



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](#)

Housing's Hot Streak Continues as Pending Sales Crush Expectations

This morning's strong pending home sales report was the **third** upbeat April housing indicator. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI) a forward looking indicator based on home purchase contract signings, was up 5.1 percent in April to 116.3 while the March PHSI was revised up from 110.5 to 110.7. It was the third consecutive month that the Index had gained ground and it brought pending sales to their highest level in a decade. The index gained 4.6 percent from April 2015 and was the **20th consecutive year-over-year increase**.

The month over month change blew analysts' expectations out of the water. Econoday's poll put the high end of expectations at 1.2 percent with a consensus of 0.8%.

The strong report follows a solid existing home sales report of a 1.7 percent monthly increase and a stunning report in which new home sales posted a 16.6 percent gain.

Lawrence Yun, NAR chief economist, says vast gains in the **South** and **West** propelled pending sales in April to their highest level since February 2006 (117.4). "The ability to sign a contract on a home is slightly exceeding expectations this spring even with the affordability stresses and inventory squeezes affecting buyers in a number of markets," he said. "The building momentum from the over 14 million jobs created since 2010 and the prospect of facing higher rents and mortgage rates down the road appear to be bringing more interested buyers into the market."

Yun says it remains to be seen how long **mortgage rates** will stay as low as they have fallen in recent months. They, along with rent growth, rising gas prices - and the fading effects of last year's cheap oil on consumer prices - could edge up inflation and push rates higher. For now, he foresees mortgage rates continuing to hover around 4 percent in coming months, but surprises, he said, are always possible.

Adds Yun, "**Even if rates rise** soon, sales have legs for further expansion this summer if housing supply increases enough to give buyers an adequate number of affordable choices during their search."

Yun now expects sales this year to climb **above earlier estimates** and be around 5.41 million, a 3.0 percent boost from 2015. After accelerating to 6.8 percent a year ago, national median existing-home price growth is forecast to

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%

Housing News Update

slightly moderate to between 4 and 5 percent.

	Value	Change
Builder Confidence	Mar 51	+6.25%

Pending sales increased in **all four regions** on an annual basis. In the **Northeast** the index climbed 1.2 percent to 98.2 and is now 10.1 percent above a year ago. In the **Midwest** the index declined slightly (0.6 percent) to 112.9 in April, but is still 2.0 percent above April 2015.

April pending sales jumped 6.8 percent in the **South** to an index of 133.9 and are 5.1 percent higher than last April. The index in the **West** soared 11.4 percent to 106.2, and is now 2.8 percent above a year ago.

The Pending Home Sales Index is a **leading indicator** for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined. By coincidence, the volume of existing-home sales in 2001 fell within the range of 5.0 to 5.5 million, which is considered normal for the current U.S. population.

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

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Tom Payne

