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Real Estate Trends For Realtors, Homeowners and Professionals

August 2017

Another Balancing Act

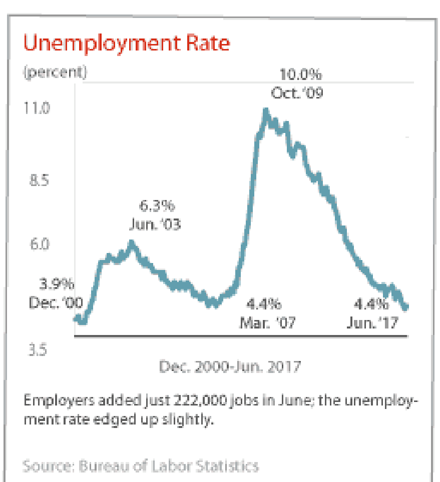
The Federal Reserve Board met last week to decide what to do with short-term interest rates. With Chairperson Yellen having testified before Congress recently, the tone of her remarks led the markets to believe that there was little chance of a rate hike this time around—and they were correct in this regard.

However, analysts were watching for any wording in the announcement regarding the Fed starting to sell off their bond and mortgage assets later this year. As usual, the Fed is trying to maneuver through a delicate balancing act.

Recent moves to raise short-term rates demonstrate that the Fed is comfortable with the current state of the economy. However, if the Fed floods the market with their assets, this could cause a rise in long-term rates, which might in turn slow down the economy. Thus, the Fed will need to carefully divest itself of these assets taken on during the recession and long recovery. Just as Yellen has indicated that the Fed is looking to raise rates gradually, the selling of these assets will need to follow the same course.

The good news is that recent economic reports have shown inflation to be under control. Absent the threat of increased inflation, the Fed can be more deliberate when implementing these actions.

At this point, there seems to be no sign that the economy is quickly gaining steam and will reignite inflation. Of course, with the first reading on the second quarter economic growth and the July employment report coming out as we go to press, the balance we currently are seeing could change very quickly. While stronger growth is good, if economic growth becomes too strong, the Fed's plans could accelerate...❑



Face-to-Face Preference

While the majority of prospective homebuyers do their research on home loans online, they prefer to handle their applications in the presence of a loan officer. According to a survey of nearly 2,000 adults conducted on behalf of the American Bankers Association, 60% stated that while they use the Internet to research their home loans, they would rather apply for a home loan in person.

60%

In comparison, 17% of respondents preferred to apply for a home loan online, while the remaining 23% said they were unsure. Furthermore, only 34% considered their knowledge about the process to be above average or excellent.

"Organizations invest billions of dollars to offer their customers the latest technology," said Bob Davis, ABA Executive Vice President of Mortgage Markets, Financial Management and Public Policy. "But at the end of the day, nothing compares to sitting across the table, face-to-face with a lender when you're making the single most important investment of your life."...❑

Source: National Mortgage Professional

Selected Interest Rates

July 20, 2017

30 Year Mortgages———3.96%
2017 High (March 16)—4.30%
2017 Low (June 29)——3.88%
15 Year Mortgages——-3.23%
5/1 Hybrid ARMs————3.21%
10 Year Treasuries———2.27%

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.

Retiring and Staying Put

Most retirees are deciding not to relocate. During the past seven years, more than 80% of people aged 55 and up who live in 17 of the nation's largest housing markets remained in the same county or state, according to a analysis by real estate data firm CoStar Group. "Most people retire in the same metropolitan area," says Hans Nordby, a CoStar economist who authored the firm's report. "You don't see the migration of snowbirds you would expect to see to the Sun Belt."

Instead, nearly 90% of older Americans say they want to age in place, and 80% say their current home is where they intend to live out the rest of their lives, according to research by the National Conference of State Legislatures. "Retirees don't want to leave home for a coastal community where they are not connected to anyone," says Paul Irving, chairman of the Milken Institute Center for the Future of Aging. Newer retirees value lifelong learning and job opportunities more than better weather, adds Irving. But not every retiree is casting aside ideas of retiring to a beach town. Americans 55 years and older with annual incomes of $75,000 tend to favor markets with warmer weather and friendly tax policies...❑ *Source: CNBC*

Did you know…

The impact of first-time buyers on the American housing market has been highlighted in a new report from mortgage insurer Genworth. The data shows that in the first quarter of 2017, first-time buyers bought the most single-family homes since 2005; 424,000 or 38%. It was an 11% rise from the first quarter of 2016. "Over the past three years, first-time homebuyers have accounted for 85% of the growth in home sales, and have become an important indicator for understanding market trends," said Tian Liu, Chief Economist for Genworth Mortgage

Compliments of Suzanne Smith

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