

GO

[Knowledgebase](#) > [Lending](#) > [Mortgage Lending](#)

Slowing Refinancing- How Are Mortgages Affected?

By [Tom Geggel](#), Industry Analyst, Callahan & Associates
2/28/2005

The refinancing boom is slowing, according to a recent Primary Mortgage Market Survey done by Freddie Mac. However, the amount of real estate loans outstanding still grew 15.3% to reach \$196.7 billion for the credit union industry in 2004. A slight increase in housing starts and new purchases contributed to the real estate loan growth according to the Mortgage Bankers Association. There are a few balance sheet factors that help explain this phenomenon.

Many credit unions are increasingly turning toward real estate loans to grow their overall loan portfolio. Real estate loans comprised 46.5% of the loan portfolio as of the fourth quarter, an increase of 1.8% from year-end 2003. The largest component of real estate loans with 67.8% of the portfolio, first mortgages outstanding ended the year at \$133.4 billion, and are maintaining high volume levels for the loan portfolio. 2003 was a record year for first mortgages, and the growth rate, while still strong with double-digit growth, fell to 11.4% from 16.8% one year ago.

Credit unions also sold less of their first mortgage portfolio to the secondary market. In 2004, credit unions sold \$20.0 billion compared to \$37.5 billion a year ago, a decline of 46.5%. Navy Federal Credit Union in Merrifield, VA sold \$4.3 billion of its first mortgage portfolio; however, this represents a fall from \$4.7 billion in 2003. Navy accounted for 21.5% of all credit union first mortgages sales to the secondary market at the end of 2004.

Other areas of the real estate loan portfolio experienced high growth as well. Home equity lines of credit grew 29.6% to reach \$34.8 billion at the fourth quarter. According to a fourth quarter survey by American Banker, 52% of executives believe that home equity loans offer the best growth opportunity for their institution. The Federal Reserve estimates there is up to \$8.6 trillion that can still be borrowed nationally.

Credit unions have seen their members use their home equity lines of credit for several purposes. "We've seen members even use their line of credit to pay off their first mortgage," said Tom Gray, senior vice president of lending at Workers Credit Union in MA, with \$476 million in assets.

Even though refinancing is slowing, the mortgage portfolio remains a strong component of the credit union industry's balance sheet. Credit unions only accounted for 2% of all first mortgage originations last year. There is a growth opportunity for credit unions to obtain more market share as member demand continues to remain high according to fourth quarter data.

The credit union industry is in a period of rapid growth and change...do you have the resources to keep up with the trends? Callahan's [Financial Yearbooks](#) help you benchmark your credit union's performance with key financial performance ratios, margin analysis and complete income statements and balance sheet summaries.

Reader Comment Spotlight

Be the first to comment on this article!

[Submit your comments](#)

Printable

Email

Sign Up

Comments

RSS

How is Your Credit Union Performing?



Judge using:

- Leader Tables
- Key Ratios
- Balance Sheet Summaries
- Callahan's Unique Return of the Member (ROM) Index
- ...and MORE!

Pre-Order Callahan's 2005 Yearbook Today!

(available in 4 versions based on asset size)

Please rate this article. 7 is our top rating.

[Forward this article to a friend!](#)

Not Interesting 1 2 3 4 5 6 7 Interesting

[This week's articles](#)

We'd love to hear your comments!

Enter your email address to be notified of new comments.

Related Articles:

- [Opportunity is Knocking for Successful Mortgage Lending](#)
- [Where'd it Come From & Where'd it Go?](#)
- [Achieve Mortgage Growth by Tapping into Underserved Markets](#)
- [Loan Growth Momentum Continues in Third Quarter](#)
- [Streamlined Mortgage Application Makes More Minorities Homeowners](#)

Readers' Comments

Rating	Comment	Date
--------	---------	------

[Callahan's reserves the right to approve all submissions](#)

ADVERTISEMENT



ADVERTISEMENT



CreditUnions.com is brought to you by...



© 2005 Callahan & Associates, Inc
1001 Connecticut Avenue, NW, 10th Floor, Washington, D.C. 20036
Phone: 1-800-446-7453, 202-223-3920 fax 202-223-1311
[About Callahan & Associates](#) | [Privacy Statement](#) | [View Shopping Cart](#)
| [Contact Us](#) | [About Callahan Financial Services](#) | [Advertising](#)