



## **MORTGAGE RATES: STICKY ON THE DOWN SIDE**

Mortgages rates continue to be on the minds of many of our clients. While Federal Reserve Board action and economic conditions brought on by COVID-19 have driven interest rates to historic lows, mortgage rates have not followed suit. Indeed, mortgage rates in March and April were generally higher than they were just a few months prior. This increase was due to demand and capacity restraints, with lenders reporting to us that volume in the month of March exceeded volume in the entire rest of the quarter. More recently, however, we have begun to see demand subside and mortgage rates come off their highs. For those in the new home market, lockdowns and social distancing make in-person visits impractical and video tours only go so far. In response to the shortage of buyers, lenders are beginning to price purchase mortgages more aggressively and are offering credits to select borrowers to help offset closing costs and prepaid points.

Interest rates for home mortgage refinancing have also come off their March highs, dropping about 0.125% across the different mortgage products. However, rates on home mortgage refinancing are generally running about 0.375% to 0.50% higher than rates on home purchase mortgages. Lenders view a purchase mortgage as an addition to their existing book of business, while a refinance mortgage may replace an existing loan with one less profitable. With many lending teams still near capacity, it is an easy choice for them to favor purchase mortgages by charging higher rates on refinance mortgages.

With mortgage volume continuing to slow, lenders expect rates on both purchase mortgages and refinance mortgages to drop further. Interested applicants may be frustrated, however, at the inability to obtain firm rate quotes from lenders. The days of lenders sending out weekly rate sheets for their different mortgage products are largely gone, at least for now. Lenders are providing quotes only on an individual basis. To obtain quotes, applicants will need to be comfortable sharing data such as residency, location of the property, the anticipated loan-to-value ratio, credit scores, net worth, and estimated income. Pricing from client to client and lender to lender can vary significantly.

If you are considering financing a new home purchase, or interested in refinancing an existing mortgage, please do not hesitate to contact your Ropes Wealth advisor. We can help you choose the right mortgage for your situation and shop for rates on your behalf.

Finally, it is worth noting that if you or someone you love is facing job loss, reduced income, illness or other issues that impact your ability to make your monthly mortgage payment, the Federal CARES Act had a number of provisions intended to enable lenders to provide relief. These include forbearance, waiver of penalties and late fees, loan modifications, and a nationwide moratorium on foreclosures and evictions on federal loans. Your first call should be to your mortgage servicer to discuss your options; we are also here to help you or a loved one consider the best course in this difficult time.

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