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Delays in Closing Are Common on Purchase Mortgages With Private MI, FHA Loans

The mortgages that most frequently experience delays in closing are those with private mortgage insurance and FHA loans, according to new findings from the *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

According to responses from real estate agents involved in 1,401 transactions in January, some 45 percent of purchase mortgages with private MI experienced a delayed closing. And 42 percent of FHA purchase mortgages experienced a delay in closing.

Tom Popik, research director of Campbell Surveys, said delayed closings for purchase mortgages are often tied to underwriting issues and documentation requirements. However, the more frequent delays in closing for loans with private MI and FHA mortgages appear to be related to the additional scrutiny on mortgages that have downpayments of less than 20 percent.

And while delays are most common on loans involving MI, delays on other types of financing are also fairly common. Some 30 percent of mortgages to be delivered to the government-sponsored enterprises with a downpayment of at least 20 percent experienced delays, according to the survey.

Although bank portfolio lenders in theory know their borrowers better than loans requiring approval from the GSEs, private MIs or the FHA, some 24 percent of purchase mortgages originated for a bank portfolio experienced delays in closing. Even 25 percent of closings on all-cash home purchases were delayed.

Cash transactions have the shortest closing time, averaging 29 days if there isn't a delay. Purchase mortgages that don't experience delays generally take about the same amount of time to close regardless of mortgage type, averaging about 41 days. When closings are delayed, FHA mortgages generally have longer delays (23 days) than private MI loans (18 days).

Mortgage underwriting was the most frequently cited cause of a closing delay. At least 20 percent of delayed closings were due to underwriting issues, regardless of loan type. Documentation issues were also common.

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"Most of my closing delays are due to loan processing timelines or the client not providing the required documentation to underwriting," said a real estate agent in Nevada.

Issues involving third parties also account for a large share of delayed mortgage closings. Some 12 percent of the delayed closings on GSE mortgages with private MI were due to appraisal issues. "The issue with closings is caused by all the red tape that now comes with appraisers and their third-party vendors," according to a real estate agent in California.

Title issues were more common on portfolio mortgages. Some 20 percent of the delayed closings on portfolio mortgages were related to title search and insurance. A real estate agent in Arizona said that in one instance, the lender required a recorded lien release even though the credit bureau showed the lien as paid.

The *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey* is based on a national survey of more than 2,000 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns. For more information, go to www.housingpulse.com. ♦