

Scott Kepler

Principal Broker, Mortgage Approval Group, LLC
NMLS 833792 Company NMLS# 1742769
2918 Busch Lake Blvd, Suite A Tampa, FL 33614

Office: 813.444.8537
Mobile: 813.565.0884
scott@scottkepler.com
View My Website

Lowest Mortgage Rates in Weeks After Fed Hikes Rates. Here's How That Works...

The implication of "Fed rate hikes" is a constant source of confusion in the housing market. The general belief is that the Fed controls rates and if they're hiking, then rates are going higher. That's not exactly how it works.

Let's leave aside the question of the Fed's control for another day. It's a fairly circular and philosophical debate (chicken/egg kinda thing) with no real relevance to today's mortgage rate movement). Instead, let's focus on why today's Fed rate hike coexists with mortgage rates moving lower.

The Fed hike the Fed Funds Rate. That applies to loans between large institutions for period of less than a day. By influencing the cost of the shortest-term capital at the highest levels, the Fed is attempting to cool demand for goods and services, thereby reducing inflation.

Mortgage rates apply to loans that last more than 5 years on average (before the home is sold or the loan is refinanced). That means they serve a very different purpose for investors and can move quite differently versus shorter-term debt. But this isn't even the biggest reason for the disconnect.

The most obvious reason that a Fed rate hike can coexist with lower mortgage rates is that the bond market already knew the Fed was going to hike and had long since priced that in to the present level of rates. It would be different if the Fed could hike rates any time, any day, but there are only 8 meetings per year that result in rate changes. That means the market has a lot of time to adjust its expectations in between those meetings.

Because the market had already accounted for the hike, all that was left was to react to the changes in the Fed's verbiage and the comments from Fed Chair Powell in the post-announcement press conference. That verbiage generally conveyed the possibility that this was the last Fed rate hike for a long time. Even if that possibility is heavily dependent on economic data, the bond market liked the fact that the Fed wasn't set on continuing to hike.

The average mortgage lender is down to the lowest levels in roughly 3 weeks. Additional gains will depend on the economic data in the coming days--particularly Friday's jobs report and next week's Consumer Price Index (CPI).

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National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.50%	-0.01	0.00
15YR Fixed	7.04%	0.00	0.00
30YR FHA	7.07%	-0.01	0.00
30YR Jumbo	7.52%	0.00	0.00
7/6 SOFR	7.12%	0.00	0.00
30YR VA	7.08%	-0.02	0.00

Rates as of: 11/17

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.85	+0.15
10 YR Treasury	5.1002	-0.0340
30 YR Treasury	5.4585	-0.0173

Pricing as of: 11/17 2:55PM 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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We're here to help with all home mortgage needs.

With over 20 years of mortgage industry experience, Scott Kepler has helped thousands of families to purchase or refinance their homes. As a Mortgage Lender, Scott and his team are able to give families access to a variety of home loan options; after all, no two situations are the same.

Give Scott and his team a call today for a Free Mortgage Check-Up or Purchase Home Loan Pre-Qualification.

Offering financing for:
First Time Home Buyer
Conventional (Fannie Mae/Freddie Mac)
FHA
VA
USDA
Jumbo
Reverse
Renovation
Self Employed
Home Equity Loans/Lines of Credit
Credit Challenged / Alt-A
Investor or Second Home
Hard Money
Small Commercial

Scott Kepler 

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