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Pending Home Sales Rise (Sort of) to 4-Month Highs

Pending home Sales eked out a 0.1 percent gain in October. The National Association of Realtors® said its Pending Home Sales Index (PHSI) barely managed a **second straight month of gains**, rising to 110.0 from a downwardly revised 109.9 in September (the previous reading was 110.0, which would have made today's reading "unchanged," officially). Even though NAR's chief economist Lawrence Yun called the increase "minuscule," it still pushed the index to its highest level since last July. The index was also 1.8 percent higher than in October 2015 when it stood at 108.1.

The PHSI is a forward-looking indicator based on **contracts** for home purchases. Those signed contracts are generally expected to become closed transactions within two months.

Yun said, "Most of the country last month saw at least a **small increase** in contract signings and more notably, activity in all four major regions is up from a year ago. Despite limited listings and steadfast price growth that's now carried into the fall, buyer demand has remained strong because of the consistently reliable job creation in a majority of metro areas."

Regarding the continuing limited housing supply, Yun explained that the unwelcome but expected **seasonal retreat** in new listings is arriving at a time when price growth remains around triple the pace of wages and properties continue to sell at a much faster pace than a year ago. As an indication of the imbalance between supply and demand, 40 percent of sales in October sold at or above list price, an increase from 33 percent a year earlier.

"Many of the successful shoppers in October likely **had to move fast** and outbid others for the few listings available in the affordable price range," explained Yun. "Those obtaining a mortgage last month were likely the last group of buyers to lock in a rate near historically low levels now that rates have marched to around 4 percent since the election."

With contract activity holding steady, Yun expects existing sales to close out 2016 at a pace of around **5.36 million**, surpassing 2015 sales of 5.25 million, and the highest since 6.48 million sales in 2006.

"Low supply has kept prices elevated all year and has put pressure on the budgets of buyers," added Yun. "With mortgage rates expected to rise into next year and put added strain on affordability, sales expansion will be

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

contingent on more inventory coming onto the market and continued job gains."

	Value	Change
Builder Confidence	Mar 51	+6.25%

Pending sales in the **Northeast** nudged forward 0.4 percent to 96.9 in October, putting them 3.9 percent higher than a year ago. In the **Midwest** the PHSI rose 1.6 percent to 106.3, up 1.2 percent year-over-year.

Pending home sales in the **South** declined 1.3 percent to 120.1 but remain 0.8 percent higher than last October. The index in the **West** climbed 0.7 percent to 108.3, 2.5 percent above 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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