With mortgage rates on the rise, lenders are implementing various strategies to attract new buyers and stay competitive in the market. Here are some of these strategies to be aware of:

Temporary Buydowns

Temporary buydowns provide a lower introductory rate on fixed mortgages for the first year; after that, it bounces back to the original mortgage rate.[1] Be aware of what the original mortgage rate is as it could be significantly higher.

Cashback Incentives

Cashback incentives typically involve the lender providing a certain percentage of the loan amount back to the borrower at the closing of the mortgage. However, you should carefully evaluate the terms and conditions of these incentives, as they may be subject to certain restrictions or limitations.

Flexible Loan Programs

Flexible loan programs can include adjustable-rate mortgages (ARMs) which offer a fixed interest rate for an initial period before transitioning to an adjustable rate.[1] There are also hybrid loans that provide borrowers with a fixed interest rate for a predetermined period, such as five or seven years, before converting to an adjustable rate.[1]

While these strategies can provide short-term benefits, it's crucial for buyers to thoroughly evaluate the terms and consider their long-term financial situation before making a decision. Consulting with a mortgage professional is always advisable to make informed lending decisions that align with individual circumstances and goals.

Sources:

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[1] Bernard, T. S. (2022, September 29). Confused by the New Mortgage Gimmicks? Here's a Guide. The New York Times. https://www.nytimes.com/2022/09/29/your-money/mortgage-guide-home-buying.html. Accessed 10 July 2023.

Spotlight

What does the housing market look like these days? See below to better understand today's trends, and why they may look the way they do.

THREE ON THURSDAY

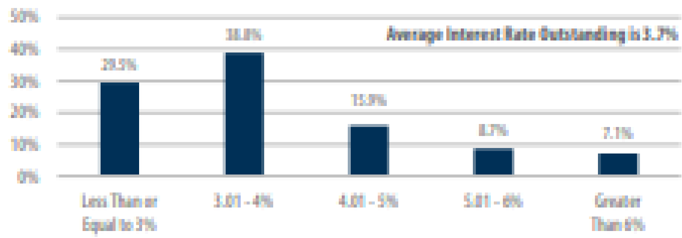
First Trust

FIRST TRUST ECONOMICS

September 21, 2023

For our inaugural edition of Three on Thursday, let's take a closer look at the housing market. Housing prices are up significantly from early 2020 levels, while mortgage rates are now hovering near 7.5%, the highest in more than two decades. Does this mean we should brace ourselves for another 2000's-esque housing crisis? Our assessment of the data suggests otherwise. To help illustrate, below are three charts to provide a more detailed picture of the current housing environment. In short, we see no collapse looming.

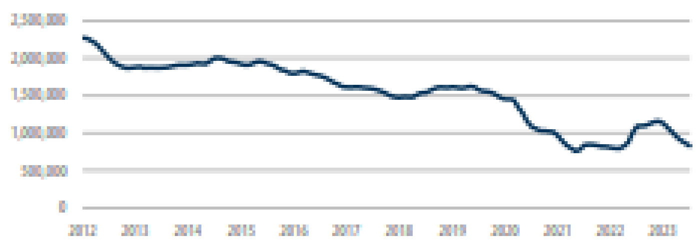
Contract Interest Rate at Origination for Mortgages Outstanding



Source: Federal Housing Finance Agency, First Trust Advisors. Data as of 3/31/23.

As of the first quarter of 2023, a striking 95.2% of outstanding mortgages are fixed-rate loans, leaving a mere 4.8% comprising adjustable-rate mortgages (ARMs). Many homeowners purchased or refinanced their homes at much lower interest rates prior to 2022, thereby binding themselves to their existing mortgages creating a "mortgage lock-in" phenomenon and a reluctance to sell. In fact, when we examine the total dollar volume of mortgages outstanding, a staggering 70% or so of these loans are locked in at interest rates of 4% or lower. The average interest rate across all mortgages currently stands at a relatively low 3.7%. In today's market, where 30-year fixed mortgage rates are double the average interest rate held by current mortgage holders, the prospect of moving is considerably less enticing and more challenging.

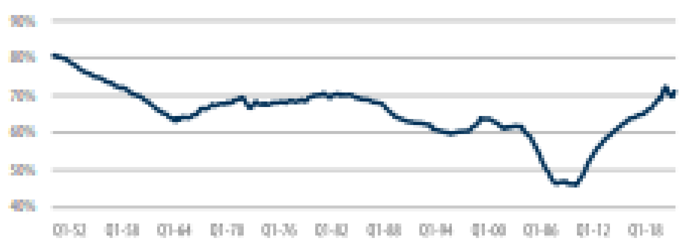
Residential Inventory Unit Level | 2012 - 2023



Source: Redfin, First Trust Advisors.

Another pivotal distinction between our current housing market situation and the early 2000s is the scarcity of available inventory. This shortage of inventory is primarily attributed to a lack of sellers entering the market (for reasons noted above), a trend expected to persist for the foreseeable future. Examining the most recent data from July 2023 shows that inventories have plunged by 24% compared to the same period the previous year, and a staggering 47.5% since July 2019. Even though demand has dropped significantly with higher interest rates, inventories continue to remain close to rock bottom levels meaning supply and demand are not out of whack.

Household Owners' Equity in Real Estate as a Share of Overall Household Real Estate



Source: Federal Reserve Board, First Trust Advisors. Data from 12/31/1952 to 3/31/2023.

The rapid appreciation in home values over the past few years, coupled with larger down payments and the sustained strength of the housing market throughout the past decade, has resulted in a remarkable milestone. Household owners' equity as a share of overall home asset values, has now reached an impressive 71.1%. This figure is the highest recorded since 1960, except for the past few quarters showing comparable levels of homeowners' equity.

From Us to You

Happy Halloween from us to you! Here are some of our past costumes!

Upcoming Events

It's spooky season! Don't miss these events!

Don't miss the 3rd Annual Nassau County Halloween Festival on Friday October 27th from 5 pm-8 pm at the Yulee Sports Complex.

Frank's Desk

The Summer Doldrums: a phrase that refers to the hot, lazy days of summer. It also refers to economic times when the stock market drifts sideways while investors go on vacation, leaving financial decisions to be addressed in the fall. An old wives tale? Perhaps, but let's look at the S&P 500 index this summer. It opened on July 3rd at 4,450.48. On September 15th the index closed at 4450.32.

Sounds rather like the Doldrums to me; but it probably has more to do with fundamentals than with vacation planning.

The S&P was up over 15% from January 1st to July 3rd of this year. As we have discussed, 80% of this increase has been due to 8 individual stocks. With that much heavy lifting I can understand the need for a vacation. But as you can imagine, with inflation still running above normal, interest rates high, labor strikes lingering, oil prices on a tear, and the threat of a recession still on the horizon, investors are cautious at best.

So, *what should we do*? Look for the market to maintain these levels at best, give back some of it's gains at worst. How much of these gains? Several months ago, I was anticipating a pullback of mid-single digits in the later part of the year, and I am still looking for a slight correction. This should create a nice buying opportunity.

For those of you not looking for the next great deal, I suggest you head north and look for cooler weather. Better yet, schedule a nice cruise; cool tropical breezes and an ice-cold lemonade will help you forget about the doldrums.

But above all, try not to worry. Because even in the heat of summer, that's my job.

Any opinions are those of Frank Houston and not necessarily those of Raymond James. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

Market Update

	12/31/22 Close	9/29/23 Close*	Change Year to Date	Gain/Loss Year to Date
DJIA	33,147.25	33,507.50	+360.25	+1.09%
NASDAQ	10,466.48	13,219.32	+2,752.84	+26.30%
S&P 500	3,839.50	4,288.05	+448.55	+11.68%
MSCI EAFE	1,943.93	2,075.85	+131.92	+6.79%
Russell 2000	1,761.25	1,785.10	+23.85	+1.35%
Bloomberg U.S. Aggregate Bond Index	2,048.73	2,024.02	-24.71	-1.21%

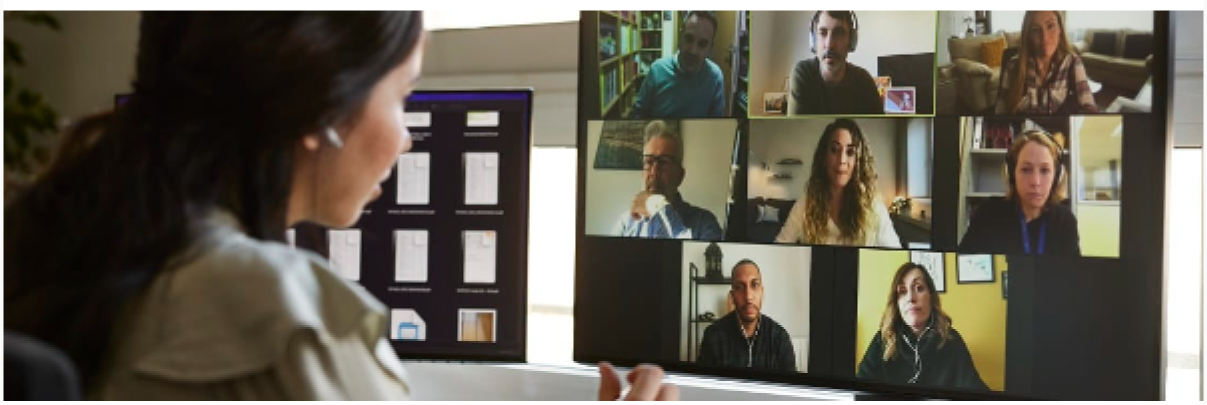
*Performance reflects index values as of market close on Sept. 29, 2023.

As heightened inflation has lingered, the Federal Reserve diminished hopes of 2024 interest rate cuts and economic data suggests a mild recession in the first half of 2024.

Articles

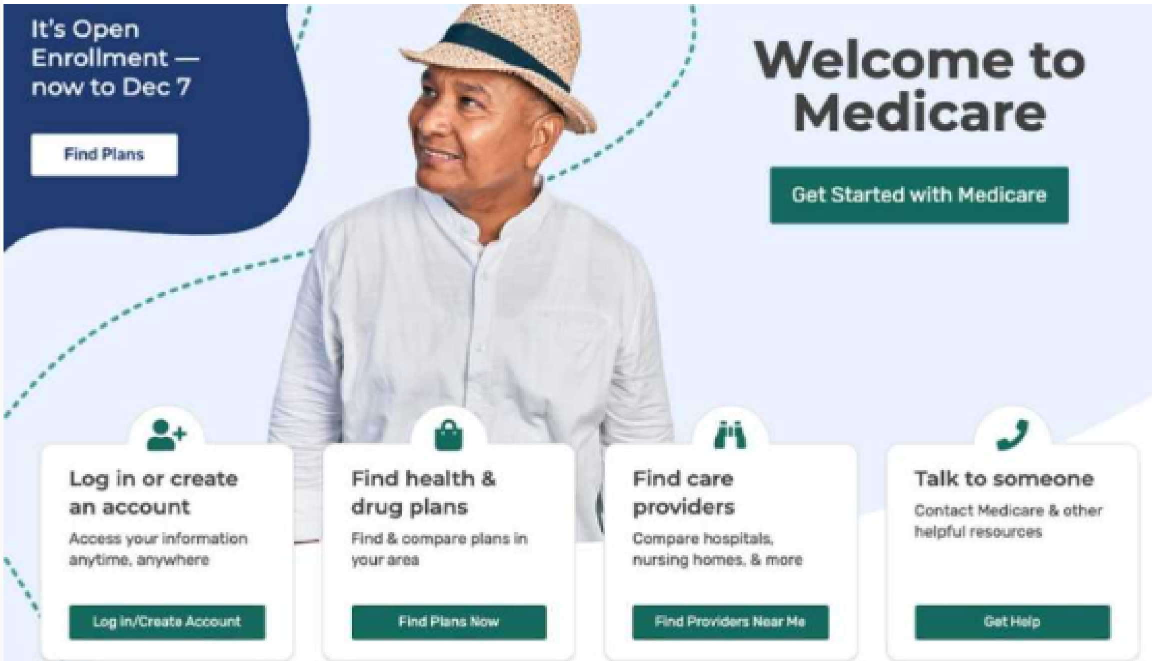
Are you considering refinancing your mortgage? If so, use this calculator first to see if it is the best option for you.

Mortgage Refinance Calculator



Remote work became the norm for some during the pandemic, but how is it affecting the real estate market today?

How Is Remote Work Affecting Real Estate?



It's that time of year, don't miss Open Enrollment for Medicare!

Be Ready for Open Enrollment

The Consumer Financial Protection Bureau has recently warned that there has been a growing volume of advertisements sent to homeowners advertising reverse mortgages. These ads disproportionately target older, low-income homeowners but are a risk for everyone. If you know someone who has recently been speaking about reverse mortgages please share this with them before they make any decisions.

Be Alert For Reverse Mortgage Ads

Let's Connect

Want a Second Opinion?

Our mailing address is:
814 A1A North Suite 100
Ponte Vedra Beach, FL 32082

Want to change how you receive these emails?
You can update your preferences or unsubscribe from this list.

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