



## Stephen Moye

Sales Manager/Senior Loan Officer NMLS:  
268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight

Under the California Residential Mortgage Lending Act  
CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender  
1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678  
Mobile: 619-895-8128  
Fax: (619) 793-1026  
[stephen.moye@nafinc.com](mailto:stephen.moye@nafinc.com)  
[View My Website](#)

## 4 Great Reasons Housing Has Room to Run

Rates have been doing more rising than falling recently. Home sales have leveled-off by some counts, and we're entering the slower time of year. If you wanted to be pessimistic about the housing market, you could certainly make a case. But hidden in this week's data and events are 4 pieces of evidence for a solid **opposing** argument. Let's hear them!

The first piece of evidence was hidden in plain sight in the form of Friday's Consumer Price Index (CPI). This important inflation report has had a big impact on interest rates in 2017.

Inflation data matters most when it shows prices departing from expectations. If the data suggests the Fed needs to hike rates faster or slower, bond markets will **quickly** adjust to account for the shift in expectations. This was arguably the case in 2015 when inflation first began to lift-off from an extended stay below 2%.

As you'd expect, rising inflation coincided with rising rates throughout 2015. The Fed increasingly toughened its stance and ultimately hiked rates for the first time in **nearly a decade** at the end of that year. From there, inflation flat-lined, and so did Fed rate hikes.

At the end of 2016, the Fed felt there were other reasons to continue hiking rates (strong labor market, potentially inflationary policies associated with the new administration, etc.) even without an uptick in **measured** inflation. The relative increase in the pace of rate hikes is easily seen in the following chart of the Fed Funds Rate.

## National Average Mortgage Rates



	Rate	Change	Points
--	------	--------	--------

### Mortgage News Daily

30 Yr. Fixed	6.43%	<b>+0.02</b>	0.00
15 Yr. Fixed	5.95%	<b>0.00</b>	0.00
30 Yr. FHA	5.82%	<b>+0.02</b>	0.00
30 Yr. Jumbo	6.62%	<b>0.00</b>	0.00
5/1 ARM	6.28%	<b>-0.01</b>	0.00

### Freddie Mac

30 Yr. Fixed	6.35%	<b>-0.51</b>	0.00
15 Yr. Fixed	5.51%	<b>-0.65</b>	0.00

Rates as of: 8/30

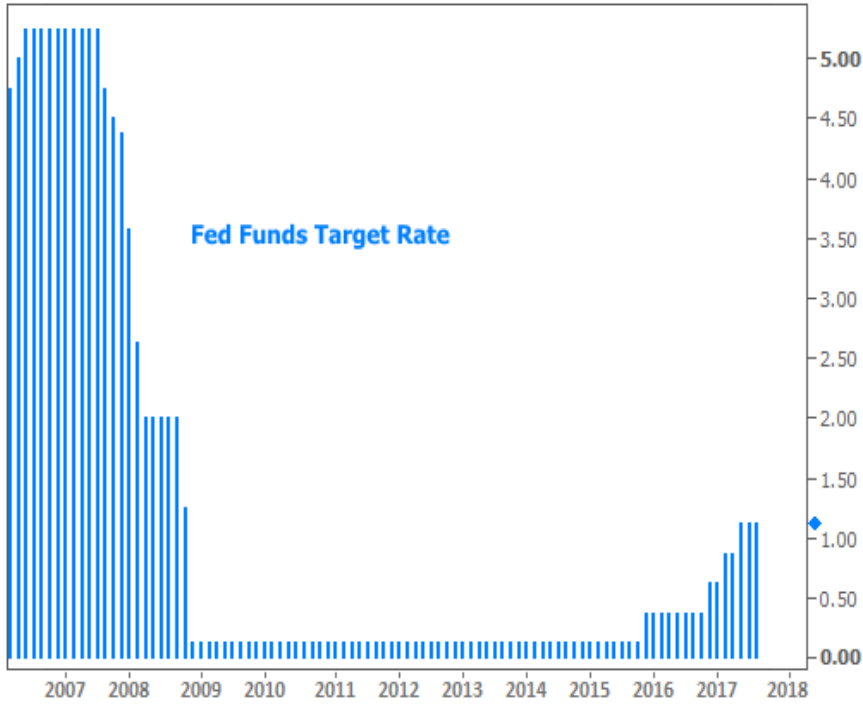
## Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	<b>+0.02</b>
MBS GNMA 5.0	99.93	<b>+0.02</b>
10 YR Treasury	3.9068	<b>+0.0029</b>
30 YR Treasury	4.1960	<b>+0.0028</b>

Pricing as of: 9/1 7:34PM EST

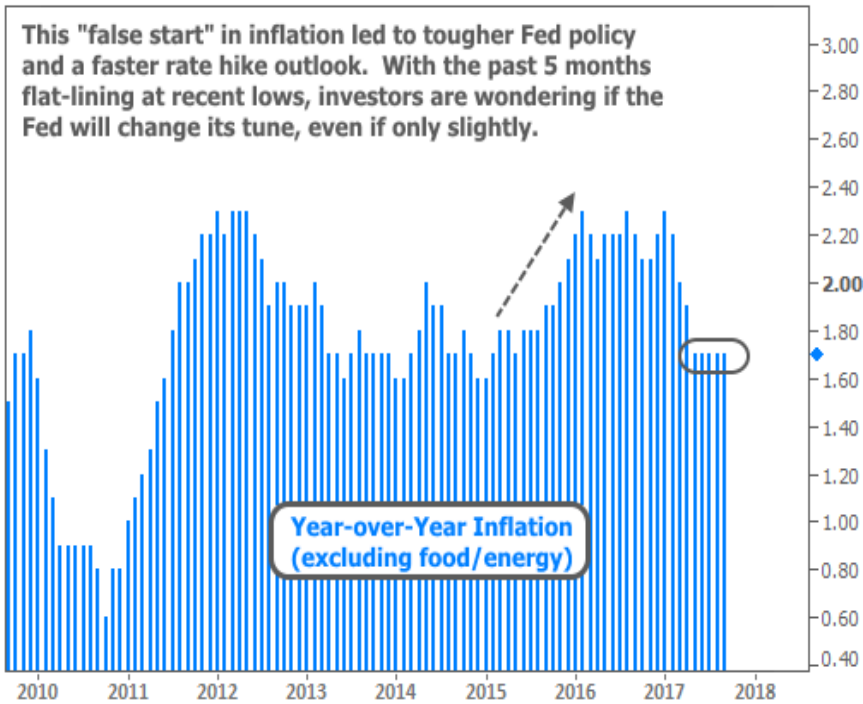
## Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
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%



		Value	Change
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

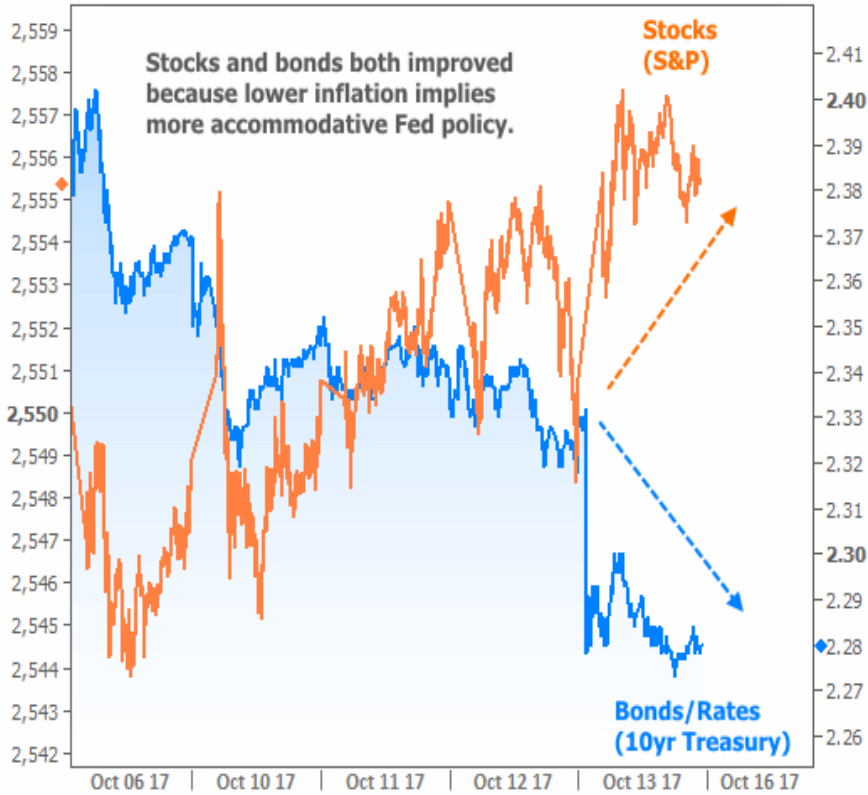
But while the Fed has continued to hike rates and take other steps to remove accommodation (i.e. the balance sheet normalization plan), inflation hasn't risen to the Fed's defense. In fact, inflation is saying "**not so fast!**"



The sharp drop to near-recent-lows is a key reason that rates **haven't** moved higher as quickly as many forecasters predicted. This week, analysts expected inflation to begin lifting-off from those lows, citing the likely impacts from higher fuel prices due to the Hurricane season.

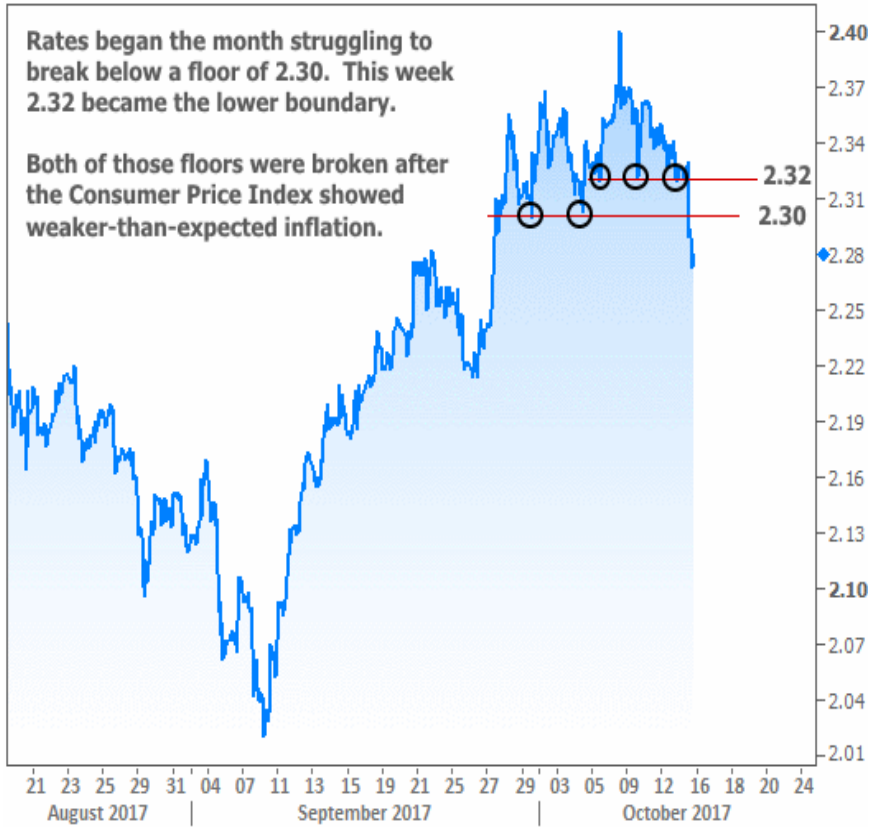
Fuel prices did indeed rise abruptly in the report, but the other price measurements fell by more than enough to offset the fuel effect. That made this inflation reading decidedly low, with **no great counterpoints** for those who are predicting a quick turnaround.

The **good news** about low inflation is its impact on rates. In fact, the stock market doesn't mind the news either because it suggests a more accommodative stance from the Fed. Stocks were already drifting higher due to earnings reports earlier in the week, but the inflation data pushed major indices to new intraday highs at the opening bell.



Turning our focus exclusively to rates, some **good things are happening**. Not only did the inflation data help them break through 2 important floors, it also reinforced a bigger-picture ceiling around 2.40% in terms of 10yr Treasury yields (the most widely-followed benchmark for momentum in longer-term rates like mortgages).

10yr Treasury Yield



The final 2 of our "4 reasons" stem from housing-related news stories this week. The first covers a report from the [Urban Institute](#) (UI) that discusses mortgage lending guidelines. In a nutshell, UI says guidelines could be **TWICE as loose** as they are now and that would merely bring us back in line with historically normal/healthy levels.

It's hard to quantify exactly what "twice as loose" would look like in practice, but most market participants would agree there are many **more potential buyers** to be brought into the market from guideline changes before we're anywhere close to the riskier landscape seen before the mortgage meltdown. This process has already been happening slowly, and the good news is there's no reason it can't continue.

The second piece of news covers an interesting report from [CoreLogic](#) that compares the current **housing boom/bust cycle** to past examples. The takeaway is fairly simple: home prices have taken far longer to recover than in previous cycles. Moreover, in many areas, prices **STILL** haven't crested pre-crisis levels, thus implying more room to run. Of course this will vary from market to market, but the underlying point is that a lot of the seemingly uncanny price appreciation we've seen in the past 5 years has to do with how hard we fell at the start of the crisis.

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

## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Wednesday, Oct 11</b>				
7:00AM	w/e Mortgage Market Index	405.2		414
7:00AM	w/e Mortgage Refinance Index	1359.2		1419.2
11:30AM	3-Yr Note Auction (bl)	24		
1:00PM	10-yr Note Auction (bl)	20		
2:00PM	FOMC Minutes			
<b>Thursday, Oct 12</b>				
8:30AM	Sep Producer Prices (%)	0.4	0.4	0.2
8:30AM	Sep Core Producer Prices YY (%)	2.2	2.0	2.0
1:00PM	30-Yr Bond Auction (bl)	12		
<b>Friday, Oct 13</b>				
8:30AM	Sep Retail Sales (%)	1.6	1.7	-0.2
8:30AM	Sep CPI mm, sa (%)	0.5	0.6	0.4
8:30AM	Sep Core CPI Year/Year (%)	1.7	1.8	1.7
10:00AM	Oct Consumer Sentiment	101.1	95.0	95.1
10:00AM	Oct 5yr Inflation Outlook (%)	2.4		2.5
10:00AM	Oct 1yr Inflation Outlook (%)	2.3		2.7
10:00AM	Jul Business Inventories (%)		0.2	0.5

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

## thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.

New American Funding CA-DBO268619 Corp. NMLS: 6606

Equal Housing Lender

Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

**Stephen Moye**

