

# Inside MORTGAGE TRENDS

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Issue 2014:08

April 18, 2014

## Mortgage Hassles Prompt Cash House Purchases

Some 30.0 percent of homes purchased in March avoided the use of mortgage financing, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. While mostly associated with investors, a fair share of current homeowners rely on cash for home purchases as a way to avoid the hassles associated with mortgage closings.

The cash share of home-purchase financing has increased fairly steadily since August, when 26.5 percent of home purchases were financed with all-cash. Tom Popik, research director of Campbell Surveys, said the mortgage market's downward share of home-purchase financing is part of a seasonal trend that has reversed around April in each of the past three years, suggesting that the mortgage share could increase this spring.

However, a fair amount of homebuyers will likely stick with cash due to the red tape involved in obtaining a purchase mortgage. In March, 30 percent of home purchases financed with a loan destined for Fannie Mae or Freddie Mac that had a downpayment of at least 20 percent were delayed, according to *HousingPulse*.

The delays on government-sponsored enterprise mortgages were predominantly due to underwriting issues and documentation, according to real estate agents. Appraisal issues also played a factor.

GSE mortgages for home purchases in March were scheduled to close in 40 days. Loans that experienced delays had their closing times extended by an average of 22 days.

Even all-cash purchases aren't immune to delays in closing, with 24 percent of home-purchase transactions relying on cash financing experiencing delays in March.

The closing time on cash transactions remains at least 10 days quicker, on average, than the closing time for a mortgage that does not experience any delays. And home purchases financed solely with cash that experienced delays in March closed in an average of 48 days, 14 days quicker than the average for delayed GSE mortgages.

Among those purchasing homes, investors are the most reliant on cash, with 73.1 percent of purchases by investors completed solely with cash in March, based on a three-month moving average. The investor share of home purchase activity has leveled off at a 19.4 percent share in the past two months, but cash purchases appear likely to remain prevalent due to current homeowners. ►