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mortgage rates can't, or don't want to, keep up with the changes. Many consumers are confused by the "information" they receive online, in the newspapers, on TV, and on radio. The rate information that we are seeing in the media is mostly from mortgage lenders who are marketing to capture as many mortgage applications as possible during a refinance boom. I think of it as fishing nets that they are throwing out to see how many loan applications they can take in during these very brief bursts of low rates. The number of mortgage applications taken in through the front end of the process translates directly into how many loans are closed on the back end of the process, regardless of how inefficient the process can be.

Large mortgage lenders have a segmented process that separates the front-end sales from the middle of the process underwriting from the back-end funding divisions within the organization. The goal of the marketing department is to help the sales agents to take in as many loan applications as possible. Since the mortgage rate information is presented as an estimate, the marketing information posted through various forms of media will always show the lowest, estimated interest rate information even if only a small fraction of the general population can qualify for those interest rates and even if the loan product is not 30-year fixed.

Just think of how many solicitations each home owner receives once rates start to fall. This is how mortgage lenders feed the machine, by advertising tantalizingly low interest rates to bring in the largest number of loan applications. As long as a certain percentage of those applications result in closed loans, the machine is profitable, regardless of how many consumers are dragged through a very time consuming and frustrating process with no reward. Banks do not have a fiduciary responsibility to their clients, which means they can lend their money or not lend their money solely at their discretion, regardless of how they represent the loan products and interest rates up front.

With every refinance boom, we also see massive delays in the processing of loan applications since lenders will hire and fire as the volume fluctuates. This means that staffing is low before every refinance boom and only after the pipeline of new applications is full will lenders start hiring to meet the demand. The staffing issues are never smooth so getting into the process early and bidding one's time for the right moment to strike is usually the best approach to capturing the lowest interest rate during a brief drop in rates. Following the lowest advertised rate and working with a lender who is trying to stuff their pipeline rarely achieves the desired outcome.

To add to the confusion, banks don't have to disclose how much money they make in a mortgage transaction while mortgage brokers, who do have a fiduciary responsibility to their clients, do have to disclose all monies earned by the broker and lender in the transaction. The banks hope this means consumers will think that brokers are charging more than banks for the same products and rates. This is not true, but it takes a real understanding of the disclosures and estimates to see who is providing the lowest rates and costs on any given day.

When rate shopping and comparing rate offerings between banks and brokers, it is always good to get comparable estimates on the same day and around the same time as well as be able to see how the closing costs break down at the same rate.

Feel free to contact me anytime for a *free consultation* to see how to make this comparison and how to understand who is offering the better deal on any given day.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

Branch Manager/
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Hello Friends,

The low mortgage rates we saw to start the year dropped to their lowest levels on 1/30/2015 and then went back

on the rise. We appreciated one month of 30-year fixed rates firmly below 4% APR and then lost all momentum with the first two weeks in February seeing almost daily increases in mortgage interest rates. It's funny how this rise in rates coincided with a rise in oil prices going back over \$50 a barrel. With low inflation, and the Federal Reserve not raising rates at their most recent Open Market Committee Meeting, there is still a solid footing for rates to come back to the most recent low points in the coming weeks and months.

As we have seen repetitively since the mortgage markets collapsed on 8/2/2007, volatility is the name of the game when it comes to mortgage interest rates. Mortgage rates can change up to five times a day when the markets are volatile and we experienced that over the first two weeks in February with lenders increasing mortgage rates throughout the day. During this most recent refinance frenzy, I have received many inquiries from clients who are seeing rates advertised below 3% APR that are not in line with the mortgage rates that I am seeing from over 70 mortgage lenders that we work with. The problem with mortgage rates is that they move so quickly, on a daily and hourly basis, that the marketing machines that advertise

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