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Builder Confidence Leveling-Off as Buyer Traffic Wanes

Builder confidence in the market for single family homes **slid 2 points** again in February to a score of 65 on the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI). The index had backed off two points in January as well, after reaching a **decades-long high** of 69 in December.

Analysts had been **expected an increase** in the HMI this month. Those surveyed by *Econoday* had an average expectation of 68 for the index.

NAHB Chairman Granger MacDonald said, "While **builders remain optimistic**, we are seeing the numbers settling back into a normal range. Regulatory burdens remain a major challenge to our industry, and NAHB looks forward to working with the new Congress and administration to help alleviate some of the pressures that are holding small businesses back and making homes less affordable."

The HMI is derived from a monthly survey NAHB conducts among its new home builder members. Builders are asked to provide their perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." They are also asked 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.

The decline in confidence was noted in **all three components**. Perceptions of current sales conditions dipped 1 point to 71 and the measure of expectations for sales over the next six months was down 3 points to 73. The measure of buyer traffic, which has significantly lagged the other two for many years and only recently crossed the 50 level for the first time since before the housing bubble, fell five points to 46.

"With much of the decline this month resulting from a **decrease in buyer traffic**, builders continue to struggle to minimize costs while dealing with supply side challenges such as a lack of developed lots and labor shortages," said NAHB Chief Economist Robert Dietz. "Despite these constraints, the overall housing market fundamentals remain strong and we expect to see continued growth this year as some of these concerns are addressed."

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%

Looking at the three-month moving averages for regional HMI scores, the Northeast fell 2 points to 50 and the Midwest rose 1 point to 65. The South also dipped 1 point to 67 while the West held steady at 79 for the third month in a row.

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

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