/cmg-teamsadler