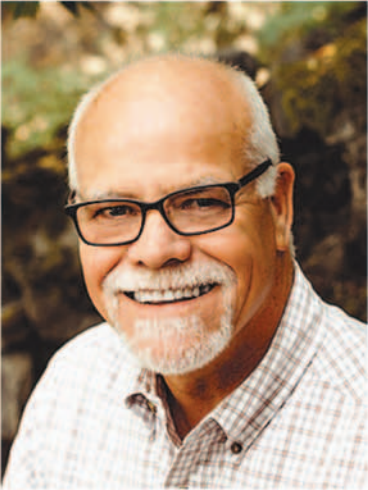


# GUEST COLUMN



by Tom Clark, 2020 President  
Spokane Association of REALTORS®  
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Special to *The Spokesman-Review*

# HOMEOWNERSHIP MATTERS

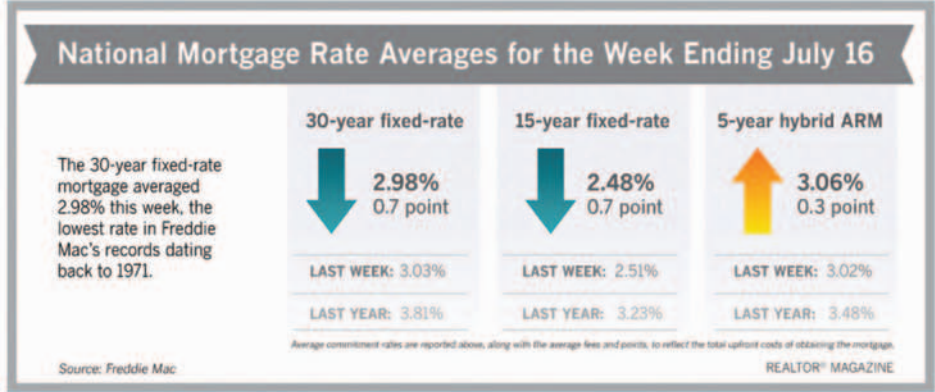
We have some fun sayings in American English to describe things we think we'll never see.

Technically, these expressions are called idioms of improbability, used to denote that a given event is impossible or extremely unlikely to occur.

Here are a few of my favorites:

- When pigs fly.
- When it's a cold day in July.
- When interest rates fall below three percent.

That last one happened this past week.



According to Freddie Mac's latest Primary Mortgage Market Survey, the new average interest rate on a 30-year fixed-rate mortgage broke below 3% last week—for the first time ever—to 2.98%.

When pigs fly indeed.

"The drop has led to increased home buyer demand and, these low rates have been capitalized into asset prices in support of the financial markets," says Sam Khater, Freddie Mac's chief economist. "However, the countervailing force for the economy has been the rise in new virus cases which has caused the economic recovery to stagnate, and this economic pause puts many temporary layoffs at risk of ossifying into permanent job losses."

Qualifying for an ultra-low rate, however, can be challenging. Lenders have raised minimum borrowing requirements in response to the economic downturn and jump in unemployment.

Forbes magazine wrote about this last week, quoting a real estate data scientist in the Mid-west: "Essentially, this means that qualifying for any mortgage is going to be more difficult, but those who are able to get the lowest interest rates are those who are lower risk (higher FICO, lower debt-to-income ratio)," says Francesca Ortengren, data scientist at Clever Real Estate in St. Louis, Missouri. "These are borrowers who have more to put down on their home and are able to afford shorter loans."

Freddie Mac reported the following national averages with mortgage rates for the week ending July 16:  
30-year fixed-rate mortgages: averaged 2.98%, with an average 0.7 point, falling from a 3.03% average last week. A year ago, 30-year rates averaged 3.81%.  
15-year fixed-rate mortgages: averaged 2.48%, with an average 0.7 point, falling from last week's 2.51% average. A year ago, 15-year rates averaged 3.23%.  
5-year hybrid adjustable-rate mortgages: averaged 3.06%, with an average 0.3 point, rising slightly from last week's 3.02% average. A year ago, 5-year ARMs averaged 3.48%

To put these numbers in perspective: the monthly payment for a \$100,000 fixed-rate 30-year home loan at the historical peak rate of 18.63% in 1981 was \$1,558.58. In 2012, when the rate was 3.31% - a historical low at the time – the monthly payment would have been \$438.51. Wow!

To get the best rate possible, you'll need a good credit score – something above 720-740, depending on your lender. The national average is 705. Here, you see, you need to be better than average.

The price of the home matters, too. Mortgages that exceed conforming loan limits tend to have higher rates, and banks are more hesitant now to approve jumbo loans (the conforming limit is about \$500,000 in most parts of the country).

Black Knight, a mortgage tech company, shows more than 55% of borrowers who locked in an interest rate in the past couple of weeks did so at or under 3%. So, locking in a 30-year loan at a rate that starts with a two is becoming the norm for highly qualified applicants.

To find out what this means for you – and how much more house you can now afford because of lower interest rates – talk with your friendly local Spokane REALTOR® .



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### HOMES FOR SALE

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