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Fannie Mae Survey Points to Credit Easing

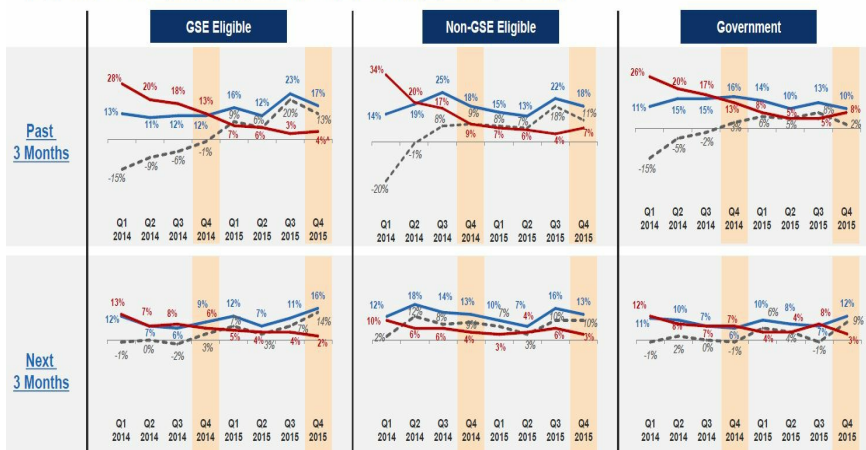
Fannie Mae said Thursday there are indications that easing lending standards may help mitigate some of the loss of housing affordability moving into the New Year. The company questioned a sample of lenders about trends in underwriting as part of its fourth quarter **Mortgage Lender Sentiment Survey**.

The survey, conducted last month shows that more lenders reported they expected to ease rather than tighten credit standards for GSE-eligible and government loans over the next three months. Sixteen percent expect to **loosen standards** for GSE loans compared to 11 percent in the third quarter while only 2 percent expect standards to tighten. Expectations for easing of government guaranteed loans rose from 8 percent to 12 percent.

The percentage of lenders who reported that standards had actually eased over the three prior months declined from the third quarter as did the net difference between those who reported easing and those who reported tightening.

Credit Standards

Lenders continue to report expectations to ease credit standards for GSE eligible loans and government loans over the next three months, with the net percentage of lenders reporting easing expectations reaching a new survey high (14% and 9%, respectively).



National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

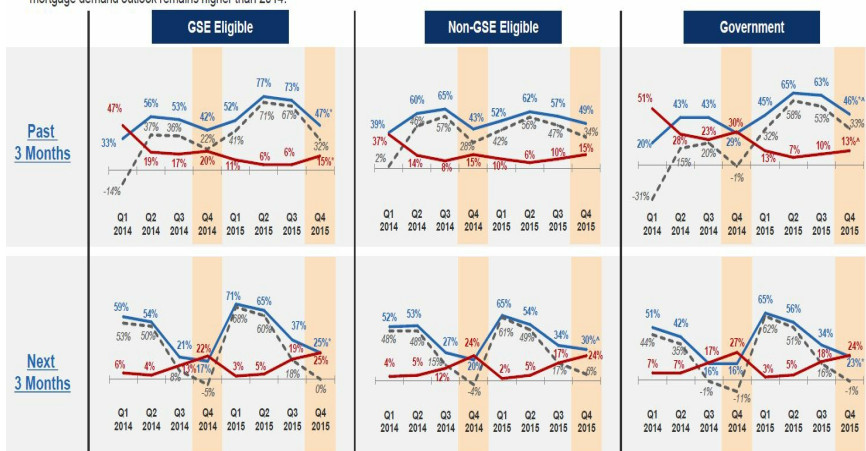
		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Doug Duncan, senior vice president and chief economist at Fannie Mae said, "Several factors point to constrained housing affordability in 2016, particularly for first-time home buyers, including slow single-family supply response and limited inventory of starter homes on the market, strong inflation-adjusted house price appreciation outpacing household income growth, and an upward bias in mortgage rates. However, on net, lenders told us in our fourth-quarter Mortgage Lender Sentiment Survey that they have eased and **expect to continue to ease** credit standards, which was a consistent trend throughout 2015. Thoughtful easing will help mitigate some of the affordability decline moving into 2016.

Expectations about increased purchase mortgage demand for the next three months has continued to decline throughout the year after reaching survey highs in the second quarter, likely reflecting seasonal influences. Only about a quarter of lenders expect demand to increase for either GSE-eligible or government guaranteed loans but lenders' purchase mortgage demand outlook is still more optimistic than in 2014.

Purchase Mortgage Demand

The net percentage of lenders reporting increased purchase mortgage demand expectations over the next three months has continued to decline throughout the year across all loan types after reaching survey highs in Q2, likely due to seasonal influences. However, lenders' purchase mortgage demand outlook remains higher than 2014.



Most institutions report they expect to maintain existing strategies toward secondary market originations over the next 12 months. However, more institutions continue to report expectations to **increase rather than decrease** the shares of loan originations sold to Ginnie Mae, continuing a trend seen in previous quarters. Lenders also continue to report they intend to decrease rather than increase their portfolio holdings next year.

More lenders reported expectations to decrease rather than increase the share of their **MSRs** sold to a third party. In addition, more lenders reported expectations to increase rather than decrease the share of their MSRs retained and serviced by a servicer.

Continuing a trend that has prevailed all year, lenders **outlook for profit margins declined**. The net share of lenders expecting an increased profit margin over the next three months has dropped to negative 29%, a new survey low. Approximately one in two of these lenders cite "government regulatory compliance" as a key driver. The negative expectations were particularly strong among larger lenders and mortgage banks. Their negative net percentages were 56 and 53 percent respectively.

Fannie Mae's Mortgage Lender Sentiment Survey polls senior executives of its lending institution customers on a quarterly basis to assess their views and outlook across varied dimensions of the mortgage market. The fourth quarter survey was conducted between November 4, 2015 and November 13, 2015.

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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