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Federal Reserve cuts key interest rate in bid to boost job market

Source: *NBC News*

The Federal Reserve on Wednesday cut its benchmark interest rate for the second time this year as it seeks to boost economic activity and rejuvenate the sluggish labor market despite concerns about persistent inflation. The Fed's cut of a quarter of 1 percent from the bank's benchmark interest rate could bring financial relief to consumers and businesses in the form of lower borrowing costs.

The central bank's action is designed to reduce the cost of borrowing throughout the economy. A lower rate tends to have immediate effects on auto loans and credit cards. Mortgage rates are not directly tied to the Fed's benchmark rate, but they can move in parallel. The Fed's announcement comes as the U.S. economy grapples with both a slowing labor market and stubborn price growth, a difficult scenario for the Fed to navigate given its so-called dual mandate to keep unemployment and inflation low. Typically, in times of a labor market slowdown the Fed lowers rates to spur economic activity. During times of rising inflation, the Fed often hikes rates to put a lid on rising prices.

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Surge in commercial buildings being converted to apartments

Source: *RentCafe*

The wave of adaptive reuse projects is accelerating at a record pace. After moderate gains and even some decreases in the years following the pandemic, the number of apartments resulting from converted buildings in the United States was close to 25,000 in 2024. That's a whopping 50 percent more than the units delivered the year before and double the figures in 2022. Looking ahead, conversion projects seem to gather momentum as nearly 181,000 apartments are now being converted.

Hotels have become the most prevalent form of adaptive reuse, reclaiming the top spot at almost 37 percent after first surpassing office conversions in 2023. Offices made up 24 percent of conversions, industrial spaces made up 19 percent, and schools made up 8 percent in 2024. Los Angeles ranks second (after Manhattan) in future apartment conversions, with 5,460 planned, including 2,843 offices and 715 hotels.

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California's "zone zero" fire rules clash with LA's need for shade

Source: *LAist*

California's state Board of Forestry and Fire Protection is considering new rules during the final months of 2025 that would require homeowners in designated "very high" fire hazard zones throughout the state to clear the first 5 feet of space around their homes of any flammable materials, an

area the agency refers to as “zone zero.”

Those flammable materials include landscaping such as bushes, hedges and flowers (with exceptions for potted plants, which can be moved). The list also includes firewood, fallen leaves and attached fences that are made of combustible materials like wood. Well-maintained trees would be allowed in zone zero but only if the branches are pruned so that the lowest are at least 5 feet above the roof. The intention is to create an “ember-resistant zone” around the home, providing fewer opportunities for a fire to spread to the building and improving safety for firefighters who may need to get close to the home in an emergency. The acreage covered by zones deemed to be of “high” or “very high” fire hazard have grown significantly throughout the state since Cal Fire updated its maps in March. Residents may send written comments to the Board of Forestry at publiccomments@bof.ca.gov.

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Homebuilders push Fannie and Freddie for construction loans

Source: Politico

Homebuilders are using President Donald Trump’s growing calls for government-controlled Fannie Mae and Freddie Mac to get house construction going to push a controversial proposal: getting the mortgage giants to back construction loans.

Fannie already supports some construction-to-permanent loans, which combine financing for building a new home with a long-term mortgage, but homebuilders are encouraging the enterprises to look at “acquisition,

development and construction” loans, which cover costs starting at purchasing a lot through the building process. The Federal Housing Finance Authority is now collecting input on its recently released strategic plan, which calls for exploring opportunities for how Fannie and Freddie can boost homebuilding.

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USAA asks California for permission to raise insurance rates

Source: San Francisco Chronicle

USAA, the seventh-largest home insurer in California, is seeking permission to raise rates on homeowners by an average of 7.3 percent starting next year. If approved, USAA’s nearly 350,000 customers would see their rates change at their first renewal date following April 30, 2026, according to a filing with the California Department of Insurance.

The exact price range will vary depending on each customer’s home and which of USAA’s four subsidiaries they’re insured by. Currently, the average policyholder with USAA home insurance pays \$2,428 a year and would see their annual premium rise by \$178 if the request is approved without changes, the filings show. However, some would pay thousands more per year, especially in areas with high fire risk. Condo owners would not see any increases under the currently requested rate changes, the filings show. In 2024, USAA’s four subsidiaries insured just over 5.5 percent of the California home insurance market. The company exclusively offers policies to members of the military and their families.

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Mortgage rates drop to lowest level in over a year

Source: CNBC

Mortgage interest rates dropped for the fourth straight week last week, spurring both current homeowners and potential homebuyers to call their lenders. Total mortgage application volume increased 7.1 percent compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances, \$806,500 or less, decreased to 6.30 percent from 6.37 percent, with points falling to 0.58 from 0.59, including the origination fee, for loans with a 20 percent down payment. That is the lowest level since September 2024. Refinance demand, which is most sensitive to interest rate changes, jumped 9 percent for the week and was 111 percent higher than the same week one year ago. Applications for a mortgage to purchase a home rose 5 percent for the week and were 20 percent higher than the same week one year ago.

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