



# Steve's Mortgage Notes

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## Formal protocol for reconsideration of value

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**When is the last time you had a transaction where the appraisal came in lower than you expected? It's been quite a while since I have seen it happen. For years now home values have been climbing quickly.**

**In 2020 and 2021, you could list a home for \$300,000 and the value would rise to \$310,000 by the time the transaction closed 30 days later. Today, Pima County has more listings on the market and homes are not appreciating as quickly. We may soon see more appraisals come back lower than the agreed upon purchase price.**

**Until recently, disputing an appraised value has been a challenge. Some appraisers would accept additional comparable sales for review. Others would draw a hard line.**

**FHFA recently implemented a formal process to dispute appraised values on conventional appraisals. There are a few things that you as a Realtor need to know:**

- Reconsideration of value must be initiated by the home buyer.
- Additional comparable sales will only be considered if they are within two miles of the subject property
- Additional sales will only be considered if they closed within the last six months
- Active listings and pending sales will not be considered
- Square footage of additional sales must be within 20% of the subject property square footage

The new "Reconsideration of Value" rules will not solve all appraisal problems in the future but at least we have a formal process to address any issues that arise.

## Interest rate update

Last week was "jobs week". During the first week of each month, ADP, a giant payroll processing company, publishes a report which details employment trends. The Bureau of Labor and Statistics also publishes an employment report on Friday of the first week of each month.

Because the Federal Reserve monitors inflation AND employment, these reports can sometimes have a huge effect on interest rates. The market responded well to the reports. Has the mortgage interest rate tide turned? Cross your fingers but don't hold your breath.

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

30 year fixed rate 6.68% (6.88% last week)

15 year fixed rate 5.98% (6.09% last week)



## Bits and Pieces

Starter homes are shrinking. Unfortunately, [the prices are not coming down](#). Fortune magazine points out that starter home prices are not going up which is good but the average square footage of these homes is smaller.....The CFPB is looking into mortgage brokers that may be steering borrowers to lenders [that offer higher loan officer compensation](#) instead of offering the best interest rate available. Make sure your clients work with a mortgage banker.....The number of real estate agents in the market is growing again despite the [speculation of agent attrition after the NAR settlement](#). There are over 1.5 million nationwide. Be prepared to explain your value and why a buyer or seller should work with you.....I'm not sure what this will do to home values in the area but Pima Community College has decided to [demolish three historic motels](#) near the downtown campus. The iconic neon signs will be taken down as well. Hopefully signs can be relocated.

There is new speculation that [Fannie Mae and Freddie Mac may be re-privatized](#) in the coming years (months?). This would be good news for consumers. It could mean the end of loan level price adjustments which would save home buyers money.....Vail has a problem! Parts of the town have grown by 500% over the last 20 years and access from I-10 is insufficient. "RTA Next" may address the issue by [expanding Colossal Cave Road](#) but that would wipe out parts of Old Vail and some residents have a problem with that.....It took seven years but the "Short Sale Queen" has been [indicted on mortgage fraud charges](#) from 2017. It sounds like an elaborate scheme. I can't help but think that the "queen" would have made more money if she had worked as hard doing things the right way.....Atlas Van Lines produces a migration patterns study every year. This year Atlas tells us that [more people are moving out of Arizona than moving in](#). Atlas also says that fewer people are moving in general. Arkansas is the top "impound" state.

## Quote of the Week

**"The risk of a wrong decision is preferable to the terror of indecision."**

**-Maimonides**

We are still a couple of weeks from Christmas and I'm looking forward to the start of the new year. I don't know how 2024 has been for you but I didn't close as many loans as I wanted to close this year.

Part of the problem is inventory. More housing inventory would keep home prices down. Fortunately the number of listings is up [according to our MLSSA statistics](#). Do you think inventory levels will continue to improve?

The other problem is mortgage interest rates. Mortgage rates are [slightly better than they were a year ago](#). Realtor.com says that mortgage interest rates will continue to improve in 2025. Realtor.com says that mortgage interest rates [will average 6.3% throughout the year and end 2025 at 6.2%](#).

I'm ready for that to happen right now!

Thank you for reading. Have a great week!

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