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bottom, despite the Federal Reserve's increase in the Fed Funds rate. If there is continued volatility in the U.S. stock market and inflation continues below the Fed's 2% target, look for the Fed to not increase the Fed Funds rate aggressively this year, despite their earlier predictions of .75% increase by the end of 2016.

All of these factors point to a low mortgage rate environment for 2016, which will mean that the seller's market may continue as long as potential buyers can get to these low interest rates coupled with inventory remaining low. A shift in the stock market may cause some buyers to leave the market due to losing some of the value in their portfolios, which would otherwise go towards the down payment on new home purchases. With more mortgage products coming back into the market directed towards buyers with limited down payment options, potential buyers who lose some means to provide large down payments may not be affected and we may not see much of a dip in the amount of buyers making offers on each listing.

I was hoping for an increase in mortgage rates this year causing a decline in the amount of potential home buyers, which in turn could have reduced the amount of multiple offers on each listing. Less multiple offers could have reduced the amount of up-bidding on each listing, thereby reducing the huge price increases, which in turn could have forced more potential sellers to bring their real estate inventory to market to capture the current lofty prices before prices started to fall. That confluence of factors would have caused a shift from the current seller's market to a buyer's market, potentially putting the real estate markets back on a more normal cycle, which we haven't seen since before the Dot Com bust of 2000.

According to the Mortgage Bankers Association, mortgage

applications were up 21.3% for the two weeks prior to January 1st of 2016 with the seasonally adjusted Purchase Index increasing 18.0% from the prior reporting period. Many of the top flight realtors I work with have told me that they believe 2016 will be another big year in real estate for them and these types of metrics seem to bear that out.

I guess the only other factor missing from really bringing real estate back down from the current lofty levels is the tech bubble bursting. Especially in the Bay Area, where I live, tech is creating a jobs vortex with many young workers making large six figure incomes who are up-bidding on each listing like these listings are auctions on eBay®. Losing these buyers may bring some sanity back to the home buying process.

With the current volatility in the stock market, maybe this is the year that happens and we can finally see real estate cycles come back to normal two and three year up and down cycles. Or maybe, like our current weather patterns, these long real estate cycles are the new normal.

By the way, I would like to thank you all for helping to make me the #1 loan agent with *C2 Financial* in Northern California and #11 company-wide out of over 500 agents. Thank you all for your wonderful referrals and continued support.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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Hello Friends,
2016 started with major volatility in the markets and reminded us how closely our economy is tied to foreign

economies, specifically the Chinese economy. By the second week in January we saw a 20%+ correction in the Chinese stock market that caused a roughly 10% correction in the U.S. stock market. The slowing Chinese economy also pressured oil prices down to below \$30 a barrel, which is the lowest it has been since 2003. With Iran about to add their oil production to the global markets, after the lifting of long standing international sanctions, there is fear in the markets that oil prices could fall to \$20 a barrel, which could push many U.S. energy companies into bankruptcy and further impact our stock market. The possibility of more declines in the U.S. stock market is very real with more volatility to come to start 2016.

From a mortgage rate perspective, all of this volatility in the stock market has been good for mortgage rates. The 10-year treasury bond yield fell to below 2% on January 15th for the first time since October 2nd of 2015. When mortgage rates last hit bottom, in February of 2012, the 10-year bond yield was at 1.44%. If we can get anywhere close to a yield of 1.5%, we should see mortgage rates come back to rock

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