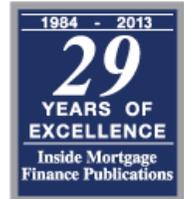




What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

December 20, 2013

## Buyers Increasingly Using Cash to Purchase Homes, Some then Get a Mortgage as a Refi

Concerns about red tape from lenders have prompted an increasing share of homebuyers to use all cash to purchase a home, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

Some 29.3 percent of home purchases completed in November relied solely on cash, based on a three-month moving average. That was the third monthly increase in the share of cash transactions.

Tom Popik, research director of Campbell Surveys, said the recent increase in cash use is part of a seasonal trend. While the seasonality is difficult to explain, he noted that homebuyers have incentives to pay with cash, including better pricing and avoidance of appraisal issues.

“My all-cash buyer had a loan for a small portion of the purchase but then dropped the loan due to the hassle,” said a real estate agent in California. “He said he will likely do an equity line later.”

While investors often use cash to purchase homes, recent trends have been driven by current homeowners. Some 26.2 percent of homes purchased by current homeowners in November were all-cash transactions, based on the three-month moving average, up from a 23.1 percent share in August. During that time, the share of cash use by investors fell from 73.5 percent to 71.1 percent.

Some buyers have sold stocks or borrowed funds from relatives to purchase homes with cash. Stock brokers also offer lines of credit based on stock holdings. Popik noted that some buyers have refinanced with a mortgage lender shortly after purchasing a home with cash. Lenders treat such loans as cash-out refis.

Dan Green, a loan officer with Waterstone Mortgage, noted that until June 2011, Fannie Mae required six months to elapse before a potential borrower could complete a cash-out refi after purchasing a home with cash. Now, borrowers can pay for a home with cash and quickly complete a cash-out refi, if certain conditions are met.

“The delayed financing rule was meant for investors paying cash, but everyday homeowners can use the program too,” Green said. “Mortgage rates are the same as for any cash-out refinance and there are no specific points or other fees added to the loan. Closings are scheduled like ‘normal’ refinances and the underwriting process is the same.”

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ISSN 8756-0003

Annual Subscription Rate: \$1,147.  
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However, some lenders still have seasoning requirements for cash buyers looking to refi. Some include three- to six-month waiting periods for a cash purchaser to refi into a mortgage with a 60 percent loan-to-value ratio or a year of seasoning before allowing an 80 percent LTV refi.

Buyers that pay with cash and don't refi within 90 days of the purchase could face income tax implications. Deed-of-trust issues are also a concern for borrowers and lenders in the process of completing a cash-out refi on a property purchased with cash.

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](http://www.housingpulse.com). ♦



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.

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