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

Clearing Up Some Mortgage-Related Tax Bill Confusion

If you missed it, the last newsletter (read it here) focused on several of the tax bill's implications for **housing** and **mortgage** markets. It also gave a great rundown of recently stellar housing market data.

The current week didn't have any amazing housing data--nor were financial markets even back to full power after the holiday break. That left plenty of time for conversations about some of the more **confusing** parts of the tax bill.

Chief among these "confusing" parts is the topic of **HELOCs** or Home Equity Lines of Credit. Most news stories on the tax bill are quick to point out that HELOCs are no longer tax deductible. In actuality, they are subject to almost **exactly** the same changes as 1st mortgages.

The **simplest** way to understand the tax changes that relate to deducting mortgage interest is with the concept of **"acquisition indebtedness."** Simply put: if debt was taken out to buy a home, that debt will always be deductible, even if it's refinanced in the future.

Loans for homes under contract before 12/15/2017 get the old $1 million cap while everything after that gets the new $750k cap (for the next 8 years).

Confusion arose due to the **specific inclusion** of HELOCs in the tax bill. The explanatory statement says: "Additionally, the conference agreement suspends the deduction for interest on home equity indebtedness."

To be fair, that **does** sound pretty conclusive. To the untrained eye, it may seem that nothing about a HELOC is deductible from here on out. But consider this: "home equity indebtedness" is **clearly and legally defined** as "**any** indebtedness OTHER THAN ACQUISITION INDEBTEDNESS, secured by a qualified residence..."

There is some additional legalese after that (feel free to check it out here), but it doesn't affect the following assertion: as long as "acquisition indebtedness" can include a HELOC, then HELOCs are deductible. So **without further ado:**

> The term “acquisition indebtedness” means **any** indebtedness which is incurred in **acquiring, constructing, or substantially improving** any qualified residence of the taxpayer, and is secured by such residence. Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence)

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	4.2379	-0.0146
30 YR Treasury	4.4594	-0.0131

Pricing as of: 7/23 4:50AM 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%

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne

In other words, it doesn't matter if it's a HELOC, 30yr fixed, or 5 million year option ARM. If it was used to buy the home or substantially improve it, **it's deductible** ($1m if grandfathered, or $750k otherwise).

Shifting gears to **interest rate movements**, the past few weeks have been notable in that mortgage rates are performing as well as they have versus benchmarks in several years. What does that mean?

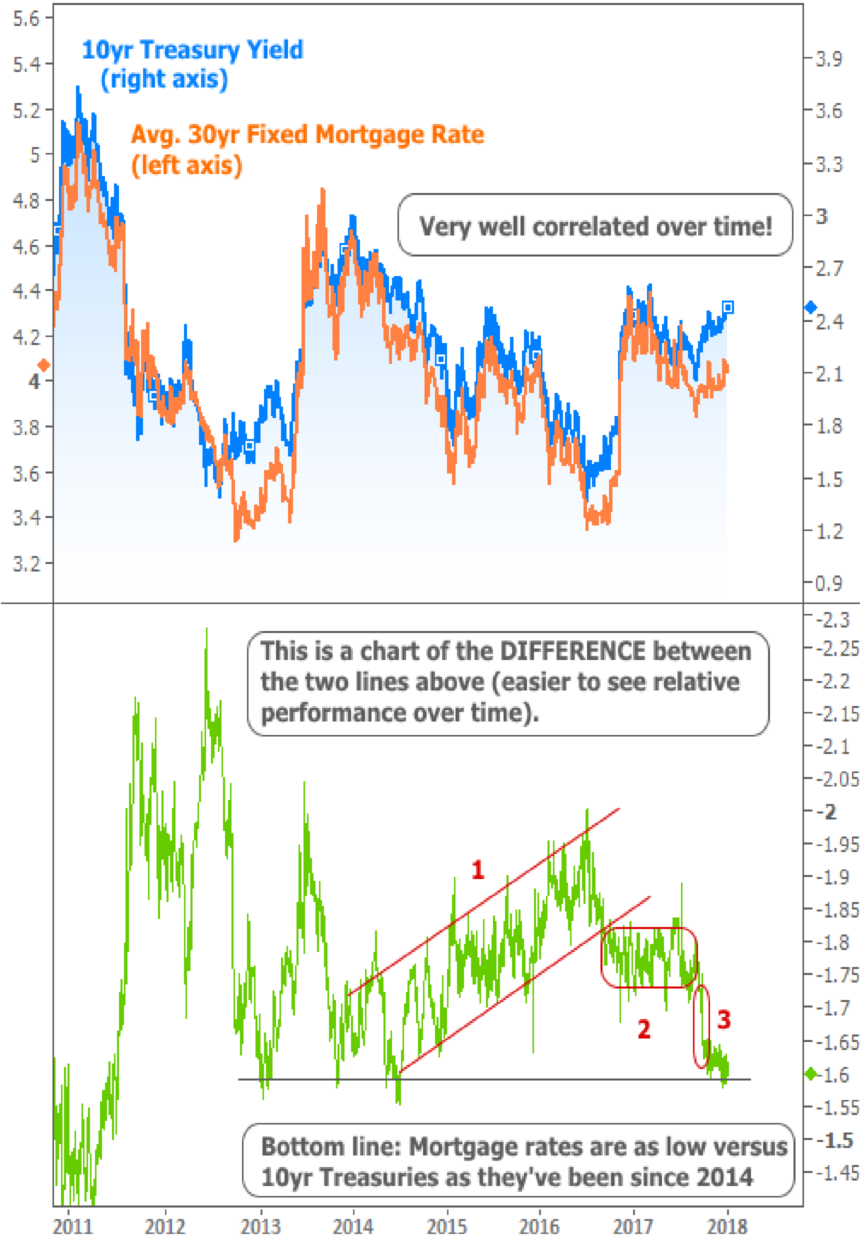
A **"benchmark"** in financial markets can be thought of as a **yardstick** by which a certain financial instrument is measured. In the case of mortgage rates, the most widely-used benchmark is the 10yr Treasury yield. As today's first chart shows, there's ample correlation.

In fact, there's so much correlation that it can be hard to see how mortgages are performing until we plot a separate line that simply measures the **distance between** mortgage rates and 10yr yields. That's what the green line does below (NOTE: the orange and blue lines look closer together than they actually are because each has its own y-axis in order to show the correlation in their movement).

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne



1. Investors shunned MBS as they prepared for the Fed to eventually buy less
2. After Trump was elected, investors paused because they knew Treasury issuance could come into play (i.e. government borrowing)
3. The tax bill confirmed a big glut of new government borrowing and helped mortgage rates tighten the gap versus US Treasuries

Keeping an eye on trends in 10yr yields is useful for mortgage rate watchers. It helps us see **potential danger zones** as soon as possible. With that in mind, the 2.48% and 2.50% levels have been acting as ceilings recently. In short, fans of low rates would very much like to see these ceilings continue to hold. If they're broken, it could result in some sustained momentum toward higher rates to begin the new year.

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne

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

Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Jan 02				
7:00AM	w/e Mortgage Refinance Index			1240.5
7:00AM	w/e MBA Purchase Index			234.3
Wednesday, Jan 03				
10:00AM	Dec ISM Manufacturing PMI	59.7	58.1	58.2
Thursday, Jan 04				
8:15AM	Dec ADP National Employment (k)	250	190	190
Friday, Jan 05				
8:30AM	Dec Non-farm payrolls (k)	148	190	228
8:30AM	Dec Unemployment rate mm (%)	4.1	4.1	4.1
10:00AM	Dec ISM N-Mfg PMI	55.9	57.6	57.4
10:00AM	Nov Factory orders mm (%)	1.3	1.1	-0.1
Tuesday, Jan 09				
1:00PM	3-Yr Note Auction (bl)	24		
Wednesday, Jan 10				
8:30AM	Dec Import prices mm (%)	0.1	0.5	0.7

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne

Date	Event	Actual	Forecast	Prior
8:30AM	Dec Export prices mm (%)	-0.1	0.3	0.5
10:00AM	Nov Wholesale inventories mm (%)	+0.8	0.7	0.7
1:00PM	10-yr Note Auction (bl)	20		
Thursday, Jan 11				
8:30AM	Dec Producer Prices (%)	-0.1	0.2	0.4
8:30AM	Dec Core Producer Prices YY (%)	2.3	2.5	2.4
8:30AM	w/e Jobless Claims (k)	261	252	250
1:00PM	30-Yr Bond Auction (bl)	12		
Friday, Jan 12				
8:30AM	Dec Retail Sales (%)	0.4	0.4	0.8
8:30AM	Dec CPI mm, sa (%)	0.1	0.2	0.4
8:30AM	Dec Core CPI Year/Year (%)	1.8	1.7	1.7
10:00AM	Nov Business Inventories (%)	0.4	0.3	-0.1

© 2024 MBS Live, LLC. - This newsletter is a service of MarketNewsletters.com.

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne

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

© 2024 MBS Live, LLC. - This newsletter is a service of [MarketNewsletters.com.](http://MarketNewsletters.com)

The interest rates provided in this newsletter are national averages from independent data sources. Rate/APR terms may differ from those listed above based on the creditworthiness of the borrower. All information provided "as is" for informational purposes only, not intended for trading purposes or financial advice.

Read or subscribe to my newsletter online at: http://housingnewsletters.com/thomaspayne