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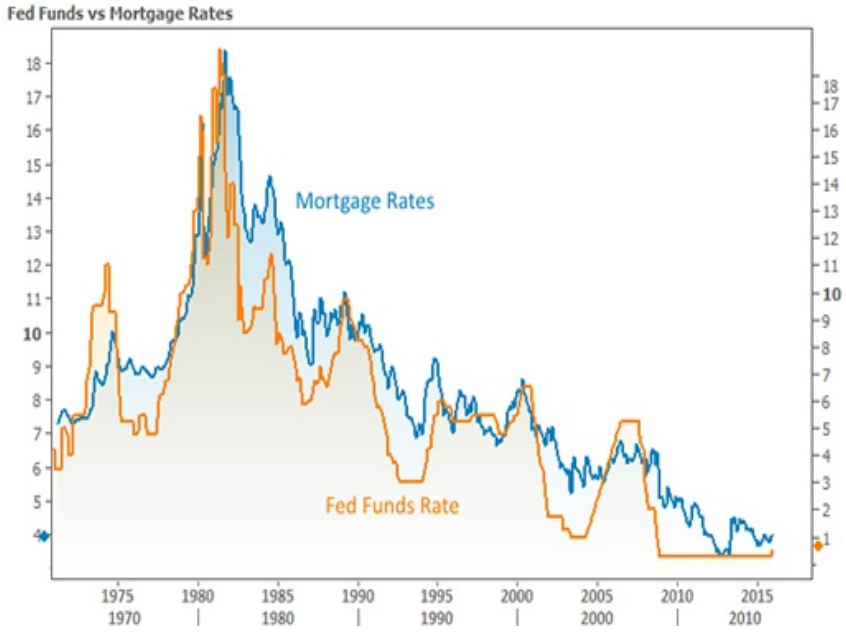
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Housing Market Has Plenty to Consider in 2016

Although mortgage rates managed to move lower in the immediate wake of the Fed rate hike, they've since moved back up to the highest levels since July. This **casts doubt** as to the direction of the first dose of mortgage rate momentum in 2016. Or worse yet, it removes some of the doubt that currently exists about rates calmly following the Fed Funds Rate higher.

Simply put, **mortgage rates had been winning** an ideological battle by holding steady to lower even though the Fed Funds Rate moved higher. Now we might wonder if they'll fall back in line with the long term trend that sees a loose but consistent connection between the two.



Away from the minutia of day-to-day rate movements, the mortgage market has **bigger fish to fry**. Last week we discussed the precipitous impact from the not-so-precipitous TRID (TILA-RESPA Integrated Disclosures) implementation in October.

Naturally, October, itself, wasn't noticeably affected by TRID because most of the loans closing in October were **originated before** the rules went into effect. As I pointed out last week, November was a different story. Most notably, Existing Home Sales experienced their sharpest decline since the expiration of the homebuyer tax credit.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:20PM EST

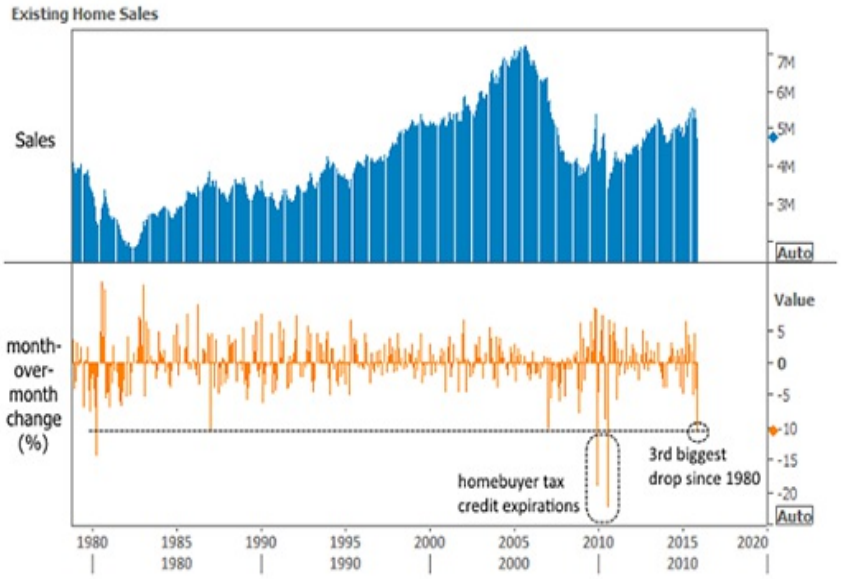
Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
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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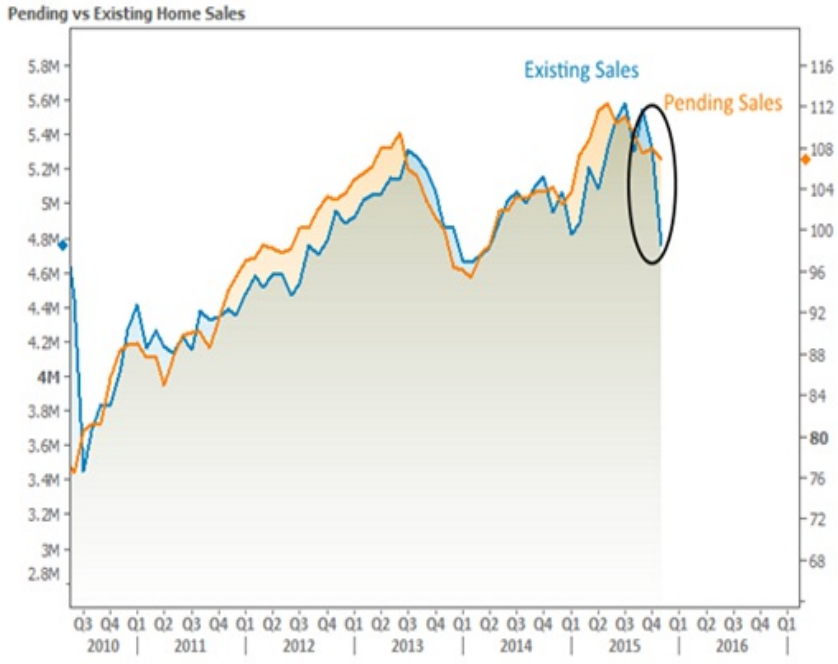
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There are more than a few lenders out there who are **scratching their heads** over the drop in Existing Home Sales. Either due to preparedness or luck, they haven't seen the sorts of delays that would justify that big of a change, and they may well wonder if there isn't something else behind it. So is there?

The short answer is a fairly conclusive "no." While we did see another downtick in Pending Home Sales this week, it wasn't the least bit alarming, and nothing nearly dramatic enough to suggest the Existing Home Sales drop was **indicative of some major shift** in the housing market.



It's not just home sales data telling this story. Ellie Mae's origination insight report showed application-to-closing time frames moved up to **49 days**, the longest since February 2013. The jump from October to November was an isolated event and the biggest month-over-month change in more than 2 years.

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In other housing news, **prices** continue running **at or above expectations**, with the latest Case Shiller numbers coming in at a monthly gain of 0.8 percent vs a median forecast of 0.5 percent. The annual rate of appreciation was 5.5 vs 5.4 percent forecast.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Dec 29				
9:00AM	Oct CaseShiller 20 mm SA (%)	+0.8	0.5	0.6
9:00AM	Oct CaseShiller 20 mm nsa (%)	+0.1	0.2	0.2
9:00AM	Oct CaseShiller 20 yy (%)	+5.5	5.4	5.5
10:00AM	Dec Consumer confidence	96.5	93.8	90.4
Wednesday, Dec 30				
7:00AM	w/e Mortgage Market Index			450.0
7:00AM	w/e Mortgage Refinance Index			1764.0
7:00AM	w/e MBA Purchase Index			230.8
10:00AM	Nov Pending homes index	106.9		107.7
10:00AM	Nov Pending sales change mm (%)	-0.9	0.5	0.2
Thursday, Dec 31				
8:30AM	w/e Initial Jobless Claims (k)	287	270	267
8:30AM	w/e Continued jobless claims (ml)	2.198	2.201	2.195
8:30AM	w/e Jobless claims 4-wk avg (k)	277		272.50
9:45AM	Dec Chicago PMI	42.9	49.8	48.7
2:00PM	News Year's Eve			
Friday, Jan 01				
12:00AM	News Year's Day			
Monday, Jan 04				
10:00AM	Dec ISM Mfg Prices Paid	33.5	35.0	35.5
10:00AM	Nov Construction spending (%)	-0.4	0.6	1.0
10:00AM	Dec ISM Manufacturing PMI	48.2	49.0	48.6
Tuesday, Jan 05				
9:45AM	Dec ISM-New York index	716.6		710.6
Wednesday, Jan 06				
8:15AM	Dec ADP National Employment (k)	257.0	192	217
8:30AM	Nov International trade mm $ (bl)	-42.37	-44.0	-43.9
10:00AM	Dec ISM N-Mfg PMI	55.3	56.0	55.9
10:00AM	Nov Factory ex-transp mm (%)	-0.3		0.2
10:00AM	Dec ISM N-Mfg Bus Act	58.7	58.4	58.2
Friday, Jan 08				

Event Importance:

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

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Date	Event	Actual	Forecast	Prior
8:30AM	Dec Manufacturing payrolls (k)	+8	-1	-1
8:30AM	Dec Unemployment rate mm (%)	5.0	5.0	5.0
8:30AM	Dec Private Payrolls (k)	+275	195	197
8:30AM	Dec Non-farm payrolls (k)	+292	200	211

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood

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