

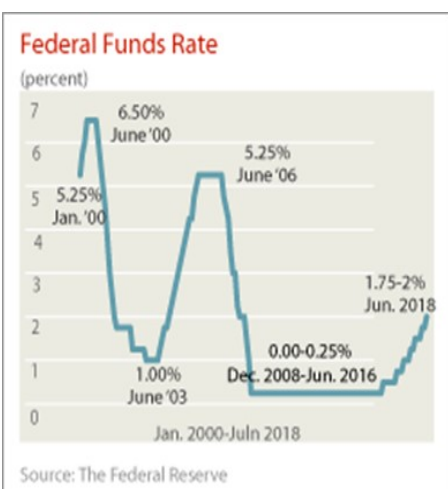


Big Start to August

Though August is usually a pretty slow month within the financial markets and the real estate sector, this August starts with a bang. Today the Federal Reserve's Open Market Committee concludes their meeting and will issue their rate decision and analysis. Just two weeks ago, Federal Reserve Chairman Jerome Powell told Congress that strong U.S. economic growth and stable inflation should keep the central bank on track to gradually raise short-term interest rates. With an increase in June, most are not predicting another hike this quickly. Thus, any move to hike rates would be a surprise.

Powell also spoke about the risks to the economy of higher tariffs. There is some debate as to whether these tariffs will affect the economy in the short-run. The release of the jobs report early in the month is expected to show continued strength within the labor market despite the threat of trade wars. The Fed will be focused upon wage growth as an indicator of the threat of inflationary pressures. Thus far, general inflation has ticked up, but not enough to alarm the Fed or market analysts.

One area in which we have seen some weakness in the economy has been existing home sales. Over the past year, the pace of existing home sales has dropped and is no longer growing over the past two years. While higher prices and rates are certainly factors, potential demand is being held back by a lack of inventory. This is why new home sales have fared a bit better this year -- increasing supply. It remains to be seen if home sales will pick up further this fall so that the real estate sector can again be a positive economic factor... □



Long-Term Financial Security

Primary residences remain important to long term financial security and continue to be the largest asset of most US households. They account for a quarter of all household wealth according to the Board of Governors of the Federal Reserve System's Survey of Consumer Finances. The figures have been hailed by the National Association of Home Builders during National Homeownership Month.

Homeownership

"Homeownership is a primary source of net worth for many Americans, and is an important step in accumulating personal financial assets over the long term," said Randy Noel, chairman of the National Association of Home Builders (NAHB) and a custom home builder from LaPlace, La. In the fourth quarter of 2017, US households had a record \$14.4 trillion of equity in their homes, but with the homeownership rate at 64.2 percent it is well-below the 25-year average of 66.3 percent. "We must continue to address the obstacles that remain for many potential home buyers, including factors that increase the cost to build new homes. Skyrocketing costs for lumber is the number one challenge for builders right now," Noel said... □ Source: MPA

Selected Interest Rates

July 19, 2018

- 30 Year Mortgages—4.52%
- 2018 High (May 24)—4.66%
- 2018 Low (Jan 4)—3.95%
- 15 Year Mortgages—4.00%
- 5/1 Hybrid ARMs—3.87%
- 10 Year Treasuries—2.85%

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.

Buying Advice: Act Fast

If buying a home is anywhere in your sights, you'll probably want to act fast. According to a new forecast, average payments will jump nearly 10 percent by early next year. It seems on-the-fence homebuyers need to pull the trigger. According to new data from CoreLogic, the typical payment on a home loan will likely jump 9.7 percent by March 2019, thanks to rising rates, inflation and higher home prices.

All in all, the typical payment will come out to around \$942 – a steep jump from the average \$859 seen in March this year. "The U.S. median sale price has risen by just under 7 percent over the past year and the principal-and-interest payment on that median-priced home has increased nearly 10 percent," according to CoreLogic's Andrew Lepage. "The CoreLogic Home Price Index Forecast suggests U.S. home prices will be up 5.8 percent year-over-year in March 2019 and some interest rate forecasts suggest the payments homebuyers face will rise as well."

Fortunately, for buyers who want to act before the impending rise, it seems homebuilders may be able to help. According to the recent data from the U.S. Census Bureau and the Department of Housing and Urban Development, housing starts were up more than 20 percent over May 2017's numbers... □

Source: The Mortgage Reports

Did You Know...

Fifty-five percent of homeowners who have a child under the age of 18 say their kids' opinions factored into their homebuying decision, according to a Harris Poll survey of more than 2,000 U.S. adults. What's more, 74 percent of millennial parents—those up to age 36—indicate they took their kids' opinions under consideration when buying a home. Renters pay even more attention to their children: 83 percent say their kids' opinions mattered in their housing decisions. Source: The Chicago Tribune

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