

2011 Mortgage Trends: Jumbo Loans, Cash Buys

The number of mortgage applications for home purchases is expected to become a bigger part of the mortgage market in 2011 as home prices stabilize, predicts the Mortgage Bankers Association. Refinancing has mostly dominated in recent months as home owners looked to lock-in low interest rates, but experts predict refinancing to slow as new mortgage shoppers dominate.

Real estate analysts predict the other following trends in the mortgage market for 2011:

Rates on the rise. The Mortgage Bankers Association predicts mortgage rates to rise slightly in 2011 and hover around 5 percent. They expect rates to increase to about 6 percent in 2012.

Jumbo loans become more attractive. Jumbo loans (loans over \$417,000 in most housing markets and above \$729,750 in high-cost housing markets) are expected to pick up pace in the next few months. Jumbo loans often have higher mortgage rates than conforming loans. However, with mortgage rates on jumbo loans dropping, experts predict a hike in refinancing and purchase applications for high-end housing.

All-cash purchases. All-cash purchases represented about a quarter of all existing home purchases in the last four months of 2010, according to Lawrence Yun, chief economist of the National Association of REALTORS®. He expects all-cash purchases to continue to represent a big part of the real estate landscape in 2011.

Slow and complex mortgage loan process. The time between application and closing can take as much as 60 days and that's not expected to get any faster, experts say. Lenders often recommend borrowers lock in a loan 60, 75, or 90 days to help ensure the loan process will be completed within that lock-in period. The industry's new levels of documentation and verification that is now required is causing lengthy delays in the loan process, experts say.

Source: ["7 Mortgage Trends to Expect in 2011," MSNBC \(Jan. 10, 2011\)](#)