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National Association of REALTORS®

# Survey of Mortgage Originators, Fourth Quarter 2015:

## TRID Implementation & Changes to FHA Condo Financing Rules

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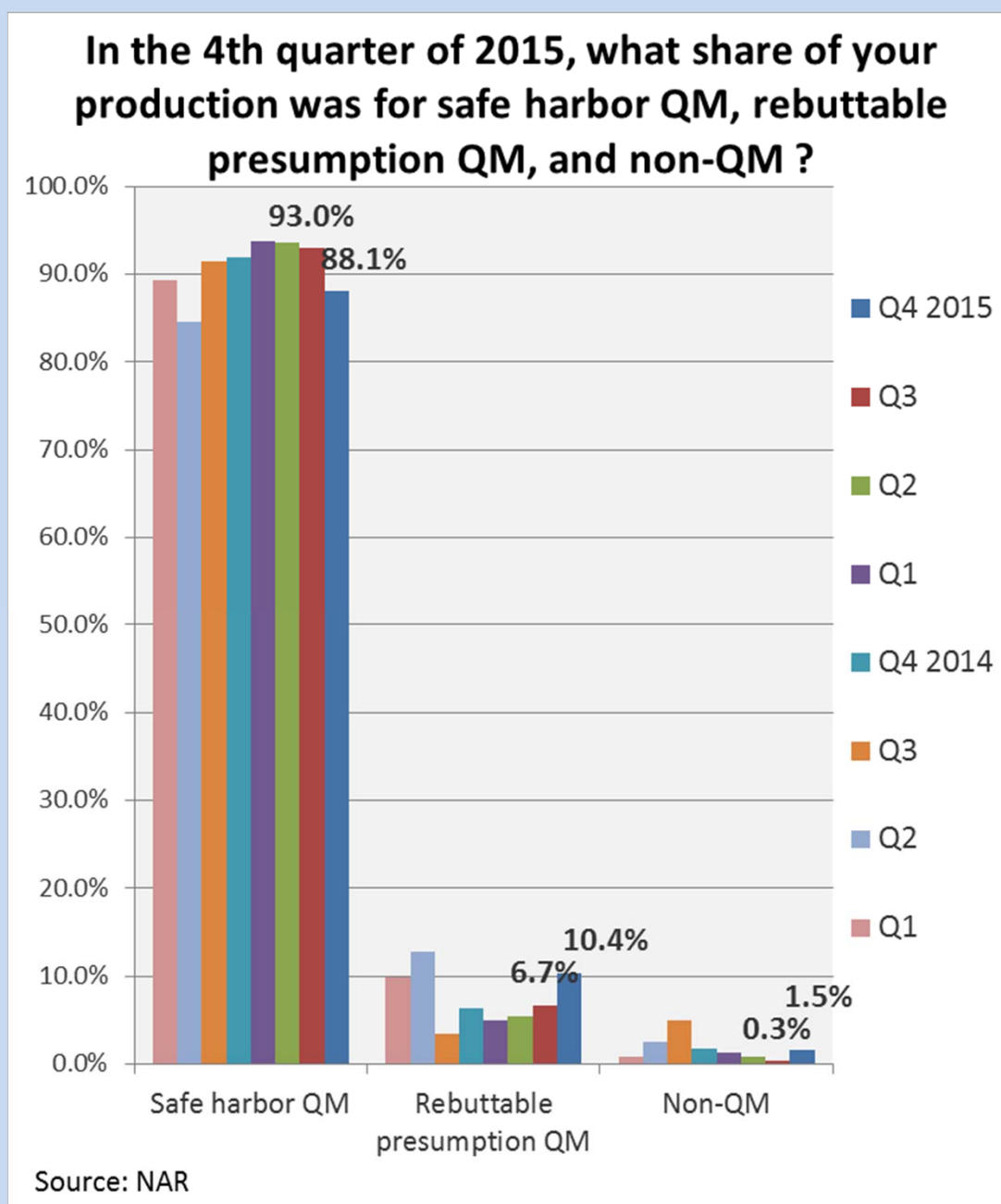


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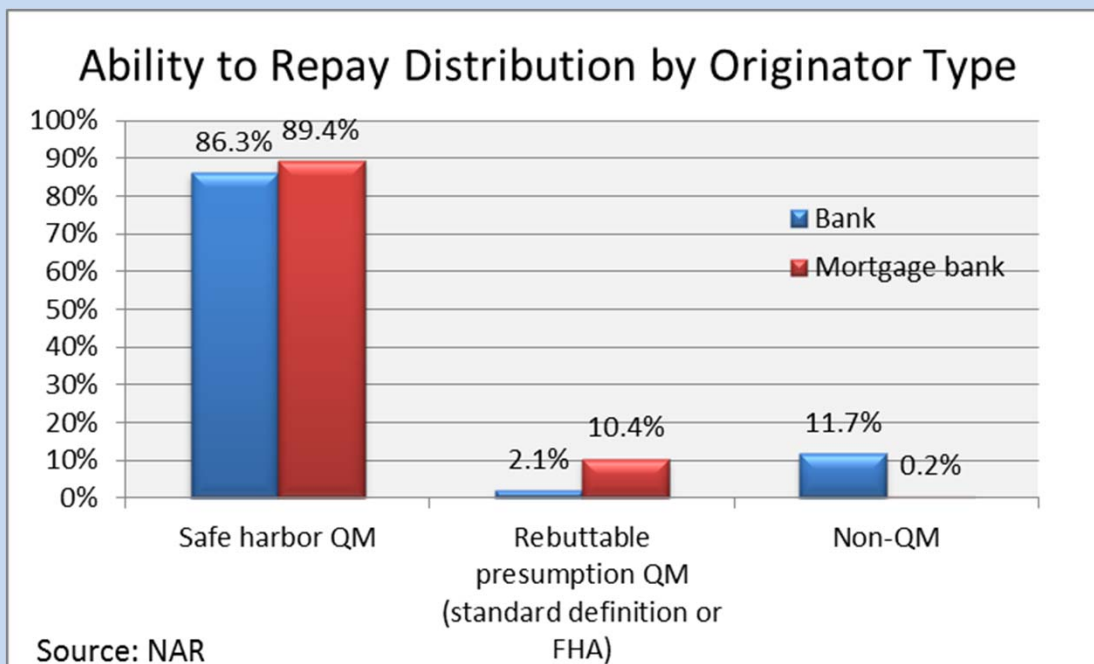
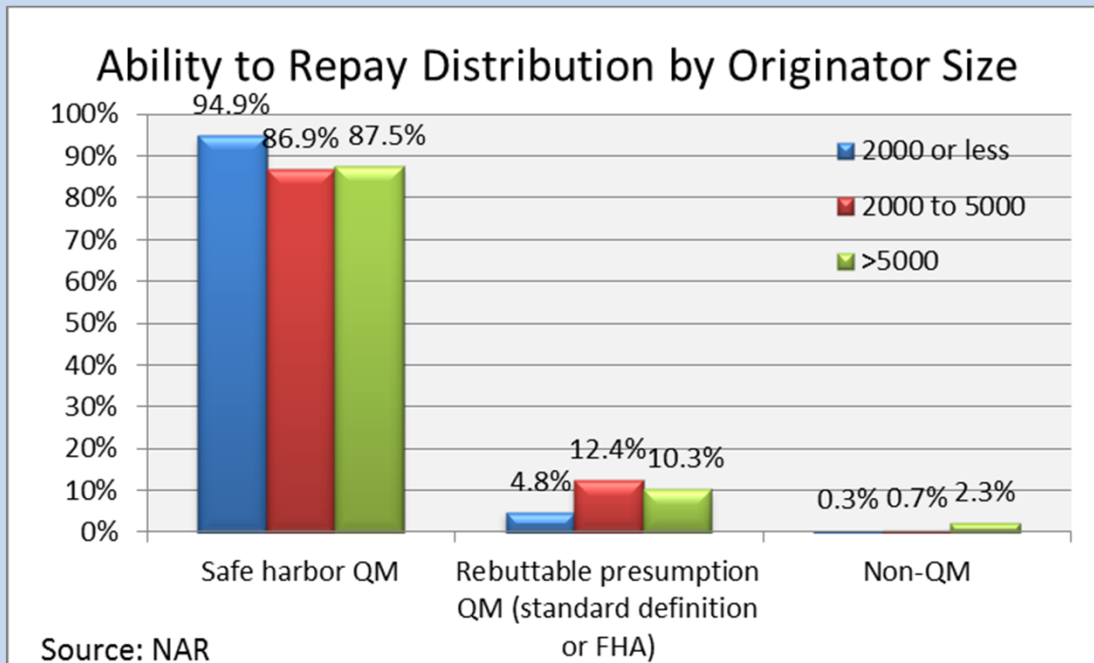
NAR surveyed a panel of mortgage originators about their experiences in the 4<sup>th</sup> quarter of 2015. Participants were queried on current trends in lending, their willingness to originate certain products, the outlook, and the impact of recent policy and regulatory changes. Here are a few of the principal findings:

- Non-QM lending made a modest comeback in the 4<sup>th</sup> quarter led by banks, while mortgage bankers spurred demand for rebuttable presumption loans.
- Investor demand for non-QM loans slumped, but is expected to improve modestly over the next six months
- Credit access in general is expected to rise over the coming six months as is investor demand for most categories
- Lenders report that 8.3 percent of settlements were delayed and 1.5 percent cancelled due to TRID. Mid-sized originators reported the most issues
- More than 60 percent of respondents advised clients for longer rate locks, but nearly half of this group indicated that they could complete settlement without the buffer on at least some transactions
- Less than 30 percent of lenders were willing to share the closing documents (CD) with REALTORS<sup>®</sup>
- The majority of lenders expect operations to normalize within 9 months
- 70 percent of respondents think the FHA's revised condo rules will help with access to credit

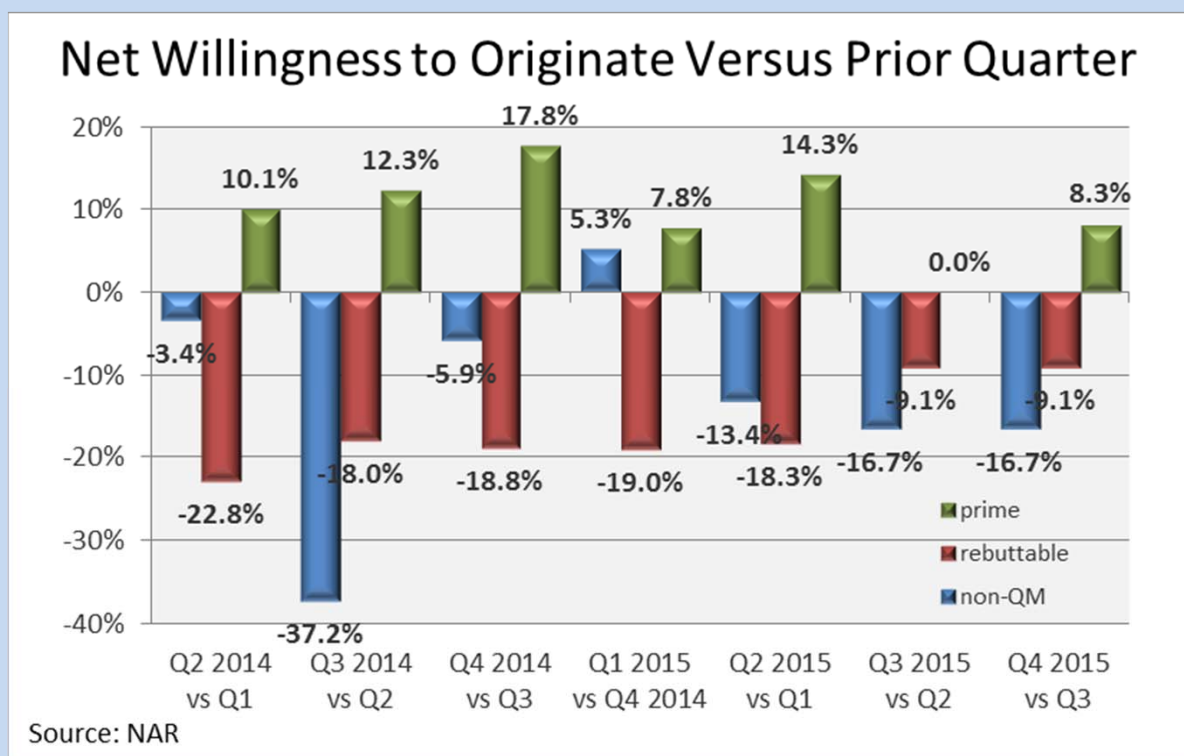
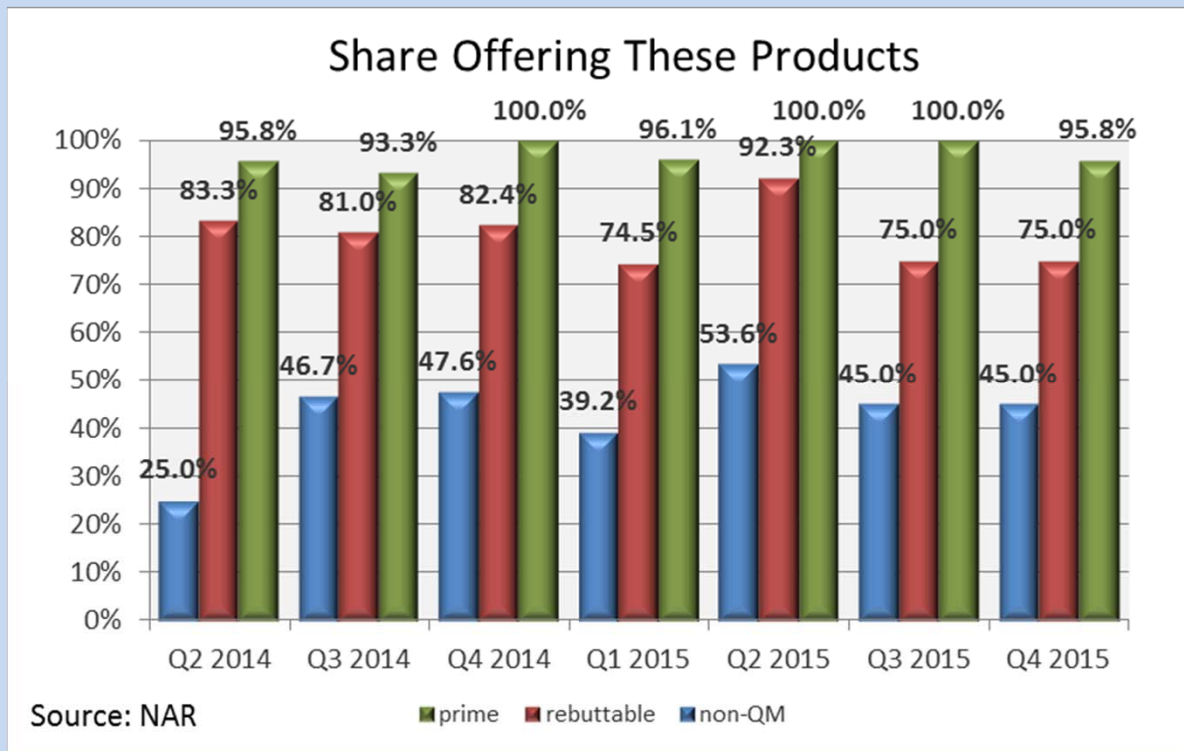
# Non-QM Lending Increased Modestly in the 4<sup>th</sup> quarter, but Remains Subdued



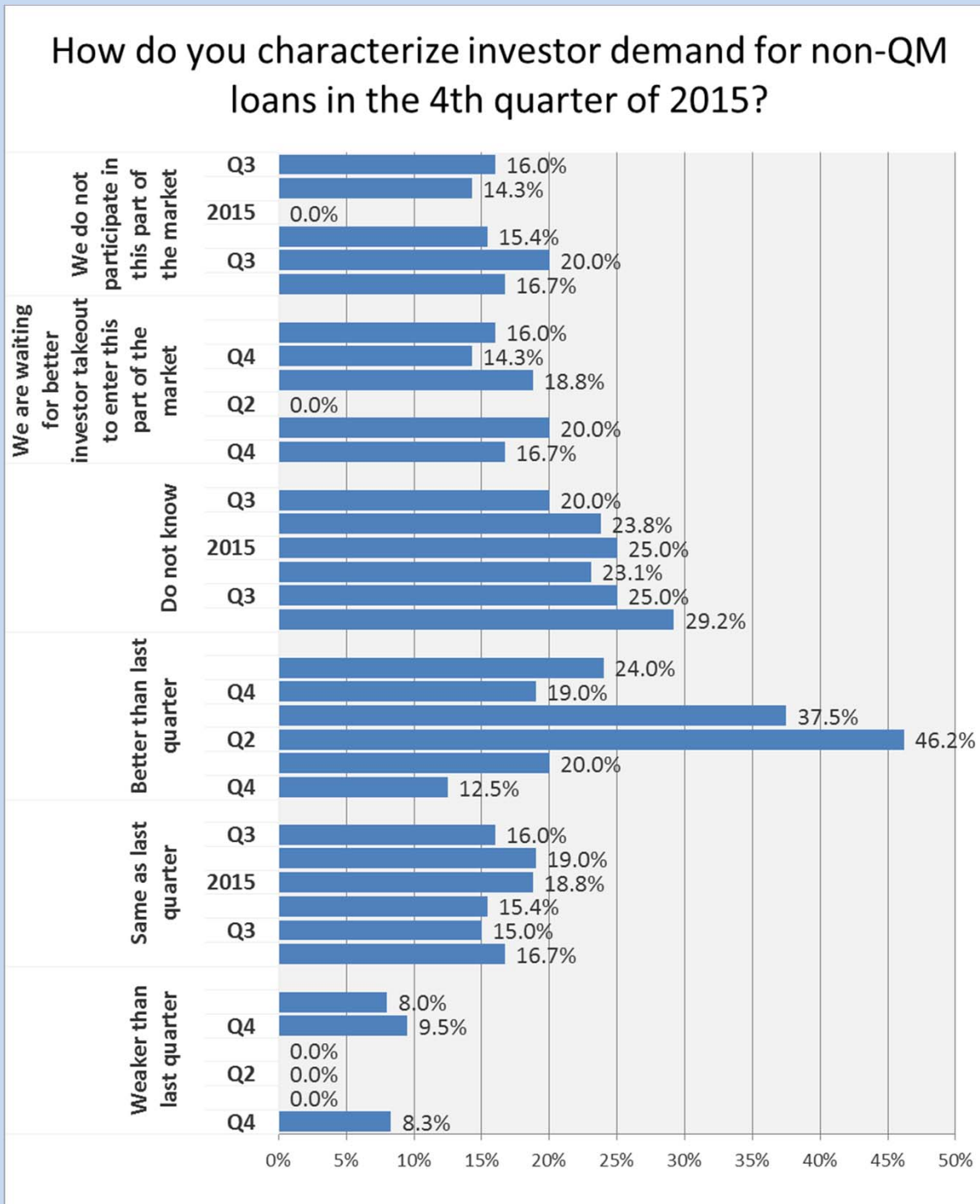
Larger lenders and banks are more likely to originate non-QM loans, while non-banks and small lenders focus inside the exemptions to the Ability to Repay (ATR) rule



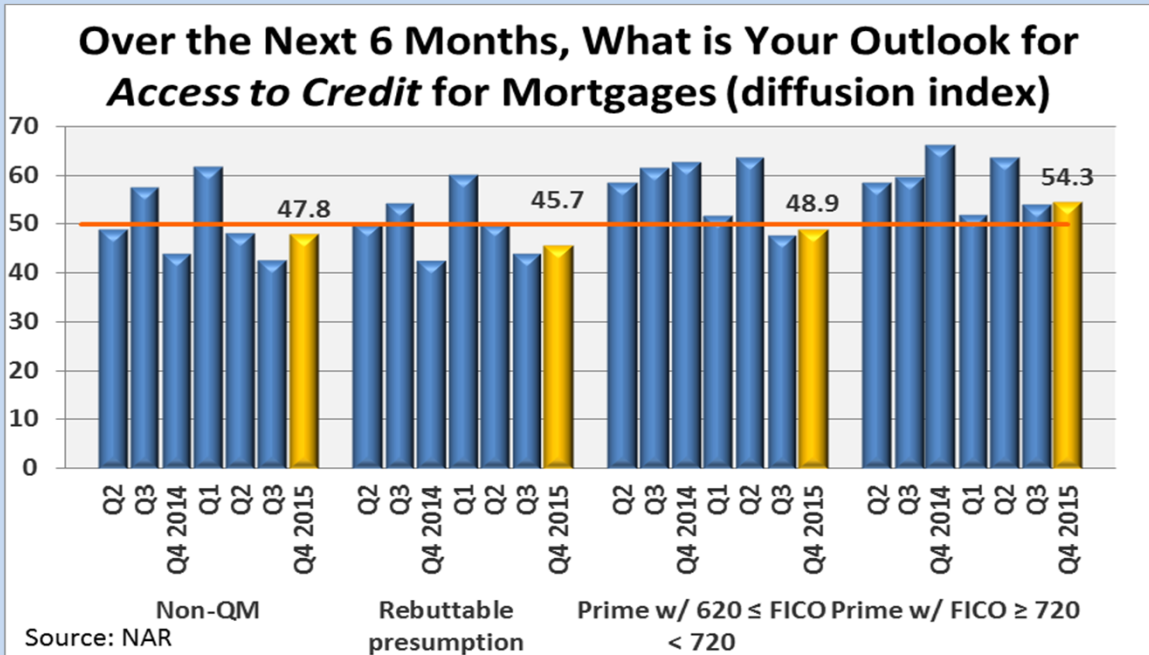
While the share of lenders offering non-QM and rebuttable presumption loans was steady, Lenders' willingness to extend this credit continued to contract



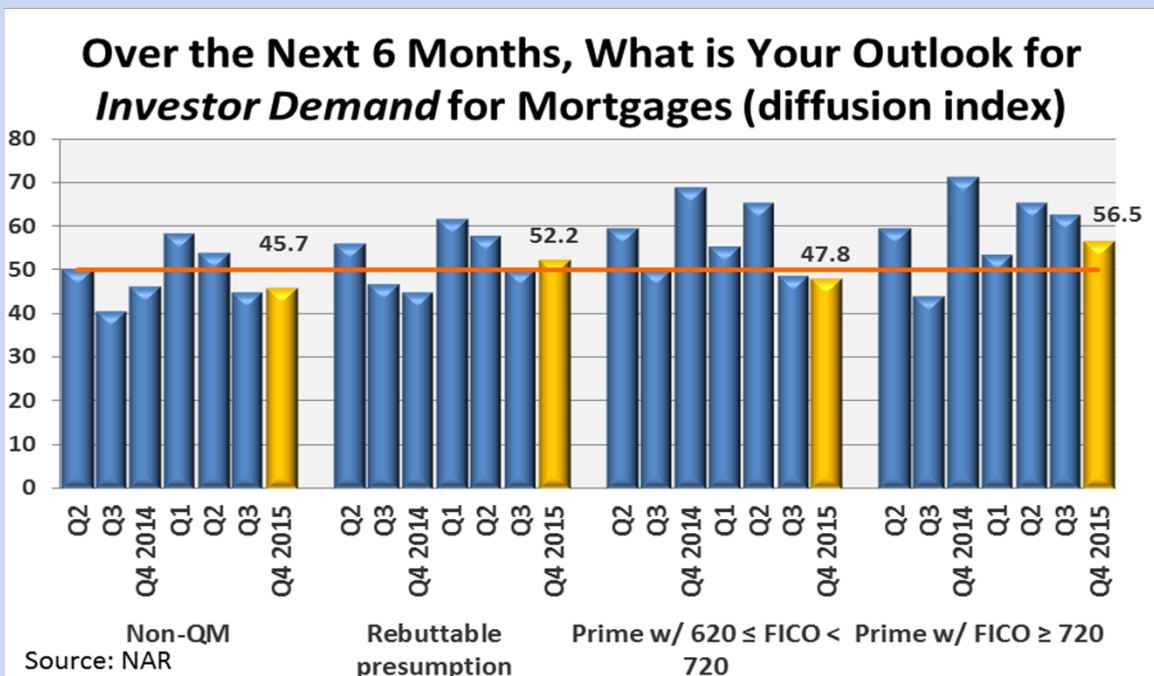
Investor demand for non-QM loans softened in the 4<sup>th</sup> quarter as more respondents indicated either flat or declining interest.



Lenders expect a modest improvement in access for all borrowers...



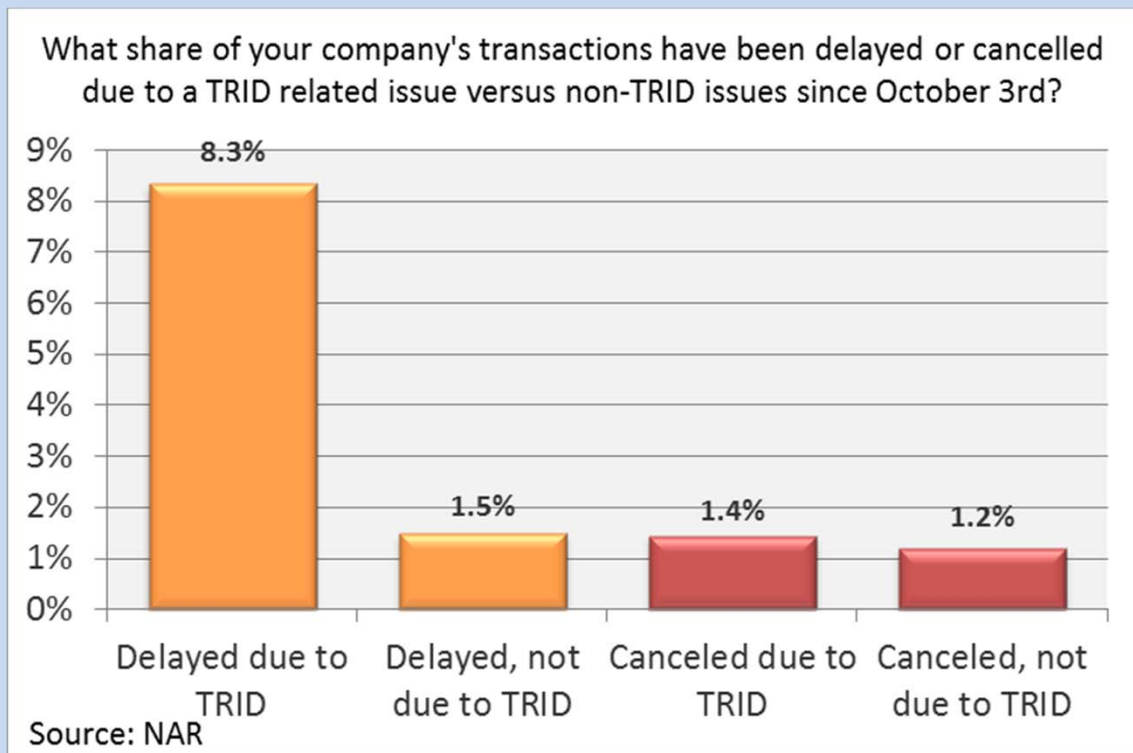
...while investor interest is expected to grow for rebuttable presumption loans and to ease for prime



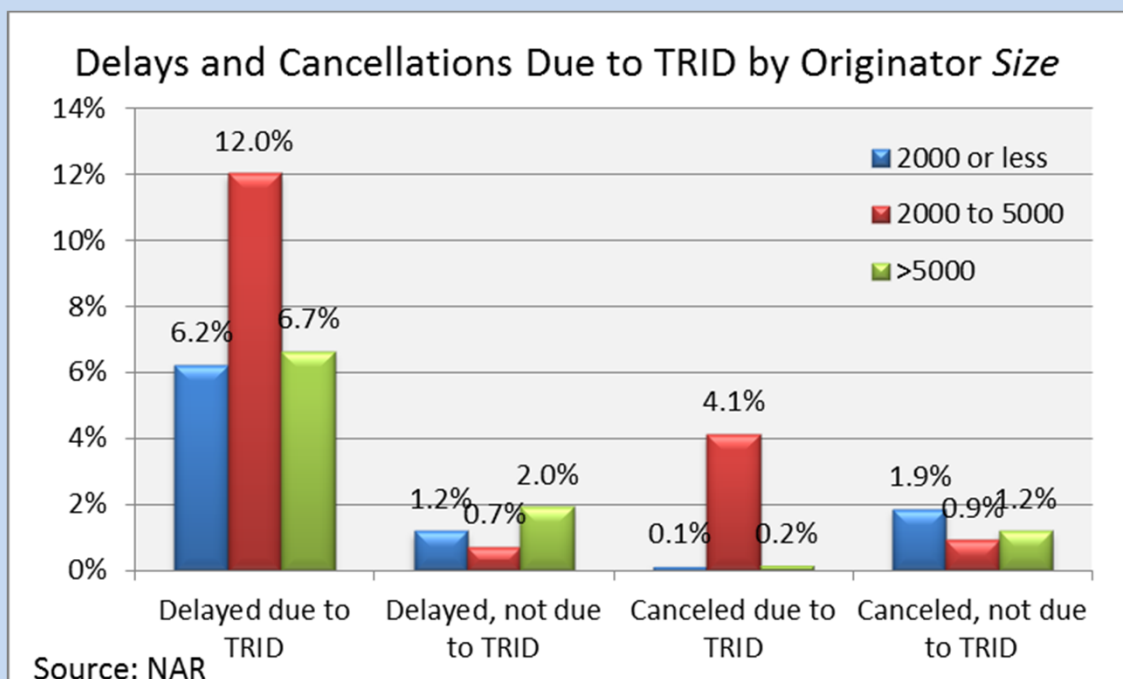
**POLICY ISSUES:  
TRID AND FHA CONDO RULES**



TRID caused some delays and cancellations. On average, 6 days were added to respondents' settlement process due to the TRID changes

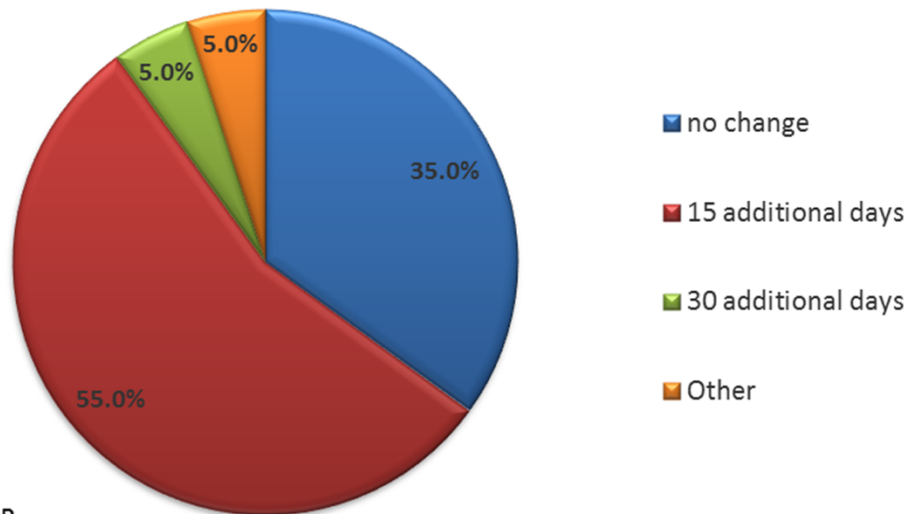


TRID's impact was more pronounced for mid-sized originators



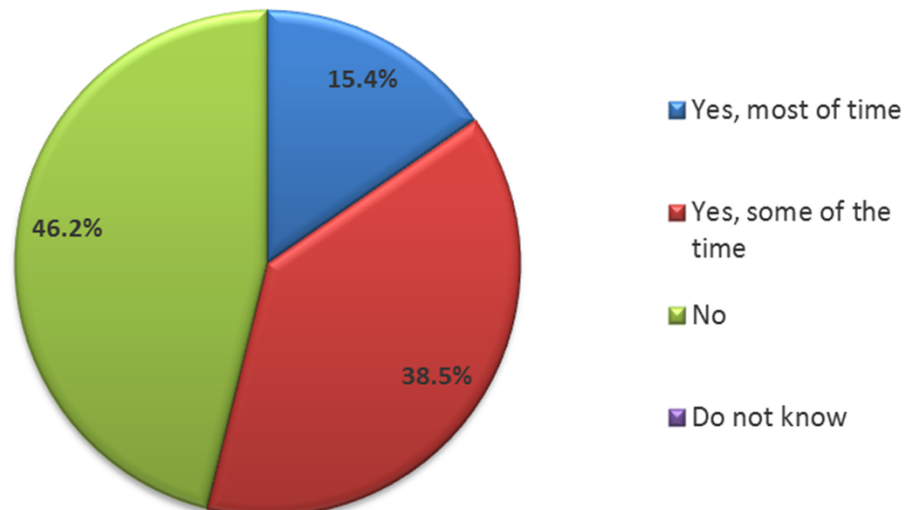
# Lenders are advising clients to take longer rate locks, but a significant share felt they could settle on time without the buffer

**Are you advising your clients to take longer rate locks? If so, how much versus a standard 30-day lock?**



Source: NAR

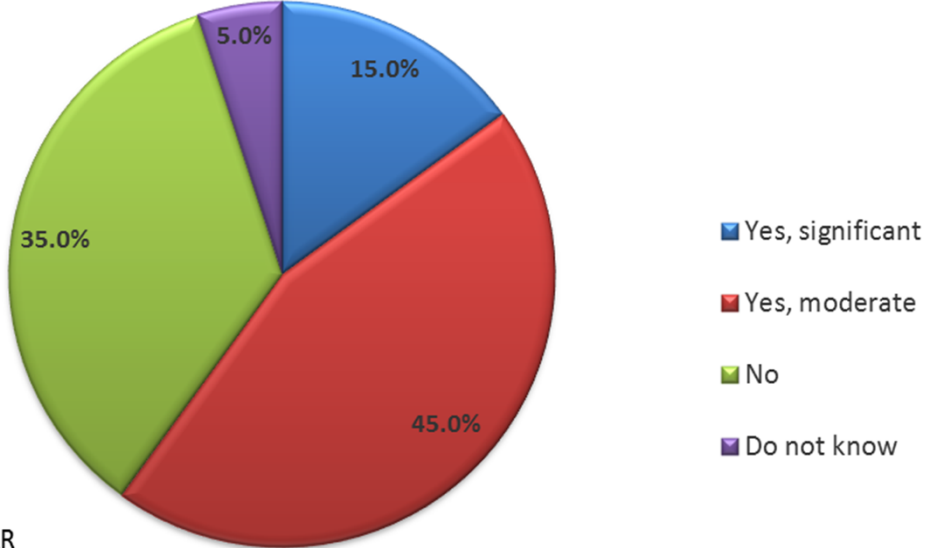
**Conditional on advising longer rate locks, for transactions since October 3rd, would you have been able to close on time without longer than normal rate locks?**



Source: NAR

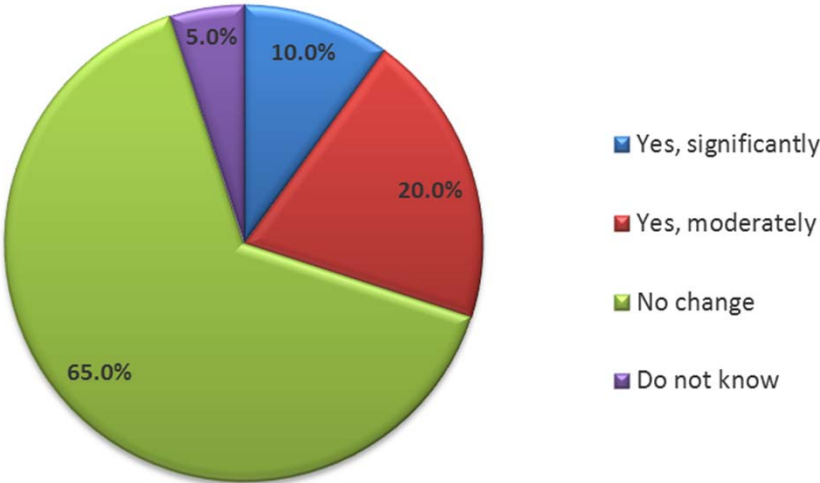
60 percent of respondents reported an increase in rate lock extensions due to TRID, while 30 percent indicated some degree of reluctance to offer pre-approval letters

### Have you seen an increase in rate extensions?



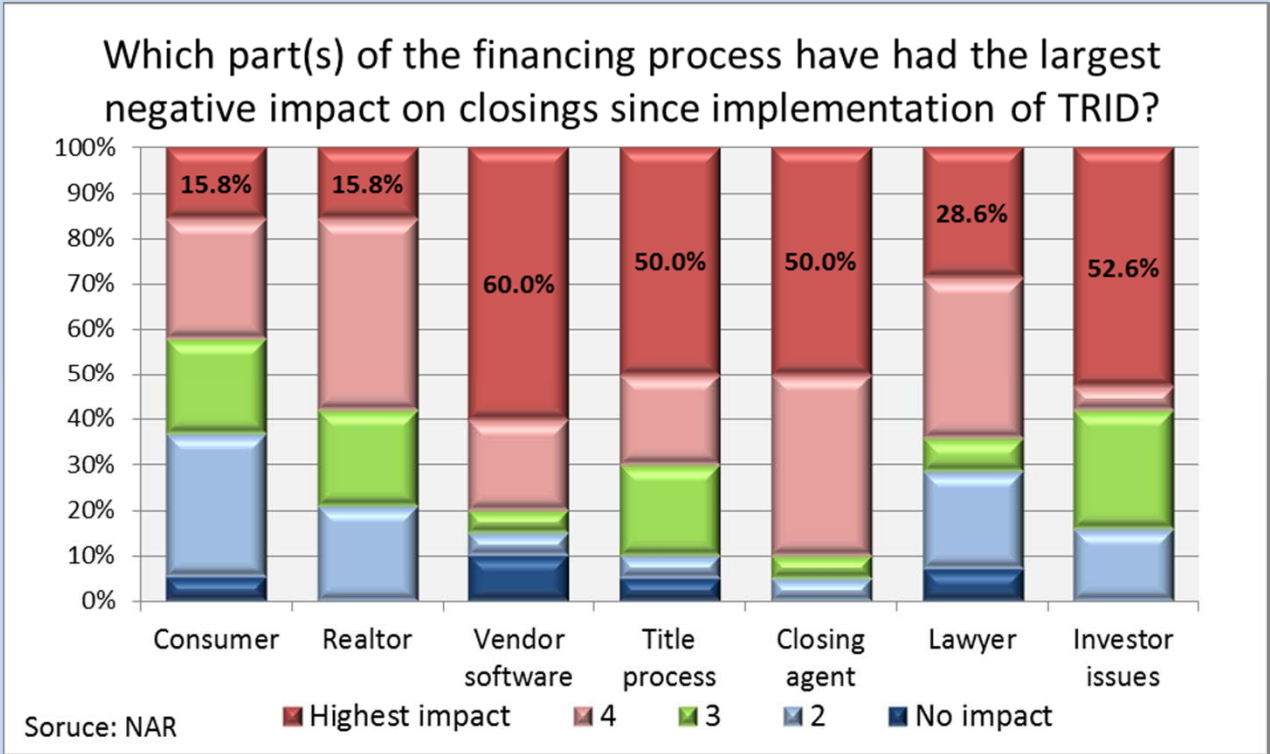
Source: NAR

### Have the new TRID rules affected your company's willingness to offer pre-approval letters?



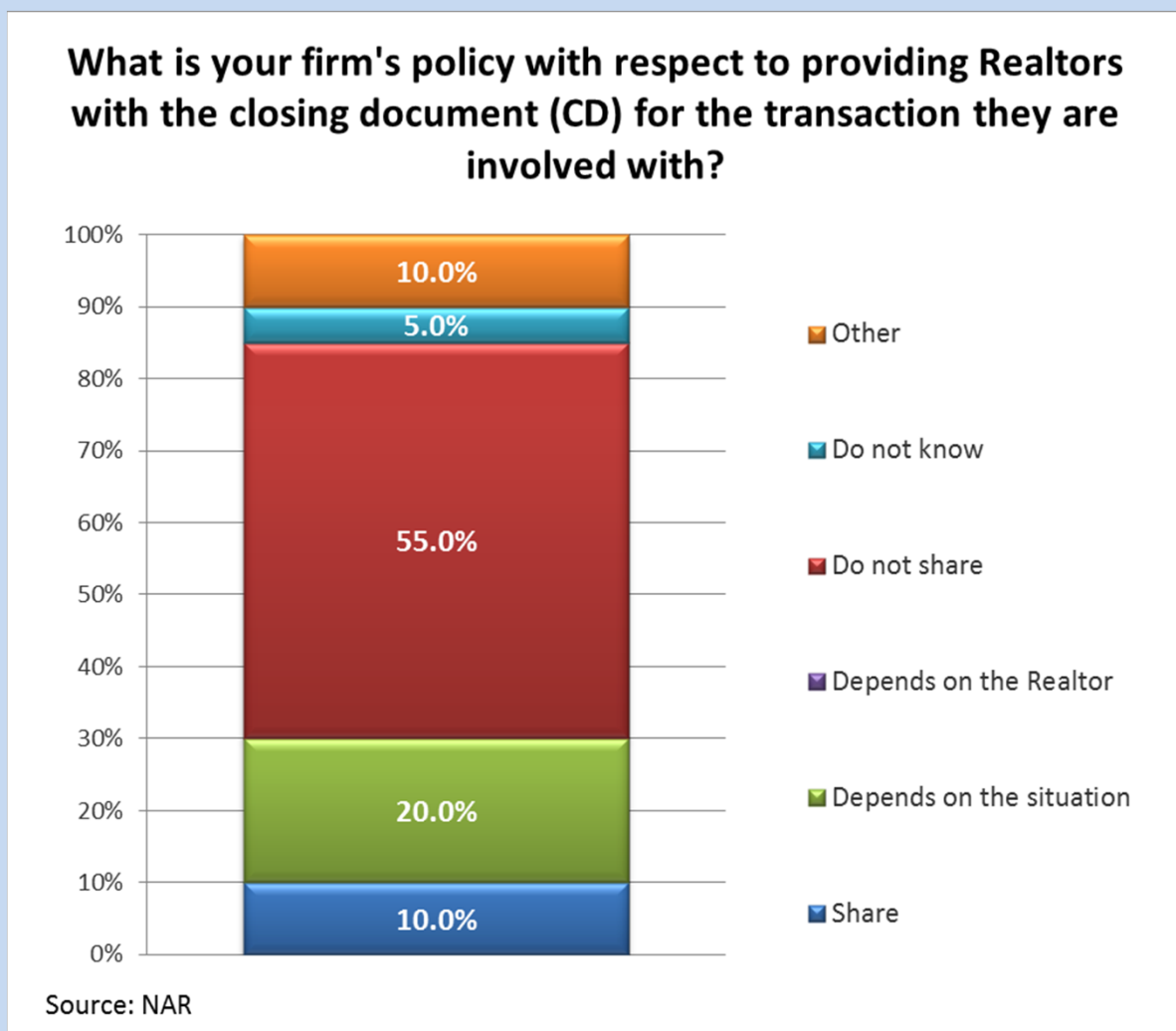
Source: NAR

# Lenders named vendor software and investor issues as major blockages in the TRID process



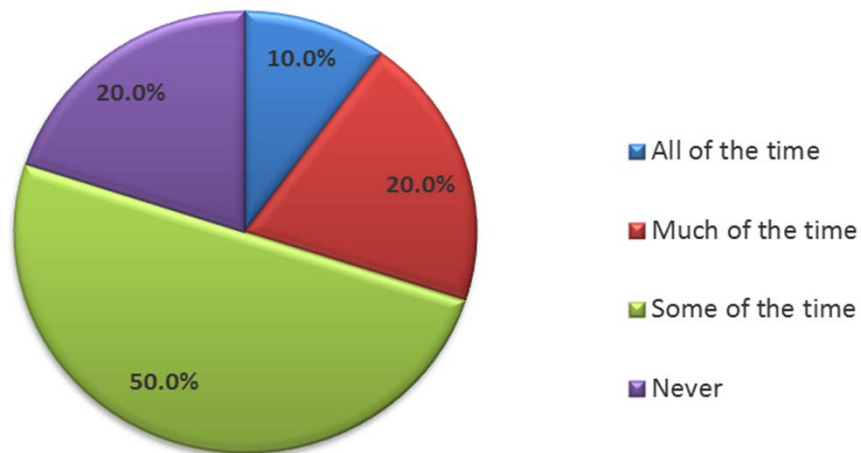
The title process and closing agents were cited with a lower frequency, while REALTORS® were cited frequently but with a lesser degree of impact

Despite a more favorable view of REALTORS® than other settlement partners, more than 55 percent of originators do not share the new closing document with REALTORS®



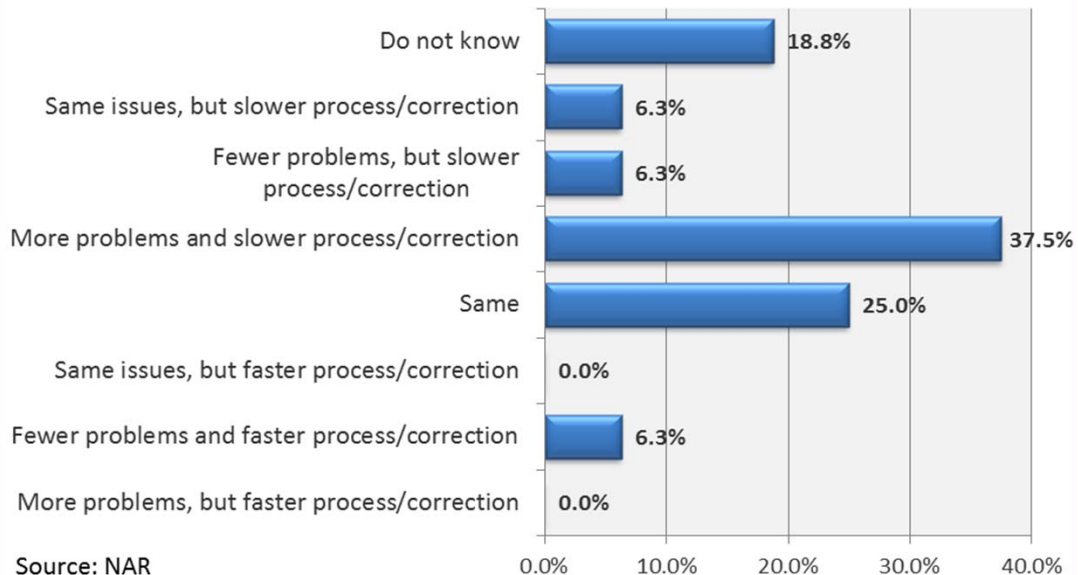
# Respondents indicated that transactions involving lawyers were slower and more problematic

## Are lawyers typically involved at settlement in your transactions?



Source: NAR

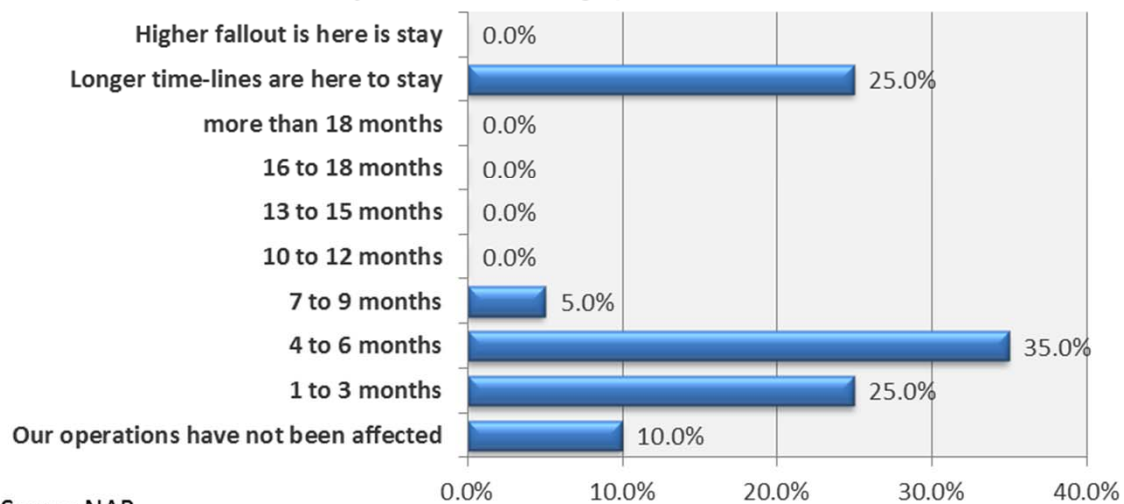
## How would you describe settlements in the new TRID environment when lawyers are directly involved?



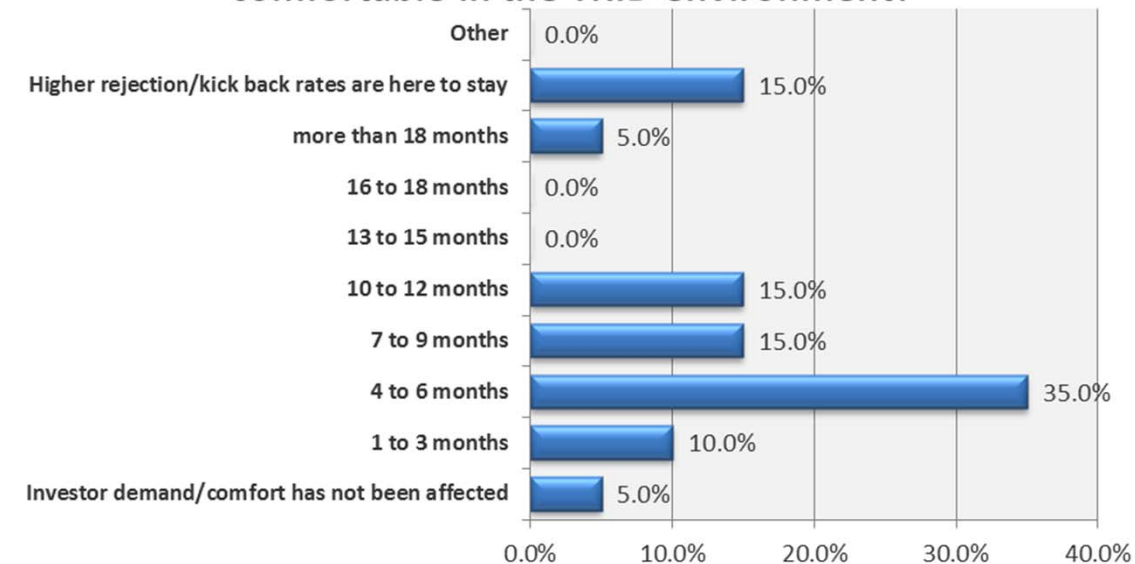
Source: NAR

60 percent of lenders expect their operations to be normalized within 6 months, but only 45 percent expect investors to become comfortable in that same period

**How many months until your firm will normalize its operations in the TRID environment (e.g. reduce day to close and completed closings) to normal levels?**

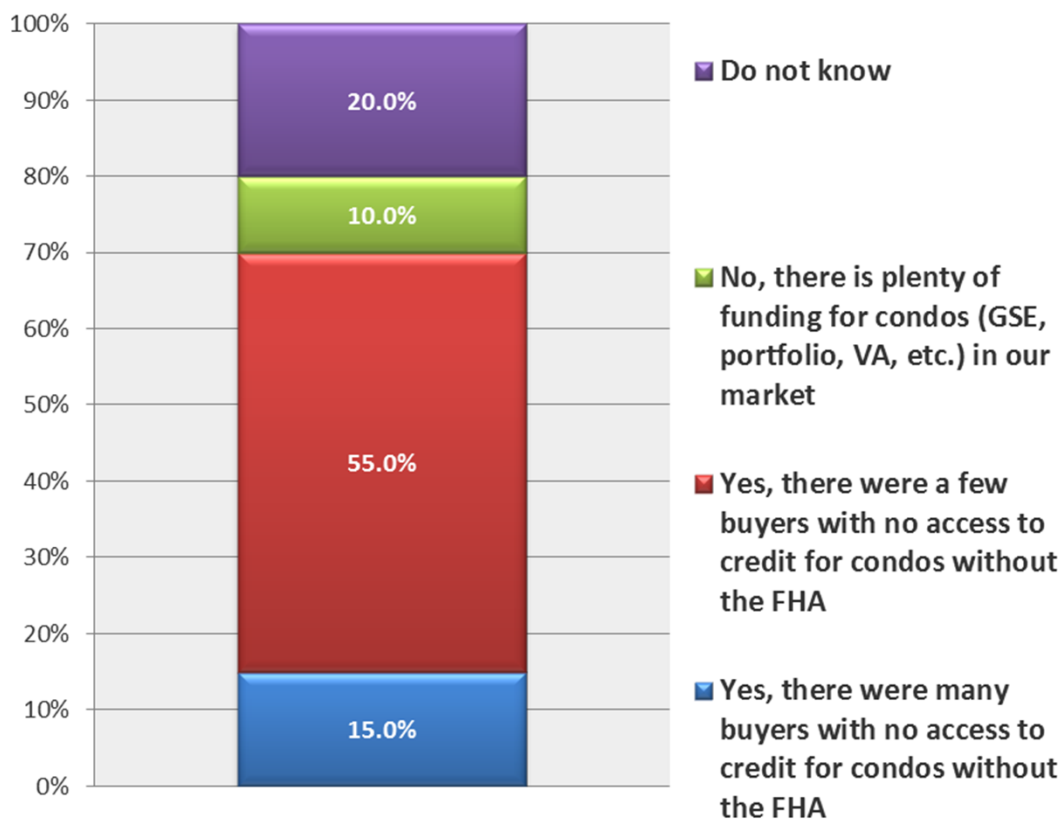


**How many months until you think investors will be comfortable in the TRID environment?**



# 70 percent of originators think changes to the FHA's condo lending policies will improve access to credit

**Will the FHA's changes to its condo policy (e.g. allowing for a higher rental share, etc.) have an impact on access to credit for condos in your area?**



Source: NAR



# Appendix:

## Survey Methodology

- 135 lenders were surveyed
- The survey was conducted from January 13<sup>th</sup> to February 3<sup>rd</sup>
- Response rate was 17.8%
- Geographically diverse group of lenders focused on the purchase market
- Other characteristics in line with prior surveys

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# National Association of REALTORS®<sup>®</sup>

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