MARKET INSIGHTS

From Christian Thompson

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Working in the mortgage industry is not for the faint of heart – especially if you've been along for the ride over the last several years. Over the last two years in particular, we have experienced record low interest rates, and closings happening faster and faster to meet demand.

Now, as we sit here in 2022, many are finding that the party may have stopped:

- Interest rates have hit their highest levels in close to two decades – pushing them into the 6% range
- Inflation is rising

However, with most homeowners holding an interest rate of 4% or less, the concern for another housing bubble to burst may not happen due to the higher quality of lending practices that have been in place. Still, fewer refi's can strain title insurance companies and their lean workforce.

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Christian Thompson
V.P. Business Development

Quick Links

If you've been in the business long enough, you've seen ups and downs in the real estate industry. The last 10 years in this industry have been phenomenal, and it has created a great opportunity for us. This bull market ended with the last two years of something that we have never seen: low interest rates, fast closings and sensational demand to buy.

- Mortgage Rates Hit 5.78%, Highest Level Since 2008 (wsj.com)
- U.S. Housing Starts Fell Sharply in May to 13-Month Low | Barron's (barrons.com)
- U.S. Existing-Home Sale Prices Hit Record of $407,600 in May - WSJ

RATES OVER 6%

US 10 Year Yield (YTD) — May CPI and PCI (Inflation metric) were higher than expected. This will cause the bond yields to rise further. the reason this happens is because bondholders will collect less interest than the rate of inflation. When there are more sellers, the prices of bonds decrease and when the price decreases, the yield increases. This will cause mortgage interest rates to continue their climb.

RECOMMENDED READING

Interesting read regarding the Mortgage-Backed Security market.

[Mortgage Credit News by Louis S Barnes]

> **By changing nothing, nothing changes.**
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> —Tony Robbins

CLOSING COMMENTS

Most homeowners don't have mortgage rates anywhere near recent ones; some two-thirds are locked in below 4%. These buyers are unlikely to move and take new loans if they don't have to, which is one reason that supply could stay low for years. Another is that mortgages are much higher quality than they were during the last housing bubble, so there's unlikely to be a wave of defaults and panic selling.

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