



beyond the headlines



Obama offers help for younger, first-time home buyers

Source: Sacramento Bee

President Barack Obama has announced plans to cut mortgage-insurance premiums charged by the Federal Housing Administration (FHA) in order to expand homeownership among lower-income buyers. “We do not see first-time buyers getting into the marketplace. They don’t have a chance to get onto that first rung of housing,” said Chris Kutzkey, president of the CALIFORNIA ASSOCIATION OF REALTORS®.

Making sense of the story

- The annual fees the Federal Housing Administration charges to guarantee mortgages will be cut by 0.5 percentage point, to 0.85 percent of the loan balance.
- Under the new premium structure, FHA estimates that 2 million borrowers will be able to save an average of \$900 annually over the next three years.
- In response, Julian Castro, secretary of the Department of Housing and Urban Development, commented, “We believe this is striking a very good balance between being fiscally responsible and also enhancing homeownership opportunities.”
- The FHA has been increasing premiums since 2011 to offset losses caused by defaults on mortgages it backed after the housing bubble burst. Critics say such increases are detrimental to middle income Americans.
- The FHA estimates that 250,000 first-time homebuyers will enter the market after the premium reductions.
- Democrats and housing groups say reducing FHA fees will be the agency’s bottom line because it will boost the volume of lending, which declined when home buyers had to pay more to obtain loans.
- In addition to its annual premiums, the FHA also charges borrowers an upfront fee, which is currently set at 1.75 percent of the loan balance and is not slated to change.

Read the full story

<http://www.sacbee.com/news/nation-world/national/article5564631.html>



beyond the headlines



In other news ...

Housing in 2015: Four Reasons for Optimism (And One for Worry)

Source: NPR

Will 2015 be the year that the housing market finally breaks out of its tepid recovery and takes off as economic indicators point to strong improvement? According to economists, there are several factors to encourage optimism. Firstly, employers are hiring again, job growth is relatively strong, and consumer confidence is growing. Also, slower price appreciation in 2014 may have set the stage for a buying surge in 2015. Millennial entry into the market and high rents may also be working in housing's favor.

Read the full story

<http://www.npr.org/2015/01/05/374232461/housing-in-2015-four-reasons-for-optimism-and-one-for-worry>

Buying a Home in California is Harder for Middle Class Families

Source: KPBS

The median income required to buy a home today in California is \$30,000 higher than it was a few years ago, which means less than a third of California households can afford a home at the median price right now. According to Selma Hepp, senior economist with the CALIFORNIA ASSOCIATION OF REALTORS®, it's much harder today than it was a year ago to buy a home in the state because there are very few affordable homes available in places most people want to live.

Read the full story

<http://www.kpbs.org/news/2014/dec/16/buying-home-california-harder-middle-class-families/>

Five Things to Watch in Housing In 2015

Source: Wall St. Journal

With lingering concerns about the recovery of the housing market, there are several key factors to watch in 2015, including affordability. It remains to be seen whether sales will pick up in 2015 if there's more available for sale, and if those sellers realize prices aren't rising the way they were one or two years ago. Slight loosening in access to credit may make the process of obtaining a mortgage less burdensome, but without an increase in incomes, there may not be sufficient buyers. Interest rates, inventory, and new construction are also important to monitor.

Read the full story

<http://blogs.wsj.com/economics/2015/01/05/five-things-to-watch-in-housing-in-2015/>



beyond the headlines



Young Home Buyers Return in U.S. as Economy Accelerates

Source: Bloomberg

It is hoped that an increase in first-time buyers, whose market share dropped to a record low last year, will provide a boost to the sluggish mortgage industry. As the economy improves, economists expect weak demand to turn around as more renters are put in a better position to buy. It is believed that increasing confidence in the job market is the strongest indicator home sales will improve.

Read the full story

<http://www.bloomberg.com/news/2015-01-05/young-home-buyers-return-to-u-s-as-economy-accelerates.html>

Housing market on track for more improvement this year

Source: The Hill

Existing-home sales are expected to increase 7.4 percent this year, according to the National Association of REALTORS®. The forecast predicts that median home prices are expected to rise about 4 percent, while new homes sales are slated to jump 37 percent and rents are likely to increase 4 percent. Problem areas for the market include an expected rise in interest rates, stifled lending, and tough conditions for first-time home buyers.

Read the full story

<http://thehill.com/policy/finance/228784-housing-market-on-track-for-more-improvement-this-year>

Stop charging borrowers for yesterday's mistakes, FHA

Source: HousingWire

The Urban Institute is calling on the Federal Housing Administration to update its approach to insurance premiums because current rates are too high. According to its analysis, the FHA can significantly lower its premiums—charging current borrowers more appropriately for their risks—while continuing to build the necessary reserves against future losses.

Read the full story

<http://www.housingwire.com/articles/32521-urban-institute-stop-charging-borrowers-for-yesterdays-mistakes-fha>



beyond the headlines



What you should know ...

- As the wealthiest generation and the first to drive the housing market, baby boomers will continue to be a pillar of the housing market, according to a 2014 CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) survey of California baby boomers (born between 1946 and 1964).
- While nearly half (46 percent) of baby boomer renters who previously owned a home sold it primarily due to financial reasons, the vast majority still have a strong desire to purchase a home. The survey found that 63 percent of boomer renters would be motivated to buy a home if they saw an improvement in their finances, affordable home prices, or other reasons.
- Also, 22 percent said they expect to buy a home in the next five years. Baby boomer renters who previously owned a home are also in a better financial position to purchase a home, having a higher average annual household income (\$78,570) than those boomers who have never owned a home (\$39,825).