

REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

March 2023

Due For Another Surprise?

There is no doubt that the jobs report was a major shocker at the beginning of this month. We actually thought that we were about to slip into recession, but there is no evidence that the job market is slipping at all. Here is a basic concept—you can't have a recession when the economy is adding millions of jobs each year. We were watching for a slowdown in job growth as a recessionary signal, but saw quite the opposite as we added over 500,000 jobs in January alone. Welcome to the economic twilight zone!



Now before we get too excited, these jobs reports are adjusted twice before they are finalized. Thus, we would not be surprised to see a downward revision in the January numbers when the February jobs report is released. However, the January numbers were so strong, even a sharp revision leaves us with a great two months of job growth. Another basic concept—we can't keep adding 500,000 jobs per month. Thus, we should expect some sort of gravitation towards the mean with this report. Even negative jobs growth for a month would still average out to a healthy start to the new year.

Let's add one more concept. The Federal Reserve now has plenty of ammunition to keep raising rates a bit longer, as long as the economy keeps creating jobs—especially after the strong January retail sales report. There must be evidence that the economy is slowing for them to hit their proverbial "pause button." We would expect that the markets will be watching February's jobs report very closely. Hopefully there is no more "jack" left in the box!...

Monthly job creation in the U.S.

January 2022 through January 2023

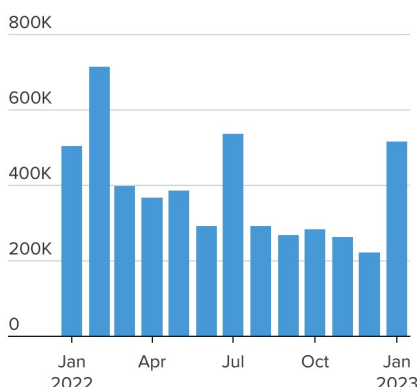


Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics via FRED
Data last published Feb. 3, 2023



Conforming Pricing Changes

Fannie Mae and Freddie Mac have implemented an entirely new spectrum of Loan-Level-Price-Adjustments which will affect many purchasing or financing a home going forward. The new pricing includes a wide-range of changes:



- Higher pricing for Debt-to-Income Ratios over 40%.
- Lower pricing for investors and second homes.
- Lower pricing for those with low credit scores and/or those putting less down.
- Higher pricing for refinances, especially cash out.
- Higher pricing for some with higher, but not the highest credit scores – even if putting over 10% down.

The pricing schematic is very complex, which makes it important to get your prospects to a lender as quickly as possible.

With more time to work, the lender has a better chance of optimizing their financial situation and the transaction to achieve the best price. In addition, for those who are already pre-approved, the pre-approval should be reviewed immediately...

Sources: Fannie Mae & Freddie Mac

Selected Interest Rates

February 23, 2022

30 Year Mortgages	6.60%
2022 High (Nov 10)	7.08%
2022 Low (Jan 6)	3.22%
15 Year Mortgages	5.76%
10 Year Treasuries	3.90%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Sellers Made Profits in 2022

ATTOM said U.S. home sellers nationwide realized a \$112,000 profit on the typical sale last year, up 21 percent from \$92,500 in 2021 and up 78 percent from two years ago. Despite a market slowdown in the second half of last year, profits rose from 2021 to 2022 in 98 percent of housing markets with enough data to analyze, ATTOM said in its Year-End 2022 U.S. Home Sales Report. The latest nationwide profit figure, based on median purchase and resale prices, marked the highest level in the U.S. since at least 2008.

The report noted the \$112,000 profit on median-priced home sales in 2022 represented a 51.4 percent return on investment compared to the original purchase price, up from 44.6 percent last year and from 32.8 percent in 2020. The latest profit margin also represented a high point since at least 2008. Both raw profits and ROI have improved nationwide for 11 straight years, shooting up again in 2022 as the national median home price increased 10 percent to \$330,000—yet another annual record, ATTOM reported. But at the same time, profits increased at a slower pace than in 2021, reflecting a year when the nation's decade-long housing boom stalled!...

Source: ATTOM

Did You Know...

Recently both FHA and VA announced a significant reduction in costs for homebuyers. FHA is reducing the monthly mortgage insurance premiums for the vast majority of borrowers by approximately 35%! The typical FHA borrower puts 3.5% down to obtain a 30-year fixed mortgage. The monthly premium on that loan is being reduced from .85% to .55%.

VA also announced a reduction in costs. VA charges an upfront funding fee, which can be financed into the mortgage amount. The funding fee for first time use and less than 5% down was reduced from 2.30% to 2.15%. The funding fee for subsequent use and less than 5% down was reduced from 3.60% to 3.30%.