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up with the limited supply until sellers catch up with the increased demand. Despite the recent increase in supply, we are still at 40% of the supply needed to have a healthy real estate market.

Revisiting the recent fallout from the litigation against NAR (National Association of Realtors) where sellers are not automatically required to pay the buyer's realtor commission, mortgage lenders can help facilitate an easy transition to allowing the seller to credit the buyer for the buyer's realtor commission. Previously, the seller always paid for the buyer's realtor commission, which would get built into the list price of the property. Displayed on the listing in the MLS (Multiple Listing Service), the listing agent would show the amount of the buyer's realtor commission as a means to attract the buyers' realtors to increase interest from prospective buyers. With the recent rule changes stemming from the litigation against NAR, the buyer will now have to pay the buyer's realtor commission.

One way for the buyer to pay the realtor commission and not have to pay it out of pocket would be to offer a slightly higher price to the seller and have the seller give a credit back to the buyer to offset the buyer's realtor commission. Currently, that is a common strategy for buyers to finance their closing costs into the price of the home. Buyers will often offer more than the list price to the seller and have the seller credit that amount back to the buyer to cover some or all of the buyer's closing costs. Fannie Mae and Freddie Mac, the largest mortgage loan investors, will allow for a seller credit towards the buyer's closing costs, within certain reasonable limitations. The

current information out there indicates that Fannie/Freddie will do the same in regards to a seller credit to the buyer to offset the buyer's realtor commissions. All other mortgage lenders will follow Fannie/Freddie's guidelines regarding this, as they currently do regarding the seller's credit towards the buyer's closing costs. Essentially, the only thing changing is that the buyer can now negotiate the commission being paid to their realtor as the seller already has been doing with the listing agent. Feel free to connect with me if you want to learn more about seller credits and strategies to succeed despite the new rules changes.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a *free* consultation. Stay tuned here for future updates and feel free to reach out for a *free* consultation if you want to understand more about interest rates and mortgage products.

As always, your mortgage guy,
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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually, I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).



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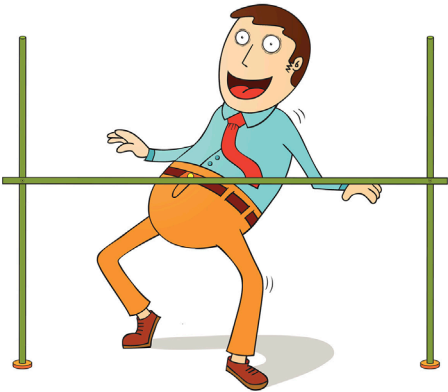
Vic's Mortgage Report

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Rates are still in limbo

Hi Friends,
After a nice move down in mortgage interest rates to end the month of March 2024, rates began marching upwards again in April 2024. We saw 30-year fixed mortgage rates get close to 6.5% APR in the third week in March and then moved back up to 7.5% APR by mid-April. Mortgage rates are still in limbo and waiting on direction from the Federal Reserve. Fed Chair Jerome Powell indicated in April that the Fed is still not seeing inflation close enough to the Fed's 2% inflation target to begin cutting their target interest rate, the Fed Funds. The markets are now taking a June 2024 rate cut off the table and predicting a less than 50% chance of the first Fed rate cut at the July Fed meeting. It seems like the September Fed meeting is the new target. The date keeps getting pushed out despite the Fed indicating three, .25% rate cuts this year.

As the date for the Fed to begin cutting their target rate keeps pushing toward the end of 2024, both home buyers and potential home sellers are running out of patience. In my area, the Bay Area, many listings are going for hundreds of thousands of dollars above list price and buyers are facing stiff competition for each listing. Cash buyers make up 30% of the offers, and even more on fixers where investors are scooping them up with cash or using hard money loans. These "fix and flip" investors are preventing average home buyers, particularly first-time home buyers, from capturing a fixer as their primary residence. In many of the more desirable communities, buying a fixer (at lofty prices of over \$1 Million to \$1.5 Million!) may be the only way for a first-time home buyer or middle-class family to afford to get into the market. Any desirable listing is seeing anywhere from five to 20+ multiple offers. As for sellers, we are starting to see inventory increase, albeit slowly.



Even though sellers may be losing their sub 4% interest rates by selling their primary residences to move up or to a different area, there seems to be more movement, and inventory levels are up. According to Redfin, since March of 2023, the CA housing supply has increased by 3% and new home listings have increased by 9.6%.

Once the Fed starts cutting their target rate and there is more demand in the bond market, we should see mortgage rates fall which will allow more buyers to come back to the market and cause more sellers to list their homes to meet the demand. There will likely be a rough transition where more buyers will come to market than can keep

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Homeowner Should Know