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CALIFORNIA ASSOCIATION OF REALTORS®

Fed keeps rate cut forecast for future, despite inflation

Source: US News and World Report

The U.S. Federal Reserve announced at its March meeting that interest rates will remain unchanged for now, but it predicts the federal funds rate to lower by three-quarters of a percentage point by the end of the year. The Fed also said that the labor market remained strong, and it raised its forecast for economic growth this year from 1.4 percent to 2.1 percent.

The Fed has an annual inflation target of 2 percent, but they don't foresee that happening in the U.S. until 2026. They expect to take their preferred inflation measure down to 2.4 percent this year, then 2.2 percent next year before hitting the target.

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A $418 million settlement could change U.S. homebuying, but who benefits?

Source: NPR

For a lot of people, buying or selling a home is the biggest financial decision they'll ever make, and it can be a complicated process. Buyers need to think about down payments, interest rates and homeowners' insurance, but until now, one fee buyers usually didn't have to worry about was the commission for their REALTOR®. That's because commissions often came out of the proceeds of the sale and

were split between the buyer's and seller's agents, but that's about to change. The National Association of REALTORS® has reached a settlement for a class-action lawsuit that could mean that home sellers will no longer necessarily pay the total commission for a home's sale. NAR agreed to pay $418 million, of which a chunk will go to lawyers and the rest, to people who sold their homes in recent years and paid what critics argue were inflated commissions.

In the future, homebuyers might negotiate fees with their agent up front and pay for specific services, or sellers might still agree to pay the buyer's agent. First-time homebuyers are likely to be the hardest hit by this change because it will mean that they need to come up with even more money up front to buy a home as REALTOR® fees are not currently eligible to be covered by most mortgages.

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California proposes change to how insurers assess wildfire risk

Source: San Francisco Chronicle

A newly proposed regulation aims to draw insurers back to the state by allowing them to anticipate future wildfire risks when raising their rates. The proposed rule change would allow companies to submit catastrophe models for wildfires, floods and terrorism to the California Department of insurance for approval. If approved, insurers could then use predictions from the models when requesting rate hikes for commercial or homeowners' insurance.

Catastrophe modeling is currently approved only for earthquake insurance rates and fires resulting from earthquakes, according to the department. Currently, California insurers must depend on historical data, rather than models of what might happen in the future, when calculating risks for wildfire, flood and terrorism. Before a model could be used, the department would have to certify that it is reliable and uses the best available scientific data for predicting risk. Insurers would then have to prove to the department that their proposed rate hikes make sense using their approved model.

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California home sales grew 12.8% in February

Source: KTLA

Home sales in California grew by double digits for the second month in February as buyers took advantage of falling mortgage rates, according to data released this week by the CALIFORNIA ASSOCIATION OF REALTORS®. The sale of single-family homes statewide climbed 12.8 percent in February after January saw sales up nearly 15 percent over the prior month.

“Home sales are actually increasing throughout the United States, and it has a lot to do with lower interest rates at the beginning of the year,” said C.A.R.’s Deputy Chief Economist Oscar Wei. He added that sales might not continue their gains through March as mortgage rates have edged higher in recent weeks. “But I do believe that, as we move more into the home-buying season, we will probably see some improvement in both price and sales,” he said.

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Weekly mortgage demand drops as interest rates rise

Source: CNBC

Mortgage rates rose last week for the first time in three weeks. As a result, total application volume dropped 1.6 percent compared with 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 ($726,200 or less on average) increased to 6.97 percent from 6.84 percent, with points falling to 0.64 from 0.65 for loans with a 20 percent down payment. Applications to refinance a home loan fell 3 percent for the week and were also 3 percent lower than the same week one year ago. Applications for a mortgage to purchase a home fell 1 percent for the week and were 14 percent lower than a year ago.

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