



**Tom Payne**

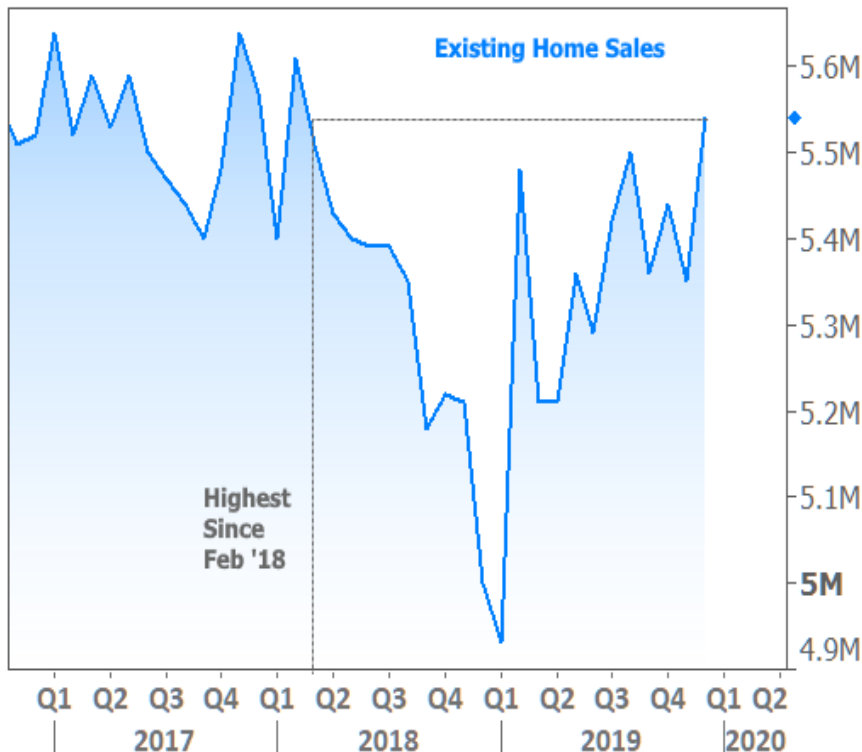
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## How Coronavirus is Helping Housing

Although there were a few caveats, [last week](#) saw one of the biggest jumps in new home construction in more than decade. Now this week's data shows existing home sales at their highest in nearly 2 years, and close to highest in more than a decade. Is housing starting to boom again?

The following chart of existing sales helps put things in perspective. There were multiple months from 2016 through early 2018 where sales were similarly high, and several where they were higher. The **quickest conclusion** is that housing is merely getting back to where it was before after taking a year to cool-off a bit in 2018.



Things may not be that simple, however. December's inventory of homes for sale fell to a **record low** in the same report. And it's been near that level for 3 years running. To whatever extent an absence of inventory is constraining home sales, the housing market **could be even stronger** than the headlines suggest.

## National Average Mortgage Rates



|                            | Rate  | Change | Points |
|----------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b> |       |        |        |
| 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   |
| <b>Freddie Mac</b>         |       |        |        |
| 30 Yr. Fixed               | 6.77% | -0.09  | 0.00   |
| 15 Yr. Fixed               | 6.05% | -0.11  | 0.00   |

Rates as of: 7/22

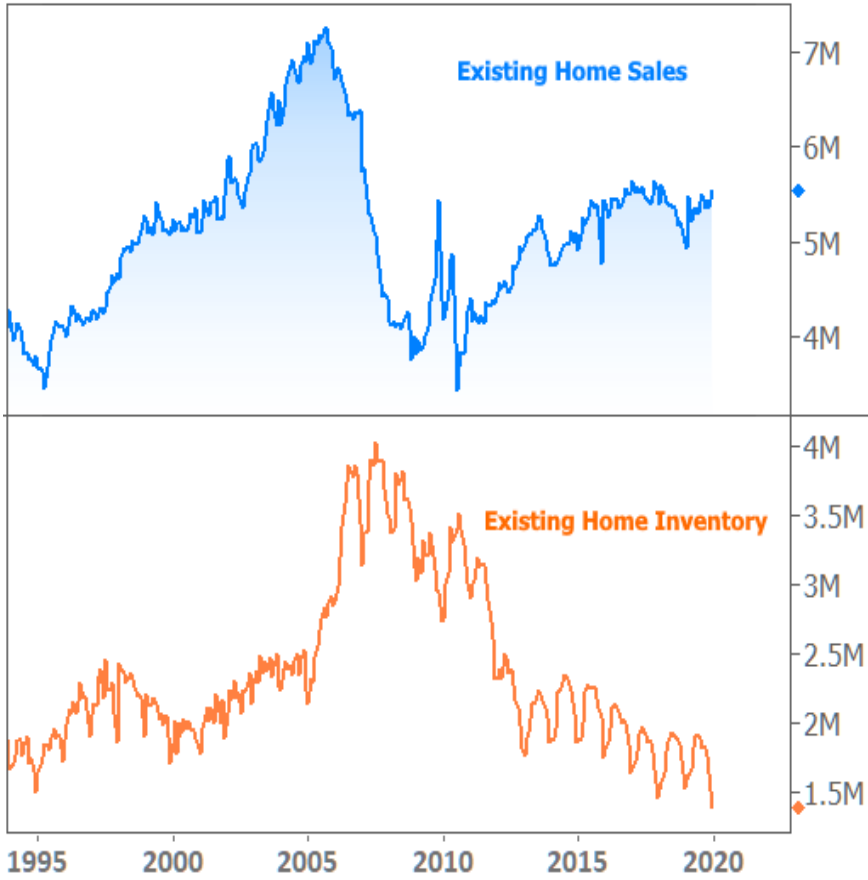
## Market Data

|                | Price / Yield | Change  |
|----------------|---------------|---------|
| MBS UMBS 5.5   | 99.39         | -0.01   |
| MBS GNMA 5.5   | 99.78         | +0.00   |
| 10 YR Treasury | 4.2423        | -0.0102 |
| 30 YR Treasury | 4.4598        | -0.0127 |

Pricing as of: 7/22 10:50PM EST

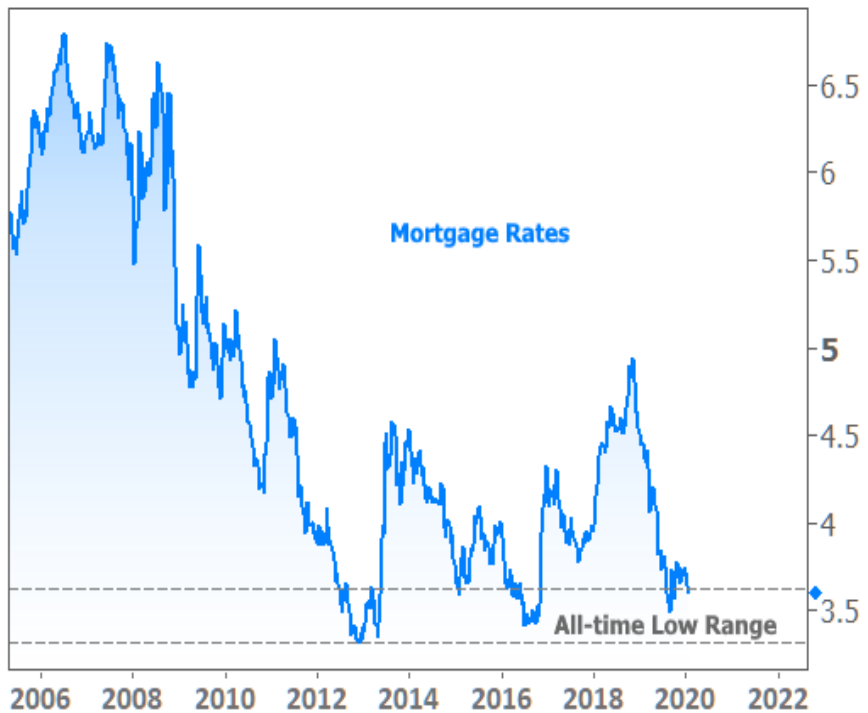
## Recent Housing Data

|                     |        | 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%  |



There are several factors driving the strong home sales environment, but one factor that **always** matters is affordability. Given that the average home is financed, that makes mortgage rates a key factor in the health of the housing market.

Fortunately, rates are doing a great job of holding a steady range at levels that are not too far from all-time lows.



Rates take cues from inflation, the economy, Fed policy, government spending, and headline news among other things. Assigning credit for today's low rates or guessing where they're headed next would involve a qualitative debate. One thing every market participant can agree on this week, however, is that the **coronavirus outbreak** in China (aka Wuhan Virus or simply "nCov," which means it's a "novel" or previously unseen type of coronavirus) has been **clearly** connected to lower rate momentum in the short term.

For those who haven't taken a deep dive into the impact of the Ebola news cycle in 2014 or SARS in the early 2000's, this **might sound like a joke**. It's not. Relative to the amount of people killed by SARS, its impact on financial markets was rather extreme, with some pundits crediting it for pushing Hong Kong into a brief recession in mid-2003.

In terms of the impact on interest rates in the US, when the CDC finally announced that SARS was **contained**, it marked the bottom of a quick move to the lowest rates in a long time.



Fast forward to January 2020 and the evolution of the coronavirus news cycle is the **defining factor** in a rate reversal. This move began earlier in the month when the identification of the virus put an end to upward momentum in rates. It then kicked into higher gear mid-month when China confirmed it could spread among humans. Since then, every major update on incidence and mortality has coincided with another little bump toward lower rates.



Naturally, the whole world is hoping this outbreak is contained as quickly as possible. Until then, markets will continue accounting for the uncertainty by buying more bonds, and more bond buying means downward pressure on rates. Be aware (or even be "warned") that rates may bounce fairly quickly as soon as it looks like the tide is turning with respect to containment.

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**Recent Economic Data**

| Date                     | Event                            | Actual | Forecast | Prior  |
|--------------------------|----------------------------------|--------|----------|--------|
| <b>Wednesday, Jan 22</b> |                                  |        |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 297.8  |          | 303.9  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2401.5 |          | 2444.7 |
| 10:00AM                  | Dec Existing home sales (ml)     | 5.54   | 5.43     | 5.35   |
| 10:00AM                  | Dec Exist. home sales % chg (%)  | 3.6    | 1.3      | -1.7   |
| <b>Thursday, Jan 23</b>  |                                  |        |          |        |
| 8:30AM                   | w/e Jobless Claims (k)           | 211    | 211      | 204    |
| 10:00AM                  | Dec Leading index chg mm (%)     | -0.3   | -0.2     | 0.0    |
| <b>Friday, Jan 24</b>    |                                  |        |          |        |
| 9:45AM                   | Jan PMI-Services (Markit)        | 53.2   | 52.9     | 52.8   |
| 9:45AM                   | Jan PMI-Manufacturing (Markit)   | 51.7   | 52.5     | 52.4   |
| <b>Monday, Jan 27</b>    |                                  |        |          |        |
| 10:00AM                  | Dec New home sales chg mm (%)    | -0.4   | 1.5      | 1.3    |
| 10:00AM                  | Dec New home sales-units mm (ml) | 0.694  | 0.730    | 0.719  |

**Event Importance:**

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

| Date                     | Event                            | Actual        | Forecast | Prior  |
|--------------------------|----------------------------------|---------------|----------|--------|
| 11:30AM                  | 2-Yr Note Auction (bl)           | 40            |          |        |
| 1:00PM                   | 5-Yr Note Auction (bl)           | 41            |          |        |
| <b>Tuesday, Jan 28</b>   |                                  |               |          |        |
| 8:30AM                   | Dec Durable goods (%)            | 2.4           | 0.4      | -2.1   |
| 9:00AM                   | Nov CaseShiller 20 yy (%)        | +2.6          | 2.4      | 2.2    |
| 10:00AM                  | Jan Consumer confidence          | 131.6         | 128.0    | 126.5  |
| <b>Wednesday, Jan 29</b> |                                  |               |          |        |
| 7:00AM                   | w/e MBA Purchase Index           | 313.7         |          | 297.8  |
| 7:00AM                   | w/e Mortgage Refinance Index     | 2581.2        |          | 2401.5 |
| 10:00AM                  | Dec Pending Sales Index          | 103.2         |          | 108.5  |
| 10:00AM                  | Dec Pending Home Sales (%)       | -4.9          | 0.5      | 1.2    |
| 2:00PM                   | N/A FOMC rate decision (%)       | 1.500 - 1.750 | 1.625    | 1.625  |
| <b>Thursday, Jan 30</b>  |                                  |               |          |        |
| 8:30AM                   | Q4 GDP Advance (%)               | 2.1           | 2.1      | 2.1    |
| 8:30AM                   | w/e Jobless Claims (k)           | 216           | 215      | 211    |
| <b>Friday, Jan 31</b>    |                                  |               |          |        |
| 8:30AM                   | Dec Core PCE Inflation (y/y) (%) | +1.6          | 1.6      | 1.6    |
| 9:45AM                   | Jan Chicago PMI                  | 42.9          | 48.8     | 48.9   |
| 10:00AM                  | Jan Consumer Sentiment (ip)      | 99.8          | 99.1     | 99.1   |
| <b>Tuesday, Jan 25</b>   |                                  |               |          |        |
| 1:00PM                   | 7-Yr Note Auction (bl)           | 55            |          |        |

## 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](mailto:TPayne@loandepot.com)

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