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Fed Chair indicates no change in sight for rates

Source: HousingWire

On the news show 60 Minutes, U.S. Federal Reserve Chairman Jerome Powell indicated that will likely wait to cut interest rates, saying that a March rate cut was "unlikely." In December, the Fed talked about three rate cuts in 2024, but some experts had suggested that four, five or even six rate cuts might be possible. However, the labor market remains strong enough that the Fed did not see a reason to lower interest rates. The idea is to give inflation a chance to lower toward 2 percent.

HousingWire lead analyst Logan Mohtashami reinforces that the Fed will cut rates this year as promised, but they don't want their policy to restrict the market too much. He predicts no more than three rate cuts in 2024 unless jobless claims rise to 323,000 on a four-week moving average. He predicts, based on Powell's interview and recent Fed actions, that nothing big will change over the next few months no matter what happens with inflation. The Federal Open Market Committee meets and votes every six weeks or so on the federal funds rate (that is tied to interest rates), and the next vote is in March.

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Pending sales decline, dampened by rising mortgage rates

Source: Redfin

After the U.S. Federal Reserve announced this week that they will not be lowering interest rates in the next two months, pending home sales declined by about 8 percent – the biggest decline in four months. Other contributing factors included rising median sales prices, that increased by 5.4 percent year over year during the four weeks ending February 4, and harsh weather in the first half of January that delayed a lot of homebuying deals across the U.S.

However, some house hunters are dipping their toes back into the market. A measure of the number of home tours across the country has increased 16 percent since the beginning of the year, compared with a 10 percent rise at this time last year. Some sellers are jumping in, too, with new listings up 7 percent year over year.

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California housing affordability at 16-year low

Source: CALIFORNIA ASSOCIATION OF REALTORS®

Elevated borrowing costs and a shortage of available homes for sale in the fourth quarter of 2023 kept California housing affordability suppressed at the lowest level in 16 years, according to the

CALIFORNIA ASSOCIATION OF REALTORS®. Only 15 percent of home buyers could afford to purchase a $833,170 median-priced, existing single-family home, down from 17 percent a year ago. The fourth-quarter 2023 figure is less than a third of the affordability index peak high of 56 percent in the first quarter of 2012.

A minimum annual income of $220,800 was needed to make monthly payments of $5,570, including principal, interest and taxes on a 30-year fixed-rate mortgage at a 7.39 percent interest rate. Twenty-two percent of homebuyers were able ot purchase the $650,000 median-priced condo or townhome. A minimum annual income of $174,000 was required to make a monthly payment of $4,350.

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U.S. Treasury rolls out new rules for all-cash real estate purchases

Source: Associated Press

The U.S. Treasury Department's Financial Crimes Enforcement Network proposed a regulation on Wednesday that would require real estate professionals to report the names of people behind anonymous limited liability companies and trusts involved in all-cash sales of residential real estate. Some home buyers and real estate investors form LLCs with cryptic names when purchasing property to help protect their privacy and to help guard against lawsuits. But the Treasury says that bad actors also often use shell companies to launder money through property purchases. Paying for a purchase

entirely in cash can in some cases allow a buyer to avoid scrutiny from financial institutions that are obligated to detect and report suspected incidents of money laundering.

The proposed rules would require settlement agents, title insurance agents, escrow agents and attorneys to report suspicious transactions. If the new rules are adopted, the public would have 60 days to submit comments on them after they are published.

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Weekly mortgage demand flattens as interest rates rise

Source: CNBC

Homebuyers are pulling back as interest rates nudge higher. Applications for mortgages to purchase a home fell 1 percent compared with the prior week and were 19 percent lower than the same week one year ago. The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($726,200 or less on average) increased to 6.80 percent from 6.78 percent, with points decreasing to 0.59 from 0.65 for loans with a 20 percent down payment. However, after the U.S. Labor Department released on Friday much higher-than-expected monthly employment numbers for January, the average rate on the 30-year fixed rate mortgage surged another 29 basis points that day and another 12 basis points on Monday after a manufacturing report also came in higher than expected.

Total mortgage application volume rose 3.7 percent last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. That rise, however, was all due to refinancing. Applications to refinance a home loan increased 12 percent for the week and were 1 percent higher than the same week a year ago. The refinance share of mortgage activity increased to 35.4 percent of total applications from 34.2 percent the week prior.

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