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A Message from Elliot "E J" Paul:

"Eagle Commercial Funding Capital Corporation is a Direct Private Commercial Lender in 45 States. We finance residential rentals, multifamily, mixed-use and commercial real estate for cash-out, refinance, purchase, construction and rehab from $250,000 to $20 Million+ per property. Our loans usually close in 2 to 5 weeks. We never charge upfront fees. Most loan programs do not require income tax returns or income verification. Please let us know whenever you need competitive financing or have any questions. We're here for you. Make it a great day"

Mortgage Rates Down Big, But Lagging Other Indicators

If you're just getting caught up or otherwise haven't heard, the biggest news in financial markets since last Friday has been the precipitous failure of Silicon Valley Bank. While not necessarily a household name, SVB was the 16th largest bank in terms of assets and the 2nd biggest bank failure in history behind Washington Mutual 15 years ago.

Combine that with the fact that the 3rd largest bank failure in history (Signature Bank) occurred 2 days later and it's no surprise that there's some panic in financial markets about systemic risk (aka, a domino effect resulting in additional turmoil).

Panic in the financial markets is usually good for interest rates with US Treasuries almost always doing much better than mortgage rates. This episode has been no exception. The US Treasury coupon that markets often use as a benchmark for mortgage rates had fallen almost twice as much as mortgage rates on Friday, but the gap is starting to get a bit tighter.

Each of the past two days saw the average lender move lover by roughly 0.2%, but it should be noted that there is a wide disparity between lenders and loan programs. Moreover, timing varies. Some lenders improved more on Friday and less today. All we can do is comment on the averages and in that sense, this is the 2nd biggest 2-day drop in rates since March 2020.

Speaking of big things, the bigger question is "what's next?"

What indeed! There are more questions than answers right now. Some say the bank failures are evidence that the Fed's tough interest rate policies have "broken something," and they must now dial back their intensity.

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

Others say the Fed knew some things would "break" and that they'll only dial back if lower inflation says they can.

To that, others say that inflation is even more likely to move down now that people are worried about the banking system and a recession.

And to that I say we just don't know yet. All we do know is that these bank failures are very different than those seen before the financial crisis in several important ways. We also know the Fed/FDIC/Treasury stepped in with a non-taxpayer-funded plan to calm the market, and it seems to generally be working today.

If the market is calmer, then why are rates still so much lower? This has to do with the market shifting its expectations for Fed rate hikes in the rest of 2023. Specifically, the market now sees the Fed hitting a ceiling rate that's more than 1.5% lower than it was at the beginning of last week!

If that continues to be the case in the coming days, mortgage rates could move down even more. We'll learn more about those odds at two key moments: tomorrow morning at 8:30am Eastern Time when we get the next major inflation report, and then next Wednesday afternoon when the Fed releases its latest policy announcement.

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