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What's New in the Housing Market for 2015?



Home buyers and sellers finally have reason to celebrate in 2015. After almost a decade of limping along toward recovery, it seems as though the housing market has finally hit a more comfortable stride. According to the S&P/Case-Shiller Home Price Indices, well-known gauges of the U.S. housing market, real estate is finally showing healthy signs of improvement.

Data released by Case-Shiller at the end of April indicates that home prices have continued to rise across the United States. (Source: S&P/Case-Shiller Home Price Indices, April 2015) And as it turns out, no one factor is responsible for the trend. Rather, a variety of factors are being credited for the recovery.

Low mortgage interest rates

This year, mortgage rates have remained at all-time lows. (Source: Freddie Mac U.S. Economic & Housing Market Outlook, April 2015) A slower-than-expected economic recovery may be partly responsible, with the Federal Reserve holding off on raising interest rates until the economy is on more solid ground. And while interest rates are expected to go up at some point (possibly later this year), home buyers are taking advantage of the historically low rates while they can.

Less-stringent mortgage lending

Obtaining a mortgage has gotten easier this year thanks to less-stringent lending requirements. (Source: Mortgage Credit Availability Index, March 2015) A number of changes are being credited for making mortgage lending more readily available.

Fannie Mae and Freddie Mac lowered their down payment thresholds this past December to as little as 3% of a home's purchase price, a boon for first-time home buyers and buyers with low down payment funds available.

In addition, the Federal Housing Administration (FHA) announced this past January that it will lower what it charges for annual mortgage insurance premiums. The 0.5% decrease, from 1.35% to 0.85%, is expected to reduce an FHA borrower's annual mortgage payment by \$900 per year, on average. (Source: U.S. Department of Housing and Urban Development, HUD No. 15-001)

Low housing inventory

A low housing inventory frequently gives home sellers the advantage, since it often leads to an increase in housing prices. While inventory does vary by location, total unsold inventory was on the lower end, with a 4.6-month available supply. (Source: National Association of Realtors, News Release, April 2015)

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Buying a home is more affordable than renting

According to Trulia's Rent vs. Buy Index, it was cheaper to buy a home than to rent one in all of the nation's largest 100 cities in late 2014. And nationwide, owning was 38% less expensive than renting, although the gap varied widely by location. (Source: Trulia.com, Rent vs. Buy Index, October 2014)

Millennials are entering the market

Despite living with high student debt and a tepid job market, millennials are finally entering the real estate market. In fact, adults age 34 and younger made up the largest percentage of home buyers in 2014, accounting for 32% of all home purchases nationwide. (Source: National Association of Realtors, Home Buyer and Seller Generational Trends study, 2015)

Of course, this doesn't mean that all millennials are buying homes. Those with the highest student loan debt may have trouble meeting the debt-to-income ratios required by lenders for a mortgage. Others are postponing starting a family, which affects their urgency to purchase a home.

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