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Fannie Housing Survey: Fear of Commitment?

Consumer attitude appeared **more volatile** or perhaps **indecisive** according to their responses to October's National Housing Survey. Fannie Mae said its Home Purchase Sentiment Index™ (HPSI), based on selected responses to that survey decreased slightly to 83.2 in October from 83.8 in September.

The decline was due both to **decreasing consumer optimism** over household income improvement and **concern over rising interest rates**, a combination which kept housing sentiment relatively flat. The net share of respondents who say their household income is significantly higher than it was 12 months ago fell 4 percentage points to 11% and both the Good Time to Buy and Good Time to Sell components were down after picking up the previous month. The majority of respondents expect interest rates to rise over the next year although the share of those who expect rates to go down did rise 4 percentage points to 46 percent after several months of decreases.

Fannie Mae's Home Purchase Sentiment Index October 2015



The net share of respondents who say that it is a **good time to buy** a house fell 2 percentage points to 34% after climbing the prior two months. The net percentage of respondents who say it is a good time to sell a house fell 6 percentage points to 10% in October, dropping from September's survey high. The net share of respondents who say that home prices will go up rose 2 percentage points to 38%.

National Average Mortgage Rates



| | Rate | Change | Points |
|----------------------------|-------|--------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 6.87% | -0.02 | 0.00 |
| 15 Yr. Fixed | 6.32% | -0.01 | 0.00 |
| 30 Yr. FHA | 6.33% | 0.00 | 0.00 |
| 30 Yr. Jumbo | 7.05% | 0.00 | 0.00 |
| 5/1 ARM | 6.59% | +0.01 | 0.00 |

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

| Mortgage Bankers Assoc. | | | |
|--------------------------------|-------|-------|------|
| 30 Yr. Fixed | 7.00% | -0.03 | 0.60 |
| 15 Yr. Fixed | 6.63% | +0.07 | 0.61 |
| 30 Yr. FHA | 6.87% | -0.03 | 0.92 |
| 30 Yr. Jumbo | 7.13% | +0.02 | 0.38 |
| 5/1 ARM | 6.22% | -0.16 | 0.60 |

Rates as of: 7/23

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% |

Fannie Mae said these responses suggest that some consumers are **hesitant** to make long-term financial commitments such as buying or selling a home. They are, however, **more confident** about keeping their jobs. The share of respondents who say they are not concerned with losing their job reached 85%, an all-time high for the five-year-old survey.

"The income growth necessary for renewed momentum in housing market sentiment remains elusive, even though consumers' confidence in their job security continues to strengthen," said Doug Duncan, senior vice president and chief economist at Fannie Mae. "Consumers' net view on whether their household income has improved over the last year is down once again this month. Some consumers may be hesitant or unwilling to commit to buying or selling a home without seeing meaningful improvement in their wages and salaries. Still, the HPSI remains close to its **near all-time high** level of the past four years and, given the strong October jobs report, suggests that any cooling in near-term activity, if it occurs, should be moderate."

The drop in the HPSI in October followed a 3 point increase in October to near the index's peak level. Of the component questions, net positive responses rose for three and fell for three. Overall, the HPSI is up 0.7 points since this time last year.

The Home Purchase Sentiment Index (HPSI) distills information about consumers' home purchase sentiment from Fannie Mae's National Housing Survey (NHS) into a single number. Fannie Mae's National Housing Survey is conducted monthly by phone with about 1,000 consumers, both homeowners and renters who are asked more than 100 questions to track attitudinal shifts. Responses to six of these questions are used to construct the HPSI.

The October 2015 National Housing Survey was conducted between October 1, 2015 and October 25, 2015. Most of the data collection occurred during the first two weeks of this period.

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

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