



The Arizona Loan Baron

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Five Features Will Mark 2017 Housing Market

Tis the season - for hearing from all the experts about what we can expect the coming year to bring. Today it is CoreLogic's Senior Vice President and Chief Economist Frank Nothaft's turn. Nothaft, writing in the company's December *MarketPulse* magazine, says **economic growth will be key** for the housing market in 2017 and projects that growth will be between 2 and 2.5 percent.

Along with that growth he expects we will see **five features**.

- Interest rates will be higher.** He is looking for fixed rates to average just over 4 percent for the year for both single- and multi-family loans. The Federal Reserve's rate hike last week and the three additional increases they have projected for next year will increase the cost of loans tied to short term rates such as home equity lines or HELOCs.
- Vacancy rates will remain low** for rentals and decline for owner occupied homes. The low level of construction will mean a continued under-supply of available homes for sale.
- The **tight for-sale inventories** will support continued home price appreciation. CoreLogic's forward looking Home Price Index (HPI) is expected to rise about 5 percent although there will be areas with double-digit gains and areas where prices will drop. The low vacancy rate will put upward pressure on rents, but the rate of growth there will moderate. CoreLogic's Repeat Rent Index saw 3.3 percent growth in rents year-to-date through October but that should decline to 3.0 percent in 2017 as the large number of multi-family units started this year reach completion.
- Rising mortgage rates will **reduce the incentive to refinance** so there will be a drop in those originations. This will be offset, at least partially, by higher purchase mortgage originations and by second liens - HELOCs in the case of single-family lending and mezzanine debt for multi-family.
- New loans will continue to have relatively **low credit risk**. According to CoreLogic's Housing Credit Index, single family originations made during the first half of 2016 had lower risk attributes than loans made 15 years ago. Nothaft cautions however that the change-over to a higher share of purchase loans could increase the incidence of fraud "even though the attributes continue to look favorable."

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00

Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/3

Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
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%

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		Value	Change
Builder Confidence	Mar	51	+6.25%

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me the opportunity to be your mortgage lending partner.

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