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CALIFORNIA ASSOCIATION OF REALTORS®

Fed makes aggressive interest rate cut

Source: RisMedia

The U.S. Federal Reserve (Fed) has finally turned expectations into reality, making its first interest rate cuts since the start of the pandemic. Against the backdrop of a cooling job market and cooling inflation, all Fed officials opted to lower the federal funds rates by half a percentage point – 50 basis points – to 4.75 percent to 5 percent, making a milestone move for the central bank which has been trying to tame inflation for more than four years.

Wednesday's announcement marks the start of an easing campaign that the Fed has signaled for months as inflation has trended downward. "The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance," according to the Fed meeting summary. The latest Consumer Price Index (CPI) – a key inflation gauge – showed a 2.5 percent annual gain in August, within striking distance of the Fed's goal. While rate cuts suggest a favorable outlook for the economy and potentially lower borrowing costs, homebuyers may not feel the impacts of the Fed's new easing campaign for a few months.

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The average homeowner just gained another $25,000 in equity

Source: HousingWire

Home equity continued to rise in the second quarter of 2024 as residential properties with mortgages gained $1.3 trillion in equity over the past year, though growth began to slow during these three months, according CoreLogic's Homeowner Equity Insights report. The aggregate equity gain was 8 percent year over year, bringing total equity on mortgaged properties to more than $17.6 trillion at the end of Q2 2024. These homeowners across the nation saw an average gain of $25,000 during the year ending in June.

California homeowners saw an average annual equity gain of $55,000, while New Jersey homeowners gained on average $53,000 and Texas homeowners typically lost $2,600. The average homeowner has approximately $315,000 in equity, which is nearly $129,000 higher than the average equity level per homeowner recorded at the start of the COVID-19 pandemic. "The substantial accumulation of home equity for existing homeowners has served as an important financial buffer in times of uncertainty, as some homeowners facing higher costs of homeowners' insurance and taxes have had to tap into their equity to prevent falling behind on their mortgages," explained CoreLogic Chief Economist Selma Hepp.

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California home sales pulled back in August as buyers waited for interest rate cuts

Source: C.A.R.

California home sales hit a seven-month low in august, as buyers held out despite interest rates that dipped to the lowest level since spring, reported the CALIFORNIA ASSOCIATION OF REALTORS (C.A.R.). Closed escrow sales of existing, single-family detached homes in the state totaled a seasonally adjusted annualized rate of 262,500 in August, according to information collected by C.A.R. from more than 90 local REALTOR associations and MLSs statewide. The statewide annualized sales figure represents what would be the total number of homes sold during 2024 if sales maintained the August pace throughout the year.

August's sales pace fell 6.3 percent from the 279,810 homes sold in July and were up 2.8 percent from a year ago. The sales pace has remained below the 300,000-threshold for 23 consecutive months, while year-to-date home sales edged up 0.5 percent from the first eight months of 2023. August's statewide median price was essentially flat, inching up 0.2 percent from $886,560 in July to $888,740 in August.

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HUD expands housing counseling services to more Americans

Source: HUD

On Tuesday, the U.S. Department of Housing and Urban Development (HUD) announced that it was expanding housing counseling services to more Americans desiring homeownership. HUD also launched a new partnership with Zillow to help attract the next generation of homebuyers,

as well as allowing housing counseling agencies more flexibility when delivering critical housing counseling services to potential homebuyers, homeowners and renters.

The new rules allow HUD-approved housing counseling agencies to meet virtually and by phone, in order to increase accessibility for people who have difficulty obtaining in-person services due to linguistic, physical, geographic or other barriers such as transportation and childcare costs.

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Gov. Newsom signs several new housing bills

Source: NBC Bay Area

California Governor Gavin Newsome signed into law a comprehensive bipartisan housing package, with 32 bills focused on addressing homelessness and the scarcity of housing in the state. Bills aimed at streamlining the production of housing, creating transparency, efficiency and other protections for housing, as well as some laws that focus on tribal housing. The target number of units to be built is 2.5 million by 2030. According to the Governor's office, 181,000 Californians experienced homelessness in 2023. Roughly half, or 90,000, were unsheltered.

One of the new laws frees up Proposition 1 funding for new Homekey housing. It is set to create more than 4,000 new permanent housing units paired with mental health and other services. Half of the units are reserved for veterans with behavioral health needs.

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Weekly mortgage demand surges as interest rates hit two-year low

Source: CNBC

Mortgage rates came down again last week and could fall further now that the Federal Reserve has cut interest rates. While mortgage rates don't follow the Fed exactly, they are influenced by policy. In fact, most mortgage providers have already assumed that interest rates will come down so that the cut is "baked in" to mortgage rates. The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($766,550 or less on average) decreased to 6.15 percent from 6.29 percent, with points increasing to 0.56 from 0.55 for loans with a 20 percent down payment, according to the Mortgage Bankers Association.

Total mortgage application volume rose just 14.2 percent compared to the prior week, according to the Mortgage Bankers Association's seasonally adjusted index. Applications to refinance a home jumped 24 percent from the previous week and were 127 percent higher than the same week one year ago. Most of those applicants likely purchased their homes in the past two years, when rates rose sharply from the record lows seen in the first two years of the COVID-19 pandemic. Applications for a mortgage to purchase a home rose 5 percent for the week but were still 0.4 percent lower than a year ago.

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