

# the Mortgage Bulletin

Week of June 4th, 2007

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## Rates can change without prior notice

Following is part of an email sent by a major wholesale mortgage lender to its approved mortgage brokers one day last week.

“Due to current market conditions, effective 11:45 AM, Eastern Time, rate sheet #2222 will be invalid. The market has worsened during the day, necessitating the rate change. (Note: Not all programs and note rates will be affected.)

Any rate locks received after 11:45 will reflect new prices from rate sheet 2223. If you transmit a rate lock after the deactivation time of the first rate sheet, you may cancel the lock if you wish.”

The above notice was received at 8:30 AM Pacific Time (11:30AM Eastern Time.) Within an hour, similar messages from other wholesale mortgage lenders were received by mortgage brokers throughout the country.

In the same time frame, essentially the same message was distributed to the loan officers within the mortgage lending divisions of “direct” lenders.

And so, by 9:30 in the morning, barely an hour after the initial warning, mortgage rates had increased in virtually every mortgage loan originating office in the nation. The increase was not huge (.125% to .250% for a thirty year fixed rate loan), and did not apply to all loan programs. But notification of any increase at all is not received with joy.

It is important to note that not all lenders send warning emails. Or the email may simply say that rate locks are temporarily suspended until publication of revised rates. This type of notice freezes action and nothing can be done to protect clients

from rate increases by those lenders.

Immediately upon receipt of the first email, loan officers and mortgage brokers everywhere dove into their loan pipelines. (At least those who were closely monitoring the market did.) They pulled up the names and contact information of all their clients in process who had not yet locked in a rate.

As quickly as possible, emails were sent and phone calls placed to deliver the unhappy but necessary news. Clients decided to lock (or not) and loan consultants took action accordingly.

In some instances, particularly if there was an existing relationship of trust between loan consultant and client, loan consultants locked the rates on behalf of the client first and contacted them later. Fifteen minutes is not much time.

The reason for relating this chain of events is to underscore the relevance of the disclaimer in the box below – the part that says “rates can change without prior notice.” Rates not only CAN change without notice, they DO.

Borrowers shopping for mortgage rates need to know this. Otherwise, it can be confusing to get an interest rate quote at 8:00 AM from one lender and from another at 10:00 AM. It could be wrong to conclude that the second lender is more expensive than the first. An intervening general rate increase could have occurred.

Rate quotes are relatively meaningless until locked. Borrowers: agree on a locking strategy with your loan consultant in advance. There might not be enough time to make contact and discuss locking rates before they change.

### Conforming Loans to \$417,000

Type	Rate	APR	Trend
30 Yr FIX	6.500%	6.578%	↓
5/1	6.375%	7.467%	→
<b>Jumbo Loans over \$417,000</b>			
30 Yr FIX	6.875%	6.942%	→
10/1	6.750%	7.456%	→
5/1	6.500%	7.486%	→
10 Yr Bond		5.113%	↓
Prime		8.250%	→



Your Company Name is a mortgage broker licensed by the State Department of Real Estate, license 888-999-22. Rates posted are for zero points, thirty day lock, purchase loans and are subject to change without notice.