



**Mid Valley Financial**

Mortgage Banker, Since 1985

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## Home Construction at 2017 Highs as Markets Wait on Tax Reform

Tensions are running high on tax reform. The Senate was able to advance its bill through committee despite a **shouting match** over whether the bill disproportionately benefits the rich. The House passed its version of the bill, but the Senate won't take it up until after Thanksgiving. Even then, we may see several major changes before a passable version begins to take shape.

For now, **both** bills leave some **homeowner tax incentives** on the chopping block. Critics decry the move as a major blow to the housing market. If they're right, the housing data released this week will soon look like a collector's item.

As written, the House version of the new tax bill would limit the **deduction for mortgage interest** as well as a portion of state and local property taxes. Homes bought or refinanced before Nov 2nd would be grandfathered in under the existing tax code.

In other words, October's housing data would not yet be affected by apprehension over potential tax changes. Incidentally, October's **New Residential Construction Report** came out this week, and it was just shy of its **best levels in a decade**--at least in terms of Housing Starts, the report's headline metric. The same can't quite be said of the Building Permits metric, but it was nonetheless in solid territory, near its highest post-crisis levels.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

### Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Rates as of: 7/22

## Market Data

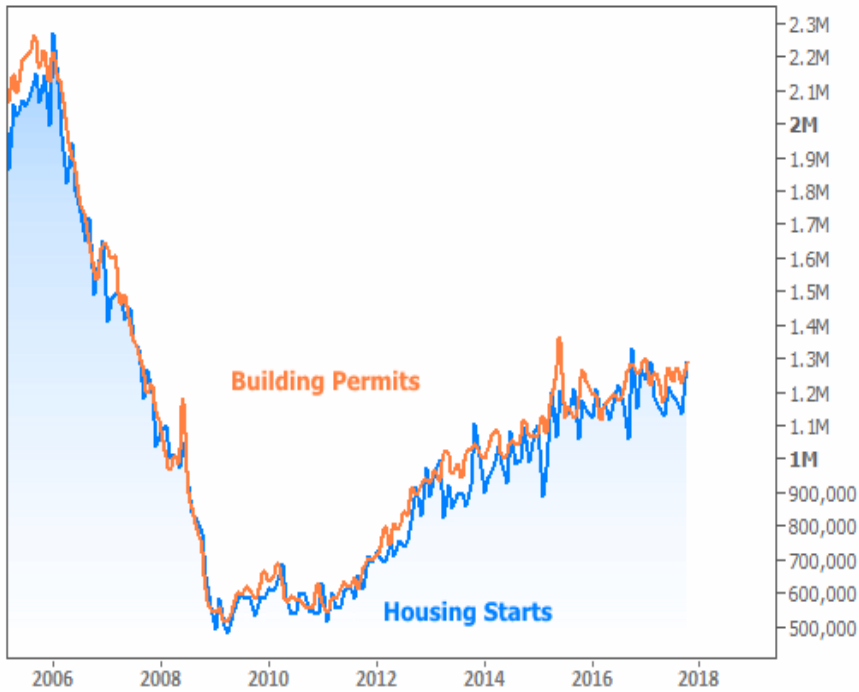
	Price / Yield	Change
MBS UMBS 5.5	99.49	+0.10
MBS GNMA 5.5	99.91	+0.13
10 YR Treasury	4.2315	-0.0210
30 YR Treasury	4.4542	-0.0183

Pricing as of: 7/23 8:58AM EST

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

Starts and Permits

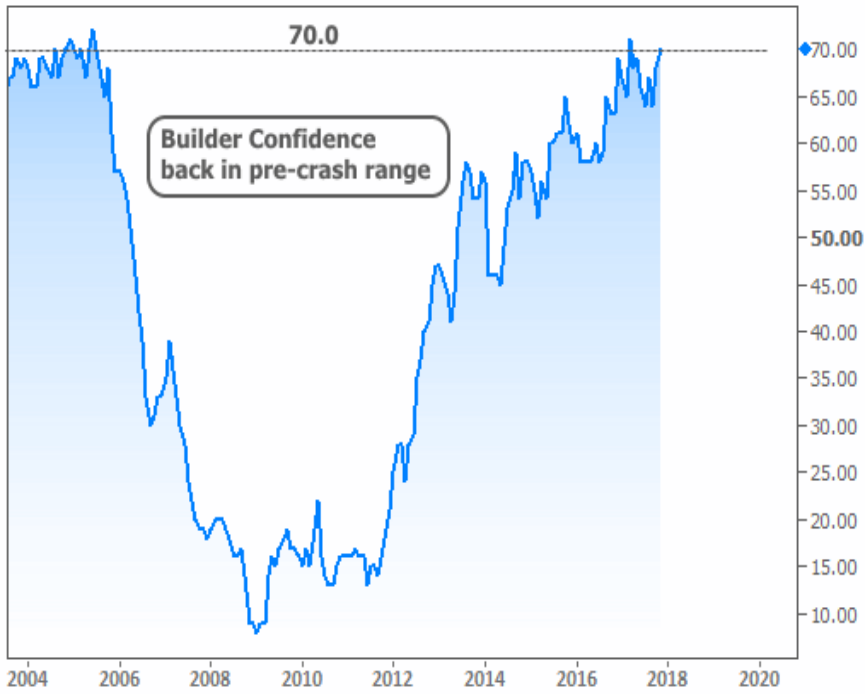


Even after the next round of data (which includes homes that COULD be affected by tax changes), we should remember two things. First, at least when it comes to Starts and Permits, the contracts for new construction and ground-breaking for November's numbers will largely have been in place **before** the November 2nd cutoff. Therefore, to whatever extent potential tax changes spook the housing market, we wouldn't see it in these numbers until January at the earliest.

**More importantly**, in terms of median home prices, mortgage amounts, and tax brackets, the backbone of these construction numbers won't be heavily impacted by proposed tax changes. Combine that with lobbying groups actively trying to salvage as many homeowner tax incentives as possible, and it's easier to understand this week's **other** key housing report.

The National Association of Homebuilders (NAHB) is one of the groups voicing vehement opposition to the housing-related changes in the tax bill. Yet their members were in good spirits this month as seen in the NAHB's [Housing Market Index](#) (a measure of builder confidence) rising to the **2nd highest** level since before the housing crisis. In fact, builder confidence is generally in the same territory as the height of the housing boom!

Homebuilder Confidence



In the spirit of "waiting and seeing," interest rates improved slightly this week. This keeps them locked in a consolidative trend (higher lows and lower highs) that's been underway for more than a month. It's the bond market's way of expressing indecision, and for now, the trend suggests indecision could linger at least through early December. Even if we apply some esoteric math to recent rate movement and derive a line that measures momentum, that line has been **almost perfectly flat** for several weeks.

US 10yr Treasury Yield



The upcoming Thanksgiving week is a **tricky** one for market watchers. Many market participants are out of the office, either mentally or physically. Lighter participation and volumes open the door for volatility without regard for underlying data and events. We've often seen rates go one way for no apparent reason only to bounce back in the following week. Bottom line: anticipating future rate movement is always a guessing game, but for Thanksgiving week, that's doubly true.

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## Recent Economic Data

Date	Event	Actual	Forecast	Prior
<b>Tuesday, Nov 14</b>				
8:30AM	Oct Producer Prices (%)	0.4	0.1	0.4
8:30AM	Oct Core Producer Prices YY (%)	2.4	2.3	2.2
<b>Wednesday, Nov 15</b>				
7:00AM	w/e MBA Purchase Index	228.2		227.2
7:00AM	w/e Mortgage Refinance Index	1371.6		1290.8
8:30AM	Oct CPI mm, sa (%)	0.1	0.1	0.5
8:30AM	Oct Core CPI Year/Year (%)	1.8	1.7	1.7
8:30AM	Oct Retail Sales (%)	0.2	0.0	1.6
10:00AM	Sep Business Inventories (%)	0.0	0.0	0.7
<b>Thursday, Nov 16</b>				
8:30AM	Oct Import prices mm (%)	0.2	0.4	0.7
8:30AM	Oct Export prices mm (%)	0.0	0.4	0.8
8:30AM	Nov Philly Fed Business Index	22.7	25.0	27.9
8:30AM	w/e Jobless Claims (k)	249	235	239
9:15AM	Oct Industrial Production (%)	0.9	0.5	0.3
9:15AM	Oct Capacity Utilization (%)	77.0	76.3	76.0
10:00AM	Nov NAHB housing market indx	70	68	68
<b>Friday, Nov 17</b>				
8:30AM	Oct House starts mm: change (%)	13.7		-4.7
8:30AM	Oct Building permits: number (ml)	1.297	1.247	1.225
8:30AM	Oct Housing starts number mm (ml)	1.290	1.185	1.127
8:30AM	Oct Build permits: change mm (%)	5.9		-3.7
<b>Tuesday, Nov 21</b>				
10:00AM	Oct Existing home sales (ml)	5.48	5.42	5.39
<b>Wednesday, Nov 22</b>				
7:00AM	w/e Mortgage Market Index	402.3		401.7
8:30AM	Oct Durable goods (%)	-1.2	0.3	2.0
8:30AM	Oct Nondefense ex-air (%)	-0.5	0.5	1.7
8:30AM	w/e Jobless Claims (k)	239	240	249
10:00AM	Nov U Mich Sentiment Final (ip)	98.5	98.0	97.8

## Event Importance:

No Stars = Insignificant

☆ Low

★ Moderate

★★ Important

★★★ Very Important

Date	Event	Actual	Forecast	Prior
Thursday, Nov 23				
12:00AM	Thanksgiving Day			

## Who is Mid Valley Financial?

Mid Valley Financial, located in Fresno, CA, is the Central Valley's premier destination for a wide range of residential and commercial real estate loans. Our commitment to excellence has made us a trusted partner for property buyers and investors seeking tailored financial solutions.

### **\*\*Why Choose Us:\*\***

With a track record spanning back to our inception in 1985, we have established ourselves as a reliable and innovative lender. We proudly serve properties exclusively within California, having funded loans in all 58 counties of the state. Our deep-rooted experience enables us to navigate complex loan scenarios with expertise and efficiency.

### **\*\*Our Approach:\*\***

At Mid Valley Financial, we prioritize your financial goals. Whether you're a first-time homebuyer, envisioning your dream property, refinancing an existing mortgage, or looking to tap into your property's equity, our seasoned loan officers offer a wealth of knowledge and over 300 years of collective experience. We ensure that your funds are prepared when you need them, providing a smooth and swift loan process.

### **\*\*Unlocking Possibilities:\*\***

As one of California's leading direct lenders, we've streamlined the loan process, minimizing obstacles that often deter borrowers. Many of our clients receive approvals within an hour, showcasing our dedication to quick and hassle-free solutions.

### **\*\*Your Journey with Us:\*\***

Contact the MVF team today and let us put your journey to property ownership on cruise control. Our mission is to empower borrowers while fostering enduring and meaningful relationships. With highly competitive rates, a commitment to transparency, and a dedication to your financial success, Mid Valley Financial is your partner in realizing your real estate aspirations.

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