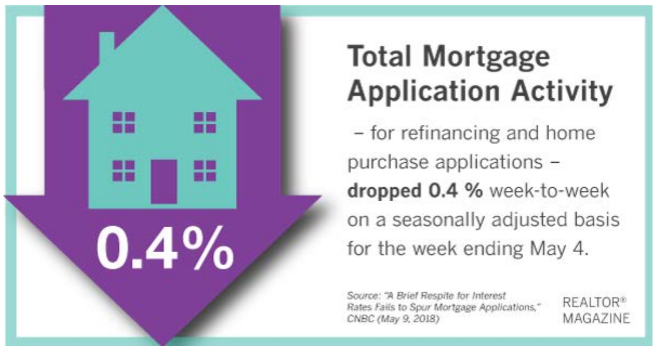
Lower Rates Do Little to Spur Loan Demand

DAILY REAL ESTATE NEWS | WEDNESDAY, MAY 09, 2018



Mortgage rates dropped last week, but that didn't seem to push homeowners or home buyers to take advantage. Total mortgage applications—for home purchases and refinances—dropped 0.4 percent for the week. Volume is now 6 percent lower than a year ago, the Mortgage Bankers Association reported Wednesday.

Refinance applications, which tend to be the most rate-sensitive, dropped 1 percent last week and are now 18 percent lower than a year ago. Mortgage rates were considerably lower a year ago when compared to today.

In what should be a prime time for homebuying, mortgage applications for home purchases were essentially flat last week, dropping 0.2 percent. Home purchase applications are barely 3 percent higher than a year ago, the MBA reports.

Homeowners and home buyers are facing higher financing costs. Mortgage rates have been moving higher since the beginning of the year and were at their highest averages in more than four years last month. But last week rates offered some relief, with the 30-year fixed-rate mortgage falling slightly to 4.78 percent.

"Mortgage rates dipped slightly last week driven mainly by concerns about global growth," says Joel Kan, an MBA economist. "The refinance index continued to slip and was at its lowest since 2008, as was the refinance share of applications."

Source: "A Brief Respite for Interest Rates Fails to Spur Mortgage Applications," CNBC (May 9, 2018)

Homeownership Is Becoming Much Pricier

DAILY REAL ESTATE NEWS | MONDAY, MAY 14, 2018

With inventory levels at record lows, strong buyer demand prompted home prices to rise at a faster pace in the first quarter of this year, according to the latest report by the National Association of REALTORS®.

The national median existing single-family home price in the first three months of this year was $245,500. That is up 5.7 percent compared to a year ago.

Further, single-family home prices rose in 91 percent of the measured markets in the first quarter—162 out of 178 tracked metro areas, according to NAR. Fifty-three metro areas, or 30 percent, posted double-digit increases, which is up from 15 percent in the fourth quarter of 2017.

"The worsening inventory crunch through the first three months of the year inflicted even more upward pressure on home prices in a majority of markets," says Lawrence Yun, NAR's chief economist. "Following the same trend over the last couple of years, a strengthening job market and income gains are not being met by meaningful sales gains because of unrelenting supply and affordability headwinds."

Real estate professionals in areas with strong job markets are reporting that consumers are getting frustrated, Yun says. “Home shoppers are increasingly struggling to find an affordable property to buy, and the prevalence of multiple bids is pushing prices further out of reach,” he adds.

At the end of the first quarter, 1.67 million existing homes were available for sale, which is 7.2 percent below the number of homes for sale in the first quarter of 2017.

As home prices rise, more consumers are getting priced out of the market, even though their incomes are rising too. The national family median income increased to $74,779 in the first quarter. However, housing affordability fell from a year ago due to rising mortgage rates and increasing home prices, NAR reports. To buy a single-family home at the national median price, a buyer making a 5 percent down payment would need to earn an income of $55,732; a 10 percent down payment would require an income of $52,779; and a 20 percent down payment would need a $46,932 income, NAR reports.

“Prospective buyers in many markets are realizing that buying a home is becoming more expensive in 2018,” Yun says. “Rapid price gains and the quick hike in mortgage rates are essentially eliminating any meaningful gains buyers may be seeing from the combination of improving wage growth and larger paychecks following this year’s tax cuts. It’s simple: Homebuilders need to start constructing more single-family homes and condominiums to overcome the rampant supply shortages that are hampering affordability.”

The five priciest housing markets in the first quarter were San Jose, Calif. ($1,373,000—the median existing single-family home price); San Francisco-Oakland-Hayward, Calif. ($917,000); Anaheim-Santa Ana-Irvine, Calif. ($810,000); urban Honolulu ($775,500); and San Diego-Carlsbad, Calif. ($610,000).

On the other spectrum, the five lowest-cost metros in the first quarter were Decatur, Ill. ($73,000); Cumberland, Md. ($86,200); Youngstown-Warren-Boardman, Ohio ($91,300); Elmira, N.Y. ($100,800); and Binghamton, N.Y. ($103,000).

Source: [National Association of REALTORS®]

Best Tip to First-Time Buyers: Act Fast

DAILY REAL ESTATE NEWS | MONDAY, MAY 14, 2018

A shortage of homes for sale and rising home prices are making it challenging for first-time buyers, in particular, this spring. For those who want to land a home, real estate professionals are urging them to move fast.

The price of an existing home in March was about $250,000, up nearly 6 percent from a year ago, according to the National Association of REALTORS®. Homes are selling faster too, often under contract in about a month.

“The starter house is nearly missing in some markets,” says Jessica Lautz, NAR’s director of survey research and communication.

In Colorado Springs, Colo., real estate pro Jay Gupta says the imbalance between the supply of homes and demand is “unprecedented” and many buyers are being priced out of some areas. Homes that are selling for less than $225,000 are hard to find, he says. Gupta told *The New York Times* a home listed for $310,000 in the area recently attracted 40 people to a three-hour open house. The home was soon under contract with a buyer offering $30,000 above the asking price.

To increase chances, home buyers should get preapproved for a loan and be ready to act quickly when they find a home they like, Gupta says. They'll likely need to be less picky too. Pick two or three "must haves" and make those the priority so you can move fast when opportunities arise, Gupta suggests. "You have to be more flexible," he adds.

Also, home buyers needn't wait for a 20 percent down payment. More than half of first-time buyers make down payments of 6 percent or less, according to NAR data from 2017. Both Freddie Mac and Fannie Mae support home loans to eligible buyers who put down as little as 3 percent on a home purchase, as does the FHA.

Source: "First-Time Home Buyers Learn to Move Quickly in Tight Markets," The New York Times (May 11, 2018)

Buyers Turn to Crowdfunding to Afford a Home

DAILY REAL ESTATE NEWS | MONDAY, MAY 14, 2018

More aspiring home buyers are increasingly turning to crowdfunding to drum up money for a down payment.

Several new crowdfunding platforms have debuted, such as HomeFundMe and Feather the Nest, to help potential home buyers raise funds to purchase a home or make home repairs. Online registries like HoneyFund include the option of gifting a down payment contribution.

"The number one challenge that we hear from millennials in terms of their ability to buy a home is the down payment," says Jonathan Lawless, vice president of customer solutions for Fannie Mae. "Crowdsourcing is an interesting new way that a person can generate a down payment, one made possible by technology. … We think there is a great future for it.”

A consumer who is prequalified for a mortgage could create a personal page on a crowdfunding site. They can share their journey toward homeownership and then share the pages with family and friends.

"[Many] people find they can afford [mortgage] payments, but not the down payment to own a home," Christopher George, CEO of CMG Financial, a mortgage banking firm that launched HomeFundMe, told realtor.com®. HomeFundMe is the first such site to be backed by mortgage financing giants Fannie Mae and Freddie Mac.

Mortgage lenders do have restrictions on down payments being gifted. They usually require a letter from the giver that states the money is a gift, not a loan. But an online fundraising platform can allow buyers to bypass that, realtor.com® reports.

For example, with HomeFundMe, a gifter can give up to $7,500 to a campaign without any documentation required. Further, HomeFundMe doesn’t charge fees to use its platform. The firm will also award buyers $2 for every $1 they raise, up to $1,000 or up to 1 percent of the purchase price, if the buyer undergoes counseling beforehand. In exchange, the buyer must agree to get a mortgage through HomeFundMe’s parent company, CMG Financial. They also have to agree to close on a home within a year of accepting their first monetary gift.

But some financial experts warn caution when using crowdfunding sites to raise money for a home.

"If somebody is not able to save for their own down payment, it might be because they are stretched financially,” says Lawless. “But it [also] might be that they are bad at saving. The ability to generate savings is a critical aspect of being a responsible homeowner."

Source: "Should Buyers Crowdfund Their Way Into Homeownership?" realtor.com® (May 11, 2018)