

Reliance Financial Times



Top Real Estate and Mortgage Trends to Watch for in 2014

Whether you are planning on purchasing a home as a primary residence or as an investment or are looking to refinance your home, start 2014 by understanding some of the top trends expected to shape the real estate and financing markets in the new year.

Mortgage Rates Will Continue to Rise: The National Association of Realtors (NAR) is forecasting the 30-year fixed to climb up to 5.40% by the end of 2014. While the rates increased in 2013 from 3.25% to 4.50% on conventional loan amounts, they are still at relative historic lows. In 2008, for example, the annual average interest rate was 6.02%. Financing \$100,000 would have resulted in a monthly payment of \$600. At today's rates of 4.50%, the monthly payment on \$100,000 is \$507.

Rates on Jumbo Loans Will Continue to Stay Low: In 2013, for the first time, jumbo loan rates (loan amounts more than \$625,500 in high-cost areas) were lower than conforming loan rates. Many banks will continue offering very competitive rates on jumbo loans next year.

New Underwriting Standards: The Ability to Repay and Qualified Mortgage

Standards (ATR/QM) which are part of the lending reforms of the Dodd-Frank Act, take effect January 10th. The new underwriting standards, which provide lenders with certain legal protections, are intended to lower the risk of default. Basically loans will have to have full documentation of the borrower's ability to repay the loan based on credit history and full financial income.

Home Prices Will Rise Moderately: 2013 saw skyrocketing price gains (see graph below). In many places the market has recovered to prices that are close to where they were pre-recession. While some have feared that this is the sign of a new bubble, this jump in prices is a correction for prices that dropped significantly during the housing bust. Now that this correction has taken place, we are likely to see more moderate price increases and a normalization in the market with increases averaging 4%-7%.

Distressed Sales Will Continue to Decrease: Early in the summer there had been fears of shadow foreclosures that would surge onto the market and continue to keep housing prices down, stopping the recovery in

its tracks. This did not end up coming to fruition, and distressed sales continue to make up a smaller share of the overall residential sales. Just 12% of sales in September were reported as distressed sales, and the NAR projects that distressed sales will fall to about 8% of market-share by the end of 2014.

Inventory Levels Will Improve Slightly: Thanks largely to an inventory shortage in many markets across the US, home prices have seen impressive gains and resulted in a sellers market. Improving home prices will allow people holding underwater mortgages to sell their homes. Further, with improving consumer confidence and with people looking to move-up in

the real estate market will once again begin putting their homes up for sale, allowing inventory levels to improve.

We predicted 2012 and 2013 to be great years to buy or invest in Real Estate. Those who listened to our call have reaped handsome financial dividends. With interest rates still at relative historic lows, coupled with a low inventory of homes we are calling for 2014 to be another good year to buy and/or invest in Real Estate.



Loan Limits for 2014 Released

Effective January 1, 2014 the national maximum loan limit for FHA financing will be reduced from \$729,750 to \$625,500 (1-unit homes) in high-cost areas like the San Francisco Bay Area and Los Angeles. The popular FHA streamline refinance will keep its cap at \$729,750. Conventional loan limits remain unchanged from 2013 levels, also capped at \$625,500 in high-cost areas. For further details on loan limits in your specific area, visit www.FannieMae.com/singlefamily/loan-limits.

Bay Area Real Estate Market Trends

Home sales were down 10.9% year-over-year as of November 2013, while median home values increased by 25.6%. Compared to October 2013, sales decreased by 12.3% and median home prices increased by 1.9%. Distressed resales in the Bay Area – combination of foreclosures and short-sales – accounted for 12.8 of the resales in November 2013.

All homes	# Sold Nov-12	# Sold Nov-13	Percent Change	Median Nov -12	Median Nov-13	Percent Change
Alameda	1,577	1,469	-6.8%	\$415,000	\$518,500	24.9%
Contra Costa	1,394	1,250	-10.3%	\$322,000	\$410,000	27.3%
Marin	272	287	5.5%	\$682,000	\$741,250	8.7%
Napa	133	110	-17.3%	\$360,000	\$455,000	26.4%
Santa Clara	1,707	1,517	-11.1%	\$550,000	\$667,500	21.4%
San Francisco	632	544	-13.9%	\$728,000	\$843,000	15.8%
San Mateo	630	581	-7.8%	\$618,000	\$700,000	13.3%
Solano	584	430	-26.4%	\$221,500	\$275,000	24.2%
Sonoma	545	471	-13.6%	\$349,000	\$418,750	20.0%
Bay Area	7,474	6,659	-10.9%	\$438,000	\$550,000	25.6%

Source: DataQuick Information Systems

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"You're in luck. We just listed a lovely 3 bedroom, split-level Tupperware!"

Tip Corner

Interesting Stats of Home Buyers and Sellers

The recently released National Association of Realtors Profile of Home Buyers and Home Sellers 2013 yielded a variety of interesting stats.

- Almost 50% home sellers traded up to a larger size and higher priced home and 59% purchased a newer home.
- The typical seller lived in their home for 9 years, up from 6 years in 2007.
- Recent sellers typically sold their homes for 97% of the listing price and 47% reported they reduced the asking price at least once.
- About 13% of recent sellers had to delay or stall selling their home because the value of their home was worth less than their mortgage.
- The share of home sellers who sold their home without the assistance of a real estate agent was only 9%.
- For buyers, the use of the Internet in home search rose to 92%.
- The typical home buyer searched for 12 weeks and viewed 10 homes.
- Real Estate agents were viewed as a very useful resource by 87% of buyers who used an agent in home buying.
- For more 50% of the buyers finding the right home was the most difficult step in the home buying process.



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