

**Brad Belcher**
Owner/Independent Mortgage Broker, Elite Mortgage LLC
572862
3943 Hwy 54 Owensboro, Kentucky 42303

Office: 270-570-2237
Mobile: 270-570-2237
bbelcher@elitemortgagerates.com
View My Website

# Does Housing Care About The Shutdown?

As long as we're talking about government shutdowns that last a few weeks, past precedent is highly informative, but the longer the current shutdown continues, the more we'll be in **uncharted territory**. This is especially true for the housing market.

The **only** relevant comparison in the past 20+ years is with the government shutdown of 2013. Unfortunately, any interesting conclusions we might draw from that example are greatly limited by **2 key issues**.

The **first issue**, of course, is the length of time the shutdown lasted--specifically October 1st-16th. Moreover, government employees at the time were reasonably confident that the shutdown would be resolved fairly quickly. As such, they were less likely to allow paycheck uncertainty to affect home-buying decisions.

The **bigger issue** is that another event greatly overshadowed any potential impact from the shutdown. The "taper tantrum" (a period of rapidly rising rates following the Fed's decision to "taper" the bond buying that had been doing such a great job of keeping long-term rates low) was still in full swing.

We often minimize the extent to which rising rates can hamper home-buying demand. Indeed, it often makes good sense to do so! For instance, consider late 2016. Interest rates had risen sharply following the presidential election, yet existing home sales went on to hit their highest levels in more than a decade by the end of 2017.

Sometimes, however, rates matter. The more severe the rate spike, the more of a surprise it is, and the longer it lasts, the more it can impact real estate. Timing plays a part as well. In 2013's case, home sales had been rising at their fastest **organic pace** (meaning, there wasn't any artificial "help" from things like the credits in 2008-10) of the recovery--fast enough that the market may have been looking for an excuse to level-off for a few months. The taper tantrum offered that excuse, so the government shutdown was lost in the shuffle.

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.27% | 0.00 | 0.00 |
| 15YR Fixed | 6.92% | 0.00 | 0.00 |
| 30YR FHA | 6.91% | +0.01 | 0.00 |
| 30YR Jumbo | 7.52% | -0.03 | 0.00 |
| 7/6 SOFR | 6.70% | -0.08 | 0.00 |
| 30YR VA | 6.92% | +0.01 | 0.00 |

Rates as of: 11/2

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.79 | -0.07 |
| 10 YR Treasury | 4.9383 | +0.0335 |
| 30 YR Treasury | 5.3114 | +0.0219 |

Pricing as of: 11/3 10:51AM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 21 | 195 | +3.39% |
| Building Permits | Sep | 1.4M | +0.43% |
| Housing Starts | Sep | 1.22M | -4.24% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Aug | 71.2 | 0% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Oct | 29 | -9.38% |

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In the current case, things are a bit different. This time around the government shutdown hit during a fairly decent **recovery** in interest rates. It will give us a much better chance to see which one matters more. The only catch is that housing sales numbers for the time frame of the shutdown won't be out until later this month, and the most meaningful numbers won't be out until February or March.

In the meantime, **this much can be known:** the shutdown will increasingly affect government employees. Even though they will receive back pay, the delay in that income will cause cash flow issues for many households. While that's a very big deal for those households and the associated real estate transactions, it's unlikely to have a major impact on home sales data.

There is also some uncertainty as to the approach lenders will be taking with respect to approving loans for government employees and verifying their income. Lenders understand these borrowers will eventually be getting paid, but they'll need game-plans in place in the (hopefully unlikely) event it takes months for that to happen. Those game-plans will vary by lender and **may change** as the shutdown persists. In a few days, this will be the longest shutdown ever, and the industry will be facing certain challenges for the first time.

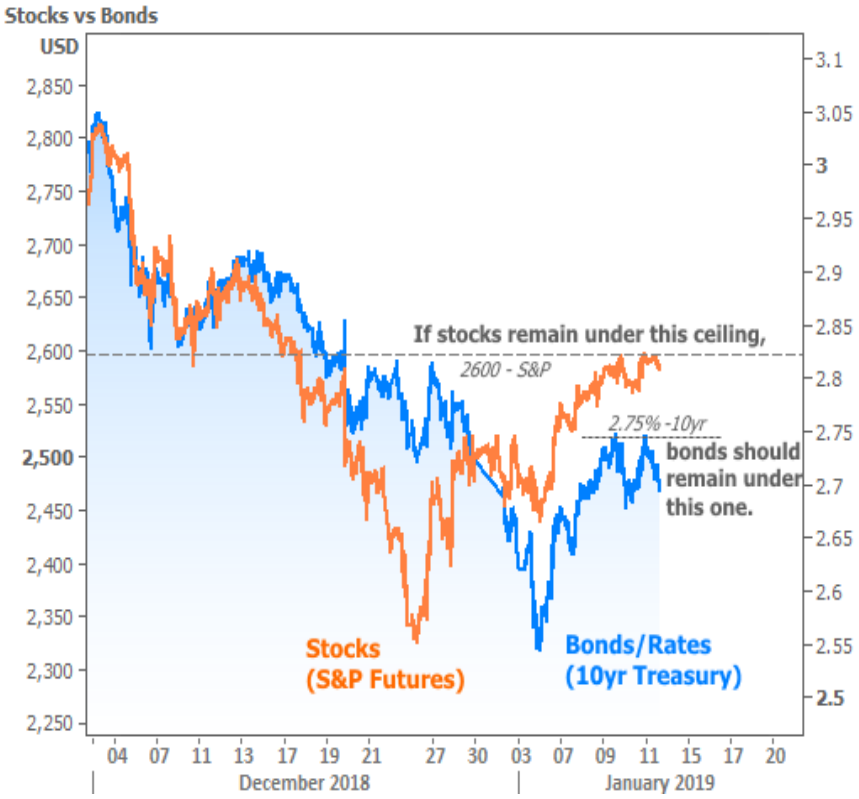
### Financial Markets This Week

In financial markets this week, rates were able to find a ceiling as the stock rally stalled. Stocks and rates don't always move in unison, but they've often done so since the start of Q4 2018.

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There were **two key economic reports** this week with ISM Non-Manufacturing data coming in weaker than expected on Monday, but perhaps not as weak as investors were prepared for based on last week's ISM Manufacturing report. Rates moved higher as a result, but leveled off shortly thereafter. Friday's tame inflation data didn't compel rates to jump back up to recent highs.

Next week brings several important reports and housing-related updates, or rather, **it would have** if the government were open. While the Bureau of Labor Statistics is funded (giving us the jobs report and this week's inflation data), the Bureau of Economic Analysis is not. As such, next week's would-be headliner, Retail Sales, won't likely be seen. The same goes for the New Residential Construction numbers for December (due out next Wednesday). We will, however, be able to get a read on building sentiment in January via the NAHB Housing Market Index. This is one of the earliest possible glimpses of the shutdown's impact on housing from a data standpoint (unless, of course, you count the fact that the shutdown is preventing other data from even being released!).

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Monday, Jan 07** | | | | |
| 10:00AM | Dec ISM N-Mfg PMI | 57.6 | 59.0 | 60.7 |
| 10:00AM | Dec ISM N-Mfg Bus Act | 59.9 | 64.0 | 65.2 |
| **Tuesday, Jan 08** | | | | |
| 1:00PM | 3-Yr Note Auction (bl) | 38 | | |
| **Wednesday, Jan 09** | | | | |
| 7:00AM | w/e MBA Purchase Index | 255.2 | | 219.0 |

## Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 7:00AM | w/e Mortgage Refinance Index | 987.9 | | 729.9 |
| 1:00PM | 10-yr Note Auction (bl) | 24 | | |
| 2:00PM | FOMC Minutes | | | |
| **Thursday, Jan 10** | | | | |
| 8:30AM | w/e Jobless Claims (k) | 216 | 220 | 231 |
| 1:00PM | 30-Yr Bond Auction (bl) | 16 | | |
| **Friday, Jan 11** | | | | |
| 8:30AM | Dec CPI mm, sa (%) | -0.1 | -0.1 | 0.0 |
| 8:30AM | Dec Core CPI Year/Year (%) | 2.2 | 2.2 | 2.2 |
| **Tuesday, Jan 15** | | | | |
| 8:30AM | Dec Producer Prices (%) | -0.2 | -0.1 | 0.1 |
| 8:30AM | Dec Core Producer Prices YY (%) | 2.7 | 2.9 | 2.7 |
| 8:30AM | Jan NY Fed Manufacturing | 3.9 | 10.75 | 10.90 |
| **Wednesday, Jan 16** | | | | |
| 7:00AM | w/e MBA Purchase Index | 278.5 | | 255.2 |
| 7:00AM | w/e Mortgage Refinance Index | 1172.4 | | 987.9 |
| 10:00AM | Jan NAHB housing market indx | 58 | 56 | 56 |
| **Thursday, Jan 17** | | | | |
| 8:30AM | Jan Philly Fed Business Index | 17.0 | 10.0 | 9.4 |
| 8:30AM | w/e Jobless Claims (k) | 213 | 220 | 216 |
| **Friday, Jan 18** | | | | |
| 9:15AM | Dec Industrial Production (%) | +0.3 | 0.2 | 0.6 |
| 9:15AM | Dec Capacity Utilization (%) | 78.7 | 78.5 | 78.5 |
| 10:00AM | Jan Consumer Sentiment | 90.7 | 97.0 | 98.3 |
| 10:00AM | Jan 1yr Inflation Outlook (%) | 2.7 | | 2.7 |
| 10:00AM | Jan 5yr Inflation Outlook (%) | 2.6 | | 2.5 |

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# Welcome to Elite Mortgage!

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Our Unique Boutique Mortgage Experience combines elite licensed mortgage professionals, incomparable service, a full array of mortgage products with the most competitive rates in the industry. At Elite Mortgage you're a client, not a number!

We know that each customer has specific needs, so we strive to meet those specific needs with a wide array of products, investment tools, mortgages and best of all quality service and individual attention.

Today's technology is providing a more productive environment to work in. For example, through our website, you can submit a complete on-line, secure loan application or pre-qualify for a home loan. You may also evaluate your different financing options by using our interactive calculators and going over various mortgage scenarios.

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