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October 20, 2015

ECONOMIC COMMENTARY

The Wild Ride Continues

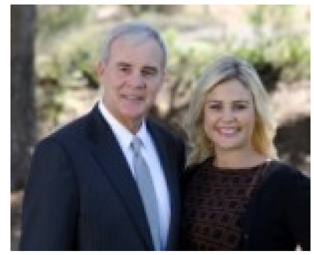
It has been a wild ride for the markets this summer. After a fairly calm beginning of the year which saw moderate gains, stocks have been on a roller coaster ever since. For the most part we have been rolling downhill, but the start of the fourth quarter has been pretty strong. And it is not only stocks gyrating wildly. Oil prices have been even more volatile this year. It is hard to believe that oil prices were in the $110 per barrel range last year. The decrease in oil prices of approximately 60 percent makes the volatility of stocks look like a pebble hitting the ocean.

Of course, several questions arise from what has happened this year. For one, will the gyrations continue? With regard to oil prices, the prevailing opinion is yes. We have a global economic slowdown at the same time Iranian oil is getting ready to hit the market. In years past, OPEC just throttled back production to keep oil prices stable. But this year they seem to be intent on hurting the U.S. shale oil business by supporting lower prices. On the other side of the coin, Russia's involvement in the Middle East is throwing more fuel on a fire and this is causing oil to rebound in the short run.

The next question is--how do these gyrations factor into the Fed's thinking as the Federal Reserve Board's Open Market Committee meets next week and in December with only these two meetings remaining to meet their own prediction of raising rates sometime this year. As we have said before, the Fed does not like uncertainty. The weak September jobs report adds to this uncertainty and this is why the markets feel that the Fed will pass on rate increases, at least for October. If they do raise rates, it would surprise the markets and this would go against the Fed's goal of making sure the markets are prepared for their next move. And that surprise would cause more volatility.

WEEKLY INTEREST RATE OVERVIEW

The Markets. Rates on home loans bounced back in the past week after a sharp drop the week before. Freddie Mac announced that for the week ending October 15, 30-year fixed rates rose to 3.82% from 3.76% the week before. The average for 15-year loans increased as well to 3.03%. Adjustables were stable, with the average for one-year adjustables down one tick to 2.54% and five-year adjustables remaining at 2.88%. A year ago, 30-year fixed rates were at 3.97%, close, but still higher than today's levels. Attributed to Sean Becketti, chief economist, Freddie Mac -- "As the shock of the weak September employment report wore off, Treasury rates drifted higher. In response, the 30-year fixed rate climbed 6 basis points to 3.82 percent, marking 12 consecutive weeks below 4 percent. Late-breaking news suggests rates may remain in this territory a while longer. After this week's survey closed, Federal Reserve



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Katie, my daughter, and I are dedicated to helping our clients achieve the American dream of homeownership. Our unwavering commitment is to provide trusted service while working to help each client achieve their short and long term mortgage goals. With 35 years of combined mortgage experience, we are committed to putting the needs of our valued clients first and foremost.

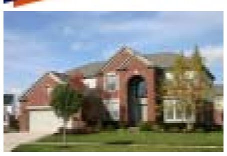
"Know Howe for your next loan"

Governor Daniel Tarullo was quoted suggesting the Fed may not act this year, and Wednesday the 10-year Treasury closed under 2.0 percent in reaction to economic releases indicating weak consumer demand." *Rates indicated do not include fees and points and are provided for evidence of trends only. They should not be used for comparison purposes.*

Current Indices For Adjustable Rate Mortgages
Updated October 16, 2015

	Daily Value	*Monthly Value*
	Oct. 15	*September*
6-month Treasury Security	*0.08%*	*0.18%*
1-year Treasury Security	*0.22%*	*0.37%*
3-year Treasury Security	*0.90%*	*1.01%*
5-year Treasury Security	*1.34%*	*1.49%*
10-year Treasury Security	*2.04%*	*2.17%*
12-month LIBOR		*0.847% (Sept)*
12-month MTA		*0.243% (Sept)*
11th District Cost of Funds		*0.639% (Aug)*
Prime Rate		*3.25%*

REAL ESTATE NEWS



Hispanic women will be the major new players in driving up homeownership, according to a new data report released by Better Homes and Gardens Real Estate and the National Association of Hispanic Real Estate Professionals (NAHREP). In a national study of more than 1,000 Hispanic women between the ages 25 to 60, 91 percent of respondents said that home buying was the best financial investment they could make, adding that they were taking the lead in exploring potential homeownership. Furthermore, 61 percent of the respondents said they would play a larger role than their partner researching homes to visit (59 percent), researching communities or neighborhoods (58 percent), deciding which home to eventually purchase (54 percent) and researching financing including mortgage options (43 percent). "Historically, we've been able to broadly project the influence the Hispanic demographic would have on our industry by the sheer population growth alone," said Sherry Chris, president and CEO, Better Homes and Gardens Real Estate LLC. "However, it's vital to understand that Latina women in particular are a driving force behind decisions related not only to the home, but the actual home-buying transaction process. It's our responsibility to educate the industry on the primary roles these women have taken on as primary decision makers." *Source: National Mortgage Professional*

A younger generation is no longer viewing marriage as a prerequisite to a mortgage, as they show some signs of committing to a house before a marriage. "These key life-stage things impact when we buy, what we buy and where we buy," Mollie Carmichael, a principal at John Burns Real Estate Consulting in Irvine, told the Los Angeles Times. "But ... young people today aren't living by the same rules as 20 or 30 years ago." Unmarried couples, same-sex partners, even pairs of roommates are making up a larger part of the housing market than they did a generation ago, says Rachel Drew, a researcher at Harvard University's Joint Center for Housing Studies. "The decline in married couples among younger buyers is almost entirely offset by growth in unmarried couples," Drew notes. "You're not actually seeing a decline in two-adult households. [Unmarried couples] are much more likely than a single person to buy a home. They're acting like married couples." Some couples are realizing they could take the cost of a big wedding and instead put it toward a home. The average wedding and honeymoon costs about $35,000, which is around the down payment many home buyers need, according to a study last year by real estate website Redfin. "I think a lot of people my age have come to the realization that marriage is almost like a bonus," Yvonne Carrasco, a 33-year-old public relations professional, told the Los Angeles Times. "If it happens, great. If it doesn't, great. But it's important to put yourself in the situation to feel safe and secure." Still, while unmarried couples or singles may be showing more willingness to buy, some do see marriage as a key driver to home ownership. "It's a pretty straightforward link," says Richard Green, director of USC's Lusk Center for Real Estate. "Married people buy houses. Single people rent." For example, in California, 48.7 percent of households were headed by married couples in 2013, down from 51.1 percent in 2000, according to Census data. But more than two-thirds of married couples owned their homes compared to 40 percent of non-married households. *Source: The Los Angeles Times*

A survey commissioned by online brokerage Redfin of 2,134 Americans who bought and/or sold a home in the past two years revealed while small portions of homebuyers and sellers had used unconventional methods to buy and sell homes—like offer sight unseen or forego an agent's help—a majority is open to an alternative to the traditional real estate service. One in five buyers made an offer on a home without having visited it in person.

Some 17% of buyers bought a home without an agent's help, a significantly higher portion than is cited in the most widely accepted report on this figure. The most common reason for foregoing an agent's help was that they already knew the seller. And more than one-third of buyers who worked with a traditional agent received a refund or other form of commission savings from their agent. Homebuyers and sellers who worked with a Redfin agent were much more likely to recommend their agent to a friend or colleague than those who worked with agents at other brokerages. *Source: HousingWire*

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