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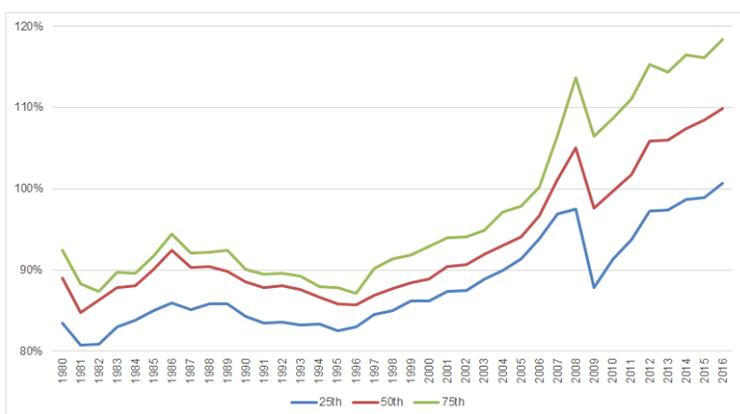
## Lower FICO Buyers Head For The Hills

The return of Americans to urban living, while well documented, may be a "head-fake" as far as the mortgage industry is concerned. Sam Khater, CoreLogic's Deputy Chief Economist says that inbound migration is happening, but not precisely in the way many think. This return to the cities has been driven by educated and affluent households, he says, which is leading to a **concentration of wealth** in cities and inner suburbs and that is driving home prices higher.

CoreLogic looked at the 20 largest MSA's, dividing the suburban areas in each into three **equally weighted rings** based on the percent of residential properties. This allowed an analysis where rings could be "fluid and expansive" in sprawling areas like Houston but small and compact in smaller, denser markets.

During the last two decades of the 20<sup>th</sup> Century middle ring suburban home prices were between **10 and 20 percent lower** than those in the city itself and in its inner suburb ring. However, since the early 2000s, when the urban rebound first started, prices in the inner suburb have soared compared to what was happening in the middle ones.

**Figure 1: Rising Inner Suburban Prices**  
Inner Suburb to Middle Suburb Price Ratios by Price Tier



Source: CoreLogic Public Records

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## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

### Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

## Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

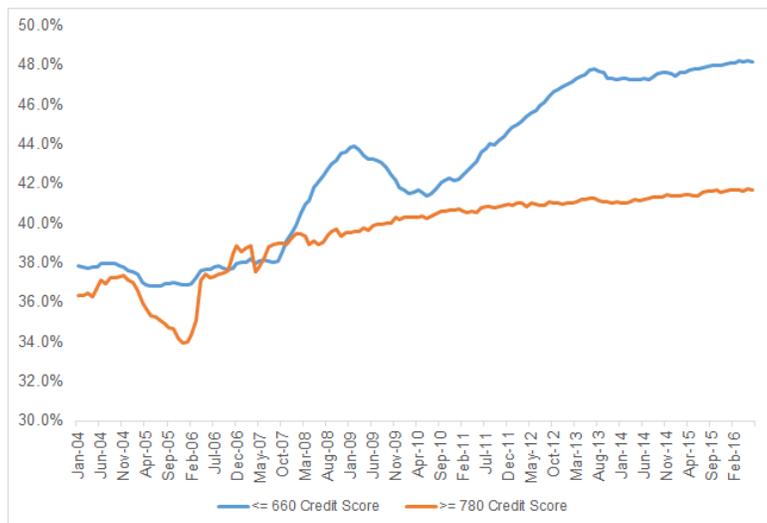
Consequently, there has been a countervailing trend for purchase mortgage applicants, especially lower credit borrowers, to **seek affordability further out into the suburbs**. During the housing boom in the mid-2000s, 38 percent of low credit purchase mortgage borrowers applied for loans in the outer suburbs. This shift continued even into the recession and by the fall of 2008 the percentage of lower credit borrowers in the outer suburbs reached 44 percent.

In mid-2010 that percentage declined and Khater attributes that to the temporary first-time homebuyer tax credit which allowed some borrowers to move closer in than they otherwise could. **After that tax credit expired**, the shift to the outer suburbs resumed.

By the middle of this year the percentage of lower credit purchase applicants applying in the outer suburbs was up to 48 percent, the **highest** since CoreLogic started tracking the phenomenon. Higher credit borrowers are also increasingly applying in those outlying areas, but the gain in that cohort is less than half that of lower credit borrowers and "there is a clear sorting of lower credit and income borrowers to the outer suburbs."

**Figure 2: Mortgage Applicants Moving to the City? No, They are Heading for the Hills**

Percent of Purchase Applicants Applying for homes in Outer Suburbs



Source: CoreLogic Loan Applications Data

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Khater, who was writing in the company's *Insights* blog, says this "increased sorting has **economic and policy implications** for spatial risk and increased concentration of lower credit borrowers in America's outer suburbs."

### Service oriented, responsive, competitive rates and an in depth knowledge of todays mortgage market

After completing my degree in finance at the University of Connecticut, I started in the mortgage business right out of college in 2004. With 15+ years of experience and a primary objective of thoroughly explaining all available loan options to my clients with what is typically the largest investment in their lives, I strive to always make myself available. I constantly educate myself with respect to the mortgage industry and underwriting guidelines for FHA, VA, conventional and jumbo financing. I deliver on the expectations discussed up front and provide the service level my clients deserve from day one. I will remain in touch throughout the process and continue to follow up with you after closing. My goal is to wow you and turn you into clients for life. I want you to be so impressed that throughout and after the process you share my information with your friends, family, neighbors and co-workers who may value from my services.

**Steve Chizmadia**

