

## The Fed Talks Tapering

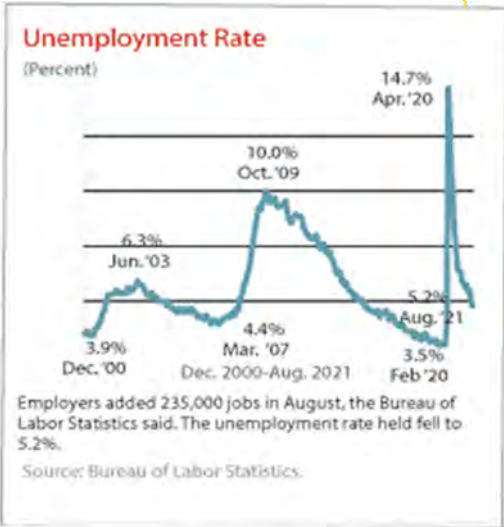
The markets were braced for last month’s meeting of the Federal Reserve Board’s Open Market Committee. The issue at hand was tapering. The Fed has been purchasing \$120 billion in bonds and mortgages per month to support the markets. It has been assumed all along that these purchases would taper off as the economy recovers.



We were all set for an announcement regarding the timing and pace of tapering at this meeting. However, the disappointing jobs report for August had many questioning whether we might see a further delay in the announcement. On the other hand, perhaps the announcement would contain a timetable or pace of tapering which was altered. Keep in mind that tapering is not likely to happen all at once, as the definition of tapering includes the word “gradual.”

In reality, the Fed statement after the meeting did not contain any surprises in this regard. It indicated that a “moderation in the pace of asset purchases may soon be warranted.” What is the big deal regarding tapering?

Let’s go back to our discussion of supply and demand. If there is less demand for mortgages and bonds, this could cause interest rates to rise. Keep in mind that the Fed’s plans could change at any time, and we have another jobs report to be released next week which could be a factor within this equation... ▢



## Many Could Still Benefit

Less than 1 in 5, or about 19 percent, of homeowners with pre-pandemic mortgages, have refinanced, according to a recent study from Bankrate. Close to half, about 47%, with pre-pandemic mortgages have yet to consider refinancing, while more than a quarter, about 27%, have considered, but have yet to actually refinance.

## REFINANCE

"The overwhelming majority of mortgage borrowers have not yet refinanced, despite record low rates over the past year," said Bankrate.com chief financial analyst Greg McBride, CFA. The major reasons homeowners cited for why they haven’t refinanced included 32% believing it wouldn’t save them enough money, 27% saying there’s too many high closing fees and costs, and 23% saying there’s too much paperwork and hassle.

Despite this, "cutting the monthly mortgage payment by \$150 or \$250, possibly more, can create valuable breathing room in the household budget at a time when so many other costs are on the rise," McBride said. "The most cited reasons for not refinancing might not hold up in this environment of ultra-low rates. Reducing your payments with no out-of-pocket cash is one way to trim the biggest household expense without compromising your savings." ... ▢

Source: Rise and Shred

## Selected Interest Rates

September 23, 2021

- 30 Year Mortgages—2.88%
- 2020 High (Jan 2)—3.72%
- 2020 Low (Dec 17)—2.67%
- 15 Year Mortgages—2.15%
- 5/1 Hybrid ARMs—2.43%
- 10 Year Treasuries—1.41%

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.

## Today’s Cash “Option”

This year, a lot of buyers are skipping the mortgage process this year and are buying homes in cash instead. In fact, 30% of all U.S. home purchases in 2021 were cash transactions, reports Redfin. That's an increase from 2020, when 25.3% of home purchases were done on a cash basis. Paying cash for a home has its drawbacks, even for those who can afford it. When you buy a home in cash, you tie up a lot of money in an asset that's fairly illiquid.

Liquidity speaks to how easily and quickly you can get your money back on an investment. Stocks, for example, are fairly liquid. You can sell a stock and get cash for it almost immediately. Selling a home, on the other hand, can be a lengthy process. You need to create a listing, have buyers come see it, evaluate offers, and then wait for a transaction to close, which could take weeks or even months. It's for this reason that so many buyers take out mortgages to purchase a home, even when paying cash is an option.

But this year, the housing market has been starved of inventory, and what few homes have hit the market have largely wound up in bidding wars. By offering to pay cash, buyers give themselves an advantage over their competitors -- namely, those who need a mortgage to finance a home... ▢

Source: Motley Fool

## Did You Know...

The number of zombie properties declined in Q3 of 2021, but those figures are expected to rise in the coming months as the after-effects of the eviction moratorium come to fruition.

According to the Q3 Vacant Property and Zombie Foreclosure report by ATTOM, 1,332,706 residential properties in the U.S. currently sit abandoned, 1.4% of the nation’s total supply of 98.4 million units.

Source: ATTOM

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