



Housing affordability for all Californians deteriorates

Source: InvestorsObserver

Housing affordability continued to deteriorate for all ethnic home-buying groups last year as interest rates rose higher and the typical mortgage payment for a median-priced home climbed from a year ago, according to the CALIFORNIA ASSOCIATION OF REALTORS®' Housing Affordability Index. Eighteen percent of all Californians earned the minimum income needed to purchase a home in 2023, down from 21 percent in 2022.

Housing affordability for white/non-Hispanic households fell from 25 percent in 2022 to 21 percent in 2023. Nine percent of Black and Hispanic/Latino households could afford the same median-priced

home in 2023, down from 11 percent for both ethnic groups. Housing affordability was better for Asian residents, at 28 percent, but also declined from the prior year's 32 percent. The affordability gap between Black residents and the overall population in California improved from 9.7 percentage points in 2022 to 8.5 percentage points in 2023, and the gap for Hispanics/Latinos improved from 9.6 percentage points in 2022 to 8.9 percentage points in 2023.

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U.S. inflation up, likely delaying Fed rate cuts

Source: Associated Press

Consumer inflation remained persistently high last month, boosted by gas, rents, auto insurance and other items, the government said Wednesday in a report that will likely give pause to the U.S. Federal Reserve as it considers when to cut interest rates this year. Prices outside the volatile food and energy categories rose 0.4 percent from February to March, the same accelerated pace as in the prior month. Compared to one year ago, prices are up 3.8 percent, the same rise as February 2023.

The March figures, the third straight month of inflation readings well above the Fed's 2 percent target, threaten the prospect of multiple rate cuts this year. Fed officials have made clear that with the economy showing a healthy job market, a near-record-high stock market and inflation's decline from its peak, they are in no rush to cut their

benchmark rate despite earlier projections that they would do so three times this year.

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It could still make sense to borrow now and refinance later

Source: CBS News

The latest inflation report shows that inflation came in higher than expected in March, causing mortgage rates to climb in tandem. But even with today's higher cost of borrowing, it could still make financial sense for many people to take out a mortgage. First, while 7 percent may seem like a high mortgage rate, rates could continue to rise if inflation remains stubborn. The Federal Reserve has made it clear that it is willing to be aggressive in its fight against high prices, which might mean that rates continue to climb.

Other points in favor of borrowing now include the fact that even if you buy a home now, it doesn't mean you're stuck with a high mortgage rate forever. You will still have the option to refinance to a lower rate in the future if and when rates start to come back down. In addition, you'll get fixed monthly housing costs that aren't subject to the whims of the rental market, all while building equity over time, which can allow you to finance the purchase of a new home down the line or take out a home equity loan if need be.

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All-cash offers push SoCal home prices to new record

Source: Los Angeles Times

Southern California home prices hit a record in March amid sky-high mortgage interest rates. The average for the six-county region reached \$869,082 in March, according to Zillow. That's up 9 percent from a year earlier and 1 percent higher than the previous all-time high in June 2022.

With rates hovering in the upper 6 percent range, the mortgage payment on the average home now tops \$5,500 – and that's with 20 percent down. The lack of existing homes for sale has fueled higher prices. Buyers who can pay all in cash don't have to worry about interest rates, and others who are selling their old home are benefiting from their considerable equity in order to put down hefty down payments well over 20 percent. Professionals such as architects and Hollywood types who have saved, liquidated stock portfolios, built up equity or received help from family are placing down payments of at least 30 percent with the intention of living in the home. In all, 23 percent of L.A. County homes sold in February were bought with all cash, up from 16 percent in 2021, according to Redfin.

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Mortgage refinance demand surges even as rates cross back over 7%

Source: CNBC

Overall mortgage demand has now moved sideways for three straight weeks, but last week saw a split between those looking to buy a home and those hoping to save money with a refinance. Total mortgage application volume increased just 0.1 percent last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. However, applications to refinance a home loan jumped 10 percent for the week and were 4 percent higher than the same week one year ago. Refinance demand usually drops when rates rise, but rates had fallen back slightly in the previous weeks, and consumers may have been concerned that rates would move even higher.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less on average) increased to 7.01 percent from 6.91 percent, with points remaining at 0.59 for loans with a 20 percent down payment. Applications to refinance a home loan fell 2 percent for the week and were also 5 percent lower than the same week one year ago. Applications for a mortgage to purchase a home fell 5 percent for the week and were 23 percent lower than a year ago. There is slightly more inventory now than there was a year ago, and home prices are showing no sign of cooling.

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