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## Housing Permits Soften, Starts Plummet

All three measures of **residential construction activity performed poorly in June**, and the two most closely watched numbers, construction permits and housing starts, fell short of their June 2017 numbers. Despite the monthly and year-over-year declines, the U.S. Census Bureau and the Department of Housing and Urban Development report that activity in the first half of 2018 is still ahead of the same period last year.

The worst numbers were for privately authorized housing starts. They failed to hold on to their gain in May, dropping 12.3 percent to 1,173,000 units. May's estimate of 1,337,000 units was revised down from the original 1,350,000. The June estimate fell below the June 2017 pace by 4.2 percent.

The results **didn't come close to meeting expectations**. Analysts polled by Econoday had projected some softening from the May number, a 5.0 percent month-over-month increase as originally reported. Still they were looking for starts in the range of 1,285,000 to 1,350,000 units. Their consensus was 1,320,000.

**Single-family starts were down 9.1 percent** from May and off 0.2 percent from the June 2017 number. The June estimate was 858,000 units compared to 944,000 in May, the latter an upward revision from 936,000. **Multifamily starts dropped by 20.2 percent** to a rate of 304,000 units, 15.3 percent lower than the same period in 2017.

On an unadjusted basis there were 111,500 starts in June, 83,800 of them single family. The corresponding numbers in May were 123,800 and 89,000. For the year-to-date (YTD), starts, at 641,300, are still outpacing 2017 (594,700) by 7.8 percent. Single-family starts have improved by 8.1 percent, from 419,000 to 452,700.

Construction permits were authorized in June at a seasonally adjusted annual rate of 1,273,000, down 2.2 percent from the May rate of 1,301,000. This is **3.0 percent lower than the permitting pace in June 2017**.

Analysts were expecting permits to increase from May, looking for results over a range of 1,300,000 to 1,360,000. Their consensus was 1,328,000 units.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

## 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%

Single family authorizations were up, rising 0.8 percent to an annually adjusted 850,000 units compared to 843,000 (revised from 844,000) in May and were 4.6 percent above the year-earlier rate. Multi-family permits fell by 8.7 percent to 387,000 and are 16.2 percent behind the June 2017 pace.

		Value	Change
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

On an unadjusted basis there were 119,800 permits issued in June compared to 125,000 in May. Single family permits were down from May's 84,000 to 81,300.

For the YTD through the end of June the report estimates there have been 670,800 permits issued, 444,700 of them for single family homes. These numbers outpace those for the first six months of 2017 by 5.7 percent and 6.6 percent respectively.

Housing **completions held their ground**, remaining at a rate of 1,261,000 units. The previous May estimate was revised down to that number from 1,291,000. Completions in June were 2.2 percent higher than a year earlier. Single-family completions were estimated at a rate of 862,000, down 2.3 percent for the month but ahead of last year by 5.3 percent. Multifamily completions rose 7.1 percent to 393,000 but are 2.7 percent lower than the prior June.

Completions in June numbered 113,500 on an unadjusted basis compared to 105,800 in May. There were 75,800 single family completions compared to 74,400 a month earlier. Completions in 2018 through June are 8.3 percent higher than the same period in 2017, 581,600 versus 537,000, and those for single-family units are up 8.4 percent.

At the end of the reporting period there were 1,121,000 homes nationwide in some phase of construction. Single-family units accounted for 515,000 of those underway. There were also 160,000 permits that had been issued but for which construction had not yet begun.

Permitting was down in the **Northeast** region by 16.4 percent compared to May but remained 6.7 percent ahead of the June 2017 rate. Starts also retreated, down 6.8 percent from May and are now off from a year earlier by 40.0 percent. Completions rose by 6.5 percent but still lag the corresponding 2017 number by 26.9 percent

In the **Midwest** permits were 18.7 percent fewer than the rate in May and down 19.8 percent from the previous June. Starts plummeted by 35.8 percent in a month and are 23.5 percent below the prior June. There were 3.5 percent fewer completions than a month earlier, and the rate is down 24.2 percent year-over-year.

The **South** saw an increase of 6.2 percent in authorizations, but they remain 3.3 percent ahead of last year. Starts were down 9.1 percent for the month but still up 13.4 percent on an annual basis. Completions fell 9.6 percent but are 13.0 percent higher than last year.

Permits were issued at a rate 1.8 percent lower than the prior month in the **West**, and 7.1 percent behind June 2017. Construction starts fell 3.0 percent and 3.3 percent from the two earlier periods. Houses were brought on line at a rate 21.1 percent higher than in May and 13.5 percent above the previous June.

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**Stephen Moyer**

