Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**

April 2020 • Vol. 9 • Issue 4 • ***Recession anticipation send rates down, refinances up***

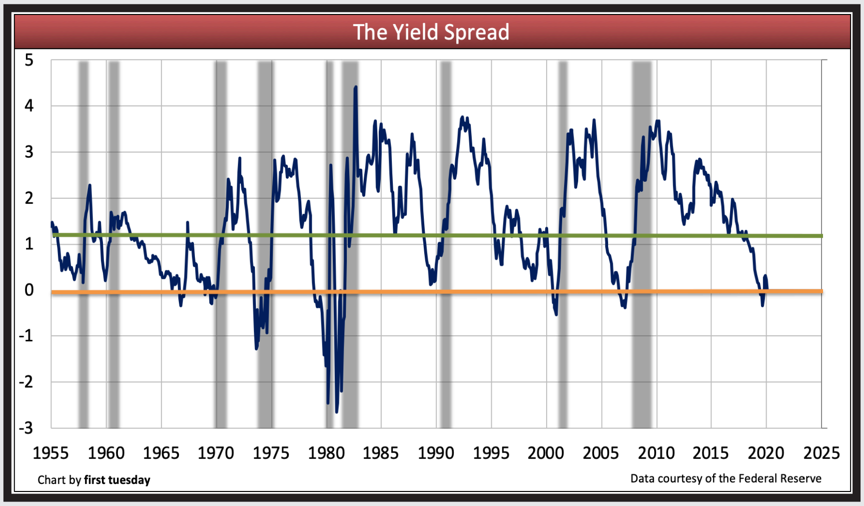
Presented by
Name
DRE #
Phone
Email

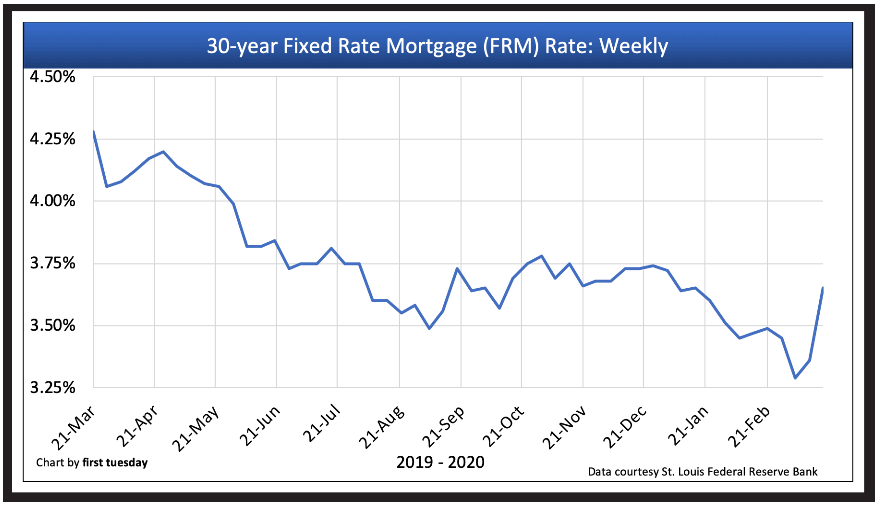
Negative yield spread forecasts 2020 recession

This chart displays the **yield spread**, equal to the difference between the short-term borrowing rate set by the Federal Reserve (the Fed) and the 10-year Treasury Note, determined by bond market investors. The gray columns show past U.S. recessions.

After a decade of positive activity, the yield spread went **negative** in mid-2019 for a sustained period, warning of a recession to arrive 12 months later, in the second half of 2020. In February 2020, the yield spread went negative again, the result of investors seeing less future growth.

Heading into April 2020, the yield spread is once again positive, due to the Fed dropping their benchmark interest rate to zero even as 10-year T-Notes plunged to their lowest levels ever. The **global pandemic** has turned the regular business recession forecasted for the second half of 2020 into a full-blown **financial crisis**. The length and depth of the 2020 recession will be largely up to congressional fiscal policy addressing cash-starved businesses, income restoration and management of rent and mortgage delinquencies.





FRM rates hit record lows

This chart shows the 30-year **fixed rate mortgage (FRM)** rate, averaged weekly.

The 30-year FRM rate plunged to **historic lows** in March 2020, hitting a low of 3.27% in mid-March and averaging 3.45% over the course of the month. Today's low rates are due to global financial panic stemming from the **COVID-19 pandemic**.

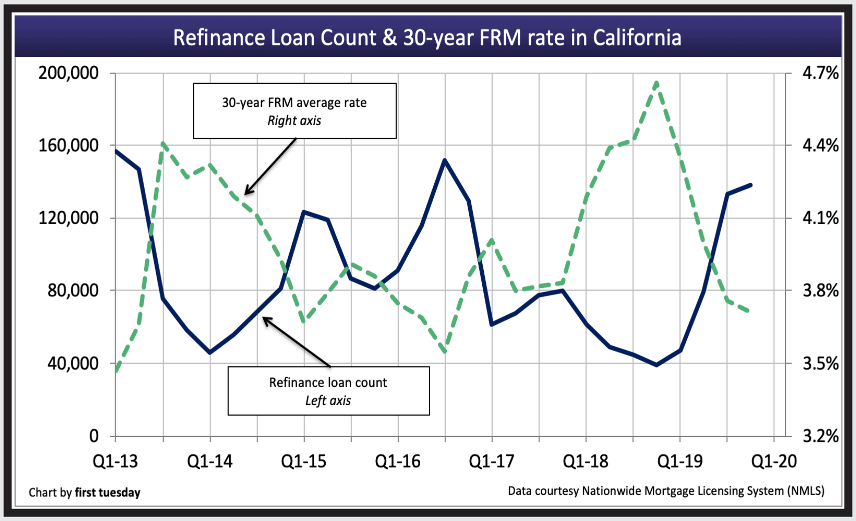
As we head into the coming recession, expect interest rates to remain relatively low for the next several months. Still, mortgage funding will be difficult as property values are now in question. FRM rates will not go as dramatically low as Treasury Notes have in recent weeks – unless the Fed decides to **go negative**, a real possibility in 2020 as the Fed recently dropped their Federal Funds rate to zero and declared they will buy mortgage backed bonds (MBBs) to enable the flow of mortgage money to willing homebuyers.

Refinances to continue their rise

This chart displays the average 30-year fixed rate mortgage (FRM) rate alongside the number of **refinances** closed quarterly in California.

138,300 mortgages were refinanced in Q4 2019, well above the 39,300 mortgage refinances closed one year earlier. Fixed rate mortgage (FRM) rates continued down in Q1 2020, hitting new historic lows in March as impacts from COVID-19 **sent markets spiraling**.

While refinancing reports are not yet in for Q1 2020, expect to see another **big jump** for this quarter as mortgage lenders are only now reacting to the financial market crash. Even as today's real estate professionals are dealing with lost transactions due to the market crash, the limits imposed by social isolation and recession fever behavior, they can find some relief in today's low rates. Sales agents and brokers looking to supplement their income during the lean months ahead may consider a **Mortgage Loan Originator (MLO) endorsement** to assist clients with refinancing for a fee.



Click on any chart for more information!

Click to Print