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Home Prices Climb as Brexit, Fall Elections Loom

Both S&P/Case-Shiller and Black Knight Financial Services report that home prices continued to rise in April. Their numbers, while covering different universes and utilizing different methodology, came in at fairly similar levels.

The Case-Shiller National Home Price Index rose **5.0 percent** on an annual basis in April, a **slightly slower** rate of appreciation than in March when the gain was 5.1 percent. The 10-City Composite Index posted a 4.7 percent annual increase, and the 20-City rose 5.4 percent. Both city indices echoed the National Index, with their gains slowing by 0.1 percentage point from March.

Nine of the 20 cities reported greater price increases for the year ended in April than they had for the year ended in March. Once again the highest rates of year-over-year price gains were reported in **Portland** at 12.3 percent, **Seattle** at 10.7 percent, and **Denver** with a 9.5 percent increase.

On a month-over-month basis the National Index, which covers all nine U.S. census divisions, rose 1.0 percent before seasonal adjustment and 0.1 percent after. The 10-City was up 1.0 unadjusted and 0.3 percent adjusted and the 20-City reported 1.1 percent appreciation and 0.5 percent respectively.

After seasonal adjustment, 15 cities saw prices rise, two cities were unchanged, and three cities experienced negative monthly prices changes.

"The housing sector continues to turn in a strong price performance with the S&P/Case-Shiller National Index rising at a 5% or greater annual rate for six consecutive months," says David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "The home price increases reflect the low unemployment rate, low mortgage interest rates, and consumers' generally positive outlook. One result is that an increasing number of cities have surpassed the high prices seen before the Great Recession. Currently, seven cities - Denver, Dallas, Portland OR, San Francisco, Seattle, Charlotte, and Boston - are setting new highs.

"However, the outlook is not without a lot of uncertainty and some risk. Last week's vote by Great Britain to leave the European Union is the most recent political concern while the U.S. elections in the fall raise uncertainty and will distract home buyers and investors in the coming months. The details in the S&P/Case-Shiller Home Price data also hint at possible softness. Seasonally adjusted figures in the report show that three cities saw lower prices in April compared to only one city in March. Among the 20 cities, 16 saw either

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

declines or smaller increases in monthly prices in the seasonally adjusted numbers."

		Value	Change
Builder Confidence	Mar	51	+6.25%

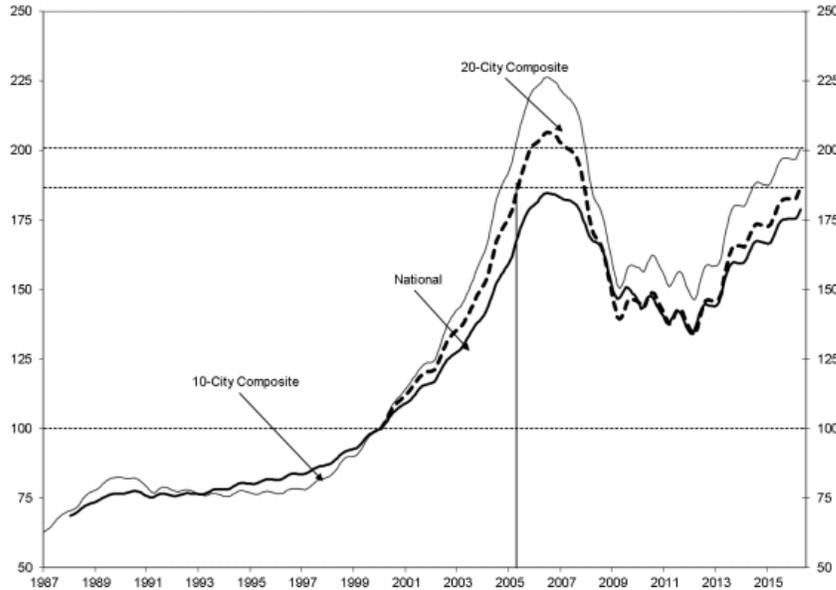
S&P/Case-Shiller Home Price Indices



Source: S&P Dow Jones Indices & CoreLogic

As of April 2016, average home prices for the MSAs within the 10-City and 20-City Composites are back to their **winter 2007 levels**. Measured from their June/July 2006 peaks, the peak-to-current decline for both Composites is approximately 10.7-12.7%. Since the March 2012 lows, the 10-City and 20-City Composites have recovered 37.7% and 39.2%.

S&P/Case-Shiller Home Price Indices



Black Knight showed similar if slightly higher increases for its Home Price Index (HPI). The national index rose 5.4 percent year-over year to \$260,000 and was up 1.0 percent from March.

Housing News Update

Washington had the **greatest increase among states**, gaining 1.9 percent from March, the third consecutive month that state has led the nation. Two of its largest cities, Seattle and Walla Walla, had monthly gains of 2.0 percent. Cheyenne, Wyoming also saw prices rise by 2.0 percent followed by Portland, Oregon; Mount Vernon, Washington; and Cumberland, Maryland all at 1.8 percent. Other states with large monthly increases were Oregon with at 1.7 percent and Utah, Idaho, and Georgia all at 1.5 percent

Prices peaked on the Black Knight index in June 2006 at \$267,000 so the current index value is only 2.9 percent from that level. It has recovered by 30.4 percent from the market bottom in of \$199,000 in 2012 and has risen 3.0 percent from the first of the year.

All states and metro areas saw price increases in April. Five of the largest states and 14 of the 40 largest metros hit new price peaks.

The Black Knight HPI utilizes **repeat sales** data from its national public records data set, as well as its loan-level mortgage performance data, to capture home price data from both disclosure and non-disclosure states.

The S&P/Case-Shiller Home Price Indices are constructed to accurately track the price path of typical single-family home pairs for thousands of individual houses from the available universe of arms-length sales data. The S&P/Case-Shiller National U.S. Home Price Index tracks the value of single-family housing within the United States. The indices have a base value of 100 in January 2000; thus, for example, a current index value of 150 translates to a 50 percent appreciation rate since January 2000 for a typical home located within the subject market.

The 10-City Composite currently has an index level of 200.78 and the 20-City a value of 186.63. The National Index is at 178.69. Detroit continues to have the lowest index value at 105.15 and Los Angeles the highest at 246.18.

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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