

QUARTERLY UPDATE • FALL 2026



ECONOMY & MORTGAGES

Mortgage Rate Outlook

LOOK DEEPER: THE BUYER'S MARKET EMERGES

For homebuyers hoping 2026 would bring substantially lower mortgage rates, the year has delivered a frustrating reversal. After the average 30-year fixed rate briefly dipped below 6% earlier this year, rates climbed through the summer and accelerated in September. Freddie Mac reported an average of 7.28% for the U.S. 30-year fixed, in early October (reminder that this is an average of a very wide range of borrowers).

Why did rates move higher? Mortgage rates are driven primarily by the bond market, particularly mortgage-backed securities and longer-term U.S. Treasury yields. Persistent inflation, resilient economic growth and concerns about government borrowing have all contributed to investors demanding higher yields. The closely watched 10-year Treasury recently climbed above 5.3%, reaching levels not seen since 2002.

The Federal Reserve also raised its benchmark rate by 0.25% in September as inflation remained above its 2% target. This primarily affects short-term rates, while mortgage rates reflect longer-term expectations for inflation, economic growth and future Fed policy. That means even a future Fed rate cut wouldn't necessarily produce an immediate drop in mortgage rates. Sustained relief will likely require convincing evidence that inflation is moving lower and the economy is cooling enough to bring longer-term bond yields down.

Rate Difference:	30-Yr Fixed	15-Yr Fixed
vs. the 2023 PEAK	↓ -0.51%	↓ -0.43%

Source: Freddie Mac, Primary Mortgage Market Survey, U.S. Average Conventional Mortgage Rates, week ending 10/1/26 vs the 10/26/23 Peak. Your rates will differ. Not a committment to lend. Credit on approval.

But there's another side to today's housing market. Higher borrowing costs have cooled demand, giving many buyers more choices and better negotiating power. Existing-home sales slipped to a 3.98 million annual pace in August, while inventory rose to 1.62 million homes -- up 5.9% from a year earlier and the highest level since 2019. Home prices aren't collapsing though, with the national median existing-home price still 1.6% higher than a year ago in August.

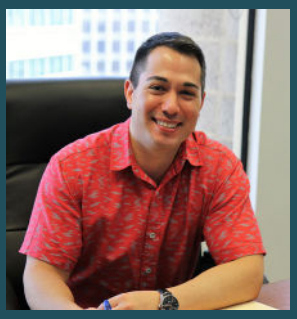
So, should you buy, sell, or wait? Today's market rewards preparation more than prediction. Indeed, buyers face higher financing costs, but also more choices and more sellers willing to negotiate. We're helping buyers structure seller-paid rate buydowns that can reduce the mortgage rate for a period of time -- after which the rate environment could yield more opportunities.

Waiting for the "perfect" combination of low rates and low prices may mean waiting a long time. If buying or selling is on your horizon, let's talk now about your purchasing power, financing options and local market conditions. A good plan can help you recognize an opportunity when the right home -- and the right terms -- come along.

Aloha!

As we move into Fall, the housing market continues to evolve. Buyers are seeing more inventory, greater negotiating power, and financing strategies that can create new opportunities. In this issue, we explore ways to make the most of today's market -- from considering rental income when qualifying for a mortgage to understanding new credit-scoring options. We also look at investment loans and financing strategies for real estate investors. Whether you're buying, selling or investing, the right information and strategy can help you move forward with confidence.

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Your Credit Score Now Has Some Competition

Fannie Mae and Freddie Mac now allow approved lenders to use VantageScore 4.0 instead of Classic FICO for eligible mortgages -- giving lenders another way to evaluate creditworthiness.

Why does that matter?
VantageScore 4.0 evaluates credit differently and incorporates newer information, including trended credit data and on-time rent payment history. That may provide a more complete picture for some borrowers, particularly those with limited traditional credit histories.

It doesn't mean everyone will suddenly have a higher score -- or that FICO is going away. Lenders can continue using Classic FICO, and eligibility and underwriting requirements still apply.

The takeaway?
Your credit profile may no longer tell just one story. If you've been concerned that your credit history could stand between you and homeownership, talk with us. It's worth taking a fresh look.

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The Return of the Negotiating Buyer

For years, buying a home often meant acting quickly, competing against multiple offers and asking for as little as possible from the seller. Today's market looks very different. Higher mortgage rates have sidelined some buyers, while the supply of homes for sale has increased.

Buyers who now enter the market may have something valuable on their side: **negotiating power.** Nearly three in five homes sold in August went for less than their original asking price. And sellers provided concessions in nearly 45% of sales -- helping buyers with expenses such as closing costs, repairs or mortgage-rate buydowns.

Look Beyond the Purchase Price

When negotiating, it's natural to focus on getting the seller to accept a lower price. But a price reduction isn't always the only -- or even the most valuable -- way to improve the deal.

Suppose you're buying a $500,000 home and the seller is willing to give up $10,000 to make the transaction happen. You might negotiate a lower purchase price, but a modest reduction in purchase price may make only a small difference in the monthly payment.

Alternately, depending on your loan and circumstances, some or all of that value could potentially be applied toward allowable closing costs. It could fund part of a mortgage-rate buydown -- discount points that either permanently reduce the interest rate, or temporarily reduces the rate during the first 1-2 years of the loan. Each solves a different problem, making it worthwhile to compare the numbers. Either of these could potentially have a greater impact on your immediate cash needs or monthly budget, and could potentially alleviate budget pain long enough for a refinance to look attractive, should rates cooperate.

Negotiate With a Plan

Price isn't the only item on the negotiating table. Depending on the property and local market, buyers may also negotiate repairs, credits, closing timelines or other terms. The key is knowing which concession is most valuable to you -- ideally before the offer is written. A buyer with plenty of savings but a tight monthly budget may have different priorities than someone who can comfortably afford the payment but wants to preserve cash for moving and other expenses.

Conditions also vary considerably from one market -- and even one neighborhood -- to another. Some homes still attract strong competition, while properties that have been on the market longer may give buyers considerably more room to negotiate.

Put Your Financing Into the Negotiation

That's why we should be part of the conversation early. Before deciding whether to ask for a price reduction, closing-cost assistance or a rate buydown, we can run the numbers and develop a strategy. Loan programs usually place limits and requirements on seller contributions, so it's important to know beforehand what's possible.

Today's higher rates have made buying more challenging -- but they've also changed the balance between buyers and sellers. If you find the right home, don't just ask whether you can afford the asking price. Ask how the entire transaction can be structured to work better for you -- and put our experience to work!

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Can Part of Your Home Help You Qualify For it?

With home prices and mortgage rates still elevated, buyers are looking for new ways to make homeownership more affordable. One possibility may be hiding within the property itself: **rental income**.

Buying a duplex, triplex or four-unit property -- or a single-family home with an accessory dwelling unit (ADU) -- can provide a home and a source of income. Under certain circumstances, some of that income can potentially be used when qualifying you for the mortgage.

Live in One, Rent the Other

Consider buying a duplex, living in one unit and renting the other. The additional unit may generate income to offset the property's higher cost. Depending on the loan program, eligible rental income may also help you qualify for the mortgage.

That changes the affordability equation. Instead of looking only at your employment income, you're also considering what the property itself may contribute each month. The same concept can extend to triplexes and four-unit properties.

Don't Overlook the ADU

A similar opportunity may exist with an accessory dwelling unit -- sometimes called an in-law unit, casita or backyard cottage. Current conventional mortgage guidelines may allow up to 75% of eligible rental income from an existing ADU to be considered when qualifying.

There are limits. Under Fannie Mae and Freddie Mac guidelines, the qualifying ADU rental income generally cannot exceed 30% of the total income used to qualify. The property and documentation must also meet applicable requirements.

It's Not as Simple as "I'll Rent a Room"

Lenders can't simply count whatever rent a buyer expects to collect. Rental income must meet specific loan-program and documentation requirements. And planning to rent a bedroom generally isn't the same as purchasing a property with a qualifying rental unit.

That's why an income-producing property is worth discussing with us before deciding whether it's within reach. We can determine whether the property and anticipated rental income may qualify -- and how much can actually be used.

In today's affordability-challenged market, sometimes the answer isn't simply finding a less expensive home. It may be finding a home that helps pay for itself.



And now this...

Every borrower and every transaction is different. My job is to find the financing strategy that fits your goals. I compare loan programs and structures, explain the tradeoffs clearly, and help you identify the options that make the most sense for you. From application through closing, I'll manage the details, answer questions and keep the process moving. My goal is simple: expert guidance, more choices and a smoother path to financing your home.

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Real estate finance
insight...

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Buying a Home From Family? Consider a Gift of Equity

A "gift of equity" occurs when a family member sells a home for less than its market value and gifts some of the difference to the buyer.

Here's an example: Suppose your parents own a home worth $500,000 and agree to sell it to you for $450,000.

That $50,000 difference can be structured as a gift of equity and used toward down-payment or closing costs, depending on the loan program. The strategy can keep a valued home within the family, making homeownership an option for a buyer who might not otherwise be able to purchase a home, and it can potentially help the buyer avoid private mortgage insurance.

Structure the Sale Before You Sign

Gift-of-equity transactions have specific rules, and eligible relationships (generally family-only), documentation and allowable uses can vary by loan program. While the gift is generally not taxable to the receipient, the donor must follow IRS gift tax reporting requirements.

That's why it's important to involve us before agreeing on the sales price or developing the contract. We can help determine whether a gift of equity is available and how the transaction should be structured.

If a home may be changing hands within your family, the equity already in the property could help make the purchase possible. Give us a call to discuss your options.

WHEN WAS YOUR LAST LOAN REVIEW?

Our financial reviews are always complimentary, and we know your time is valuable, so the coffee is on us. Let's connect, and we can discuss your financial aspirations and homeownership plans in greater detail. We can recommend solutions that can help you today, and longer term. Just mention this newsletter offer and we will find a time to meet.