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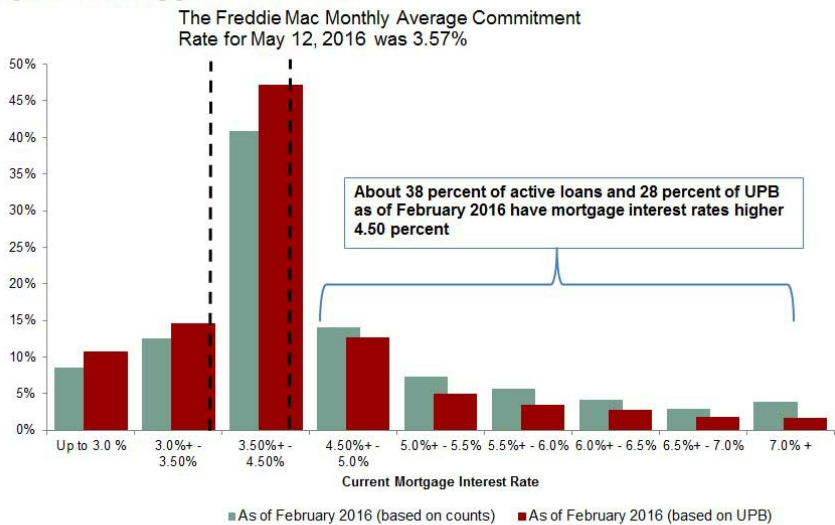
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Refinancing Dead Again?

With mortgage interest rates generally down since the end of last year CoreLogic's principal economist Molly Boesel took a crack this week at figuring out how much gas might be left in the refinancing engine. In her analysis she **added 100 basis points** to the current market rate as a measure of a current mortgage rate at which there begins to be an incentive for the borrower to refinance.

For the week of May 12, 2016, Freddie Mac reported an average 30-year mortgage rate of 3.57 percent (which as of June 2 had risen to 3.66 percent.) Using the first figure, the typical borrower would only begin to save money through refinancing if his or her existing mortgage had a rate of **4.57 percent or higher**.

Figure 1: Current Mortgage Rates of Active Loans



Source: CoreLogic

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The chart above shows the rates and unpaid principal balance (UPB) of the current mortgage pool. It shows most borrowers hold mortgages with rates under 4.50 percent, with **62 percent of mortgages** and 72 percent of UPB in this range. An additional 14 percent of borrowers and 13 percent of UPB have mortgage rates between 4.5 and 5.0 percent. If mortgage rates increase by 50 basis points this year, refinancing will be generally unappealing to those estimated 5.5 million borrowers. At a 100 basis point increase a total of

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

8 million or 21 percent will be unlikely to refinance. Boesel says that, if rates rise as predicted, there will certainly be a decline in refinancing volumes over the remainder of the year.

		Value	Change
Builder Confidence	Mar	51	+6.25%

There remains a small share of outstanding mortgages with interest rates of about 300 basis points or more above the current market rate. Boesel speculates that these borrowers **have not refinanced for a reason**; perhaps because their outstanding balances are small or because they cannot qualify for a new loan.

Refinancing has been declared dead several times in the last few years, and the predicted drop in refinancing doesn't mean an end to new loans. She says that while at least 62 percent of borrowers most likely don't want to refinance out of their low mortgage rates, they still might want to tap into their equity to pay for remodeling, education expenses, or debt consolidation. It may be likely they will opt to keep their existing low first mortgages rates and instead of refinancing tap equity through a home equity loan. These have already started to stage a comeback in popularity over the last few years.

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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