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CALIFORNIA ASSOCIATION OF REALTORS®

What to know about adjustable-rate mortgages vs. fixed

Source: Market Watch

With interest rates on the rise in recent months and high home prices, some buyers have turned to adjustable-rate mortgages (ARMs) in an

attempt to (temporarily) lower their monthly housing payment. What should you know before considering an ARM?

Adjustable-rate mortgages typically start out with a lower-than-average interest rate, and then "adjust" to a higher or lower rate after a set period of time. A 5/1 ARM, for example, changes its interest rate once a year after five years. ARMs can be attractive because borrowers will initially have a lower monthly mortgage payment than they would with a traditional 30-year fixed-rate mortgage.

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What Fed Rate increases mean for mortgages, credit cards

Source: New York Times
The U.S. Federal Reserve said this week it will raise rates by another 75 basis points to tame soaring inflation. Here's what it means for mortgage rates. Rates on 30-year fixed mortgages don't move in tandem with the Fed's benchmark rate, but instead track the yield on 10-year Treasury bonds, which are influenced by a variety of factors, including expectations around inflation, the Fed's actions and how investors react to all of it.

Other home loans are more closely tethered to the Fed’s move. Home equity lines of credit and adjustable-rate mortgages — which each carry variable interest rates — generally rise within two billing cycles after a change in the Fed’s rates.

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U.S. new home sales fall in June

Source: Market Watch

U.S. new home sales plunged 8.1% to a seasonally-adjusted rate of 590,000 in June, from a revised 642,000 in the prior month, the Commerce Department reported this week.

The number of new homes sold is the lowest since April 2020, during the depths of the coronavirus pandemic. Sales have fallen since hitting a peak of 1.04 million in August 2020. Year-over-year, new home sales are down 17.4%.

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Bay Area home prices see largest May-June drop

Source: Mercury News

The Bay Area's housing market continued to cool in June, with home prices experiencing the largest monthly drop for this time of the year in at least three decades. Rising interest rates are squeezing buyers, homes staying longer on the market and an increasingly uncertain economy — all signaling the Bay Area housing market may have peaked after prices hit all-time highs earlier this year.

"From this point on we probably won't see another record price, at least for this year, for either the Bay Area or for the state," said Oscar Wei, deputy chief economist with the CALIFORNIA ASSOCIATION OF REALTORS®.

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Home prices going strong but slowing

Source: CNN

U.S. home prices were up nearly 20% in May compared to the year before, just under the 20.6% growth rate seen in April, according to the S&P CoreLogic Case-Shiller U.S. National Home Price Index.

From April to May, the pricier West Coast metros – particularly San Francisco and San Diego – showed smaller monthly increases compared with other metros as demand dampened in light of higher

mortgage costs and fears of a looming recession have deteriorated consumer confidence.

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Mortgage rates, demand drop

Source: CNBC

Mortgage demand edged lower for the fourth straight week, declining 1.8% last week from the previous week, according to the Mortgage Bankers Association.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances decreased to 5.74% from 5.82%, with points falling to 0.61 from 0.65 for loans with a 20% down payment.

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