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BUSINESS INSIDER

Easier mortgage rules, stable rates bring back U.S. home buyers

BY SAGARIKA JAISINGHANI

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Homes are seen for sale in the northwest area of Portland, Oregon March 20, 2014.

(Reuters) - Many U.S. home buyers are returning to the market after almost a year as interest rates stabilize and regulators propose more relaxed rules on mortgage lending.

U.S. homebuilders D.R. Horton Inc and Toll Brothers Inc reported jumps in orders this week at rates not seen since last year.

"We're definitely seeing a lot more purchase business than we have in the past," said Matt Hackett, underwriting manager at Equity Now, a New York-based mortgage lender.

Interest rates fell in October to their lowest since June 2013 after rising steadily for the past year. Although up slightly since, they are still at historic lows.

New rules proposed will allow Americans to buy homes with down payments as low as 3 percent.

"The buyers realize that they're never going to get this kind of low interest rate environment," said David Crowe, chief economist at the National Association of Home Builders.

Wayne Wellington, a 47-year old inspector at the Broward County housing authority in Florida, said he wanted to upgrade his current house for a larger property before rates spiked.

"Interest rates look like they're on the verge of moving up a little bit and I've got to capitalize now on these wonderful rates," he told Reuters.

The improvement in buyer sentiment is bringing much needed relief to homebuilders, which reported an underwhelming spring selling season this year. Spring selling is to homebuilders what the holiday season is to retailers.

"First-time home buyers are the ones missing from the marketplace (and) part of the reason we've had a relatively slow recovery in housing. Some relaxation in the overly restrictive lending standards will bring the first-time home buyer back," Crowe said.

The Dow Jones U.S. home construction index rose about 4 percent this year to Monday's close, after doubling between January 2012 and January 2014.

Five of the largest U.S. homebuilders - D.R. Horton, Toll Brothers, Lennar Corp, PulteGroup Inc and KB Home - trade below their intrinsic values, according to StarMine.

The StarMine model measures how much a stock should be worth when considering expected growth rates over the next 15 years.

(Additional reporting by Ankit Ajmera in Bangalore; Editing by Saumyadeb Chakrabarty)