



Tom Payne

Senior Loan Consultant, loanDepot
 NMLS# 1017004 #174457 Licensed in all 50 States
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243
 Mobile: 702-303-0243
tompaynemortgage@gmail.com
[View My Website](#)

Are Home Sales Lying? And Why Are Rates Flying?

There was a **striking disparity** in two separate reports on home sales this week. According to one, things are great and look to be firing on all cylinders. According to the other, things are "less upbeat" to put it mildly. Which one is telling the truth?

First the **good news**: **New Home Sales** surged well into their best levels since before the Financial Crisis. Not only that, but the trend has been linear and positive without fail since 2010.

Unlike New Home Sales, the **NAR's Pending Sales Index** tracks home purchase **contract** activity. This means it tends to run a month **ahead** of actual sales reports, but more importantly (for the sake of this comparison), that it includes **EXISTING** homes (resales). Here we see some signs for concern, with the index matching its weakest reading in more than 2 years.

The disparity between the two reports can be reconciled in a few ways. Most obviously, we're simply dealing with two **different paces** of recovery relative to 2005's peak. New Home Sales were much slower to rebound, and now have more room to run. In terms of the weakness seen in Pending Home Sales, the NAR cites inventory as the biggest ongoing issue, but also notes hurricane-related distortions are still playing out.

New Home Sales



National Average Mortgage Rates



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

Mortgage News Daily

30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

Freddie Mac

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

Rates as of: 7/22

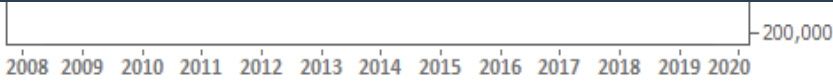
Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2427	-0.0098
30 YR Treasury	4.4636	-0.0089

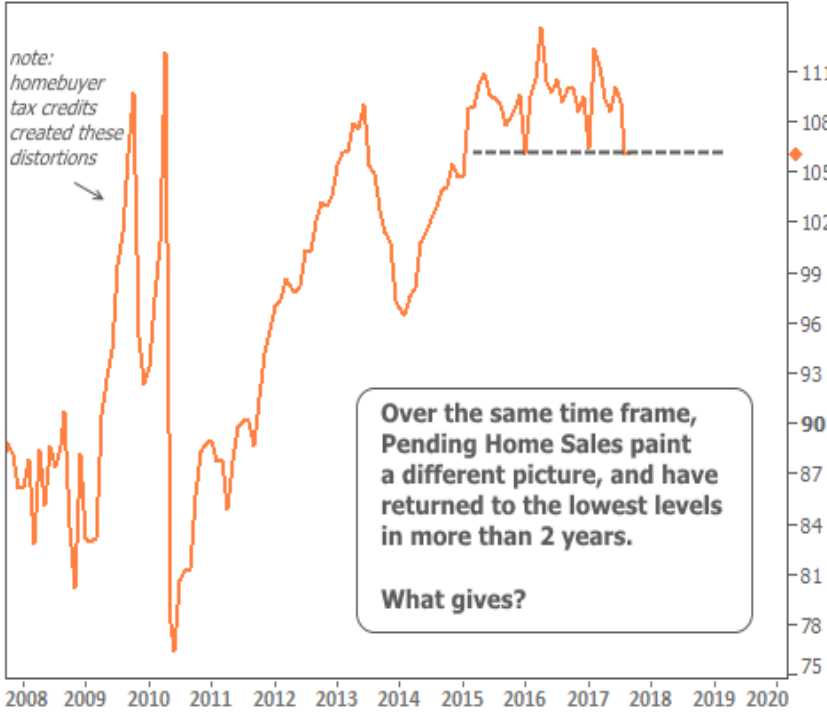
Pricing as of: 7/23 4:42AM EST

Recent Housing Data

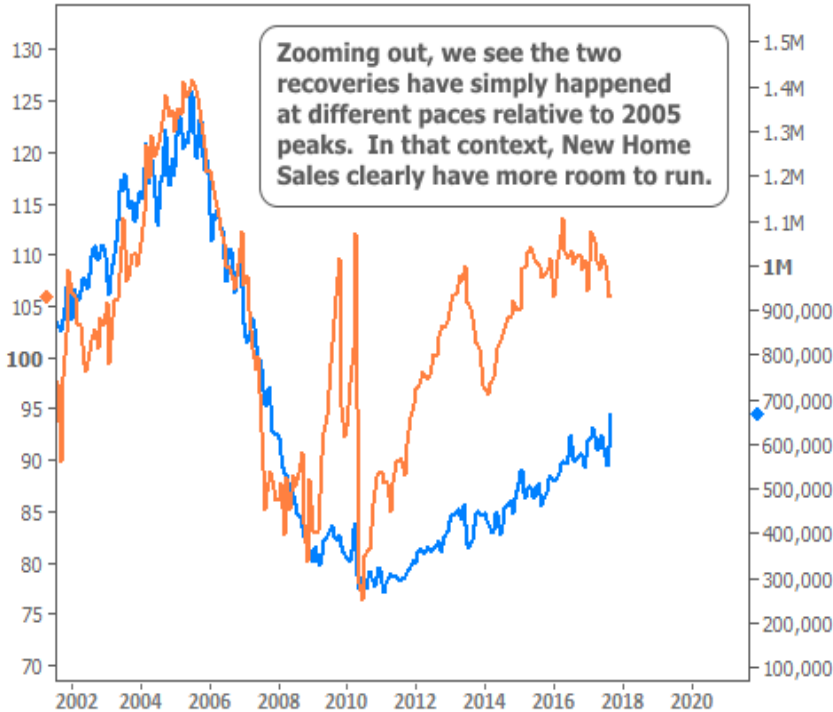
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



Pending Home Sales



New and Pending Home Sales



Zooming out, we see the two recoveries have simply happened at different paces relative to 2005 peaks. In that context, New Home Sales clearly have more room to run.

Whether or not the plateau in Pending Home Sales is a harbinger of a housing market slowdown remains to be seen. The NAR is clear in pointing out **high levels of demand** among buyers. It's just that many of those buyers aren't able to find or to secure a contract on the homes they want given the stiff competition and affordability constraints.

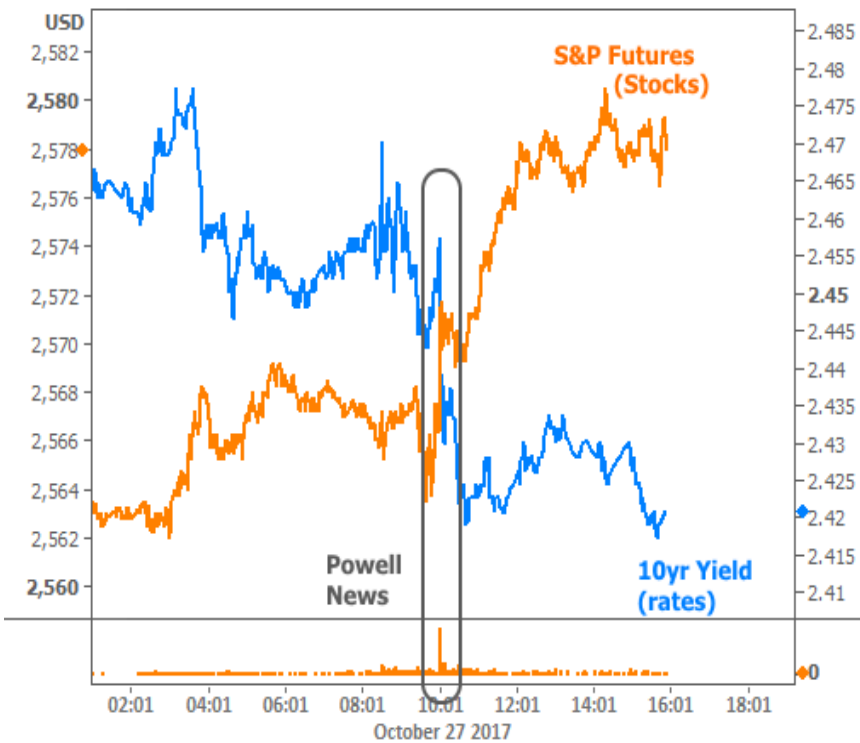
For the most part, mortgage rates are doing their part to help the affordability equation. Rates remain historically low, but they've been **under pressure** in recent weeks. Key considerations have been the possibility of tax reform (which rates don't seem to like), and the uncertainty surrounding the nomination of a new Chairperson for the Fed (which rates may like or dislike, depending on the final choice).

The Fed Chair (a role currently filled by Janet Yellen) is perhaps the **most important person in the world** when it comes to interest rate movement. While the Fed will ultimately be forced to adapt its rate policy to economic conditions, so many of the ups and downs we experience along the way are driven by the Fed's decisions. The Chair has a disproportionate amount of control over those decisions. In short, don't think of the Fed as a "jury" of equals. The table is anything but round, and "The Chair" clearly sits at the head.

Trump has indicated he will announce his Fed Chair nomination by the end of next week. But **rumors** are already flying fairly regularly. The latest arrived on Friday morning, suggesting Trump favored Jerome Powell (an existing Fed member who is seen as being more like Yellen) over the other frontrunner, economist John Taylor.

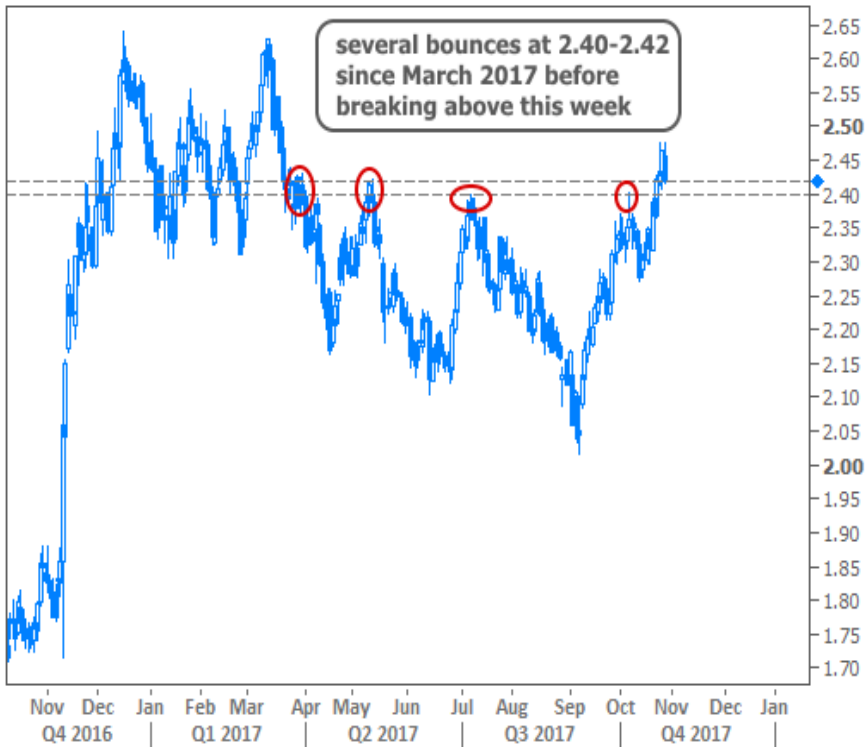
It's easy to see just how much markets care about the decision based on their reaction. Both stocks and bonds prefer Powell in a major way.

Stocks vs Bonds

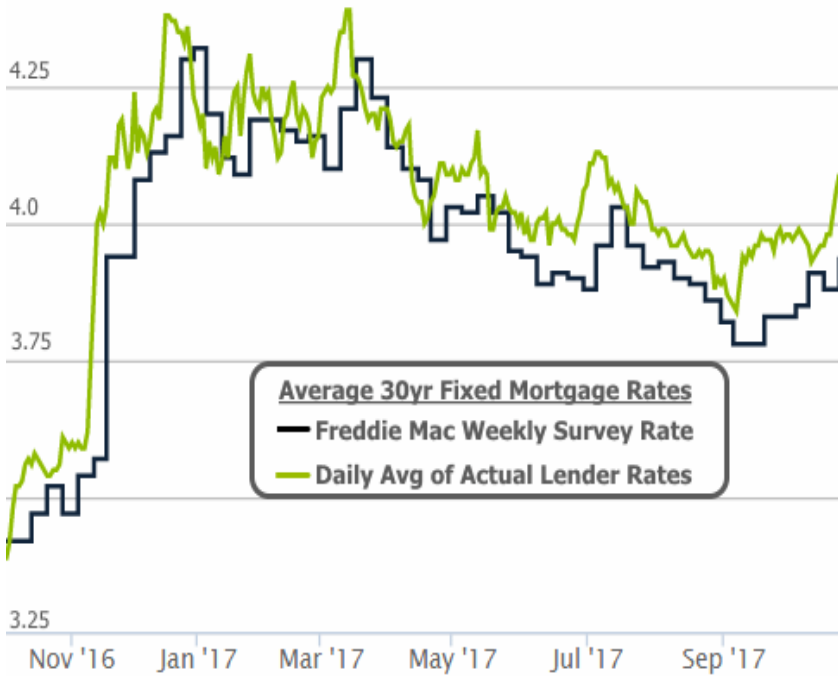


Despite Friday's bond market improvements, rates remain elevated compared to the past few weeks. In terms of 10yr yields, the risk is that we've broken above a key ceiling at 2.42%, and might have a hard time making a convincing move back below.

10yr Treasury Yield



Mortgage rates are faring slightly better and have yet to rise above summertime highs. That said, this week was worse than most major media outlets are reporting due to overreliance on Freddie Mac's weekly survey-based rate data (which can lag actual lenders' rate sheets when markets are volatile).



Expect **infinitely more clarity** on the rate situation next week when we get the final word (hopefully) from Trump himself.

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

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Wednesday, Oct 25				
7:00AM	w/e Mortgage Market Index			405.2
7:00AM	w/e Mortgage Refinance Index			1359.2
7:00AM	w/e MBA Purchase Index	228.0		242.9
8:30AM	Sep Durable goods (%)	2.2	1.0	2.0
8:30AM	Sep Nondefense ex-air (%)	1.3	0.5	1.1
9:00AM	Aug Monthly Home Price yy (%)	6.6		6.3
9:00AM	Aug Monthly Home Price mm (%)	0.7		0.2
10:00AM	Sep New home sales-units mm (ml)	0.667	0.555	0.560
10:00AM	Sep New home sales chg mm (%)	18.9	-0.9	-3.4
1:00PM	5-Yr Note Auction (bl)	34		
Thursday, Oct 26				
8:30AM	w/e Jobless Claims (k)	233	235	222
10:00AM	Sep Pending Sales Index	106.0		106.3
10:00AM	Sep Pending Home Sales (%)	0.0	0.2	-2.6
1:00PM	7-Yr Note Auction (bl)	28		
Friday, Oct 27				
8:30AM	Q3 GDP Advance (%)	3.0	2.5	3.1
10:00AM	Oct U Mich Sentiment Final (ip)	100.7	100.9	101.1
Monday, Oct 30				
8:30AM	Sep Consumer Spending (Consumption) (%)	+1.0	0.8	0.1
8:30AM	Sep Core PCE (y/y) (%)	+1.3		1.3
8:30AM	Sep Personal Income (%)	+0.4	0.4	0.2
Tuesday, Oct 31				
9:00AM	Aug CaseShiller 20 yy (%)	+5.9	6.0	5.8
9:45AM	Oct Chicago PMI	66.2	61.0	65.2
10:00AM	Oct Consumer confidence	125.9	121.0	119.8
Wednesday, Nov 01				
7:00AM	w/e Mortgage Market Index	389.8		400.3
8:15AM	Oct ADP National Employment (k)	235	200	135
10:00AM	Oct ISM Manufacturing PMI	58.7	59.5	60.8
10:00AM	Sep Construction spending (%)	+0.3	0.0	0.5
2:00PM	N/A FOMC rate decision (%)	1.000 - 1.250	1.125	1.125
Thursday, Nov 02				
8:30AM	Q3 Productivity Preliminary (%)	3.0	2.4	1.5

Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	Q3 Labor Costs Preliminary (%)	0.5	0.5	0.2
8:30AM	w/e Jobless Claims (k)		235	233
9:45AM	Oct ISM-New York index	749.4		748.6
Friday, Nov 03				
8:30AM	Oct Non-farm payrolls (k)	261	310	-33
8:30AM	Oct Unemployment rate mm (%)	4.1	4.2	4.2
8:30AM	Sep International trade mm \$ (bl)	-43.5	-43.2	-42.4
10:00AM	Oct ISM N-Mfg PMI	60.1	58.5	59.8
10:00AM	Sep Factory orders mm (%)			1.2

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

We are a direct nationwide lender.
EQUAL HOUSING LENDER

Tom Payne

