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New California law aims to stabilize the FAIR Plan

Source: Associated Press

Gov. Gavin Newsom signed a bipartisan bill Thursday that aims to prevent the state's home insurer of last resort from running out of money following a natural disaster. The FAIR Plan is an insurance pool that provides policies to people who can't get private insurance because their properties are deemed too risky to insure.

With high premiums and basic coverage, the plan is designed as a temporary option until homeowners can find permanent coverage. But more Californians are relying on it than ever as increasingly devastating and destructive fires spark across the state, including in densely populated areas. There were nearly 600,000 home policies on the FAIR Plan as of June. After wildfires swept through Los Angeles earlier this year and destroyed more than 17,000 structures the plan faced a loss of roughly $4 billion and needed a $1 billion bailout from private insurers to pay out claims. Half of that cost is expected to be passed onto all policyholders. The new law allows the FAIR Plan to request state-backed loans and bonds and spread out claims payments over multiple years after a disaster. Previously, insurance companies were required to pay the full bailout within 30 days.

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Will mortgage rates go down to 5%?

Source: Yahoo! Finance

With 30-year fixed home loan rates remaining over 6 percent for three years now, 5 percent home loan rates are a faint memory. Most housing experts do not expect mortgage rates to decline significantly further through the end of this year, and any decreases in 2026 are expected to be gradual and minimal. However, a major economic setback could change that.

According to Realtor.com chief economist Danielle Hale, the most likely trigger for lower mortgage rates would be gradually reducing inflation to 2 percent over time, which would normalize longer-term interest rates and could potentially bring mortgage rates into the 5.5 to 6 percent range. However, Federal Reserve rate cuts and lower mortgage rates are not a one-for-one proposition. Hale said that from last September through January, the Fed cut its benchmark rate by a percentage point, and mortgage rates rose by almost the same amount. What could trigger a quicker cut on mortgage rates would be a recession. Of course, a recession could bring additional complications into the affordability equation: job and income insecurity among the most likely.

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CA FAIR Plan seeks insurance premium hike of nearly 36%

Source: Mercury News

The FAIR Plan, California's last-resort insurance program for homeowners needing fire coverage, is seeking approval for steep rate hikes averaging 35.8 percent, though some policyholders could actually see their premiums drop. If approved by the state insurance department, the changes could go into effect as soon as April 1, 2026. Under the proposal, sent to state regulators Sept. 29, insurance costs would increase for about four in five of the plan's more than 550,000 homeowner policies across the state. The large majority of rate hikes would range from 5 percent to 60 percent. The remaining roughly 97,000 policyholders would see a rate cut, with most deductions at no more than 50 percent.

The FAIR Plan is a state-created, privately run high-risk insurance pool required to offer coverage to property owners who've been dropped by their providers or are unable to find coverage elsewhere. Coverage offered by the plan often costs two or three times as much as traditional policies and only offer basic fire protection, meaning homeowners generally need to purchase additional insurance. In a statement, the FAIR Plan said the overall rate increase is necessary to offset the increasing risk of climate-driven wildfires. As traditional insurers have ended coverage for hundreds of thousands of homeowners in recent years amid worsening wildfire seasons, the number of residential FAIR Plan policies has more than doubled to 590,642 as of June.

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All-cash buyers dominate the national housing market

Source: Investopedia
All-cash transactions made up nearly a third of home sales in the first half of 2025, a Realtor.com report found. While down slightly from last year, all-cash purchases are still well above pre-pandemic levels that made up 28.6 percent of transactions. The trend presents another challenge for buyers in an increasingly unaffordable housing market, especially for first-time homebuyers.

Cash purchases have created a U-shaped pattern in home buying, the report showed. Two-thirds of homes priced under $100,000 are purchased with cash, while four-in-ten sales over $1 million were all cash. More than half of homes priced over $2 million were bought with cash. Older homeowners and buyers with significant equity commonly pay in cash, the report found. And while high-wealth buyers also make up a significant portion of cash purchases, they are less influenced by borrowing costs.

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What the shutdown means for renters

Source: California Apartment Association
With the federal government now in a shutdown, many tenants and rental housing providers are asking what this means for federally funded housing programs and those who use them. The U.S. Department of Housing and Urban Development (HUD) has enough funding to continue their tenant-based voucher programs through October and likely into mid-November. This covers the government's share of rent for Section 8 voucher recipients.

The California housing agencies, including the Sacramento Housing and Redevelopment Agency, Housing Authority of the City of Los Angeles, Fresno Housing Authority, Santa Clara County Housing Authority and San Diego Housing Commission, have confirmed that the shutdown is not disrupting their immediate operations and that voucher payments are continuing as scheduled. If a prolonged shutdown leads to delays in federal payments, landlord cannot evict tenants over delayed payment of the portion of rent owed by the government. Nor can they require tenants to pay the government's share.

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Borrowers return to riskier loans, looking for savings

Source: CNBC
Mortgage demand overall weakened again last week, even as interest rates fell slightly. For those still in the market, though, they are looking increasingly to adjustable-rate loans to get the lowest interest rate possible. Total mortgage application volume dropped 4.7 percent last week from the previous week, 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 ($806,500 or less) decreased to 6.43 percent from 6.46 percent, with points falling to 0.60 from 0.61, including the origination fee, for loans with a 20 percent down payment. Applications to refinance a home loan, which rose sharply in mid-September and then dropped back again two weeks ago, fell further last week, down 8 percent for the week. Refinance demand is still 18 percent higher than it was the

same week one year ago. Applications for a mortgage to purchase a home declined 1 percent for the week and were 14 percent higher than the week one year ago. Purchase demand hasn't moved much in the past few months as potential homebuyers contend with high prices and growing uncertainty in the economy. For those who are buying or refinancing, somewhat riskier adjustable-rate mortgages are gaining in popularity, as they offer lower interest rates. Rate terms on ARMs can be fixed for up to 10 years, but the loans are considered riskier as they can adjust higher, depending on market conditions when the fixed term expires. The ARM share increased to 9.5 percent last week from 8.4 percent the prior week.

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