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The Sun Also Rises For Housing and Mortgage Markets

There's no shortage of bad news when it comes to the economy and the housing market. But that's no surprise considering the circumstances.

The sheer size and speed of the economic contraction makes it easy to worry about what the future will look like. Has coronavirus changed things **forever**? Is it true that many jobs have been permanently destroyed?

I don't know. No one can **really** know. Many of the more troubling questions won't be able to be answered any time soon. No one can deny things are bad and that some things may stay bad for a long time.

But **hidden** amid the understandable sea of pessimism, there are some reasons for hope. We're not talking about the kind of hope that makes us complacent to the ongoing economic risks. Rather, there are simply some positive counterpoints to the abundant negativity in the recent data. Let's look at **both** sides!

April's Existing Home Sales numbers were released on Thursday, and they easily fell to the lowest levels in years. There's not much of a silver lining here apart from the fact that economists expected the number to be **even lower**.

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00

Rates as of: 6/28

Market Data

	Price / Yield	Change
MBS UMBS 5.5	98.49	-0.45
MBS GNMA 5.5	99.10	-0.44
10 YR Treasury	4.3971	-0.0009
30 YR Treasury	4.5659	+0.0019

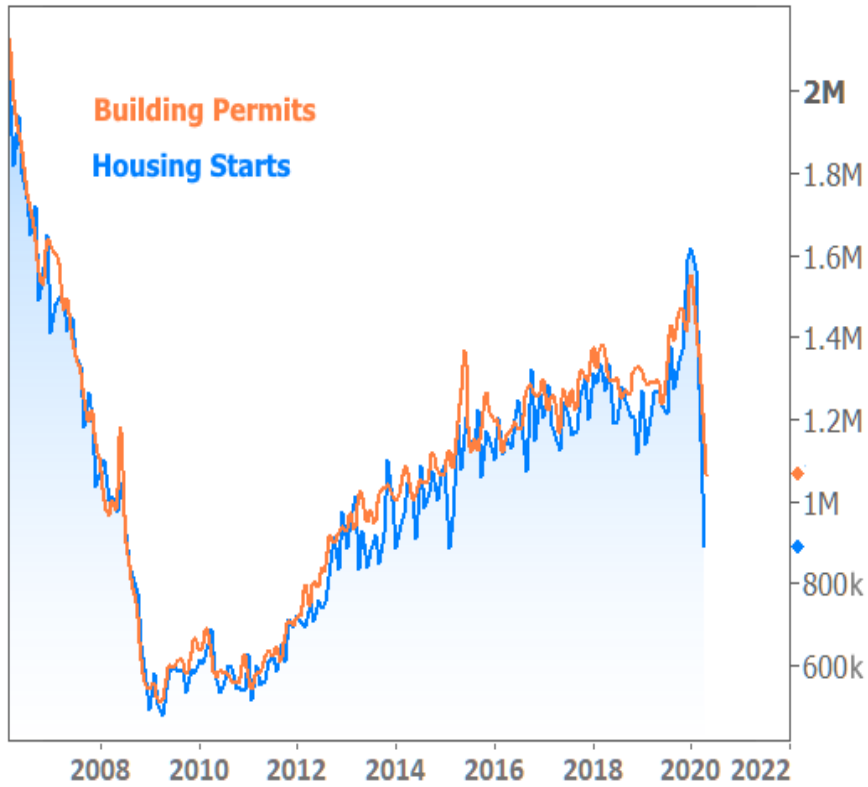
Pricing as of: 7/1 2:48AM EST

Recent Housing Data

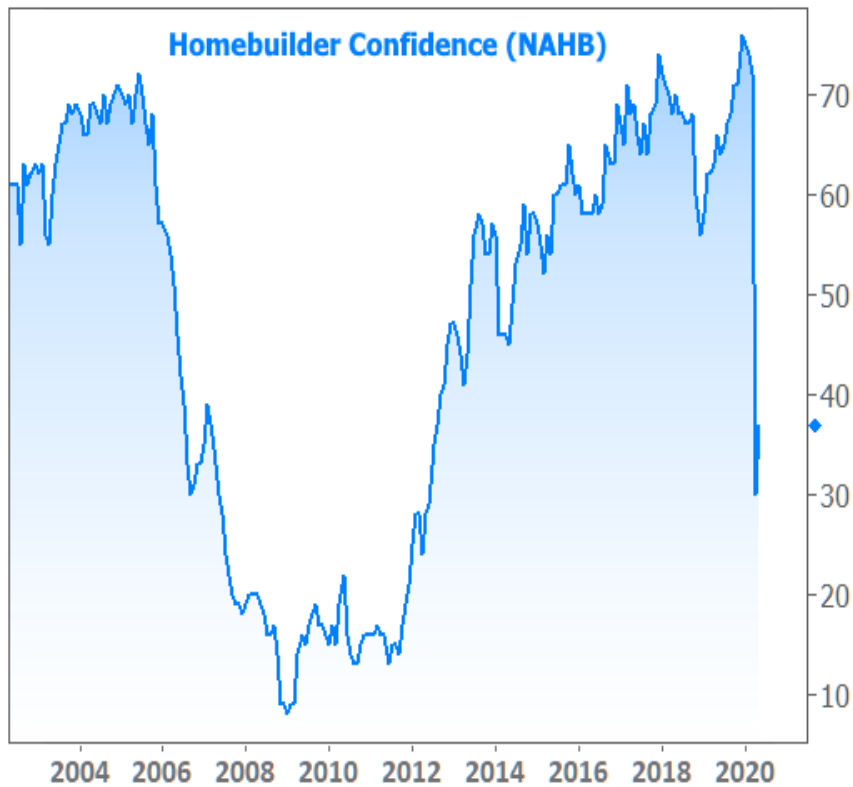
		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



The Existing Home Sales report doesn't capture activity in new construction. For that, we have to turn to other data released this week on new building permits and housing starts (the ground-breaking phase of new construction). Here too, things are quite a bit weaker, but the differences between "starts" and "permits" offer a **clue**. Specifically, the bigger drop in housing starts suggests quarantine measures are **physically preventing** new home construction to a greater degree than a lack of demand.

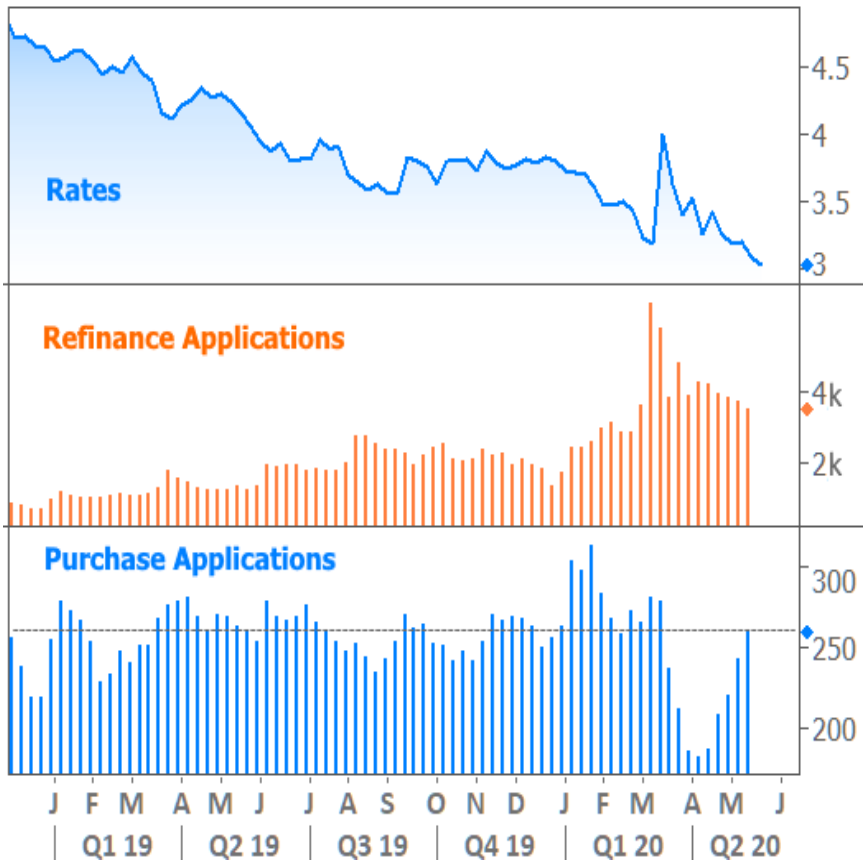


Perhaps that's why builder confidence has already managed to find its footing. The National Association of Homebuilders (NAHB) reported a **7 point uptick** in confidence on Monday after hitting 8-year lows in last month's survey.



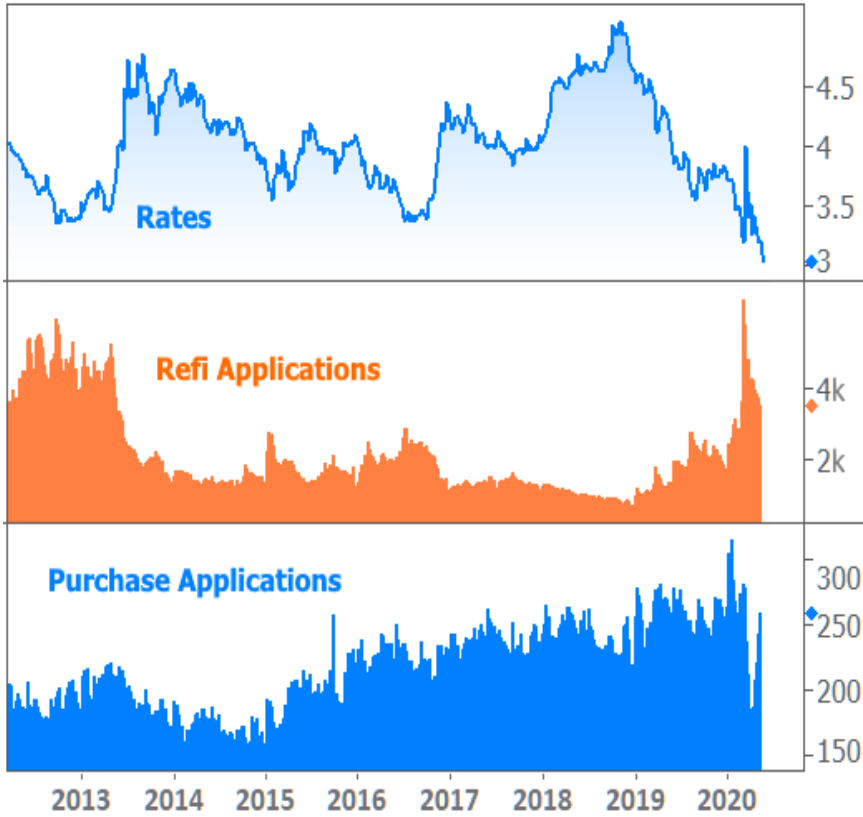
US Housing Market Weekly

The Mortgage Banker Association's weekly mortgage app survey offers **significantly more detail** on the shift in purchase activity. To be fair, this bounce is greatly benefiting from seasonality (i.e. March and April are typically the strongest months). Even so, if someone says last week's purchase applications were right in line with 2019's average, **they're not lying**.

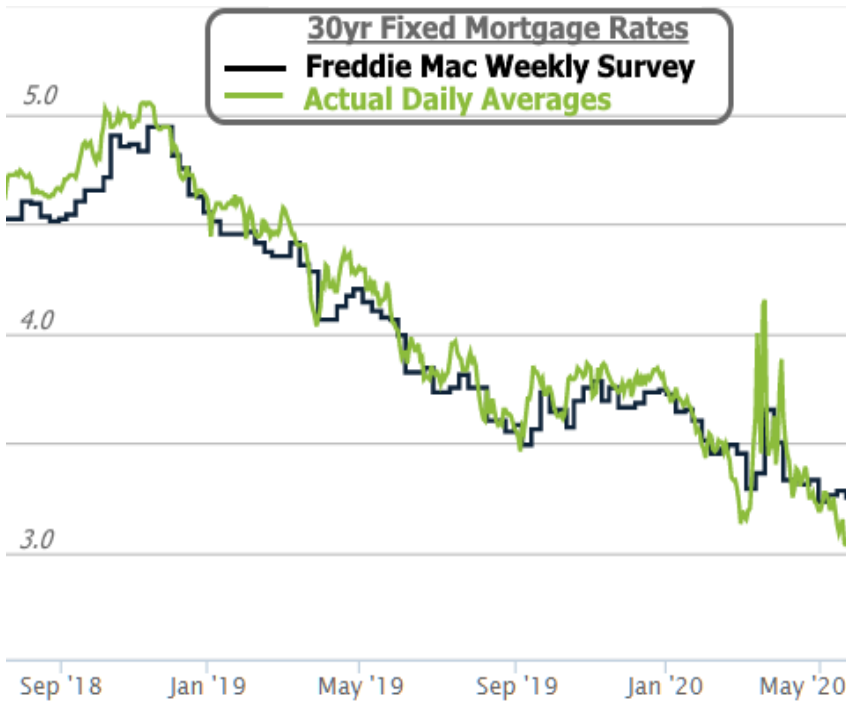


Can we find fault with the chart above? Is there **cause for concern**? How about the decline in refinance applications? And how does the current level of purchase applications stack up historically? Here's how:

US Housing Market Weekly

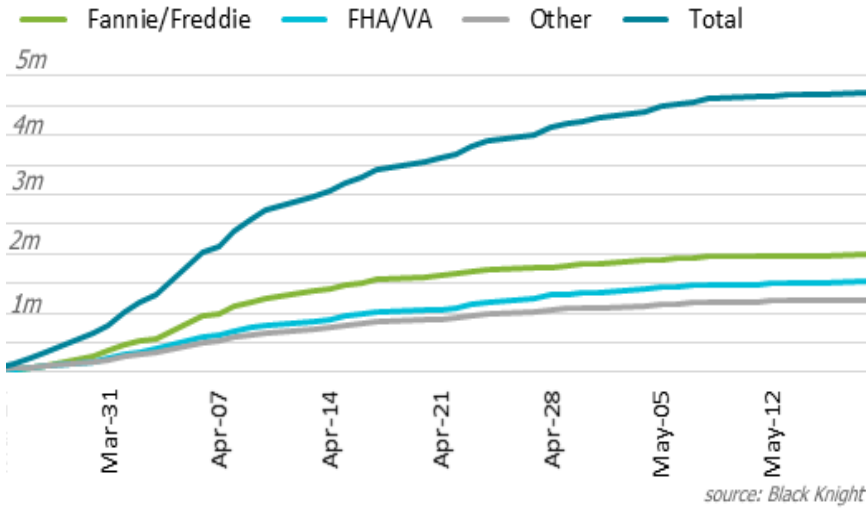


In other words, refi activity is **still higher** than it was in 2016 and not much lower than the last major refi boom in 2011-2013. That's a **staggering** accomplishment considering the operational impediments due to social distancing. It must have something to do with rates hitting all time lows several times in the past 2 weeks.



Is there a counterpoint to the low rate narrative? Several recent newsletters have discussed the mortgage market being in a very precarious state due to the forbearance tidal wave. And while that definitely kept rates higher for certain loan programs, the wave is clearly beginning to level-off now.

ACTIVE FORBEARANCE PLANS



The flattening of **this** curve means mortgage investors are beginning to calm down. As a result, credit availability is improving and puzzlingly high rates are starting to move lower for certain programs and borrowers. This won't happen overnight, but at least it's **beginning** to happen.

That last thought can be applied to the **entire** coronavirus saga. Things have been very bad in ways we've never experienced. Things won't immediately get better for obvious reasons. Nonetheless, we can **still** observe progress and improvement if we know where to look.

Subscribe to my newsletter online at: <http://housingnewsletters.com/rateshopkc>

Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

Mike Baker

