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Action-Packed Week For Housing and Mortgage Markets

Last week's newsletter posed the question: what will it take to break the holding pattern in housing and markets? Now, this week's data has provided a **wide array** of answers.

Interest rates, however, continue abstaining from any such answer. In fact, by some measures, rates have **never been less volatile** than they are right now.

The following chart shows the current pattern of consolidation in 10yr Treasury yields (a good proxy for all longer-term US interest rates, like mortgages), as well as the longer-term consolidation earlier this year.

10yr Treasury Yield



National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.44%	-0.04	0.00
15 Yr. Fixed	5.97%	-0.03	0.00
30 Yr. FHA	5.90%	-0.04	0.00
30 Yr. Jumbo	6.66%	-0.02	0.00
5/1 ARM	6.32%	-0.06	0.00

Freddie Mac

30 Yr. Fixed	6.46%	-0.40	0.00
15 Yr. Fixed	5.62%	-0.54	0.00

Rates as of: 8/23

Market Data

	Price / Yield	Change
MBS UMBS 5.5	101.03	+0.10
MBS GNMA 5.5	100.96	+0.13
10 YR Treasury	3.7801	-0.0198
30 YR Treasury	4.0774	-0.0134

Pricing as of: 8/26 2:00AM EST

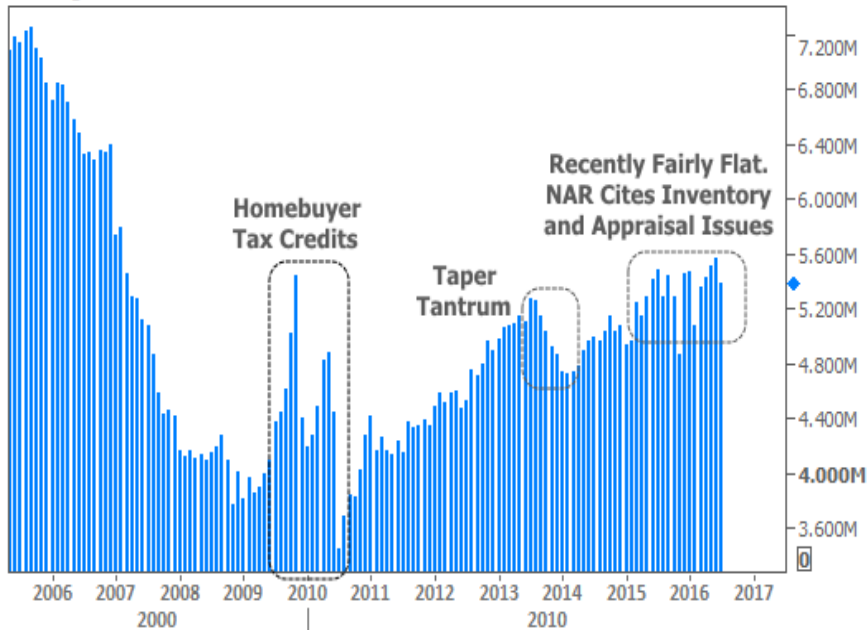
Recent Housing Data

	Value	Change
Mortgage Apps	Aug 14 251.3	+16.83%
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%

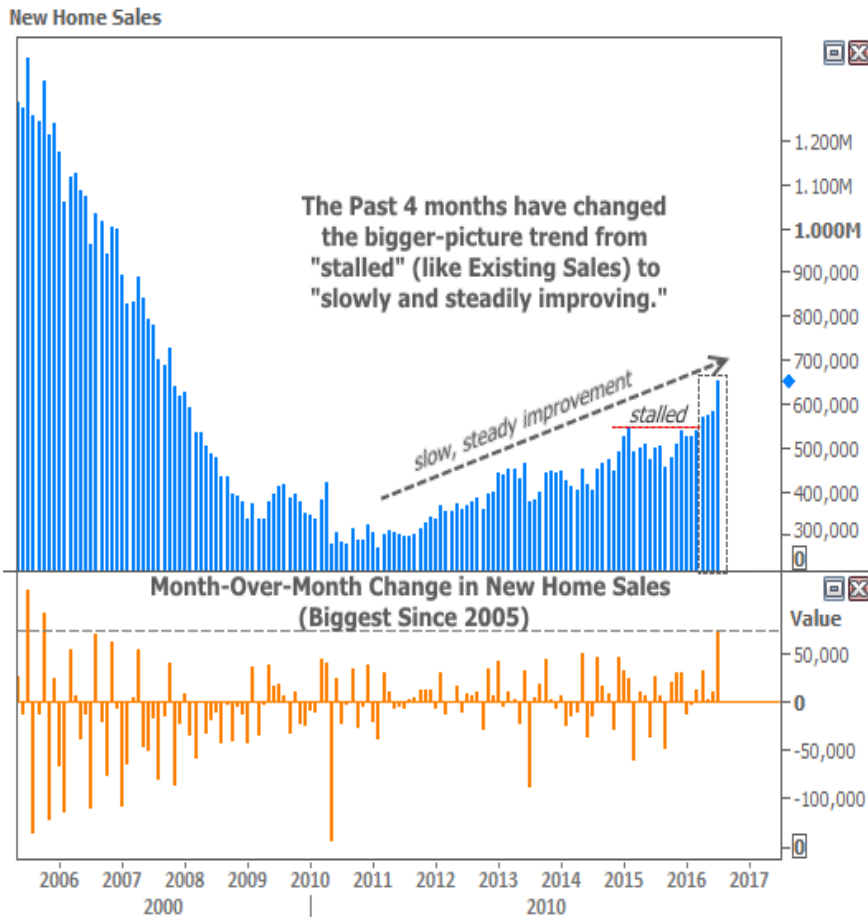
These instances of consolidation are typically followed by a period of higher momentum. You can see how the early-2016 example resulted in higher momentum toward **lower** rates. But it's important to understand that the momentum can happen in **either** direction. Given that we're running out of room in the current consolidative pattern, the next move could be happening very soon.

Rates aren't the only thing that's been consolidating in a narrow range. Data out this week shows that **Existing Home Sales** continue to operate in the same general range that's dominated the past 2 years. But unlike rates, the details here are **quite interesting**. Specifically, the National Association of Realtors cites **increasingly severe appraisal issues**, saying they're responsible for more than a quarter of contract delays in the past 3 months.

Existing Home Sales



Appraisals are less of an issue when it comes to New Home Sales, and it shows in [this week's report from the Census Bureau](#). Granted, New Homes fell harder during the Great Recession and consequently have more room to grow, but the trend is positive nonetheless. In fact, July's sales increased at the **fastest pace in more than 10 years!**



There are a few caveats, depending on your point of view. Critics often point out that this data series has a notoriously wide margin of error. But even so, it would take a massive revision to alter the positive trend seen in the chart. In separate news, the National Association of Home Builders (NAHB) [pointed out](#) a noticeable increase in the amount of homes being **built specifically as rentals**. Some would argue that's not a good thing for the long-term growth outlook for the housing market.

Adding yet another layer of complexity to the housing outlook, the FHFA (which oversees Fannie and Freddie) said this week that it sees a **"potentially significant shift"** in [home price trends](#). While FHFA's home price index still shows year-over-year growth of 5.6 percent, it notes that month-over-month appreciation has been much smaller recently.

On a mortgage-specific note, the FHFA balanced things out with some **upbeat** news. The longstanding [HARP program will be extended](#) through September 2017, at which point it will evolve into a new high-LTV program. The most important feature of the new program will be an **absence** of cut-off dates, which previously prevented many potential borrowers from taking advantage of HARP.

The week ahead brings a slew of important data, including the big jobs report on Friday. At the same time, investors will be digesting and reacting to the much-anticipated comments from Fed Chair Yellen at the Jackson Hole symposium. We'll discuss all of the above in next week's newsletter.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Aug 23				

Event Importance:

No Stars = Insignificant

☆ Low

Date	Event	Actual	Forecast	Prior
10:00AM	Jul New home sales-units mm (ml)	0.654	0.580	0.592
1:00PM	2-Yr Note Auction (bl)	26		
Wednesday, Aug 24				
7:00AM	w/e Mortgage Market Index	530.1		541.5
9:00AM	Jun Monthly Home Price mm (%)	0.2		0.2
10:00AM	Jul Existing home sales (ml)	5.39	5.51	5.57
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Aug 25				
8:30AM	Jul Durable goods (%)	+4.4	3.3	-3.9
8:30AM	w/e Initial Jobless Claims (k)	261	265	262
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Aug 26				
8:30AM	Q2 GDP Prelim (%)	+1.1	1.1	1.2
10:00AM	Aug U Mich Sentiment Final (ip)	89.8	90.6	90.4
Monday, Aug 29				
8:30AM	Jul Personal income mm (%)	+0.4	0.4	0.2
8:30AM	Jul Consumption, adjusted mm (%)	+0.3	0.3	0.4
8:30AM	Jul Core PCE price index yy (%)	+1.6		1.6
Tuesday, Aug 30				
10:00AM	Aug Consumer confidence	101.1	97.0	97.3
Wednesday, Aug 31				
8:15AM	Aug ADP National Employment (k)	177.0	175	179
9:45AM	Aug Chicago PMI	51.5	54.0	55.8
10:00AM	Jul Pending homes index	111.3		111.0
Thursday, Sep 01				
8:30AM	Q2 Productivity Revised (%)	-0.6	-0.6	-0.5
8:30AM	Q2 Labor Costs Revised (%)	+4.3	2.1	2.0
10:00AM	Aug ISM Manufacturing PMI	49.4	52.0	52.6
10:00AM	Jul Construction spending (%)	0.0	0.5	-0.6
Friday, Sep 02				
8:30AM	Aug Non-farm payrolls (k)	+151	180	255
8:30AM	Aug Unemployment rate mm (%)	4.9	4.8	4.9
9:45AM	Aug ISM-New York index	719.9		721.1
10:00AM	Jul Factory orders mm (%)	+1.9	2.0	-1.5

- ★ Moderate
- ★★ Important
- ★★★ Very Important

National Association of Realtors - New Rules & Open Houses

New rules stemming from the National Association of Realtors' commission lawsuit settlement went into effect Saturday following years of litigation, potentially upending the industry, including how agents get paid.

This week, I have been hearing from agents, brokers, MLS executives, portals and other insiders as the rules roll out.

COMMISSION QUESTIONS: In the wake of NAR's new settlement rules, many buyer's agents are suddenly confronting a new question: What commission should they ask for in their buyers' broker representation agreements?

Here are a few responses found in a real estate master-mind group:

"I'm asking the buyer to pay my rate but advising them the seller may be offering something towards that," one agent responded. "If that's the case they only have to pay what's left."

"Sit down with your buyer and a trusted loan officer" another suggested. "Have the loan officer complete the various costs including your compensation and without any compensation (seller contributes). Once the buyer sees how much they have to come up with, they can make a decision. Then you make yours."

Some commenters also said that their brokers are making recommendations.

"This thread is illegal," one commenter argued, echoing a number of other remarks. "It is price fixing and the whole reason the U.S. Department of Justice got involved. Commission/Concessions should only be discussed between the agent and his/her client, never among agents."

The debate highlights the fact that many practical issues stemming from the settlement are yet to be worked out – and that additional litigation is top of mind for many real estate professionals,

OPEN HOUSE, OPEN QUESTION: Among the real estate professionals watching how the settlement changes unfolded this weekend was Randy Bell of Life Realty – The District in Henderson, NV who told me that "Buyers appear to be leery about signing short-term agreements and may favor open houses over individual tours until they're at ease with the rule." He went on to state "It'll be very interesting to see whether open house traffic increases, which I expect it will once buyers understand they don't have the same friction with agreements by going directly to open houses,"

One stat I'm going to be looking at is the number of open houses relative to active listings. I'll have numbers for you in the weeks to come. ...More to follow in future Newsletters.

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