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Federal Reserve cuts interest rates by 0.25%

Source: ***Yahoo! Business***
The Federal Reserve cut interest rates by 25 basis points at the conclusion of its two-day meeting on Wednesday, marking the central bank's third cut of the year. Fed officials were split on the decision to lower rates to a range of 3.50 percent to 3.75 percent, with policymakers dissenting on both sides.

Fed Chair Jerome Powell underscored that the Fed remains in a "challenging" position, with both sides of its dual mandate in tension. Powell reiterated that the Fed has tilted the balance of its risk-management framework toward the labor market after previously favoring the inflation mandate. Though he affirmed that there is no risk-free path for policy as the Fed navigates competing issues with employment and inflation, he noted their obligation to ensure that the short-term effects of tariffs on inflation do not cause ongoing issues.

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A housing reset is coming in 2026 as income growth outpaces home-price growth

Source: ***MSN***

Homebuyers may experience a reprieve in 2026 as price normalization and an increase in home sales over the next year will take some pressure off the market – but don't expect homebuying to be affordable in the short run for Gen Z and young families.

The "Great Housing Reset" will start next year, with income growth outpacing home-price growth for a prolonged period for the first time since the Great Recession era, according to a Redfin report released this week. The report predicts mortgage rates reducing to the low 6 percent range, down from the 2025 average of 6.6 percent; and median home sales prices increasing by just 1 percent, instead of 2025's 2 percent. It predicts that monthly housing payment growth will lag behind wage growth, which will remain steady at 4 percent. These trends toward increased affordability will likely bring back some house hunters to the market.

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Consumer sentiment improved slightly in early December

Source: ***Consumer Affairs***

The University of Michigan's preliminary reading for its monthly consumer-sentiment survey shows a moderate rebound after months of decline. The index rose modestly to 53.3 – a gain of 2.3 points over November's reading. Though the index remains far below the roughly 71.1 level seen in January, survey respondents reported improved expectations for the future, in terms of personal finances and the economy at large.

The survey reported that perceived financial prospects rose sharply – a 13

percent increase in those expecting their personal finances to improve over the coming year, no matter the respondents' ages, incomes, education levels or political affiliations. Respondents also expected inflation to slow and for prices to stabilize somewhat. However, prices are still high, and labor market worries and economic uncertainty persist. Regardless, if more people feel confident about their finances and inflation is expected to ease, that could translate into increased spending over the holidays, supporting retailers and service industries.

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Mortgage arrears edge higher as affordability squeezes borrowers

Source: *MPA Mag*

Mortgage delinquencies are expected to inch higher in 2026 as affordability pressures and softer labor markets test borrowers, according to credit rating agency TransUnion's latest consumer credit outlook. The projections point to a slow turn in the credit cycle rather than a sharp deterioration, but one that mortgage professionals are watching closely.

In its 2026 Consumer Credit Forecast, TransUnion projected the share of U.S. mortgages 60 days or more past due to reach 1.65 percent by December 2026, an 11-basis-point increase from 2025, driven in part by a modest rise in unemployment. By contrast, serious credit card delinquencies are expected to remain almost flat at 2.57 percent.

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Refinance demand for FHA loans jumps 24%

Source: CNBC

Current homeowners are looking for any savings they can get, and with mortgage rates on conventional loans not moving much, that isn't easy. Loans from the Federal Housing Administration (FHA), which require mortgage insurance, however, are providing an outlet. Total applications to refinance a home loan rose 14 percent last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. Volume was 88 percent higher than the same week one year ago. The refinance share of mortgage activity increased to 58.2 percent of total applications from 53.0 percent the prior week. Demand for FHA refinances was up 24 percent for the week, as the FHA interest rate for 30-year fixed-rate loans fell to 6.08 percent – the lowest level since September 2024.

In contrast, the average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($806,500 or less), increased to 6.33 percent from 6.32 percent, with points rising to 0.60 from 0.58 including the origination fee, for loans with a 20 percent down payment. Applications for a mortgage to purchase a home dropped 2 percent for the week and were 19 percent higher than the same week one year ago.

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