

Troy Evans
President, Owner, Cinch Home Loans
11576 S State St #101A Draper, UT 84020

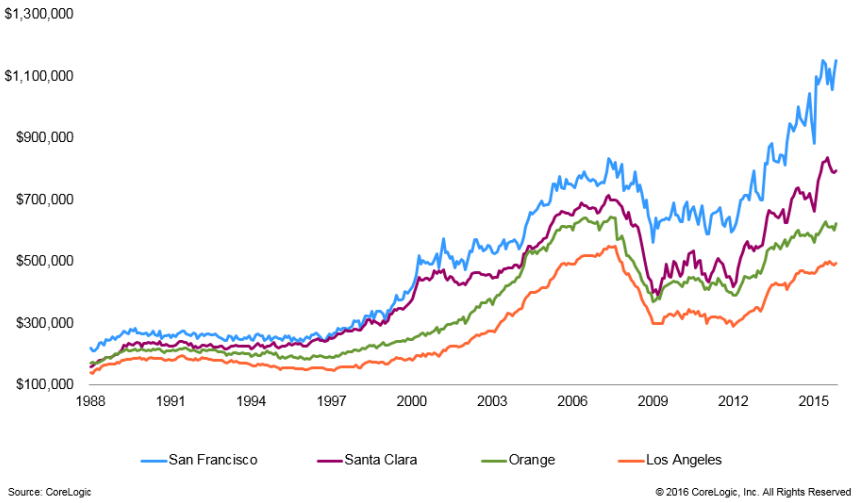
Office: 8019994417
Mobile: 801.792.2697
troy@cinchhomeloans.com
View My Website

Despite Price Gains Affordability Depends on Geography

Rising prices, especially in major cities like San Francisco, Seattle, and Boston which hit new price highs in 2015 have created **renewed concerns about affordability.** However CoreLogic research analyst Andrew LePage, writing for the company's *Insights* blog says that looking at housing from the prospective of mortgage payments over the last quarter century one sees that affordability doesn't look so bad, especially at more local levels.

LePage says the monthly mortgage payment is a **key measure** of affordability since that is the number used to qualify a borrower. He looked at the ups and downs of payments calculated from a local area's median sale price and adjusted for inflation to derive what he calls a typical mortgage payment over time. The calculation assumes a 20 percent downpayment and a 30-year fixed rate mortgage at the prevailing Freddie Mac interest rate.

Figure 1: Median Price Paid for All Homes Combined In Selected California Counties



He calculated payments in four California counties, San Francisco, Orange, Santa Clara, and Los Angeles. Median home prices in San Francisco topped previous records, hitting $1.15 million in both May and November, but because of low mortgage rates the typical mortgage payment there in November was $4,360, 13 percent below the inflation adjusted peak of $4,997 in June 2007 when the median price was $825,000 but mortgage rates

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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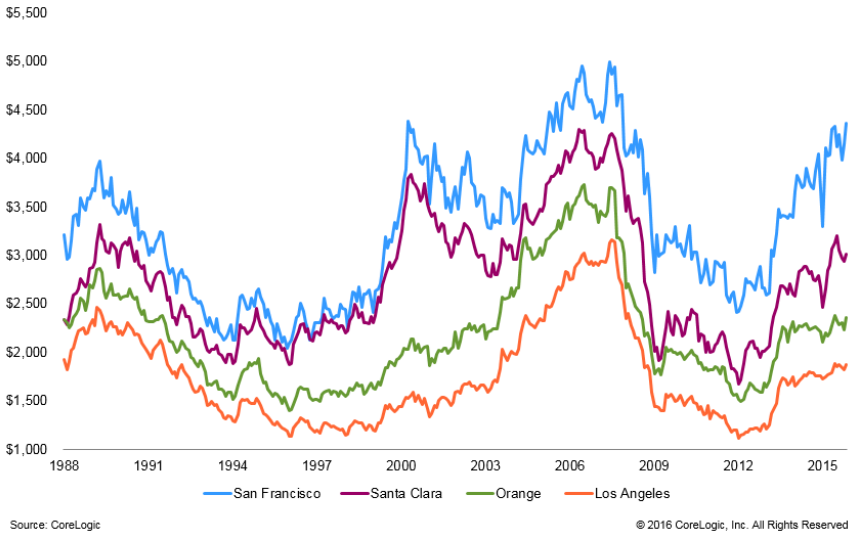
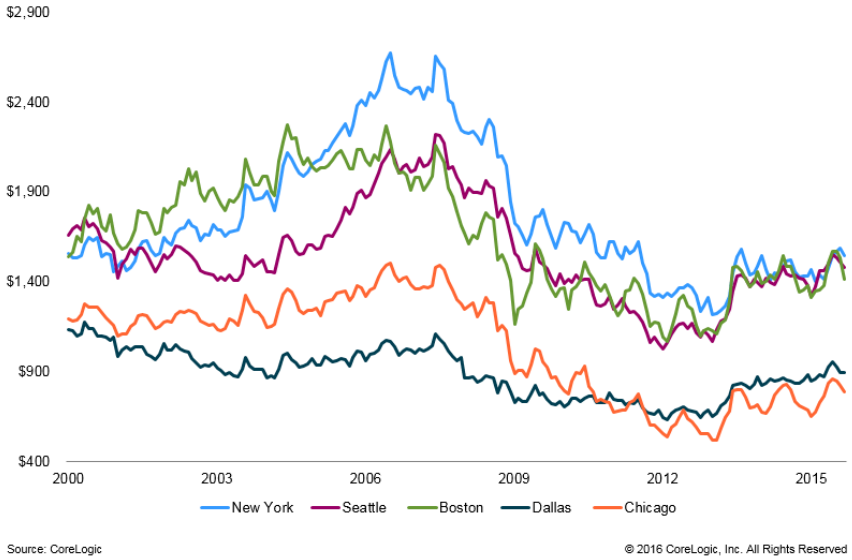
were around 6.7 percent.

Figure 3: Inflation-Adjusted "Typical" Mortgage Payment for Selected California Counties



LePage also looked at **11 metro areas** and found typical mortgage payments to be 20 to 50 percent below peak levels in prior cycles. In metro Dallas the median sales price hit a new peak of $252,000 but the mortgage payment in September was 24 percent below the peak reached in the spring of 2015. In New York the median home price was still 11 percent off of the area's peak but the typical mortgage payment was 42 percent lower.

Figure 4: Inflation-Adjusted "Typical" Mortgage Payment for Selected U.S. Metro Areas



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LePage says mortgage payments are more likely to be near or at a peak today in **smaller** housing markets where economic and income growth are strong and the housing supply is constrained. He points to Palo Alto where the typical monthly payment peaked at (gulp) $10,751 last fall as the median home price also peaked at nearly $2.9 million.

He concludes that the typical mortgage payment **doesn't tell the whole affordability story** either. One needs to take into account other factors such as monthly rent levels and local income growth or lack of the same.

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