



Tom Payne

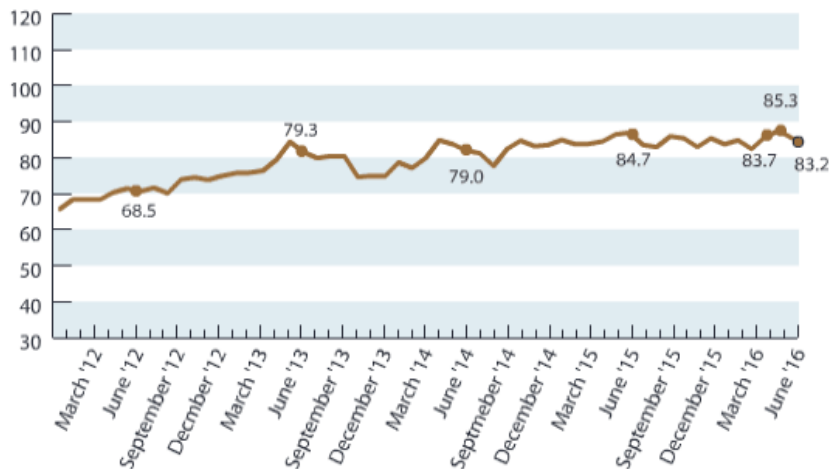
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Consumer Sentiment Retreats on Income, Home Price Concerns

Fannie Mae's Home Purchase Sentiment Index (HPSI), an outgrowth of its National Housing Survey, **pulled back** a bit in June, largely due to weakened optimism about household income and the direction of home prices which offset some positive changes from the previous month. The Index dipped by 2.1 percentage points to 83.2 from the all-time high of 85.3 reached in May.

Home Purchase Sentiment Index™ June 2016



The opinion that it is **currently a good time to sell** a home increased by 5 percentage points on net to a survey high of 18 percent, with 54 percent responding in the affirmative. Those saying now is a good time to buy a home rose 3 percentage points on net to 32 percent. The share of consumers who expect home prices to go up over the next 12 months **dropped** 9 percentage points to a net of 33 percent while those expecting mortgage rates to go down decreased slightly from a net of -43 percent to -41 percent.

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%

Those reporting that their household income had risen significantly in the last 12 months retreated by a net of 10 percentage points and those who are not concerned about losing their jobs also went down by 4 points on net. Fewer consumers also reported a positive outlook on the state of the economy - those who think the economy is on the wrong track ticked up to an actual reading of 59 percent in June.

Builder Confidence

Mar

51 +6.25%

Those who say they plan to purchase a home on their next move remained steady at 63 percent for the third consecutive month. Fifty-four percent think it would be **easy for them to obtain a mortgage**, a number that has also varied little for some time.

"The HPSI's pullback in June from last month's survey-high reading suggests a **slight weakening** in the 12-month outlook for housing activity," said Doug Duncan, senior vice president and chief economist at Fannie Mae. "Pending home sales have pulled back in the face of continued home price growth, and we're seeing some softening in the higher priced components of the market. Growing pessimism about the overall direction of the economy gives us further pause as it now stands at the highest level we've seen in our National Housing Survey in the last two years. Meaningful improvement in the housing market going forward will likely require consistent upward movement in consumers' income growth perceptions, which have thus far been stagnant. Also helpful would be an acceleration of supply accumulation of entry-level homes, which would moderate the growth of real home prices and increase affordability."

Fannie Mae conducts its National Housing Survey monthly among a sample of 1,000 consumers, both homeowners and renters. It is intended to gather respondents' current views and forward-looking expectations of housing market conditions and address topics that are related to their home purchase decisions. The questions used to construct the index are those questions consumers as to whether they think that it is a good or bad time to buy or to sell a house, what direction they expect home prices and mortgage interest rates to move, how concerned they are about losing their jobs, and whether their incomes are higher than they were a year earlier. The HPSI is constructed to reflect answers to six of the key questions about buying a selling a home, the economy, and personal finances.

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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