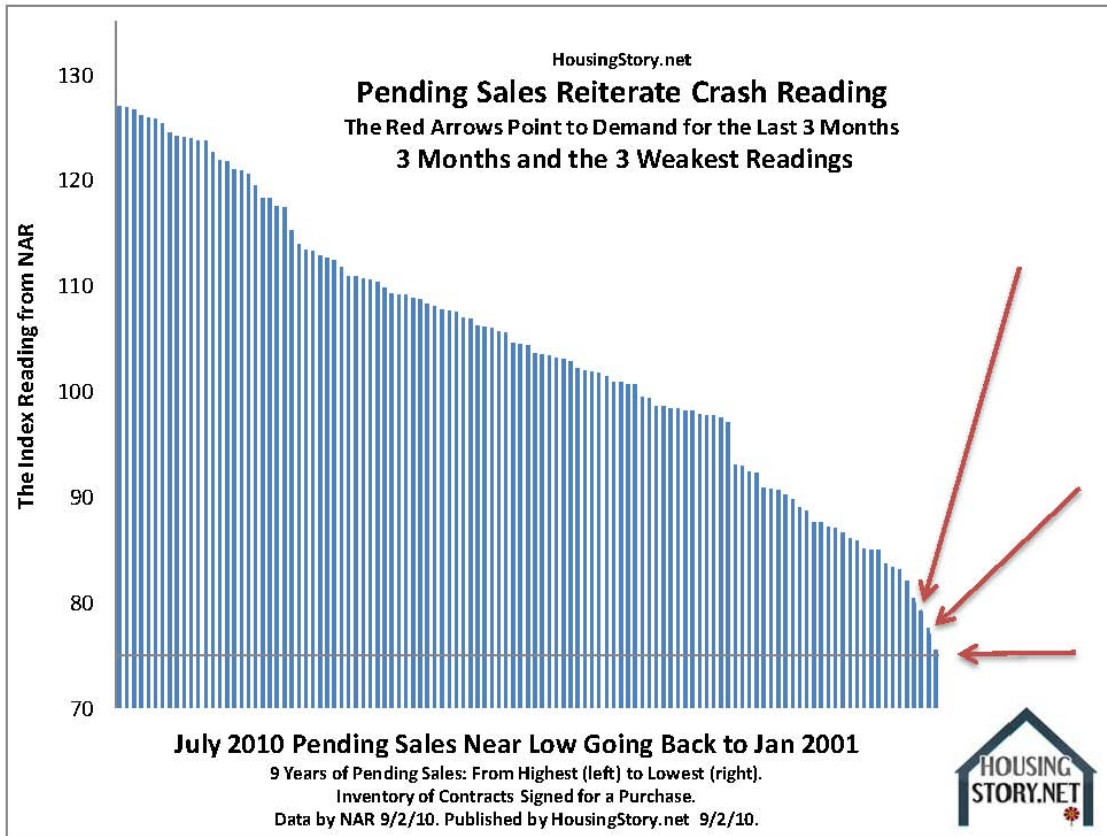


Pending Home Sales Reiterate a Crash Reading

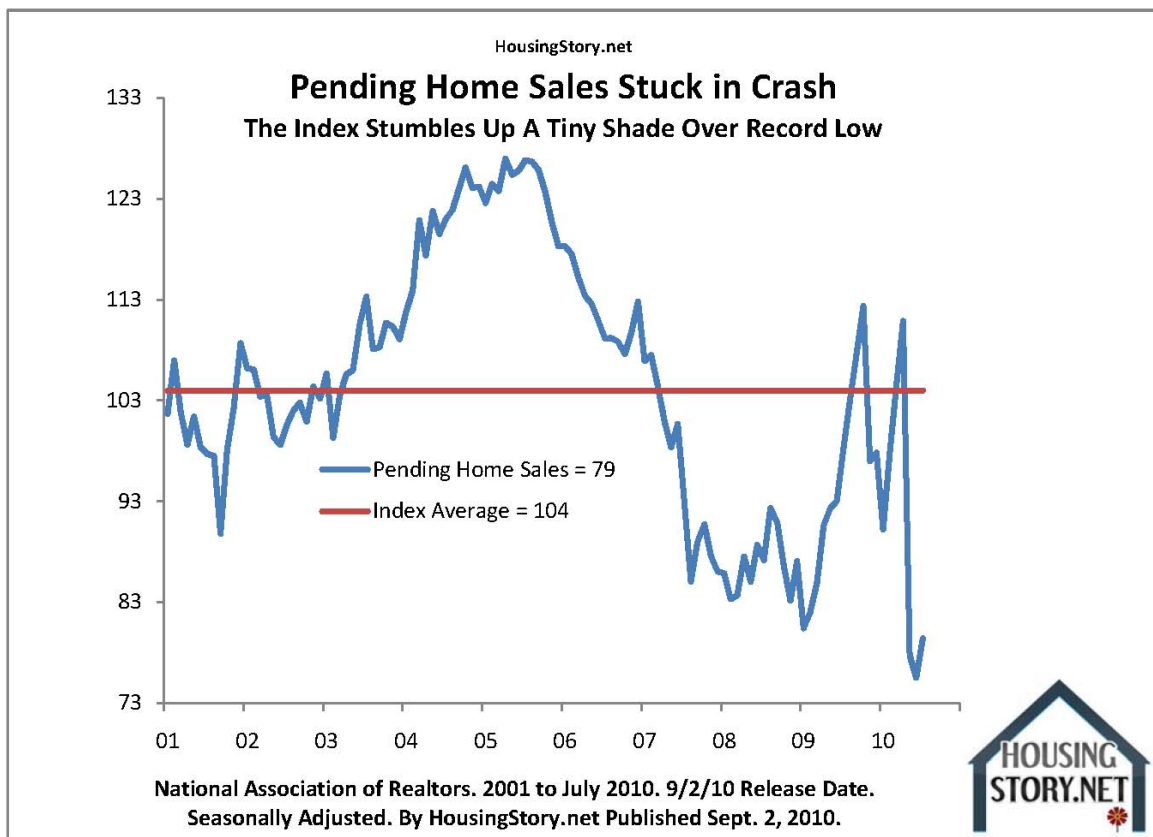
Record low levels of demand continue to haunt the U.S. housing market with July pending home sales re-confirming previous crash-level readings.



Three months of data after the end of free down-payments, the inventory of purchase contracts rose just 5.25%. The inventory is still at a record low with the exception of the two previous months – each of which were record lows in themselves (Please see the chart above showing how radically far demand has fallen.).

The index of unclosed contracts to buy a home increased from 75.5 to 79.4. In the previous two months demand had fallen a record 30% and then 2.8% more. The July 2010 reading is 19% lower than July 2009. The forecast was for a one percent fall according to 37 economists surveyed by Bloomberg News.

Freddie Mac also announced today that the 30-year fixed rate mortgage has fallen to another record low -- 4.32%. Outstanding rates and a price fall of 30 percent since the peak of the bubble has failed to ignite demand in our current market. Existing home sales represent 90% of residential housing transactions. The low reading of today will carry through to actual closed sales for July and August.



The deadline for signing free down-payment purchases expired April 30th. Those sales must close by September 30. You can see the precarious nature of today's market when you see the number in the context of readings going back to 2001 (Please see the chart above.).

Houston, we have a problem, but a glass of Tang will not solve it, nor will a walk on the moon.

Check below for my comments on the commentators talking about today's figures:

Carl Gutierrez, Forbes, "July pending home sales offered another encouraging signal for the battered housing sector." MDW: Get some lunch Carl because I know you are out there looking for it. The figures released today are extremely negative and not in any way an encouraging signal.

Daniel Silver, JP Morgan Chase, "Silver adds that although the pending home sales index remains at a low level, this sign of life in the housing market is a nice contrast to the new homes sales data which fell significantly in May and then again in July." MDW: Hey Daniel, you're inventive. Today's numbers are not a welcome contrast. They are a recurring seriously-bad negative. Did you ever study economics Daniel? It's a very interesting subject.

Reuters, anonymous: "Pending sales of previously owned U.S. homes rose unexpectedly in July Suggesting a tax credit-related housing market decline was close to bottoming." MDW: In truth, dear anonymous Reuters contributor, the data suggests that the market is stuck in the bottom. That's different. That's bad.

Courtney Schlisserman & Timothy Homan, Bloomberg: "... the real estate market is steadying ... (and) the report allayed concern the economy was tipping back into recession." MDW: Sorry Courtney and Timothy. The market is steadying at a crash level. And if we are stuck in a crash level, that increases concern for a double dip. The data says the opposite of what you wrote.

Yelena Shulyatyeva, BNP Paribas: "The housing market outlook remains highly uncertain in light of mounting inventories from foreclosed and vacant properties." MDW: Yelena, you ain't no ignorant slut. Please give me a call and let's talk about housing and other amusing subjects.

Daniel Indiviglio, The Atlantic: "As you can see, the 5.2% increase doesn't begin to imply that demand is again soaring on a historical basis." MDW: While you are properly negating a positive reading, you are not positively affirming a highly negative reading. "Existing sales (from this reading) would still be the second lowest in at least a decade." MDW Good fact Daniel. Remember it's the second lowest reading in a decade which includes a radical crash of 30% from the peak in 2006. You must positively affirm the radical negative. You're making progress.

Eric Martin, Reuters: "Macro signs: Home sales a pleasant surprise." I really hope that isn't your headline Eric. The right headline is: "Pending Home Sales Reconfirm the Market is Crashing". MDW: If my headline is right, then you need to print a correction. Or the author of the headline needs to print a correction. It's dead wrong.

Mark Trumbull, Christian Science Monitor: "But the pending transactions don't show a return to a strong level of sales." MDW: Talk to Daniel (The Atlantic) about getting stuck in a positive bias. The pending home sales figure is actually a record low -- except for the two record-low months which immediately precede it. It's a radical negative; not a muted positive.

Alan Zibel, Associated Press: "... a sign that demand for housing remains weak. ... Potential buyers are holding off because they are worried about jobs and the economy. Many buyers have been scared away by the prospect that home prices could fall again - something that most analysts expect. ... As a result, buyers are in a far stronger position than sellers -- and are taking their time." MDW: You are a scholar and a gentleman Alan. You know of where you speak.

Lawrence Yun, chief economist, National Association of Realtors. "For those who bought at or near the peak several years ago, particularly in markets experiencing big bubbles, it may take over a decade to fully recover lost equity." MDW: An astonishingly honest and negative statement from Dr. Yun. Possibly he's on the way out. Or he is preparing for serious problems ahead in the market. "The loan underwriting standards are tighter, but home buyers can improve their chances of getting a loan by staying well within their budget." MDW: Buy less than you can afford. That way you can strategically default if prices crash. Don't be forced out of your dream home with a mortgage you can't pay. "Affordability could reach a generational high in the second half of this year because of rock-bottom mortgage interest rates, helped

partly by the Fed's very accommodative policy." MDW: The FED is giving away money. Still the property market is losing it completely. Only a fool knows a new crash can't happen.

[Michael David White is a mortgage originator in 50 states.](#)