Housing News Update February 23, 2018

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Refinancing: Seasonal Pattern or Last Chance Surge?

Although the company said it was regular January phenomenon, last month's **surge in refinancing** also feels a little like borrowers "headed for the last roundup." Ellie Mae's *Origination Insight Report* noted that the share of refinancing originations shot up by 5 percentage points in January, accounting for 45 percent of all closed loans. The surge coincided with a jump in the average interest rate of closed loans, from 4.28 percent in December to 4.33 percent, making for a **13-basis point increase since October.**

It was the highest share for refinancing, which dipped to less than a third of closed loans in early summer, since January. The December 2016 to January 2017 increase was 1 point.

"As we ring in 2018, we see refinances rise as a percent of overall loan volume, something that we have seen every January since we began reporting this data," said Jonathan Corr, president and CEO of Ellie Mae. "This increase in the percentage of refinances is attributed to slower seasonal purchase market carrying over from the end of 2017. Our expectation is percentage of refinances will taper back off to industry projected levels of 25 to 30 percent in the coming months as the purchase market resumes its momentum."

Refinancing **increased for every loan type**. It accounted for 28 percent of FHA loans, a 3-point increase, and rose 4 points for conventional loans and 3 points for VA loans to 51 percent and 34 percent respectively.

The distribution of loans across loan types had been static since September but shifted slightly in January. FHA loans accounted for 19 percent of closed loans, losing 1 point to conventional loans which got a 67 percent share. VA loans retained a 10 percent share.

The **closing rate** for all loans declined slightly to 70.9 percent from 71.2 percent. Closing rates on refinances ticked down to 65.5 percent from 65.6 percent and closing rates on purchases slipped to 75.7 percent from 76.1 percent. Closing rates are determined from a sample of loan applications originated 90 days earlier, in this case October 2017.

Among all closed loans the average FICO scores decreased by 1-point decrease to 721. The average loan-to-value ratio dropped from 79 to 77 and the debt-to-income ratio rose from 25/39 to 26/40.

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%
Builder Confidence	Mar	51	+6.25%

Closing time for all loans remained at 44 days; refinancing took an average of 40 days compared to 41 in December; and the time to close a purchase rose one day to 47 days.

The *Origination Insight Report* mines data from a sample of approximately 80 percent of all mortgage applications that were initiated on the company's mortgage management system. The company states its report is a strong proxy of the underwriting standards employed by lenders across the country.