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through to 2023. However, this rate does not directly impact fixed term mortgage rates like 30-, 20-, 15-, and 10-year-fixed mortgages.

Suppression of the Fed Funds rate helps the economy in general, but there are other factors that will cause fixed-term mortgage rates to rise. The Fed gave us some information about this at the conclusion of the September 17 meeting: The Fed is going to allow inflation to go over their normal target of 2% through the ongoing economic recovery, because they recognize that there will be some inflation caused by the current economic depression.

Once we have a vaccine for Covid-19 and society can get back to business as usual, there will be a lot of pent-up consumer demand, but it will take some time for the supply chains to get back on track. This delay will cause price inflation and inflation will spill over into the bond market — which sets the basis for fixed-term mortgage rates. With the Fed committed to suppressing their target rate (thus helping to allow inflation to go above the targeted 2% rate) fixed-term bond yields will increase, and fixed-term mortgage rates will increase as well.

Home Equity Lines of Credit, HELOCs, and credit card interest rates will remain low because the Fed Funds sets the rate for those products, but as you can see from the information provided above, we cannot expect fixed-term mortgage rates to stay at these historically low levels as inflation increases unchecked by the Federal Reserve, while the economy recovers.

Mortgage loans used to purchase residential property will not be

affected by the FHFA fee hike, so those rates will remain lower than for refinances. We are seeing the impact of these continued and historically low interest rates in the large numbers of buyers in the market looking to purchase residential real estate. You can expect these rates to remain low until inflation starts to affect the bond market.

As of the sending of this newsletter, I am on week 32 of this run on rates with only a total of 10 days off, working Monday-Thursday, 16-to-20-hour days and 10-hour days Friday-Sunday. I am going to stop taking refinance applications for one month, starting December 1st of this year. If you need to get a refinance application in with me prior to the end of this year, now is the time to do it.

Thank you again for your continued patronage, support, and patience during this historic era for the real estate lending market. Wishing you and your loved ones good health in these stressful times.

*As always, your mortgage guy,
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Vic's Mortgage Report

"Home of REAL Mortgage Advice"



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). I'm also a longtime Warriors fan with season tickets that I frequently share with associates and clients.



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Low rates won't last forever

Hi Friends,

Mortgage interest rates continue to be near the all-time low levels we have been experiencing since June of this year. In today's edition of the newsletter, I am sharing new and important data on interest rates for you to consider.

The main misconception I want to dispel is this: Some people may believe that this historically low rate environment is going to continue until 2023, and that even lower rates will become available, especially for refinancing. This is NOT correct.

In last month's issue, I discussed the refinance fee hike imposed on all loans sold to Fannie Mae and Freddie Mac, which was supposed to take effect September 1, 2020. The Federal Housing Finance Agency (FHFA) decided instead to push that time frame out to December 1, 2020. Lenders who fund these mortgages must pay an increased fee of .5% of the loan amount to Fannie/Freddie when they sell the loan to them. Lenders are passing this fee increase on to the borrower, which translates to roughly a .25% increase to the loan rate.

You should also be aware that most lenders we work with have been taking between 45 and 60 days to complete a refinance — from application to funding. Because of the length of time to close, lenders are able to start imposing the fee increase in the third week in September 2020. Thus, by the time you are reading this newsletter, the fee increases on refinances sold to Fannie/Freddie will be in effect.

Another factor feeding the misconception that rates will stay this low or even fall further is this: The media likes to promote as a positive the Federal Reserve's continued suppression of their target interest rate, the Fed Funds (i.e., the rate that banks charge when lending to each other overnight to cover funding shortfalls). This makes for exciting news



reporting. It is true that the Fed Funds is at .25% currently — and that is a new historic low, the record having been previously set from 2008 – 2016 to help the economy recover from the Great Recession at that time.

However, it is important to keep in mind: the Fed Funds rate ONLY impacts the Prime Rate, which doesn't directly impact fixed term mortgage rates.

As I had predicted in previous issues of this newsletter, the Fed has extended the time frame to keep the Fed Funds rate at the current historically low level of .25% beyond their previous target of 2022. At the conclusion of the Fed's latest Open Market Committee Meeting, on September 17, 2020, they announced an extended timeline on keeping the Fed Funds at .25%,

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**...And More Stuff Every
Homeowner Should Know**