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Pending Home Sales Reflect "Dispirited" Buyers

Pending sales, which were widely expected to make a good showing in November, **pulled back sharply** instead. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI), a forward-looking indicator based on contracts for existing home purchases, declined 2.5 percent to 107.3 in November from 110.0 in October. NAR said "the brisk upswing in mortgage rates and not enough inventory dispirited some would-be buyers." The decrease brought the PHSI to its lowest level since January of this year and it is now 0.4 percent below the index last November which stood at 107.7.

Analysts polled by Econoday **had been upbeat** about the November outlook. The consensus was for an increase of 0.5 percent with some analysts predicting as much as a 2.0 percent gain.

Lawrence Yun, NAR chief economist said, "The budget of many prospective buyers last month was dealt an abrupt hit by the **quick ascension of rates** immediately after the election. Already faced with climbing home prices and minimal listings in the affordable price range, fewer home shoppers in most of the country were successfully able to sign a contract."

Only one of the four regions displayed any strength in November. Pending sales in the **Northeast** were up 0.6 percent to 97.5 and are 5.7 percent higher than in November 2015.

The **Midwest** saw contract signings decline 2.5 percent to 103.5, falling behind the previous November by 2.4 percent. Sales in the South were down 1.2 percent to an index of 118.7, this is 1.3 percent behind the level a year earlier. The **West** posted the largest loss, 6.7 percent, and a year-over-year drop of 1.0 percent.

Yun says higher borrowing costs somewhat **cloud the outlook** for the housing market in 2017. NAR's most recent HOME survey, found that renters have less confidence about the present being a good time to buy than they had at the beginning of the year. On the other hand, Yun says that the impact of higher rates will be partly neutralized by stronger wage growth because of the 2 million net new job additions expected next year.

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

Value Change

"Healthy local job markets amidst tight supply means many areas will remain competitive with prices on the rise. Those rushing to lock in a rate before they advance even higher will probably have **few listings** to choose from," said Yun. "Some buyers will have to expand the area of their home search or be forced to delay in order to save a little more money for their down payment."

NAR continues to forecast that existing home sales will close out 2016 at a pace of about **5.42 million** units, up from the 5.25 million sales in 2015, becoming the best year since 2006 with its 6.48 million sales. Sales will increase by about 2.0 percent in 2017 to 5.52 million and the median existing home price will increase by about 5 percent this year and 4 percent next year.

"Much more robust new home **construction is needed** to relieve inventory shortages and lessen the affordability pressures present throughout the country," added Yun.

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. Pending sales are generally expected to close within two months of contract signing.

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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