From: Tracy Cavanaugh
To: Marti Sheredy;
Subject: _Action Alert:Why Rates Went Up!
Date: Monday, June 01, 2009 6:13:04 PM

The CS Advisory Group

the plan: action alert

Why Rates Went Up!

30 year fixed mortgage rates shot up to their highest levels in six months last Wednesday.

Fannie Mae mortgage backed securities (they serve as the foundation for mortgage rates) dropped by -231 basis points in just three days. That's almost 2.5 points (on a $250,000 loan that's an extra $6,250)

Many borrowers that had been pre-approved for loans with interest rates in the upper 4's found out that their new rates could be in the mid to upper 5's.

We did make a comeback on Thursday and Friday but this still left us -82 basis points worse than Monday's rates.

The reasons for the deterioration in rates? It was really a powerful 1-2 combination that set up our perfect storm.

First, foreign investors showed their concerns over our constant barrage of Treasury sales. As we continue to auction off more and more of our Treasury debt, we naturally must pay a higher rate to borrow that money. That puts pressure on mortgage rates.

Also, we received a few economic reports such as Consumer Confidence that pointed to positive economic data. Any kind of economic data that is positive will lead to higher mortgage rates as long-term investors fear the threat of eventual inflation that is a byproduct of a growing economy.

Obviously, as we slowly climb out of our recession we will start to get more and more positive economic reports which will lead to this very same type of volatility.

About Tracy Cavanaugh

Tracy has over a decade of experience in the mortgage banking industry.

She established the Advisory division of AFFG with offices on both east and west coasts.

Tracy has earned the designations of Certified Mortgage Planning Specialist (CMPS®) and Certified Mortgage Planner (CMP®) and holds a New Jersey Mortgage Banking License for both first and second mortgages and is a licensed California lending agent.

She is a member in good standing with the Financial Planning Association and Certified Mortgage Planning Specialist Institute.

The silver lining? Mortgage rates are still fantastic and borrowers that have been sitting on the sidelines were sent a huge w ake-up call. It is simply not worth the risk to wait for lower rates. The opportunity cost o f missing out on home prices that are artificially and temporarily too low is not worth waiting for lower rates.

The purchase market is about to heat up. We have great rates, large inventories of homes, and reduced home prices ... this all adds up to the right time to buy.

Please feel free to contact us direct to review how this may impact you or someone you know.
Call us at 818-762-0844

Warm Regards,
Tracy Cavanaugh CMP, CMPS
The CS Advisory Group

Network with us on...

Copyright © 2009 The CS Advisory Group of AFFG,
433 N. Camden Drive, 6th Floor
Beverly Hills, CA 90210
(818) 762-0844 All Rights Reserved.

This message contains advertising material. To discontinue receiving our e-mails, please click here.