REAL ESTATE UPDATE

Volume 17 Issue 8 August 2023

THIS NEWSLETTER IS BROUGHT TO YOU BY:

John Doe
Senior Loan Officer
Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

Specializing in

- ☑ Residential Purchases
- ☑ Residential Refinances
- ☑ Commercial Properties
- ☑ Home Equity Loans

The Dog Days Edition

Every year we seem to publish the "Dog Days of August" edition. And there is always new fodder for the edition. Certainly, August a few years ago was unique because we were in the height of the pandemic. This year, the battle between good and evil is taking place within our economy. What is the good? A remarkable jobs machine cranking out hundreds of thousands of jobs every month which is contributing to a resilient economy. Early this month we will get another picture of the employment situation representing what is right with today's picture.

What is evil?

The Federal Reserve continuing to hike interest rates in an attempt to knock the resilient economy off of its perch. It seems the Fed will not rest until they pull the economy into a recession. The bottom line is that interest rates are going higher for a longer period of time because the Fed does not want the economy to be doing this well. Of course, they are using this economic poison to fight another evil – inflation. The Fed would be happy to have an expanding economy if inflation was under control.

So, the real Dog Days of August question this year is—can the Fed bring

Continued on Page 3

Did You Know…

CoreLogic's Single-Family Rent Index (SFRI) recorded an annual increase of 3.4 percent in May. Since the start of the pandemic, single-family median rents have increased by $470, or 30 percent. The company does not see rents declining in the near term.

"After increasing at an accelerated pace for more than two years, annual single-family rent growth returned to the pre-pandemic rate in May," said Molly Boesel, principal economist for CoreLogic. "High inflation may be affecting renters' abilities to absorb continually higher monthly payments, which could be keeping year-over-year rent increases relatively low."

Selected Interest Rates

July 20 2023

30 Year Mortgages———6.68%
2022 High (Nov 10)——7.08%
2022 Low (Jan 6)———-3.22%
15 Year Mortgages———6.06%
10 Year Treasuries———3.85%

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.

In This Issue

Skip The Fine China

According to research from Realtor.com and Censuswide, fine china and other traditional wedding gifts are out, and cash wedding gifts that are contributions toward homeownership are in. The research was conducted by Censuswide, with 2,291 respondents in the U.S. including 755 people who have created a wedding registry in the last 24 months.

"It's extremely difficult for first-time homebuyers right now," Realtor.com executive news editor Clare Trapasso tells FOX Business. "Any extra financial assistance they receive can mean the difference between becoming home-owners and remaining renters.

The study found that newlyweds would rather gift-givers skip traditional presents in favor of financial gifts toward the purchase of a home. Newlyweds polled for the survey who have had a wedding registry in the last 24 months reveal this cash-focused gift trend is spot-on, as 85% say they would have preferred to have received money toward a down payment on a home, rather than a physical gift. And 80% said that if they were creating a gift registry today, they would include an option for people to give them money toward home-buying expenses, such as a down payment, a mortgage payment or closing costs, according to the survey...

Source: Fox Business

Should You Consider An...

The popularity of adjustable rate mortgages (ARMs) rises and falls depending upon the overall direction of interest rates, as well as the spread between fixed rate mortgages and adjustables. There are many reasons why one might opt for an adjustable rate mortgage. In analyzing whether you might be a viable candidate for an adjustable, there are many facets you may want to consider before making a decision:

What is the current interest rate spread between a fixed rate and an adjustable?

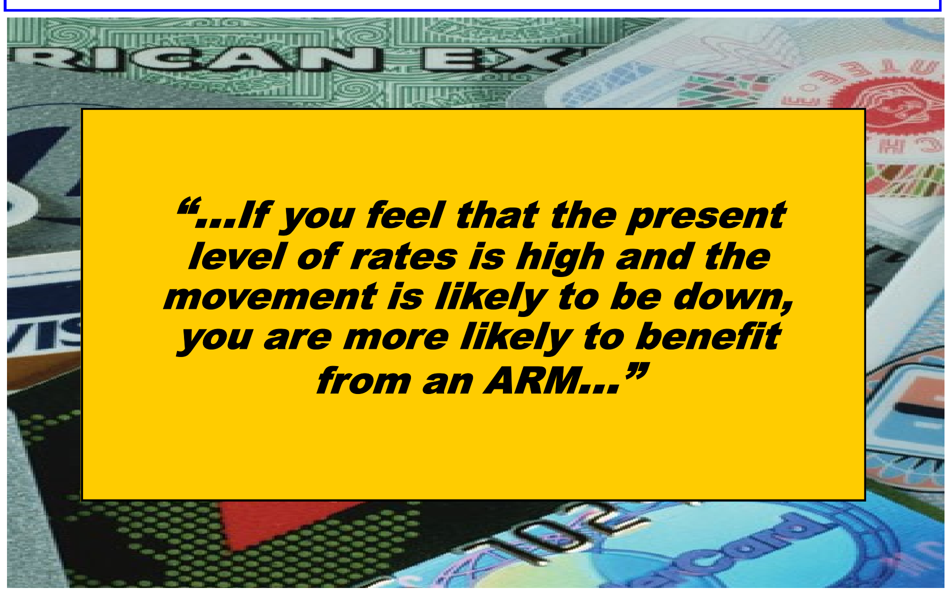
Fixed mortgage rates are based upon long-term interest rates while most adjustables are based upon short-term rates. For example, a one-year adjustable will typically be priced off current one year T bills. Short-term rates are typically lower than long-term rates, which is why adjustables will have starting rates below fixed rate loans. The difference between the two, the spread, is not always the same. If fixed rates are at 5.0% and a one-year adjustable starts at 2.0%, the benefit is clearly seen. If the adjustable starts at 4.5%, the choice is not so clear.

How long are you going to keep the mortgage?

Note that the question here is not how long you live in the house. If you convert the home to rental property sometime in the future, you will still be making payments on the mortgage. Also, you may refinance the mortgage in the future and remain in the property. Factors that might affect your long-term use of the mortgage might be your job stability, mobility and the current interest rate of the mortgage. For example, if you purchase a home and obtain a mortgage during a period of relatively high mortgage rates, a refinance is more likely in the future. The average life of a mortgage in the United States ranges from five to seven years depending upon the economic and interest rate environment.

Which direction do you think mortgage rates will move?

If you feel that the present level of rates is high and the movement is likely to be down, you are more likely to benefit from an ARM. Note that an opinion of the future of interest rates is just that — an opinion. Yet, if rates have recently moved up, they are more likely to move lower in the future.



"...If you feel that the present level of rates is high and the movement is likely to be down, you are more likely to benefit from an ARM..."

…Adjustable Rate Mortgage?

What is the life cap of the adjustable as compared to the present level of fixed rates?

The major advantage of fixed rates over adjustables concerns the issue of security. With a fixed rate mortgage one will be secure in having the knowledge of their payment over the life of the loan. With an adjustable, long term security comes in the form of a cap on the mortgage rate. This cap is the maximum rate over the life of the loan. If this maximum is close to the present level of fixed rates, then we can say that the worst case is palatable. If fixed rates are presently 6.0% and the life cap of an adjustable is 7.0%, the risk is minimal.

How fast do you expect your income to rise in the future?

If you expect your income growth to be strong, it may make sense to opt for an ARM. Your payment will be lower in the short run when your financial plan most needs the assistance.

As you make your decision, it is important to also consider the fact that all adjustables are not alike. Some may have interest and payment changes each year, while others may be fixed for the first ten years of the mortgage. A seven-year ARM provides security and will typically offer a lower rate than fixed rates.

The more frequent the changes, the lower the starting rate of the ARM. In addition, most ARMs have caps that limit the amount of change per each adjustment. For example, most one-year adjustables have annual caps ranging from 1.0% to 2.0%.

Another difference between adjustables concerns the index upon which future rate changes are based. Some indices may have a history of being more stable in times of market volatility. In particular, the Monthly Treasury Average (MTA) tends to change more slowly (lagging) than indices directly based upon Treasury Bills. This would make MTA based adjustables better performers during periods of rising rates, but disadvantageous when rates are falling.

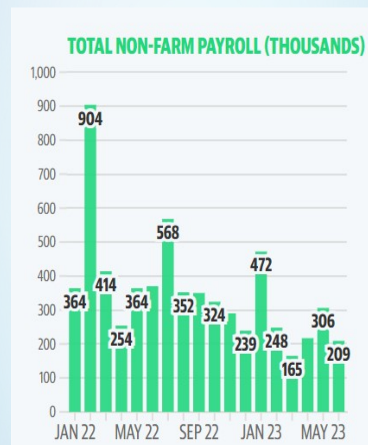
When making your decision concerning a mortgage, be sure to keep an open mind. The right mortgage product today just might become the wrong choice tomorrow. Your economic circumstances may change which would alter your choice. It seems that the external economic environment is forever changing.

Surely, if we could predict the future of interest rates the decision would be easy. Since we can't make such a prediction, the choice of a mortgage might be best considered one of luck and timing. Yet, with careful planning and knowledge of alternatives we can improve the chances!....

The Dog Days Edition

Continued from Page 1

inflation under control without causing a recession? We think everyone in America should go on vacation in August and find out the answer when they get back in September. Did we mention that the Fed is not meeting in August? Even they need a Dog Days of August breather. Maybe our August edition will feature a beach forecast. Just watch out for dog sharks!...



"….It seems the Fed will not rest until they pull the economy into a recession…."

My goal is to provide expert advice and direction for my clients with an overall goal of providing a real estate finance transaction that exceeds their goals and expectations.

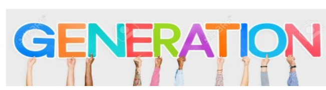
-- John e
Senior Loan Officer

All Under One Roof

The number of Americans living with multiple generations under one roof has quadrupled, according to the Pew Research Center. More than 59 million people live in multigenerational households, or homes that include two or more adult generations. Whether it's parents and adult children or a "skipped generation" consisting of grandparents and their grandchildren, these homes offer a unique dynamic that can be both rewarding and challenging.

When asked about the familial makeup of the people in their home, respondents said parents and adult children were the most common familial roles represented. While many family members may take on the responsibility of multiple familial roles, everyone plays an important part in living communally.

On average, multigenerational homes consist of about four people. Often, as many as four generations live together in one home. Many individuals surveyed have been living in multigenerational homes for a significant portion of their lives, with 31.7% of respondents reporting a lifelong experience in this type of living situation. It's evident that multigenerational living is not limited to any particular age group but encompasses individuals from various stages of adulthood. Some 48.8% said home affordability and saving money were their main concern when choosing where and how to live. Roughly 31.2 % of those surveyed said they wanted to spend more time with family and an estimated 27.9% said providing care for older family members was a significant factor...



Source: Service Link

John Doe
Senior Loan Officer

Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

In This Issue:

The Dog Days Edition

Address Correction Requested

Joe Customer
Joe's Appliance Center
111 Center Way Drive
Suite 1005
Happyville, VA 20000