



**Mid Valley Financial**

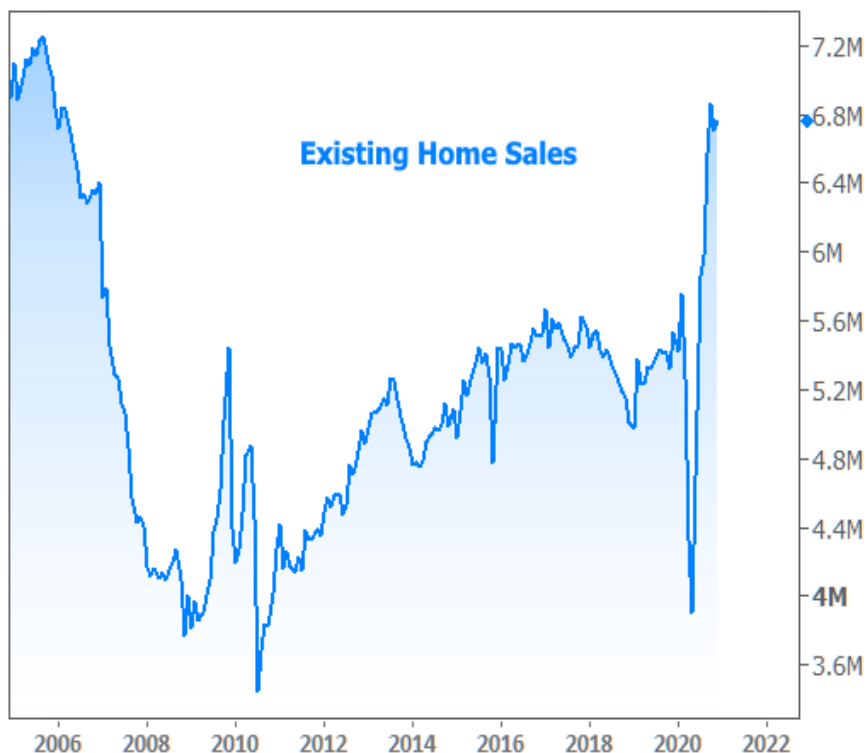
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## More Stellar Housing Numbers. How Long Can They Last?

While it wasn't quite the biggest surprise of 2020, the **strength of the housing market** was one of the best. The just-released numbers for December keep the good times rolling.

Leading the charge was December's Existing Home Sales report from the National Association of Realtors (NAR). The annual pace wasn't *quite* at the recent 15-year high seen 2 months ago, but it hasn't really fallen since then. No complaints.



If you want to see more 15-year records broken, you'll have to rely on The Census Bureau's **New Residential Construction** numbers. While not a direct measure of New Home Sales, the correlation is high (we'll get the official sales numbers next Thursday). For now, we can bask in the warm glow of another long-term high in Housing Starts.

## 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   |
| <b>Freddie Mac</b>         |       |        |        |
| 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 | 4.2364        | -0.0161 |
| 30 YR Treasury | 4.4542        | -0.0183 |

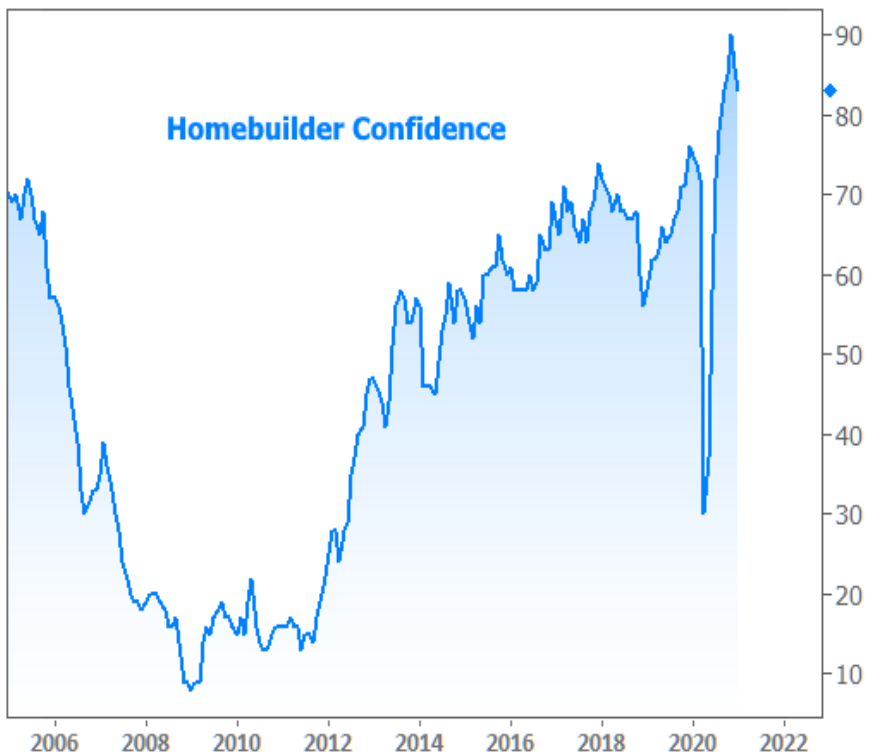
Pricing as of: 7/23 12:51AM EST

## 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%  |



With sales and construction numbers like this, it's no surprise to see **builder confidence** remain in **record high** territory. The National Association of Homebuilders (NAHB) reported another slight drop in builder confidence for January. The silver lining? If not for the past 3 months, January's index would have been an all-time high.

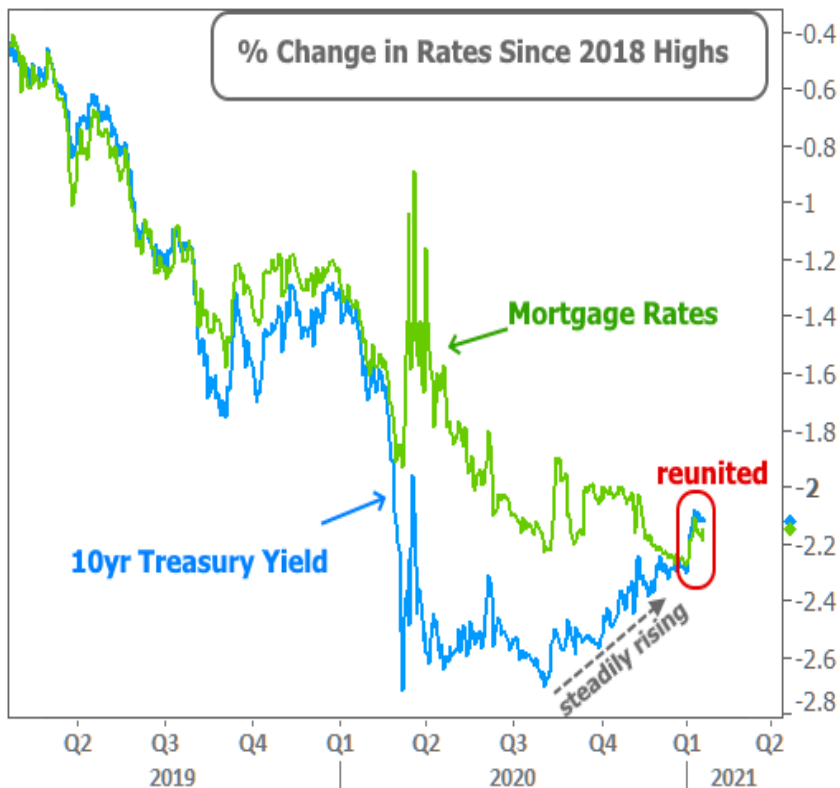


Silver linings aside, **do builders know something** that the home sales data has yet to tell us? That's possible, but most of the drop was chalked up to higher costs for materials, and shortages of labor and lots. In other words, the only thing the builder confidence numbers are telling us is that the housing market is a **victim of its own success**.

If we want to worry about the future of housing for more legitimate reasons, the most obvious candidate is the threat of **rising rates**.

Actually, there have been indications of upward pressure on interest rates for months. That hasn't been immediately apparent in the **mortgage** world because mortgage rates **diverged** from their normal benchmarks in such an unprecedented way in 2020.

Chief among those benchmarks is the 10yr Treasury yield, which has been conveying a slow, steady rise in rates **since August**. Mortgage rates, however, moved mostly **lower** since then, largely because they still had a lot of catching up to do following 2020's initial bond market shock.



Now that mortgage rates have been reunited with Treasuries, so to speak, we can expect to see bond market volatility have an easier time translating to movement in the mortgage market. From there, to whatever extent we credit low rates for benefitting the housing market, there is indeed **some cause for concern**.

Are we talking about **huge, immediate concerns**? Probably not. The trajectory of rates depends heavily on the trajectory of the pandemic and its economic impacts. It goes without saying that covid won't be defeated overnight. Moreover, progress may be uneven (2 steps forward, 1.X steps back?). As such, even if rates continue trending higher, they would be hard-pressed to do so very quickly.

The week of the Georgia senate election was an exception, and rates have already recovered significantly since then. As of this week, the average lender was almost all the way back in line with early January levels.

### 30yr Fixed Mortgage Rates



The week ahead brings **more housing data** with home price reports on Tuesday, New Home Sales on Thursday, and Pending Sales on Friday (a leading indicator for next month's Existing Home Sales report). In addition the Fed releases a policy statement on Wednesday. Given what we've heard from Fed Chair Powell recently, it's **too early** for investors to be looking for any major changes from the Fed, but hints about those changes will eventually be a big motivation for upward pressure in rates.

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### Recent Economic Data

| Date                     | Event                             | Actual | Forecast | Prior  |
|--------------------------|-----------------------------------|--------|----------|--------|
| <b>Wednesday, Jan 20</b> |                                   |        |          |        |
| 7:00AM                   | w/e MBA Refi Index                | 4484.2 |          | 4706.3 |
| 7:00AM                   | w/e MBA Purchase Index            | 348.2  |          | 338.9  |
| 10:00AM                  | Jan NAHB housing market indx      | 83     | 86       | 86     |
| <b>Thursday, Jan 21</b>  |                                   |        |          |        |
| 8:30AM                   | Jan Philly Fed Business Index     | 26.5   | 12.0     | 9.1    |
| 8:30AM                   | Dec House starts mm: change (%)   | 5.8    |          | 1.2    |
| 8:30AM                   | Dec Build permits: change mm (%)  | 4.5    |          | 5.9    |
| 8:30AM                   | Dec Housing starts number mm (ml) | 1.669  | 1.560    | 1.547  |
| 8:30AM                   | Dec Building permits: number (ml) | 1.709  | 1.604    | 1.635  |

### Event Importance:

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

| Date                     | Event                             | Actual        | Forecast | Prior |
|--------------------------|-----------------------------------|---------------|----------|-------|
| 8:30AM                   | w/e Jobless Claims (k)            | 900           | 878      | 965   |
| <b>Friday, Jan 22</b>    |                                   |               |          |       |
| 9:45AM                   | Jan PMI-Composite (source:Markit) | 58.0          |          | 55.3  |
| 10:00AM                  | Dec Existing home sales (ml)      | 6.76          | 6.55     | 6.69  |
| 10:00AM                  | Dec Exist. home sales % chg (%)   | +0.7          | -2.0     | -2.5  |
| <b>Monday, Jan 25</b>    |                                   |               |          |       |
| 1:00PM                   | 2-Yr Note Auction (bl)            | 60            |          |       |
| <b>Tuesday, Jan 26</b>   |                                   |               |          |       |
| 9:00AM                   | Nov CaseShiller 20 yy (%)         | +9.1          | 8.6      | 7.9   |
| 9:00AM                   | Nov Monthly Home Price yy (%)     | +11.0         |          | 10.2  |
| 10:00AM                  | Jan Consumer confidence           | 89.3          | 89.0     | 88.6  |
| 1:00PM                   | 5-Yr Note Auction (bl)            | 61            |          |       |
| <b>Wednesday, Jan 27</b> |                                   |               |          |       |
| 8:30AM                   | Dec Durable goods (%)             | 0.2           | 0.9      | 1.0   |
| 2:00PM                   | N/A FOMC rate decision (%)        | 0.000 - 0.250 | 0.125    | 0.125 |
| <b>Thursday, Jan 28</b>  |                                   |               |          |       |
| 8:30AM                   | Q4 GDP Advance (%)                | 4.0           | 4.0      | 33.4  |
| 10:00AM                  | Dec New Home Sales (%) (%)        | 1.6           | 1.9      | -11.0 |
| 10:00AM                  | Dec Leading index chg mm (%)      | +0.3          | 0.3      | 0.6   |
| 10:00AM                  | Dec New Home Sales (ml)           | 0.842         | 0.865    | 0.841 |
| 1:00PM                   | 7-Yr Note Auction (bl)            | 62            |          |       |
| <b>Friday, Jan 29</b>    |                                   |               |          |       |
| 8:30AM                   | Dec Core PCE Inflation (y/y) (%)  | 1.5           | 1.3      | 1.4   |
| 9:45AM                   | Jan Chicago PMI                   | 63.8          | 58.5     | 59.5  |
| 10:00AM                  | Dec Pending Sales Index           | 125.5         |          | 125.7 |
| 10:00AM                  | Jan Consumer Sentiment (ip)       | 79.0          | 79.2     | 79.2  |
| 10:00AM                  | Dec Pending Home Sales (%)        | -0.3          | -0.1     | -2.6  |

## 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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