



## Mortgage Rates Improve In Wake Of Fed Rate Hike

This afternoon the Federal Reserve once again raised their benchmark Fed Funds rate by .25%. This was done on the heels of some surprising economic weakness from this morning when retail sales data showed the largest decline in 16 months. Certainly the Fed Governors had made their decision over the previous weeks, well before this news.

Today's Fed statement on the current state of the U.S. economy reads: The labor market has "continued to strengthen" and economic activity has "been rising moderately so far this year."

Hiring remains "solid," though the pace of job gains has "moderated," and household spending has "picked up" while business investment has "continued to expand."

Mortgage rates are reacting more to the poor retail sales data today and have improved slightly. They are also reacting favorably to the Fed maintaining their previous track of one more rate hike this year. The sky isn't falling yet!



## Building Credit and Improving Scores

If you have little or no credit history there is a way build it rather quickly, usually in a few months. This is called the 'round robin' method.

- Take \$500 to a bank or credit union and open a secured loan for \$500. They will take \$500 and put it in an account and loan you the \$500 back against your own money so there is no risk to the financial institution

- Then go to a different bank or credit union and open up a secured credit card for \$500. This will give you two lines of credit which will appear on your credit report within 60 days and will help you establish credit.

This gives you both an installment loan and a revolving account but it will take several more months to establish good scores. This is because on both accounts you have borrowed 100% of the credit limit. Your scores will improve when these accounts are paid down to 30% of the limit.

To speed up this process, have a family member add you to a credit card they have had for 10 years or more. They will need to add you as a "joint user" for their credit history to reflect on your scores.

## Fannie Mae To Ease Qualifying Requirements

On July 29, Fannie Mae (FNMA) will raise its debt-to-income (DTI) ratio ceiling from the current 45% to 50%. Debt ratios are the No. 1 reason that mortgage applicants nationwide get rejected: They're carrying too much debt relative to their monthly incomes. DTI is essentially a ratio that compares your gross monthly income with your monthly payment on all debt accounts – credit cards, auto loans, student loans, etc., plus the projected payments on the new mortgage you are seeking. If you've got \$7,000 in household monthly income and \$3,000 in monthly debt payments, your DTI is 43%. If you've got the same income but \$4,000 in payments, your DTI is 57%.



Current lending rules set the safe maximum at 43%, though FNMA and FHA have exemptions allowing them to approve loans with higher ratios. Using data acquired over nearly a decade and a half, FNMA's researchers analyzed borrowers with DTIs in the 45% to 50% range and found that a significant number of them actually have good credit and are not prone to default.

## New Mexico Real Estate Update

The median price of a single family detached home in New Mexico for the month of April was \$192,000, which is nearly 4% higher than the March 2017 median and over 6% higher than the April 2016 median. Inventories continue to be low in many areas, which contributes to the increase in housing prices.

The good news for buyers is that mortgage rates have remained near historic lows, even after today's news from the Fed, so affordability remains relatively stable.

Most NM markets report both an increase in YTD sales and median prices as compared to 2016.

## Home Buying Myths III

**Myth #5: A 30 year fixed rate is the best deal**

That could be true if you keep the home for that long but if you only intend to keep it for 5-7 years, a fixed rate for 7 years could be more appropriate.

**Myth #6: Internet lenders are cheaper.**

You might get a lower rate but pay more in fees. Local lenders can do that too. Ask a few Realtors about dealing with out of state lenders and you will hear horror stories.

*Dogs have so many friends because they wag their tails, not their tongues.*  
~ Anonymous

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