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Builder Confidence Highest Since December

Builder confidence just hit its **highest level since December**, reaching the second highest level since well before the housing crisis began. The National Association of Home Builders (NAHB) said its Housing Market Index, which it produces in conjunction with Wells Fargo, rose 2 points in May to 70. In what was described as a post-election surge, the index rose to a post-crisis high of 71 in December, only to fall back into the mid-to-high 60s. Analysts polled by *Econoday* had expected the index to remain at its April level of 68.

Housing Market Index



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

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
Builder Confidence	51	+6.25%

Two of the three HMI components registered gains in May. The index charting sales **expectations** in the next six months jumped four points to 79. NAHB Chief Economist Robert Dietz said, "The HMI measure of future sales conditions reached its highest level since June 2005, a sign of growing consumer confidence in the new home market. Especially as existing home inventory remains tight, we can expect increased demand for new construction moving forward."

The index gauging **current sales** conditions increased two points to 76. The component measuring buyer traffic, which always significantly trails the other two, edged down one point to 51.

The three-month moving averages for HMI scores posted gains in three out of the four regions. The **Northeast** and **South** each registered three-point gains to 49 and 71, respectively, while the **West** rose one point to 78. The **Midwest** was unchanged at 68.

NAHB Chairman Granger MacDonald said, "This report shows that builders' optimism in the housing market is solidifying, even as they deal with higher building material costs and shortages of lots and labor."

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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