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## Pending Home Sales Stabilize, But Miss Estimates

Pending home sales eked out, although only barely, an increase in June after a falling by an unexpectedly large percentage in May. The National Association of Realtors® said its Pending Home Sales Index (PHSI) **ticked up 0.2 percent** to 111.0 compared to 110.8 in May. The May decline of 3.7 percent had ended a three month winning streak, also bringing the index below its level a year earlier. NAR said that affordability constraints prevented a bigger boost from the near all-time low interest rates that lingered through most of the month.

The June increase returned the index to positive year-over-year levels, putting it **1.0 percent higher** than the index in **June of last year**. With last month's minor improvement, the index is now at its second highest reading over the past 12 months, but is noticeably down from this year's peak level in April (115.0).

Analysts polled by Econoday had **expected a better result**. The consensus was for an increase of 1.3 percent.

The PHSI is based on **contract signings** for new home purchases. It is considered a forward-looking indicator as those contracts generally turn into closed sales in about two months.

Lawrence Yun, NAR chief economist, says a solid bump in activity in the Northeast pulled up pending sales modestly in June. "With only the Northeast region having an adequate supply of homes for sale, the reoccurring dilemma of strained supply causing a run-up in home prices continues to play out in several markets, leading to the last two months reflecting a slight, early summer cooldown after a very active spring," he said. "Unfortunately for prospective buyers trying to take advantage of exceptionally low mortgage rates, housing inventory at the end of last month was down almost 6 percent from a year ago, and home prices are showing little evidence of slowing to a healthier pace that more closely mirrors wage and income growth."

Adds Yun, "Until **inventory conditions** markedly improve, far too many prospective buyers are likely to run into situations of either being **priced out** of the market or outbid on the very few properties available for sale."

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
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

Yun said that the diminished number of distressed properties available for sale and rising home prices have had one noteworthy and positive result during the first half of this year. Sales to investors have ebbed from a high of 18 percent in February to 11 percent in June, the smallest share since July 2009.

	Value	Change
Builder Confidence	51	+6.25%

"**Limited selection** of homes at bargain prices is reducing the number of individual investors willing or able to buy," adds Yun. "This will hopefully open the door for first-time buyers, who made some progress last month but are still buying homes at a subpar level even as rents increase at rates not seen since before the downturn."

NAR still expects that existing home sales will be around **5.44 million this year**, up 3.6 percent from 2015 and the highest rate of sales since a peak of 6.48 million in 2006. Home prices are forecast to moderate from last year's 6.8 percent growth to around 4 percent.

The index got the greatest boost from activity in the **Northeast** which increased by 3.2 percent to 96.0 in June, and is now 1.7 percent above a year ago. Contract signings also increased in the **Midwest** although by a more modest 0.8 percent to 108.9, putting the PHSI up 1.6 percent from a year earlier.

Contract signings decreased in the other two regions, down 0.6 percent in the **South** to 125.9, 1.8 percent higher on an annual basis. The **West** declined 1.3 percent in June to 101.3, and is now 1.8 percent lower than a year ago.

The Pending Home Sales 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

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