



Mid Valley Financial

Mortgage Banker, Since 1985
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The Sun Also Rises For Housing and Mortgage Markets

There's no shortage of bad news when it comes to the economy and the housing market. But that's no surprise considering the circumstances.

The sheer size and speed of the economic contraction makes it easy to worry about what the future will look like. Has coronavirus changed things **forever**? Is it true that many jobs have been permanently destroyed?

I don't know. No one can **really** know. Many of the more troubling questions won't be able to be answered any time soon. No one can deny things are bad and that some things may stay bad for a long time.

But **hidden** amid the understandable sea of pessimism, there are some reasons for hope. We're not talking about the kind of hope that makes us complacent to the ongoing economic risks. Rather, there are simply some positive counterpoints to the abundant negativity in the recent data. Let's look at **both** sides!

April's Existing Home Sales numbers were released on Thursday, and they easily fell to the lowest levels in years. There's not much of a silver lining here apart from the fact that economists expected the number to be **even lower**.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
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	99.39	-0.01
MBS GNMA 5.5	99.78	+0.00
10 YR Treasury	4.2535	+0.0010
30 YR Treasury	4.4720	-0.0005

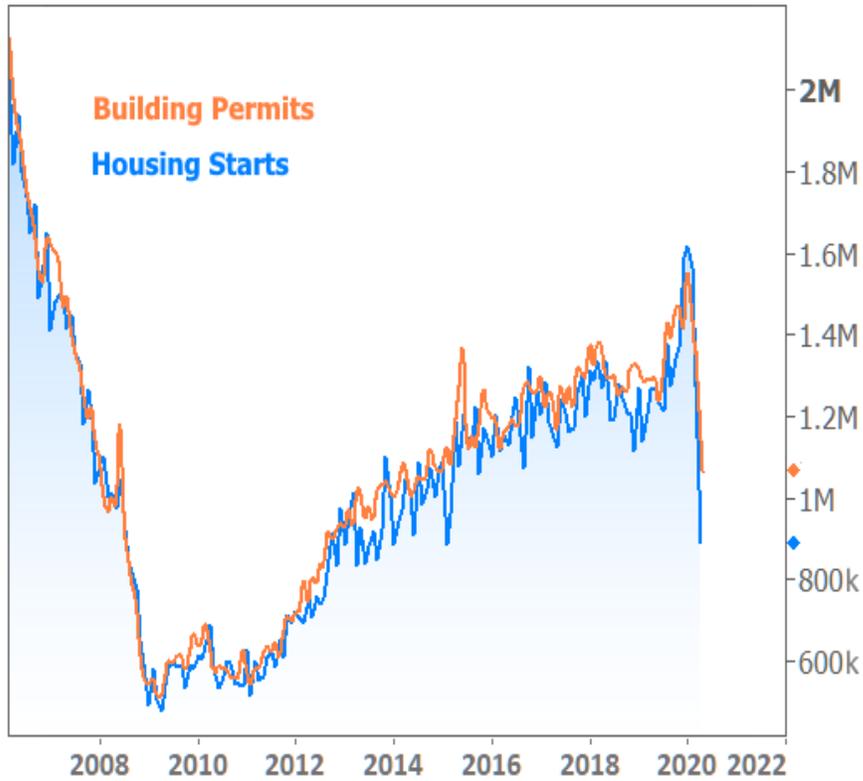
Pricing as of: 7/23 2:54AM EST

Recent Housing Data

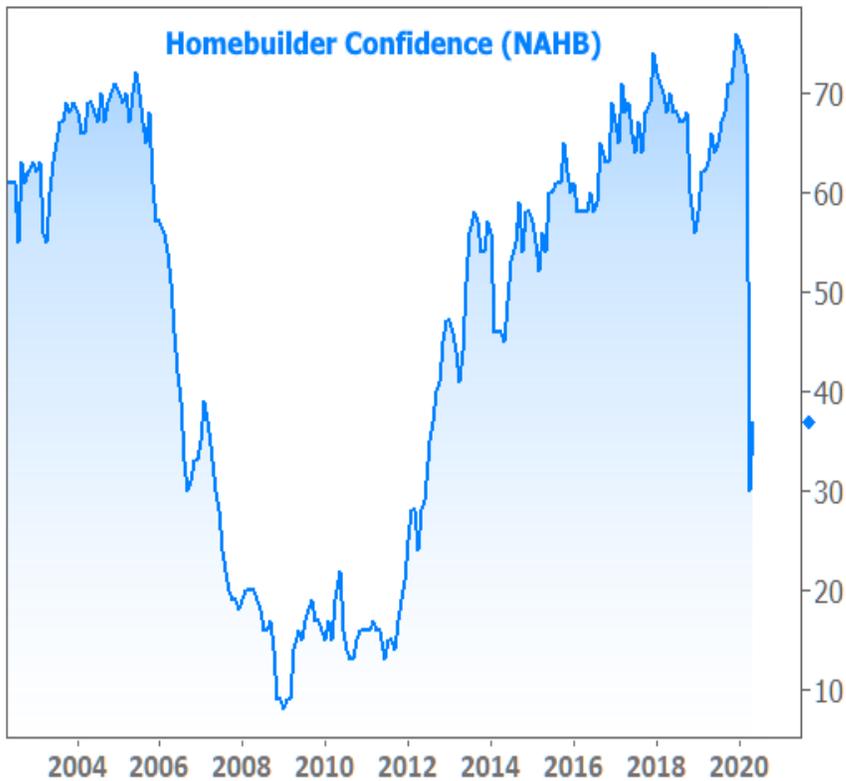
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%



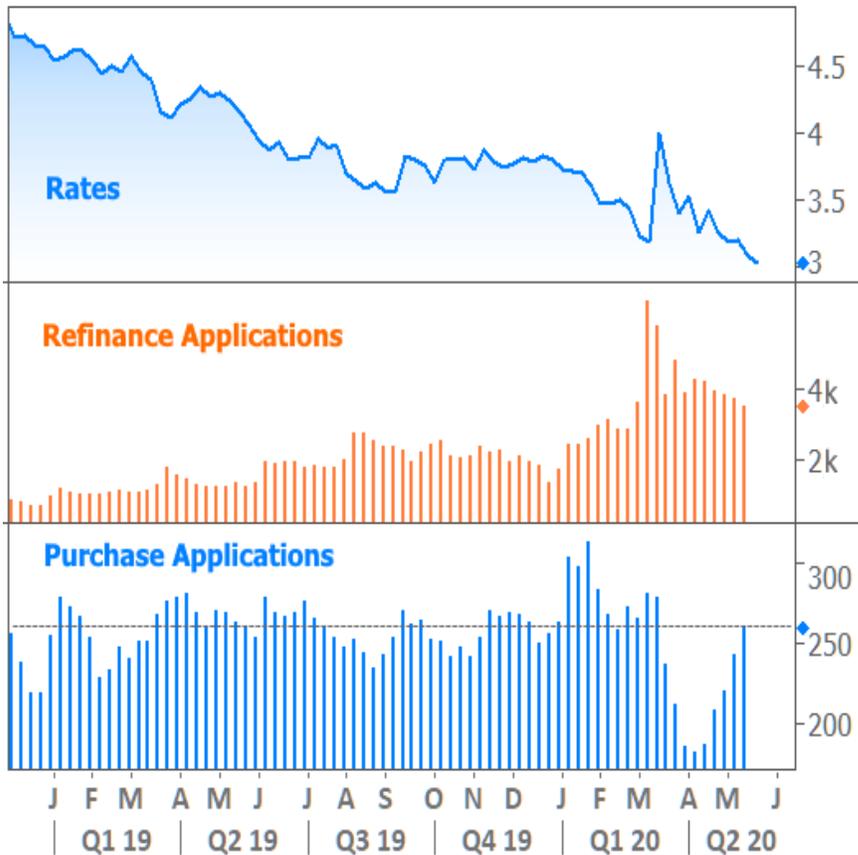
The Existing Home Sales report doesn't capture activity in new construction. For that, we have to turn to other data released this week on new building permits and housing starts (the ground-breaking phase of new construction). Here too, things are quite a bit weaker, but the differences between "starts" and "permits" offer a **clue**. Specifically, the bigger drop in housing starts suggests quarantine measures are **physically preventing** new home construction to a greater degree than a lack of demand.



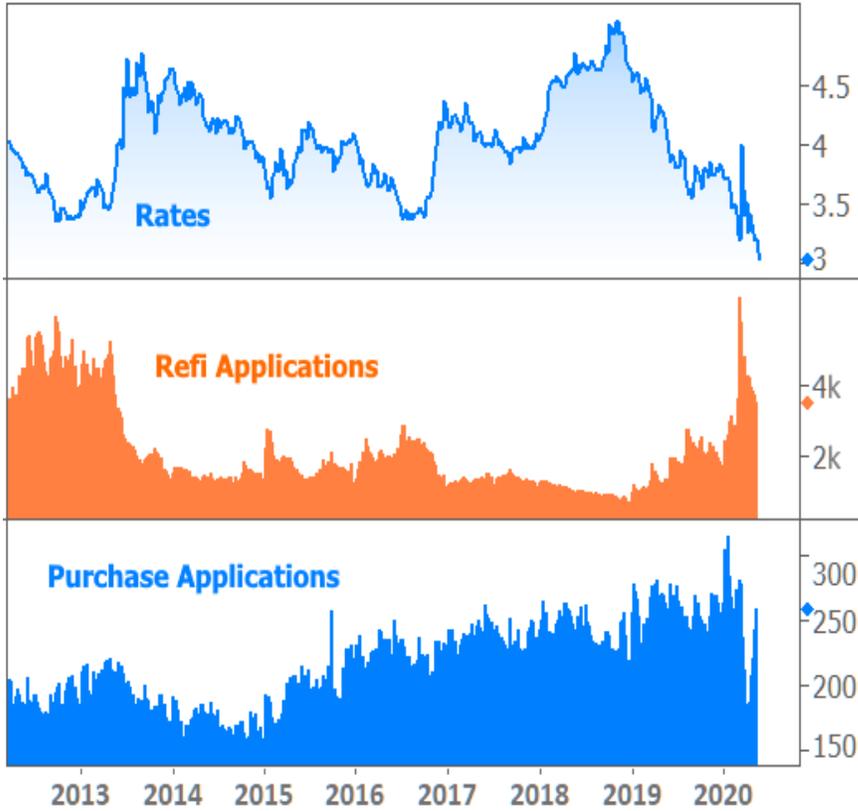
Perhaps that's why builder confidence has already managed to find its footing. The National Association of Homebuilders (NAHB) reported a **7 point uptick** in confidence on Monday after hitting 8-year lows in last month's survey.



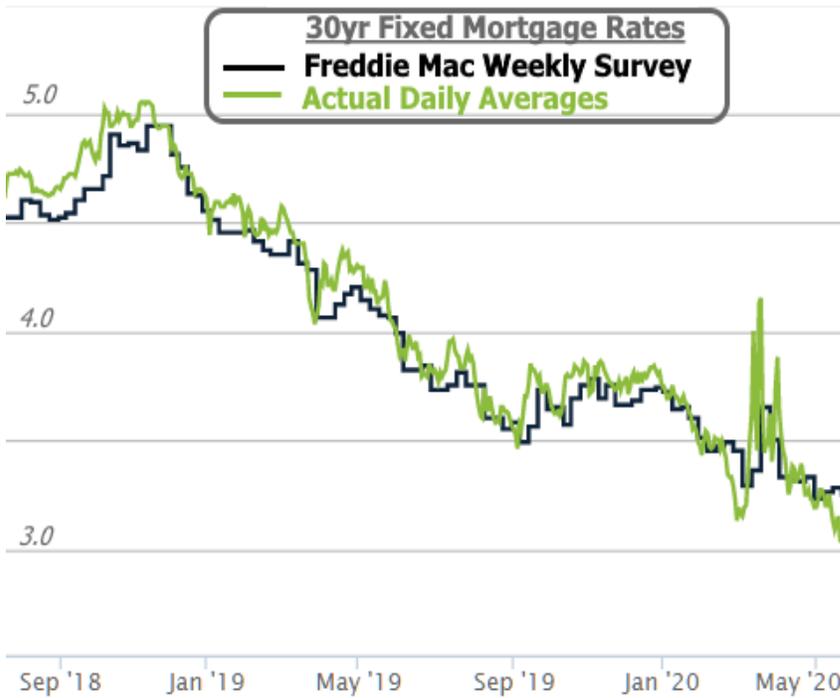
The Mortgage Banker Association's weekly mortgage app survey offers **significantly more detail** on the shift in purchase activity. To be fair, this bounce is greatly benefiting from seasonality (i.e. March and April are typically the strongest months). Even so, if someone says last week's purchase applications were right in line with 2019's average, **they're not lying**.



Can we find fault with the chart above? Is there **cause for concern**? How about the decline in refinance applications? And how does the current level of purchase applications stack up historically? Here's how:

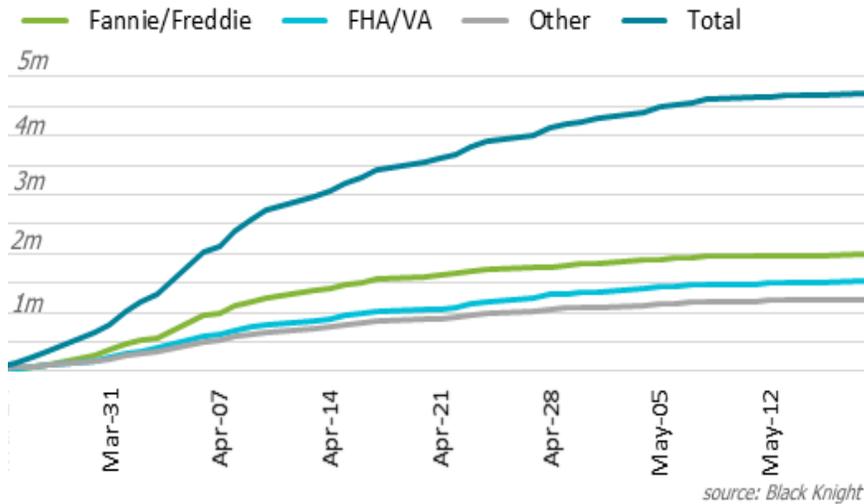


In other words, refi activity is **still higher** than it was in 2016 and not much lower than the last major refi boom in 2011-2013. That's a **staggering** accomplishment considering the operational impediments due to social distancing. It must have something to do with rates hitting all time lows several times in the past 2 weeks.



Is there a counterpoint to the low rate narrative? Several recent newsletters have discussed the mortgage market being in a very precarious state due to the forbearance tidal wave. And while that definitely kept rates higher for certain loan programs, the wave is clearly beginning to level-off now.

ACTIVE FORBEARANCE PLANS



The flattening of **this** curve means mortgage investors are beginning to calm down. As a result, credit availability is improving and puzzlingly high rates are starting to move lower for certain programs and borrowers. This won't happen overnight, but at least it's **beginning** to happen.

That last thought can be applied to the **entire** coronavirus saga. Things have been very bad in ways we've never experienced. Things won't immediately get better for obvious reasons. Nonetheless, we can **still** observe progress and improvement if we know where to look.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, May 18				
10:00AM	May NAHB housing market indx	37	35	30
Tuesday, May 19				
8:30AM	Apr House starts mm: change (%)	-30.2		-22.3
8:30AM	Apr Build permits: change mm (%)	-20.8		-7.0
8:30AM	Apr Housing starts number mm (ml)	0.891	0.927	1.216
8:30AM	Apr Building permits: number (ml)	1.074	1.000	1.350
Wednesday, May 20				
7:00AM	w/e MBA Purchase Index	258.9		243.3
7:00AM	w/e Mortgage Refinance Index	3474.1		3709.3
Thursday, May 21				
8:30AM	May Philly Fed Business Index	-43.1	-41.5	-56.6
8:30AM	w/e Jobless Claims (k)	2438	2400	2981

Event Importance:

- No Stars = Insignificant
- ☆ Low
- ★ Moderate
- ★★ Important
- ★★★ Very Important

Date	Event	Actual	Forecast	Prior
8:30AM	w/e Continued jobless claims (ml)	25.073	24.765	22.833
9:45AM	May PMI-Composite (source:Markit)	36.4		27.0
10:00AM	Apr Existing home sales (ml)	4.33	4.30	5.27
10:00AM	Apr Exist. home sales % chg (%)	-17.8	-18.9	-8.5
Tuesday, May 26				
9:00AM	Mar CaseShiller 20 yy (%)	+3.9	3.4	3.5
9:00AM	Mar Monthly Home Price yy (%)	5.9		5.7
10:00AM	May Consumer confidence	86.6	87.5	86.9
10:00AM	Apr New home sales chg mm (%)	0.6	-21.9	-15.4
10:00AM	Apr New home sales-units mm (ml)	0.623	0.480	0.627
1:00PM	2-Yr Note Auction (bl)	44		
Wednesday, May 27				
7:00AM	w/e MBA Purchase Index	281.2		258.9
7:00AM	w/e Mortgage Refinance Index	3466.2		3474.1
1:00PM	5-Yr Note Auction (bl)	45		
Thursday, May 28				
8:30AM	Q1 GDP Prelim (%)	-5.0	-4.8	-4.8
8:30AM	Apr Durable goods (%)	-17.2	-19.0	-14.7
10:00AM	Apr Pending Sales Index	69.0		88.2
10:00AM	Apr Pending Home Sales (%)	-21.8	-15.0	-20.8
1:00PM	7-Yr Note Auction (bl)	38		
Friday, May 29				
8:30AM	Apr Core PCE Inflation (y/y) (%)	1.0	1.1	1.7
9:45AM	May Chicago PMI	32.3	40.0	35.4
10:00AM	May Consumer Sentiment (ip)	72.3	74.0	73.7

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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