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New Mortgage Rules Already Leaving Mark on 2015

It's late December-- time for every piece of news and analysis to begin with some reflection on the preceding year. There's a formula here: 2015 was a year of _____ for _____. The **first blank** is the phenomenon. The **second blank** is who or what experienced the phenomenon.

Let's apply this formula and conclude that 2015 was a year of **transition** for the mortgage and housing industries. Even the very core of the global financial system was in transition if we consider the fact that the year ended with the first Fed rate lift-off in more than 10 years.

Mortgage rates conveyed their own transition by ending the year almost perfectly flat. In stark contrast, 2014 was a year of pervasive movement, with rates starting at the highs of the year and ending at the lows. Whether we're transitioning **back** toward higher rates or simply to a **new reality** of "lower for longer" remains to be seen.

The operational side of the industry was also in heavy transition mode right through the end of the year. Everyone that touches a mortgage transaction has had to adjust to the **TILA/RESPA Integrated Disclosure (TRID) rules**. Different companies are handling this in different ways, and some are doing such a good job that their clients wouldn't sense much of a change. On average though, TRID comes with noticeable growing pains.

Leaving aside the fairly futile debate on whether **TRID does much to help protect consumers**, we can easily observe its other effects—namely, it's causing significant delays. Keep in mind, even an increase of 4-5 days is "significant" when it comes to the average processing time for loans across the entire industry.

Not only does time cost money in terms of locking rates and per diem interest, but the delays officially cost the month of November the **3rd biggest drop in Existing Home Sales since 1980**. The 1st and 2nd biggest drops were seen in the months following the two expirations of the homebuyer tax credits implemented to help buoy the shell-shocked housing market in late 2009 and mid-2010. Double digit month-over-month declines only happen for big, salient reasons.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:20PM EST

Recent Housing Data

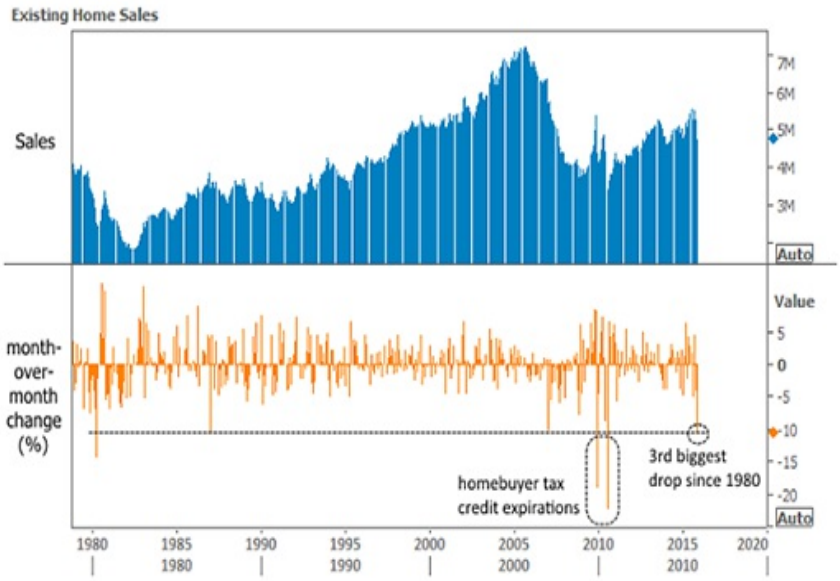
		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Existing Home Sales **never decline this much "just because."** November's double digit drop may owe itself to more than one factor, but the only way to reconcile the size of the move is with the TRID-induced delays. Because of the structure of the new rules, processing times will continue to be slightly longer in general, even if they decrease a bit as the industry gets more familiar with them.



New Home Sales also missed the mark in November, though not by nearly as much. The downward revision to October's numbers was fairly big, taking the annualized pace from 495 million to 470 million.

Remember when the high percentage of "all-cash" sales was shocking and enlightening? The total percentage has come down quite a bit in 2015, but some states are still pretty close to a 50% share according to CoreLogic.

In terms of nitty gritty market action, these holiday weeks are almost always duds. This one is no exception. Mortgage rates had been paradoxically moving lower following the Fed rate hike, but moved to the **highest levels in 5 months** by Wednesday. Trading levels in bond markets didn't exactly justify that much of a move, but lenders tend to price conservatively on holiday-shortened weeks—especially toward the end of them.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Tuesday, Dec 22				
10:00AM	Nov Exist. home sales % chg (%)	-10.5	0.0	-3.4
10:00AM	Nov Existing home sales (ml)	4.76	5.35	5.36
Wednesday, Dec 23				
7:00AM	w/e Mortgage Refinance Index	1764.0		1592.7
7:00AM	w/e MBA Purchase Index	230.8		221.7
8:30AM	Nov Durable goods (%)	0.0	-0.6	2.9
8:30AM	Nov PCE price index mm (%)	0.0		0.1
8:30AM	Nov Core PCE price index mm (%)	+0.1	0.1	0.0

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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Date	Event	Actual	Forecast	Prior
8:30AM	Nov Personal consump real mm (%)	+0.3		0.1
10:00AM	Nov New home sales chg mm (%)	+4.3	2.0	10.7
10:00AM	Nov New home sales-units mm (ml)	0.490	0.505	0.495
11:30AM	2-Yr Note Auction (bl)	13		
Thursday, Dec 24				
8:30AM	w/e Continued jobless claims (ml)	2.195	2.210	2.238
8:30AM	w/e Initial Jobless Claims (k)	267	270	271
2:00PM	Christmas			
Friday, Dec 25				
12:00AM	Christmas			
Tuesday, Dec 29				
9:00AM	Oct CaseShiller 20 yy (%)	+5.5	5.4	5.5
10:00AM	Dec Consumer confidence	96.5	93.8	90.4
Thursday, Dec 31				
9:45AM	Dec Chicago PMI	42.9	49.8	48.7
2:00PM	News Year's Eve			
Friday, Jan 01				
12:00AM	News Year's Day			

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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