



What the Mortgage Market Reads



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Closings of Purchase Mortgages Increasingly Delayed as Strong Volume Mixes with Shortage of Appraisers

An increasing share of purchase mortgages have missed their scheduled closing dates in recent months, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. Many of the delays are tied to a shortage of appraisers as home sale activity increased during the spring and summer.

Just before the start of the spring home-buying season, the on-time share of closings was at high levels for mortgage-financed purchases. Some 76.6 percent of purchases in April with a low downpayment mortgage securitized by Fannie Mae and Freddie Mac closed on time, based on a three-month moving average.

The on-time closing share has declined for four consecutive months for Fannie/Freddie mortgages with private mortgage insurance, hitting 63.6 percent in August. Last month, 59.2 percent of FHA home purchases closed on time, down from a 65.6 percent share in April.

Appraisals accounted for a growing share of closing delays. Appraisal issues caused 10.7 percent of delayed closings in April. In August, appraisal-related issues that prompted delayed closings of home purchases increased to a 15.6 percent share.

Cash transactions, which are less dependent on appraisals to close, haven't seen the same trends in missed closings that mortgage-financed homebuyers have experienced. Some 79.1 percent of cash transactions closed on time in August, up from a 77.2 percent share in April.

Many real estate agents said they have seen difficulties getting appraisals scheduled, prompting closing delays of up to a month in some instances. "Appraisals are taking more time due to a large inventory under contract and a lack of appraisers," reported an agent in Colorado.

When closings were delayed, Fannie/Freddie mortgages with private MI faced 17.0 extra days to close in August, on average, and FHA mortgages took an extra 18.6 days to close, on average.

The delays have been particularly acute in areas with strong home-sales activity, like the west coast. "Appraisals are taking three weeks to four weeks to obtain in most cases," said a real estate agent in Oregon. "Ap-

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praisers are ‘cherry picking’ the easiest and closest properties.”

Some real estate agents note that appraisers have offered to “rush” appraisals for extra fees while delaying other appraisal work. “Two reasons are increasing demand and a lack of accredited appraisers,” added a real estate agent in Washington state.

The number of appraisers has declined since the financial crisis. Appraisers note that volume declined and reforms to the industry – including the establishment of appraisal management companies – appear to have decreased the fees paid to appraisers.

Some appraisers report that they avoid taking business from low-paying AMCs, preferring to work directly with lenders.

However, lenders were also blamed for appraisal-related delays, with some appraisers noting that lenders sometimes order appraisals too late in the underwriting process. ♦