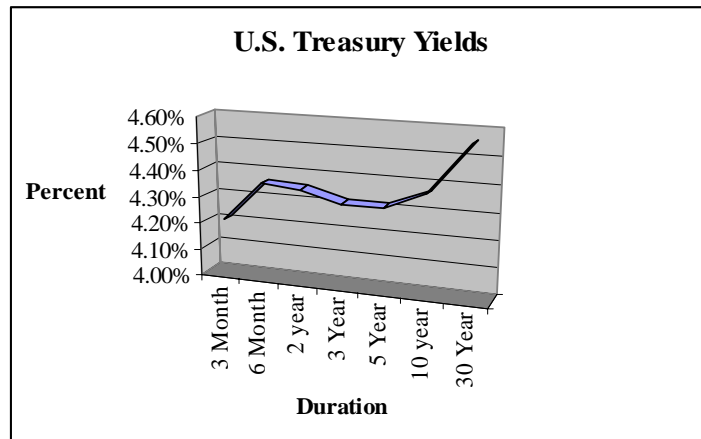


Bi-weekly Interest Rate Update

Fed watch ~ Inverted Yield Curve

There has been a lot of talk over the past couple weeks about the U.S. Treasury yield curve and the fact that the curve has become inverted. What does this mean and how does this affect home mortgage rates? First, an inverted yield curve is caused by the yield on short term interest rates being higher than the yield on long-term interest rates as measured by the U.S. Treasury bill, note and bond markets. I created a yield curve chart with today's yields on the 3 month bill, 6 month bill and 2 year note, 3 year note, 5 year note, 10 year note and 30 year bond to illustrate the current yield curve. As you can see the yield on the 6 month bill and 2 year note are higher than the yield on the 3 year and 5 year notes.



An inverted yield curve increases the borrowing costs on short term financing, such as adjustable rate mortgages. So we can plan to see interest rates on adjustable rate mortgages increase if this inverted yield curve stays this way for any period of time. Initially lenders may not raise interest rates as there is competition and lenders want to maintain their sales volume. On the positive side, interest rates on the 30 year fixed mortgage are still low in comparison with adjustable rate mortgages. Generally speaking the 5 year Arm and the 30 year fixed mortgage seem to have the most attractive rates when compared to other mortgages. The 30 year fixed and 10 year Arm are very close in rate (as you can see in the chart below), which wouldn't seem to be the case when you look at the yield curve chart (above). So make sure to check interest rates on the 30 year fixed if you are looking to purchase or refinance.

To the right you will see I've added the current Treasury yields as well as the current rates for the 5/1 Arm, 10/1 Arm and 30 year fixed mortgages.

	Treasury Bond Yields	
5 Yr Treasury Note	4.31%	
10 Yr Treasury Note	4.37%	
	Mortgage Rates	
	Conforming*	jumbo**
30 Yr Fixed Mortgage	5.75%, 6.067% apr	6.00%, 6.165% apr
10/1 Arm Mortgage	5.75%, 6.067% apr	5.875%, 6.039% apr
5/1 Arm Mortgage	5.00%, 5.303% apr	5.375%, 5.534% apr

Have a great weekend!

Peter

Feel free to contact me via phone (760-310-6988) or email ([peter@pgooler.com](mailto:peter@pgooler.com)) to discuss your individual situation.

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*Creative, Confidential, Experienced!*

\*Assumes purchase transaction with an \$180,000 loan amount.

\*\*Assumes purchase transaction with an \$599,000 loan amount.

*As always, I'm available to review and answer questions on any good faith estimate provided by another loan officer or mortgage broker.*

Mortgage update is brought to you by Peter Gooler. I hope it provides useful information and insight. If you found this newsletter of value, and you know somebody who would enjoy receiving it, please let me know and I will provide them a complimentary subscription. [peter@pgooler.com](mailto:peter@pgooler.com) CA DRE Lic. #01134768.