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Some Delinquency Metrics Fall Are Hitting Historic Levels

The delinquency rate for mortgages on one-to-four residential properties fell in the second quarter of 2016 to its **lowest rate in exactly ten years** while other distress measures are below their 37-year averages. The Mortgage Bankers Association (MBA) said the seasonally adjusted rate was down 11 basis points (bps) from the first quarter to 4.66 percent. This also represented a 64 bps decrease from the rate in the second quarter of 2015. The data, released on Thursday, was taken from MBA's National Delinquency Survey.

The delinquency rate includes loans that are **at least one payment past due** but does not include loans in the process of foreclosure. These loans, often referred to as the foreclosure inventory, represented 1.64 percent of all mortgage loans, down 10 bps from the first quarter and 45 bps year-over-year. It was the lowest foreclosure inventory rate since the second quarter of 2007.

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%

		Value	Change
Builder Confidence	Mar	51	+6.25%

Figure 1.

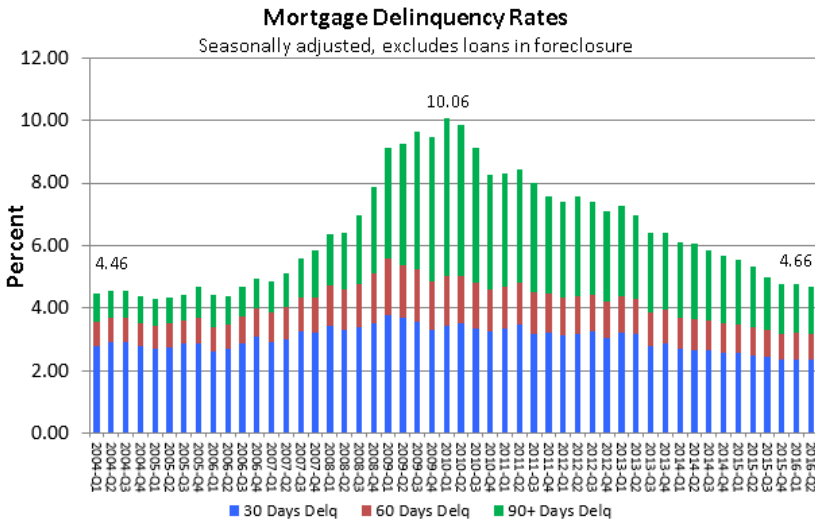


Figure 2. Results Summary

	Total Past Due	Percent of Loans in Foreclosure	Foreclosure Starts	Change from Q2 2015		
				Total Past Due	Percent of Loans in Foreclosure	Foreclosure Starts
All Loans	4.66	1.64	0.32	-64	-45	-8
Conventional	3.86	1.56	0.29	-89	-45	-8
FHA	8.46	2.15	0.48	-55	-53	-9
VA	4.31	1.19	0.32	-31	-18	0

The **serious delinquency rate** measures the percentage of loans that are 90 days or more past due and does include loans in the foreclosure inventory. That rate was 3.11 percent in the second quarter, the lowest rate since the third quarter of 2007, and down 18 bps and 84 bps quarter-over-quarter and year-over-year respectively.

The rate of **foreclosure** starts decreased 3 bps from the previous quarter to a rate of 32 percent and 8 bps lower than a year earlier. It was the lowest rate for starts since the second quarter of 2000, and well below the historical average (1979 to the present) of 0.45 percent. FHA loans saw a 15 bps drop in the percentage of new foreclosure activity, bringing the start rate down to 0.48 percent, its lowest level since 1993.

Marina Walsh, MBA's Vice President of Industry Analysis, said of the 2nd quarter survey, "Mortgage performance improved again in the second quarter primarily because of the combination of lower unemployment, strong job growth, and a continued nationwide housing market recovery. The mortgage delinquency rate tracks closely with the nation's improving unemployment rate. In the second quarter of 2016, the mortgage delinquency rate was 4.66 percent, while the unemployment rate was 4.87 percent. By comparison, at its peak in the first quarter of 2010, the delinquency rate was 10.06 percent and the unemployment rate stood at 9.83 percent.

She added that the second quarter delinquency rate was lower than the 5.36 historic average. The rate also improved for **conventional and FHA** loans with the latter, at 8.46 percent, the lowest since 2000.

Walsh continued, "Of the 50 states and Washington, DC, 47 states **either had no change or saw declines** in the foreclosure inventory rate in the second quarter of 2016. New Jersey and New York had the highest percentage of loans in foreclosure, at 5.97 and 4.48, respectively. Florida's percentage of loans in foreclosure dropped to 2.72, a significant improvement over 2011, when it was the state with the nation's highest percentage of loans in foreclosure at 14.49 percent. California's percentage of loans in foreclosure was 0.66, the eighth lowest among all states in the nation."

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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