

Inside MORTGAGE TRENDS

Covering Profit Drivers, Efficiencies, Risks and Management

Issue 2016:26

December 23, 2016

Share of Loans that Close on Time Increasing

The share of purchase mortgages that closed on time increased in recent months, according to results from the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. The improved closing performance occurred as home sales declined and interest rates on mortgages started to rise.

Some 68.4 percent of Fannie Mae/Freddie Mac purchase mortgages with private mortgage insurance tied to home sales in November closed on time, based on a three-month moving average. That's up significantly from the 58.3 percent as recently as September.

Other loan types also generally showed improved closing times.

Among mortgage-related reasons for delayed closings, underwriting accounts for the largest share of delays, though they have declined in recent months. Across all loan types tracked by *HousingPulse*, underwriting caused 22.1 percent of delays in November, down from 25.7 percent in September.

Existing home sales fell by 8.2 percent on a non-seasonally-adjusted basis between September and October, according to the National Association of Realtors.

Interest rates also started to rise in September, prompting some borrowers to rush to complete purchase mortgages. Higher rates have prompted a decline in refinances, which appears to have contributed to increased underwriting capacity for purchase mortgages.

Some 1.1 percent of closings in November were delayed due to a change to the buyer's credit score, double the share from September.

Borrowers are often advised to avoid taking actions that could cause their credit scores to decline before closing on the purchase of a home as lenders typically re-check borrowers' credit reports before closing.

When Fannie/Freddie mortgages with private MI were delayed in November, the average additional closing time was 15.1 days.

Average closing times are about level compared with a year ago. Fannie/Freddie mortgages with private MI took an average of 45.8 days to close in November, up from 45.2 days in November 2015.

Higher interest rates have prompted an increase in homebuyer traffic during November, according to real estate agents that participated in the *HousingPulse* survey.

"When people are afraid that interest rates are finally about to increase, they buy – it creates a sense of urgency," said an agent in Arkansas.

However, if higher interest rates persist, many agents expect that homebuyer demand will decline – especially among potential first-time homebuyers.

"Homes are affordable but interest rates are pushing out some buyers that would otherwise be in the market," said an agent in Michigan. ►