

The Mortgage Corner

Mortgage Activity Continues to Boost Sales

By **Harlan Green** / Special to CASA

INCREASING MORTGAGE PURCHASE AND REFINANCE ACTIVITY, key forward looking indicators of our housing market, show 2013 should be a great year for housings' continued recovery. The Mortgage Bankers Association recently reported that its Refinance Index increased four percent from the previous week. The seasonally adjusted Purchase Index increased two percent from one week earlier was at its highest level since the week ending May 7, 2010.

The purchase index has increased in all but one week this year, and is now at the highest level since May 7, 2010 - and that was a spike related to the housing tax credit. The four-week average of the purchase index is also at the highest level since May 2010.

This is causing housing prices to almost soar, up five percent in 2012, according to several price indexes, including the S and P Case-Shiller Home Price Index. Some hardest hit markets like Phoenix, Arizona, are up 20 percent.

But housing sales might slow this year, if inventories don't begin to rise again. The NAR's Pending Home Sale Index fell in December

for that reason. A limited supply of homes for sale is increasingly taking the steam out of the housing market. Pending sales of existing homes fell 4.3 percent in December to pull the year-ago comparison, which had been trending in the double digits, down to plus 6.9 percent.

And credit quality has increased dramatically for conforming loans purchased by Fannie Mae and Freddie Mac, which guarantee some 90 percent of originations these days. The average score has risen from 730 to 760 in just the past

three years.

Mortgage Rates are holding in most areas of the country. The conforming 30-yr fixed rate is 3.375 percent for 0 Points origination in California, up just one-eighth percent from its low of the past several months. So watch out, prospective homebuyers. Though the Federal Reserve is doing all it can to keep down mortgage rates, lenders will be tempted to raise them if demand continues to pick up.



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