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What a government shutdown means for homebuyers and sellers

Source: C.A.R.

With Congress unable to reach a funding deal, as of October 1, the federal government has shut down. During a government shutdown, many real estate programs are impacted. Federal agencies are required to implement contingency plans that allow "essential" activities to continue, even if on a limited basis. The most critical housing and mortgage programs – HUD/FHA, VA and the conforming mortgage guarantors (Fannie Mae and Freddie Mac) – are structured to maintain core functions throughout a shutdown.

For FHA single-family loans, HUD's plan permits the endorsement of new loans with a few exceptions. However, activities requiring staff discretion or third-party approvals are likely to pause or move more slowly. For VA home loans, guarantees remain available and lenders can continue processing applications, but reduced staffing may cause delays in appraisals, certificates of eligibility, and underwriting support. While conforming (GSE-backed) mortgages are generally unaffected since Fannie Mae and Freddie Mac are not subject to annual appropriations, some services that depend on other federal agencies may be disrupted or slowed, such as IRS tax transcripts being provided to lenders and employment verification for federal workers. Also, a lapse in the National Flood Insurance Program (NFIP) authority could prevent the sale of new or renewal policies.

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Mortgage lock-in effect eases

Source: Scotsman Guide

Mortgage rates began 2025 around 7 percent and have declined to a range of 6.25 percent to 6.5 percent over the past several weeks. The rate movement has spurred mortgage activity, particularly among refinance applicants carrying plus-7 percent mortgages of post-pandemic vintages.

From the first quarter of 2023 to the first quarter of 2025, the share of active mortgages with rates above 6 percent doubled from 9.5 percent to 18.9 percent, according to a Redfin analysis of the Federal Housing Finance Agency's National Mortgage Database. That climbed to 19.7 percent in the second quarter of 2025 – the highest share since 2015 – a reflection of easing mortgage rate lock-in effects. More homeowners are deciding it's worth moving even if it means giving up a lower mortgage rate.

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Typical U.S. luxury home prices rise to $1.25M as sales fall

Source: Redfin
Luxury home sale prices rose to 3.9 percent year over year to a median $1.25 million, a record high for the month of August, but down from the all-time high of $1.35 million in March, a month when prices are typically higher. According to Redfin's analysis, luxury home prices grew nearly three times faster than non-luxury home prices, which increased 1.4 percent to a median $370,000 across the nation.

Luxury home sales fell 0.7 percent year over year to the lowest August level since at least 2013. It was a virtually identical story for sales of non-luxury homes, which dropped 0.6 percent – also to the lowest August level on record. The number of non-luxury homes for sale grew faster (13.4 percent) to reach the highest August level since 2019.

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FICO to directly sell credit scores to mortgage resellers

Source: Yahoo! Finance
Fair Isaac Corp. (FICO), the company that creates the FICO credit score, will now sell credit scores directly to mortgage resellers, a move that sent shares of third-party credit bureaus plunging.

Through a new program, mortgage resellers will be able to calculate and distribute credit scores directly to customers, reducing their reliance on credit bureaus. This will bring more price transparency and savings for mortgage lenders, mortgage brokers and other industry participants, FICO said in a statement. Subsequently, shares of credit-reporting bureaus TransUnion and Equifax Inc. each fell more than 8 percent on Thursday.

FICO shares were up 18 percent at the close after posting a 32 percent surge. Credit scores are a key tenet of American consumer financing, used by lenders to judge how well individuals can pay back their obligations. The three major providers of consumer credit reports in the U.S. – Equifax, TransUnion and Experian Plc – help consumers apply for mortgages or car loans.

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U.S. economy lost 32,000 private-sector jobs in September

Source: CNN

Private payrolls plunged in September, complicating the picture for the U.S. economy as policymakers and investors struggle to assess the state of the labor market amid a government shutdown. The Bureau of Labor Statistics is unlikely to release the monthly jobs report this Friday due to the closure. That means many flying blind without critical economic data are having to key into any information they can get, including Wednesday's private sector job data from payroll company ADP.

U.S. private sector businesses lost 32,000 jobs in September, according to the report. August's previously estimated 54,000 payroll gains were downwardly revised to negative 3,000. Small private-sector businesses drove last month's decline, and losses were widespread across industries (with some of the largest losses in professional and business services and leisure and hospitality), ADP reported. The bulk of the hiring occurred at health care businesses, which have been the sale source of consistent employment growth this year.

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Mortgage refi demand plunges 21% as rates hit 3-week high

Source: CNBC

A brief roller-coaster ride for mortgage rates caused yet another swing in demand. After dropping to a three-year low two weeks ago, rates then shot right back up again. As a result, total mortgage application volume declined 12.7 percent last week from the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. The drop was mostly driven by a pullback in refinancing.

Applications to refinance a home loan fell 21 percent for the week and were 16 percent higher than the same week one year ago. This, even though mortgage rates were 32 basis points higher last week than the year before. The refinance share of mortgage activity decreased to 55 percent of total applications from 60 percent the prior week. The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($806,500 or less) increased to 6.46 percent from 6.34 percent, with points rising to 0.61 from 0.57, including the origination fee, for loans with a 20 percent down payment. Applications for a mortgage to purchase a home declined 1 percent for the week and were 16 percent higher than the week one year ago. This is after three consecutive weeks of gains.

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