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FMLS Market Intel Report

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The 2025 conforming loan limit increase to \$806,500 is a positive development for Georgia's housing market, offering buyers easier access to financing. However, mortgage rates, a key factor in market activity, are expected to remain above 5.5% through the first half of 2025. Despite a recent uptick in national and local sales, the outlook for housing remains closely tied to future rate movements and inflation trends. Buyers can benefit from strategies like improving credit scores, exploring down payment assistance programs, and utilizing mortgage tools such as the 2-1 buy-down.

For 2025, the conforming loan limit will rise to \$806,500, a nearly \$40,000 increase from the 2024 limit. This adjustment allows more buyers in Georgia to access conforming loans, which typically offer lower rates and are easier to qualify for than jumbo loans. The increase should help improve affordability and facilitate home purchases in the state.

Impact:

- Easier access to mortgage financing for a broader range of buyers.
- Potential for increased demand as more borrowers qualify for conforming loans.

Mortgage Rates & Economic Outlook for 2025

Mortgage rates remain the central factor influencing the housing market. While predicting rates is challenging, 2025 forecasts suggest a gradual decline from the current 6.8% to a range of 5.75% to 7.25%. This assumes further Federal Reserve rate cuts, contingent on inflation approaching the Fed's 2% target. However, rates above 5.5% are expected to persist through at least the first half of 2025.

Key Considerations:

- The Fed's decisions in December will provide guidance on future rate cuts.
- Strong consumer spending and rising inflation may delay rate reductions.

National & Local Housing Market Trends

Nationally, home sales rose 3.4% year-over-year in October, marking the first increase in three years. Locally, the FMLS market area saw a significant 16.5% month-over-month increase in closings and an 8.3% rise in pending sales. These trends reflect the temporary boost from lower rates in late September, but future market performance is uncertain due to rising rates since then.

Local Market Outlook:

- Positive momentum from late September's dip in rates, but a rise in rates could dampen sales.
- Mortgage rates above 5.5% are likely to continue influencing buyer behavior in 2025.

Strategies for Your Buyers

Given the current rate climate, buyers should take proactive steps to optimize their homebuying potential. Recommended strategies include:

- **Boosting Credit Scores** to qualify for better rates.
- **Exploring Down Payment Assistance** programs to ease upfront costs.
- **Preparing Financial Documents** early to streamline the approval process.
- **Identifying the Best Loan Products** for their financial situation.

The 2-1 Mortgage Rate Buy-Down

A 2-1 mortgage rate buy-down is an option where the seller contributes to lowering the buyer's mortgage rate for the first two years. In Year 1, the rate is reduced by 2%, and in Year 2, it's reduced by 1%. The rate then returns to the original market rate. This strategy helps reduce monthly payments early on, which can be especially useful for buyers expecting income growth or planning to refinance.

Example:

- Original rate: 6.5%
- Year 1: 4.5%
- Year 2: 5.5%
- Year 3 onward: 6.5%

This buy-down could save a buyer purchasing a \$378,000 condo around \$6,876 over the first two years of the loan, making it a valuable alternative to a price reduction.

Conclusion

As Georgia's housing market heads into 2025, buyers face a mixed landscape. The increase in the conforming loan limit offers new opportunities, but higher mortgage rates are likely to persist through the first half of the year. Buyers can navigate this environment by improving their financial readiness and considering options like the 2-1 mortgage rate buy-down to reduce early mortgage costs.

For up-to-date market insights, visit the FMLS Market Intel website for bi-weekly data updates.