



What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

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## Mortgage Financing Gaining Market Share From Cash Buyers for Home Purchases

House buyers are increasingly using mortgage financing when purchasing homes, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. The shift has been prompted in part by a decline in the investor share of home purchases.

Some 69.9 percent of homes purchased in April were completed with non-cash financing, up from a 69.7 percent share the previous month and 68.5 percent in April 2013, based on three-month moving averages.

Tom Popik, research director of Campbell Surveys, said trends in sales of distressed properties have helped increase the share of home-purchase activity. Real estate owned properties and short sales are often purchased by investors with cash. Distressed properties accounted for 24.0 percent of home sales in April, down from a 33.1 percent share in April 2013.

According to a recent report from RealtyTrac, the cash share of financing for home purchases hit an all-time high of 42.7 percent in the first quarter of 2014. However, a number of industry analysts dispute the finding, particularly as investor activity has declined.

Molly Boesel, a senior economist at CoreLogic, said all-cash home purchases show a clear downward trend year over year. And according to *HousingPulse*, the cash share of home purchase financing peaked in March 2012 at 33.1 percent.

The differences in market share appear to be related to how data are collected. RealtyTrac mines sales data, CoreLogic examines mortgage records and *HousingPulse* surveys real estate agents.

Regardless, the cash share of home purchase activity is still slightly elevated, according to Boesel. She said that prior to the housing crisis, cash accounted for about 25 percent of the financing for home purchases.

Lawrence Yun, chief economist at the National Association of Realtors, said the higher levels of cash sales could be tied to demographics, with more trade-down and retirement buyers paying cash as they have decades of equity accumulation.

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Daren Blomquist, a vice president at RealtyTrac, said strict underwriting requirements have prompted the increased reliance on cash for home purchases, a concern also raised by Yun. The FHA and Federal Housing Finance Agency have recently made moves aimed at loosening underwriting standards on the margins, which could lead to further market share gains for mortgage financing.

The mortgage share of home-purchase financing also tends to increase beginning in the spring buying season through the fall. The non-cash share of home-purchase financing hit its highest level in years this past August at 73.5 percent. ♦