Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from first tuesday

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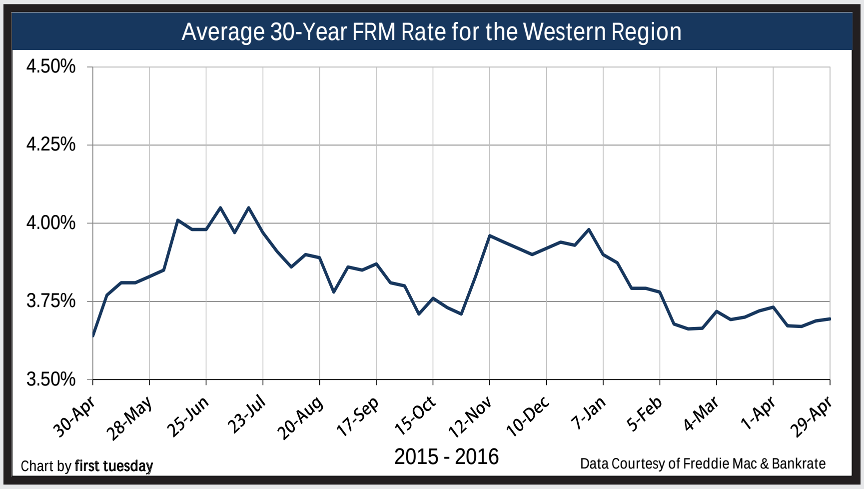
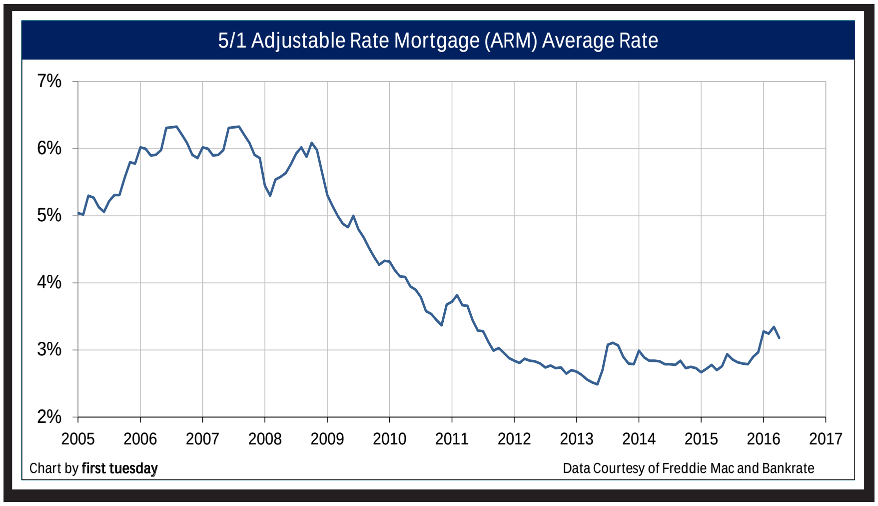
How long will low FRM rates last?

This chart shows the average weekly **interest rate** for 30-year fixed rate mortgages (FRMs) over the past year.

The 30-year FRM interest rate fell in January 2016 and has stayed around 3.7% since mid-February. At the end of April, the **30-year FRM rate** was just above last year's rate of 3.69%.

FRM rates are expected to bounce along at their current rate for most of 2016 due to **insufficient investment opportunities** and **excessive savings**. Once assurance in both the local and global economies rises — expected as soon as late 2016 but perhaps not happening until 2017 — FRM rates will also rise. Today, we are at the bottom of the **60-year rate cycle**. Thus, rates are anticipated to increase for the next three decades.





Higher ARM rates are less attractive

In this chart, the average 5/1 **adjustable rate mortgage (ARM)** rate is averaged each month since 2005.

Contrary to fixed rate mortgage (FRM) rate movement, the average ARM rate has only increased since the end of 2015. The average ARM rate was 3.18% in April 2016, up from 2.7% a year ago. This increase has occurred due to the ARM rate's direct tie to the short-term interest rate set by the **Federal Reserve (the Fed)**, which they inched up in December.

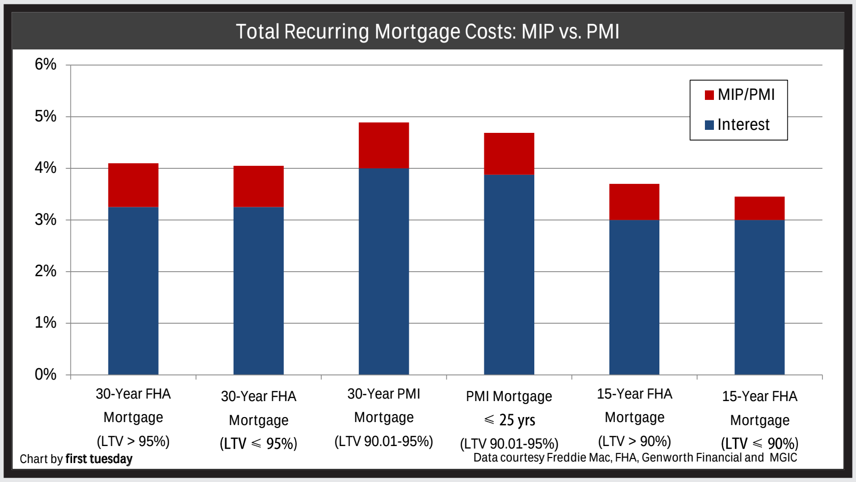
The average ARM rate will increase in 2016, and — just like FRM rates — will continue to rise in the subsequent years, with time out for future recessions. Further, ARMs have become **less attractive to homebuyers**, the ARM rate having recently increased while the average FRM rate has decreased. ARM use won't pick up until FRM rates rise significantly, likely in 2017.

PMI — more expensive, but shorter-lived than MIP

This chart compares the various rates on default insurance for mortgages with **loan-to-value ratios (LTVs)** exceeding 80%.

The **mortgage insurance premium (MIP)** rate for a Federal Housing Administration (FHA)-insured mortgage with a 3.5% down payment remained at 0.85% for the life of the mortgage. The **private mortgage insurance (PMI)** rate for a conventional mortgage with a 5% down payment remained at 0.89% at the end of 2015. The mortgage insurance rate is tacked onto the base mortgage rate.

While **conventional mortgages** requiring PMI are a bit more expensive due to their higher base and PMI rates, the homebuyer's ability to cancel PMI payments once the LTV reaches 80% is less costly over the life of the mortgage.



Click on any chart for more information!

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