QUARTERLY UPDATE • SUMMER 2025

ECONOMY & MORTGAGES

Mortgage Rate Outlook

IS IT A BUYER'S MARKET YET?

Regarding the direction of U.S. economic policies, and the impact those policies will have on our economy, it's still anybody's guess. Meanwhile, the U.S. housing market seems to be navigating its own path, shaped by elevated mortgage rates, tight supply, and evolving buyer preferences. Home price increases have slowed, and we're starting to see longer days-on-market coupled with price cuts on homes that were priced too high by overly-optimistic sellers. While it may yet be a bit early to declare a buyer's market, it's certainly becoming more balanced!

Mortgage Rates – More Like This

Rates are likely to stay elevated for the rest of the year. The jobs picture is slowing, but the overall labor market is still tight, and the Fed has emphasized that they need more clarity on the impact of inflation, government policy, and global trade before bringing the Fed Funds Rate down. Most economists are now projecting two rate cuts later in the year, if the job market weakens further this summer.

Keep an eye on the 10-year bond rate, which mortgage rates generally move in tandem with. While the Fed may have control over the short end of the rate curve, the global bond market's appetite for U.S. debt will control mortgage rates. And we've seen some reason for concern here.

"Mortgage borrowing costs could decline in 2025 but not by much. Rates in the 6% to 7% range are likely to be the new normal for mortgage costs for the foreseeable future," wrote Russell Price, Chief Economist at Ameriprise Financial.

Home Prices Should Continue Up - - Slowly

According to the National Association of Realtors Chief Economist Lawrence Yun, U.S. home prices should rise by 3% in 2025. While not the meteoric rise we've seen recently, if you're waiting for a crash, you might be disappointed. Despite this year's slow start, existing-home sales volume is still expected to grow by 6%.

Buyer Preferences --Shifting

Buyers today seem to be prioritizing features such as remodeled areas, updated flooring, updated appliances, outdoor cooking, climate resiliency, and solar panels with whole-home batteries. Virtual reality tours have transformed home shopping; 95% of buyers search for homes online and 77% ask for virtual tours.

If your home feels like it needs a refresh, let's talk about tapping built-up equity to get your home up to date! And, if a move is in your future, let's get ahead of the curve and get the right financing plans in place. It's never too early to start the process, so that you're ready to pounce when the time is right!

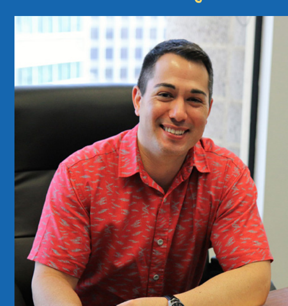
Rate Decrease:	30-Yr Fixed	15-Yr Fixed
vs. the 2023 Peak	↓ -1.02%	↓ -1.14%

Source: Freddie Mac, Primary Mortgage Market Survey, U.S. Average Conventional Mortgage Rates, week ending 6/26/25 vs 10/26/23. Your rates will differ. Not a commitment to lend. Credit on approval.

Aloha!

While the housing market remains dynamic, opportunity still exists for those who are well-prepared. Though mortgage rates remain elevated, we're seeing a more balanced market begin to take shape, with a gradual buildup of inventory and longer listing times, bringing renewed negotiating leverage for buyers. At Myers Capital Hawaii, we're committed to navigating these market twists with smart, tailored financing strategies—whether you're buying, refinancing, or growing a property portfolio. Let's connect and build a plan that works for you today—and sets you up for a successful tomorrow.

Reed Myers



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What is SOFR?

Nope. It's not what you sit on to watch TV. SOFR (Secured Overnight Financing Rate) is the benchmark interest rate that many U.S. adjustable-rate mortgages (ARMs) track with. SOFR represents banks' cost of borrowing cash overnight, and it is published daily by the New York Federal Reserve.

SOFR is a more robust, transparent alternative to the London Interbank Rate (LIBOR) which had been the primary ARM benchmark for decades before a crisis in its formulation process caused the marketplace to lose confidence in it.

The interest rate on an ARM is computed by adding a fixed margin (set by the terms of the mortgage) to the SOFR interest rate that changes over time. After an initial fixed period, ARMs based on SOFR can adjust anywhere from monthly to annually, based on the exact type of ARM (1-month, 6-month, or 1-year adjustments).

See our article to the right for the full story!

Elevated Fixed Loan Rates Revive Interest in ARMs

DISCOVER THE REASONS

Adjustable-rate mortgages (ARMs) are more popular now due to persistently high mortgage rates. ARMs get more attention when rates are elevated, since they offer lower initial interest rates than traditional fixed-rate mortgages. Why is this? Because with a fixed-rate mortgage, the lender carries all the risk of rates moving unfavorably. So the rates on fixed rate mortgages are always a bit higher. With an adjustable-rate loan, the borrower carries some of the risk after the initial fixed-rate period is up, so the loan is priced more attractively.

According to a survey by U.S. News, about 26% of ARM borrowers chose the 5/1 ARM, which offers a fixed interest rate for the first five years, followed by annual adjustments based on prevailing market rates. The next most popular was the 5/6 ARM, 22% of borrowers, which features a fixed rate for five years and adjusts every six months thereafter. ARMs can start with a fixed rate for 3, 5, 7, or 10 years.

There are a number of great reasons to consider ARMs as we develop your home financing strategy.

· **Lower upfront payments:** As above, the lower initial rate can be advantageous. Smaller initial monthly payments can help you to qualify for larger loans (or qualify for the loan at all.)

· **Your time horizon:** A key thing to consider is whether you really need a loan that is fixed for 30 years, especially if your time horizon is less. ARMs are a great option for buyers who don't plan to keep the loan or the home long-term, and you can match the fixed period to your needs.

· **Where rates may be headed:** Interest rates may fall in the future, and you may be able to ride rates down without refinancing and resetting the amortization curve back to 30 years. If they don't fall by the end of the fixed period, you can reassess whether to refinance, or (if rates seem stable) stay put. ARMs typically come with rate caps to limit how much the interest rate can increase each year.

Why ARMs Are Particularly Popular for Jumbo Loans

Lenders do more ARM business on jumbo loans, especially when rates are elevated. According to various industry reports (e.g., the Mortgage Bankers Association or Freddie Mac), in some months over 40% of jumbo loan originations were ARMs, versus less than 10% in the conventional (smaller loan) market.

Jumbo borrowers often select ARMs to better manage cash flow in the early years of the loan and refinance or move before the rate resets. On larger loans, even a quarter percent difference in rate can offer a big monthly payment difference.

Here's a comparison for a $1 million Jumbo loan:

-- 30-Year Fixed at 6.5%: $6,321/month (Principal & Interest)

-- 7/6 ARM at 6.125% (fixed for 7 years, adjusts every 6 months thereafter): $6,076 /month

-- The 7/6 ARM saves you about $245/month—or $20,580 over the first 7 years.

We always explore every option with each client for purchases and refinances. Sometimes the best choice is not always the most obvious one. We look forward to having a robust discussion with you soon!

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Down Payment Assistance Programs Expanding.

Owning a home remains a bedrock part of the American Dream, but the hurdles remain high for home buyers, given current interest rates and tight supply.

The #1 hurdle? Amassing the needed downpayment to reduce the size of the loan needed to purchase the property.

With the cost of many starter homes rising to as much as $1 million (in over 230 U.S. municipalities), the traditional 20% downpayment can be a whopping $200,000. Thankfully, many low down payment programs now exist, and the average first time buyer's down payment is now about 9% nationally. That's still a lot of cash.

Recognizing the size of this challenge, local governments and non-profits have made it their mission to lower the height of that hurdle to get more people into their first home. One tool that has exploded in popularity over the last few years is the downpayment assistance program (DPA).

As of the end of 2024, there were over 2,400 DPA programs available nationwide, with an average benefit of approximately $17,000 per recipient. And 172 new programs were added in 2024, a 7% year-over-year increase. These programs are offered by a mix of municipalities, non-profits, and state housing finance agencies (HFA's). Among these, the Mortgage Bankers Association reports that in Q4 2024, 39% of funding sources came from municipalities, followed by non-profits at 21% and state HFAs at 19%.

The types of assistance provided are diverse, encompassing grants, forgivable loans, and deferred payment second mortgages. There has also been a notable increase in programs supporting the purchase of manufactured and multi-family homes to broaden access to affordable housing options.

Assistance programs often have income maximums, and are sometimes targeted to certain types of buyers or properties, with the goal of allocating funds to those in the community who need it most. Programs often have limits to the number of buyers they can assist, since the source of money is not infinite. Don't be surprised to find that a given program is not taking new applicants until the next funding year. It pays to start early and assess multiple programs. We can help with that.

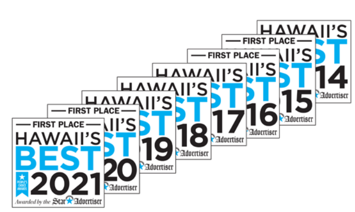
It's sometimes possible to use "stacked assistance," combining multiple assistance programs to maximize support.

We stay on top of the programs available in our local market. If you or someone you know is hoping to overcome the down payment challenge, let's talk.

Thank You!

It's our goal to create the financing package that fits your needs exactly and helps you efficiently finance the home of your dreams. With regular access to new loan products that open new doors for all kinds of scenarios, it creates opportunity out of what might once have seemed impossible. Helping clients like you achieve your homeownership goals is what keeps us going. It's a privilege and a pleasure to work with you. Thank you again for your trust and your business.

Reed Myers



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Real estate finance
insight...

- Market Update
- More Borrowers Using ARMs
- What is SOFR?
- Down Payment Assistance Expands
- What is a Gift of Equity?

Rates as of 6/23/25 and can change without notice. Rates mentioned in articles are for illustrative purposes only. Your actual payment obligation will be greater. Does not include additional costs such as taxes and insurance premiums. Requirements and restrictions apply. Myers Capital Hawaii, LLC, NMLS 1662480.

Helping the family build wealth, with a Gift of Equity

WONDERING HOW TO BUILD YOUR REAL ESTATE PORTFOLIO TODAY? LET'S TALK.

We Have Moved!

Visit us at our new office in the Pan Am Building:

1600 Kapiolani Blvd.
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It goes without saying today that coming up with a huge down payment is a barrier for young people seeking their first home. At the same time, if an aging family member has a home that they need to move out of, it presents an opportunity for the next generation. Instead of selling that home to just anyone, they can keep it in the family by selling it to a young family member using a "gift of equity". A gift of equity is when a home seller sells a home at a price below its appraised value, and the difference (the "gift") counts as equity for the buyer. Here's an example:

- Appraised value: $700,000
- Sale price: $560,000
- Gift of equity: $140,000 (20%)

The gift serves as all or part of the down payment. If the gift ($140,000 in this example) is at or above 20%, it eliminates the need for private mortgage insurance. The lower borrowed amount also helps reduce closing costs. The tactic is typically only allowed from family members and close relatives. The seller must provide a gift letter stating no repayment is expected, and the property usually must be a primary residence.

This is just one of the many ways we craft financing programs to help the younger generation take that first step into homeownership, starting them on the path to building long-term wealth.