



What the Mortgage Market Reads



INSIDE MORTGAGE FINANCE®

August 26, 2016

Appraisal Issues Increasingly Causing Delays of Purchase Mortgages in Busy Home-Buying Season

A shortage of appraisers and rising mortgage activity has prompted appraisal issues to account for more delayed closings, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

For home sales closed in July after experiencing a delay, appraisal-related issues accounted for the delay 14.1 percent of the time, based on a three-month moving average. That was up from a 12.4 percent share the previous month and nearly double the 7.2 percent share in January.

“Closing times are increasingly affected by appraisal delays,” said Tom Popik, research director for Campbell Surveys. The share of loans that have closed on time has decreased in recent months while the share of all-cash transactions that have closed on time has remained relatively level.

The on-time closing share for various mortgage products generally peaked this year in April. For mortgages delivered to the government-sponsored enterprises with private mortgage insurance, 76.1 percent of transactions in April closed on time. In July, the on-time closing share for such loans was 66.1 percent. The on-time closing share for all-cash transactions went from 77.2 percent in April to 77.9 percent in July.

Popik said many real estate agents reported that there aren't enough appraisers to handle the increase in spring/summer home-buying activity along with ongoing demand for refinances.

“Appraisals are running 15-20 days out due to the busy market,” said an agent in Michigan. “Some appraisers are accepting more orders than they have time for, which makes for a very stressful transaction.”

Appraisal industry participants have acknowledged that a shortage of qualified appraisers is a concern. “Further examination of this issue will be a primary focus for the Appraiser Qualifications Board in 2016,” said the Appraisal Foundation, the parent of the AQB.

The foundation noted that the AQB is considering alternative tracks towards obtaining an appraiser credential. The Appraisal Institute has also pushed for a decrease in regulatory burdens faced by the appraisal industry.

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ISSN 8756-0003

Annual Subscription Rate: \$1,297.
Published weekly, 48 times a year.
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Some real estate agents also placed blame on lenders. “Banks are having a hard time getting appraisals in a timely manner,” said an agent in Maine. “There is some shortage of available appraisers in this area, but banks are waiting too long to even put out the appraisal work order.”

Some real estate agents added that the processes involving appraisal management companies have contributed to longer timelines for appraisals as well as valuation issues.

“The blind appraisal system is too frequently getting appraisers that do not know the areas where they are determining value and often miss the contract price agreed upon by seller and buyer,” said a real estate agent in Arizona.

And some real estate agents said the high demand for appraisals has led some appraisers to “cherry pick” assignments, wait for a premium to accept an assignment or offer to complete an appraisal more quickly for a higher payment. ♦