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Don't blame lack of good homes for all housing's woes

The biggest complaint in the spring homebuying season was simply that there **weren't enough homes to buy**. Demand is strong for housing, but listings are low and getting lower. That supply strain has put strong upward pressure on home prices in most markets, but apparently not in all markets, according to a new report.

There were just 2.14 million homes for sale at the end of April, which at the current sales pace represents **4.6 months'** supply of inventory, according to the National Association of Realtors (NAR). Six months is considered a balanced market between buyer and seller. Some local markets are seeing less than one months' supply.

Inventory is **worst at the low end** of the market, but it continues to fall for trade-up homes as well. The number of starter homes on the market in April dropped by 12.3 percent from April of 2015, according to a report from Trulia, a home listing website. That pushed prices higher, so that starter homebuyers overall will need to spend 1.3 percent more of their income on a home than last year. The number of trade-up homes on the market decreased by 11.5 percent, meaning those buyers will have to pay just under 1 percent more of their incomes on housing.

"A lack of starter home affordability is becoming problematic in places outside of California," wrote Trulia's chief economist Ralph McLaughlin in the report. "Starter home affordability is down most in Oakland, CA, but is beginning to take a hit in Denver, Portland, Seattle, and central Florida."

That is not, however, the case everywhere. Of the nation's 100 largest metropolitan housing markets, one in five are seeing **falling** demand for starter homes, which has offset the tight supply, according to Trulia. Home prices there are actually falling. Cities like Columbia, South Carolina, Kansas City, Missouri, Hartford, Connecticut and Madison, Wisconsin, are seeing both drops in starter home inventory and drops in prices.

Demand for starter homes is falling for several reasons. First and foremost is that **investors are not as active** as they were during the housing crash. In addition, starter homes are not affordable to entry-level buyers in several markets.

"Many would-be young homebuyers tell us that saving up for a down payment and finding a suitable home are obstacles that are keeping them

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

from buying a home, even though they aspire to do so," added McLaughlin.

	Value	Change
Builder Confidence	Mar 51	+6.25%

While home prices are still rising, the **gains are shrinking**. That may be due to a shift of buyers away from pricey coastal markets and more toward affordable markets in the Midwest and South. While the official May sales count from the NAR comes out Wednesday morning, Redfin, a real estate brokerage, claims sales hit their fastest pace in at least seven years in May. The typical home went under contract in 42 days, a full week faster than a year earlier, and the lowest median days on market reported since Redfin began tracking the metric in 2009, according to a report.

"After almost a decade of under-supplied housing stock, **competition is fierce**," said Redfin chief economist Nela Richardson. "What's new in 2016 is that we're seeing the intensity of fast sales and bidding wars even in affordable markets like Grand Rapids and Omaha, where the typical home sold within two weeks last month."

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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