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Q&A

Mortgage industry faces 'tsunami' of refinancing deals

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Valley Partnership hosted a recent webinar on how the homebuilding industry is faring during Covid-19, featuring some of the biggest players in the industry and moderated by Jim Belfiore, founder and president of Belfiore Real Estate Consulting.

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Bill Rogers, president and CEO of Homeowners Financial Group in Scottsdale.

Also on the panel was Bill Rogers, president and CEO of Scottsdale-based Homeowners Financial Group, who discussed trends in the mortgage industry.

I caught up with Rogers after the event to talk more about what he's seeing in the industry amid the pandemic.

How has Covid-19 changed the mortgage industry? Besides leaning more on technology and other similar means to engage with our employees and clients, the Covid environment has resulted in a significant reduction with interest rates. In an effort to stimulate the economy, the Fed has used the tools available to help keep rates low and stimulate the economy. This has caused a tsunami of refinance activity unlike anything the industry has ever witnessed. To put it into perspective, In January of this year the industry was prepared and projecting to do about $2 trillion in mortgage loans in both purchase and refinance volume. With the reduction in rates the past few months, the total volume for 2020 should be over

$3 trillion, but based on today's actual run rate of mortgage applications, the actual run rate for the industry is closer to $4 trillion.

How is that impacting the industry's workforce? Things are taking longer. There's not enough trained people in the industry to handle the influx of volume. Like most mortgage lenders, we are actively looking to hire experienced operational support positions like loan processors, underwriters and closers and funders to help with the significant increase in loan volume. While refinances may take longer to complete, it's important that lenders maintain normal service levels for clients buying a home.

What is supply like in your business? It's like drinking from a firehose. The demand for mortgage loans has been overwhelmingly high the past few months. Our people have been working extra hours to help serve our clients as much as we can during this time. We continue to embrace and implement technology in the workplace and with our clients to best engage with them and make the process of obtain a mortgage as easy as possible.

Is the industry at capacity? It's blown through capacity. It's beyond capacity. Interest rates for a 30 year fixed mortgage are under 3%. Based on interest rates alone, there is nearly $10 trillion of residential mortgages in the country that could benefit with savings through a refinance. With the Fed continuing to be committed to keep interest rates low, the next 12 to 18 months should be incredibly busy for mortgage lenders.

How soon do you expect to see all documents signed electronically? While the industry is getting closer to be able to offer complete digital e-closings, we are not quite there. There are so many different parties involved with a mortgage and real estate transaction, and all of the parties need to adopt the practice before we will see it on a consistent basis. Once we get on the same page we'll have full electronic closings by Covid-20, but not Covid-19.

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