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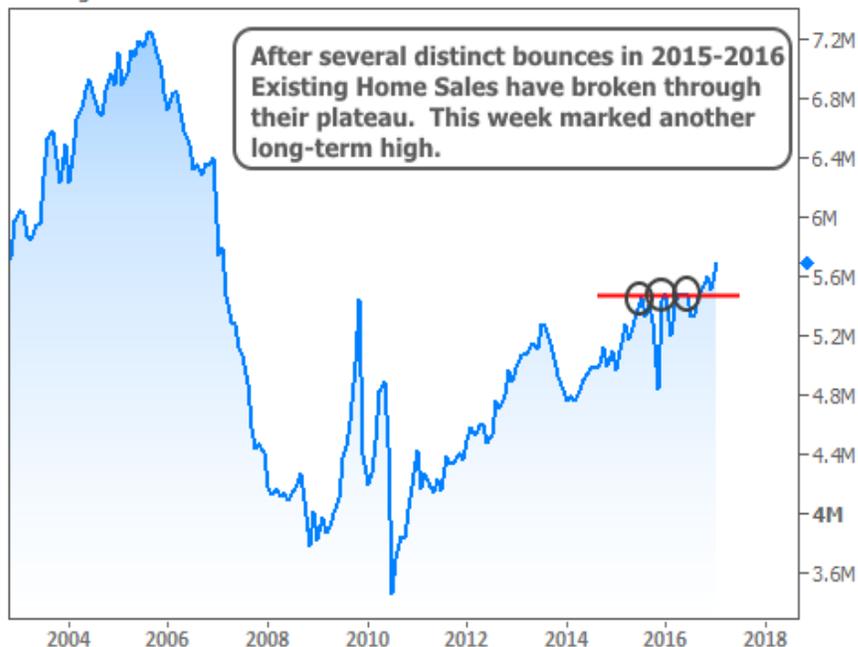
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Housing Market Resilience Defying The Odds

Given an ongoing plateau in home sales figures in 2015-2016, many housing economists thought the late 2016 rate spike would cement a slow-down for the housing market. Although purchase applications definitely took a hit at first, sales metrics have come roaring back.

Nowhere has this been more apparent than in Existing Home Sales, which hit another near-decade-long high this week. Granted, we haven't returned to 2004-2006 levels, but some would say that's a good thing as the current annual pace of 5.69 mln homes is more sustainable.

Existing Home Sales



New Home Sales haven't hit new highs for several months, but the positive trend remains very much intact. They improved this week to an annual pace of 555k vs 535k previously.

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 |

Rates as of: 7/22

Market Data

| | Price / Yield | Change |
|----------------|---------------|---------|
| MBS UMBS 5.5 | 99.49 | +0.10 |
| MBS GNMA 5.5 | 99.91 | +0.13 |
| 10 YR Treasury | 4.2315 | -0.0210 |
| 30 YR Treasury | 4.4542 | -0.0183 |

Pricing as of: 7/23 8:58AM EST

Recent Housing Data

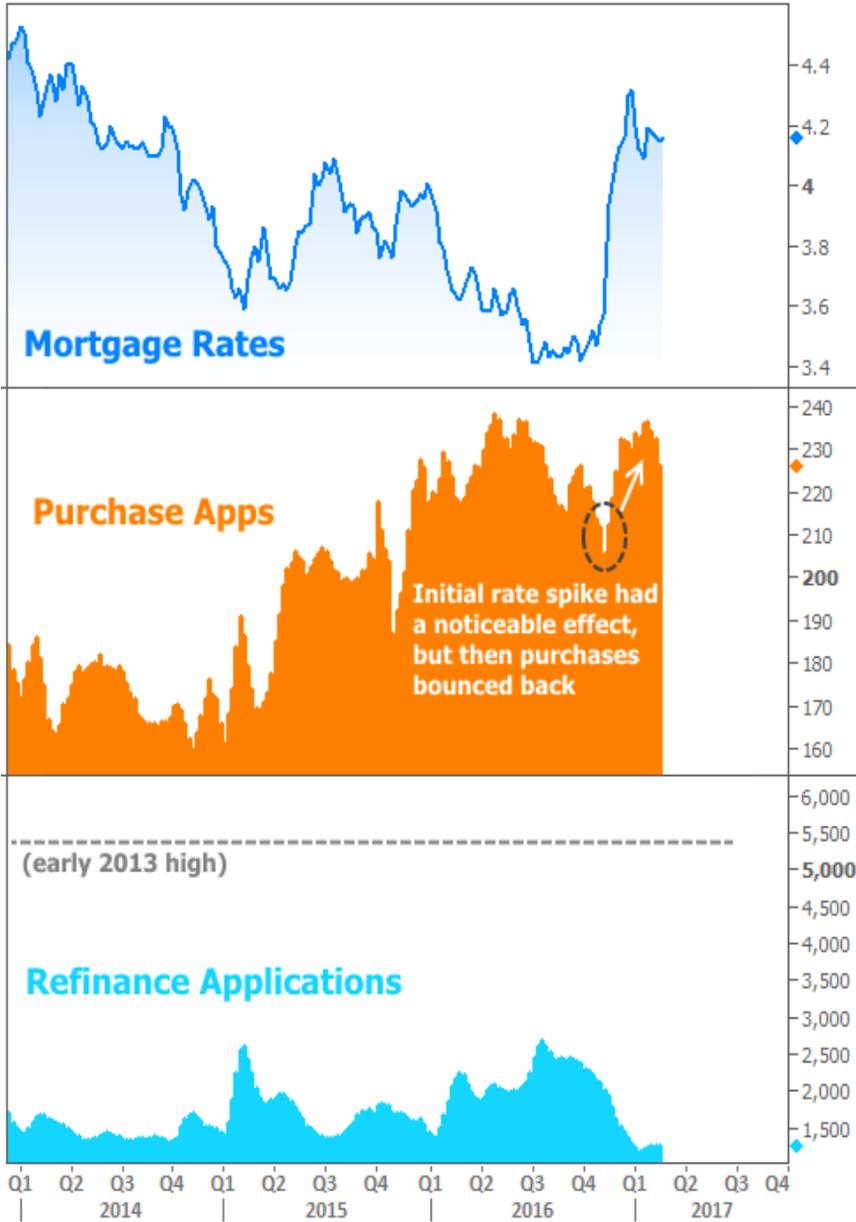
| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Jul 10 | 206.1 | -0.19% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |
| Builder Confidence | Mar | 51 | +6.25% |

New Home Sales



Perhaps just as heartening (or disheartening, depending on your position) is the current level of **price appreciation** seen in home sales figures as well as dedicated home price reports. Median prices in January rose **7.1 percent** for existing homes and **7.4 percent** for New Homes. In [separate data](#), the FHFA (which oversees Fannie and Freddie) reported a 6.2 percent annual rate of appreciation at the end of 2016, citing tight inventory as a key factor.

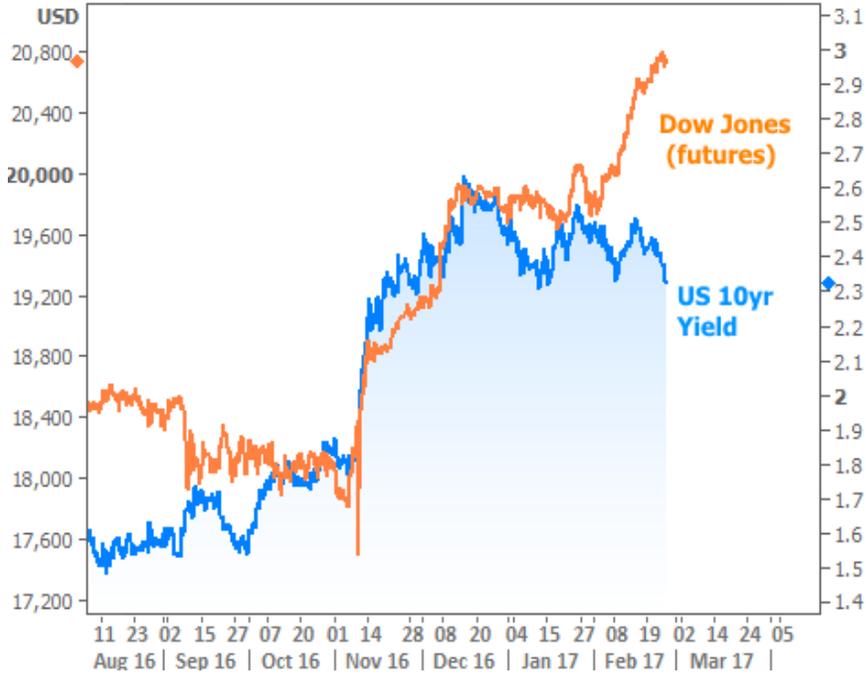
Forward-Looking indicators suggest the sales trends should remain in pretty good shape. While the Mortgage Bankers Association reported a [decline in applications](#) this week, **purchase apps** are still in pretty strong territory relative to the recent post-rate-spike lows. Refi applications have already taken the brunt of their expected damage and continue bouncing along their typical long-term lows.



If the resilience in housing metrics wasn't encouraging enough, this week also saw **emerging resilience in interest rates**--a phenomenon made all the more interesting by the fact that rates have diverged from other indicators like stocks. In the post-election time-frame, rates and stocks had generally been moving together until this month.

US Housing Market Weekly

Stocks vs Bonds



While it's tempting to chalk this divergence up to "earnings season" (something that occasionally accounts for stocks marching to their own beat), we have just as much evidence of rates marching to **their** own beat. Case in point, 10yr yields (a good proxy for mortgage rate momentum) have **broken away** from their strong correlation with Fed rate hike expectations.

Divergence Between Bonds and Rate Hike Expectations



What does this mean for you? Quite simply, rates are in a consolidation pattern. The highs are getting lower and the lows are holding steady. Such patterns are not uncommon after the sort of rate spike seen at the end of 2016. We'll explore the historical implications of a breakout as soon as it happens, but until then, it makes more sense to expect rates to bounce when they approach recent highs or lows.

US Housing Market Weekly

US 10yr Yield



Next week brings a **hefty slate** of scheduled economic data and potential market-movers. Note that the big jobs report is postponed from its typical "first Friday of the month" time slot and will instead be out on Friday March 10th.

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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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