

News from Wells & GMAC; Discussing Reverse Mortgages; FTHB Tax Credit Extension; Commercial Sector

By: Rob Chrisman | Tue, Oct 20 2009, 9:22 AM

"A woman in Great Britain has died after being hit in the back of the head by a golf ball, on the first hole. Her husband was so distraught he only played the front nine."

Stories like that are terrible, and it is hard for men to catch a break. **It is also hard for reverse mortgages to catch a break.** In talking to people who are involved in that field of lending, they say that sometimes they feel that the press is almost hoping that something goes wrong with that business. Really, anytime you become involved with a senior citizen, or their money, alarm bells begin to ring and often times with cause. [Here](#) is one of the latest articles, [here](#) is an article highlighting top wholesale buyers of the product:

There was a story in Reuters yesterday saying that **lawmakers have said they are considering extending or expanding the tax credit.** Senate Majority Leader Harry Reid backs a bipartisan bill to extend the credit for six months. A Senate Republican plan would expand it to \$15,000." As one can imagine, NAR, NAHB, and the MBA are all lobbying strongly for some type of extension. As we have seen, the Federal government would rather continue to stabilize the economy rather than upset it, and taking away the credit would be a move toward "upsetting the apple cart".

In a move also seen as continuing to help the housing market, the Obama administration is unveiling **a new program to provide support to state and local housing agencies.** It is designed to support low mortgage rates and expand resources for low and middle income borrowers who want to buy or rent a home by implementing a new bond purchase program to support new lending by housing finance agencies, and a temporary credit & liquidity program to improve access by housing agencies to credit sources for their existing bonds. It will provide temporary support to local housing financing agencies and encourage them to return to relying on market sources for their capital as quickly as possible. At this point it does not appear to directly help small originators, but details have been a little sketchy.

And if you didn't know what a 4506-T was a year ago, you sure do now, unless you're selling stereos at The Good Guys. **GMAC Bank Correspondent Funding reminded their correspondents that "all loans submitted to GMAC Bank for purchase, with the exception of FHA non-credit qualifying streamline refinances and VA IRRRLs, must contain a completed and signed IRS Form 4506-T,** to obtain the borrower's tax return transcripts for the two years prior to the loan application date." The borrowers must complete and sign IRS Form 4506-T at time of application and at time of closing. An incomplete 4506-T will prevent a loan from moving into underwriting and eventually funding.

GMAC also clarified their Pre-Foreclosure/Short sale transaction policy, which occurs when the borrower sells the mortgaged property for less than the total indebtedness and the lender agrees to accept the net proceeds as satisfaction of the debt. In some cases, the lender may file a claim with the insurer for the difference or take out a deficiency judgment against the borrower.

After 10/26, **Wells Fargo Wholesale Lending's** verbal verification of employment (VOE) policy for conventional loans to self-employed borrowers has been extended from 10 to within 30 days of the Note date. The requirement remains 10 days prior to the Note date for salaried borrowers. Wells' wholesale group also tweaked their MI policy for high LTV loans in declining markets, added some additional reviews for high-risk FHA loans, and came out with their policy for high balance loans IF the current loan limits are not passed (Purchase loans using the temporary loan limits must close and fund by Thursday, Dec. 31. Refinance loans using the temporary loan limits - including the Home Affordable Refinance Program - must close and fund by Monday, Dec. 28 to accommodate the right of rescission).

Later this week the FHA update of the current modification policy goes into effect. What does that mean? Basically, modifications will be somewhat harder to make, which has accounted for the big increase lately in FHA modifications, which in turn led to Ginnie Mae pools (especially higher coupon pools) being adjusted. I believe that up until the 23rd servicers can take advantage of the lenient modification policy, and purchase loans at 100 (par) and sell them back out higher after recapitalizing the amount in arrears. This has not had any impact on [pools](#) with conventional loans

By the way, trial loan modifications under HAMP (Home Affordable Modification Program) were up 41% in September compared to August according to the Federal Housing Finance Agency (FHFA).

We've had Citi, JP Morgan Chase, and Bank of America release their earnings. Wells Fargo's comes out tomorrow. The stock has done well recently, but watch out for their, and others, losses on commercial real estate holdings. **Banks hold about 45% of commercial loans, and these continue to deteriorate.** Banks have to put more money into reserves while reducing their loan portfolios which in turn leaves less money for lending - not a good scenario. And analysts say that reducing reserve requirements for our banks won't help, as it will not make

them more willing to lend because they will keep their money back with the Fed and earn risk-free returns on their equity. Commercial loans are definitely a cloud on the horizon, with vacancies increasing and rents falling. Values have fallen as well, and Moody's estimates that prices are about 35% below their peak in October 2007.

"Things" actually seem a little quiet out there. Traders in mortgage-backed securities are saying that it is pretty quiet out there, and that origination volumes seem to have slowed. This is not hard to understand, given the traditional autumn slow-down, along with rates creeping up slightly. But with the Fed's continued buying of securities, the laws of supply and demand tell us that mortgage rates should continue to be ok.

It didn't help that there was no economic news yesterday. But today we had Housing Starts and Building Permits. New construction of U.S. homes, however rose by less than expected in September: Housing Starts were +0.5% and August was revised downward. (Friday we have the September Existing Home Sales data, expected to show a small improvement.) We also had the Producer Price Index, expected to be flat but instead dropping .6% in September, mainly because of a 2.4 percent decline in energy prices. For the year the PPI is down 4.8%. What inflation? **After the numbers the yield on the 10-year Treasury note (which was 3.37% prior to the numbers) is 3.34% and mortgage prices are better between .125 and .250.**

John and Helen met while on vacation and John fell head over heels in love with her.

After a couple of weeks in which John took Helen out to various dance clubs, restaurants, concerts, etc. he was convinced that it was true love. So on the last night of his vacation the two of them went to dinner and had a serious talk about how the relationship would continue.

"It's only fair to warn you, I'm a total golf nut," John said to his new found lady friend. "I eat, sleep and breathe golf, so if that's going to be a problem, you'd better say so now!"

Helen took a deep breath and responded: "Since we're being honest with each other, here goes.... You need to know that I'm a hooker."

"I see," John replied. "That's a problem, for sure."

He spent some time looking down at the table, deep in thought. Then he added, "You know, it's probably because you're not keeping your wrists straight when you tee off."

View this Article: <https://www.mortgagenewsdaily.com/opinion/10202009-reverse-mortgages-commercial>