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Home Prices Continue Defying Gravity and Expectations

Price increases **did not slow** in the third quarter as expected the Federal Housing Finance Agency (FHFA) said today. The agencies purchase-only seasonally adjusted House Price Index (HPI) for the quarter shows that prices rose for the 17th consecutive quarter and posted the largest month-over-month gain since at least that in March to April.

The combined report for September and for the third quarter is based on home sales price information taken from mortgages sold to or guaranteed by the government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. The monthly index **rose 0.8 percent** from August and the quarterly measure was 5.7 percent higher than in the third quarter of 2014. Year-over-year the increase for the entire U.S. was 6.1 percent.

The 8 percent monthly gain crushed analysts expectations. According to Bloomberg predictions for an increase ranged from 3 to 5 percent.

"The **long-anticipated slowdown** in home price appreciation did not occur in the third quarter," said FHFA Principal Economist Andrew Leventis. "The factors that have contributed to extraordinary price growth over the last few years-low interest rates, tight inventories, strong buyer confidence, and improving income growth-continued to drive prices upward in much of the country. However, as prices continue to rise, reduced affordability will be a stronger market headwind," Leventis said.

National Average Mortgage Rates



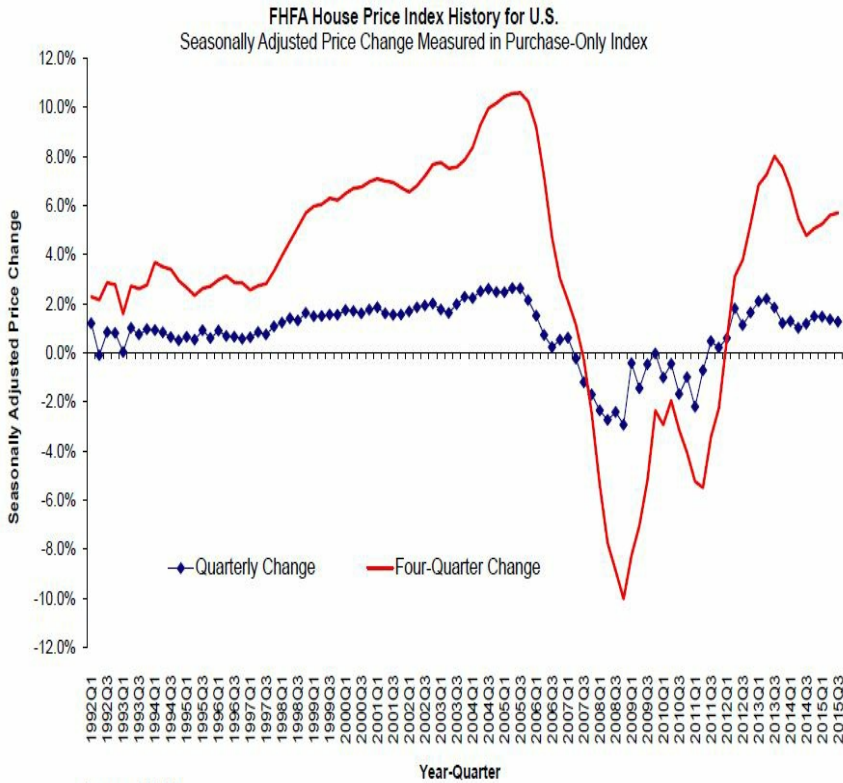
	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-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: 7/22

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%

	Value	Change	
Builder Confidence	Mar	51	+6.25%

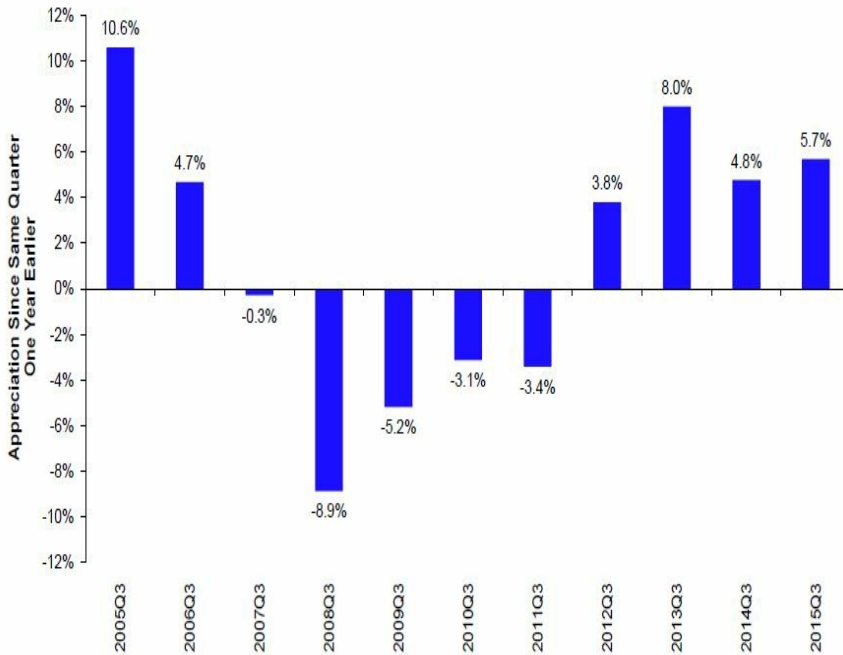


Further, when viewed against the prices of other goods and services, which fell by 1.3 percent from the same quarter in 2014 the 5.7 percent increase becomes an inflation adjusted 7.1 percent.

Home prices rose on an annual basis in **49 states** and the District of Columbia with the exception of West Virginia. The price leaders were the District of Columbia, up 15.4 percent, Colorado, a 12.7 percent increase, Nevada at 12.4 percent, Oregon and Florida both with 10.0 percent gains

The metropolitan area with the strongest four-quarter price appreciation was North Port-Sarasota-Bradenton, FL, where prices increased by **16.1 percent**. Prices were weakest in El Paso, TX, where they fell 3.6 percent.

House Price Appreciation Over Previous Four Quarters for U.S.
Seasonally Adjusted, Purchase-Only Index



Source: FHFA

Of the nine census divisions, the **Mountain division experienced the strongest increase** in the third quarter, posting a 2.4 percent quarterly increase and a 9.0 percent increase since the third quarter of last year. House price appreciation was weakest in the New England division, with only a 0.2 percent bump up from the last quarter. The division seems to have shaken off those doldrums however, posting the largest August to September increase of any region, up 1.4 percent. West North Central and East South Central divisions had the smallest month-over-month appreciation, each at 0.1 percent.

The largest 12 month gain was in the Mountain division, up 9.3 percent. The smallest appreciation occurred in the Middle Atlantic division at 3.6 percent.

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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