



Viral (Vic) Joshi
Branch Manager/
Mortgage Consultant
(510) 655-2868
DRE #01242935
NMLS #244388

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rate cut, saying that the Fed should look past one-time price increases like tariffs and that the economy is showing signs of weakness with 1.2% growth over the first two quarters of 2025. They also mentioned that the job markets are weaker than what the BLS states in their reporting due to a regular pattern of downward revisions.

They were proven correct by the August 1st report. If the Fed had seen the lower revisions to the BLS jobs numbers prior to the July 30 meeting, it is likely they would have started the Fed Funds rate cuts in July and not waited until the September meeting.

Despite these weaker economic readings, the markets are still predicting two .25% Fed rate cuts for 2025 with the first one coming in September. As the economy weakens, the Fed is in a tough spot trying to keep the economy moving while dealing with inflation uncertainty created by the tariffs.

Adding more uncertainty is the firing of BLS commissioner Erika McEtarfer due to the poorer than expected August reports. If the BLS statistics are not trusted as being given independent of politics, more trust in the safety of the US

bond market may keep investors away leaving bond yields and mortgage rates elevated. I am hoping the Fed rate cuts will help push down mortgage rates eventually but so far, I don't see a clear path to below 6% APR rates in the near term. Stay tuned as the roller coaster ride continues.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a free consultation. Stay tuned here for future updates and feel free to reach out for a free consultation if you want to understand more about interest rates and mortgage products. As always, your mortgage guy,

Viral (Vic) Joshi
Home of Real Mortgage Advice®

Office: (510) 655-2868
Cell: (510) 853-2407
Fax: (510) 291-2824
Email: viral@vicjoshi.com
Website: vicjoshi.com



Vic's Mortgage Report

"Home of REAL Mortgage Advice®"



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MORTGAGE
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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually, I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).

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Office: (510) 655-2868
Cell: (510) 853-2407
Fax: (510) 291-2824
Email: viral@vicjoshi.com
Website: vicjoshi.com

Rate Roller Coaster

Hi Friends,

The August 1st BLS (Bureau of Labor Statistics) jobs report for July was weaker than anticipated, which caused the bond market to rally with a roughly .25% reduction in mortgage rates to start the month of August.



rates were not quite down to 6% APR but hovering around 6.5% APR. Some borrower data combinations for both purchases and refinances were allowing for 30-year fixed mortgage rates as low as 6.125% APR, which is the direction that will spur more purchase and refinance activity.

The BLS reported only 73,000 jobs created, which was weaker than the estimated 110,000 that the markets were expecting. The downward revisions of the prior month of June were significantly lower than the initial readings released in the July reporting. These initial numbers are regularly revised with the most recent revisions for June coming in at only 19,000 jobs created, down from the initial reporting of 144,000 jobs created in June.

These poor job numbers point to a weakening US economy, which tends to push more investment in the safe haven of US treasury bonds. More demand for US treasury bonds reduces the bond yield which has a direct impact of lowering mortgage rates.

This played out in early August which has spurred some mortgage refinance and home buyer activity. By mid-August, average 30-year fixed mortgage

There is still some doubt as to whether these lower mortgage rates are sustainable or will go down further in the near term. The markets are predicting an 85% chance of a .25% Federal Reserve rate cut to the Fed Funds rate at the September 17th Fed meeting.

While cuts to the Fed Funds rate help give direction to where mortgage rates will likely go in the long term, we saw the Fed cut the Fed Funds rate 1% in 2024 while mortgage rates remained elevated. The inflationary pressure of the tariffs is still putting uncertainty in the bond market and bond yields have not come down far enough to see a sustained rally in lower mortgage rates.

While two of the voting Fed members wanted a .25% rate cut at the July 30th Fed meeting, the Fed decided to keep the Fed funds rate where it was. The two dissenting Fed members had a similar explanation for wanting the July

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