

Beyond the Rate Debate: Notable Mortgage Industry Trends

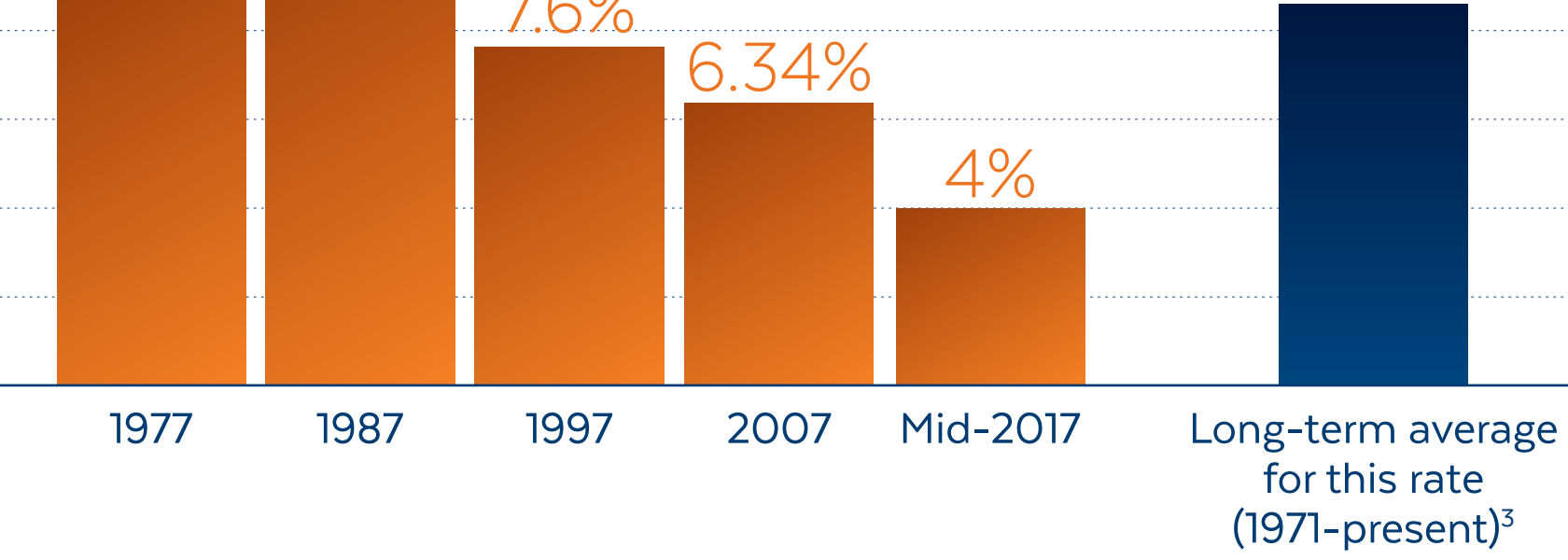
Home financing stays in high demand even as interest rates and home prices edge higher

Rates noted in this article are included as part of reporting about market trends and predictions, and are not representative of current rates offered by this or any other financial institution.

More than any time in recent history, mortgage rates are projected to move higher, following an initial spike after the 2016 election.¹ But this doesn't mean refinancing or purchase activity is expected to dry up. In fact, many experts anticipate a more active housing market, even if interest rates continue to rise.¹

Mortgage Rates: Still Low

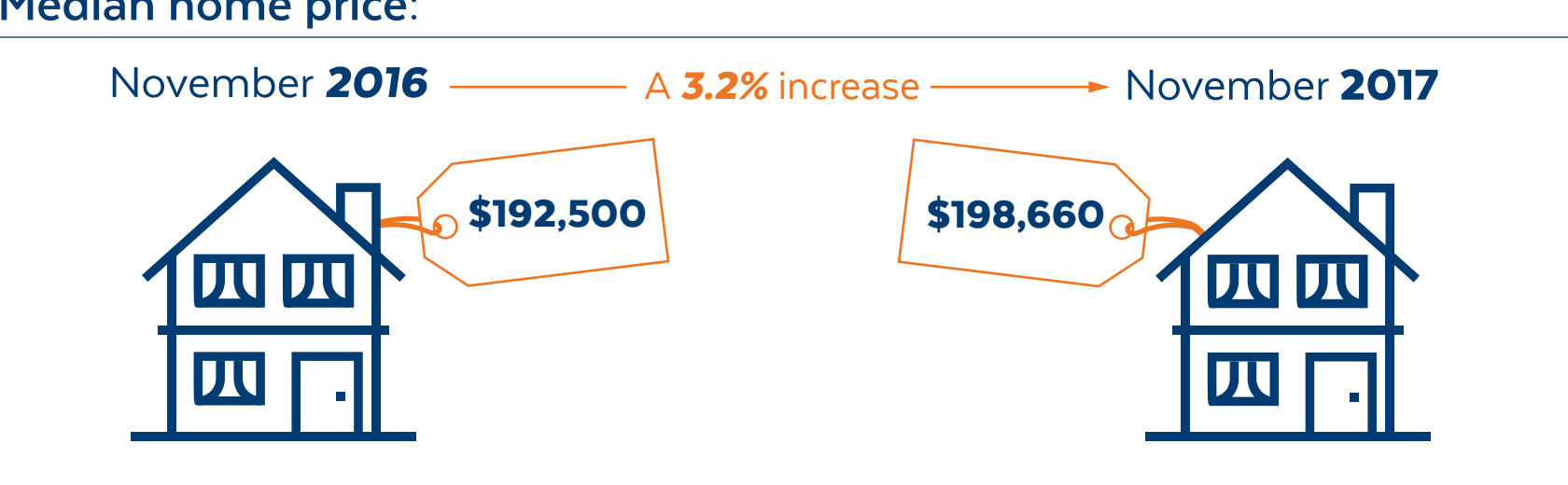
The average 30-year fixed rate is trending upwards, from **3.6%** in mid-2016. But consider how it compares to years past:²



On average, **home buying is 37.7% cheaper than renting** for buyers who can put 20% down and plan to stay in the home for seven years. Interest rates would need to **double** in order to erase this price advantage.⁴

Home Prices: Still Rising

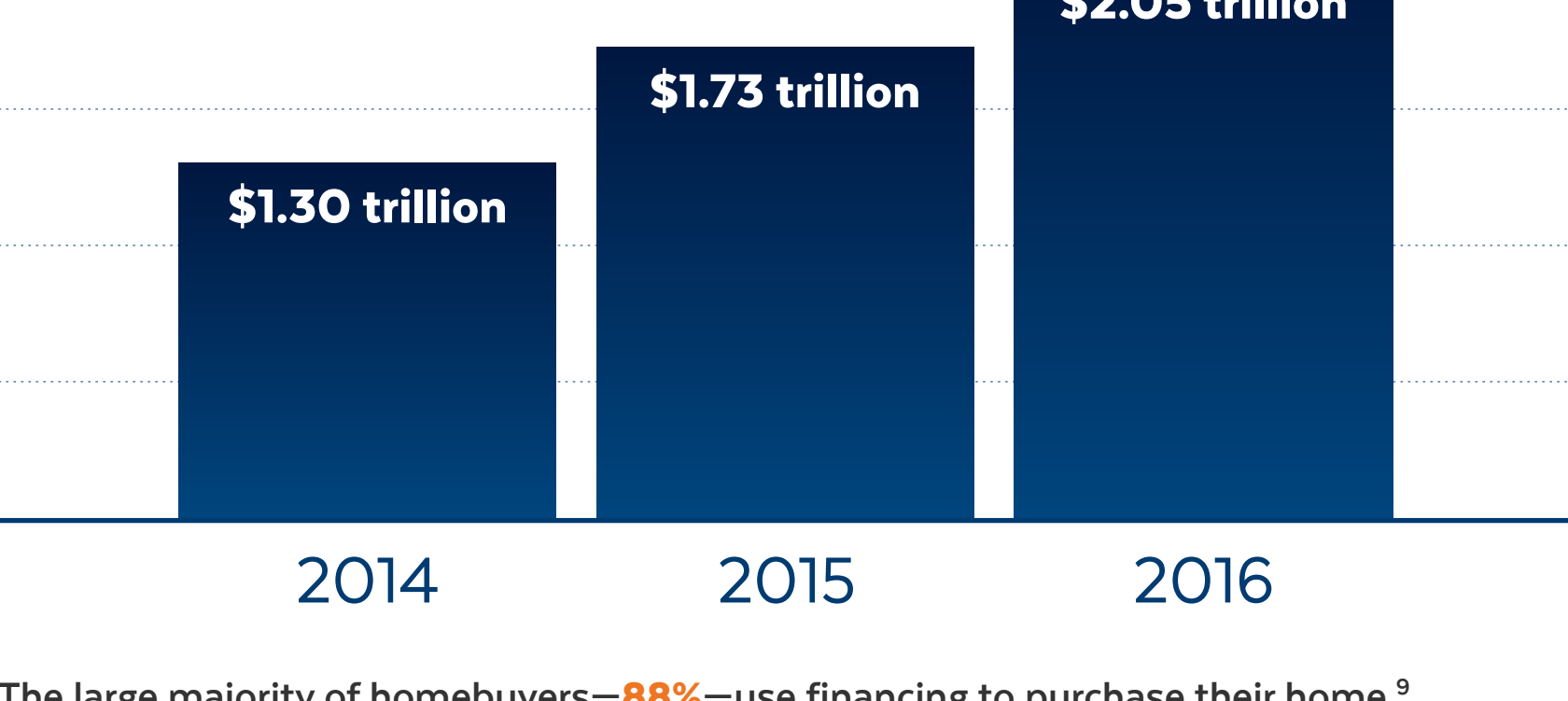
Home prices increased in 253 of 276 U.S. cities during 2016 and rose **5.8%** overall nationwide.⁵ The trend should continue, albeit at a slower pace:⁶



And still, homes are being unloaded quickly. The average sales pace is near a seven-year low at **49 days** on the market, down from **60 days** a year ago.⁷

Loan Preferences Differ Across Generations

Mortgage originations have increased in recent years as homebuyers continue to rely on financing.⁸

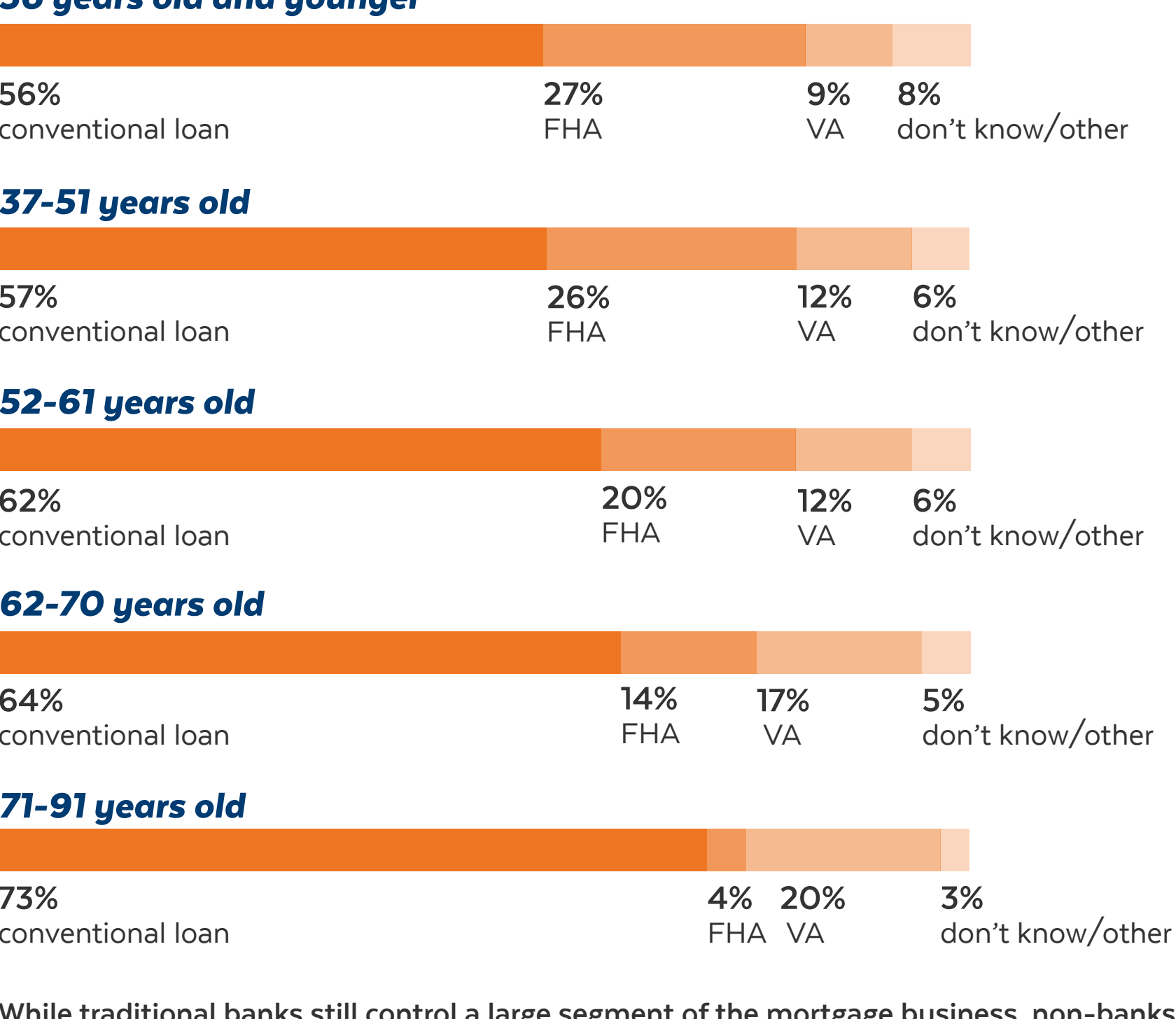


The large majority of homebuyers—**88%**—use financing to purchase their home.⁹

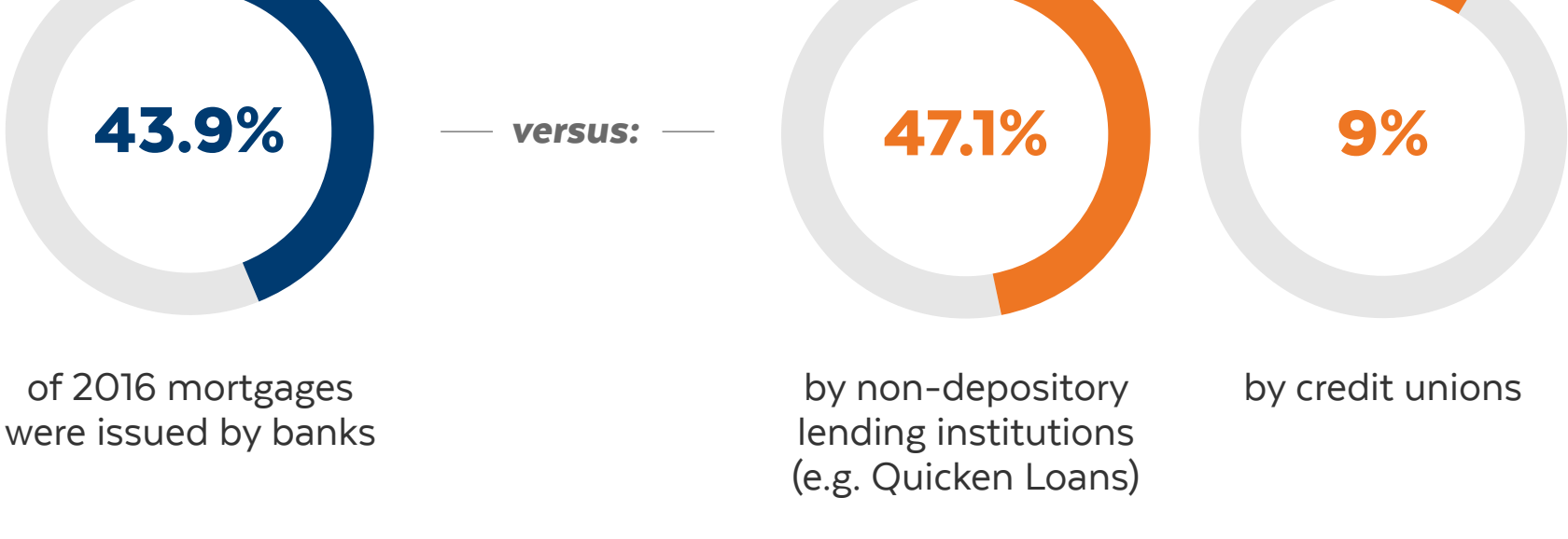


An even bigger segment—**92%**—opt for a fixed-rate mortgage, compared with just **2%** who take out an adjustable-rate mortgage (ARM) and **4%** who open a fixed-rate before converting to an ARM.⁹ This compares to 2005, when nearly **39%** of all borrowers used ARMs.¹⁰

59% of all buyers used a conventional loan; this number increases with age.⁹



While traditional banks still control a large segment of the mortgage business, non-banks are growing in popularity.¹¹



Today's Mortgage Applicant

During the fourth quarter of 2016—for the 11th consecutive time—more lenders reported easing their standards for mortgage applicants than raising them. The result of this shift is obvious: **77%** of mortgage applications are now crossing the finish line.¹²

Here's a look at today's landscape for mortgage applicants:



Homeownership remains a large part of the American dream, and with millennials saving up to buy, the demand for trusted mortgage professionals is higher than ever.

Ready to learn more?
Find out how the SunTrust Correspondent Lending Team can help you connect with your clients.

¹ "The Definitive Housing Market And Interest Rate Forecast For 2017," Feb. 7, 2017, Forbes
² "30-Year Fixed-Rate Mortgages Since 1971," 2017, Freddie Mac
³ "US 30 Year Mortgage Rate," Aug. 3, 2017, YCharts
⁴ "Rent vs. Buy: Be Haunted by Prices, Not Rates," Oct. 20, 2016, Trulia
⁵ "Housing Outlook, 2017: Home Prices Keep Climbing," April 2017, Kiplinger
⁶ "Housing Outlook 2017: Eight Predictions From The Experts," Jan. 3, 2017, Forbes
⁷ "Homes this spring are selling faster than ever," April 13, 2017, CNBC
⁸ "Housing Finance at a Glance: A Monthly Chartbook," May 2017, Housing Finance Policy Center
⁹ "Home Buyer and Seller Generational Trends Report 2017," 2017, National Association of Realtors
¹⁰ "Here's what it would take for adjustable-rate mortgages to stage a comeback," Jan. 1, 2016, Bankrate
¹¹ "U.S. Mortgage Market Statistics: 2017," July 19, 2017, MagnifyMoney
¹² "Mortgage Lenders Are Loosening Credit Standards Rapidly," Feb. 14, 2017, The Mortgage Reports
¹³ "Quarterly Report on Household Debt and Credit," May 2017, Federal Reserve Bank of New York