National Association of REALTORS®

Survey of Mortgage Originators, First Quarter 2016:

TRID after 6 Months and Changes to FHA's Certification Policy

NATIONAL ASSOCIATION *of* REALTORS®

NAR surveyed a panel of mortgage originators about their experiences in the 1st 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 tumbled in the 1st quarter from already anemic levels as investor demand for non-QM loans retreated, but lenders expected it to improve modestly over the next six months

- Credit access in general is expected to rise over the coming six months driven by gains in prime and near prime lending

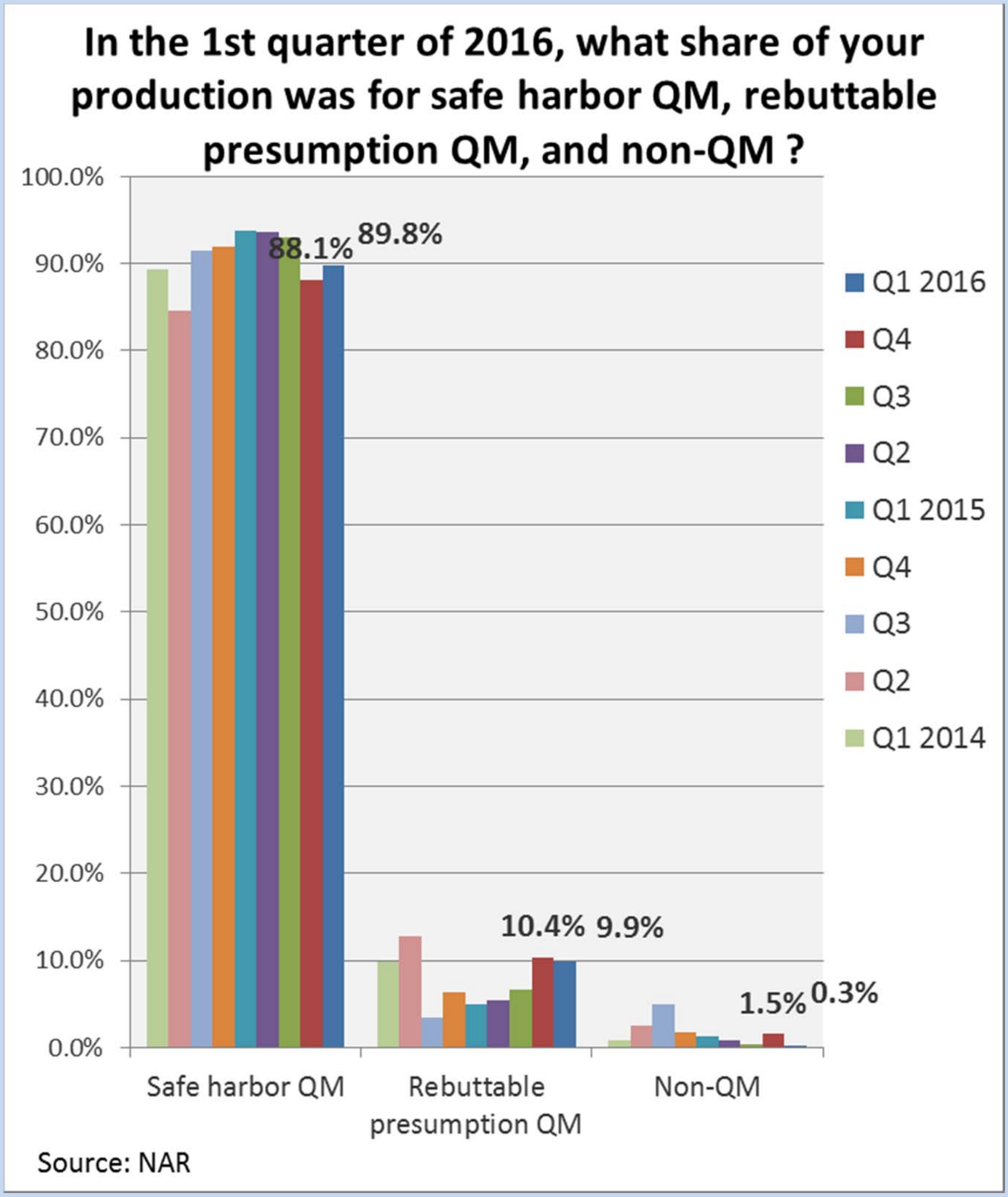
- The share of transactions delayed due to TRID was slashed from 8.3 percent to just 1.8 percent with no cancelations due to TRID.

- Respondents continue to advise for longer rate locks, but nearly three quarters indicated that they could complete settlement without the buffer, though the use of rate lock *extensions* rose.

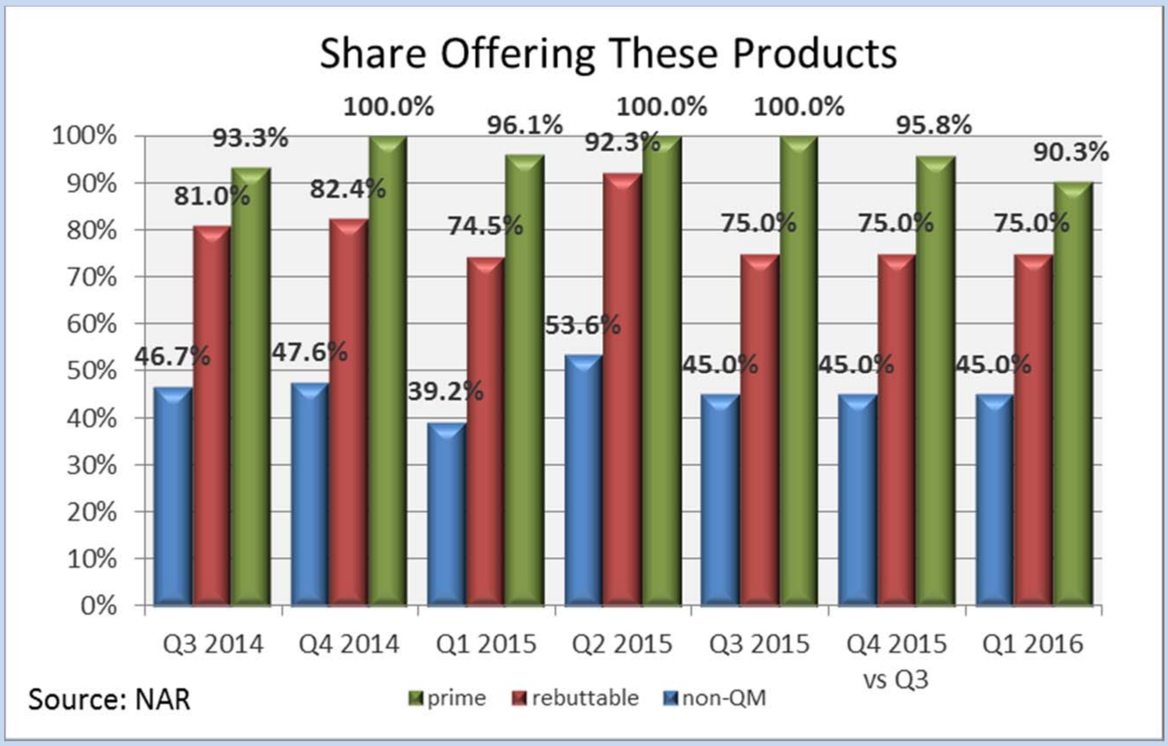
- Less than 30 percent of lenders were willing to share the closing documents (CD) with REALTORS®. TILA regulations were the most frequently cited reason

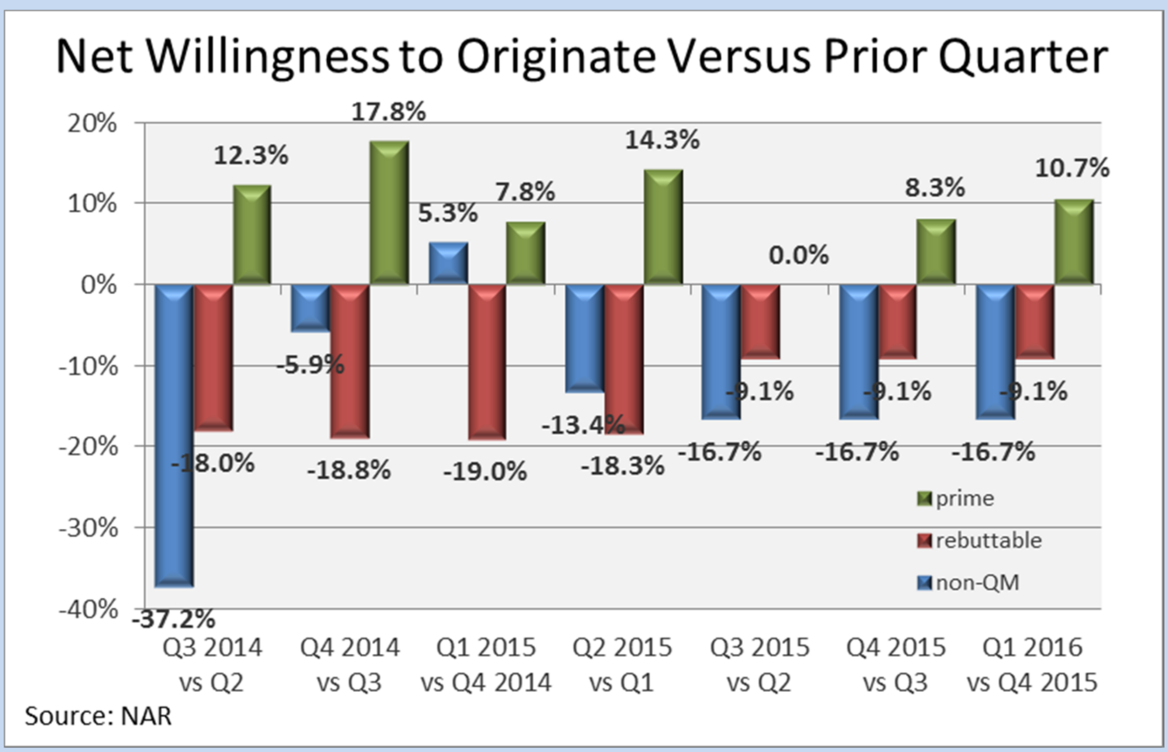
- Nearly a third of respondents indicated a wait-and-see approach to the FHA's revised certification rules, while another third indicated that the change would not result in increased lending to lower credit borrowers

Non-QM lending tumbled in the 1st quarter to its lowest share since the 3rd quarter of 2015

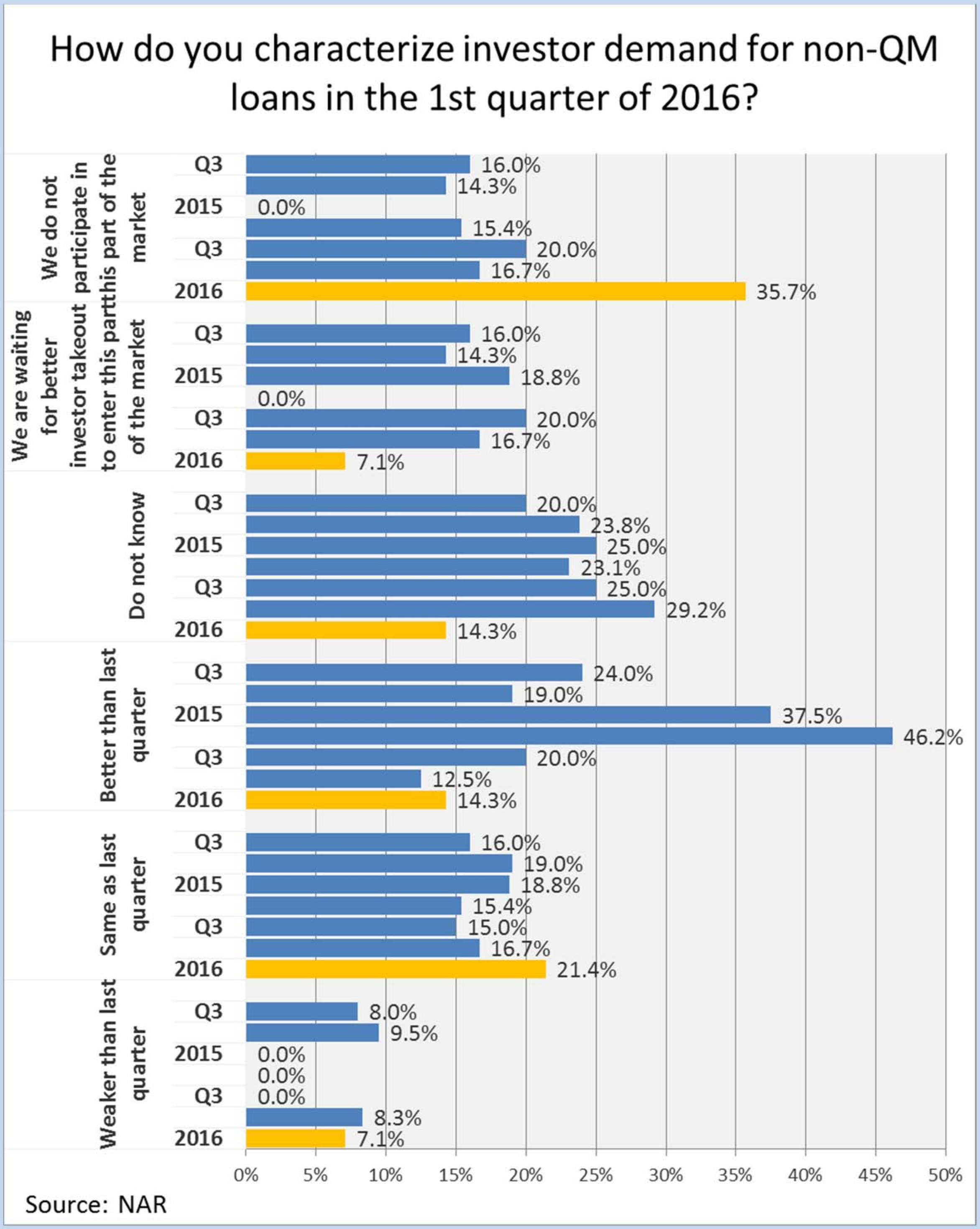


While the share of lenders offering non-QM and rebuttable presumption loans was steady, lenders' willingness to extend this credit remains limited

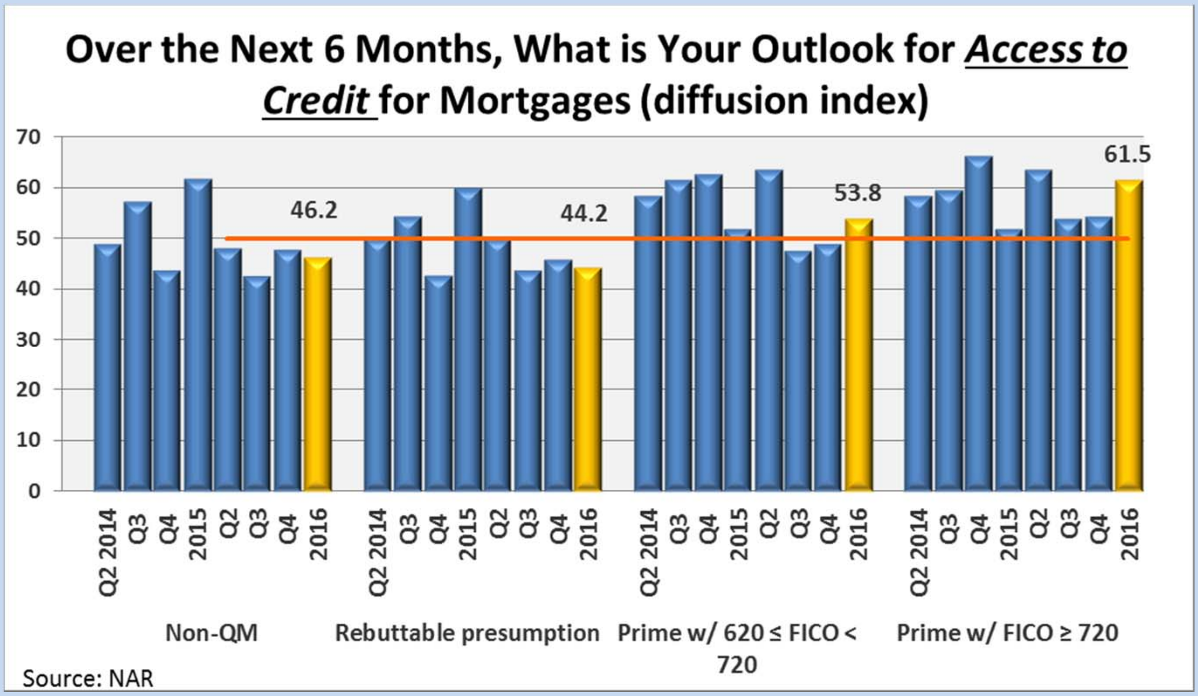




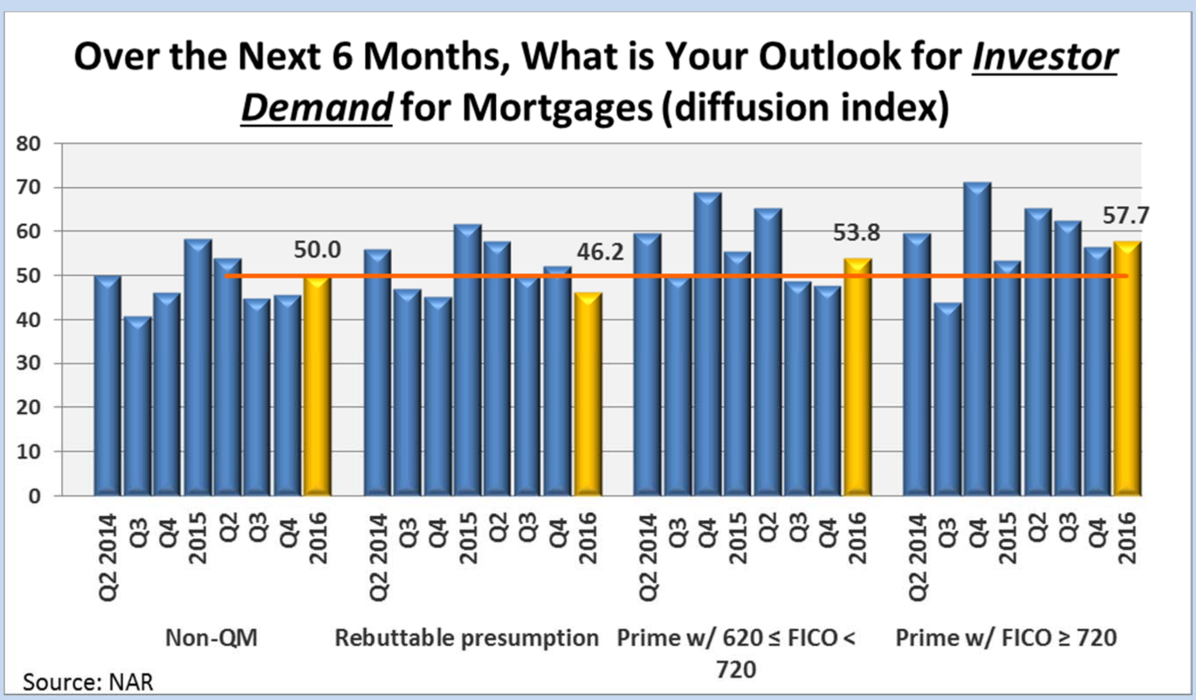
Investor demand for non-QM was mixed in the 1st quarter, but more respondents indicated not participating in the non-QM market.



Lenders expect a modest improvement in access for prime and near prime borrowers…

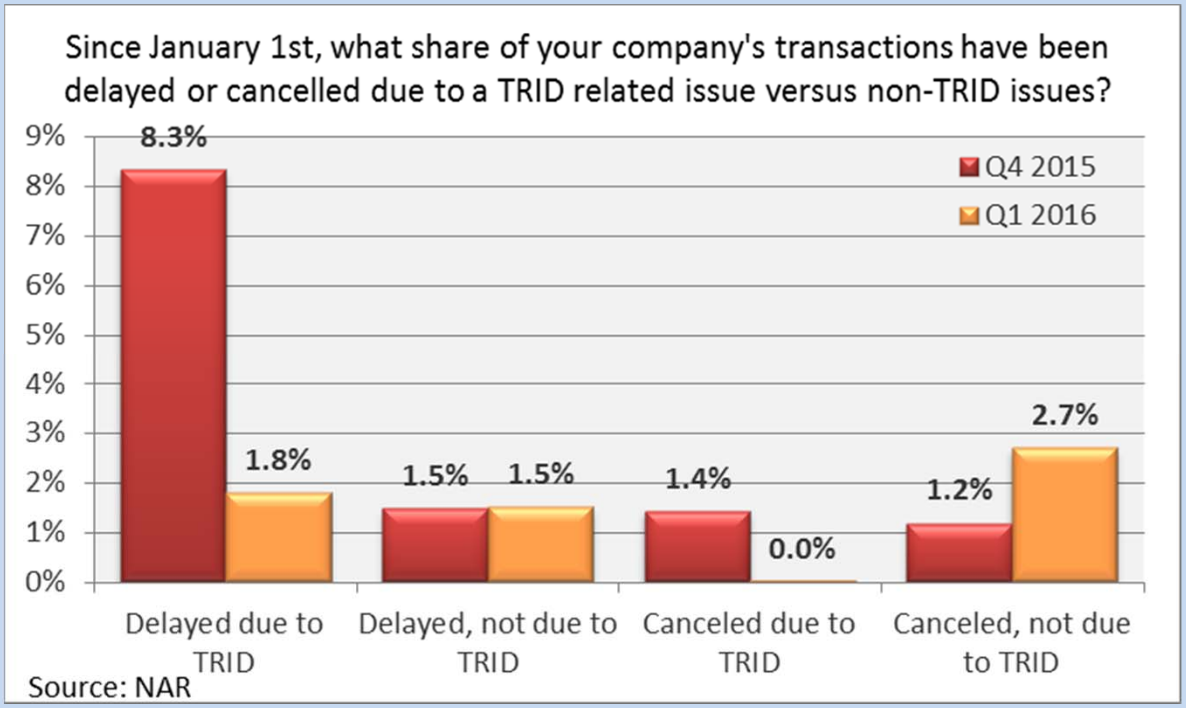


…while investor interest is expected to grow for non-QM, prime and near prime mortgages

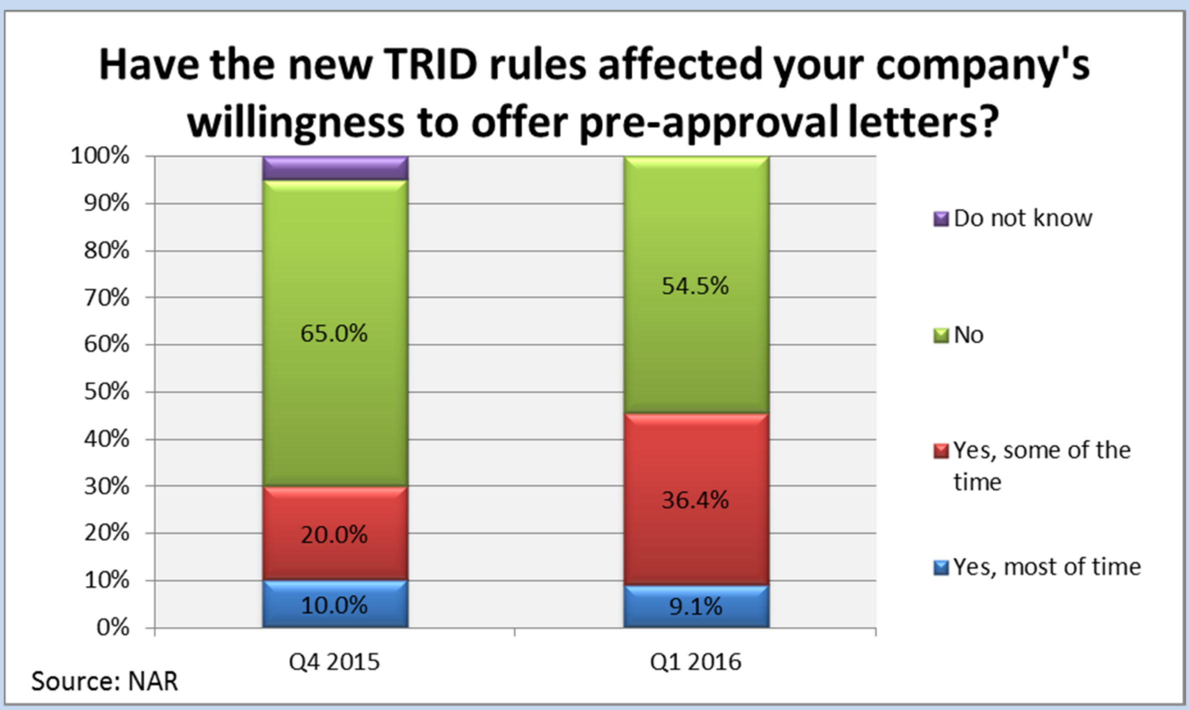


POLICY ISSUES:
TRID AND FHA
CERTIFICATION POLICY

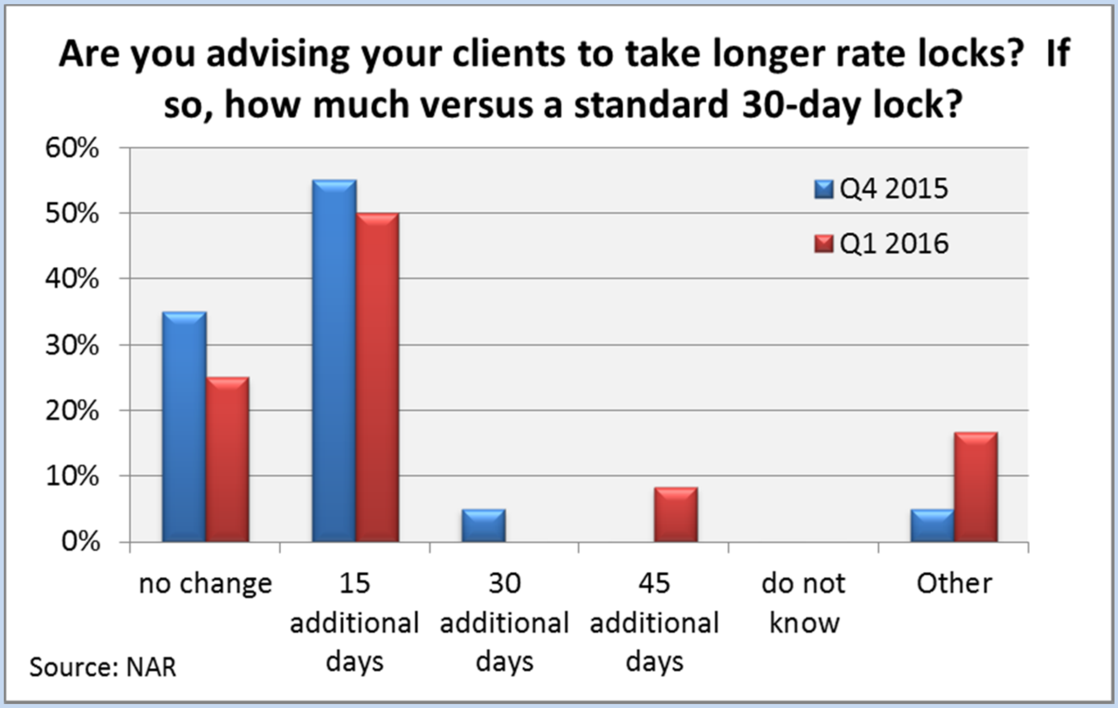
Delays and cancellations attributed to TRID tumbled between the 4th and 1st quarters, but lenders' reluctance to offer pre-approvals rose.



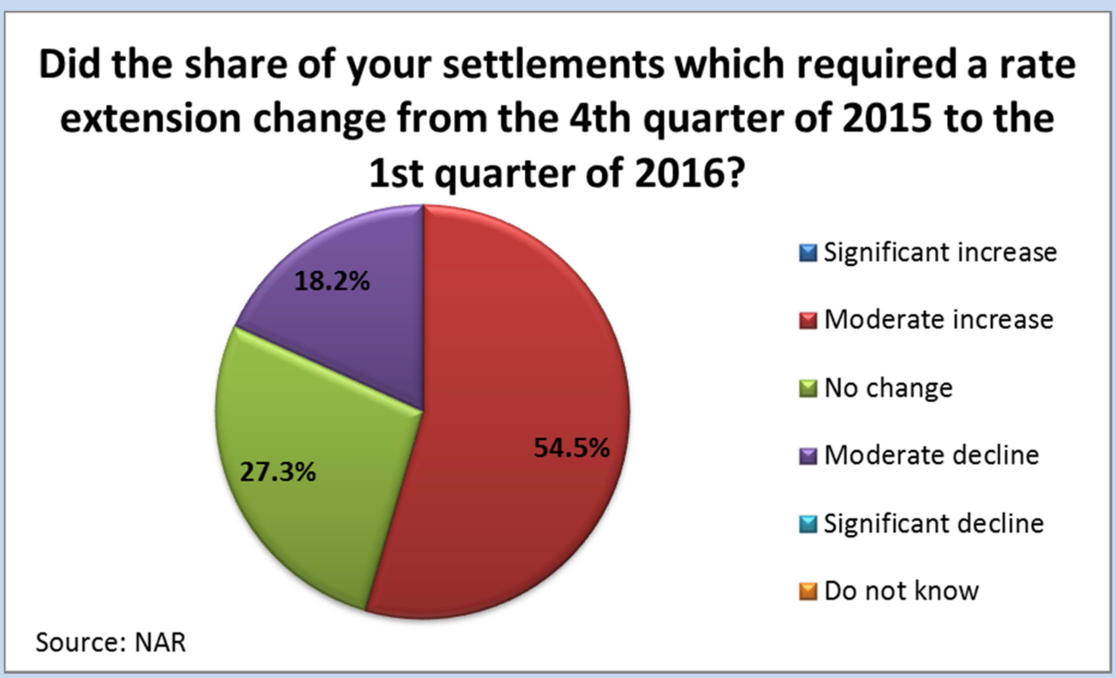
The average delay slipped from 6 days in the 4th quarter to 3.8 days in the 1st quarter of 2016.



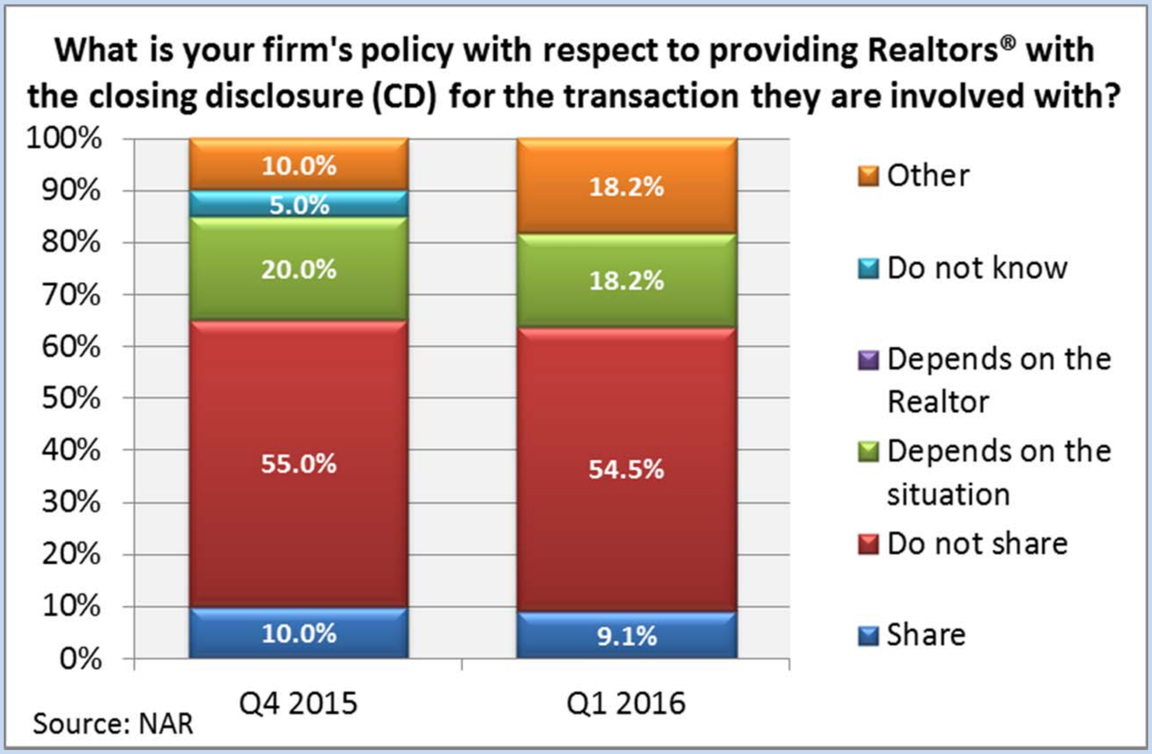
Lenders' advice shifted towards modestly longer lock periods.

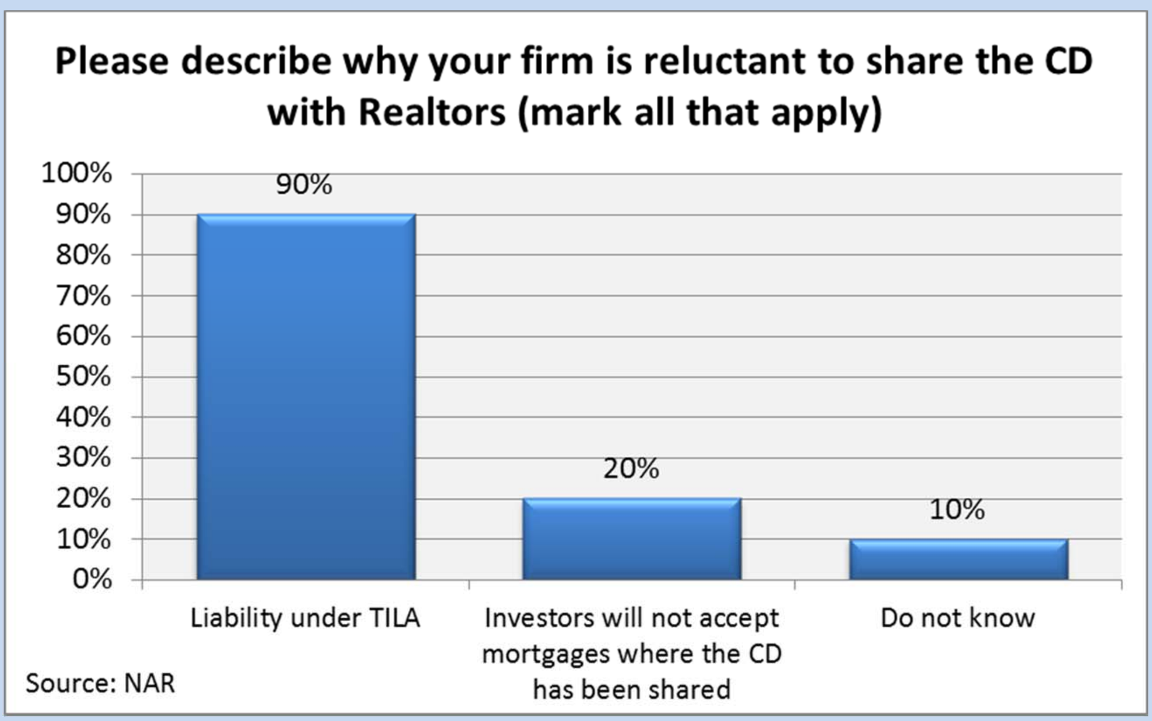


73.3% felt they could close on time without the longer locks, but more than half noted an increase in lock extensions.

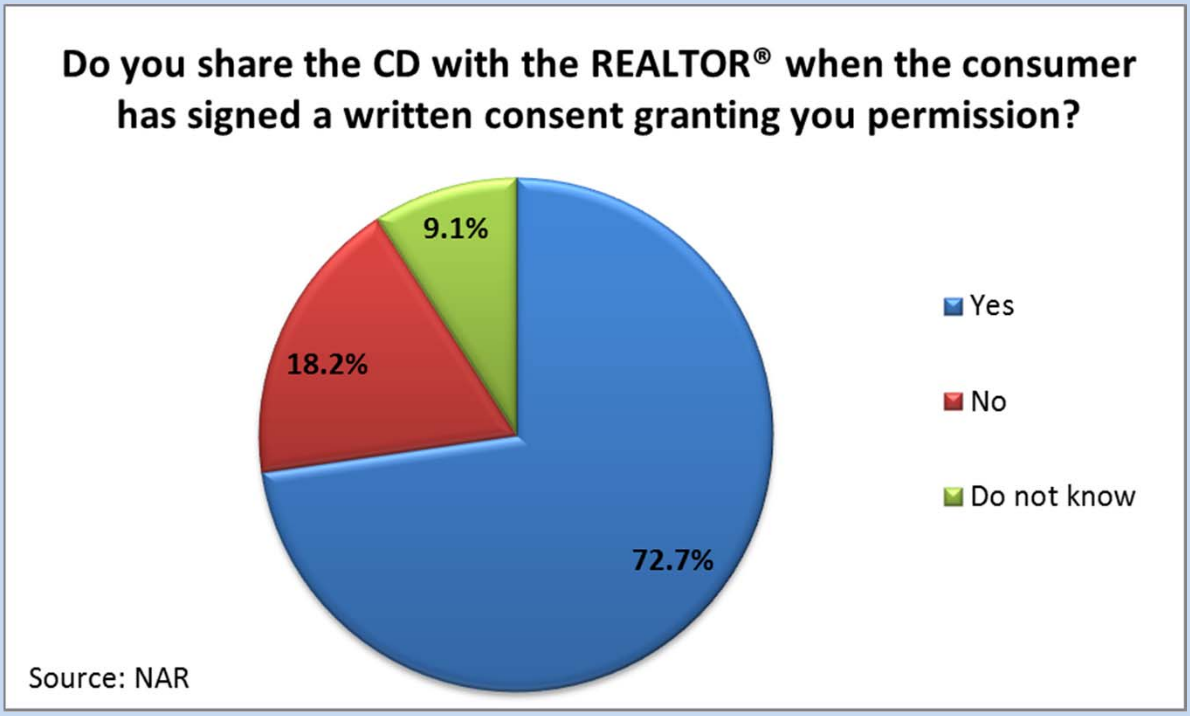


An unchanged 55 percent of originators would not share the new closing disclosure (CD) with REALTORS® citing liability under TILA.





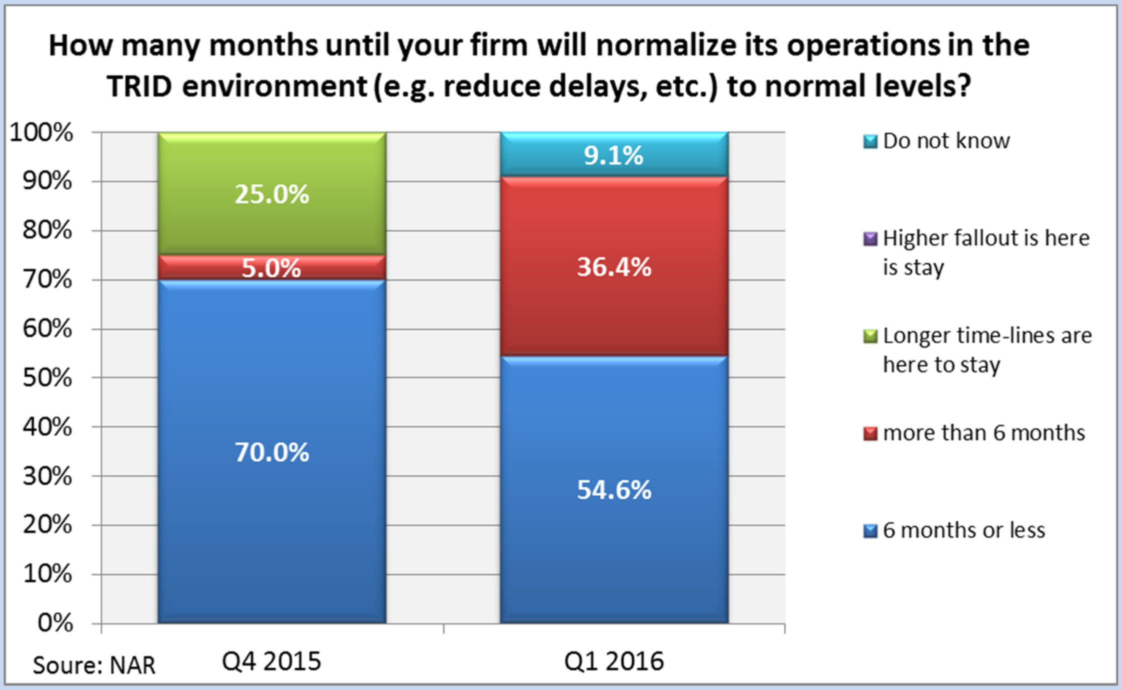
Nearly three quarters of respondents would share the closing disclosure (CD) given a signed waiver from the consumer

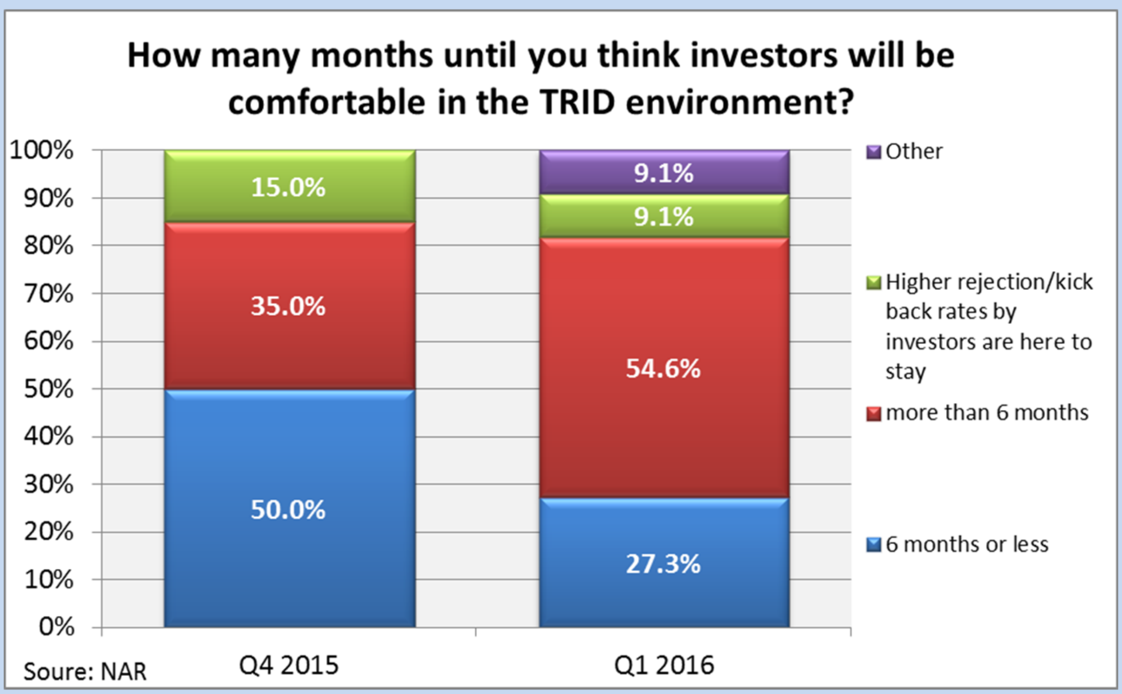


Respondents who would not share the CD even with a waiver cited:

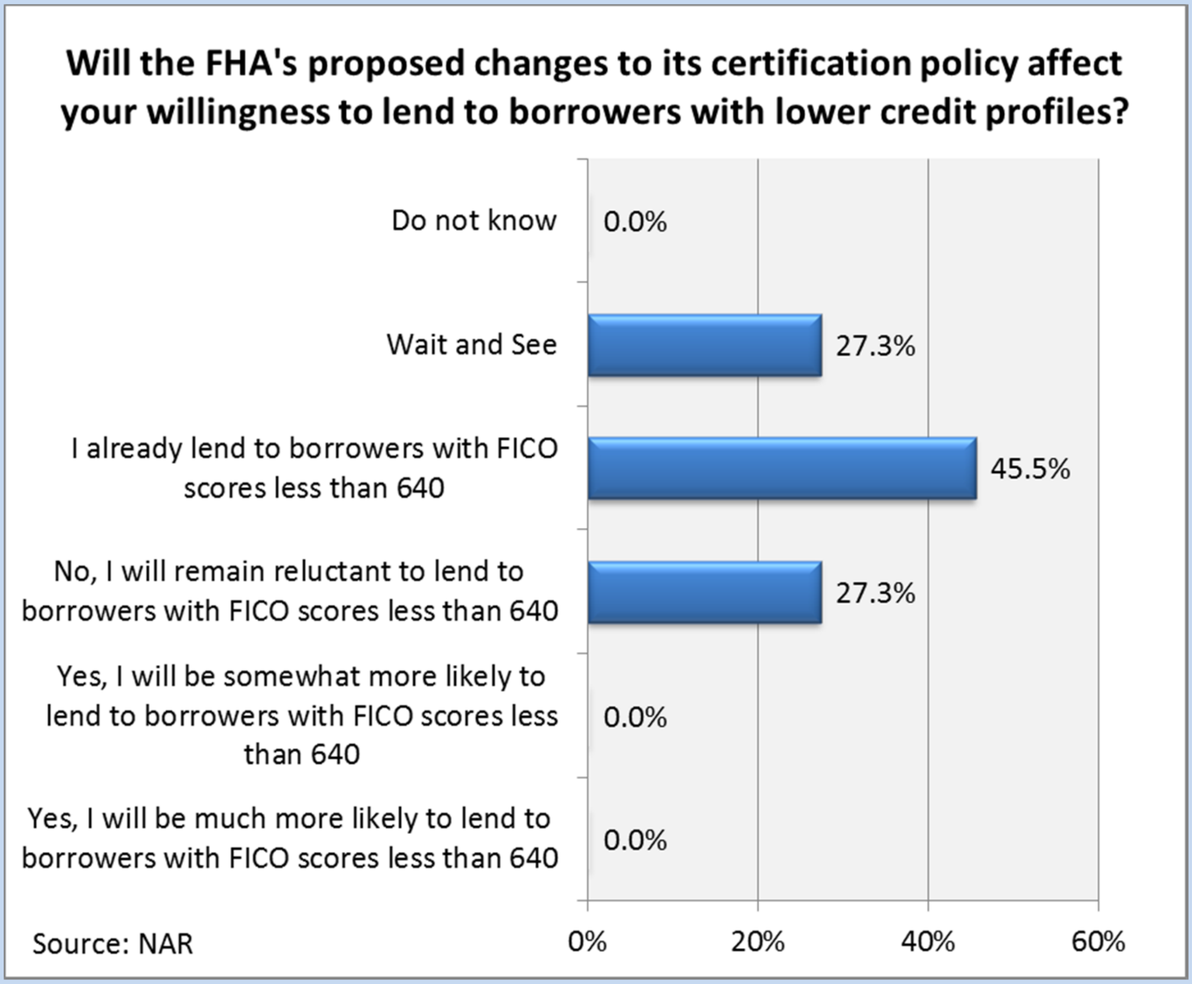
- Lack of clarity about written consent from the CFPB
- Lack of clarity about written consent and the application of TILA
- Lack of uniformity of consent/waiver forms

Lenders' expectations for normalization of both their own operations and investors' demand slipped from the 4th quarter to the 1st quarter, suggesting a protracted timeframe for issues





Nearly a third of respondents indicated that despite the FHA's proposed changes to its certification policy, they would remain reluctant to lend to lower credit borrowers



Appendix:
Survey Methodology

- 135 lenders were surveyed
- The survey was conducted from April 6th to 31st
- Response rate was 11.1%
- The sample is a geographically diverse group of lenders focused on the purchase market
- Lenders' size by annual volume declined relative to the 4th quarter of 2015

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

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Research Division

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