



Basis Points – July 28, 2020

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Above the Fold

Jumbos Lose Appeal, but Mortgage Market Remains Healthy

Roughly 12 years ago, the housing and mortgage markets were at the epicenter of what became the worst recession since 1929. Today, investors and economists are looking to that same marketplace for signs of stress. Those markets remain stable, even strong in many areas, but high-dollar borrowers may now have to pay more for their loan.

Unlike 2006-2008, where prices saw a fairly steady decline, the Case-Shiller 20-City Composite Home Price Index continues to [climb](#), even with the U.S. in recession. Lawmakers and the Federal Reserve remain hyper-accommodative and have taken unprecedented steps, such as buying a virtually unlimited amount of mortgage-backed securities, to secure this critical marketplace.

Traditional or “conforming” mortgages, which are also entitled to [forbearance](#) under the recent CARES Act, continue to see rates tumble as government intervention and monetary policy offer unprecedented support. Unfortunately for higher-dollar borrowers, jumbo loans aren’t feeling the same effects. Jumbos, on the other hand, are *not* sold to, or backed by government-sponsored agencies like Fannie Mae or Freddie Mac. These loans, which are typically held by banks and given to wealthier borrowers, are also not entitled to benefits under the CARES Act. As recently as March, jumbo rates were less than confirming rates, but have since jumped to more than 0.4% over confirming, on average. Jumbo loans in forbearance also rose to 10.2% (of total loans outstanding) in mid-July, compared to just 7.8% across the entire mortgage space.

And while these jumbo trends may sound concerning, it’s important to point out that banks, on average, have made the jumbo borrowing and refinancing process more difficult all around. This has skewed normal data and altered trends, and the rate premium is simply the banks’ way of reducing risk and demand. Borrowing requirements are actually stiffening across the board, so be sure to check requirements if you’re contemplating any type of loan.

Three Things

1. *Google Says “Come Back Next Year (Maybe)”* – In a major announcement that affects roughly 200,000 employees and contractors, Google parent Alphabet will keep all its workers home until at least July 2021.
2. *India Gets High-End Boost From Apple* – Apple has been manufacturing less-expensive iPhone models in India since 2017. According to TechCrunch, Apple (through Foxconn) recently started manufacturing high-cost iPhone 11 units in the country. The company may be doing this to avoid import duties, but could also be scaling Indian production for global distribution as trade tensions between the U.S. and China continue.
3. *Could Smartphone Screen Cracks Be a Thing of the Past?* – Even though the last couple iterations of Corning’s popular Gorilla Glass have been lackluster, the company claims its new “Victus” version is reportedly able to withstand several 6-foot drops while offering the best scratch resistance ever. Samsung will be the first to incorporate the new glass, with the rumored “iPhone 12” also expected to get the upgrade.

Did You Know?

The Dog Days of Summer

This common phrase is tossed around often, but its meaning is likely not what you think. For those of us who reside in the northern hemisphere, one could surmise that it has something to do with the hottest days of the year or maybe how the heat affects our beloved pets — but neither is even close (remember that it’s winter in the southern hemisphere).

From around July 3 to August 11, the Sun occupies the same region of the sky as Sirius, the brightest star visible from any part of Earth and part of the constellation Canis Major, the Greater Dog. The actual “Dog Day” is on July 23, when Sirius rises and sets in conjunction with the Sun — and it was the Romans who originally coined the term.

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