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Housing contract activity dropped sharply in April

Source: Yahoo! Finance

Home contract signings took a nosedive in April as high mortgage rates and tariff uncertainty weighed on prospective buyers. The Pending Home Sales Index fell 6.3 percent in April from a month earlier to 71.3, according to the National Association of REALTORS®. Economists had been expecting a more modest 1 percent decline. A reading of 100 is equal to the level of housing contract activity in 2001. Homes usually go under contract a month or two before they're sold, and while not all contracts close, pending home sales are typically an early indicator of housing market activity.

Year over year, pending contracts were down 2.5 percent nationwide. Contract activity was down month over month in all parts of the country and decreased year over year in all regions except the Midwest, which saw a 2.2 percent gain. Although 30 percent more homes were for sale in April than one year prior, prices are still near all-time highs, and mortgage rates remain well above 6 percent, making the market unaffordable for many.

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Don't expect home prices and rates to go down

Source: MPA Mag

Fannie Mae lowered its interest rate forecast on Wednesday, expecting rates to end 2025 at 6.1 percent and 2026 at 5.8 percent. Meanwhile Redfin reported this week that home prices declined by 01 percent in April, marking the first drop since 2022. Elevated interest rates and rising home prices have caused many potential homebuyers to pause looking for a new home. But while home price increases are slowing and lower rates are forecasted, one broker reminds customers not to expect either to plummet in the future.

Stacey Melton, vice president at Reasy Financial, notes that one of the biggest reasons there won't be a crash now, like there was in 2008, is that mortgages on the books are much more solid. Back in 2005 and 2006, "if you had a good credit score and a pulse, you could get a mortgage," says Melton. "Now it's way harder to buy a house than it was then. We've prepared the mortgage economy to be stabilized, so we're not going to go through that crash like we did before." Melton encourages customers to act now if it makes sense for their situation, because if "interest rates do come down, people will be lining up to buy."

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Fannie, Freddie OTC shares rise as Trump prepares to sell

Source: Reuters
Over-the-counter (OTC) shares of Fannie Mae and Freddie Mac rose on Wednesday after U.S. President Donald Trump said he was working on taking the housing giants public. The administration wants to end the long-standing conservatorship of Fannie Mae and Freddie Mac, which have been under the U.S. government's control since 2008 after they suffered heavy losses during the subprime mortgage crisis.

The two companies back the majority of the nation's residential mortgages. Fannie shares rose 3.7 percent to $10.92, while Freddie gained 7 percent to $8.13 by midday trading after a double-digit jump earlier in the session. The shares, which don't trade on major exchanges, hit their highest since 2008 after Trump said last week he was mulling a spinoff of the U.S. mortgage finance firms. Currently, the United States Treasury owns preferred shares in the firms and warrants to purchase about 80 percent of their common stock. The combined value of the two companies was $17 billion as of the last closing price. They have shot up more than five-fold in value in the past year.

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U.S. labor market slows; corporate profits drop most since 2020

Source: Reuters
The number of Americans filing new applications for jobless benefits increased more than expected last week and the unemployment rate appeared to have picked up in May, suggesting layoffs were rising as tariffs cloud the economic outlook.

Initial claims for state unemployment benefits rose 14,000 to a seasonally adjusted 240,000 for the week ended May 24, the Labor Department said. Economists polled by Reuters had forecast 230,000 claims for the latest week. The number of people collecting unemployment checks in mid-May was the largest in 3.5 years. The dimming economic outlook was reinforced by other data showing corporate profits declining by the most in more than four years in the first quarter, pulled down by nonfinancial domestic industries for which Trump's aggressive trade policy was making it harder for businesses to plan ahead – a sentiment echoed by a Conference Board survey on Thursday, which showed confidence among CEOs plummeting in the second quarter.

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Most baby boomers can't afford assisted living and stay in homes

Source: Yahoo! Finance

Baby boomers are dragging on the housing market because most can't afford to move out of their homes, according to Meredith Whitney, the "Oracle of Wall Street" who predicted the Great Financial Crisis. In an interview on Bloomberg TV, she said that many cash-strapped Americans have been borrowing against their homes, and 44 percent of home-equity loans are being taken out by seniors.

That's contrary to the typical narrative of baby boomers sitting on vast amounts of wealth accumulated over their lifetimes, which spanned unprecedented economic expansions and stock market booms. As a result, seniors with a lot of money have an edge in the tight housing market, accounting for 42 percent of all homebuyers, while millennials

account for 29 percent despite the younger generation being in the prime buying years. But while most buyers are boomers, it doesn't mean most boomers have a giant pile of cash. Boomers collectively have $75 trillion of wealth, but that's not distributed evenly, and Whitney estimated that just one in 10 seniors can afford assisted-living facilities.

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Mortgage rates highest since January, but homebuyers eager

Source: CNBC

Mortgage rates rose for the third straight week last week to the highest level since January, but some homebuyers were undeterred. Mortgage applications to purchase a home climbed 2 percent compared with the previous week and were 18 percent higher than the same week one year ago, 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 $806,500 or less) increased to 6.98 percent from 6.92 percent, with points decreasing to 0.67 from 0.69, including the origination fee, for loans with a 20 percent down payment. Applications to refinance a home loan fell 7 percent for the week but were 37 percent higher than the same week one year ago. "The Consumer Confidence Index was stronger than expected, but one of its components raised concern over the labor market," wrote Matthew Graham, chief operating office at Mortgage News Daily. "Weaker labor conditions tend to push

rates lower, all else equal. The underlying bond market improved after that and several mortgage lenders issued revised rates in response."

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