National Association of REALTORS®

Survey of Mortgage Originators, Third Quarter 2016:

Market Trends, TRID, & Servicing

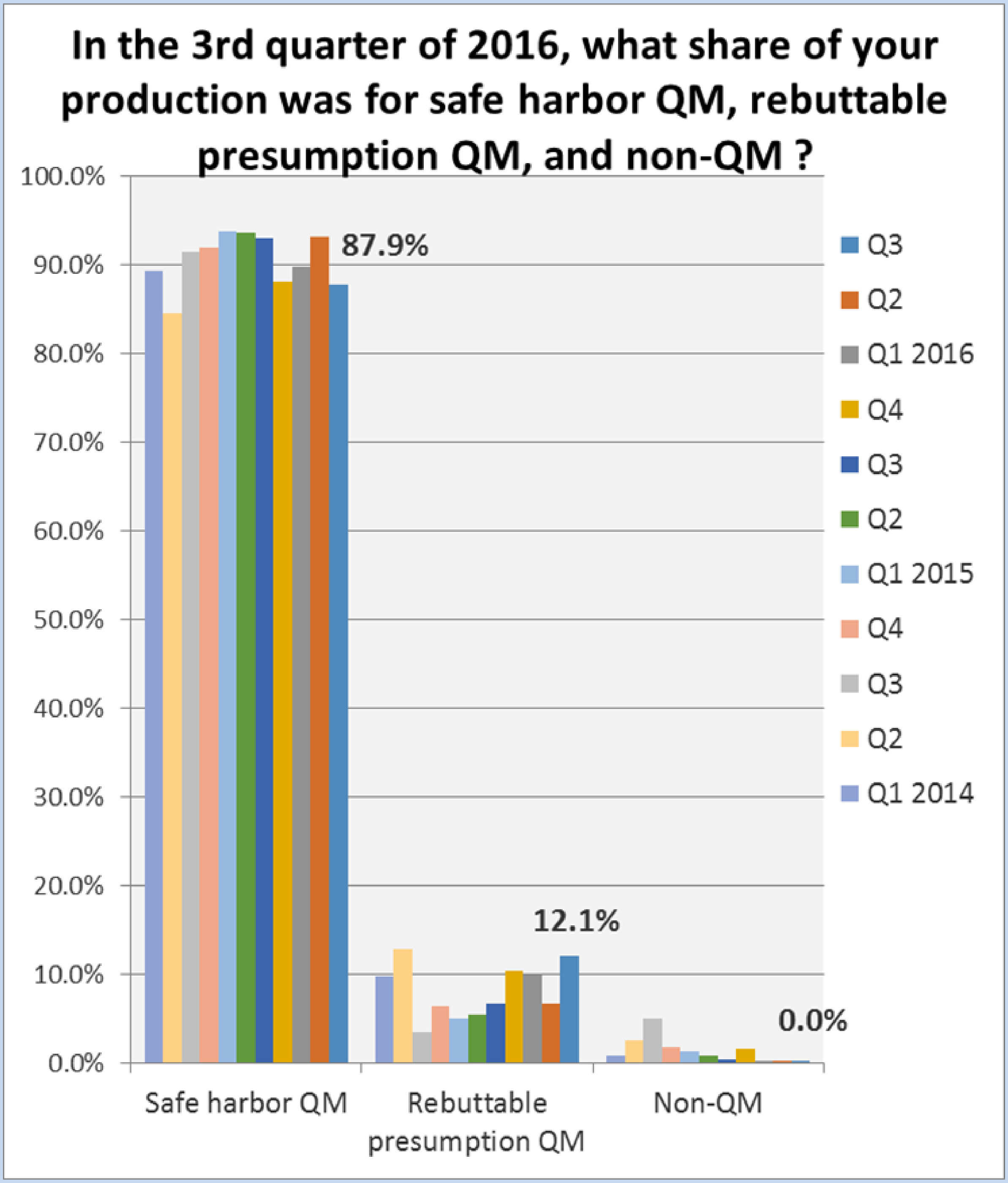
NATIONAL ASSOCIATION of REALTORS®

REALTOR®

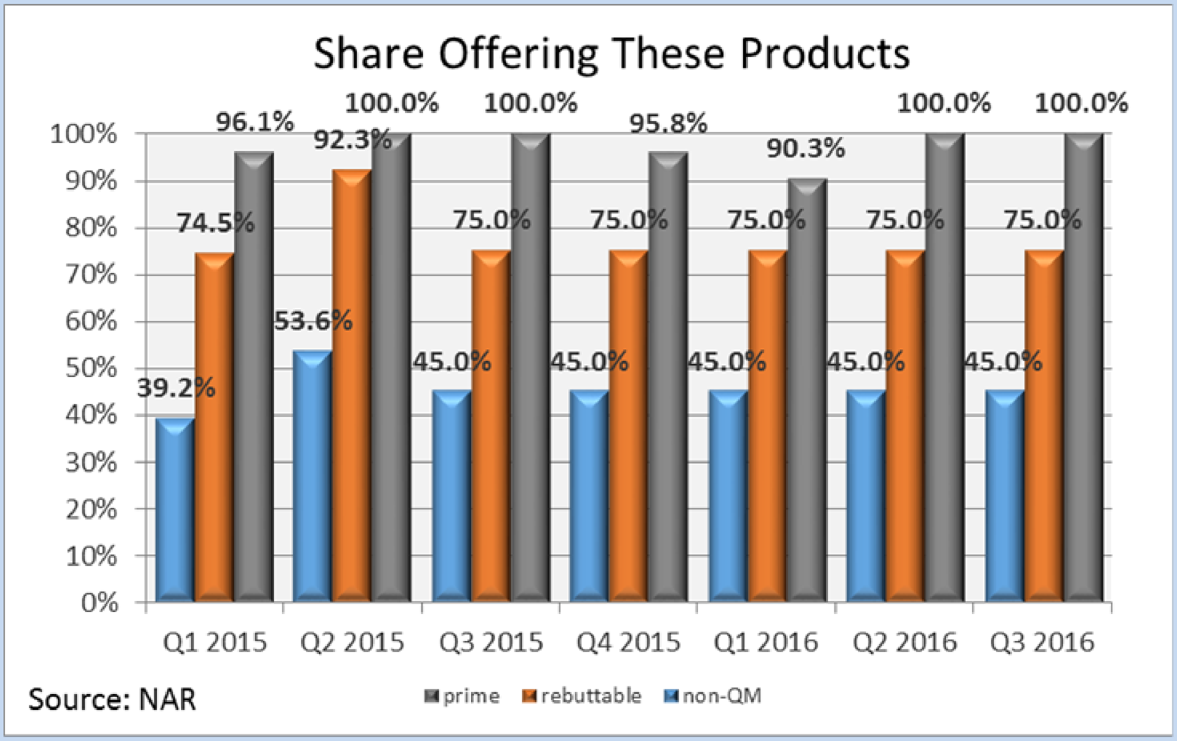
For the 12th consecutive quarter, NAR surveyed a panel of mortgage originators on current trends in lending. This survey covered lenders' experiences in the fall of 2016 and also included questions on the impact of recent policy and regulatory changes. Here are a few of the findings:

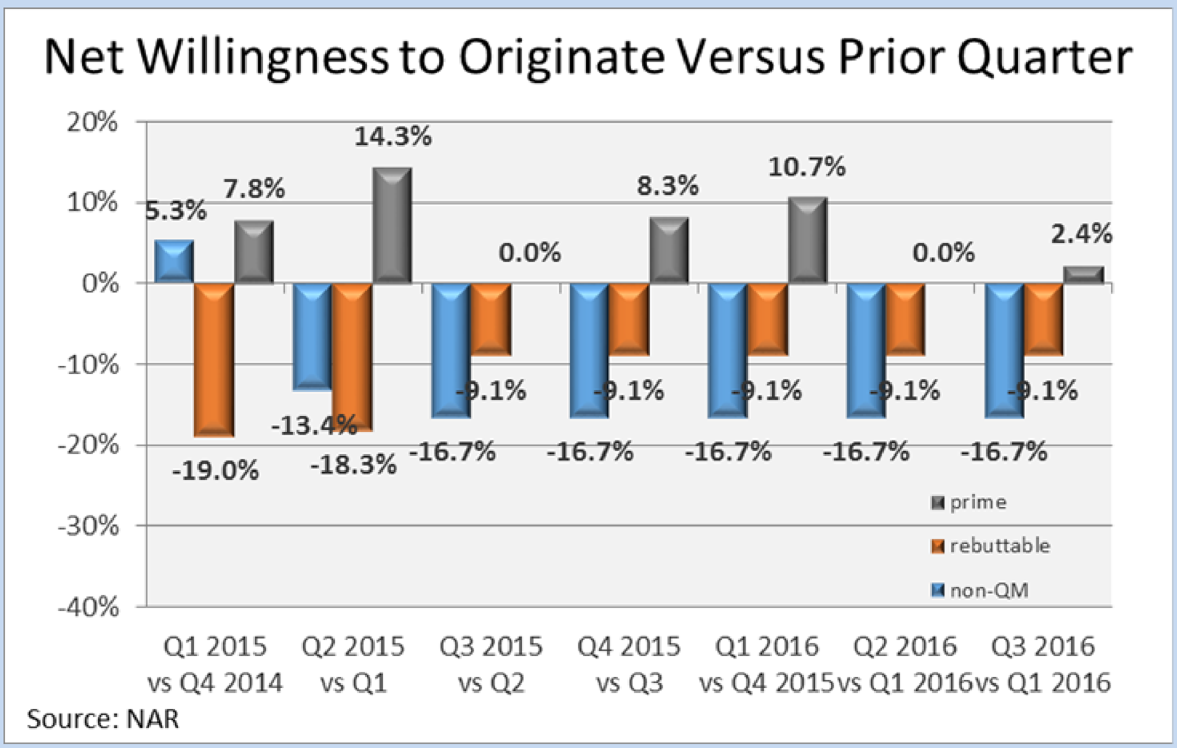
- Non-QM lending has not bounced back from the implementation of the risk retention rule, while rebuttable presumption lending continues to gain ground.
- Credit access for lower-credit prime borrowers is expected to rise while all other categories are likely to moderate.
- The share of transactions delayed due to TRID rose to 2.6 percent, but both TRID and non-TRID cancelations fell.
- More than half of lenders passed TRID-related costs to consumer with a weighted average increase of $220.
- Only 16.7 percent of participating lenders shared the closing disclosure (CD) unconditionally with REALTORS®, while 50 percent did not share under any circumstances.
- 83.3 percent of respondents indicated that the CFPB's July clarification sharing did not impact their decision to share the CD. Several lenders indicated that more clarification was needed or that they were not aware of the CFPB's statement.
- The majority of lenders in this survey sold their servicing rights and only 8.3 percent of respondents indicated that servicing was a factor in determining overlays.

Non-QM lending disappeared in the wake of QRM's implementation, while the share of loans that are to the rebuttable presumption standard has grown

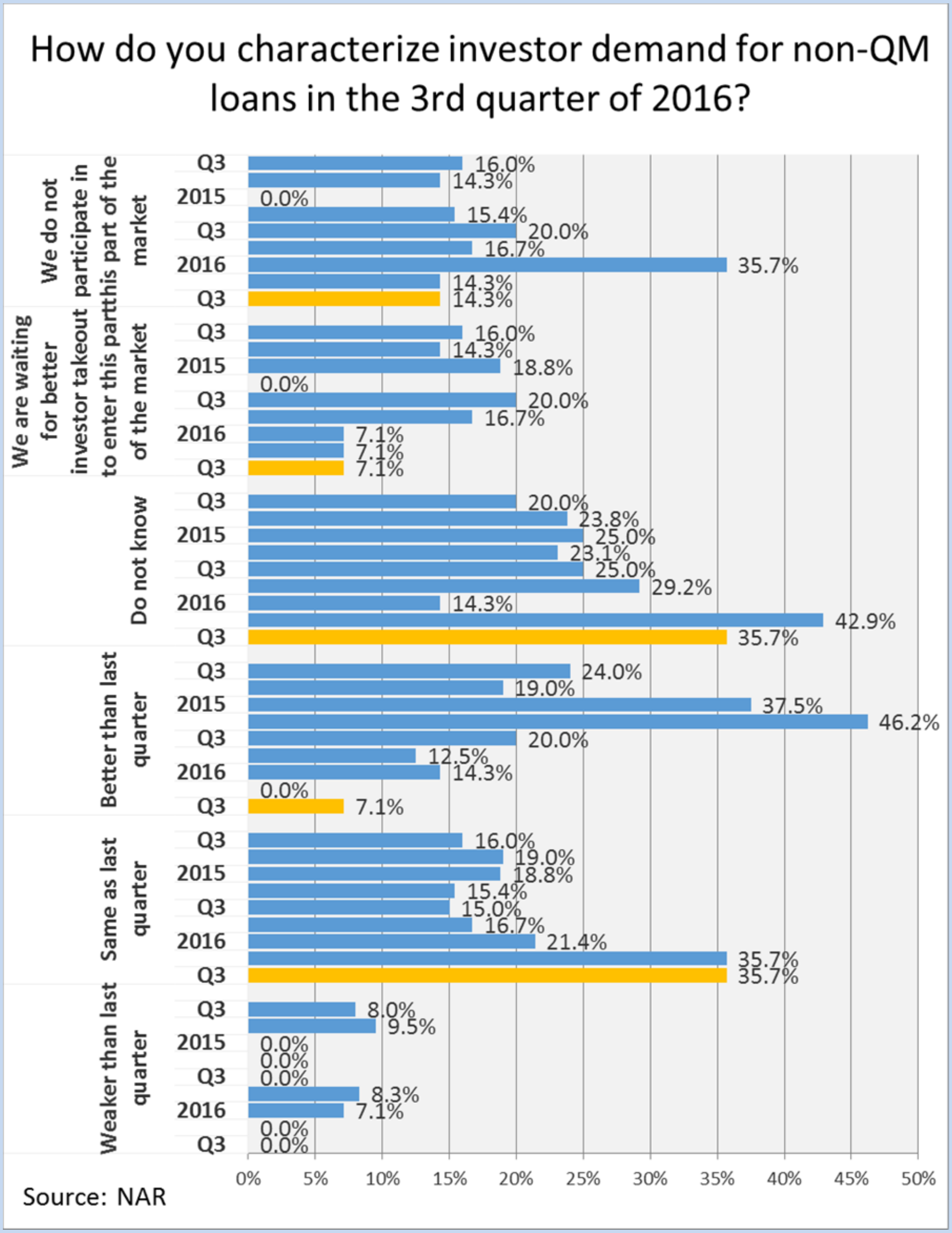


Lenders' offerings were unchanged, while lenders' willingness to originate prime products expanded in contrast to a continued constrained appetite to extend non-QM and rebuttable credit

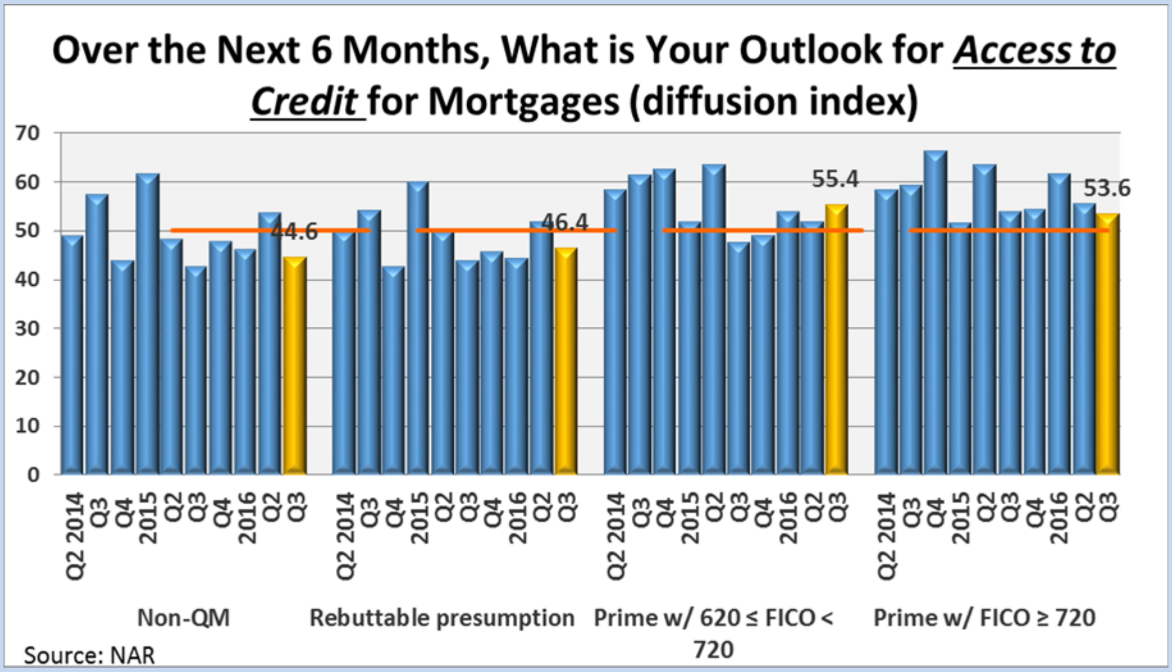




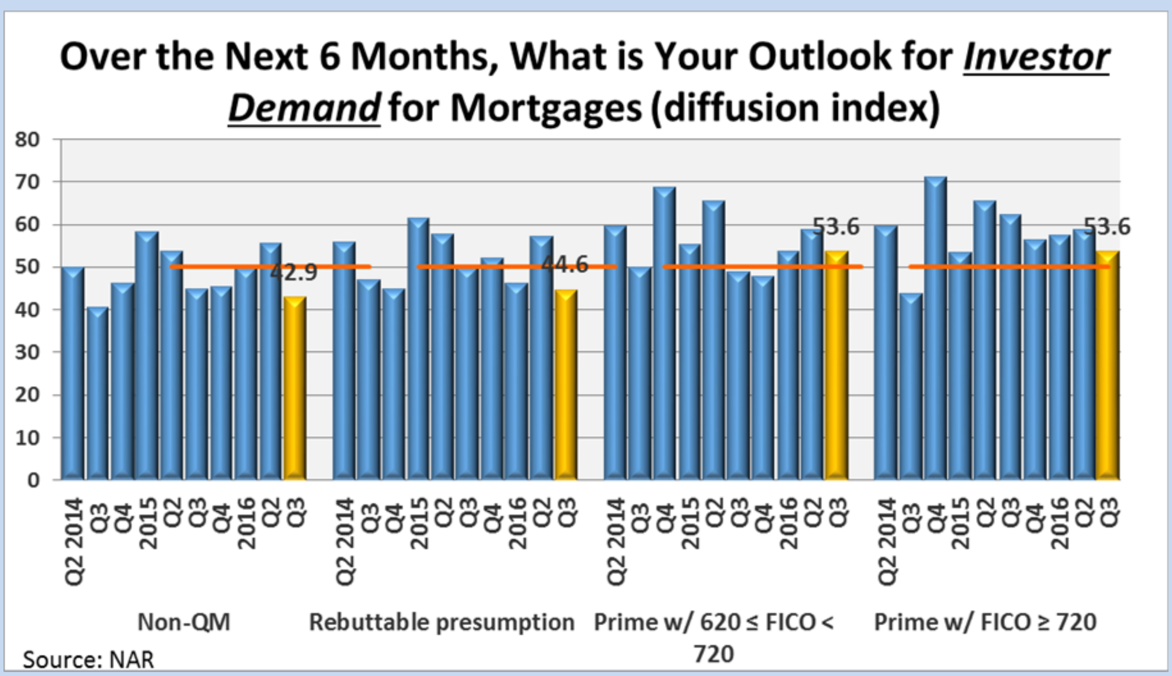
In contrast, *investor* demand for non-QM loans increased modestly from the 2nd quarter.



Lenders expect stronger growth in lower-credit prime, but others sectors to ease…

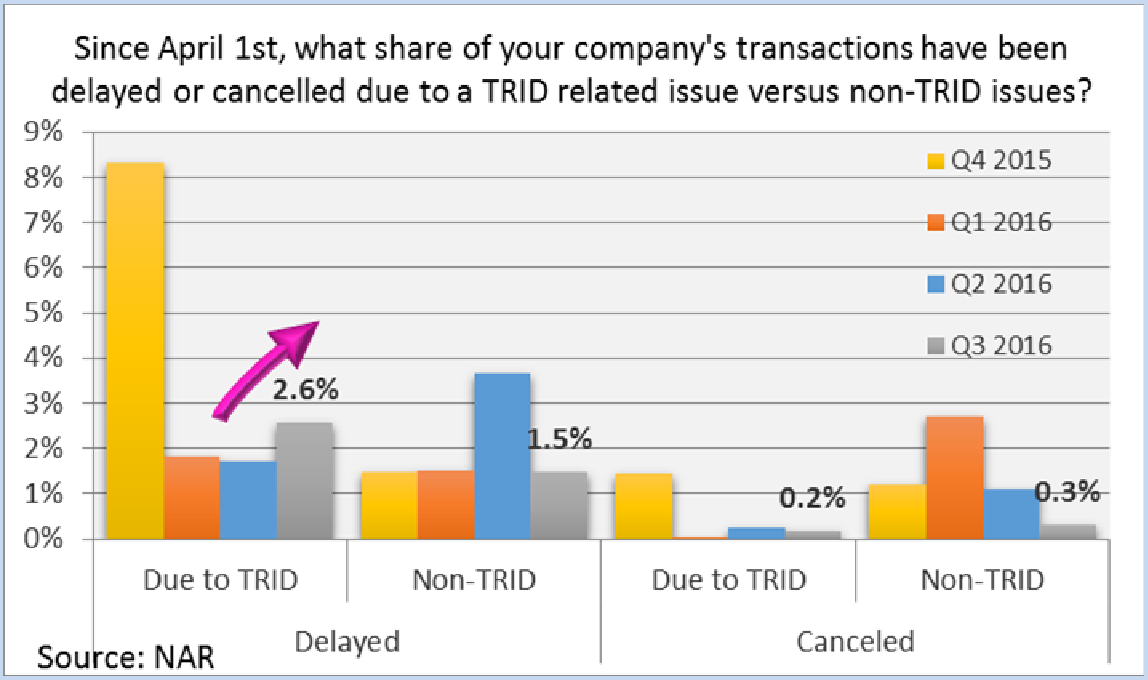


…while investor interest is expected to fall for all types, but most significantly for non-prime

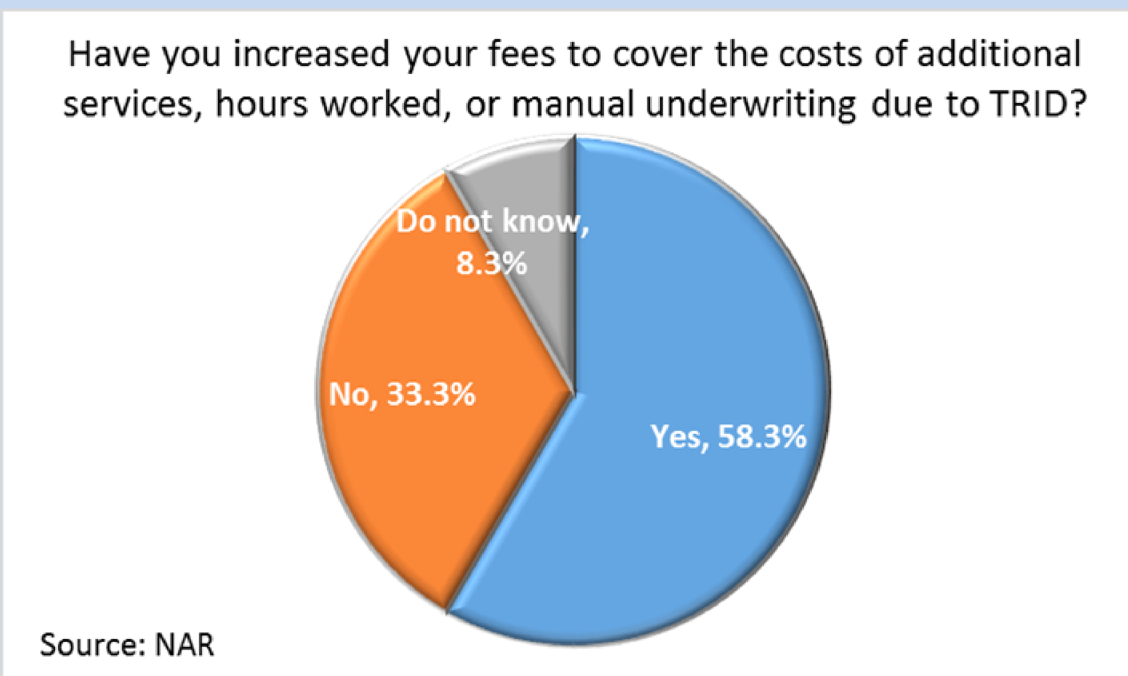


POLICY ISSUES:
TRID AND SERVICING

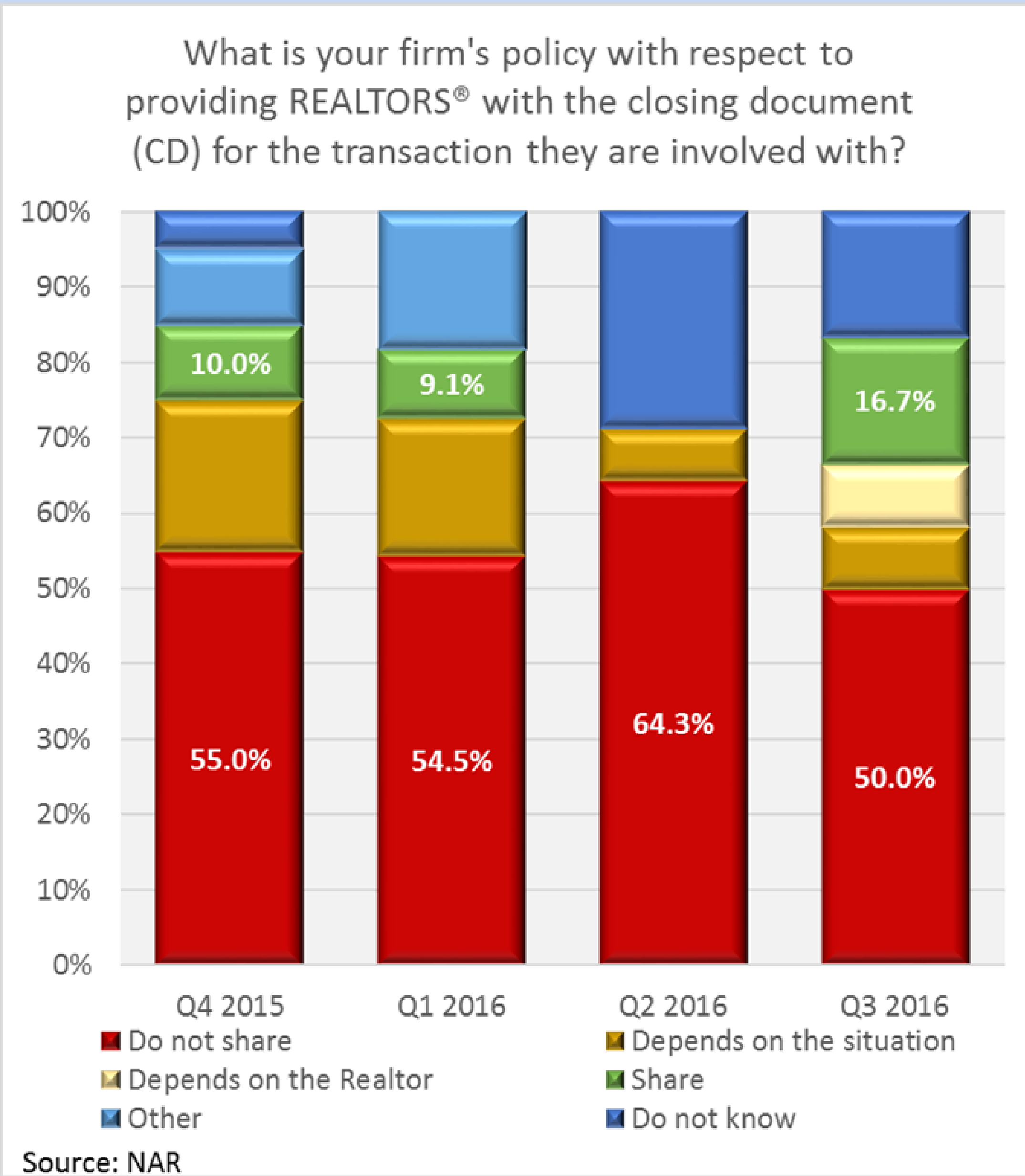
Delays attributed to TRID rose from the 2nd quarter to the 3rd quarter, while non-TRID delays eased. Cancellations fell across the board.



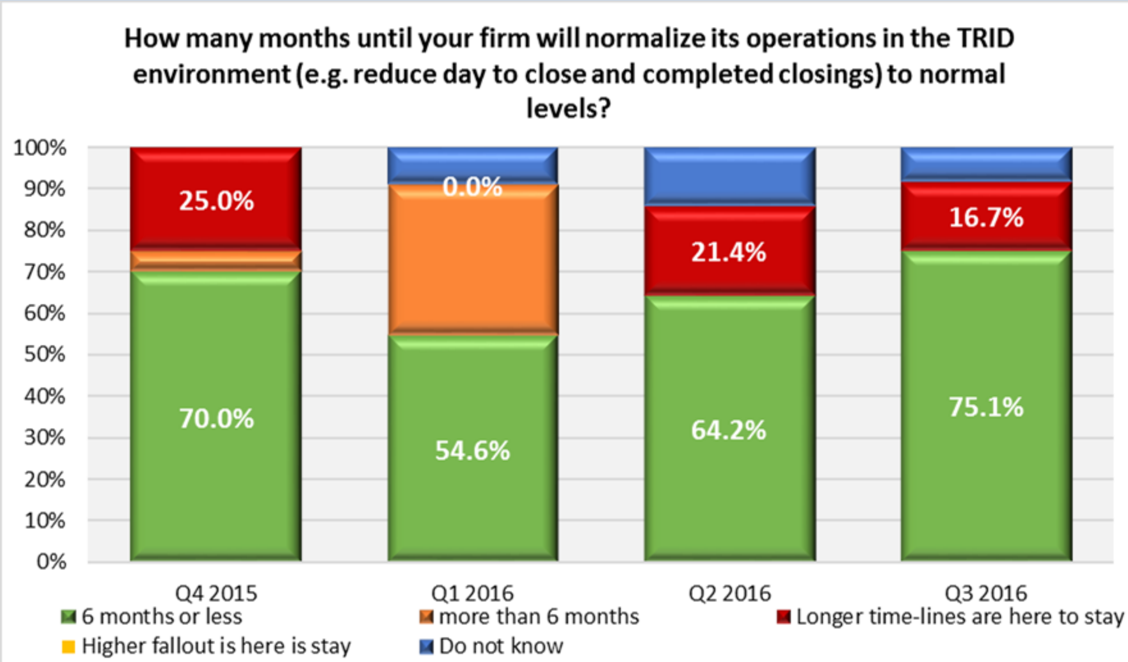
58.3 percent of respondents increased fees to cover additional TRID-related costs with an average of $220 per transaction



The percentage of respondents who do not share closing disclosures (CDs) with REALTORS® eased to 50 percent, while only 16.7 percent share them unconditionally.

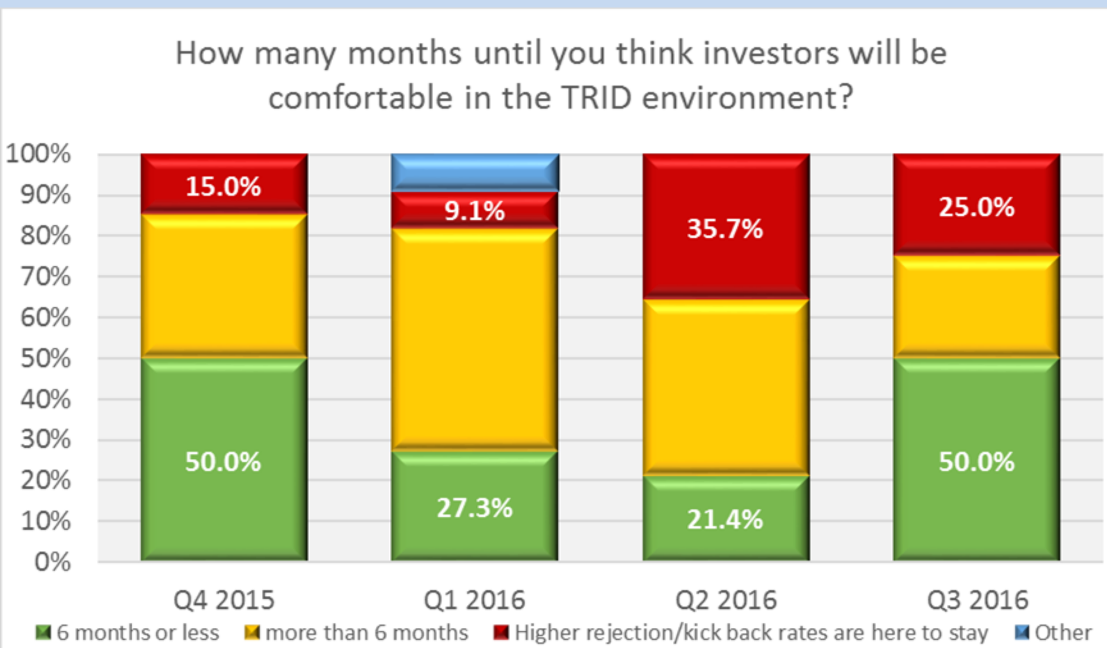


Lenders' optimism about normalizing operations continued to expand in the 3rd quarter



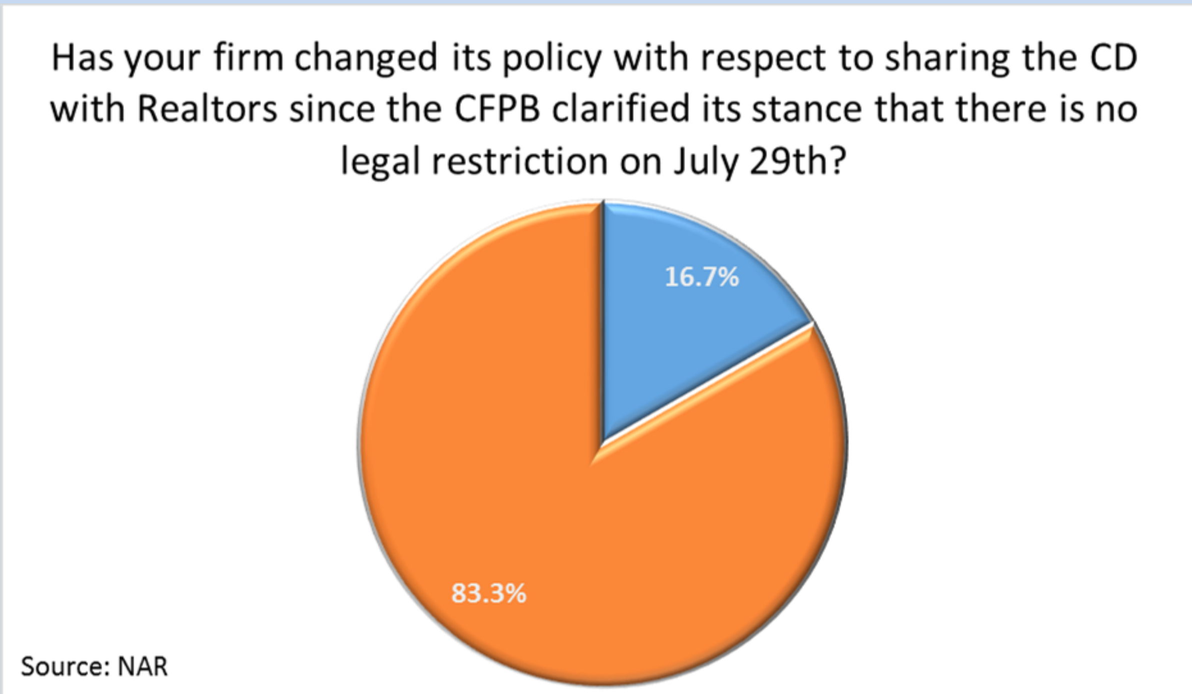
Source: NAR

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



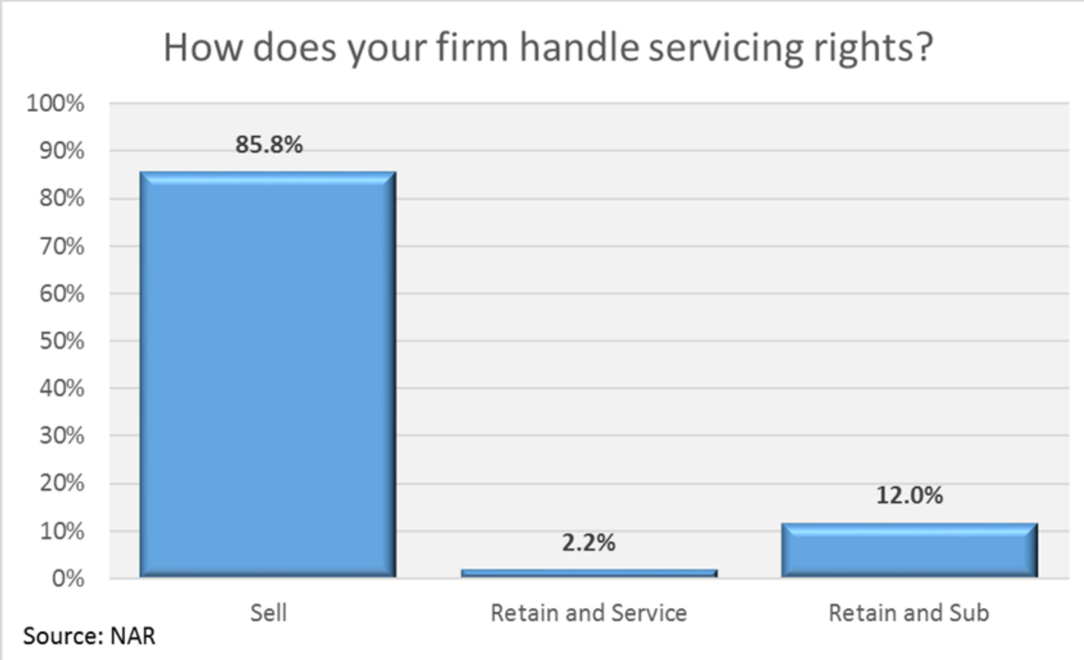
Source: NAR

Despite the CFPB’s clarification that lenders would not be liable for sharing of information contained in the closing disclosure, the majority had not changed their stance.

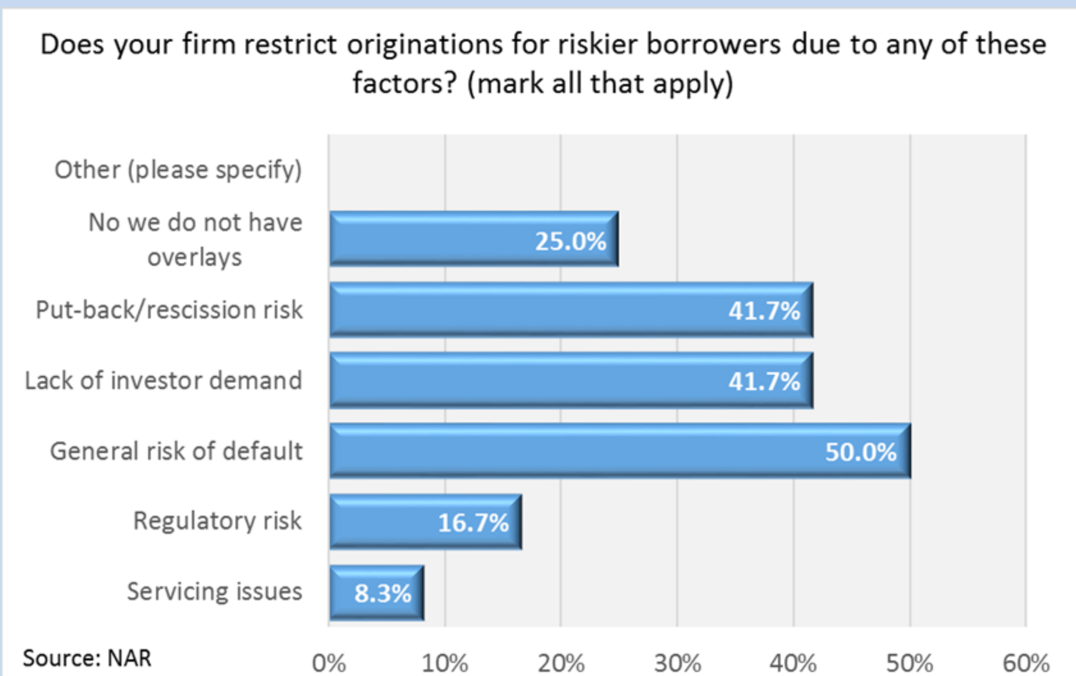


Several respondents indicated that they were not aware of the change, or that more explicit clarification was needed.

85.8 percent of respondents sold their servicing rights, but a significant group retained them or used a sub-servicer



Servicing was the least important factor in determining overlays



Respondents cited the high cost of servicing delinquent loans and oversight, while lack of investor demand was not a concern.

Appendix:
Survey Methodology

- 135 lenders were surveyed
- The survey was conducted from October 5th through October 21th
- Response rate was 11.1 percent and a margin of error of 5.3 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 2nd quarter survey

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

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