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Purchase-Mortgage Closing Process Improves With Shorter Timelines, More Accurate Disclosures

As the spring homebuying season has progressed, lenders have improved closing times for purchase mortgages, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. Industry participants also report improvements to good faith estimates with fewer closing cost surprises for borrowers.

Closing times declined on a number of different mortgage types, based on three-month moving averages.

Fannie Mae and Freddie Mac mortgages with a downpayment of at least 20 percent took 43.7 days to close in May, down from 45.3 days in March. For Fannie and Freddie mortgages with private mortgage insurance, average closing times declined from 46.0 days to 42.5 days in that span. FHA mortgages closed in an average of 48.5 days in May, down from 51.2 days in March.

Portfolio mortgages showed a similar trend, closing in an average of 42.4 days in May, down from 43.8 days in March. The improved performance comes as lenders look to boost originations of purchase mortgages and have some excess capacity due to reduced demand for refinances.

The improvements were due to both more loans closing on time and shorter delays when closings were postponed. For example, an average of 75.8 percent of government-sponsored enterprise mortgages with downpayments of at least 20 percent closed on time in May, up from a 72.1 percent share in March. And when closings on the loans were delayed, they resulted in 16.3 additional days before closing in May, on average, compared with 19.0 days in March.

Some of the biggest drivers of delays in closing purchase mortgages include mortgage underwriting issues, documentation issues and appraisals.

FHA mortgages remain the least likely loan type to close on time, while jumbos and portfolio mortgages have the highest rate. In May, 62.6 percent of FHA mortgages closed on time compared with a 77.5 percent on-time rate for jumbos and a 76.3 percent on-time rate for other portfolio loans.

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Closing Disclosures

Real estate agents also report improvements to GFEs well in advance of the Consumer Financial Protection Bureau's revisions for disclosures, which will take effect in August 2015. "All of the GFEs I have seen were on target or a little above what actually transpired," an agent in North Carolina said of closing disclosures he has seen this year. A number of other agents reported similar findings.

Tom Popik, research director of Campbell Surveys, said initial estimates for taxes and insurance account for most surprises on closing costs. He added that there were a few complaints about excessive closing costs, especially for title insurance. ♦