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for 2.5 weeks before settling down again on October 13th. By then, the .25% increase had taken affect and the markets are now struggling to get back to the lowest levels in 50 years.

Many of you have taken advantage of the brief 3.5 month run on mortgage rates, but some have not realized how volatile mortgage rates are with the market hitting the all-time low, for all of one single day, on July 5th of this year.

The Fed is almost 100% likely to increase the Fed Funds in December of this year by .25%. The month of November may be the last time to get close to the 50-year low mortgage rates. If you are sitting on the fence, this year may be the best time to finally refinance, especially if you are looking for cash out for home improvement or debt consolidation. Converting to a 15-year fixed from a 30-year fixed can also make sense with 15-year rates still available below 3% APR.

As I have mentioned in past updates, sometimes when the Fed increases the Fed Funds interest rate, mortgage rates can benefit for a brief period of time because the bond market likes it when the Fed is actively fighting inflation. Raising the Fed Funds rate is the Fed's primary tool in fighting inflation and this causes investors to put money back into the bond market, which causes mortgage rates to fall. We experienced this last in December 2015 when the Fed hiked the Fed Funds rate by .25% and mortgage rates went on their best run since 2012, from January of this year until the end of May.

Eventfully, mortgage rates will start increasing to keep pace with the Fed Funds and this indeed happened with a spike up in mortgage rates for the month of June of this year. That is when I went on vacation for two weeks thinking that run was over. Little did I know Brexit was just around the corner and the Brexit vote caused a global flight to the safe haven of the U.S. bond market, which gave us this brief 3.5 month run on mortgage rates from the last week in June of this year until September 27th of this year.

It is possible that a rate hike in December could cause another brief run on mortgage rates to start 2017, but mortgage rates have proven in the past that they will eventually follow the path of the Fed Funds. I think we are running on fumes now and 2017 should show a fundamental shift upwards in mortgage rates, especially if the Fed goes on a more regular path of increasing the Fed Funds rate over the course of 2017.

This whole real estate market feels like it is running on fumes and I am ready for the next shift in the market that will be influenced directly by what the Fed does with the Fed Funds rate. More fun to come in 2017!

*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

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*Hello Friends,
Interest
Rates are
dominating
the mortgage
landscape
again and the
mortgage rate*

environment has shifted to a slightly higher level since the last Federal Reserve meeting in September that concluded 9/21. As predicted, the Fed voted to keep the Fed Funds rate where it is at .5%, but this time there were more dissenting voting members than we had been used to seeing at previous Fed meetings.

Of the 17 voting members, three voted for a rate hike and 14 of the 17 voting members thought there will be a rate hike before the end of this year. The weeks following 9/21 saw many of the voting and non-voting Fed members continue their hawkish rhetoric calling for the Fed to increase the Fed Funds rate. Fed members hammering on this point in the media caused investors to pull money from the bond market and created a .25% rate increase across all mortgage products.

September 27th was the last day we were close to the all-time low of July 5th and the bond market immediately started losing ground

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