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U.S. firms point to steady economy despite lower profit margins, Fed says

Source: Yahoo! Finance

U.S. economic activity was little changed from September through October and firms saw a slight uptick in hiring, continuing recent trends that have reinforced expectations the Federal Reserve will opt for a smaller, 25 basis-point reduction in borrowing costs in two weeks. “On balance, economic activity was little changed in nearly all Districts since September, though two Districts reported modest growth,” the Fed said on Wednesday in the survey known as the “Beige Book,” which polled the business contacts of each of its 12 regional banks through Oct. 11. “Despite elevated uncertainty, contacts were somewhat more optimistic about the longer-term outlook.”

The U.S. central bank’s latest temperature check on the health of the economy showed that inflation pressures continued to moderate while input price generally rose faster than selling prices, slightly denting firms’ profit margins. The central bank last month began an easing cycle with an unusually large half-a-percentage-point cut in its policy rate, lowering it to the 4.75-5.00 percent range.

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U.S. home prices grew 0.5% in September, the fastest pace since April

Source: Redfin

U.S. home prices grew 0.5 percent from a month earlier in September on a seasonally adjusted basis. That's the fastest pace since April and the third consecutive month in which the growth rate has increased. On a year-over-year basis, home prices rose 6 percent, the lowest annual increase since December. This is according to the Redfin Home Price Index (RHPI), which uses the repeat-sales pricing method to calculate seasonally adjusted changes in prices of single-family homes. The RHPI measures sale prices of homes that sold during a given period, and how those prices have changes since the last time those same homes sold.

Mortgage affordability improved in September when rates dropped as low as 6.08 percent, but home prices are continuing to tick up because demand outweighs supply. "There are around 20 percent fewer homes on the market today than there were five years ago, mainly because so many homeowners locked in a low mortgage rate during the pandemic," said Redfin Senior Economist Sheharyar Bokhari. "With mortgage rates back above 6.5 percent this month, and unlikely to drop below 6 percent this year – home prices will likely continue their consistent climb until more inventory comes onto the market in the spring."

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Existing home sales plunge to 14-year low

Source: USA Today

U.S. existing home sales dropped to a 14-year low in September, weighed

down by higher mortgage rates and house prices. The second straight monthly decline in home resales reinforced economists' views that the slump in residential investment, which includes homebuilding, deepened in the third quarter. The housing market has struggled to rebound after being knocked down by a resurgence in mortgage rates in the spring.

Though supply has improved, entry-level homes remain scarce in most regions of the country, keeping home prices at levels that are unaffordable for most first-time buyers. "It will take more rate cuts and more options to bring buyers back," said Jennifer Lee, senior economist at BMO Capital Markets. Home sales fell 1.0 percent last month to a seasonally adjusted annual rate of 3.84 million units.

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Gen Z is burdened by rent, boding ill for future wealth

Source: MarketPlace

If you know someone between the ages of 18 and 25, chances are they are "rent burdened," meaning they spend at least 30 percent of their pre-tax income on housing. That was true of 58 percent of people in that age group in 2022, according to a new analysis out from Zillow. That's better than millennials had it when they were in that same age bracket, but not by much: 12 years ago, 60 percent of young adults were rent burdened. Rent burdened young adults peaked in 2011, and everything was getting better until 2020.

If you pay a lot in rent, you save less. Jordan Levine, chief economist at the CALIFORNIA ASSOCIATION OF REALTORS®, said if you save less, "it

prevents you from building up that down payment, getting into that first home, then that forever home.” And the longer these young adults are renting – and rent-burdened – the wider the wealth gap becomes. Levine said the big fix is increasing the supply of started homes.

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Mortgage companies, trade groups launch program to address racial homeownership gap

Source: RisMedia

The Mortgage Bankers Association (MBA) and 13 industry stakeholders such as Fannie Mae, Freddie Mac, Lennar Mortgage, and Wells Fargo Home Lending announced the formation of the CONVERGENCE Collaborative, a coordinated effort to identify and develop solutions to help close the racial homeownership gap. Over the next three years, the CONVERGENCE Collaborative will deploy more than \$1 million annually to build on the existing network of location-based CONVERGENCE sites focused on expanding minority homeownership. Pilot sites will test and incubate new solutions to improve access to homeownership using online tools such as a down payment assistance finder, and in-person resources such as homebuyer education courses.

For decades, the national homeownership rates of Black and Hispanic people have lagged that of white people by well over 20 percent, with much larger gaps in some markets, MBA noted. Despite public, private and non-profit investments, these gaps have remained high. The challenge of closing these gaps becomes more urgent considering that most new households formed over the next two decades will be comprised of

people of color, MBA stated. The Collaborative will focus on the intersection between business development and expanding socioeconomic opportunities for historically underserved people and communities.

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Mortgage demand drops to lowest level since July as rates bump higher

Source: CNBC

Mortgage demand lowered again last week, even though mortgage interest rates didn't move. Total mortgage application volume dropped 6.7 percent for the week compared to the previous week, hitting its lowest level since July, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of \$766,650 or less remained unchanged at 6.52 percent, with points decreasing to 0.64 from 0.65 (including the origination fee) for loans with a 20 percent down payment. Refinance demand continued to lead the way down, declining 8 percent for the week. However, it was 90 percent higher than the same week one year ago. Applications for a mortgage to purchase a home fell 5 percent for the week and were just 3 percent higher than the same week one year ago. Some real estate agents say buyers are also taking a wait-and-see approach before next month's presidential election.

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