



Jeff Schlesinger

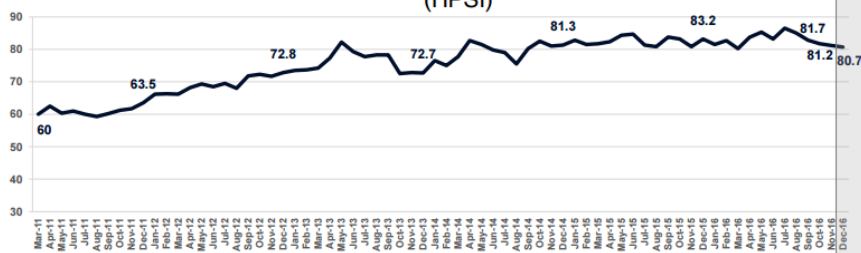
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Rising Rates Hurting Homebuyer Sentiment -Fannie

Consumer perceptions about rising interest rates and stagnant income levels were the **main contributors** to a half-point decrease in Fannie Mae's Home Purchase Sentiment Index® (HPSI) in December. The HPSI, which reflects key variables from the company's National Housing Survey (NHS), was 80.7 in December. It was the fifth consecutive month in which the index declined and the measure is 2.5 percentage points lower than in December 2015.

Home Purchase Sentiment Index (HPSI)



The net share of consumers who report an **income significantly higher** than a year earlier fell five percentage points to a net of only 10 percent. The net of consumers expecting mortgage rates to decline over the next year fell four points to a negative 55 percent.

Offsetting these numbers were a two-point rise in the net share of respondents who say it is a good time to buy a house which went from 30 to 32 percent, and a gain of four points to a net of 68 percent of answers in which respondents report confidence they would not lose their jobs in the next year. Both the net percentage of those who believe it is a good time to sell and the net share who believe that home prices will go up remained unchanged in December at 38 percent and 35 percent respectively.

"Despite the post-election bump in general consumer attitudes, a rapid rise in mortgage rate expectations has **tamped down home purchase sentiment**, at least in the near term. A spike in economic optimism in the immediate aftermath of an election is typical. Whether consumers will sustain this level of optimism into 2017 remains unclear," said Doug Duncan, senior vice president and chief economist at Fannie Mae. "The spike in interest rates reflects, in part, the market's anticipation of pro-growth policies from the

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%

Housing News Update

incoming Administration. If this optimism comes to fruition, it should translate into stronger income growth and increased job security for consumers - the two HPSI components that could help support housing sentiment this year."

The Home Purchase Sentiment Index (HPSI) distills information about consumers' home purchase sentiment from the NHS into a single number that reflects current views and forward-looking expectations of housing market conditions. The NHS is conducted monthly by telephone among 1,000 consumers, both homeowners and renters. Respondents are asked more than 100 questions used to track attitudinal shifts, six of which are used to construct the HPSI. The December 2016 National Housing Survey was conducted between December 1, 2016 and December 21, 2016.

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