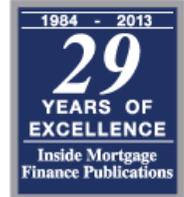




What the Mortgage Market Reads



INSIDE MORTGAGE FINANCE®

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Cash Share of Home-Purchase Financing Increases, Driven Not By Investors But Current Homeowners

Current homeowners have increasingly purchased homes with cash in lieu of a mortgage in recent months, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. Analysts suggest that the trend is driven by frustrations with the mortgage process and seasonal factors.

Some 28.6 percent of home purchases completed in October relied solely on cash for financing, based on the three-month moving average. That was the second consecutive monthly increase in the cash-financing share, after it fell to 26.8 percent in August.

While investors predominantly use cash to purchase homes, homeowners tend to finance their home purchases. However, in September and October, investor use of cash was flat while current homeowner use of cash increased sharply. Some 25.7 percent of home purchases by current homeowners in October were financed with cash, based on the three-month moving average, up from a 23.1 percent share in August.

Tom Popik, research director of Campbell Surveys, said buyers have incentives to pay with cash. "You get about a 10 percent discount on the purchase price," he said. "Your offer is more likely to be accepted. And you don't have the uncertainty of appraisal fallout."

A real estate agent in Florida said some cash buyers are avoiding the insurance coverage required by lenders. "Cash means no mortgage loan, which means no windstorm or flood insurance is required by a lender," the agent said. "No buyer who has the option would ever purchase those two policies at the outrageous prices that are being charged."

Other real estate agents complain that lenders are difficult to work with, frustrating both potential buyers and sellers. "Investors can come in and purchase with cash, no appraisal and close in two weeks," according to an agent in California.

A number of agents reported that some sellers are listing their properties with "cash only" requirements for financing. A real estate agent in New Mexico said cash transactions in his market have largely been for higher-priced properties.

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An agent in California said owner-financed properties are also in high demand. “Buyers are waiting in line for these listings,” the agent said. “Cash is king.”

While the use of cash by current homeowners is increasing, it appears to be part of a seasonal trend. In each of the past three years, the cash share of home purchases by current homeowners has increased in the fall and decreased in the spring.

Still, the cash share for current homeowners was at a slightly elevated level this October compared with Octobers going back to at least 2010.

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. ♦