EDITOR'S NOTES

My Advice To You

As you should know by now, the he Mortgage Bankers Association (MBA) expects to see $1.2 trillion in mortgage originations during 2014, a 32 percent decline from 2013. While MBA expects purchase originations to increase 9 percent, it expects refinance originations to fall 57 percent.

MBA also upwardly revised its estimate of originations for 2013 to $1.7 trillion from $1.6 trillion to reflect shifts in lender market shares reported in the latest Home Mortgage Disclosure Act (HMDA) data release.

MBA expects that purchase originations will increase to $723 billion in 2014, up from $661 billion in 2013. In contrast, refinances are expected to drop to $463 billion from $1.08 trillion in 2013.

For 2015, MBA is forecasting purchase originations of $796 billion and refinance originations of $433 billion for a total of $1.2 trillion. Jay Brinkmann, MBA's Chief Economist and Senior Vice President for Research and Education released the following statement highlighting key points of the forecast:

"We are projecting home purchase originations will increase in 2014 due largely to gains in home sales and home prices. We expect to see a decline in the share of sales paid for with cash, and higher average LTVs on purchase mortgages, due to the rise in home prices.

"We expect mortgage rates will increase above 5 percent in 2014 and then increase further to 5.5 percent by the end of 2015. As a result, mortgage refinancing will continue to drop, and borrowers seeking to tap the equity in their homes will be more likely to rely on home equity seconds rather than cash-out refinances. We will potentially see a small increase in refinances toward the end of 2015 as the Home Affordable Refinance Program 2.0 (HARP) expires but HARP activity during 2014 will still be low. While on paper the number of HARP-eligible borrowers appears large, the reality is these borrowers have been unresponsive to numerous attempts to encourage them to participate in the program and are less likely to do so now that rates have gone up."

So, what is the average lender to do? My advice is: Mr. Lender, you need to get creative. That doesn't mean come up with creative loan products, it means come up with creative ways to reach borrowers and offer a better mortgage process. The same-old, same-old thinking just won't cut it. Now is the time to think outside the box and leapfrog over the competition by offer better service and a better experience. ❖