

Closing Rate, Refinance Share Rose in January

By: Jann Swanson | Thu, Feb 21 2019, 10:05 AM

A 16-basis point drop to 5.01 percent in the average rate for 30-year fixed-rate mortgages was given only partial credit for a **sizable uptick in the refinancing share** of originations in January. Ellie Mae's Origination Insight Report for the month shows the refinancing share of originations jumped to 35 percent from 29 percent in December. The share of FHA loans that were for refinancing rose 3 percentage points to 21 percent and Conventional refinances rose from 31 percent to 35 percent.

"The increase in refinances in January is **likely due to seasonality with lower purchase volume** tied to the holiday season **as well a modest drop in rates** from November and December," said Jonathan Corr, president and CEO of Ellie Mae. "We anticipate that as we move into the traditionally busier spring months, the percentage of home purchases will increase relative to refinances."

The distribution of originations across loan programs shifted slightly, with Conventional loans getting a 68 percent share, up from 66 percent in December, while FHA originations dropped 1 point to 19 percent. VA loans accounted for 11 percent of originations, unchanged from the prior month. The percentage of Adjustable Rate Mortgages (ARMs) decreased from 9.2 percent in December to 8.6 percent in January.

There was a **substantial increase in the closing rate** from December to January. Overall, the rate rose from 71.4 percent to 75.0 percent. The pull-through rate for refis was 69.5 percent compared to 65.1 percent, and for purchases it went from 75.6 percent to 78.1 percent. The increase was consistent across all loan types. Ellie Mae calculates closing rates from a sample of loan applications initiated 90 days earlier, in this case the October 2018 crop.

The time to close all loans dropped to 45 days in January, down from 47 days in December. Time to close a purchase loan increased to 48 days, while time to close a refinance dropped to 38 days.

Overall **FICO scores dropped two points** from 726 in December to 724 in January. LTV decreased to 77 and DTI held at 26/39.

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

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