Basis Points – April 16, 2020

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Above the Fold

Mortgages Will Be Harder to Come by … for Now

As the effects of COVID-19 shutdowns weigh on economies around the world, several large U.S. banks are being as proactive as possible in their prevention of defaults. With home values still holding around all-time highs in many areas, some banks, like J.P.Morgan Chase, are throwing their own dose of cold water on the space by raising FICO credit score minimums and requiring higher down payments. Other lenders, like Wells Fargo, are eliminating critical jumbo mortgages altogether.

Jumbo loans, which are available for well-qualified consumers borrowing more than $510,400 in many areas and $765,600 in pricier markets, already come with stricter guidelines than regular, conforming loans. By dropping these loan products, banks are obviously targeting properties on the higher end of the scale, and at the same time forcing borrowers to increase their down payment money to get mortgages below those specific loan thresholds. This will, in turn, (theoretically) decrease lenders' risk and hopefully increase the chances of consumers avoiding foreclosure if things don't turn around as quickly as we all hope.

But the sad irony here is that banks have already begun slashing other credit lines and even closing credit cards or reducing limits for many consumers as a precaution. These actions may lower many consumers' credit ratings, by no real fault of their own. And by simultaneously raising the bar for mortgages, consumers and the housing market are getting a real one-two gut punch at a time when that segment of the economy may be one of the few areas of stability. The home is one of Americans' most valuable and crucial assets.

Three Things

1. *As Expected, Homebuilders Are Throttling Back* – According to the National Association of Homebuilders/Wells Fargo Housing Market Index, builder confidence dropped to a reading of 30 for the month of April, the lowest reading since June 2012. The index's record 42-point drop is obviously directly tied to the COVID-19 outbreak and subsequent shutdowns across the nation. Ahead of the drop, the U.S. was actually facing an acute housing shortage.
2. *Don't Worry, You Can Keep Your Stimulus Money (Maybe)* – There have been tons of false stories swirling around regarding coronavirus-related stimulus checks and direct deposits. First, assuming you're eligible (based on 2019 income), you will NOT have to pay back the money given by check or direct deposit. Also, all funds are non-taxable and will NOT count as part of your 2020 income. Lastly, the IRS will NOT call you about your payment — any stimulus check related phone calls are likely a scam.
3. *No Peacocking for Comcast* – Comcast's newly launched streaming service, Peacock, will be devoid of much-anticipated, original content from Hollywood's heavy-hitters. Due to global production halts, the bevy of new shows, reboots and movies planned will likely have to wait until 2021. The company is focusing all its energy on ramping up later in the year as it will gain exclusive rights to "The Office" and the postponed Tokyo Olympics next year.

Did You Know?

The Latest (Fact-Checked) COVID-19 Positives

- While not exactly good news, it may be helpful to know that a new study revealed that loss of smell may be an early, unique symptom of COVID-19. Researchers found that while fever tends to be most common, fatigue, along with loss of taste and smell, seem to be prevalent early signs and could help diagnose patients, especially with mild cases, early on.
- Some U.S. governors, particularly in low-impact states (about 20), believe they may be ready to methodically reopen their states by May 1. Even the hardest hit states, like California and New York, have outlined a framework for reopening their respective economies. Expect less of a “light switch” and more of a “dimmer,” said California Governor Gavin Newsom.