Professional Realty News

Consumer-Oriented Information & Advice to Save Money and Time

• Mortgage • Real Estate • Personal Credit & Finance • Home Improvement

From My Home To Yours

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17th edition - Summer, 2019

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SUMMER TIME & THE LIVIN' IS EASY!

I hope this newsletter finds you and your family well and enjoying this temperate summer weather we've been experiencing lately. We deserve some nice weather, as earlier in the season we had hazy, hot, and humid with torrential rain and thunder storms. I heard we had more thunderstorms in this area in the summer so far than ever recorded before.

2019 has been a good and fun year for me so far. In late February, I enjoyed a few days visiting my snow-bird parents in lovely Bonita Springs, FL. The gorgeous weather and their company was just the right medicine to relieve the winter blahs. And, I just came back from San Francisco and Sacramento, enjoying a mini-vacation touring and visiting with my cousins.

I continue to putter in my gardens, concentrating on pulling ALL of the weeds which have sprung to life out of nowhere. I was proud that, thanks to my father's help and cleverness, I was able to create a netted cage which kept the dreaded catbird away from my blueberry bushes. Thus, having finally defeated the catbird after 10 years of futile efforts, I had a bumper crop this year, harvesting 18 cups from 2 bushes!

My PMC and PRC businesses have been doing well, as the real estate market continues to surprise, doing well for all except buyers. I hope you find this abbreviated Newsletter helpful and informative.

As always, feel free to call me with any real estate or mortgage questions – there is never a charge nor obligation. I hope that if you were satisfied with my service and price, you will present me with the best compliment I could receive: a referral to assist a friend, co-worker, or family member.

Take Care and Enjoy the upcoming Fall! Go Birds!

{I enclose the 2019 Eagles Football Schedule.}

Thank You & Best Regards, Laurence

MORTGAGE RATE RECAP

Let me start with a confession: I was wrong regarding the prediction I made in the January 2019 Newsletter. Interest rates did not gradually increase; but as you'll note in the 3-year chart below, rates continued to decline, and decline even more during the past few weeks.

Per Freddie Mac's Primary Mortgage Market Survey (U.S. weekly averages), we started 2019 at 4.51% for the 30-year fixed, 3.99% for the 15-year fixed, 3.87% for the 5/1 ARM. Currently, week ending 8/8/2019, the average mortgage rates selected with the average number of "points" charged associated with that rate, that were backed by Freddie Mac, are 3.60%, 3.05%, and 3.36% respectively.

Note the drop in the 30-year fixed (down 0.91%), the 15-year (down 0.94%), and 5/1 ARM (down 0.62%). Even more interesting, note the drop in the "spreads" between the various products: In the beginning of the year, the 30-year fixed vs. the 5/1ARM was a difference of 0.53% and by week ending 8/8/19, it was a difference of 0.24%

This "flattening of the yield curve" portents an undesirable scenario. * See article on page 4.

MORE FIRST-TIME HOME BUYER OBSTACLES

The first-time home buyer just can't catch a break. According to a recent survey by realtor.com, 42% of all buyers this spring were first-time home buyers, 24% of which took at least a year to buy (up significantly from the previous year at 11%). When this is such an important group to the housing market, on whole, why is this taking them so long to buy? 42% said the problem was finding a desirable home that would meet their budget, 41% said that they couldn't find a house to meet their needs. Both stats up 10% from the previous year. Why?

More Competition

Home purchasing among investors reached a 20-year high in 2018 and the share of starter homes purchased also peaked at 20.3%, according to a recent report from CoreLogic entitled, "Investor Home Buying." Even more compelling is that the 2nd highest metro-market for investor activity in 2018 was Philadelphia.

Lending

The lending pendulum has begun to swing – tougher underwriting conditions and subjective interpretations. {*Standards were too easy leading up to the Great Recession/Housing Crash, then they became too tight, then they became too easy, and now they've started to tighten again.*}

Also, one of the best programs, HomeReady from Fannie Mae (described in previous Newsletter editions -- posted in website), just became more restrictive. Previously, the income limit was 100% AMI (Area Median Income). As of July 20th, that's been reduced to 80%. For the immediate Philadelphia suburbs, that translates to an income limit of $72,080/yr.

Housing Market

The home ownership vacancy rate hit a 40-year low, for the second quarter in a row, according to the Census Bureau. This is a contributing factor towards the lack of housing inventory for sale throughout the country and the resulting increase in housing prices.

The following local stats from our area MLS confirm in dramatic fashion these trends. Here are quarterly figures, comparing 2019_{Q2} results versus 2018_{Q2}.

Berks County: Homes for sale – 1,054, down 25.5%. Settled units decreased 3.4% to 1,442; the median sales price increased 6.1% to $175,000. *Local example, Birdsboro (19508): Settled units decreased 8.1% to 57; the median sales price decreased by 3.7% to $179,500.*

Bucks County: Homes for sale – 1,855, down 17.0%. Settled units decreased 3.5% to 2,210; the median sales price increased 1.6% to $325,000. *Local example, zip code 18944 (Perkasie area): settled units decreased 8.5% to 119; the median sales price increased by 6.5% to $339,990.*

Chester County: Homes for sale – 1,753, down 21.3%. Settled units decreased 9.4% to 2,000; the median sales price increased 5.0% to $360,214. *Local example, zip code 19355 (Malvern area): settled units decreased by 6.6% to 141; the median sales price increased by 3.8% to $535,000.*

Delaware County: Homes for sale – 1,387, down 29.5%. Settled units decreased 6.2% to 2,057; the median sales price increased 11.9% to $245,000. *Local example, zip code 19064 (Springfield): the settled units decreased 6.9% to 95; the median sales price increased by 12.3% to $320,000.*

Montgomery County: Homes for sale – 2,637, down 15.1%. Settled units decreased 2.6% to 3,253; the median sales price increased 6.9% to $310,000. *Local example, Gilbertsville (19525): the settled units increased 2.5% to 83; the median sales price increased by 3.5% to $295,000.*

Lancaster County: Homes for sale – 1,134, down 33.7%. Settled units decreased 0.4% to 1,666; the median sales price increased 2.9% to $214,500. *Local example, Kirkwood (17536): settled units increased 200.0% to 6; the median sales price decreased by 9.2% to $307,500.*

Philadelphia County: Homes for sale – 4,469, down 9.3%. Settled units decreased 13.9% to 4,385; the median sales price increased 8.8% to $228,500. *Local example, Chestnut Hill (19118): settled units increased 65.2% to 38; the median sales price decreased by 18.1% to $625,000.*

IS YOUR PROPERTY CORRECTLY TAXED? - BEWARE THE TAX MAN

The PA Dep't of Revenue just released new Common Level Ratios (CLR) for each county, effective July 1st. To understand the implication of the higher factors, it's important to work through the math.

Using the formulas and CLR factors listed below, plug in your estimate of the value of your home and compute. {For help regarding this estimate, feel free to contact me.}

Assessment/(divided by) Market Value = 1/CLR
1/CLR = Market Value Percentage

	New CLR	Mkt Value %
Bedford County	1.13	88.5%
Berks County	1.61	62.1%
Bucks County	10.64	9.4%
Chester County	2.03	49.3%
Dauphin County	1.51	66.2%
Delaware County	1.77	56.5%
Franklin County	9.01	11.1%
Lancaster County	1.15	87.0%
Montgomery County	2.03	49.3%
Philadelphia County	1.01	99.0%

You just figured what your property tax assessment <u>should</u> be. Compare that to your <u>actual</u> assessment. If the actual assessment is less, then of course do nothing. If it's more, you might want to file an appeal to get your property re-assessed and made lower.

MOST PROSPEROUS PA COUNTIES

According to a recent report from the Hamilton Project at Brookings Institute, here are the most prosperous counties in which to live in PA.

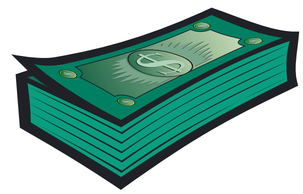
1) Chester Co. – 1.6233
2) Montgomery Co. – 1.385
3) Bucks Co. – 1.2717
7) Delaware Co. – 0.5122
8) Lancaster Co. – 0.4692

The "Prosperity Index" considers a county's median household income, poverty rate, unemployment rate, prime-age employment rate, life expectancy, and housing vacancy rate.

PA ECONOMY MOST DIVERSE IN NATION

According to Bloomberg's Economic Diversity Index, Pennsylvania's economy was considered the most diverse in the country. The index ranks states regarding the balance of various industries and government and their contribution to the state's gross domestic product.

The top industry contributors for PA: real estate (12.2%), manufacturing (11.9%), and health care (9.9%). Of special note was the growth in the health care sector, the transition of Pittsburgh from a steel to tech city, the proximity to large population centers, and more affordable real estate.



CREDIT CORNER
BIG SETTLEMENT WITH EQUIFAX

Just last month, the Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC), 48 States, and others came to a settlement regarding the credit bureau's lapse in security which impacted an estimated 147 million people.

If you were impacted, you can submit a claim on-line or by mail, and a telephone system is available to help. Here are the benefits which you might be entitled to receive: compensation for money lost as a result of the breach, compensation for time and money spent working through issues as a result of the breach, free credit monitoring, free credit reports over a period of years, and identity restoration services.

To learn more, go to CFPB - Equifax Settlement
To file a claim, go to
https://www.equifaxbreachsettlement.com/

> I hope you feel this Newsletter is like a good speech. As Winston Churchill said, "A good speech should be like a woman's skirt: long enough to cover the subject and short enough to create interest."

GOOD TIME TO REFI, YET AGAIN?

I left off on page 1 ("Mortgage Rate Recap") referencing a flattening bond market yield curve. So, what does that mean for you? It partially underscores why mortgage rates have declined, especially in the past few weeks, and suggests that we might go lower still. As I write this Newsletter, the 15-year fixed rate loan cost is about 3.125% with half point and the 30-year is about 3.375% with 1 point. These are the lowest rates since the Fall, 2016.

To better understand the trends, we first must understand the pressures behind this flattening and flirtation with an "inverted" yield curve. It's called an inversion when the longer-term US bond yield (like the 10-year) falls before that of short-term yields (like the 2-year note). Why is this happening?

For many of the large developed economies around the world, their central banks have been struggling to improve growth, lowering their rates to the extent that they are offering money with negative yields. {The German 10-year Bund yield is ~ -0.7%.}

Thus our safe currency and positive returns are attracting more and more international money. It's an issue of supply and demand – more demand for our government bonds, the price goes up thus yield (interest rates) goes down.

Adding to this trend is the notion that the longest economic expansion on record is about to come to an end. The tariff and currency trade wars we're waging with China and other large trading partners is also impacting sentiment that the economic slow down might come sooner rather than later.

It's not an issue of "if" anymore, it's a question of "when." With the prospects of a slowing economy, more people become "defensive," meaning selling stocks and buying bonds. This too has pressured interest rates down.

Fannie Mae's economists are currently predicting two more 0.25% Federal Reserve rate cuts before the end of the year (September & December). The bond market has already, to a debatable extent, priced this prediction into the current rates.

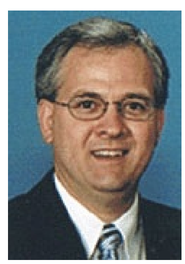
Even at current mortgage rate levels, Fannie Mae's economists are estimating the "35% of outstanding mortgages are now 'in the money.'"

Feel free to call me with your mortgage information to see if refinancing, even once again, might be worthwhile.

VISIT MY IMPROVED WEB SITES
- FOR MORE NEWS YOU CAN USE -

Under "Market Outlook" (all updated monthly)
- NAR's Realtor® Confidence Index
- NAR's Housing Affordability Index
- Fannie Mae's Home Purchase Sentiment Index
- Home Price Analysis for Philadelphia region
- County Buyer Activity & Market History

Under "Helpful Links"
- Township re-sale code requirements & tax info
- Public & Private school rankings & info
- 2018 Remodeling Impact Reports
- 2018 NAR® Profile of Home Buyers & Sellers
- Home Inspection information
- 2019 NAR Moving With Kids Survey



THANKING YOU FOR YOUR SUPPORT & TRUST FOR 28 YEARS !

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