



BRETON MACDONALD

Mortgage Banker/Broker/Branch Manager, Geneva Financial LLC

174698

3155 S. Price Road, Suite 105 Chandler, Arizona 85248

Office: 949-887-7289

Mobile: 949-887-7289

bmacdonald@genevafi.com

[View My Website](#)

Freddie Sees 2 Big Problems For Housing

Freddie Mac analysts see a **two-pronged threat** to housing sales for the remainder of the year, **especially** in the previously high-flying western part of the country. The company's economic outlook for August notes that the **ongoing lack of housing supply** and the not unrelated affordability issues will probably keep a lid on the growth of home sales going forward.

"The housing market hit some speed bumps this summer, with many prospective homebuyers slowed by **not enough moderately-priced homes** for sale and higher home prices and mortgage rates," said Freddie Mac Chief Economist Sam Khater. "These challenges were predominantly seen in expensive markets out West, where demand and sales are beginning to dampen because of weakening affordability."

The **cooling** of the housing market was manifested in ways other than new and existing home sales, both of which declined in the second quarter. New home construction also struggled as builders continued to face **labor shortages** and rising construction material and land prices. But despite those drags, and with little help from residential investment, the overall economy grew at its fastest rate in nearly four years. After trailing off from fourth quarter 2017 growth of 2.9 percent to 2.3 percent in the first quarter of this year, GDP appears to have grown to 3.1 percent in the second.

Although a modest uptick in housing starts will ease inventory problems slightly, the company's economists expect housing market conditions to remain **mostly the same** for the rest of the year. Total home sales are still expected to grow compared to last year, but only by 0.2 percent to 6.4 million units. While some softening in home price growth has been noted in recent months, the economists still expect that prices will grow by 6 percent this year even as demand slows. This is well above the rate of inflation.

Khater adds that, while home sales are moderating, that isn't a national trend. He says, "The good news is that the economy and labor market are **very healthy** right now, and mortgage rates, after surging earlier this year, have stabilized in recent months. These factors should continue to create solid buyer demand, and ultimately an uptick in sales, in most parts of the country in the months ahead."

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.87%	-0.02	0.00
15 Yr. Fixed	6.32%	-0.01	0.00
30 Yr. FHA	6.33%	0.00	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.59%	+0.01	0.00

Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/23

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

Freddie Mac's economists forecast 2.8 percent growth this quarter and 2.7 percent for the entire year. This should contribute to continued robust consumer spending and business investment. They also see the flat mortgage rates that have prevailed since late May rising only gradually for the remainder of the year, bringing the 2018 average to 4.60 percent. Even though this rate is still low by historic standards, the rise will continue to dampen refinancing activity and the expectation is for an 8 percent slide in single family first mortgage originations to \$1.66 trillion.

	Value	Change
Builder Confidence	51	+6.25%

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