



Economics Group

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Existing Home Sales Slump Partly Due to New Disclosure Rule

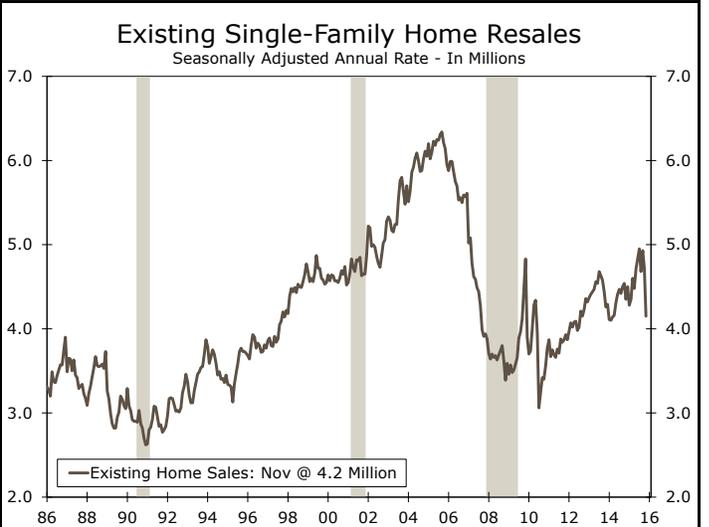
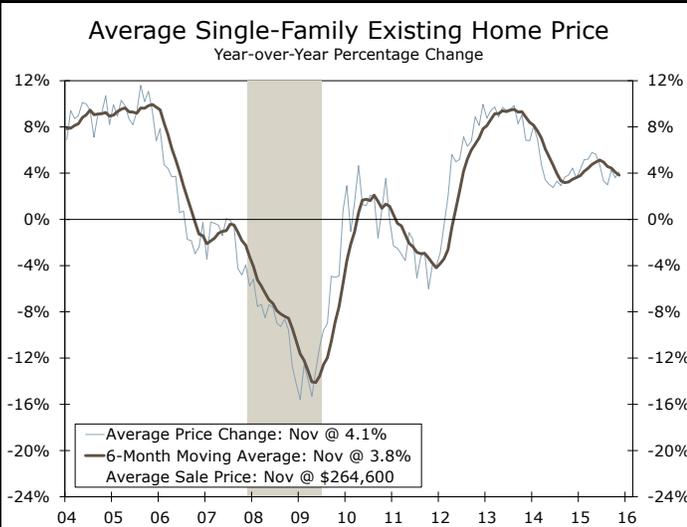
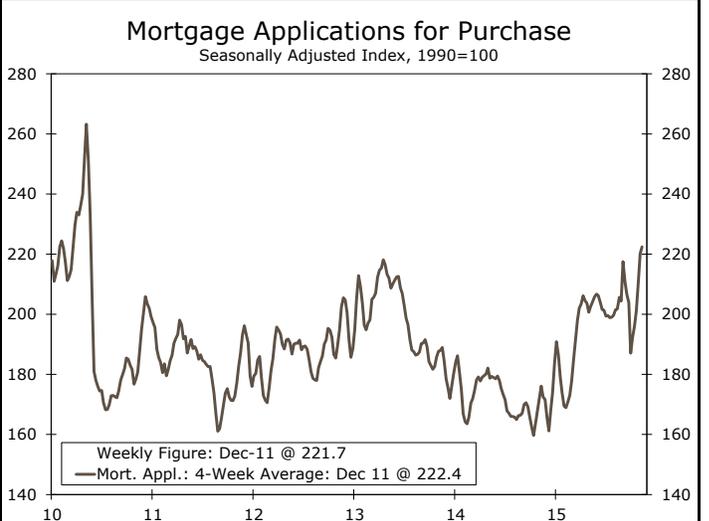
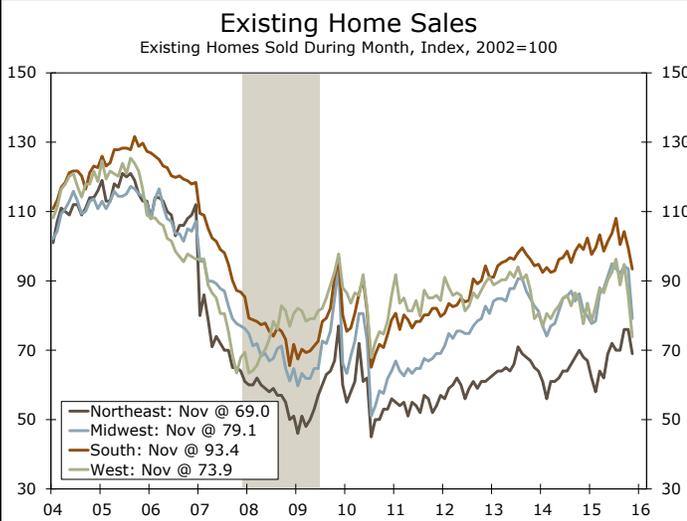
Existing home sales sank 10.5 percent in November, the largest one-month drop since 2010, but today's report noted some of the weakness is due to delayed closings and disruption from a new lending disclosure rule.

Pace of Home Sales Drops even as Prices Firm, Hmm...

- While January and February are typically the slowest months of the year for existing home sales, November was the third slowest month in each of the past two years. It is a slow period for sales, so modest moves can be overstated in the seasonal adjustment process. Also, sales in all four regions dropped off.
- Despite the drop in sales, prices improved for both single- and multifamily which implies a special factor may be in play.

Special Factor At Play: TRID

- The October implementation of a new mortgage disclosure rule, the "Know Before You Owe TILA-RESPA Integrated Disclosure" or TRID, may have been a factor in today's weak number. Mortgage applications plunged 27.6 percent in the first week of October, the largest weekly drop since 2009. Existing home sales are the executed contracts for home purchases, so a one or two month lag can reasonably be expected.



Source: National Association of Realtors, Mortgage Bankers Association and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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