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Fed Will Cut Next Week, But They're Not Cutting Mortgage Rates

Mortgage rates spent 5 out of 5 days moving higher this week. Frustratingly, the damage wasn't readily linked to normal motivations like stronger economic data or higher inflation. It served as a reminder that rates can move for reasons that transcend easy explanations.

One of the easiest and most blatantly incorrect explanations for mortgage rate movement is that it has something to do with Fed rate cuts/hikes. The Fed Funds rate and mortgage rates only reliably move in the same direction over very long time horizons. Over practical time frames for most mortgage borrowers, however, it can be very dangerous to expect such a correlation.

Back in September, we spent several weeks [warning](#) about the possibility that mortgage rates could rise even as people were waiting for the Fed to cut. This time around, the set-up is a bit different, but caveats remain.

To reiterate: the Fed does NOT set mortgage rates and the Fed Funds Rate does not necessarily move in the same direction as mortgage rates over short periods of time.

In fact, because the Fed only meets 8 times a year, the Fed's rate is typically perfectly flat for 6 weeks in a row. All the while, mortgage rates are free to experience as much volatility as they like.

To understand this, simply consider that rates are based on loans (debt/borrowing/lending on all scales) and there are many different variables that can impact loans. The simplest is the length of time in which a certain loan must be repaid. For most mortgages, it's up to 30 years with the average mortgage lasting between **5 and 10 years**.

For the loans based on the Fed Funds Rate, **it's less than 24 hours**.

Simply put, investors have different ideas about what the rate should be for multi-year lending versus overnight lending.

Now, forget the "why" and let's just look at how this has played out in the past year. The following chart shows the Fed Funds Rate (the thing the Fed is about to cut again) in blue and average mortgage rates in orange.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

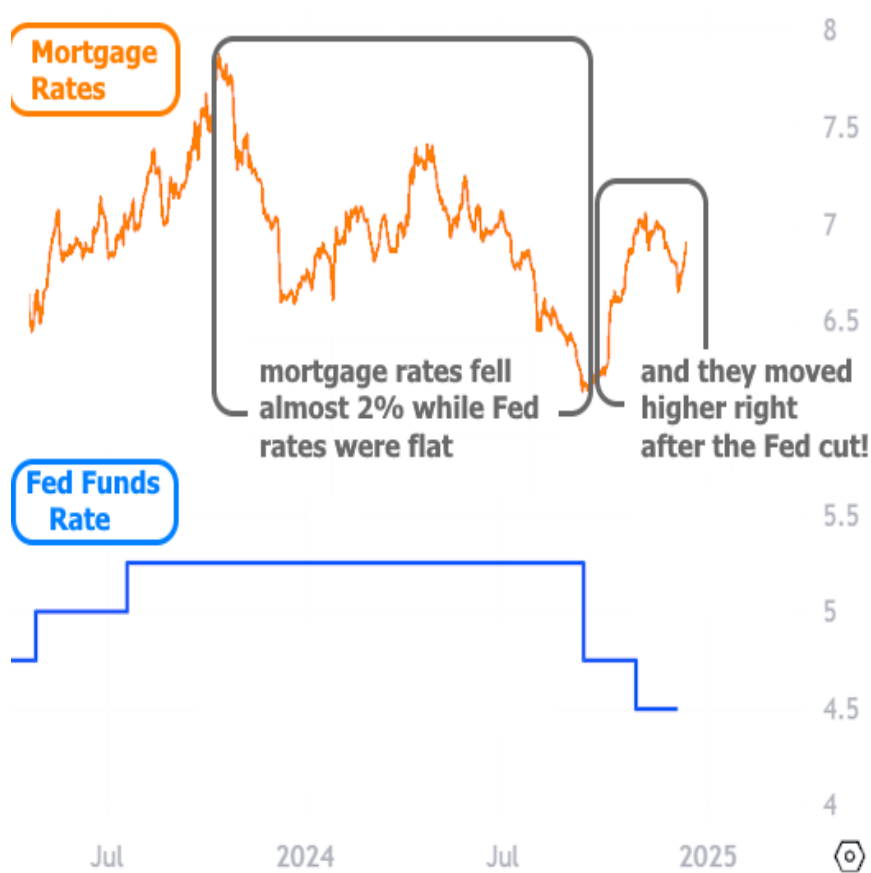
	Price / Yield	Change
MBS UMBS 6.0	99.81	-0.02
10 YR Treasury	4.9299	+0.0084
30 YR Treasury	5.3082	+0.0081

Pricing as of: 10/30 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
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%

US Housing Market Weekly



To reiterate, mortgage rates dropped by nearly 2% without any help from the Fed Funds Rate! More importantly, it was literally the same day of the September rate cut that mortgage rates began moving HIGHER from their long term lows.

To be clear, this is not a prediction about the upcoming week. It's just a reminder that there are no guarantees about mortgage rates. The market already knows the Fed will cut. If anything on Fed day ends up having an impact on mortgage rates, it would have to be changes in the Fed's rate outlook and/or comments from Fed Chair Powell during the press conference that follows the rate announcement.

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About Your Los Angeles Mortgage Broker

Shannon's expertise in residential mortgage lending spans more than 20 years. Beginning on the ground floor of the wholesale side of lending, Shannon subsequently succeeded as a loan officer, account manager, and account executive while working for one of the nation's largest mortgage lenders. In contrast to those who chose to leave the mortgage industry when the Los Angeles housing market began to spiral in 2008; Shannon's passion for helping others to become homeowners remained firmly intact. In fact the changes in the market and new lending laws made her want to help homebuyers to navigate the new rules of real estate lending more than ever. As such, she chose to transition to the retail side of real estate financing in effort to work closer with families, veterans, and those who had previous financial hardships to achieve their goals of home ownership. As a homeowner and real estate investor, Shannon's personal experience in obtaining mortgage loans for her own purchases is extensive. She has bought and sold multiple properties and continues to invest in real estate throughout Los Angeles County. Shannon's specialization and breadth of experience in real estate purchase loans enables her to offer standard/conventional loans, government loans, hard money loans, and specialty/portfolio products.

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