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What would happen if rates went down again? Another refinance bubble?

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Housing is no longer a source of embarrassment. Housing market analysts no longer talk about recovery but worry about corrections; about too much well-heeled demand.

Note however that in many respects, and in many areas, housing markets have not yet recovered fully from the downturn. Home sales and mortgage lending still lag behind levels prior to the crash.

Major lenders are trying to find the size of the market. Chase has made adjustments, others have followed. A lot of minor lenders will be gone, if not now, soon.

Residential appraisers depend heavily on refinancing activity. Even in strong sales markets, i.e, lots of inventory, lots of activity, refinancing creates a lot of the appraisal work.

The current market is not a strong sales market. Consider that in 2004 (March to February 2005), MLSPIN showed nearly 50,000 transactions in Massachusetts with an average days on market of 77 and a median price of just less than $350,000. Two years later, in 2006, there were 41,321 transactions with an average days on market of 123 and a median price of $350,000. In 2009, there were just 36,676 sales with 128 DOM and a median price of $290,000. In the period of March 2013 to February 2014, there were 46,109 sales with days on market of 96 and a median price of $325,000. Neither volume nor median prices are back to 2004 levels. There are exceptions, but let's look at the big picture.

Currently, there's just not enough homes out there to buy, and not enough buyers that can afford them. The sales volume for 2013 and the low DOM suggest an inverted supply/demand dynamic in these markets. Further, on the demand side, while there is demand aplenty from buyers, there is a large bunch of potential buyers that will remain upside down or economically compromised.

The Fed promised that rates would rise. Last year they did. From an active refinancing market - at least in comparison with the bleak years - constrained somewhat by stringent underwriting and flat prices with low comparable sales volume, the market fell flat.

Was it rising rates only? Probably not. It was also the satisfaction of consumer demand, for a time. What would happen if rates went down again? Would there be another refinance bubble?

In the cycle just completed, all others who wanted to refinance couldn't because a/ they couldn't qualify or b/ they still couldn't sell their house for enough to have some equity to transfer to the next one. The third possibility is that, having been burned in the housing market, the potential buyers turned into renters.

Even with a boom in development and new construction in strong urban centers like Boston, there is insufficient volume to make up for the dearth of refinancing work. I don't anticipate the current administration and Fed chair concocting another recipe for disaster like the irrationally exuberant one that presaged the last housing disaster.

Lenders are not anticipating much growth; in fact they are facing contraction. Many of these lenders have been through hell and back in terms of delinquencies, foreclosures, buy backs and lawsuits. And it's not over. The aftereffects of the crash will be felt for years.

What do the contractions in lending mean for residential appraisers? Probably not much very good. Residential appraisers have taken the brunt of appraisal "reforms" which have mostly resulted in increased pressure on methodology and values, continued pressure on fees, and increased liability.

Just as appraisers thought things were getting back to a semblance of normalcy, it's happening again.

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