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# Housing Market Catching a Much-Needed Break

Whether or not the housing market actually **needed to catch a break** is definitely a matter of perspective. After all, we can't be too upset about persistently decent housing data and mortgage rates in the high 3's.

Still, the past few weeks have been **disconcerting** relative to first 2 months of the year. In addition to the sharp increase in mortgage rates, some of the housing data had been less than stellar. Most notably, New Home Sales slipped into negative territory and Pending Home Sales fell to 17-month lows, both in terms of year-over-year change.

This week, then, offered a **counterpoint** in terms of both **data and rates**. The highlight was Wednesday's Fed Announcement, which showed that the Fed members were cognizant of market developments in the 1st quarter and had adjusted their rate hike outlook accordingly.

Whereas the Fed was expected to hike rates roughly 4 times in 2016 based on the last set of economic projections (also referred to as "the dots," due to the dot chart included in the press release), this time around, the consensus was for only 2 hikes. The **expected Fed Funds rate fell by 0.5 percent** for the end of both 2016 and 2017.

(Read More: The difference between the past 2 Fed Announcements)

Financial markets **love** easier monetary policy from major central banks. Stocks and bonds both improved following the announcement. There's **still some risk** that longer-term rates like mortgages and the highly-correlated 10yr Treasury yield won't be able to maintain this week's recovery, but at least they now have a fighting chance. In considering that fight, we can keep an eye on the inflection points outlined in the chart below.

## 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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Depending on your level of familiarity with financial jargon, an **"inflection point"** may or may not be confusing. If it helps, I like to think of them as 'lines in the sand' that interest rates typically shy away from breaking, whether they are approaching those lines from above or below. For instance, notice how rates have been more likely to bounce on the inflection points in the chart, despite the occasional break.

**Housing-Related Data**

Rising interest rates took their toll on mortgage application activity last week. The Mortgage Bankers Association (MBA) said that **application volume was down 3.3 percent** overall, with a 6 percent drop in refinance volume leading the way.

Adding to the downbeat news, the MBA notes that mortgage production profits have **fallen by roughly 60 percent** thanks to TRID (the big disclosure changes that took effect last October), but the news isn't all bad.

In terms of **TRID's** notable impact on turn-times, lenders **may finally** be working through the bottleneck created when the rules went live in October. Ellie Mae's Origination Insight Report showed a sharp decline in the time it took to close a loan in February, bringing the average back to pre-TRID levels.

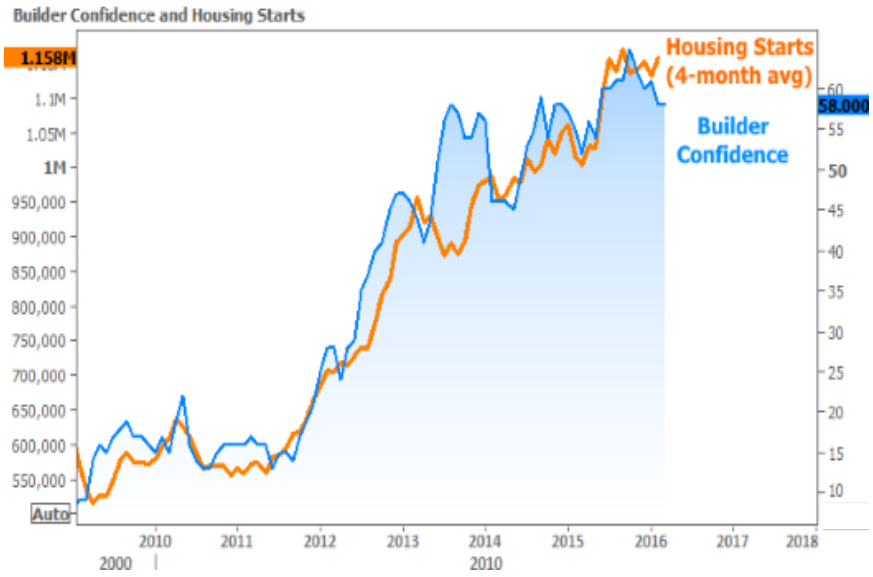
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Continuing with the theme of "not bad," builder confidence in the single-family home market remained unchanged in March. Builders were upbeat on current buyer traffic, but more pessimistic about the 6-month outlook.

February Housing Starts confirmed the steady single-family performance. At first glance, the third consecutive month of declines in Building Permits is a bit disheartening, but **all of the weakness is attributable to multi-family**. In fact, single-family permits scratched out a 0.4 percent increase, making the report broadly positive for the single-family sector.




Freddie Mac Vice President Danny Gardner agrees that the housing market is solid right now, and encourages folks--especially millennials--to take advantage of it. Citing low rates, increasing household formation, and housing market stability, Gardner says "**Millennials** and other new households should be camping out at open houses."

It may become that much easier for millennials to obtain financing thanks to an announcement from FHA about the way it certifies loans and proposed changes in the way it certifies lenders. The intent was to **allay lenders' concerns** about minor mistakes causing forced buybacks. The author of the announcement said "we anticipate lenders will be able to more confidently participate in our program and offer access to a wider number of FHA-eligible borrowers." It has been met with a warm response from trade groups so far.

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## Recent Economic Data

| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| **Tuesday, Mar 15** | | | | |
| 8:30AM | Mar NY Fed manufacturing | +0.62 | -10.00 | -16.64 |
| 8:30AM | Feb Retail sales mm (%) | -0.1 | -0.2 | 0.2 |
| 10:00AM | Mar NAHB housing market indx | 58 | 59 | 58 |
| 4:00PM | Jan Foreign buying, T-bonds (bl) | -50.4 | | -35.9 |
| **Wednesday, Mar 16** | | | | |
| 7:00AM | w/e Mortgage Refinance Index | 1940.3 | | 2055.9 |
| 7:00AM | w/e MBA Purchase Index | 226.3 | | 225.7 |
| 8:30AM | Feb Building permits: number (ml) | 1.167 | 1.200 | 1.204 |

## Event Importance:

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

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| Date | Event | Actual | Forecast | Prior |
|---|---|---|---|---|
| 8:30AM | Feb Housing starts number mm (ml) | 1.178 | 1.150 | 1.099 |
| 8:30AM | Feb Build permits: change mm (%) | -3.1 | | 0.0 |
| 8:30AM | Feb CPI mm, sa (%) | -0.2 | -0.2 | 0.0 |
| 8:30AM | Feb Core CPI index, sa | 245.93 | | 245.23 |
| 2:00PM | N/A FOMC rate decision (%) | 0.25-0.50 | 0.375 | 0.375 |
| **Thursday, Mar 17** | | | | |
| 8:30AM | w/e Initial Jobless Claims (k) | 265 | 268 | 259 |
| 8:30AM | Mar Philly Fed Business Index | 12.4 | -1.7 | -2.8 |
| 8:30AM | w/e Continued jobless claims (ml) | 2.235 | 2.220 | 2.225 |
| **Monday, Mar 21** | | | | |
| 10:00AM | Feb Existing home sales (ml) | 5.08 | 5.32 | 5.47 |
| 10:00AM | Feb Exist. home sales % chg (%) | -7.1 | -2.8 | 0.4 |
| **Wednesday, Mar 23** | | | | |
| 10:00AM | Feb New home sales-units mm (ml) | 0.512 | 0.510 | 0.494 |
| 10:00AM | Feb New home sales chg mm (%) | +2.0 | 3.2 | -9.2 |
| **Thursday, Mar 24** | | | | |
| 8:30AM | Feb Durable goods (%) | -2.8 | -2.9 | 4.7 |
| 2:00PM | Good Friday | | | |
| **Friday, Mar 25** | | | | |
| 12:00AM | Good Friday | | | |


## 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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