National Association of REALTORS®

Survey of Mortgage Originators, Fourth Quarter 2016:

Appraiser Shortages and Rising Rates

NATIONAL ASSOCIATION of REALTORS®

This quarter marks the 13th Survey of Mortgage Originators in which lenders are surveyed about current trends in lending. This survey covered lenders’ experiences in the 4th quarter of 2016 and also included questions on shortages of appraisers and rising rates.

- Non-QM lending inched back, while rebuttable presumption lending moderated. However, there was a significant increase in interest by investors and lenders who expect to expand credit for non-QM over the next six months. However, investor demand for non-QMs is expect to ease.

- Investor demand for and lender willingness to expand access to prime borrowers, both low and high credit, is expected to continue to strengthen over the next six months.

- 55.6% of lenders indicated some level of problems getting appraisals, with 11.1% indicating it was significant.

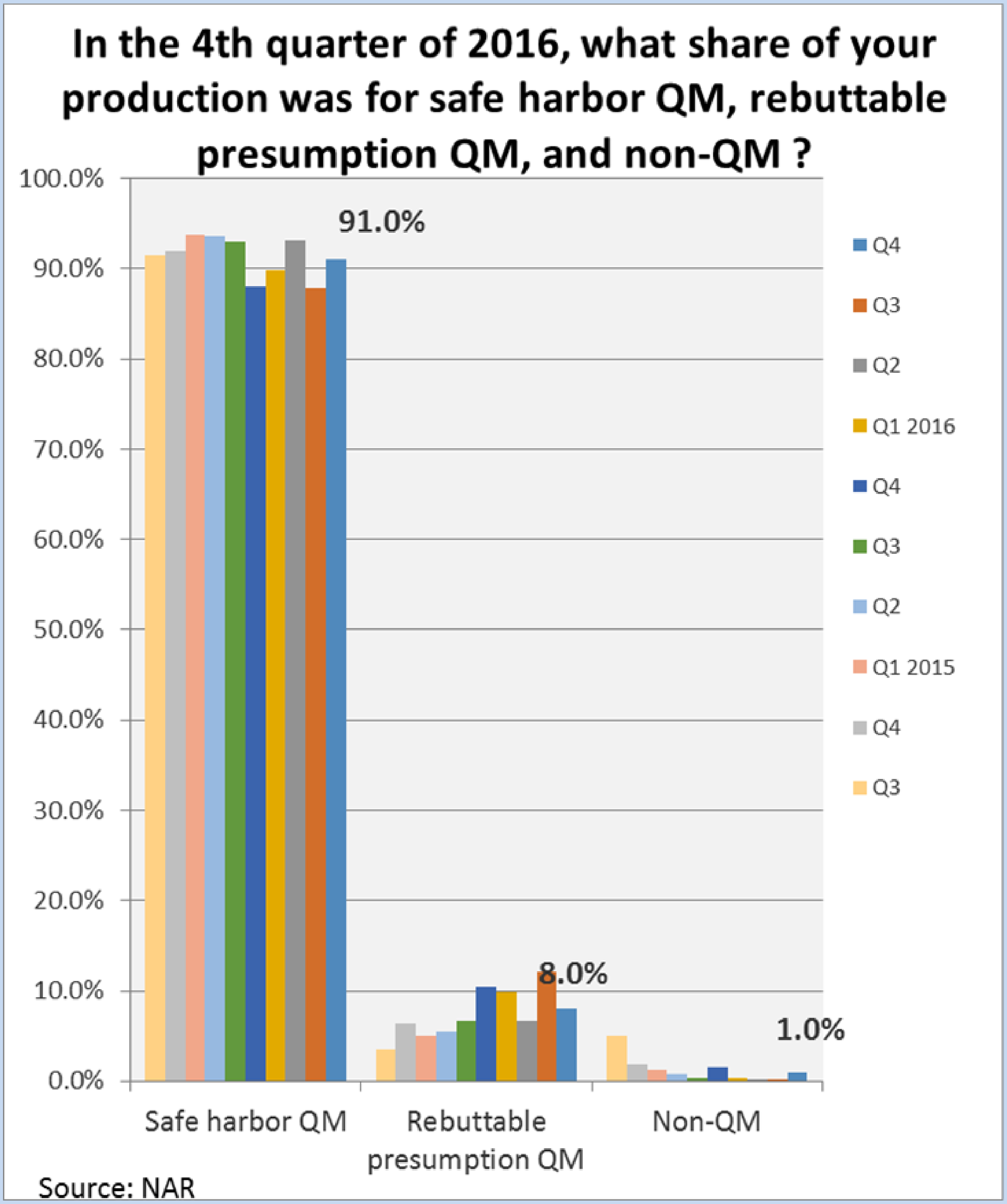
- Lenders viewed fewer new appraisers, a reluctance to perform certain appraisals, and high refinance volumes as the main drivers of the shortage

- However, 27.8% of lenders do not accept appraisals in which any part is performed by a trainee, while 44.4% require direct supervision of all aspects performed by a trainee.

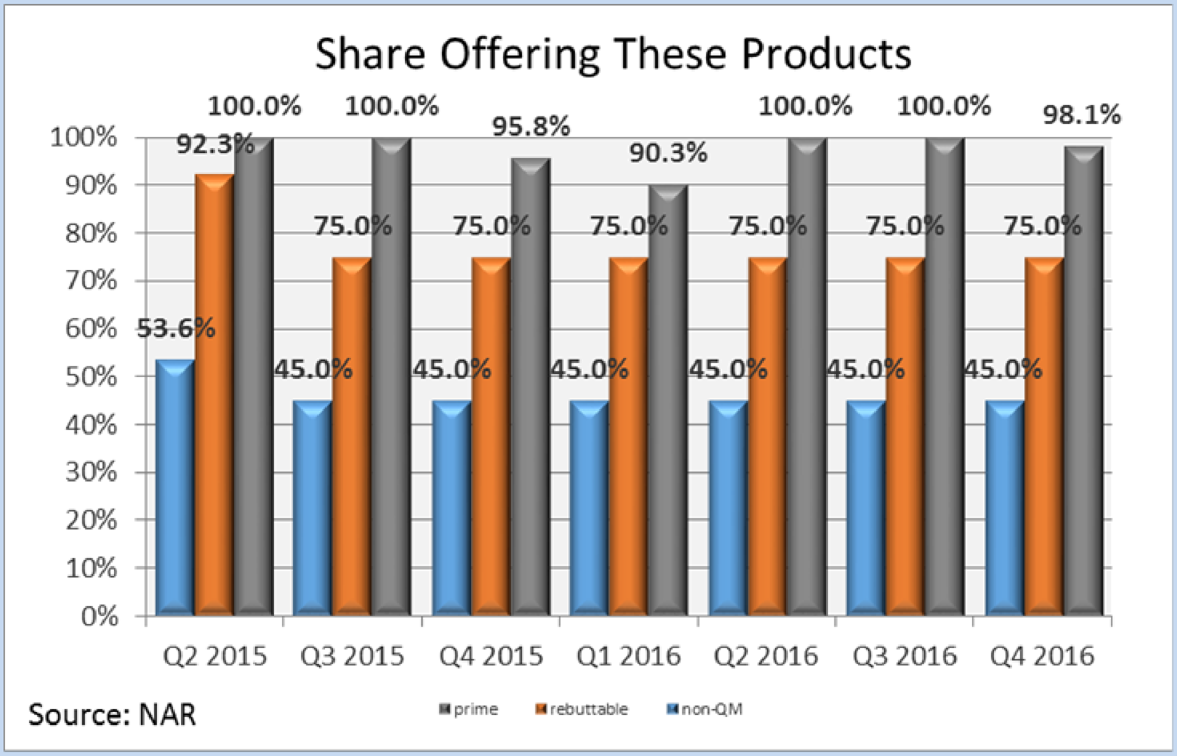
- 9.8% of respondents had faced a “rush fee” in which fees are increased to meet a time constraint. In this sample, rush fees averaged 37.1% higher.

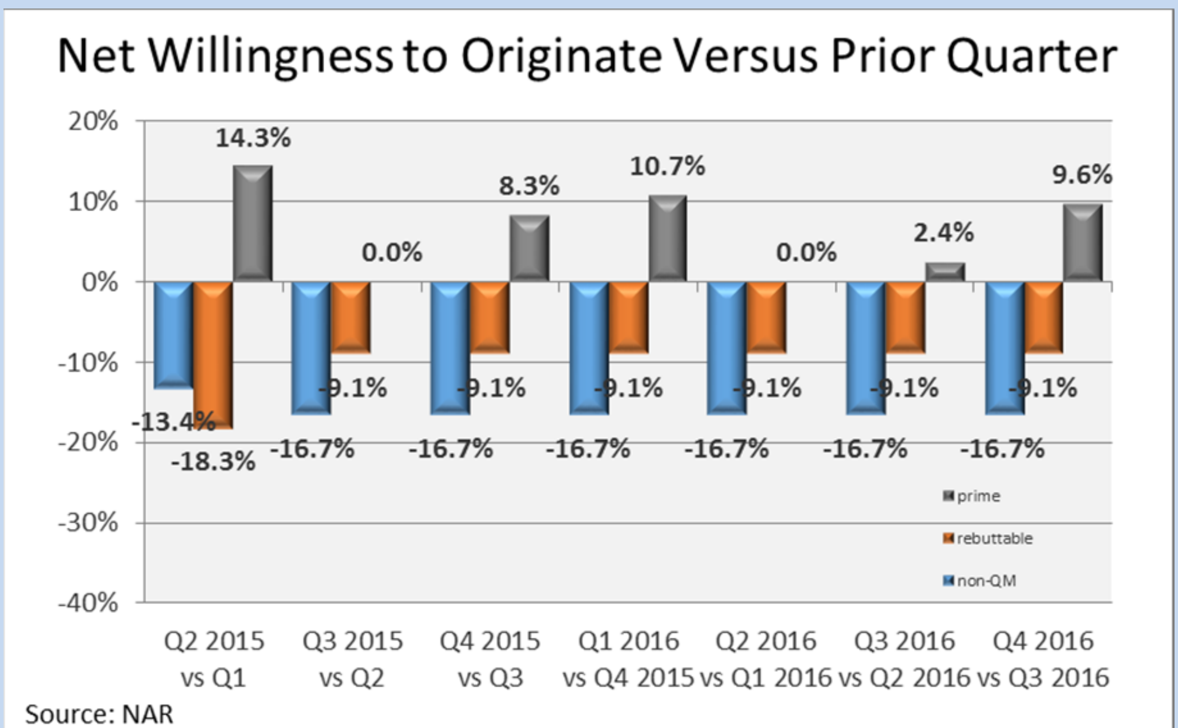
- 16.7% of respondents felt that rising rates will weaken demand for purchase mortgages, but 44.4% felt that strong employment and income growth will partially offset rising rates

Non-QM lending inched upward in the 4th quarter, while rebuttable presumption lending pulled back

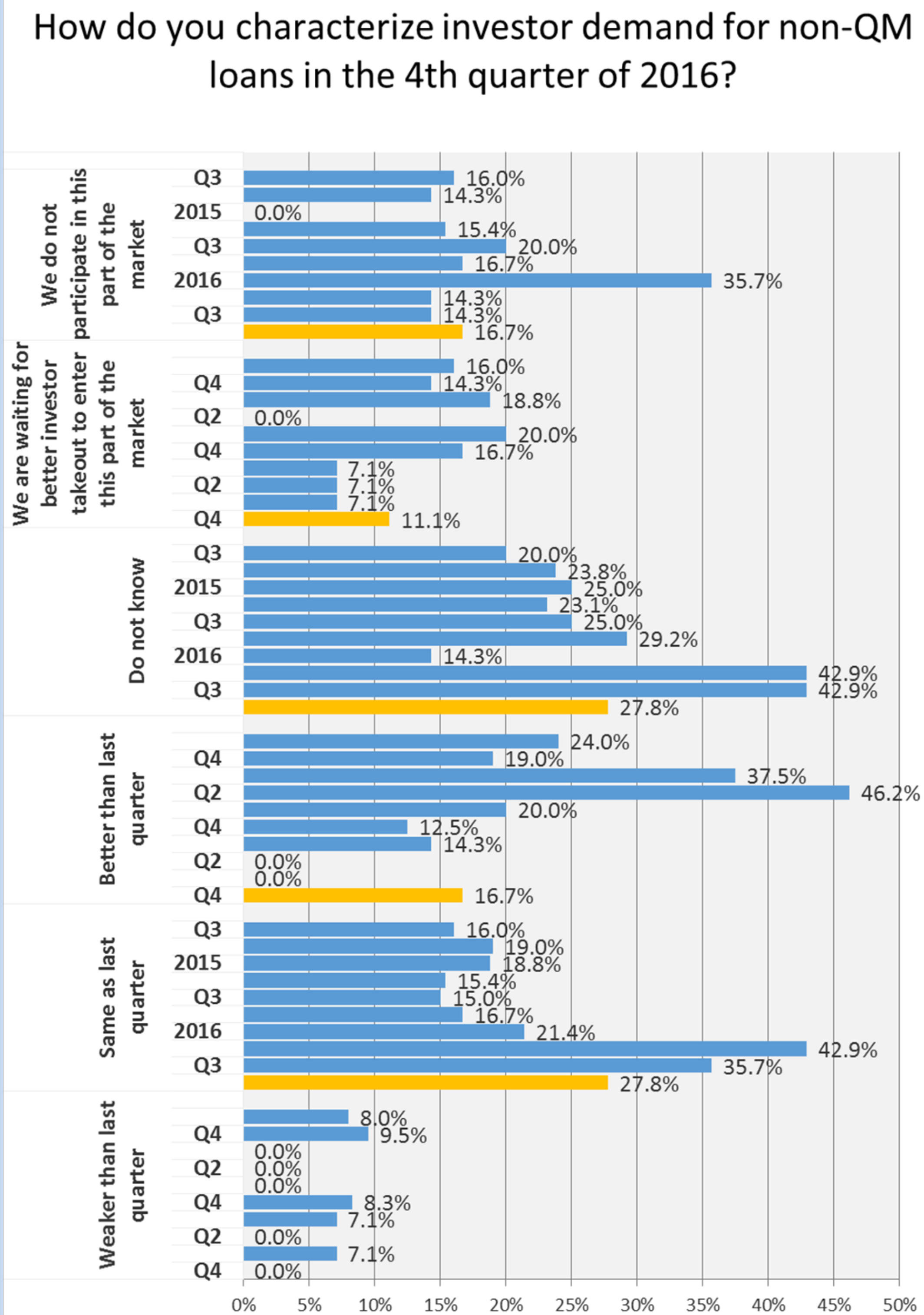


Lenders' willingness to originate non-QM and rebuttable credit continues to be limited, while lenders are moving more aggressively on prime loans. The share and willingness of lenders offering on-QM and rebuttable loans was little changed



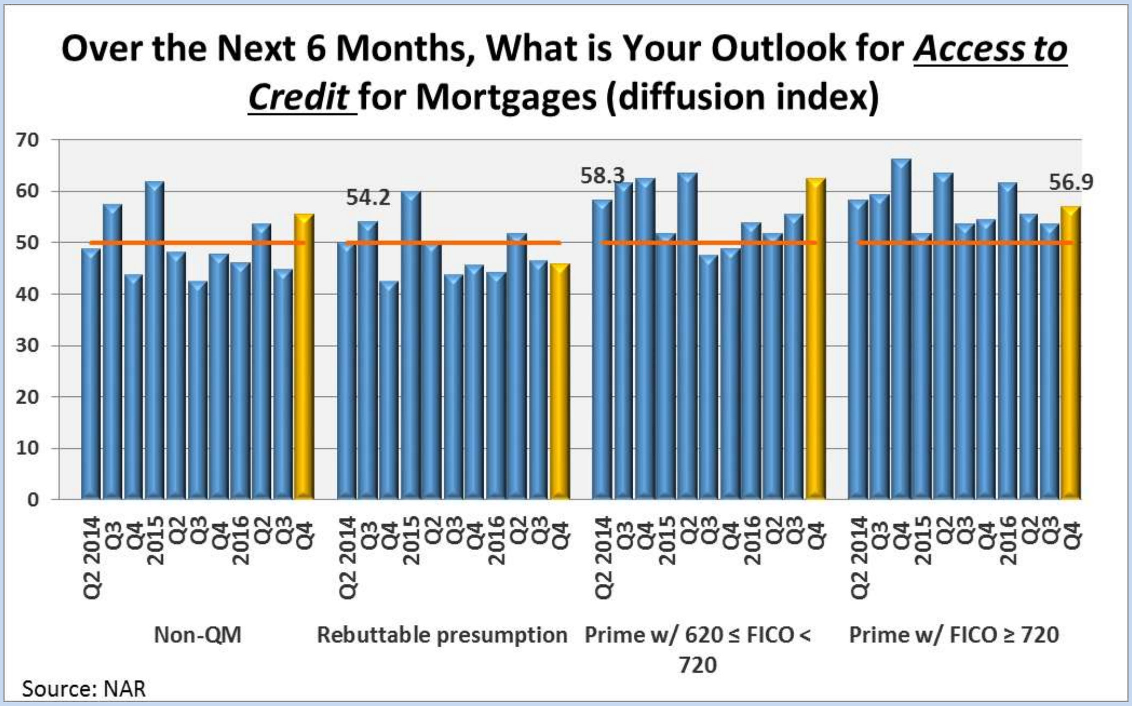


Investor demand for non-QM loans surged 16.7% from the 3rd quarter, while more lenders are waiting on better take out

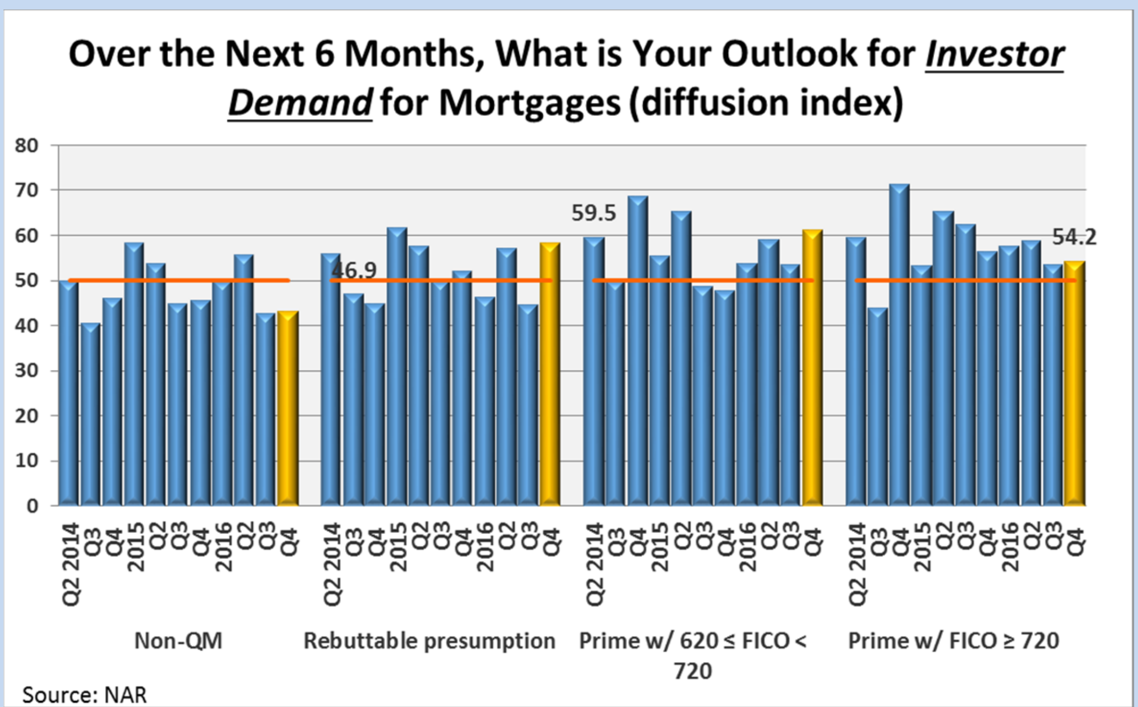


Source: NAR

Lenders expect stronger growth all groups except rebuttable presumption lending…

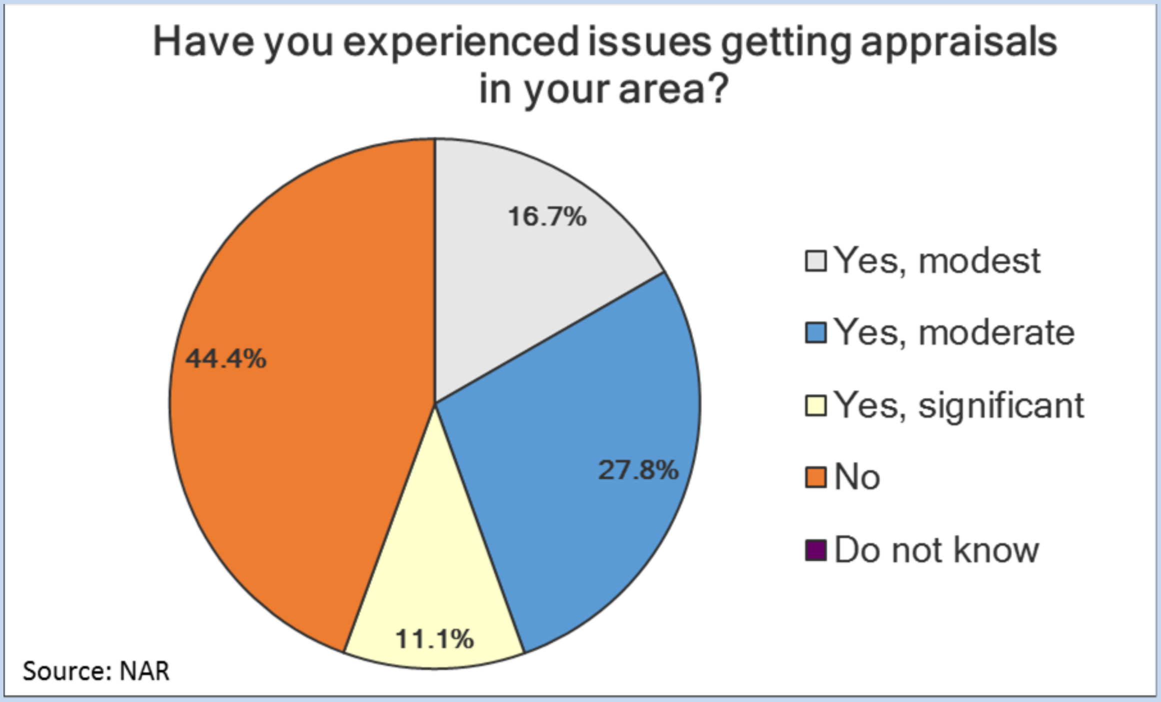


…while investor interest is expected surge in that same group and low-credit prime borrowers

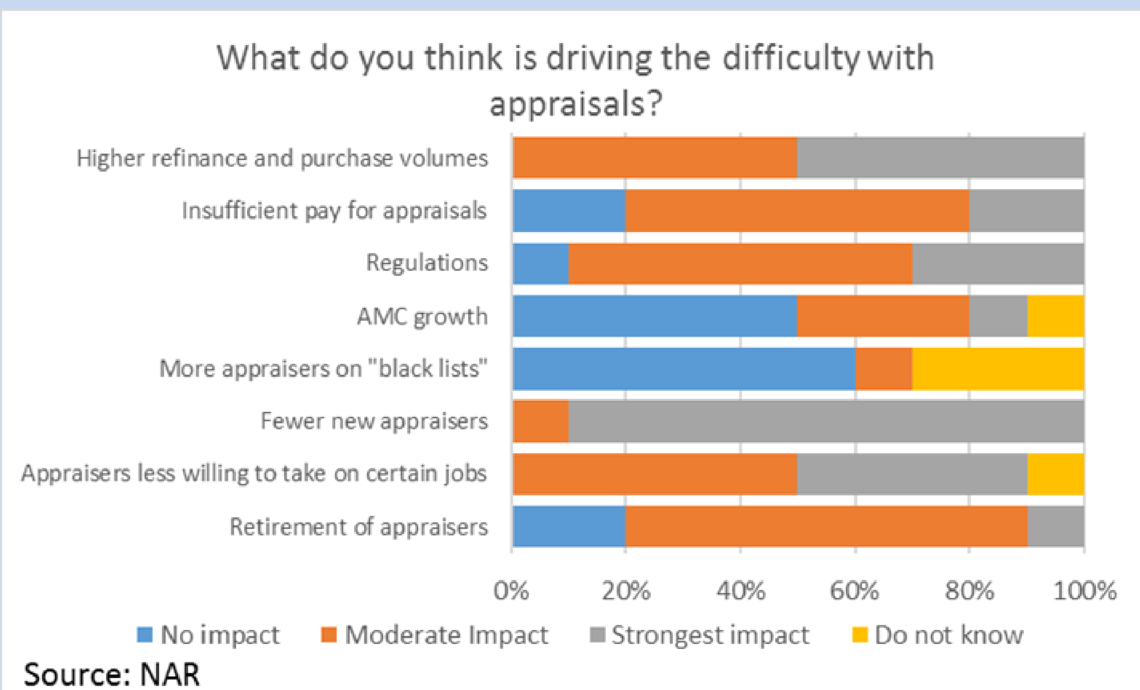


POLICY ISSUES:
AN APPRAISER SHORTAGE AND RISING RATES

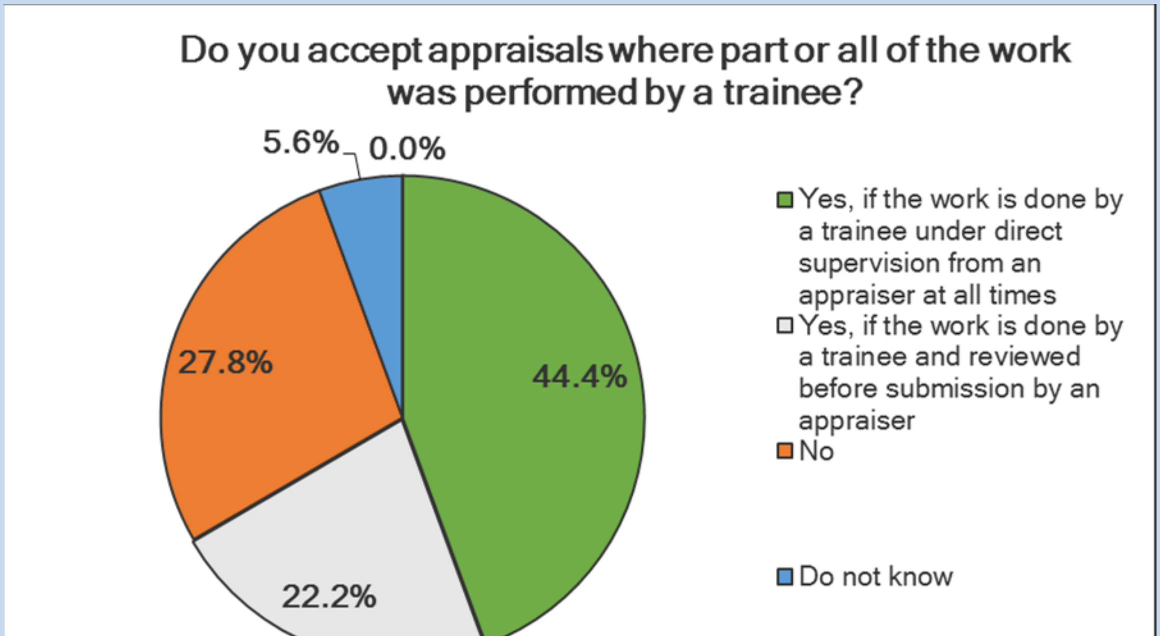
In the 4th quarter, 55.6% of lenders indicated some level of problems getting appraisals.



9.8% of respondents had faced "rush fees" which averaged 37.1% higher in this sample. Lenders felt fewer new appraisers, refi volume, and reluctance to do certain appraisals were driving the shortage

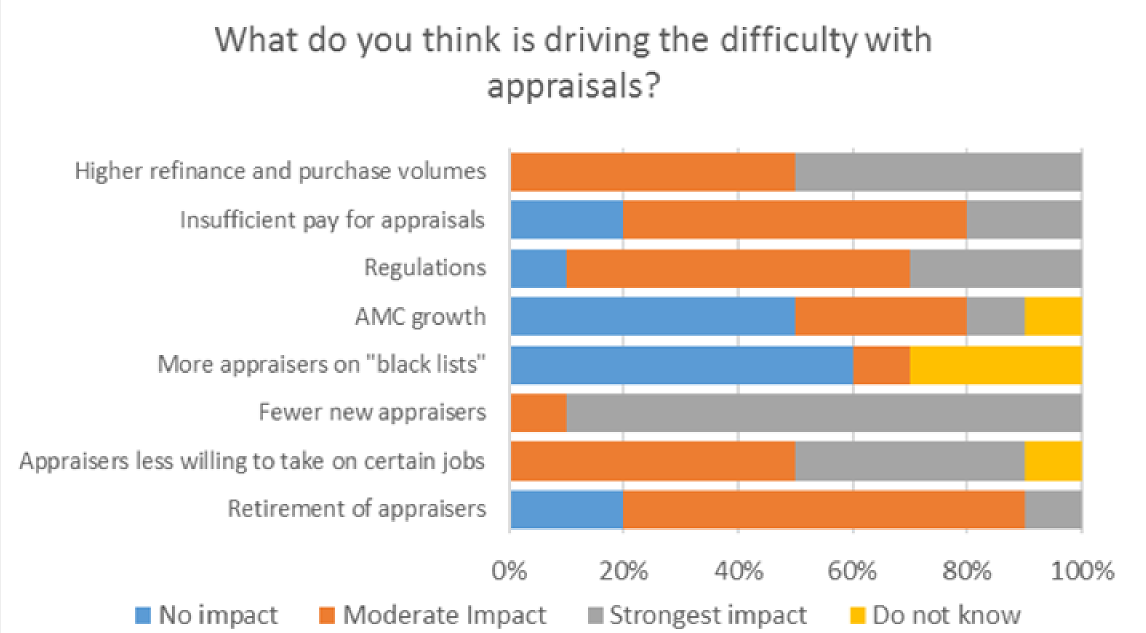


Nearly a thirds of respondents do not accept work performed by a trainee, while 44.4% require close supervision of a trainee



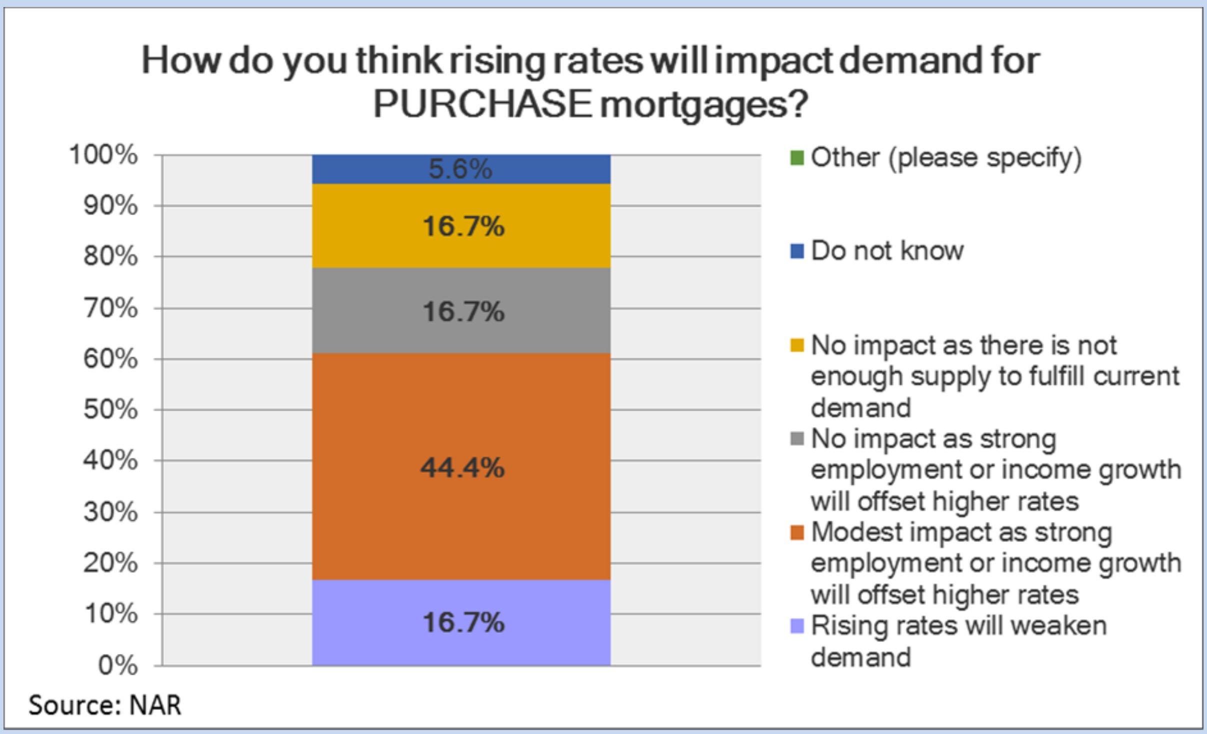
Source: NAR

While lenders' perception of investors' ability to adjust under TRID improved, it lags that of lenders.



Source: NAR

16.7% of respondents felt that rising rates will weaken demand for purchase mortgages, but an equal share felt that there is sufficient demand and so little supply that sales would not suffer due to lost affordability. 44.4% felt that strong employment and income growth will soften the impact of rising rates.



Appendix: Survey Methodology

- 135 lenders were surveyed
- The survey was conducted from January 10th through January 24th
- This survey is predominately of small to mid-size lenders, credit unions and non-bank lenders
- Response rate was 14.1 percent and a margin of error of 5.9 percent
- The sample is a geographically diverse group of lenders focused on the purchase market
- Lenders' size by annual unit-volume rose slightly from the 3rd quarter survey

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

National Association of REALTORS® Research Division

- http://www.REALTOR.org/research-and-statistics
- https://www.facebook.com/narresearchgroup
- **@NAR_Research**
- **https://www.pinterest.com/narresearch/**