



Tom Payne

Senior Loan Consultant, loanDepot
 NMLS# 1017004 #174457 Licensed in all 50 States
 2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243
 Mobile: 702-303-0243
tompaynemortgage@gmail.com
[View My Website](#)

Builder Confidence Matches Post-Crisis High

After half a year of barely budging the Housing Market Index (HMI) **surged by six points** in September. The index, jointly sponsored by the National Association of Home Builders (NAHB) and Wells Fargo, jumped from a downwardly revised 59 in August to 65. It is the highest level for the index since October when it also hit 65. The HMI, a measure of home builder confidence in the new home market, has been fluctuating in a narrow range between 58 and 61 since last December.

Analysts surveyed by Econoday had anticipated the index would remain in the doldrums. Their consensus was for a composite level of 60.

The HMI composite index contains three components each gauging home builder responses to a survey that NAHB has been conducting for 30 years. Builders are asked to give their perceptions of current single-family home sales and their expectation for the sales over the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

All three components made strong gains from their August levels. The component measuring current sales **expectations** rose six points to 71 and the gauge charting sales expectations in the next six months increased five points to also stand at 71. The index measuring traffic of **prospective buyers** posted a four-point gain to 48.

"As household incomes rise, builders in many markets across the nation are reporting they are seeing more serious buyers, a positive sign that the housing market continues to move forward," said NAHB Chairman Ed Brady. "The single-family market continues to make gradual gains and we expect this upward momentum will build throughout the remainder of the year and into 2017."

"With the inventory of new and existing homes remaining tight, builders are confident that if they can build more homes they can sell them," said NAHB Chief Economist Robert Dietz. "Though solid job creation and low interest rates are also fueling demand, builders continue to be hampered by supply-side constraints that include shortages of labor and lots."

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%

The HMI levels in the four regions of the country are reported as three-month moving averages. Those averages were higher in **three of the four regions** and was unchanged in the fourth. The **Northeast** and **South** each registered a one-point gain to 42 and 64, respectively, while the **West** rose four points to 73. The **Midwest** remained the August level of 55.

Builder Confidence Mar 51 +6.25%

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

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

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Tom Payne

