

YOUR MARKET UPDATE | AT-A-GLANCE

Mortgage Conditions Improve For Homebuyers

According to a new survey from Fannie Mae, credit availability is improving. For the first time in more than three years, the majority of consumers believe it's easier to get a mortgage.

"The gradual upward trend during the last few months bodes well for the housing recovery and may be contributing to this month's increase in consumers' intention to buy rather than rent their next home," said Doug Duncan, chief economist for Fannie Mae.

Mike Frattoni, chief economist for the Mortgage Bankers Association, explained, "The market continues to adapt to the new QM [Qualified Mortgage] regulation by eliminating products that do not fit inside of the QM box. This tightening is being offset; both in the market for higher balance loans, where lenders continue to loosen terms for jumbo loans, and in the refinance market, where more lenders are offering streamline refinance programs."

Loan requirements are also easing for jumbo loans. Big banks such as Wells Fargo and Bank of America announced in Q4 2013 that they were lowering down payment requirements

before 2008 foreclosed and gone, lenders have more confidence in loans generated since then. In fact, credit reporting agency TransUnion calculated that more loans were

“The percentage of equity-rich homeowners is nearing a tipping point that should result in a larger inventory of homes listed for sale and give the overall economy a nice shot in the arm in 2014.”

- Daren Blomquist, vice president, RealtyTrac

from 20 percent to 15 percent. This is a good thing for the Southern California market, where jumbo loans — mortgages above the old conforming limit of \$417,000 — accounted for 26.7 percent of January 2014 home loans, according to DataQuick.

But there could be other reasons that credit is more readily available. Credit reporting agency TransUnion announced that the mortgage delinquency rate for the Q4 of 2013 was 3.85 percent, down from 5.08 percent.

Delinquencies have been steadily declining over the past two years, while improved home sales and rising prices have allowed many homeowners on the edge to sell their homes and get into something more affordable.

Credit has been extraordinarily tight since 2008, as lenders struggled with federal claims of mortgage fraud. As the government leveled fines and banks made settlements, lenders became more willing to make conforming mortgage loans. With the most toxic loans

generated to borrowers with less-than-perfect credit in Q4 2013.

The median price paid for a home in California last month was \$353,000, down 3.3 percent from \$365,000 in December and up 21.7 percent from \$290,000 in January 2013, according to DataQuick. The data company noted that last month was the 23rd consecutive month in which the state's median sale price rose year-over-year. It was the 14th straight month with gains over 20 percent.

In Southern California, sales volume declined 9.9 percent year-over-year, due to tight inventory constraints. The median price of a home sold in January was \$380,000, marking 22 months of consecutive price gains, and 18 months of double-digit price gains.

With the number of jobs growing, the availability of relatively low interest rates and tight home supplies assuring equity gains, homebuyers should feel more confident in their decision to buy a home in 2014.

ADVICE FOR BUYERS

January median home prices were 24.8 percent below the peak \$505,000 median price in spring/summer 2007, so equity still has plenty of room to grow, and can grow beyond the historical ceiling. As mortgage requirements ease, it's a terrific time to buy.

ADVICE FOR SELLERS

If you've been waiting to list your home to get a higher price, consider that it may be wiser to list when buyers can get mortgage money. With lenders easing loan requirements, it's a great time to sell.