



# beyond the headlines



## What Does the Fed Rate Hike Mean to You?

Source: *The Los Angeles Times*

*The Los Angeles Times* advises potential home buyers to “proceed as planned” after the Federal Reserve Board announced Wednesday that it would raise interest rates.

The Fed raised the interest rate by 0.25 percent, and the next step for consumers depends on which side of the saving-borrowing divide they stand. *The Times* answers pressing questions from homeowners, home shoppers, and investors.

### Making sense of the story

- If you're all set to buy, don't let moderately higher mortgage rates worry you. Proceed according to plan. Although the long-term outlook seems to indicate steadily rising interest rates, we're building on very low ground. You know that whole “historically low mortgage rates” thing you've heard for the last few years? Yeah, we're still there.
- Yes, your buying power can be affected by higher interest rates, but that can also be offset by the better wages and greater employment opportunities of an improving economy.
- Thirty-year fixed mortgage rates rose more than half a percentage point in the four weeks after the election of Donald Trump, according to the NerdWallet Mortgage Rate Index. Rates are solidly over 4 percent for the first time this year. On a 30-year fixed-rate mortgage for \$300,000, each half-point increase adds close to \$100 a month to your payment.
- With additional Fed rate hikes expected next year, mortgage rates may have as much as another half a percentage point to go. That would put home loan interest rates just under 5 percent by the end of 2017. Refinance activity has already taken a hit because rates have climbed to their highest levels since July 2015.
- If you have an adjustable-rate mortgage, you'll probably see your payments increase over the next year, depending on how often your rate resets. Keep an eye on mortgage rates and consider moving to a fixed-rate loan. You may want to begin the mortgage shopping process soon if you intend to stay in your home for a few years.

Read the full story

<http://www.latimes.com/business/la-fi-fed-rate-personal-finance-20161214-story.html>

## **In other news...**

### **Home Builder Confidence Highest Since 2005**

*Source: Housingwire*

Home builders saw a significant boost in confidence after President-elect Donald Trump won the election, according to the National Association of Home Builders/Wells Fargo Housing Market Index.

This increase brought builder sentiment up seven points to a level of 70, the index's highest point since July 2005. Just before the election, builder confidence held steady, holding the HMI level at 63.

"This notable rise in builder sentiment is largely attributable to a post-election bounce, as builders are hopeful that President-elect Trump will follow through on his pledge to cut burdensome regulations that are harming small businesses and housing affordability," said NAHB Chairman Ed Brady, a home builder and developer. "This is particularly important, given that a recent NAHB study shows that regulatory costs for home building have increased 29 percent in the past five years."

Read the full story

<http://www.housingwire.com/articles/38764-home-builder-confidence-ends-the-year-at-highest-point-since-2005>

### **Is the Starter Home Making a Comeback?**

*Source: Daily Real Estate News*

Starter homes were largely viewed as a dying fad, but millennials are showing renewed interest. They believe the starter home may help turn them into a homeowner more quickly.

Six in 10 millennials recently surveyed by Berkshire Hathaway HomeServices expressed an interest in purchasing a starter home, seeking a place that may require some TLC and that they could fix up over time. Such homes tend to be more affordable and may offer them the ability to build credit and become a homeowner sooner, the company's latest Homeowner Sentiment Survey reveals.

Millennials say the top reason they're staying on the fence in moving forward on a home purchase is because they're struggling to save to buy their dream home. Of those holding out for their dream home, half of respondents cited the desire to go through the home-buying process only once and 37 percent said they don't want the hassles of renovating an older home.

Read the full story

<http://realtormag.realtor.org/daily-news/2016/12/15/starter-home-coming-back>

### **Who Gets to Live the American Dream?**

*Source: NPR.org*

The American dream is harder to attain than it used to be. People may have felt that for a long time. Now there's a body of research to back that up. One definition of the American dream is that your children will

make more money than you did. Now economists have charted the percentage of people who make more than their parents did at the same age, and the picture is striking.

The economists found that Americans are no longer as likely to make more than their parents did at the same age. NPR's Ari Shapiro talks to *New York Times* columnist David Leonhardt about what he calls the "Index of the American Dream."

Read the full story or listen to the podcast

<http://www.npr.org/2016/12/09/505012132/economists-chart-index-of-the-american-dream-in-the-new-york-times>

## **More Multi-Million Dollar Fixer-Uppers Sold As-Is**

*Source: The Mercury News*

Southern California has seen a surge in pricey houses on the market with phrases such as “fixer upper,” “TLC,” “needs work,” or “good bones,” an analysis by real estate website Zillow shows.

Expensive fixer-uppers, or those listed in the top third of their markets, saw the biggest increase in the number of as-is homes for sale around the nation over the last five years, going up 35 percent. By contrast, fixer-uppers in the bottom third of the market rose less than 3 percent.

“Rising home prices and tough buyer competition may be giving sellers more flexibility to list their home for sale ‘as-is’ without needing to fix it up first,” the report states.

Read the full story

<http://www.mercurynews.com/2016/12/12/multimillion-dollar-fixer-uppers-hot-ticket-socal-homes-offered-as-is-are-surgiving/>

## **Bill Proposed to Build More Homes**

*Source: The San Francisco News*

Newly elected California State Senator, Scott Wiener, introduced a bill that would legally require California cities to build more homes.

The former San Francisco Supervisor proposed Senate Bill 35 in Sacramento hours after being sworn into office on Monday, Dec. 5.

“The housing crisis is not just about it being hard for people today to find housing — that is a huge problem, and the housing crisis fuels evictions, displacement and makes it hard for families to grow,” said Senator Wiener said.

Read the full story

<http://www.thesfnews.com/new-bill-proposed-force-california-cities-build-homes/31475>

## **Podcast: Patt Morrison Asks Raphael Bostic About LA Housing Market**

*Source: The Los Angeles Times*

The Bay Area's housing costs are so preposterous that this year, Palo Alto — the capital of rich-tech — was considering housing subsidies for working families earning as much (or as little) as \$127,560 a year. Los Angeles' housing market looks reasonable by comparison.

The wide-open vistas belie the fact that Los Angeles is the densest urban space in the country — too few places to live and too many people wanting to live here. Raphael Bostic, who was an assistant secretary at the department of Housing and Urban Development, is now at USC's School of Public Policy, and he considers how the many catastrophes of the Oakland fire have made cities like L.A. rethink their own housing crises.

Read the full story or listen to the podcast

<http://www.latimes.com/opinion/op-ed/>

<http://www.latimes.com/opinion/op-ed/la-ol-bay-area-tech-housing-crisis-20161214-htlstory.html>

## What you should know

- U.S. home prices rose 7.7 percent in November, the largest year-over-year increase in 14 months, according to Redfin, the real estate brokerage. Home sales rebounded after a tepid October, growing 20.1 percent, the biggest annual gain since July 2015.
- “Last year we saw a temporary slump in November sales as new mortgage industry regulations went into effect and delayed some closings,” said Redfin chief economist Nela Richardson. “Now, those regulatory hurdles have largely been resolved but the market is by no means back to normal.”
- Competitive markets included San Francisco where 60.6 percent of homes sold above list price, followed by 53.8 percent in Oakland; 52.7 percent in San Jose 38.8 percent in Seattle; and 35.7 percent in Portland.
- Orange County ranked 17th in evictions among the 32 large metros, with one out of every 63 renters getting evicted that year. In Los Angeles County, the eviction rate ranked 20th with one out of every 80 renters losing their home.