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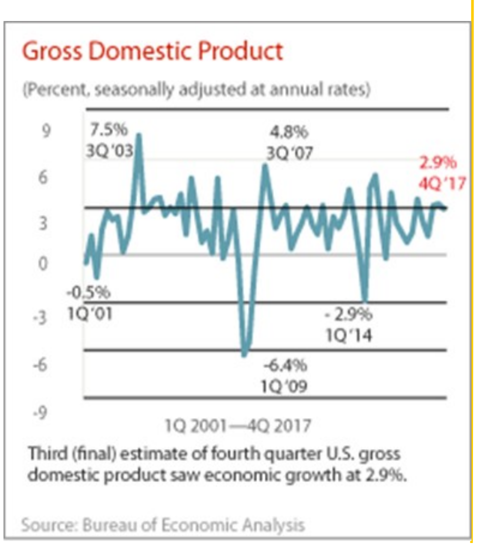
Real Estate Trends For Realtors, Homeowners and Professionals **June 2018**

The New Normal?

Interest rates have been rising this year. This is not surprising considering the fact that the economy continues to expand, we have added a tax cut into the equation and the Federal Reserve has been raising interest rates for the past two years. Most analysts are predicting rates to continue to increase. On the other hand, rates rose during the winter of 2016-2017, and rose in 2015 as well. Analysts predicted that those increases would also lead to further higher rates.

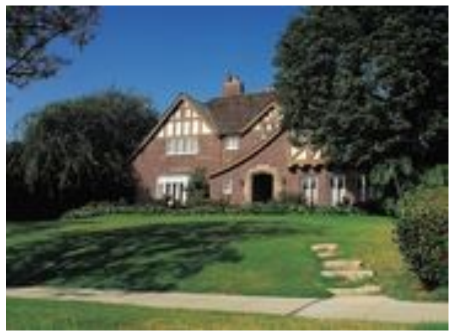
What makes this time different? For one, the extra stimulus of tax reform, but also the fact that the economic recovery is more mature. We have gradually reached full employment and commodity prices, such as oil, are rising. Thus, while we can't say rates will go up from here, it would be reasonable to at least ponder the next significant question -- how high could rates go from here if they continue to rise? After all, in the past we have experienced rates on home loans over six percent for decades at a time.

On the other hand, rates have been so low for such a long time, that we might experience the possibility of a new normal. While very low rates may not be needed now to stimulate the economy, the interest rates supporting a normal economy might be lower than we have experienced before. Recently, San Francisco Fed President/NY Fed President Nominee John Williams called this a potential "new normal." With today's higher housing prices, having a new "lower" normal for interest rates would be a very welcome development. If rates continue to rise, this assumes that this "new level" will be substantively less than what we have experienced historically...



Third (final) estimate of fourth quarter U.S. gross domestic product saw economic growth at 2.9%.

Source: Bureau of Economic Analysis



One-Third Intend To Purchase

Seventy-Five percent of Americans say buying a home is a priority, according to a NerdWallet survey conducted online by Harris Poll. NerdWallet analyzed data from that December 2017 survey of more than 2,000 U.S. adults, the NerdWallet mortgage calculator, the Consumer Financial Protection Bureau and other sources to develop a snapshot of current home buyer sentiments, concerns and outlooks.

Investment

The costs of purchasing a home are a top concern for Americans who rent. But these financial concerns aren't putting a stop to sales — approximately 15% of Americans report having purchased a home in the past five years, and 32% intend to do so in the next half -decade. Both of these groups are optimistic, citing the investment potential of their home as a top reason for purchasing, according to the survey.

The most common reason Americans prioritize buying a home, across all generations, is that they believe it's a good investment. Just 17% of Americans say they prefer renting over homeownership, and many of their reasons suggest their choice is out of financial necessity rather than preference... Source: NerdWallet

Selected Interest Rates

May 17, 2018

30 Year Mortgages———4.61%
2017 High (March 16)—4.30%
2017 Low (Sept 14)——3.78%
15 Year Mortgages——-4.08%
5/1 Hybrid ARMs————3.82%
10 Year Treasuries———3.11%

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.

Credit Scores To Rise

Because of improved standards for utilizing new and existing public records, the three major credit reporting companies are now excluding all tax liens from credit reports. That means some scores will head higher. Credit scores, notably those from FICO, one of the largest credit scoring companies, generally range from 300 to 850. Credit reporting and scores play a key role in most Americans' daily life. The process can determine the interest rate a consumer is going to pay for credit cards, car loans and home loans — or whether they will get a loan at all.

The new rules come following a study by the Consumer Financial Protection Bureau that found problems with credit reporting and recommended changes to help consumers. Last July, credit reporting companies removed nearly 100% of civil judgment data and about 50% of tax lien data from credit reports. Effective mid-April, the rest has been removed. LexisNexis Risk Solutions predicts that about 11% of the population will have a judgment or lien removed from their credit file. Once that information is stripped out, credit scores may go up by as much as 30 points overall, LexisNexis found. Other industry groups have said these changes will have less of an impact...
Source: CNBC

Did You Know…

The share of Americans living in multigenerational family households have continued to rise, despite improvements in the economy since the Great Recession. In 2016, a record 64 million, or 20% of the U.S. population, lived with multiple generations under one roof. Multigenerational family living is growing among nearly all U.S. racial groups, most age groups and both men and women. The share of the population living in this type of household declined from 21% in 1950 to a low of 12% in 1980. Source: Pew Research Center

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