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Builder Confidence Soars Post-Election

The National Association of Home Builders/Wells Fargo Housing Market Index (HMI) **soared by 7 points** in December, reaching a level of 70, the highest reading since July 2005. An NAHB spokesman credited the increase to a "post-election bounce."

The Index is based on a monthly survey NAHB conducts among its new homebuilder members in which they are asked to provide three measures of their confidence in the homebuilding market; a gauge their perceptions of current single-family home sales and their expectations for sales over the next six months as "good," "fair" or "poor" and 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.

It is the responses to the current traffic question that was most notable this month. That component has **substantially lagged** the other two, most recently by 20 points, since well before the housing crisis. The December reading was 53, a 6-point increase from November, and the first time the index has crossed the 50 mark since October 2005. The component gauging current sales conditions increased 7 points to 76 while the index charting sales expectations, for the next six months jumped 9 points to 78.

"This notable rise in builder sentiment is **largely attributable to a post-election bounce**, as builders are hopeful that President-elect Trump will follow through on his pledge to cut burdensome regulations that are harming small businesses and housing affordability," said NAHB Chairman Ed Brady, a home builder and developer from Bloomington, Ill. "This is particularly important, given that a recent NAHB study shows that regulatory costs for home building have increased 29 percent in the past five years."

"Though this significant increase in builder confidence could be considered an outlier, the fact remains that the economic fundamentals **continue to look good** for housing," said NAHB Chief Economist Robert Dietz. "The rise in the HMI is consistent with recent gains for the stock market and consumer confidence. At the same time, builders remain sensitive to rising mortgage rates and continue to deal with shortages of lots and labor."

Regional results are reported as three-month moving averages. All four regions rose in December, the Northeast by 6 points to 51 and the Midwest gained 3 points to 61. The HMI for the South was 67, up 1 point, and the West

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%

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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