National Association of REALTORS®

Survey of Mortgage Originators, Second Quarter 2016:

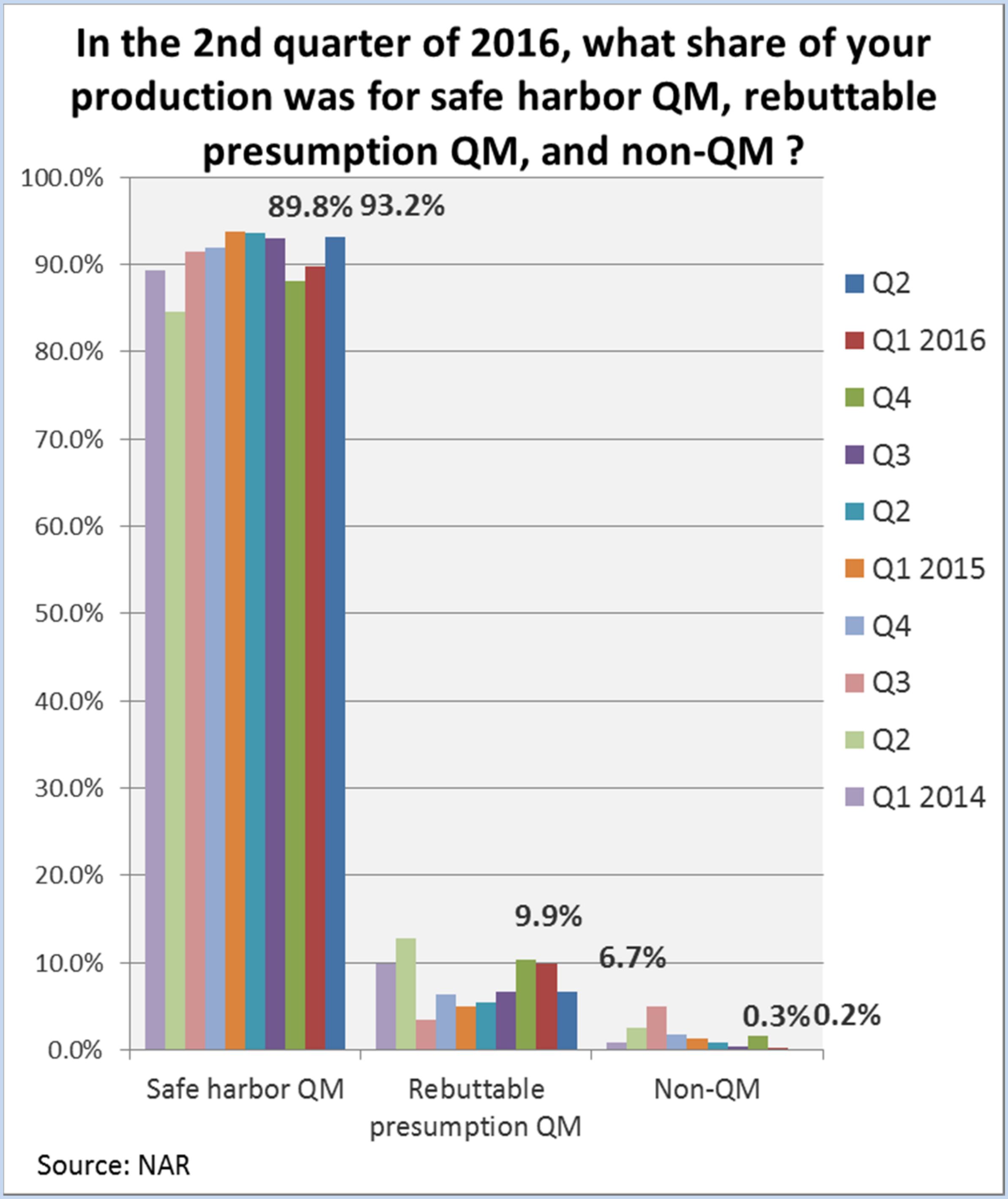
TRID Costs, Front End Risk Sharing, and Brexit

NATIONAL ASSOCIATION of REALTORS®

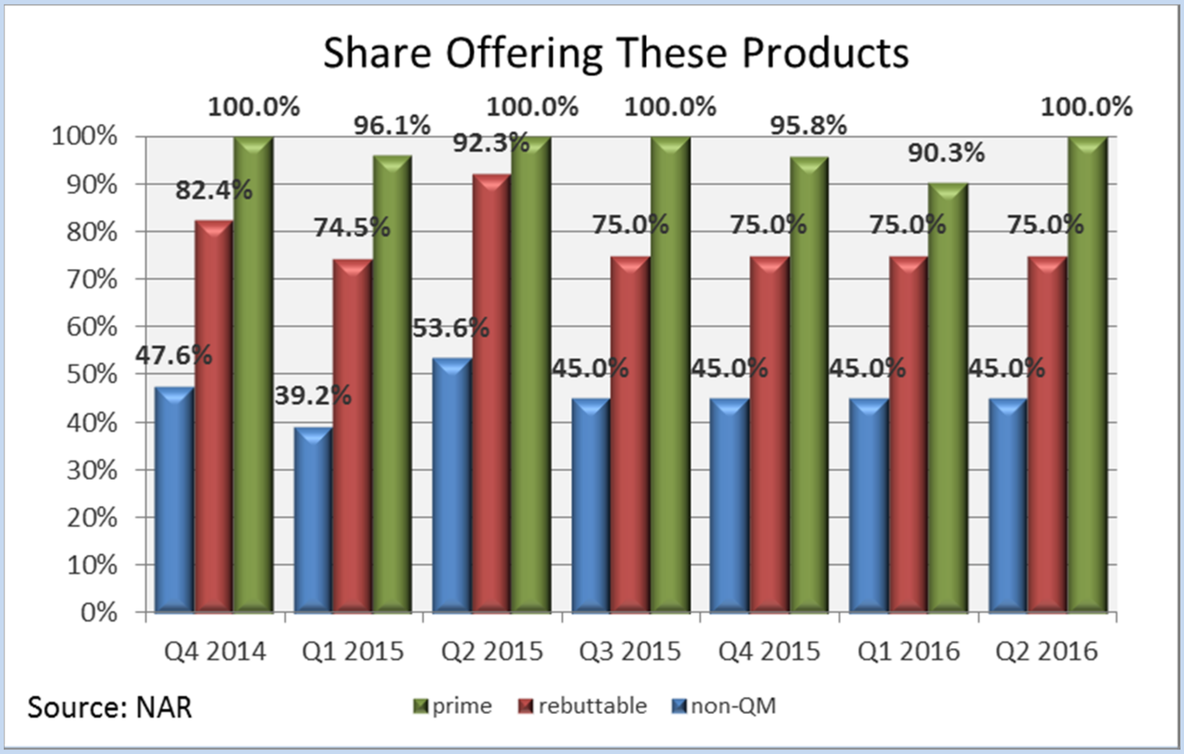
NAR surveyed a panel of mortgage originators about their experiences in the 2nd quarter of 2016. Participants were queried on current trends in lending and the impact of recent policy and regulatory changes. Here are a few of the findings:

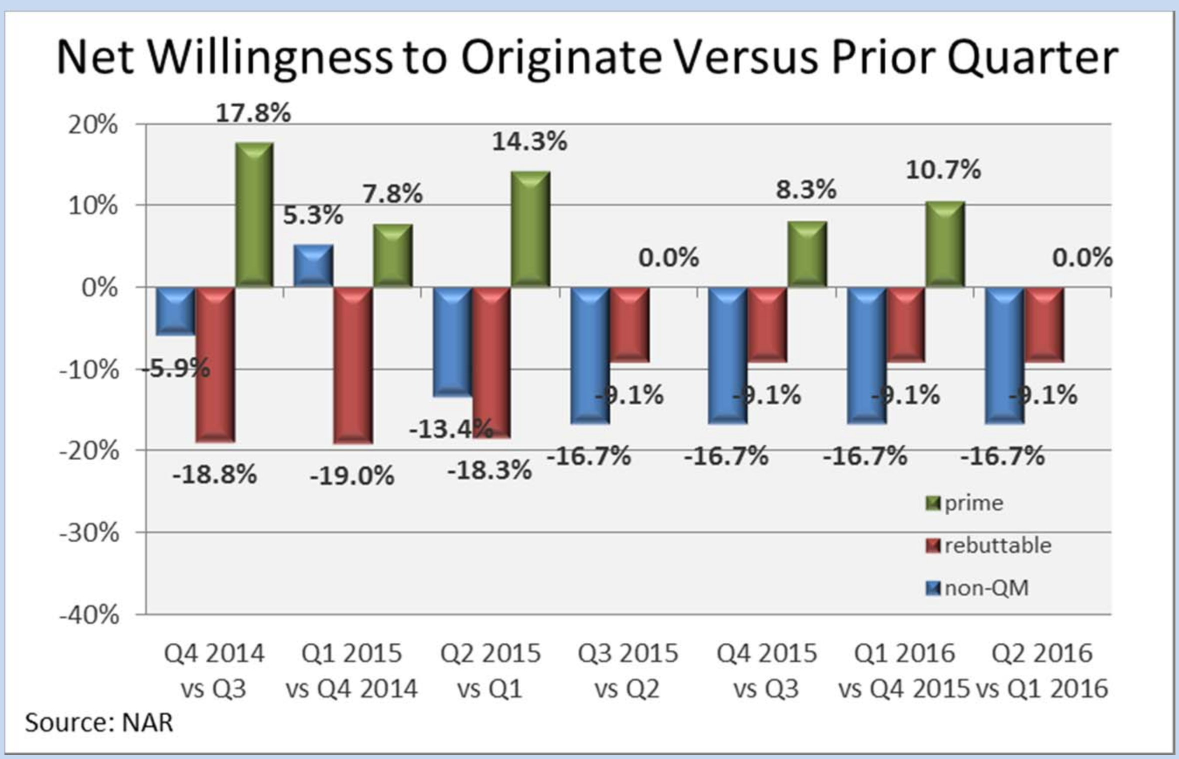
- Non-QM lending remained in a slump in the 2nd quarter despite a modest improvement in investor demand for these loans.
- Credit access in general was expected to rise over the coming six months driven by gains in non-QM and rebuttable presumption
- The share of transactions delayed due to TRID eased further to 1.7 percent with a slight uptick in TRID-related cancelations.
- Half of lenders passed increased costs to consumer with a weighted average increase of $258. Lenders were more reluctant to originate smaller loans in the TRID environment.
- The share of lenders unwilling to share closing documents (CD) with REALTORS® rose to 64.3 percent in the 2nd quarter
- Lenders grew more optimistic about normalized operations in the next six months, but less so for investors' ability to adjust, which could prolong the impact in jumbo markets on the coasts
- More than half of respondents indicated they would participate in front-end risk sharing or were considering it, but 42.9 were concerned about having no clear path for small lender participation.
- 14.3 percent of respondents cited more rate extensions due to BREXIT, while 28.6 percent noted a shortage of appraised but a majority 64.3 percent noted not changes.

Non-QM lending was roughly in line with its weak first quarter at 0.2 percent

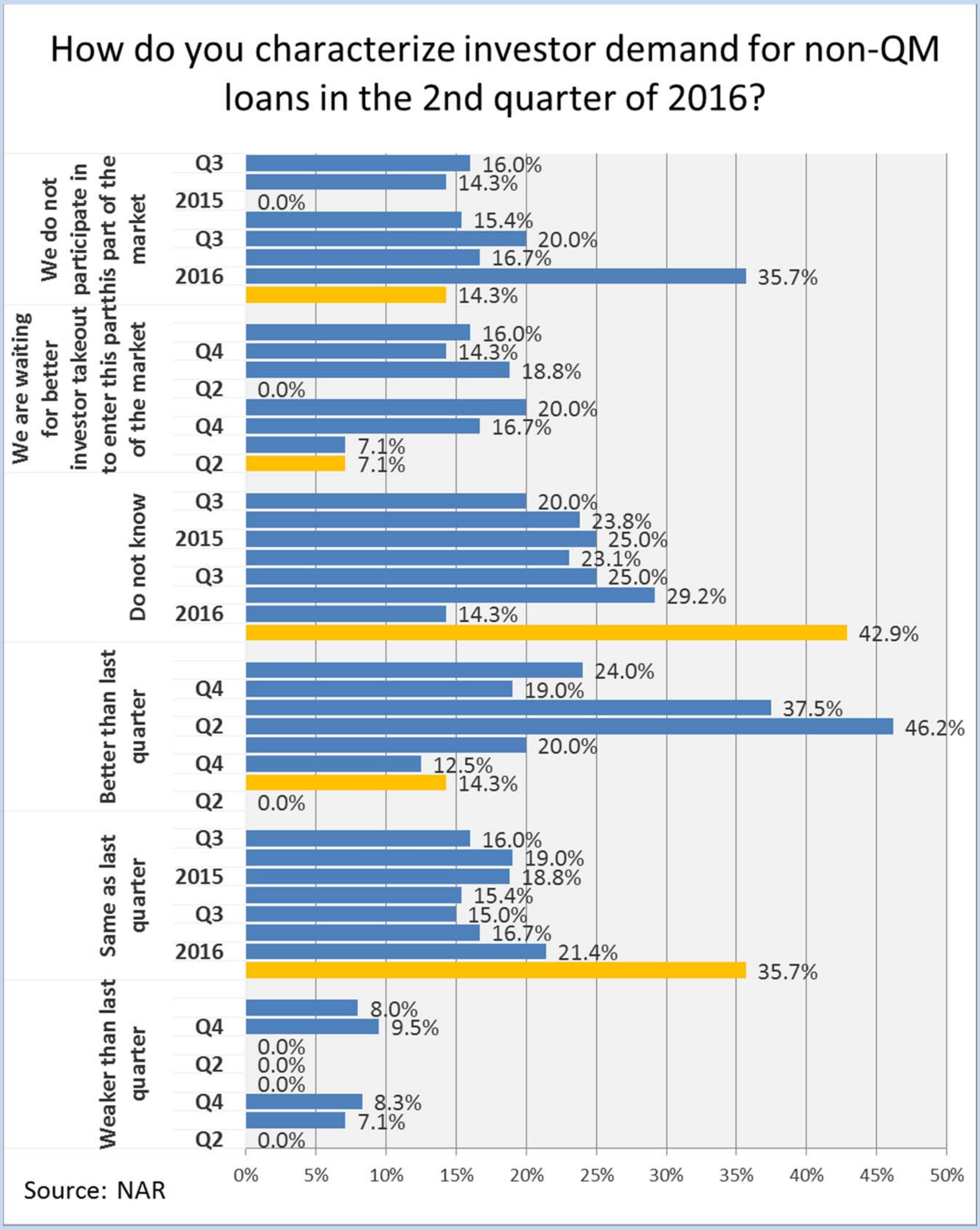


The share of lenders offering prime loans rose, while the share of lenders indicating a reduction in willingness to extend non-QM and rebuttable credit continued to erode

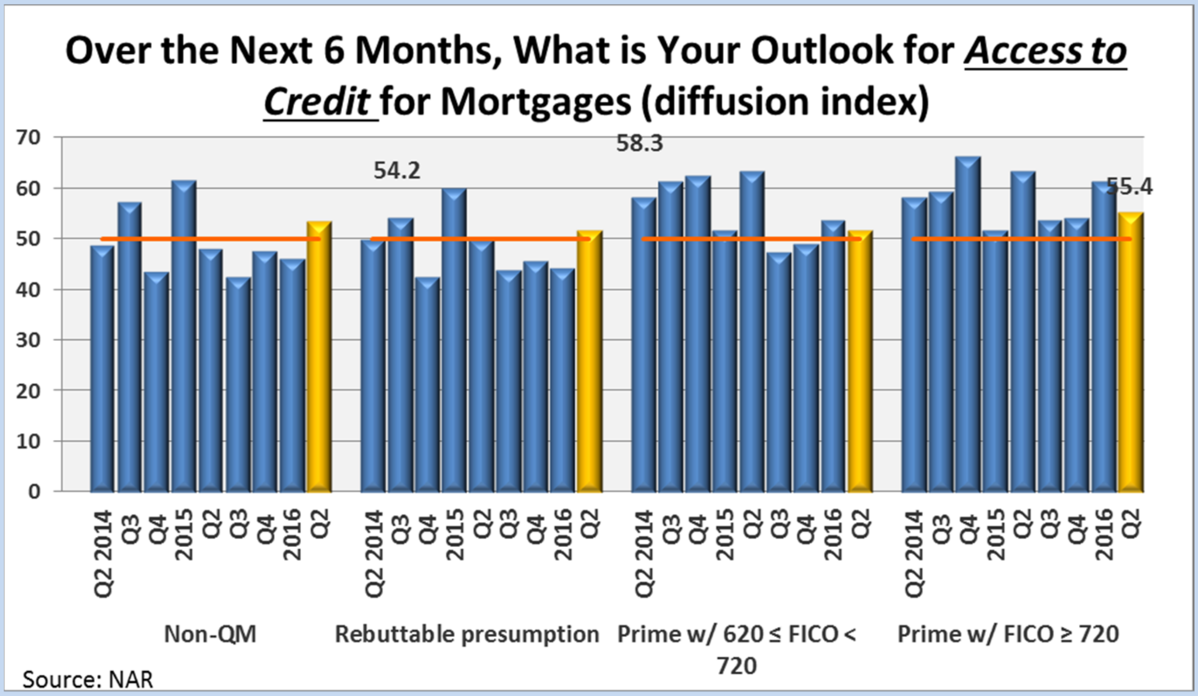




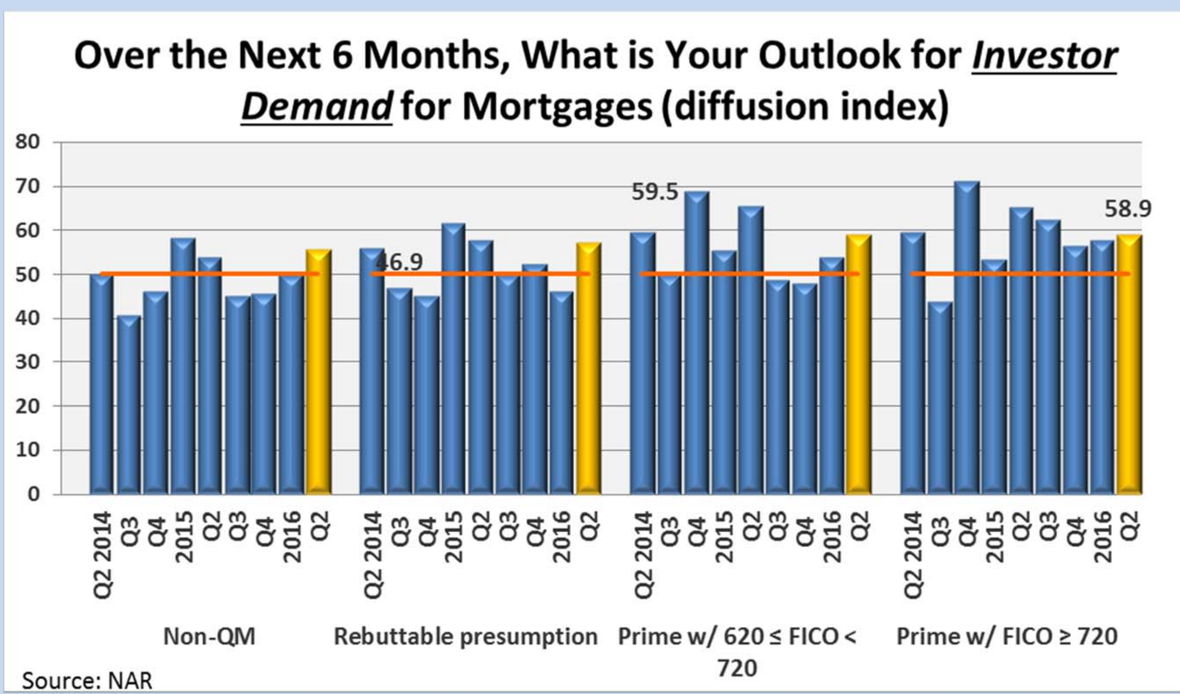
In contrast, *investor* demand for non-QM loans was modestly better than the 2nd quarter.



Lenders expect strong growth in access for non-QM and Rebuttable borrowers…

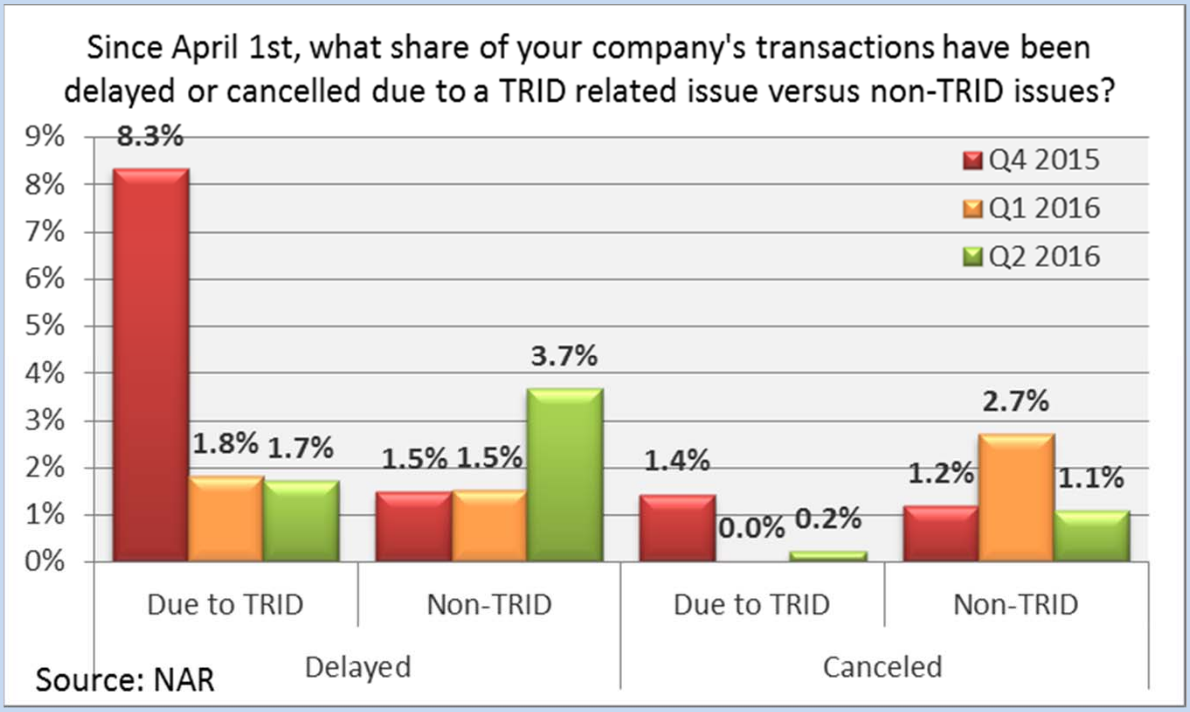


…while investor interest is expected to grow for all mortgage types

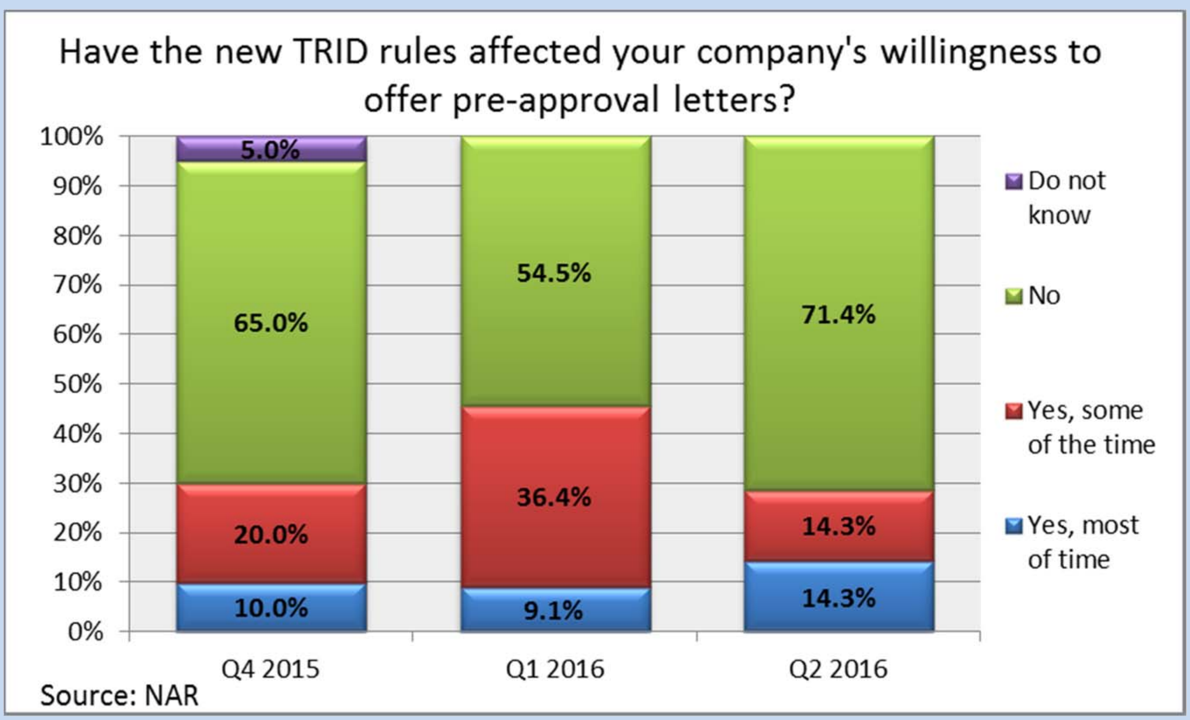


POLICY ISSUES:
TRID, FRONT END RISK SHARING AND BREXIT

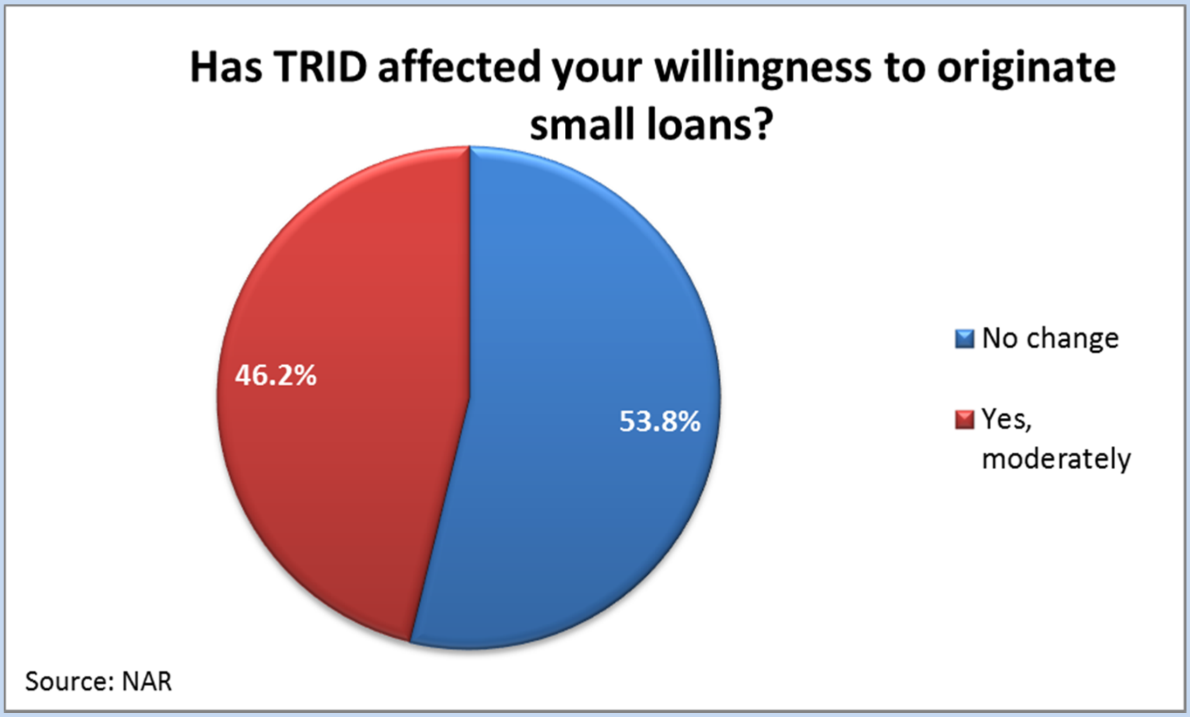
Delays attributed to TRID eased between the 1st and 2nd quarters along with lenders' reluctance to offer pre-approval letters, while cancellations ticked up.



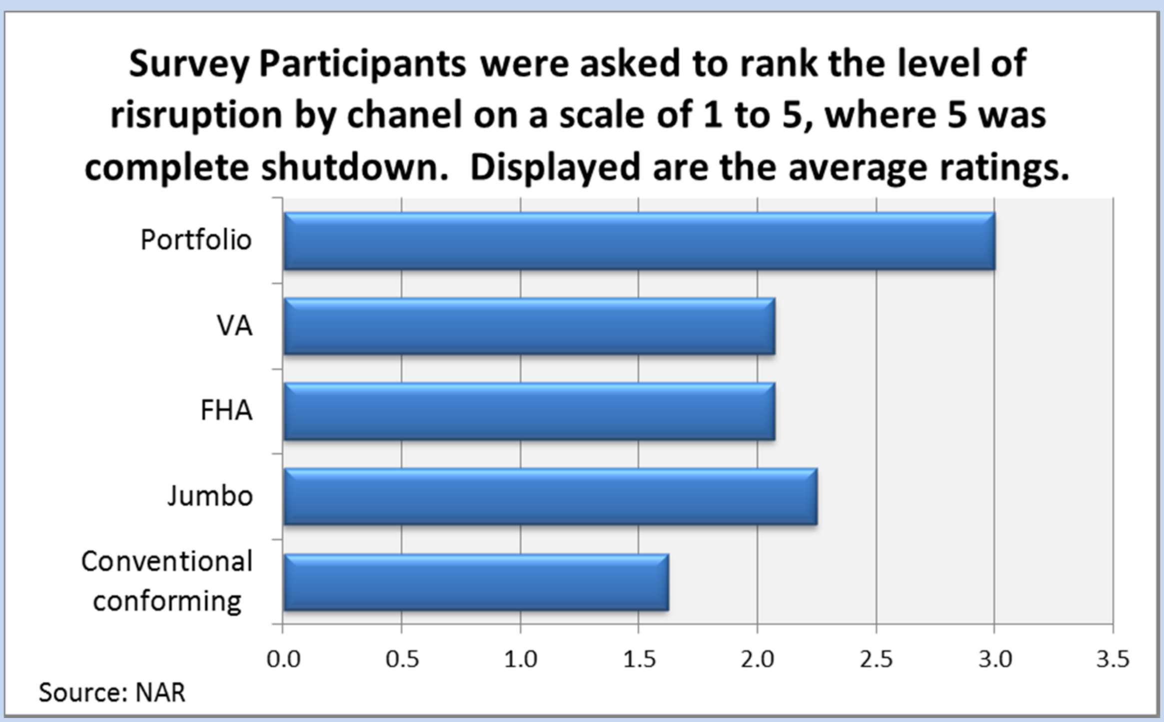
The share of lenders reporting reluctance to issue pre-approval letters slipped to its lowest level at 28.6 percent



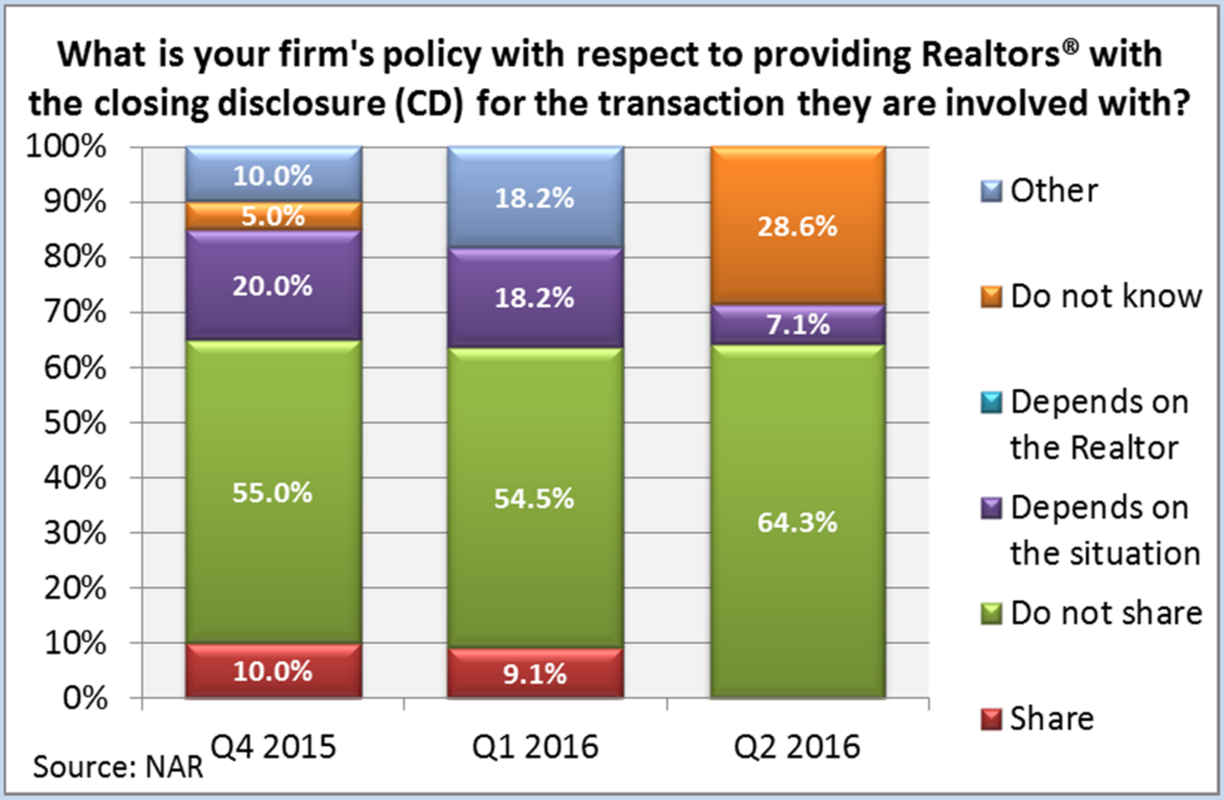
Nearly half of lenders indicated some reluctance to originate smaller loans due to TRID



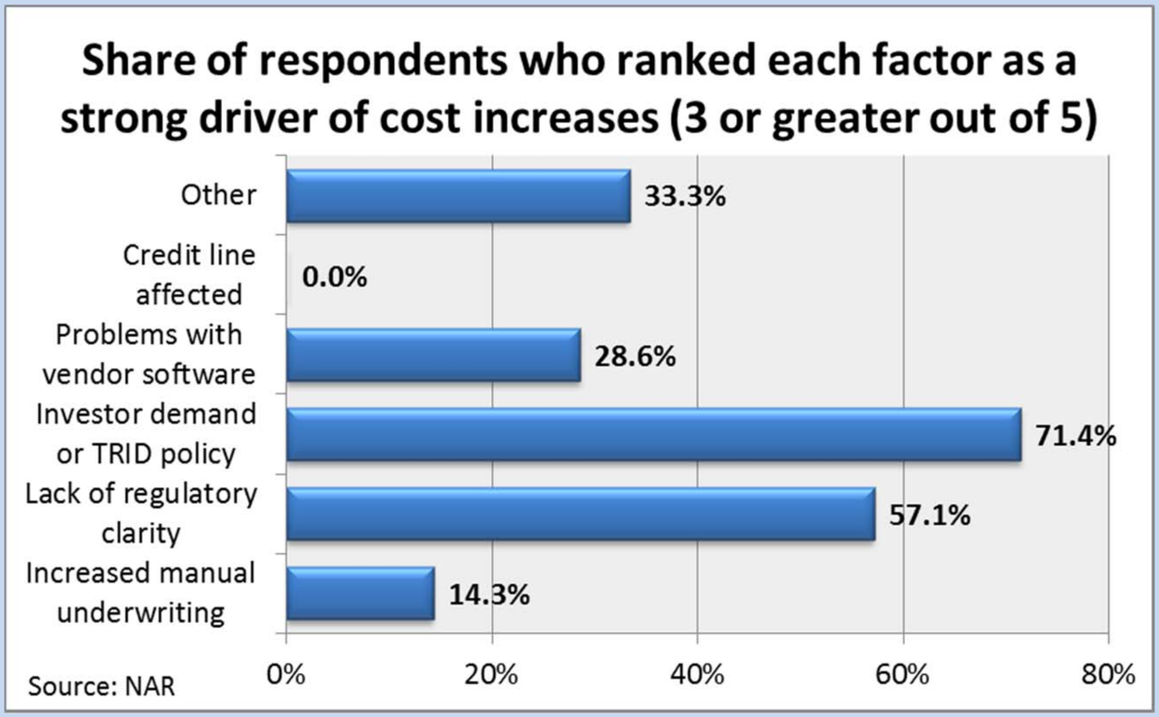
73.3% felt they could close on time without the longer locks, but more than half noted an increase in lock extensions.



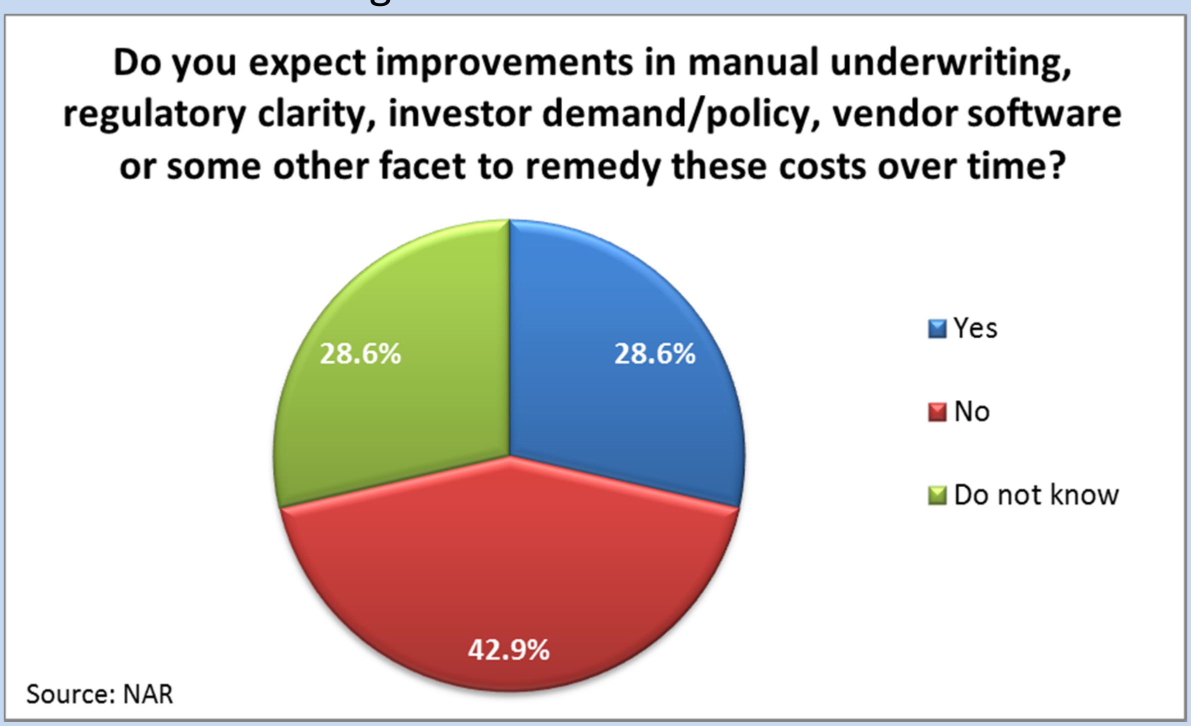
The share of respondents who do not share closing disclosures (CDs) with REALTORS® rose from 54.5 percent in the 1st quarter of 2016 to 64.3 percent in the 2nd quarter.



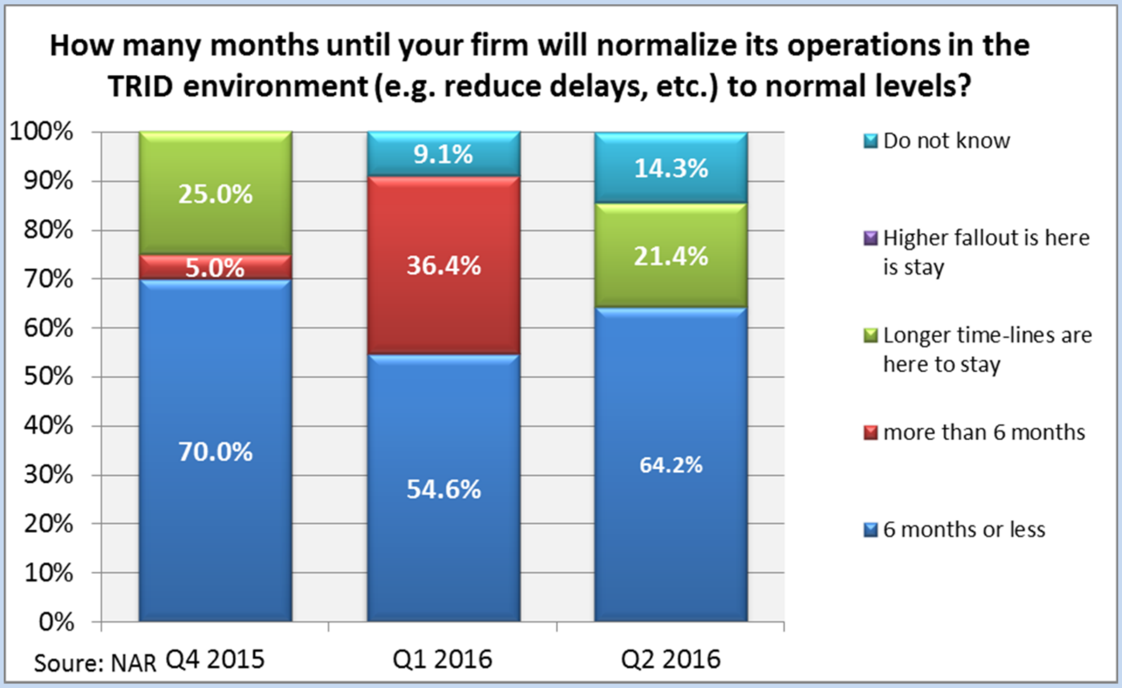
Half of lenders increased fees to consumers to offset costs (volume weighted average of $258)



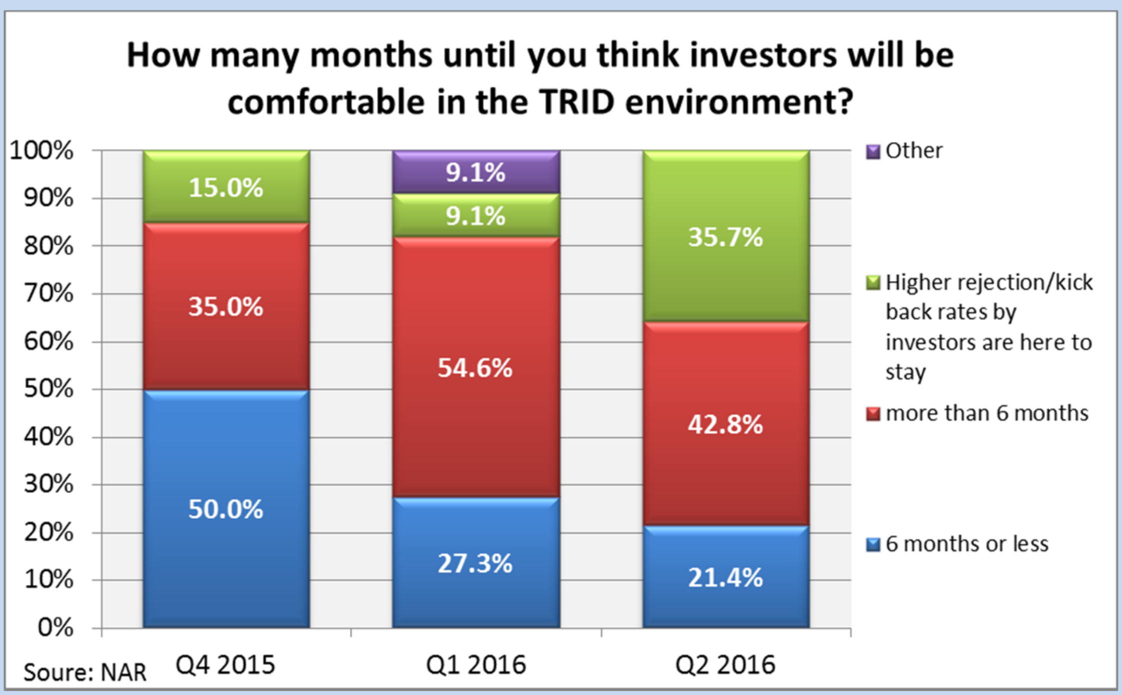
71.4 percent of respondents ranked investor demand or TRID policy and 57.1 cited a lack of regulatory clarity as cost drivers. 42.9 percent indicated that neither clarity, investor changes, or software changes would not reduce costs over time



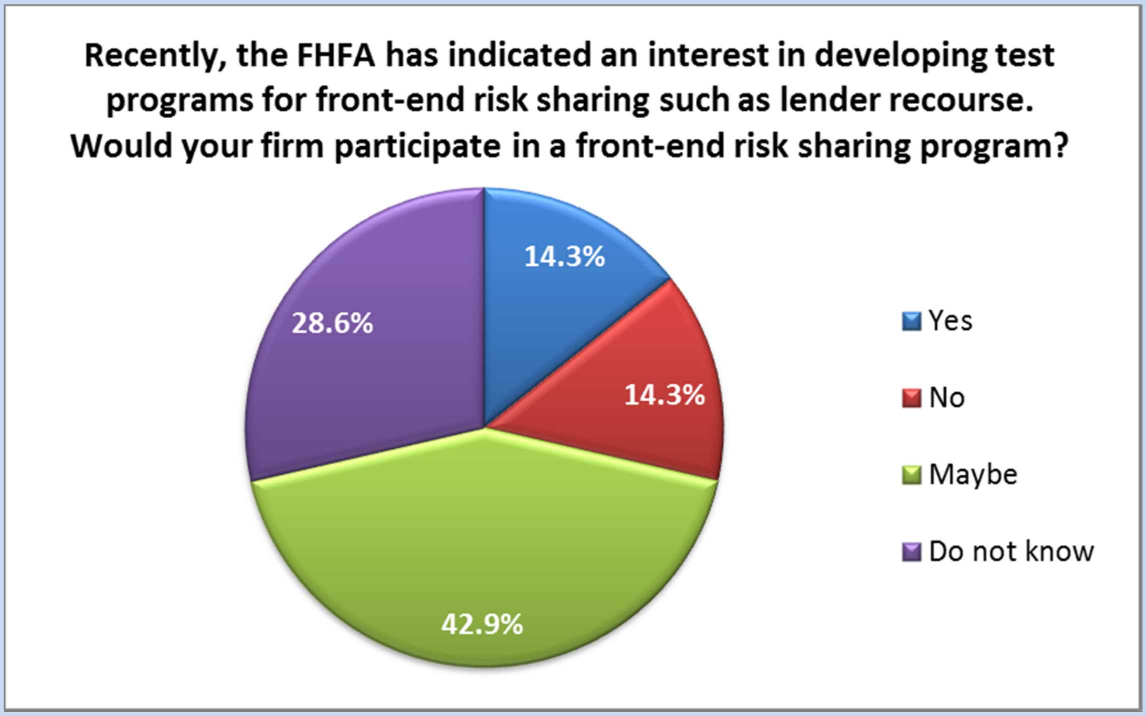
Lenders' grew more optimistic in the 2nd quarter about when their operations would normalize, but their expectations for investors' demand slipped for the second consecutive quarter



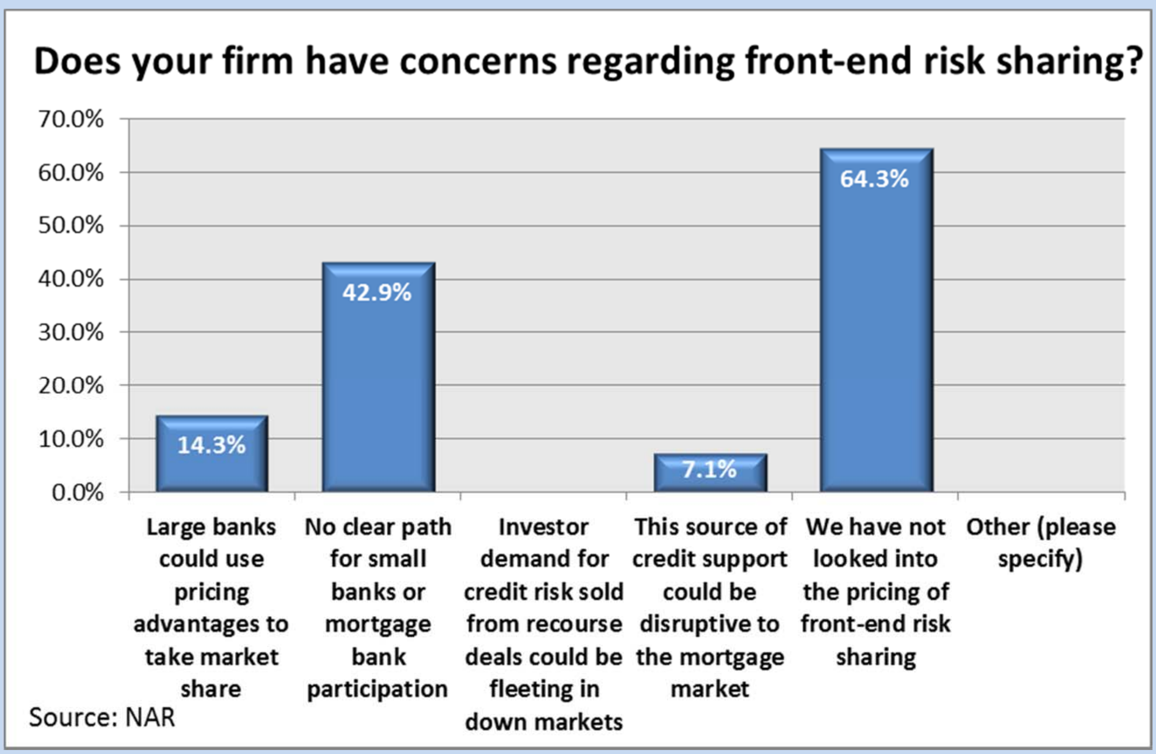
Sluggish investor adaptation will continue to stymie the jumbo market



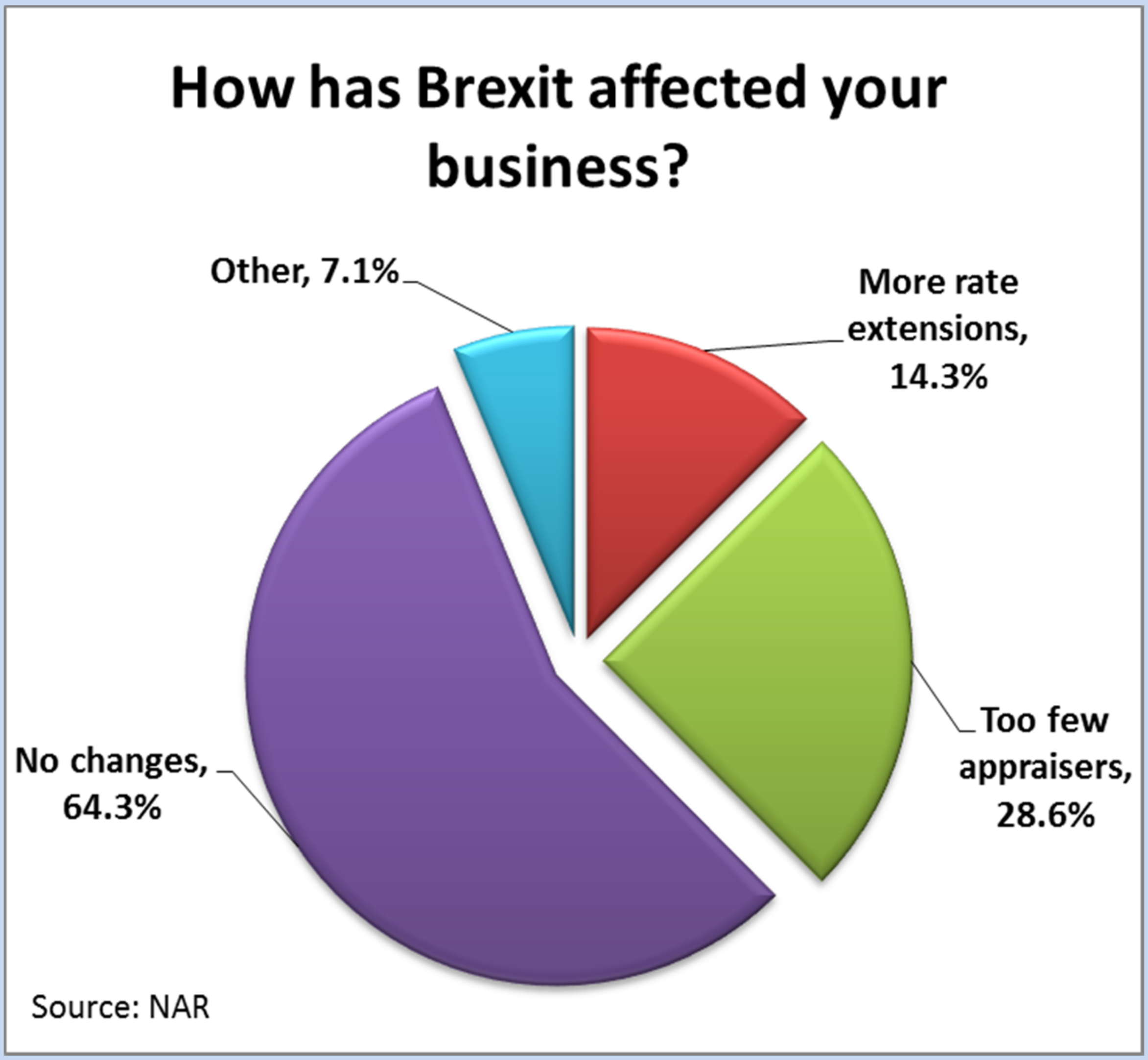
Front-end risk sharing is an option that a majority of lenders are considering, but only 14.3% would currently participate.



Small lender participation is a clear concern for this group, while the majority have yet to analyze pricing



Brexit appears to have had a minor impact on lenders. 14.3 percent noted more rate lock extensions, while twice that figure noted a shortage of appraisers to handle added volume



Appendix:
Survey Methodology

- 135 lenders were surveyed
- The survey was conducted from April 6th to 31st
- Response rate was 13.3 percent and a margin of error of 5.7 percent
- The sample is a geographically diverse group of lenders focused on the purchase market
- Lenders' size by annual volume rose relative to the 1st quarter of 2015 and was in line with the 2015 average

Questions can be directed to Ken Fears at kfears@realtors.org

National Association of REALTORS® Research Division

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