



beyond the headlines



Is a mortgage with no closing costs right for you?

Source: Yahoo Finance

A mortgage isn't free -- there are fees associated with getting the loan. Those closing costs usually total thousands of dollars. Besides writing a check to pay those fees at the closing table, there's another way to pay them when you refinance your mortgage: by adding them to the loan amount. The result is called a no-closing-cost refinance. Many lenders offer them. However, you'll probably have to accept a higher interest rate over the life of the loan.

Making sense of the story:

- No-closing-cost mortgages are attractive to borrowers who don't have the cash to pay fees upfront. Waiving the closing costs may be the ticket to getting a mortgage for a new home or a refinance.
- If you don't plan to stay in your home for more than five years, a no-closing-cost mortgage also makes sense. With a traditional mortgage, it could take more than five years to recoup the closing costs.
- The slightly higher mortgage rate associated with a no-closing-cost mortgage is still likely to be less expensive over five years than what you would pay upfront in closing costs.
- Paying a slightly higher interest rate to forgo closing costs may also make sense if you need the cash to do renovations on your home.
- If you plan to stay in your home more than five years, then a no-closing-cost loan likely will end up costing you more than a loan with closing costs. That's true whether you're taking out a mortgage for a new purchase or refinancing an existing loan.
- Typically, you'll break even on your closing costs in a few years. Going with a no-closing-cost loan saddles you with a higher interest rate over the rest of the home loan. That could end up costing you a lot more than the upfront fees if you keep the mortgage for a long time.

Full story

<https://finance.yahoo.com/news/mortgage-no-closing-costs-100000844.html>

In other news...

Is California's housing crisis spinning out of control?

Source: New York times

California has a severe lack of affordable homes and apartments for middle-class families. The median cost of a home in the state has surged to \$500,000—double the national cost.

A booming economy, home construction, and apartments that haven't kept up with demand have all fueled a housing crisis throughout the state. Home prices in Los Angeles, San Francisco, San Jose, and San Diego have surged as much as 75 percent over the past five years alone.

Homelessness in California is also on the rise. In Silicon Valley, lines of parked recreational vehicles can be found with people living inside them. In Los Angeles, some local residents are reportedly installing makeshift kitchens and living in vans within quiet neighborhoods.

The state has introduced 130 housing measures this year. Among one of the most recent actions, the Senate approved a bill to crack down on communities that have delayed or derailed housing construction proposals. The bill would restrict the ability to use zoning, environmental, and procedural laws to kill projects that may be considered "out of character" with the neighborhood. The bill is expected to be voted on again later this summer.

Full story

<https://www.nytimes.com/2017/07/17/us/california-housing-crisis.html>

Foreigners buy record number of U.S. homes

Source: LA Times

Foreign home buyers scooped up a record number of residential properties in the United States in the last year, despite a rising dollar and political uncertainty, according to a survey released Tuesday.

The National Assn. of Realtors said foreigners bought 284,455 properties in the 12 months that ended March 31, about a third more than a year earlier. Dollar volume surged nearly 50% to \$153 billion, also a record for the survey first taken in 2009.

Chinese nationals were the biggest buyers, purchasing \$31.7 billion worth of property, up from \$27.3 billion a year earlier and more than ever before, the Realtors said.

But the largest increase came from a surge in buyers from Canada, where prices have skyrocketed in recent years, partially due to Chinese investment there.

Canadians purchased \$19 billion worth of residential property, compared with \$8.9 billion in the 12 months ended March 2016, the Realtors said in their annual report on international investment.

Full story

<http://www.latimes.com/business/la-fi-foreign-buyers-20170718-story.html>

California's highest home prices found in Bay Area

Source: NBC Bay Area

Supply and demand economics are escalating housing prices across California, particularly in the Bay Area.

In June, the state's median home price was \$555,150, representing a 0.9 percent increase from May and a whopping 7 percent jump from June 2016, according to a new report by the California Association of Realtors.

In the Bay Area, meanwhile, housing supply cannot keep pace with job growth, hiking up prices. The local median home price climbed to \$908,740, a 1 percent bump from May's \$899,730. But, at just shy of a million dollars, that price tag is 7.9 percent higher than June 2016's \$841,960, outpacing the statewide cost increase.

A closer look at the report's year-over-year sales growth reveals that Santa Clara County's median home price jumped 12.6 percent to \$1,182,500 while Alameda County's rose 12.1 percent to \$900,000. It increased 9.8 percent to \$1,433,750 in San Mateo County, 8.8 percent to \$1,469,000 in San Francisco County and 5.6 percent to \$660,000 in Contra Costa County.

Full story

<http://www.nbcbayarea.com/news/local/Bay-Areas-Tight-Housing-Market-Reflected-in-States-Highest-Home-Prices-435271133.html>

Mortgage applications jump as borrowers rush to refinance

Source: CNBC

Perhaps homeowners were scared by the recent jump in interest rates or by the expectation of higher rates ahead, but something sparked a jump in people applying for a mortgage refinance last week.

Total application volume rose 6.3 percent for the week from the previous week. The Mortgage Bankers Association's seasonally adjusted index shows volume remains 31 percent lower than a year ago, when interest rates were lower.

Refinance volume had been falling after rates moved slightly higher, but refinance applications increased 13 percent last week, even as mortgage rates remained steady. With rates at near-historic lows for so long, even tiny rate moves can spook borrowers.

Full story

<http://www.cnbc.com/2017/07/19/mortgage-applications-jump-as-borrowers-rush-to-refinance.html>

Opinion: A better way to solve the housing crisis – tax land, not development

Source: LA Times

To address Los Angeles' housing crisis, Mayor Eric Garcetti has proposed a "linkage fee" on new development. The city would charge new residential developments of more than five units \$12 a square foot, and new commercial developments \$5 a square foot, to finance subsidized affordable housing.

This proposal is well-intentioned. Given our politics, and the realities of Proposition 13, it might be the best L.A. can do. But it won't raise much money or build much housing, and it dodges rather than solves the fundamental problem in our housing policy. We should try for better.

Linkage fees essentially tax new development, but housing in Los Angeles is expensive because L.A. doesn't have much development. With little to tax, revenue would stay low, and so would affordable housing production. City Hall predicts that the fee will raise \$100 million a year. Affordable housing costs, on average, almost \$450,000 per unit to build. That works out to about 225 units annually. Those units would unquestionably change the lives of the people who got them, but the city needs hundreds of thousands, not hundreds, of affordable units.

Full story

<http://www.latimes.com/opinion/op-ed/la-oe-manville-monkonnen-linkage-fee-20170719-story.html>

What you should know

The more you know about mortgages, the better prepared you'll be. Here are some mortgage tips for first-time buyers, including:

- **Know your credit score.** The credit score can be a big key to knowing how much buyers can afford and how much interest they'll be paying. Home shoppers should be encouraged to check their credit report and FICO score before even starting the homebuying process.
- **Estimate how much can be borrowed.** Lenders generally don't like to see a monthly housing payment—one that includes taxes and insurances—that's more than 28 percent of a pretax income. The percentage threshold often cited for total debt—which includes the mortgage payment—is then no more than 36 percent. Some lenders will offer differing percentages but these are the most commonly used.
- **Gather the docs.** Buyers will need documents showing their income, employment situation, identity, and more when applying for a mortgage. Encourage them to start collecting their latest tax returns, bank and brokerage statements, pay stubs, W-2s, Social Security card, marriage license (if applicable), and contact numbers for their employer's HR department.
- **Get pre-approved.** A preapproval is similar to a full mortgage approval and can be submitted with an offer on a home. It shows the seller the seriousness of the buyer, who has already secured financing to purchase the house.
- **Add up closing costs.** Closing costs generally range from 2 to 3 percent of a mortgage principal amount. Make sure your buyers factor in closing costs to their overall homebuying budget.