

The Housing Market Update

Full Sail Mortgage

Brought to you by:



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Why are so many people listing their houses now?

Once the tax credit expired (new contracts had to signed by April 30th) everyone expected that listings would go down. But they haven't...they have gone up. With all of the negative media attention on housing it would be easy to consider that it is because the sellers are distressed in some way. Maybe they lost their job or they are trying to sell the home before it goes into foreclosure.

But here is the real reason why listings are up: **Interest rates are at an all-time low.** Despite the constant bombardment of negative media coverage, the vast majority of existing homeowners are very credit worthy, live within their means and have stable income. Experienced homeowners have seen interest rates in the 5's, 6's, and 7's in the last several years. And those that have owned homes for longer have seen double-digit interest rates. So, they know that when interest rates are at an all time low - it is time to make a move.

The idea is that if they were ever going to move to a different school district, move up or down in size, etc. now is the time to do it. Sure, they might get a little less for their house this year compared to what they might sell it for a couple of years down the road but that is more than offset by the huge savings in mortgage and interest payments.

This means that homebuyers also have attractive interest rates which is another good time to sell, because more people buy when interest rates are low. Buyers are a little slower to "pull the trigger" on a sales contract because there is moderate amount of inventory around. But many of these potential homebuyers already missed out on the tax credit window because they thought the government would keep extending it or maybe they just weren't ready to enter the market yet. Regardless that window of opportunity has shut. Don't miss this even bigger window of opportunity!

Mortgage rates can make a right turn at any second. Mortgage rates are not low because of anything that the Federal Reserve, Treasury, or Obama administration is currently doing. Mortgage rates are low because of global fear about the economy and financial system. This causes banks and investors to hoard their cash and park it into nice, safe and boring mortgage backed securities. You earn a very low interest rate in return for safety. But the financial markets and the global economy will turn around, and when it does it will move mortgage rates up with it.

What Happened to Rates Last Week:



Mortgage backed securities (MBS) gained +19 basis points last week which caused 30 year fixed rates to decrease for both government and conventional loans. Rate declined on fears of a U.S. double-dip recession. Economic concerns help to push investors towards purchasing MBS as a way to earn low yields in exchange for safety that you cannot find in the stock markets.

What to Watch Out For This Week:

The following are the major economic reports that will hit the market this week. They each have the ability to affect the pricing of Mortgage Backed Securities and therefore, interest rates for Government and Conventional mortgages. I will be watching these reports closely for you and let you know if there are any big surprises:

Date	ET	Release	For
13-Jul	8:30	Trade Balance	May
13-Jul	14:00	Treasury Budget	Jun
14-Jul	8:30	Retail Sales	Jun
14-Jul	8:30	Retail Sales ex-auto	Jun
14-Jul	8:30	Export Prices ex-ag.	Jun
14-Jul	8:30	Import Prices ex-oil	Jun
14-Jul	10:00	Business Inventories	May
14-Jul	10:30	Crude Inventories	10-Jul
14-Jul	14:00	Minutes of FOMC Meeting	
15-Jul	8:30	Initial Claims	10-Jul
15-Jul	8:30	Continuing Claims	3-Jul
15-Jul	8:30	PPI	Jun
15-Jul	8:30	Core PPI	Jun
15-Jul	8:30	NY Fed - Empire Manufacturing Index	July
15-Jul	9:15	Industrial Production	Jun
15-Jul	9:15	Capacity Utilization	Jun
15-Jul	10:00	Philadelphia Fed	Jul

16-Jul	8:30	Core CPI	Jun
16-Jul	8:30	CPI	Jun
16-Jul	9:00	Net Long-Term TIC Flows	Apr
16-Jul	9:55	Mich Sentiment	Jul

It is virtually impossible for you to keep track of what is going on with the economy and other events that can impact the housing and mortgage markets. Just leave it to me, I monitor the live trading of Mortgage Backed Securities which are the only thing government and conventional mortgage rates are based upon.



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