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Freddie Mac sees Brightest Housing Year in Decade

Freddie Mac predicted in its monthly *Outlook* on Thursday that **2016 might be the best year for housing** in a decade with most sectors, sales, construction, and prices, set to reach new recent highs. They base this on several factors, mortgage rates, employment, household formation, rising home inventories and increasing prices.

Mortgage Rates

Rates so far this year have remained lower than the average for last year and Freddie Mac, while admitting that a rapid increase in rates would mean all bets would be off, remains convinced they will increase gradually and then only in the second half of the year, helping support homebuyer affordability in the face of rising house prices and stagnant income.

One factor that will probably serve to keep down interest rates in this country are the negative rates in many other countries. Japan's 10-year government bond, for example, reached a negative 0.1 percent this month and across Europe many countries' sovereign bond yields are also negative. These rates should keep the lid on long-term rates in this country although the outlook for global growth will improve or at least stabilize through the year lessening downward pressure. Further, Freddie Mac's economists say, "More good news on the domestic U.S. economy, and a return to tightening by the Federal Reserve, will push rates higher later this year. The Fed is likely to only raise rates twice this year, which will slow the pace of interest rate increases."

Resilient Labor Market

There has been an average of 205,000 net jobs created each month since 2011 and this has helped bring the unemployment rate to 5 percent. On the downside labor participation has fallen substantially with no signs of recovery and wage growth remains anemic.

Goldman Sachs says that only about 0.1 to 0.2 percentage points of the more than 3-point decline in participation is due to cyclical factors that can be expected to reverse. The rest is driven by long-term factors like the aging population meaning prospects for increased participation are dim. If that holds true and job gains maintain their recent pace, Freddie Mac says wages should start to rise and this ultimately will be a key factor for housing

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	0.00

Freddie Mac

30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66

Rates as of: 5/17

Recent Housing Data

		Value	Change
Mortgage Apps	May 15	198.1	+0.51%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

