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Appraiser Shortage Continues to Delay Loan Closings in Market With Strong Purchase-Mortgage Demand

The share of home sales that experienced a delayed closing because of appraisal-related issues remained elevated in September, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

Industry participants suggest that the strong market for purchase mortgages has led to a backlog of appraisals.

Appraisal issues accounted for 14.7 percent of delayed home purchases in September, based on a three-month moving average. The appraisal-related share of delayed closings declined slightly from 15.6 percent in August but remained well above the 9.4 percent share in September 2015.

Many industry analysts have pinned the delayed closings on a shortage of appraisers. "Appraisal delays and comments from real estate agents support the notion of an appraiser shortage," said Tom Popik, research director for Campbell Surveys.

"We have a shortage of appraisers in our area, which is causing them to be extremely backlogged," said a real estate agent in Washington state. "Because of this situation, more and more transactions are closing late."

Appraisal issues are making it more difficult for homebuyers who rely on mortgage financing to compete with buyers who make all-cash offers.

In April, the share of home purchases that closed on time was essentially equal for cash buyers and those that relied on a Fannie Mae or Freddie Mac mortgage with a downpayment of at least 20.0 percent. About 77.5 percent of each of those types of home purchases closed on time in April.

As purchase-mortgage activity increased in the spring and summer, the share of mortgages that closed on time declined, while cash transactions – which don't necessarily require an appraisal – showed an increase in terms of on-time closings. For home purchases in September, 70.1 percent of Fannie/Freddie mortgages with a downpayment of at least 20.0 percent closed on time and 78.9 percent of cash purchases closed on time.

The Fannie/Freddie mortgages that experienced a delayed closing in September required 14.3 additional days to close, on average.

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Closing on cash purchases in September averaged 32.4 days, while the average for Fannie/Freddie mortgages with a downpayment of at least 20.0 percent – which have the fastest closing time among various mortgage products tracked by *HousingPulse* – was 45.6 days.

Some lenders have started advising borrowers to ask their real estate agent to allow enough time in the contract for extended appraisal timelines.

A new survey by Strategic Mortgage Finance Group (Stratmor) provides some insight on the types of appraisal services used by lenders. About two-thirds of the 56 surveyed lenders use appraisal management companies, with the rest using either an in-house appraiser panel or a combination of AMCs and an appraiser panel.

"Property location and service, i.e., turn-times, are the primary factors driving the use of AMCs," Stratmor said.

The consulting firm added that appraisal turn-times for purchase mortgages increased by 5.7 days in the past year, a 79.0 percent increase. While there were some theories that the longer appraisal timelines were caused by the TRID rule, Stratmor said that's not necessarily the case.

"Many lenders do not attribute these turn-time increases to TRID but to sharply increased origination volumes in 2016 coupled with a lack of qualified appraisers," Stratmor said.

The shortage of appraisers also appears to have had an impact on appraisal fees. Stratmor found that appraisal fees have increased by an estimated 15.8 percent, on average, in the past year. "Not a single lender reported a decrease in their appraisal fees," the firm said. ♦