

March Winds Down

March has been a very interesting month. From an economic perspective, the two "headline" events included a very strong employment report and the Federal Reserve Board announcing that they were raising rates for the fifth time in just over two years. And while these are very important events shaping the economic landscape, we have to remind ourselves that there are many other factors in play right now.

For example, while we witnessed the effect of the tax changes on the stock market even before the plan was enacted, the economic effects of the tax plan are just starting to hit. While the vast majority of the changes in the economy will be positive, we have already pointed out that the price to pay for stronger economic growth will be higher interest rates. These rates will affect consumers such as homebuyers, but also the government's budget. For example, in February, the federal government racked up the largest deficit in six years because of lower tax receipts and increased spending -- which included a higher bill for interest on the government's debt.

Even the immigration debate and implementation of tariffs will influence the economy. One of the greatest needs today is more inventory for our nation's homebuyers and builders are complaining about the lack of skilled labor to build our homes. Tariffs on lumber and steel will also have a negative effect upon the cost of building our homes, though it is hopeful that our domestic production can step-up and create more jobs. The good news is that the economy is stronger, and jobs are being created -- plus homebuyers are waiting to purchase your home if you are willing to sell it!... ▢



Rising Rates Not Detering Buyers

If rates keep rising to break the 5% barrier, most homebuyers will go right ahead with their purchase anyway. Just 6 in 100 prospective homebuyers surveyed by Redfin said they would halt their planned home purchase if rates were above 5%, although a further 27% would slow their search.

94% Would Buy

A quarter of respondents said that a 5% rate would make no difference to their plans, 20% would speed up their search and a similar share would look to cheaper neighborhoods or a smaller property. Three quarters of respondents nationwide thought home prices would continue rising in 2018.

"Tight credit, lack of inventory and high demand are the major factors that tell us there's no housing bubble, despite rapid price increases," said Redfin chief economist Nela Richardson. "There are still many more buyers than the current housing supply can support, with no major relief in sight. Strict lending regulations make it much harder to buy a house you can't afford than during the housing boom a decade ago. Finally, still-low interest rates somewhat offset high prices for some buyers."... ▢ Source: Redfin

Selected Interest Rates

March 22, 2018

- 30 Year Mortgages——4.45%
- 2017 High (March 16)——4.30%
- 2017 Low (Sept 14)——3.78%
- 15 Year Mortgages——3.91%
- 5/1 Hybrid ARMs——3.68%
- 10 Year Treasuries——2.83%

Sources—Fed Reserve, Freddie Mac Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Roommates Wanted

Living with a roommate isn't a trend only among renters, nor is it limited to families living in multigenerational homes. The latest U.S. Census Bureau data reveals a growing number of adults who are living with other adults with whom they are not in romantic partnerships. The trend increased after the last recession, and "nearly a decade later, the prevalence of shared living has continued to grow," according to a new analysis of census data by the Pew Research Center. It was initially driven by millennials who moved back in with their parents. But the longer-term increase has been driven by parents moving in with their adult children or friends and roommates moving in together to share the costs of housing.

Nearly 79 million adults—or 32% of the U.S. population—lived in a shared household in 2017. A shared household is defined as a household with at least one extra adult who is not the head of household, a spouse or unmarried partner of the head, or an 18- to 24-year-old student. For comparison, in 1995, 55 million adults—or 29% of the population—lived in a shared household, according to Pew Research. However, millennials living with their parents is still a popular trend. A separate Pew report in 2016 found that for the first time in 130 years, American adults ages 18 to 34 were more likely to be living in their parents' home than living with a spouse or partner. Pew says that dating back to 1880, the most common living partner was a romantic one... ▢ Source: MarketWatch

Did You Know...

Most homeowners with adjustable-rate loans could experience their first interest rate increase if the low-interest-rate environment ends, according to survey results released by HSBC. The study revealed that 87% of US homeowners have never experienced a rate increase on their home loan. Also, 46% have studied switching their loan to get a better deal. Source: National Mortgage Professional. Thinking of switching? Contact us.

Compliments of Suzanne Smith

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