

MORTGAGE LENDING UPDATE

By David Griffin

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Real estate outlook

Here is an excellent column by my favorite real estate author, Kenneth R. Harney, published March 8th at realtymtimes.com, entitled 'Real Estate Outlook: Federal Reserve Beige Book':

"If you're trying to figure out where real estate is headed in the coming months, should you listen to the Federal Reserve -- or do you focus on the latest pending home sales numbers?"

Probably both, but here's a key fact: The Fed's latest "Beige Book" report -- based on economic data from each of its 12 regional member banks -- found positive signs in nine of the 12 regions it covered.

Despite blizzards and bad weather in January and early February in large portions of the country, the Fed's regional banks found consumer spending and manufacturing output increasing.

Both are key indicators of improving economic conditions ahead, especially consumer spending, which accounts for 70 percent of U.S. economic activity and directly affects employment growth.

In fact, according to a separate report issued by the Commerce Department last week, consumer spending increased by one half of one percent in January - outpacing income growth for the fourth straight month.

What does that signify? Consumers are slowly coming out of their shells, regaining confidence, and beginning to feel good again about buying more goods and services.

On the housing front, the National Association of Realtors reported last week that the severe weather that paralyzed entire sections of the country also put a damper on home shopping last month - knocking down pending home sales by 7.6 percent in the process.

Nonetheless, said Lawrence Yun, chief economist for the Realtors, pending home sales - signed contracts that have not yet gone to closing -- still came in 12 percent higher in January than they were the year before.

Plus, they are likely to bounce back strongly in the next couple of months as buyers rush to sign contracts to qualify for the expiring home purchase tax credits.

Even home prices nationally are showing hints of slow improvement. According to the latest Clear Capital price index, which is based on information from thousands of neighborhoods and Zip code-level reports, prices rose by 5 percent on average for the most recent quarter on a year-over-year basis.

Metropolitan Boston, which was one of the earliest markets to signal the price downturns following the boom, saw values up by nearly seven percent, year over year, according to Clear Capital' index.

All of this is being helped along by continuing favorable financing conditions in the mortgage markets. Applications for new mortgages to purchase houses in the coming several months were up by 12 percent last week, according to the Mortgage Bankers Association.

Thirty year fixed rate loans dipped to 4.9 percent, while 15 year fixed rate were flat at 4.3 percent."

David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983 and is a member of the Mortgage Bankers Association of Georgia, mbag.org. For an archive of past articles visit mbag.org/ML_Update.htm.(3/10/10)