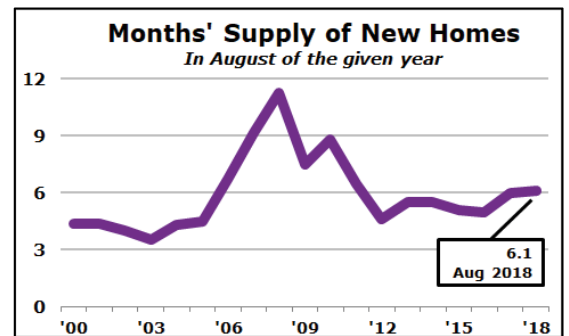
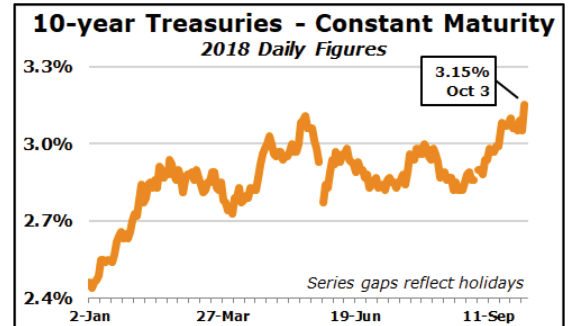


Keeping Current

- The Federal Reserve raised its target range for the federal funds rate on September 26, its third 25-basis point increase this year. The target range, the Fed’s primary policy lever for short-term interest rates, is now 2.00% to 2.25%. The target range was 0.00% to 0.25% from December 2008 until December 2015.¹
- The yield on 10-year Treasury securities, a leading guidepost for pricing mortgages, closed at 3.15% on Wednesday, October 3, its highest level since early July 2011. It averaged 3.00% in September; in September 2017, it averaged 2.12%.²
- New home sales rose 3.5% in August to an annualized sales pace of 629,000 units after seasonal adjustment. The sales estimates for June and July were both revised down, so new home sales over the summer weren’t as strong as they first appeared. Year-to-date sales are now running 7.2% ahead of last year’s sales; last month, YTD sales were 7.8% ahead of 2017’s pace.³
- At August’s sales rate, it would take 6.1 months to sell all of the new homes currently on the market. In August 2017, the months’ supply of new homes stood at 6.0 months.³
- The median price of new homes sold in August was \$320,200, a 1.9% increase over the median price of homes sold in August 2017. Over the last ten years, the median price of new homes sold has increased at an average annual rate of 3.8%.³
- Household net worth climbed 8.2% in the year ending on June 30, 2017, exceeding the expansion’s 6.9% average annual growth rate.⁴
- Owners’ equity in real estate grew 10.0% in the year ending in June, a deceleration from the 14.5% average annual growth rate of the prior five years. As a percentage of real estate owned, owners’ equity stood at 59.9% in June 2018, its highest ratio in 16 years.⁴
- Mortgage debt outstanding rose 3.7% in the year ending in the second quarter, maintaining its steady growth path of the past two years.⁵
- The average rate on 30-year fixed-rate mortgages in Freddie Mac’s survey was 4.71% during the week ending October 4, down one basis point from its level the previous week. The rate averaged 4.55% in August. All rates quoted have fees and points averaging 0.4% to 0.5% of the loan amount.⁶



Michelle Asell

Vice President

Phone: (612) 257-8037

Cell: (763) 458-4227

1. "Policy Tools: Open Market Operations," Board of Governors of the Federal Reserve System, September 27, 2018. www.federalreserve.gov/monetarypolicy/openmarket.htm.
2. "Selected Interest Rates, (Daily) - H.15," 10-year Treasury constant maturity series. Site accessed October 4, 2018. www.federalreserve.gov/releases/h15/data.htm.
3. "Monthly New Residential Sales, August 2018," Census Bureau, September 26, 2018. www.census.gov/construction/nrs/pdf/newressales_201808.pdf.
4. "Financial Accounts of the US - Flow of Funds, Balance Sheets, ... Second Quarter 2018," Federal Reserve Board of Governors, September 20, 2018, Z.1 Release, Table B.101, pg 138. www.federalreserve.gov/releases/z1/20180920/z1.pdf.
5. "Mortgage Debt Outstanding," Federal Reserve Board of Governors, September 21, 2018, www.federalreserve.gov/data/mortoutstand/current.htm.
6. Freddie Mac Primary Mortgage Market Survey, Oct 4, 2018. www.freddiemac.com/pmms/. The FRB of St Louis Economic Data system (FRED) was used to collect data on new home sales, household net worth, and owners' equity.

Together we'll go far

