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How have spending habits changed since '73? More housing. Less saving

Source: The Los Angeles Times

New research indicates American families spend less of their total income today than 40 years ago. But are they saving that extra money? Not exactly. ConvergEx Group, a New York-based brokerage, posits that spending and saving among American consumers is changing, but not necessarily for the better. The research shows Americans are not saving extra money for the future in such vehicles as retirement accounts, stocks, or bonds. Data analysis found a lack of clarity about how Americans are spending 14 percent of unaccounted for income today, but it is clear that Americans are not saving the money.

Making sense of the story

- The average person spends 81.2 percent of his or her post-tax income on food, housing and other expenses.
- For the sake of comparison, in 1973, Americans spent 85 percent of their income on mandatory and discretionary items.
- The U.S. saving rate is far smaller than what it used to be: 4.6 percent today vs. 13 percent four decades ago.
- Overall housing costs rose to 32.8 percent of income from 30.8 percent. However, the cost of so-called “shelter,” which is owned or rented dwellings, jumped to 19.2 percent from 15.9 percent.
- Despite the multitude of options consumers currently have, such as smartphones and Internet access, Americans spend about the same percentage on phone service today (2.4 percent) as they did in 1973 (2.2 percent).
- According to ConvergEx, in 1973, the average U.S. person had post-tax income of $9,700, annual spending was $8,270. Today average income is $63,000, but per-person expenditures average only 81.2 percent.

Read the full story
http://www.latimes.com/business/money/la-fi-mo-how-do-americans-spend-their-money-more-housing-less-saving-20131021,0,6820045.story

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In other news …

Credit unions say new rules will hurt lending

Source: The Hill

New federal mortgage rules are set to go into effect early next year, but the Credit Union National Association has warned that credit unions will be forced to discontinue, delay or reduce their mortgage loan product offerings because of the changes.

Read the full story
http://thehill.com/blogs/on-the-money/banking-financial-institutions/329637-report-credit-unions-say-new-rules-may-cause-them-to-pull-back-lending

Employment Shows 'Missing Households' Still Weigh on Housing

Source: The Wall Street Journal

Young adults' inability to gain employment will continue to negatively impact household formation and long-term housing demand based on figures from the latest jobs report. Young people are considered "missing households" when they aren't renting or buying their own place.

Read the full story
http://blogs.wsj.com/economics/2013/10/22/employment-shows-missing-households-still-weigh-on-housing/

Fed Tapering Delayed Until Spring?

Source: The Wall Street Journal

According to economists at J.P. Morgan and Goldman Sachs, they do not expect to see the Federal Reserve's bond-buying stimulus program tapered until next spring. The $85 billion-per-month bond-buying campaign may continue for the foreseeable future due to the lackluster improvement in the jobless rate.

Read the full story
http://blogs.wsj.com/economics/2013/10/22/j-p-morgan-goldman-see-fed-tapering-delayed-until-spring/

Cordray Doesn't Expect Wave of Litigation Over CFPB's QM Rule

Source: Bloomberg

The Consumer Financial Protection Bureau's new qualified mortgage rule takes effect next year, and Director Richard Cordray said in a speech to the American Bankers Association that "our oversight of the new mortgage rules in the early months will be sensitive to the progress made by institutions that have been squarely focused on making good-faith efforts to come into substantial compliance on time." Cordray also noted he is not expecting a spate of litigation once the rule is implemented.

Read the full story
http://www.bloomberg.com/news/2013-10-21/cordray-doesn-t-expect-wave-of-litigation-over-cfpb-s-qm-rule.html

Real estate prices largely unaffected by shutdown

Source: HousingWire

Seasonal changes, rising interest rates and a (slowly) improving job market are among the many factors impacting the housing market. Adding to that list is the government shutdown; however, it's hard to determine to what extent – if any – the shutdown may have hurt asking prices, as the health of the housing market in many respects remains tied to Washington D.C.

Read the full story
http://www.housingwire.com/articles/27493-real-estate-prices-largely-unaffected-by-shutdown

Don't Kill Fannie and Freddie

Source: Bloomberg

The government-sponsored enterprises Fannie Mae and Freddie Mac now back almost 9 out of 10 home loans. James K. Glassman, a former undersecretary of state, argues, "Some kind of reform is necessary, but policy makers should be careful not to destroy the parts of the GSEs that work as they seek to expiate their own political sins. They also need to avoid solutions that needlessly raise the cost of borrowing for homeowners."

Read the full story
http://www.bloomberg.com/news/2013-10-22/don-t-kill-fannie-and-freddie.html

Financial regulator: Dodd-Frank rules 'largely completed'

Source: The Washington Post

Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler is charged with bringing oversight to a $400 trillion market and implementing the requirements of the Dodd-Frank financial reform law. In an interview, Gensler stated, "We have largely completed what Congress set out for us to do."

Read the full story
http://www.washingtonpost.com/blogs/wonkblog/wp/2013/10/19/interview-gary-gensler-explains-how-financial-reform-is-going/

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Talking Points …

- According to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.), the share of equity home sales in California continued to grow in September, now making up more than eight of every 10 home sales, the highest level in nearly six years. Meanwhile, the share of short sales fell into the single digits and dropped to levels not seen since January 2009.

- C.A.R. also reports that non-distressed property sales rose for the 10th straight month, thereby making the share of equity sales in September 85.8 percent, up from 62.7 percent of sales in September 2012.

- Housing inventory levels improved for the fifth straight month but remained low. The Unsold Inventory Index for equity sales inched up from 3.1 months in August to 3.5 months in September. The supply of REOs edged up from 2.3 months in August to 2.7 months in September, and the supply of short sales rose from 2.3 months in August to 3.8 months in September.