Watching the mortgage industry work its way out of the housing collapse and subsequent recession has been a little like seeing children play a game of Captain May I. Just like the kid-crewmembers moving toward the kid-captain by taking one giant step forward, three scissor steps, four baby steps, two spinning leaps or three jumping jack steps, the economy and housing market has sputtered and leapt forward in spurts and jerks over the past few years.

Now that another new year is underway, the question is: What does 2015 hold for the mortgage industry? Will the housing market take several giant steps forward or will it have to be satisfied with tiny baby steps? Although uncertainty makes it difficult to make predictions, several trends seem likely to emerge in the next 11 months.

**Rates will rise**

There appears to be general agreement that rates are going up. According to Freddie Mac’s U.S. Economic and Housing Market Outlook report, the average 30-year mortgage rate will rise gradually through 2015, ending the year just under 5 percent. The Home Buying Institute and the Mortgage Bankers Association also project rates will rise into the 5 percent range, while Lawrence Yun, chief economist for the National Association of Realtors, forecasts rates will average about 5 percent in 2015, but will reach 6 percent by 2016. Even so, these are still historically low rates.

**Markets will pick up**

It’s hard to argue with an expert. Frank Nothaft, Freddie Mac’s chief economist, predicted at the 2014 New England Mortgage Banking Conference that the housing market would improve in 2015 and could be the best year for home sales since 2007. He based his prediction on the fact that rising home prices will encourage more sellers to put their homes on the market, and the continuing growth of the economy will increase consumer confidence.

**Automation will increase**

Complying with new regulations has increased the cost of producing loans. More applicant data needs to be confirmed — and some of it must be reconfirmed right before closing. Lenders, particularly smaller ones that haven’t previously embraced automation, will look to become more efficient and reduce costs. Using automation to streamline the verification process will help lower costs by freeing up employees to devote energy to other areas of the business.

**Nonqualified leads will close**

Lenders may find that keeping declined applicants in their pipelines pays off in the long run. Steering “not-quite-ready” applicants toward a Web-based credit-management program that helps consumers learn how to make better financial decisions will ultimately help lenders close more loans. These online credit programs help consumers become more creditworthy by teaching them how their behavior impacts their credit scores, loan qualifications and interest rates.

**Lenders will consolidate vendors**

New regulations require lenders to thoroughly vet every third-party supplier they use. Many lenders find that properly overseeing multiple suppliers is a time-consuming job. You can anticipate that lenders will move toward consolidating down to one or two external sources for all their verification needs. Doing this will not only simplify the vetting process, but can also lower expenses by taking advantage of bundled products offered by one-stop vendors.

**Mobile websites will increase**

Americans are now using smartphones in a big way. According to a 2013 Gallup poll, 62 percent of all U.S. consumers — and 88 percent of consumers between 18 and 29 years old — have a smartphone. A Pew report says that 87 percent of consumers aged 30-49

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**Greg Holmes** is national director of sales and marketing at Credit Plus Inc. in Salisbury, Maryland. Credit Plus has been a provider of credit and mortgage-information services since 1928. Reach Holmes at info@creditplus.com.
with incomes of $75,000 or more — a key home-purchase demographic — own a smartphone. As U.S. consumers increasingly use their phones and tablets for online research and transactions, more lenders will take the step toward making information accessible across every platform.

Credit will loosen
According to the October 2014 loan officer survey released by the Federal Reserve, mortgage lenders have relaxed their lending standards slightly for many types of loan categories. Lower credit scores and restrictions on credit-scoring thresholds are two areas where requirements have eased. If rates begin to rise during 2015, lenders may further loosen standards to keep business flowing.

Non-Qualified Mortgages will emerge
There was strong demand for jumbo mortgages this past year, and continued demand for jumbos is expected in 2015. Many of those loans were made to financially solid borrowers who didn’t fit neatly into the Qualified Mortgage (QM) mold. In other words, they received non-QM loans.

When rates rise, expect to see more lenders move into the non-QM market to help both jumbo and average borrowers who have great credit scores and credit histories, but fall outside QM standards. These buyers can include new medical professionals with large student loans but high incomes, self-employed business owners, people with large assets but low incomes, individuals with sporadic income, small assets and/or little-to-no down-payment, new graduates with high incomes, and others.

August will come too soon
Lenders will be incredibly busy over the next six months preparing to use the new, easier-to-read mortgage disclosure forms that are required starting Aug. 1, 2015. These “know what you owe” forms will replace the old Truth-in-Lending disclosure and Good Faith Estimate, and will affect lenders, mortgage brokers and lead generators.

Extensive testing of the new Loan Estimate and Closing Disclosure forms by the Consumer Financial Protection Bureau showed that participants were better able to answer questions about sample loans after reading the new forms. These results showed a statistically significant improvement of 29 percent. Participants were also better able to understand the costs of these loans over time and whether they could afford them. Many lenders still have a lot of work ahead to be ready to use these forms, however, and August is only a half-year away.

These are some of the major industry trends you can expect to see this year. There will be others, of course. For one thing, many expect more consolidation as banks and lenders continue to make acquisitions. As a whole, however, you can expect more of the slow, steady, baby-step recovery the industry saw in 2014 — perhaps with a few giant steps and a couple spinning leaps thrown in for good measure. One thing is for sure: it won’t be dull.