



Steve's Mortgage Notes

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Ready.....Set.....wait?

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Have you ever seen a market like this? How do you describe this market to your clients? Which direction are home values headed in Tucson? What in the hell is going on with mortgage interest rates? Didn't the Fed cut rates? Why are mortgage rates still so high?

This is what we know: [U.S. home sales are at a 30 year low](#). The number of transactions is down in Tucson as well. According to our MLSSA statistics [only 1,015 homes were sold here last month](#). That is down 5% from October of 2023.

Why? Why are the people of Tucson not buying and selling real estate? One reason is that [56.2% of all outstanding mortgages have interest rates below 4%](#). Another reason of course is a general feeling of uncertainty. We have been told for months that buyers and sellers are waiting until after the election. What's next? The holidays, of course! Maybe buyers and sellers will buy and sell after the holidays.

I met a brand new Realtor on Saturday. Savannah is three months into the industry and in a way, I envy her. She has three prospective buyers and a couple of listings and she has no idea that this business is supposed to be difficult. She only understands that there ARE people out there that need to buy and sell homes and she is helping them. Savannah doesn't know and doesn't care that affordability has had its butt kicked over the last five years. She is just serving her clients.

Since we are not Savannah, let's look at where we stand in this market. Home prices are flat [according to MLSSA statistics](#). We may even be seeing the start of home prices coming down soon. That isn't great news for sellers but it does mean more transactions for me and you.

We also know that mortgage interest rates are nearly [1% below where they were a year ago](#) and likely to move even lower over the next twelve months. The Federal Reserve [cut the Fed Funds rate again last week](#) and is likely to do so again in December. Mortgage interest rates will eventually follow.

This is a good time to buy and sell in Tucson. The elections are behind us. We have 50 days until the holidays are over. Don't wait until then. If you are not reaching out to your database to tell them that the time is now, someone else will. The waiting is over! Ready, set, GO!

Interest rate update

The Federal Reserve cut the Fed Funds rate by 0.25% on Thursday and the mortgage bond market responded favorably. The Fed meets again in December and another 0.25% cut is forecast.



Mortgage interest rates will be closer to 6% than 7% by the end of the year and may fall below 6% by this time next year. That is when your buyers will have increased competition. The best strategy for your buyers is to purchase now and refinance later.

Here is a look at [the average interest rates from Mortgage News Daily](#):

30 year fixed rate 6.92% (7.09% last week)

15 year fixed rate 6.37% (6.49% last week)

Bits and Pieces

Home prices are higher here in Tucson than they used to be. The median sales price is [up by \\$50,050 from just three years ago](#) according to our MLSSA. Still, ADU's in some parts of California cost [up to \\$500,000 to build](#). It could be worse here in Southern Arizona.....Maybe the biggest risk home buyers face without representation is that they [may not know to have a home inspected](#). The same home buyer that wants to save money by buying without paying a Realtor may not want to pay for a home inspection either.....The [pace of new home construction has slowed](#). The new home sales statistics should rebound if the mortgage bond market improves following the Fed Funds rate cut. We need the inventory for resale home prices to stabilize.....
.....I don't benefit from this but you can: [23% of existing mortgages are assumable](#). If your next seller has an assumable loan you have to use this to their advantage. The lower-than-market interest rate that comes with the home could add thousands to the value.

A sign that the [U.S. economy is struggling is "doom spending"](#). A weak economy is great for mortgage interest rates but this kind of personal spending can make it almost impossible to save money for a down payment.....Mortgage interest rates are only part of the affordability problem. [Homeowners insurance premiums are up 12.4% in Pima County](#) over the last three years. It could be worse. Premiums are up over 40% in Flagstaff and over 60% in some other parts of the country.The electrical grid in midtown Tucson desperately needs an upgrade. [TEP has plans for replacing several power lines](#) and many midtown neighborhoods are up in arms. The most appealing option is underground lines but that is also the most expensive option and not what TEP plans to do.....The [cost of credit reports just](#)

[went up](#). I'm just the messenger! FICO is raising prices for credit reports with credit scores by \$4.95 per score. That means almost \$15 for the tri-merge report required for mortgage lending.

Quote of the Week
"Time is what we want the most, but use the worst."
-William Penn

Happy anniversary to me! This is a big one. My first day in the mortgage business was November 11th, 1999. I have been helping people with mortgages for 25 years now!

Many things have changed. Gone are the days of stated income loans. Seller assisted down payments are a thing of the past. Loan officers didn't even need to be licensed when I started!

Some things haven't changed. People still need a place to live. The American Dream is still a place to call home. Your services are needed now more than ever. Roughly a third of your clients will pay cash for their next purchase.

Here is another thing that hasn't changed: I'm here to help you with the other two-thirds of your clients (the ones that need financing) and now I have 25 years of experience to help you serve them!

Thank you for reading. Have a great week!

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