## **Housing News Update**



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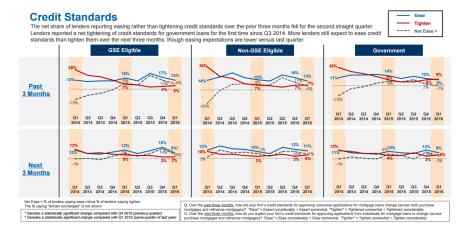
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# Have Mortgage Underwriting Standards Bottomed Out?

If lenders' opinions count, **credit standards** appear to be as low as they will go, at least in the medium term. On the other hand, it appears they are unlikely to tighten perceptively either. Fannie Mae's first quarter 2016 Mortgage Lender Sentiment Survey conducted in February, asked respondents whether credit standards for mortgage loans had tightened or eased over the three-months prior to the polling and if were expected to ease or tighten over the upcoming three months.

The company reports that the net share of those reporting that standards had recently eased **fell** for the second straight quarter although the net-reported-tightening of standards for government loans **rose** for the first time since the third quarter of 2014. To keep things in perspective, those reporting tightening for any one loan type are in single digits as are the net differences. Their responses for activity over the next three months shows **even less motion** is expected.



Lenders report a lower demand for purchase loans over the quarter and but they strongly anticipate that demand to pick up over the next three months. For the current quarter the net share reporting purchase demand for all types of loans decreased significantly from a year earlier but the net of those expecting a pickup soared from near zero in the fourth quarter to more than half for each loan type.

### National Average Mortgage Rates



	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	7.25%	-0.03	0.00
15 Yr. Fixed	6.68%	-0.07	0.00
30 Yr. FHA	6.64%	-0.06	0.00
30 Yr. Jumbo	7.45%	-0.03	0.00
5/1 ARM	7.32%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Banke	rs Assoc.		
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM Rates as of: 5/6	6.64%	+0.12	0.87

## **Recent Housing Data**

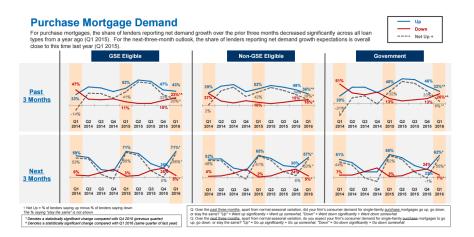
		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

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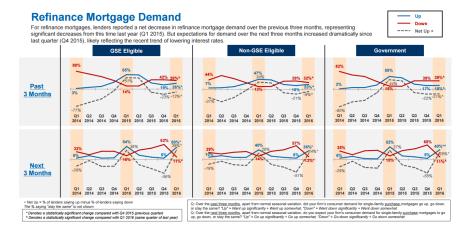
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## **Housing News Update**

		Value	Change
Builder Confidence	Mar	51	+6.25%



Lenders expecting **greater refinance mortgage demand** over the following three months increased dramatically since last quarter.



"This quarter's Mortgage Lender Sentiment Survey results reflect recent market volatility. Lenders anticipate a pickup in refinance demand in light of the decline in interest rates this year, but report a **slowdown in purchase demand** perhaps because of a seasonal component," said Doug Duncan, senior vice president and chief economist at Fannie Mae. "The survey suggests a slower pace of easing, as the net share of lenders who reported that they have eased credit standards overall over the past three months remained positive but has declined since the third quarter of last year. Lender expectations for easing over the next three months have also moderated."

Continuing 2015 trends lenders said they intend to **increase the share of their loans** sold to Fannie Mae and Freddie Mac (the GSEs) and to Ginnie Mae. They also intend to decrease the loans kept in their portfolio and whole loans sold to non-GSE correspondents over the next 12 months.

More lenders reported that they expect to increase rather than decrease the percentage of their **MSRs** sold to a third party, continuing the upward trend from last quarter (Q4 2015). In particular, significantly more mid-sized institutions expect to increase their share of MSRs sold to a third party compared with the same period last year (Q1 2015). On net lenders also reported they would decrease the share of MSRs retained and serviced in-house over the next three months.

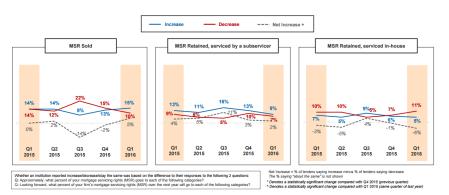
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## **Housing News Update**

#### **Mortgage Servicing Rights Execution Outlook**

More lenders expect to increase rather than decrease the percentage of servicing rights sold, continuing the upward trend from the previous quarter. Likewise, lenders expect a net decrease in the proportion of servicing rights retained in-house.



Only 13 percent of lenders responding to the Q4 2015 survey reported they expected profits over the upcoming three months. That improved to 33 percent in the Q1 survey with lenders primarily basing their that projection on increased efficiencies and rising consumer demand. Among those who thought profits would fall, the leading cause was the cost of regulatory compliance.

#### **Lenders' Profit Margin Outlook - Next 3 Months**

Lenders' net profit margin outlook turns positive this quarter, but is significantly lower than this time last year. Lenders expecting increased profit margins cite rising consumer demand and higher operational efficiency as the key reasons, while those expecting lower profits point to government regulatory compliance.

	Profit Margin Outlook								Key Reasons for Expected Increase – Q1 2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Consumer demand	52%	
	2014 n=241	2014	2014	2014	2015 n=180	2015	2015	2015	2016	Operational efficiency (i.e. technology)	52%	
	n=241	n=1/5	n=185	n=182	n=180	n=222	n=200	n=186	n=194	Market trend changes (i.e. shift from refinance to purchase)	30%	
				13%	41%	26%			33%*	GSE pricing and policies	17%	
Increase	21%	24%	16%	13%	-	26%	13%	13%		Non-GSE (other investors) pricing and policies	13%	
	35%	48%	51%	55%	50%	48%	49%	46%	49%	Showing data for selected answer choices only. n=75		
About the same	35%									Key Reasons for Expected Decrease - Q1 2016	6	
Decrease	44%	29%	33%	32%	10%	25%	38%	42%	19%*^	Government regulatory compliance	65%	
										Competition from other lenders	33%	
					31%					Staffing (personnel costs)	26%	
Net increase %					0170				14%*^	Consumer demand	25%	
of lenders saying crease minus % of		-5%				1%				GSE pricing and policies	13%	
nders saying ecrease)	-23%	-0%	-17%	-19%			-25%			Showing data for selected answer choices only. n=77		
Over the most disease possible, flow much do you expect once firm's profit margin to change for to single-family mustages profits — Schoderford (Plomater Call Plants), (Schoderford (Plomater Call Plants), (Schoderford (Plomater Call Plants)), (Schoderford												

Fannie Mae's survey polls senior executives of its lending institutional customers on a quarterly basis to assess their views and outlook across varied dimensions of the mortgage market. The first quarter 2016 edition was conducted between February 3, 2016 and February 16, 2016.

There were 205 institutions participating in the current survey; 63 mortgage banks, 88 depositories, and 47 credit unions. Fannie Mae said 57 were large banks, in the top 15 percent in origination volume and 80 were small institutions, falling in the bottom two-thirds of originators by volume.

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# All Your Mortgage Needs, Professionally Delivered with a Personal Touch

Whether you're a first-time homebuyer hoping to navigate the process of buying a home so that it is a fun and anxiety-free process or a homeowner looking for refinance options that deliver more freedom and flexibility, I can help you analyze your current situation and find money saving options. With expertise in all areas of mortgage and financing, my hope is that once I become your mortgage partner, I'll stay your mortgage partner. With clients from A to Z, files never leave my hands or my desk. From start to finish, every step of the way, my goal is to keep the lines of communication open, provide complete and attentive service, and ensure the most seamless and satisfactory process possible.

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