



# beyond the headlines



## **If GOP scales back mortgage interest deduction, Californians would be hit hardest**

*Source: Los Angeles Times*

For decades, the home mortgage interest deduction has been one of the most sacred of cows in the U.S. tax code. Now, Republicans crafting legislation to overhaul the federal tax system and cut rates are considering placing new limits on the home mortgage interest deduction. And thousands of Californians could feel the pain.

Making sense of the story:

- Homeowners now are allowed to deduct interest paid on as much as \$1 million of mortgage debt. Congressional Republicans and White House officials are looking at reducing the limit to \$500,000, which would lead to billions of dollars more in federal revenue every year.
- Homeowners still would be able to deduct interest on the first \$500,000 of a mortgage, but would lose the deduction for interest paid on any amount above that level.
- Most Americans would not be affected by such a change, either because they own their homes outright, their mortgages are less than \$500,000, or they don't have enough deductions to file an itemized tax return.
- But in states with high earners and pricey real estate, reducing the mortgage interest deduction would force hundreds of thousands of homeowners to pay more taxes.
- The California Association of REALTORS® estimates if Congress were to move forward with a cap on the mortgage interest deduction for loan amounts up to \$500,000, a quarter of California's home sales would be impacted, and those home buyers would end up paying more in taxes. And for those in Southern California, nearly one-third would be affected.

Full story

<http://www.latimes.com/business/la-fi-mortgage-tax-deduction-20170828-htm1story.html>

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

### **Weekly mortgage applications drop as borrowers wait for lower rates**

*Source: CNBC*

Mortgage interest rates are at the lowest level since last November, but not quite at the lows of last year. That is part of why mortgage volume is weakening. The other factor is a shrinking number of sales as potential buyers struggle to find and afford their dream homes.

Total mortgage application volume decreased 2.3 percent on a seasonally adjusted basis last week, compared with the previous week, according to the Mortgage Bankers Association. Applications are now down nearly 25 percent compared with a year ago, largely due to the lack of homeowners refinancing their loans.

Applications to refinance fell 2 percent for the week and are down 41 percent from a year ago.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of \$424,100 or less decreased to 4.11 percent from 4.12 percent, marking its lowest level since November 2016. Points rose to 0.43 from 0.39, including the origination fee, for 80 percent loan-to-value ratio loans.

Full story

<https://www.cnbc.com/2017/08/30/weekly-mortgage-applications-fall-as-borrowers-wait-for-lower-rates.html>

### **The pros and cons of a recording fee for real estate documents**

*Source: KPCC Radio*

When California's crippling affordable housing crisis comes up, two problems that should surprise no one often emerge among the biggest hurdles to get past: funding and supply. In order to build up the supply, you've first got to have funding, which is the aim of one affordable housing bill that's part of a larger package currently making its way through the legislature.

Senate Bill 2, also known as the Building Homes and Jobs Act, would impose a fee ranging from \$75 to \$225 "to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded."

Full story

<http://www.scpr.org/programs/airtalk/2017/08/29/58847/debating-ca-senate-bill-that-would-charge-fee-on-r/>

## **How Harvey could speed short-term flood insurance fix**

*Source: National Mortgage News*

The massive flooding in Texas from Hurricane Harvey is sure to put pressure on lawmakers to resolve differences over the National Flood Insurance Program, but observers say a short-term reauthorization of the program before a Sept. 30 deadline is still the most likely scenario.

The House Financial Services Committee passed measures earlier this year to reauthorize the NFIP but that would aim to cut the program's debt by shifting more policy holders to the private market. Panel Chairman Rep. Jeb Hensarling, R-Texas, has also made it known he would be open to winding down the program altogether.

The National Association of REALTORS® has issued a nationwide Call-for-Action asking that all REALTORS® urge Congress to reauthorize the National Flood Insurance Program (NFIP) before its current authority expires.

[Please respond to NAR's Call for Action today](http://www.car.org/difference/getinvolved/narfloodins) here:  
<http://www.car.org/difference/getinvolved/narfloodins>

Full story

<https://www.nationalmortgagenews.com/news/how-harvey-could-speed-short-term-flood-insurance-fix>

## **Top 10 metros where millennials are moving**

*Source: Housing Wire*

Millennials are finally starting to get active in the real estate market. After the 2008 financial crisis, many millennials returned home to live with their parents or shared expenses with roommates. Now, millennials 36 and younger represent the nation's largest share of home buyers at 34 percent, according to the National Association of REALTORS®.

Despite the idea that millennials move around and don't want to be tied down, young people today are actually less likely to move than previous generations.

In fact, data from the U.S. Census Bureau shows the mobility rate for young people currently sits at the lowest rate in 50 years. But SmartAsset, a financial data and technology company, analyzed the migration patterns of those 20- to 34-year-olds millennials who did choose to move.

Full story

<https://www.housingwire.com/articles/41131-here-are-the-top-10-metros-where-millennials-are-moving>

## Top hottest real estate markets for August

Source: *Realtor.com*

Home prices remained at seasonal and historical peaks, and yet homes also sold at a record pace in August, moving off the market 8 percent faster than last year, according to a preliminary analysis of the month's data on Realtor.com®. That's because the lack of homes for sale has been spurring desperate buyers to bid up prices and move quickly to close.

The realtor.com economic team ranked the 20 top medium-to-large metropolitan markets where homes are selling like hotcakes and buyers are clicking up a storm on Realtor.com. These extra-hot markets are the place to be if you're selling a home—or if you want to invest in an in-demand locale.

Northern California nets a trifecta this month, with Vallejo at No. 1, followed by nearby San Jose and San Francisco. In fact, 10 of the list's 20 metro markets—which typically include a main city and its closest suburbs—are in California.

Full story

<http://www.realtor.com/news/trends/hottest-markets-august-2017/>

### What you should know

- Mortgage applications decreased 2.3 percent from one week earlier, according to data from the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey for the week ending August 25, 2017.
- The Market Composite Index, a measure of mortgage loan application volume, decreased 2.3 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index decreased 4 percent compared with the previous week.
- The Refinance Index decreased 2 percent from the previous week. The seasonally adjusted Purchase Index decreased 3 percent from one week earlier. The unadjusted Purchase Index decreased 5 percent compared with the previous week and was 4 percent higher than the same week one year ago.
- The refinance share of mortgage activity increased to 49.4 percent of total applications from 48.7 percent the previous week. The adjustable-rate mortgage (ARM) share of activity increased to 6.9 percent of total applications.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$424,100 or less) decreased to its lowest level since November 2016, 4.11 percent, from 4.12 percent, with points increasing to 0.43 from 0.39 (including the origination fee) for 80 percent loan-to-value ratio (LTV) loans. The effective rate remained unchanged from last week.
- The average contract interest rate for 15-year fixed-rate mortgages decreased to its lowest level since November 2016, 3.36 percent, from 3.40 percent, with points remaining unchanged at 0.38 (including the origination fee) for 80 percent LTV loans. The effective rate decreased from last week.