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3/18/15, the bond market rallied and mortgage rates started heading lower again after six weeks of rising interest rates. As of 3/19/15, mortgage rates have not yet come down to the low level last seen on January 30th. I think the Fed opening it up for a future rate hike at any future meeting is going to make mortgage rates even more volatile than they have been recently, because the bond market will have to react on every little piece of technical data when it comes to labor and inflation.

As I have mentioned before in past newsletters, the Fed only controls the Fed Funds rate of interest. The Fed Funds is the rate that the Fed charges institutional lenders for overnight lending, currently at .25%. All mortgage indices follow the Fed Funds and the Prime Rate is always 3% higher than the Fed Funds. When the Fed Funds goes up, after being at the current historically low level of .25% for more than six years, the Fed could go on an increasing path for a few years based on how they handled rate policy historically.

After 7.5 years of watching the Fed come up with many emergency measures to help keep the economy moving in a positive direction, this feels like the first time I will experience the mortgage markets in more of a “normal” environment. There is some urgency now to get amongst the lowest mortgage rates that have been offered over the past 50 years. With the market being this volatile, it makes more sense than ever to get in the pipeline to hit the low spots when they come, which can be very fleeting. A more normal mortgage

market will hopefully translate to some loosening of mortgage guidelines and availability of more mortgage products that could help a larger amount of borrowers.

After two years of not being able to compete on “Jumbo” loans we finally have some new lenders who are more competitive on rate compared to the large institutional banks like *Wells Fargo, Chase, Bank of America*, and *Citi*. We had been off by .25% on rate recently because the large institutional banks had cornered the market by basically undercutting the Jumbo rates by at least .25% in rate. Jumbo loans are basically loans that banks can’t sell to the government because they don’t meet with the government sponsored enterprises lending guidelines and one of the major factors influencing what makes a Jumbo loan is a large loan amount. On large loan amounts, even more so than on smaller loan amounts, .25% difference is a deal killer for us. Having more competitive products helps not only us, but also borrowers who want to work with someone efficient and not have to pay extra for that.

I am predicting some bumpiness with a smoother ride on the near horizon, something I haven’t seen since the mortgage markets collapsed 7.5 years ago.

*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,
The most recent Federal Open Market Committee meeting saw the Federal Reserve slight-

ly change the wording in their rate policy by removing the word “patient” from their statement. That slight change in their rate policy statement opens up a rate hike possibility to any future FOMC meetings.

At the same time, the Fed took the possibility of an April rate hike off the table and continued to stress that future rate hikes will be influenced by further improvement in the labor markets and inflation rising above their 2% target. The Fed statement makes me think that maybe the Fed doesn’t see the labor market as being that robust, which is somewhat true when we see that a large number of new jobs that are being added are made up of part-time jobs. That and the current run of tame inflation may help the Fed refrain from raising rates until late this year.

Odds are still low for a June rate hike, but are higher for a late year rate hike. With the Fed statement from the FOMC meeting on

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