Table of Contents

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SOCIAL BENEFITS OF HOMEOWNERSHIP

Source: The Journal of the Center for Real Estate Studies

Improved educational performance, higher civic participation, lower crime rates, and improved health remain the biggest social benefits linked to homeownership, according to a new research paper by NAR Chief Economist Lawrence Yun and research economist Nadia Evangelou, which appears in The Journal of the Center for Real Estate Studies.

Some findings from the latest research cited in the paper include:

- Health. Children of homeowners tend to be happier and healthier than children of nonowners, even after factoring in income and education levels. More recently, studies have found the wealth-building effect of

HOUSE REPUBLICAN TAX REFORM PLAN WILL SLASH MORTGAGE DEDUCTION

Source: Housing Wire

Republicans announced their new tax plan, Tax Cuts and Jobs Act, Thursday, and its implications on the housing market are much larger than expected. The bill, H.R. 1, cuts the mortgage interest deduction in half. It's previous limit was $1 million.

Many experts feared the increase in the standard deduction, which the new plan increased from $12,000 to $24,000 per household, saying it could make the mortgage interest tax deduction less appealing, however, lowering the tax deduction has brought even more outcry from the housing industry.

The National Association of Realtors, who has been one of the most vocal defenders of the mortgage interest deduction, released this statement on the new plan:

"We are currently reviewing the details of the tax proposal released today, but at first glance it appears to confirm many of our biggest concerns about the Unified Framework," NAR President William Brown said. "Eliminating or nullifying the tax incentives for homeownership puts home values and middle class homeowners at risk, and from a cursory examination this legislation appears to do just that. We will have additional details upon a more thorough reading of the bill."

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SAN DIEGO HOME PRICE INCREASES OUTPACE NATION

Source: Los Angeles Times

San Diego had the third highest annual home price increase in the nation in August, a distinction not reached since 2014, said a top real estate index released Tuesday.

San Diego County home prices have risen 7.8 percent in a year, said the S&P Case-Shiller Indices, which are adjusted for seasonal swings. Only Seattle and Las Vegas had bigger increases homeownership and the sense of control it often brings in a stable housing market can positively affect homeowners' mental and physical health. On the other hand, some studies suggest that areas where housing distress is high tend to see greater rates of mental health and stress-related health diagnoses among residents.

- Crime. Research has confirmed homeowners have a lower instance of involvement in crime than nonowners. Also, neighborhoods with stable housing options—regardless of ownership structure—are more likely to have lower crime rates. Some studies have found, however, that foreclosure levels do influence burglary and violent crime rates.
- Education. Researchers have found homeowners tend to accrue more wealth and save more money—such financial practices are associated with lower rates of homeowners' children dropping out of school.
- Civic engagement. Homeownership and residential stability continues to be linked with an increased likelihood of electoral participation. Homeowners remain more likely to participate in local elections and civic groups than renters, the paper states.
- "Owning a home embodies the promise of individual autonomy and is the aspiration of most American households," the researchers note. "Homeownership allows households to accumulate wealth and social status, and is the basis for a number of positive social, economic, family, and civic outcomes.

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FED HOLDS INTEREST RATES STEADY

Source: USA Today

AThe Federal Reserve held its key interest rate steady Wednesday but provided an upbeat economic outlook that leaves the door open to an anticipated rate hike in December despite persistently weak inflation.

In a statement after a two-day meeting that occurred against a backdrop of imminent changes in the central bank's leadership, the Fed said it left its benchmark federal funds in the 20-city index.

In the last two years, the San Diego region has averaged around 10th place in the index, making August's jump noteworthy to industry watchers. San Diego's yearly increases outpaced the nationwide gain of 6.1 percent and the rest of California.

The indicies go beyond just looking at the median home price of a region, evaluating home transaction prices to track repeat sales of identical single-family houses as they turn over through the years.

The median home price in San Diego County was $535,000 in September, CoreLogic reported last week.

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HOMEOWNERSHIP RATE RISES TO HIGHEST LEVEL SINCE 2014

Source: Housing Wire

The national homeownership rate continued its slow trek back above last year's historic lows in the third quarter, rising to levels not seen since 2014.The latest data from the U.S. Census Bureau released this week shows that the homeownership rate rose to 63.9 percent in the third quarter from 63.7 percent in the second quarter. In last year's third quarter, the homeownership rate was 63.5 percent.

While the Census Bureau notes that neither increase was "statistically different," the homeownership rate is now a full percentage point above 2016's second quarter, when the homeownership rate fell to it lowest level since 1965.

Before falling to that historic low, the homeownership rate trended down since it peaked above 69 percent during the height of the housing boom.But now, the downward trend appears to be finally turning in a positive direction with the homeownership rate climbing, albeit modestly, over the last several quarters – as seen in the chart below.

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rate unchanged at a range of 1 percent to 1.25 percent as expected.

But Fed policymakers said, “the labor market has continued to strengthen” and “economic activity has been rising at a solid rate despite hurricane-related disruptions.” The economy grew at a surprisingly strong 3 percent annual rate in the third quarter despite Hurricane Harvey in Texas and Hurricane Irma in Florida, the government said last week.

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TALKING POINTS

- InThe Mortgage Bankers Association’s weekly report on mortgage applications noted a decrease of 2.6 percent in the group's seasonally adjusted composite index for the week ending October 27.
- During the week, mortgage loan rates rose on all five loan types that the MBA tracks with four rising to multi-month highs.
- Mortgage loan rates rose to their highest level since July on 30-year fixed, 15-year fixed and FHA loans last week. Rates for adjustable-rate loans rose to their highest level since March.
- According to the MBA, last week's average mortgage loan rate for a conforming 30-year fixed-rate mortgage rose from 4.18 percent to 4.22 percent. The rate for a jumbo 30-year fixed-rate mortgage rose from 4.11 percent to 4.16 percent. The average interest rate for a 15-year fixed-rate mortgage increased from 3.48 percent to 3.52 percent.
- The contract interest rate for a 5/1 adjustable rate mortgage loan increased from 3.29 percent to 3.33 percent. Rates on a 30-year FHA-backed fixed rate loan rose from 4.04 percent to 4.07 percent.

STUDENT LOANS MAKING IT HARD FOR FIRST-TIME HOMEBUYERS

Source: CNBC

As the economy and wages improved in 2017, first-time homebuyers were finally moving back into the market — until that turned around again. The share of sales to first-time buyers fell to 34 percent in 2017, down from 35 percent in 2016, according to the National Association of Realtors' annual Profile of Home Buyers and Sellers. That is the fourth-lowest share in the survey's 36-year history. First-time buyers historically make up closer to 40 percent of homebuyers.

The drop in buyers is, in part, due to a rise in student-loan debt. For those who did buy, 41 percent said they had student debt, up from 40 percent in 2016. The average amount of debt also increased to $29,000 from $26,000 last year.

More than half of buyers owed at least $25,000, and a sizable share said that debt delayed their saving for a down payment. And that down payment had to be larger, given the lack of affordable homes for sale.

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