August 10, 2016

# Are Typical Americans Actually Doing Well Financially?

REAL ESTATE
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On July 28, the AICPA released the results of its Personal Financial Satisfaction Index (PFSi) for the second quarter of 2016, and some may find it surprising that the estimated financial satisfaction of the "typical American" has reached its highest level since late 2007, thanks in large part to improvements related to the real estate industry.

The AICPA's PFSi seeks to quantitatively measure the financial standing of a typical American using certain proprietary and public factors to calculate a Pleasure Index and a Pain Index.  The 17.1 PFSi for Q2 2016 represents an increase from 13.7 in Q1 2016 and 16.0 in Q2 2015.  Improvements in home equity and decreases in loan delinquencies drive the improvements from last year and early 2016.

According to the AICPA, market values of real estate are increasing at about 6% per year, while outstanding mortgages are only increasing 1% per year.  While national homes prices have not returned to their all-time highs, certain states including Colorado, Oregon, Nevada, Utah and Washington are experiencing price increases. Conversely, states like Arizona, Florida, Maryland, Nevada and Rhode Island are struggling to return to their all-time high values.

In terms of loan delinquency rates, the AICPA quotes the current mortgage delinquency rate at 4.85%, with the delinquency rate of all other loans at 2.19%. Both rates have declined since 2015 and since early 2016 and are well below the all-time highs of 11.26% and 7.5%, respectively, which were experienced in 2009 and 2010.

The results indicate a positive outlook for the real estate industry and that things may be better than we realize given the uncertainty in the global and domestic political and economic environments.  For more details of the AICPA's PFSi analysis, visit its website.

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