beyond the headlines

How home buyers can overcome tough competition

Source: Kiplinger

Redfin Chief Economist says to win in a hot market, home buyers should take advantage of technology to find homes as soon as they are listed.

Making sense of the story:

- Arm yourself with tech tools to find available homes quickly. With the variety of apps available today, you can receive listing alerts so that you're notified as soon as a home in your price range or search area hits the market.
- Buyers will gain an advantage from whatever concessions they can offer. Instead of a small earnest-money deposit, we've seen buyers put into escrow their entire down payment or even half of the purchase price.
- You needn't waive a contingency for inspection in the purchase contract. Rather, you can agree to pay the seller, say, $2,500, or next month's mortgage payment, if you walk away.
- Work with a local or reputable lender to get a preapproval for your mortgage that includes full documentation of your means to obtain a certain amount of financing in advance of a signed purchase contract. That may give you the confidence to waive a contingency for financing, and it's almost as good as cash for closing a deal quickly.
- Because sellers can sell their homes in days but may take months to buy, you can gain leverage by offering to "rent back" their home to them for a certain number of months.
- Fall can be a good time to buy a home because prices generally peak in the summer and ease up in the fall. There's a bit less inventory, but many fewer buyers. Plus, sellers who list in the fall are serious because they must leave because of job relocation, divorce or something else that made them miss the top of the season.

Full story
http://www.kiplinger.com/article/real-estate/T010-C000-S002-how-home-buyers-can-overcome-tough-competition.html

In other news…

Low risk of a U.S. housing correction

Source: CNBC

Sales and prices are moving so quickly that appraisals are not keeping up. If the appraisal doesn't match the contract price, the buyer doesn't get the mortgage, and the deal dies.

New research from JPMorgan examining historic data found that the risk of a dramatic decline in prices is low, despite current fears of a correction in the U.S. and Canada.

Using data from 14 developed countries dating back to 1950, JPMorgan's research found that sharp price corrections have been relatively uncommon, even following large price increases.

"The data show that sustained increases in real house prices have been the norm rather than the exception in the post-World War II era, as rising populations and incomes have pushed up land prices," Jesse Edgerton, U.S. analyst from the investment bank's economic and policy research team, said in the report entitled "Quantifying housing correction risk in Canada and the U.S."

The research comes as fears grow over a housing bubble forming in the West, particularly in countries like the U.S., Canada and Australia. Since the beginning of the global housing boom around the year 2000, real U.S. housing prices are up 29 percent and Canadian prices up 138 percent, Edgerton noted.

Full story
https://www.cnbc.com/2017/07/26/jpmorgan-points-to-low-risk-of-a-us-housing-correction.html

Freddie Mac kills 1 percent down payment mortgages

Source: Housing Wire

Mortgage financing giant Freddie Mac will begin this fall to tighten restrictions on low down payment mortgages that allow borrowers to only contribute 1 percent of the home's purchase price. Borrowers will now be required to come up with at least 3 percent in order to then receive any contribution from a lender.

Freddie Mac and Fannie Mae started the low down payment offerings in 2014 by rolling out 3 percent down mortgages. Some lenders—like Quicken Loans and Guaranteed Rate—then rolled out mortgages with down payments as low as 1 percent. With those programs, the lender "granted" 2 percent of the down payment to the borrower and added that to the borrower's 1 percent contribution. They then arrived at the 3 percent needed to qualify for a Fannie or Freddie low down payment mortgage. Under the new guidelines, however, such ways to arrive at 3 percent down payment will no longer be permitted.

Gifts or grants from the seller must not be funded through the mortgage transaction, such as differential pricing in rate, discount points, or fees for individual loans. Lenders are no longer allowed to roll the 2 percent gift back into the loan, under the revised guides.

The new updates take effect Nov. 1.

Full story
https://www.housingwire.com/articles/40809-freddie-mac-kills-1-down-payment-mortgages

Sellers net highest profit in a decade

Source: RealtyTrac/ATTOM Data Solutions

Home sellers in the second quarter of this year sold their properties for an average $51,000 more than they paid for them when they bought them. That's the highest price gain for sellers since the second quarter of 2007, when it was $57,000, according to a new report by real estate data form ATTOM Data Solutions. This represents an average return on investment of 26 percent.

The report also shows that homeowners who sold in the second quarter had owned an average of 8.05 years, up from 7.85 years in the previous quarter and up from 7.59 years in Q2 2016 to the longest average homeownership tenure as far back as data is available, Q1 2000.

All-cash sales represented 28.9 percent of all single family and condo sales in Q2 2017, down from 31.3 percent of all sales in the first quarter, but up from 27.3 percent of all sales in Q2 2016 — the first annual increase in the share of cash sales since Q1 2013.

Out of 118 metro areas with at least 1,000 homes sales in the second quarter, ATTOM Data Solutions found that San Jose (75 percent), San Francisco (65 percent), Seattle (63 percent), Modesto (62 percent), and Denver (62 percent) had the highest percentage of sales in which sellers got top dollar.

Full story
http://www.realtytrac.com/news/home-prices-and-sales/q2-2017-home-sales-report/

Homeownership rate jumps from 50-year low

Source: The Wall Street Journal

The U.S. homeownership rate may have finally bottomed out, as the share of Americans who own homes is steadily climbing. The ownership rate posted an increase in the second quarter, reversing a sharp downward trend that begun in the Great Recession.

The homeownership rate was 63.7 percent in the second quarter, the U.S. Census Bureau reported. That marks nearly a full percentage point increase from a year ago. Last year, the homeownership rate had plunged to a 50-year low of 62.9 percent.

"The addition of 1.2 million households being homeowners is clearly good news, as more households are participating in housing equity gains," says Lawrence Yun, chief economist for the National Association of REALTORS®. "But let's keep it in perspective: There are fewer homeowners today compared to a decade ago, while renter households have risen by 8 million. So it is still the case that the massive $7 trillion in housing wealth gains from the cyclical low point has been accumulated by a fewer number of families in America. Further advances in homeownership are required to strengthen and broaden the middle class."

Full story
http://www.marketwatch.com/story/homeownership-rate-jumps-from-50-year-low-2017-07-27

Multigenerational living makes a comeback

Source: Realtor.com

It was the cycle that defined American life for decades. People got married, bought a house, and started a family. The kids grew up, left the nest, and didn't come back. The empty nesters then downsized to a smaller place to enjoy their golden years. Their kids eventually started families of their own, and bought their own homes. And so it went. Instead of the circle of life within a household, it was more like a straight line.

But in recent years, the line has begun curving again. This entrenched societal pattern is becoming upended in favor of a mode of living that harks back to an earlier era.

Fueled by economic and cultural factors, a growing number of people are moving back in with their folks, or opening their homes to their aged parents. It's a large-scale change making its impact felt in all corners of the real estate market—and American life itself.

Nearly 1 in 5 Americans is now living in a multigenerational household—a household with two or more adult generations, or grandparents living with grandchildren—a level that hasn't been seen in the U.S. since 1950. About 60.6 million adults, or 19 percent of the population, were residing with their family in 2014, according to the Pew Research Center's analysis of census data, up from 57 million in 2012.

Full story
http://www.realtor.com/news/trends/multigenerational-housing-rising/

What you should know

- Total mortgage application volume rose just 0.4 percent seasonally adjusted compared with the previous week, according to the Mortgage Bankers Association.
- Total mortgage application activity for home buying and refinancing continued to edge down last week, dropping 2.8 percent on a seasonally adjusted basis, the Mortgage Bankers Association reported Wednesday. Mortgage volume is now 22 percent lower compared to the same week a year ago.
- Mortgage rates are hovering around their lowest levels in five weeks, which means home shoppers may not be feeling the same pressure to lock in before an increase. However, the lower volume is mostly due to a decrease in refinancing as applications to refinance a home dropped 4 percent for the week. Refi activity is now 41 percent lower than the same week a year ago, when interest rates were also much lower.
- Still, applications to purchase a home dropped 2 percent last week in the second consecutive week of declines. Home purchase applications are now at the lowest levels since March. But applications are 9 percent higher than the same week a year ago.
- The average interest rate on a 30-year fixed-rate mortgage was unchanged at 4.17 percent last week, the MBA reports.