

Bank Failure Update: Former IndyMac Buys Bank; Modification News from the Trenches; Bulletins from Fannie, BofA, Chase, USBHM, PMI, AmTrust

By: Rob Chrisman | Mon, Dec 21 2009, 10:42 AM

It was a tough weekend for me. On Friday I received an e-mail from "Bank of America" saying that my account was locked, and that "*During our regular update and annual scheduled maintenance of Bank of America Online Services, we could not verify your current information. As a result of this, your access to use our online services has been limited. You are hereby advised to immediately update your information by using the attached website.*" What was I going to do? I wouldn't be able to shop for Christmas presents, buy food or gas, and care for my kids! Then I remembered that *I don't even bank with BofA*, and certainly don't use any of their online services. Phew! What a scam...

Still need to cross a few people off your holiday 'to do' list? Now is a good time to give that someone special a little something special - like a failed bank!

Seven U.S. banks were taken over on Friday, and the FDIC could not find buyers for three of them. This round of closures brings the total to 140 on the year, the most since '92. Heck, even **ex-IndyMac (now OneWest Bank) picked up the assets and 39 branches of First Federal Bank** after it was closed Friday. OneWest was formed by a group of private equity and hedge fund investors to take over IndyMac's assets earlier this year. Added to the list of banks this year who have experienced deteriorating loan portfolios and related liquidity and capital issues are Imperial Capital Bank of La Jolla CA, Peoples First Community Bank of Panama City FL, New South Federal Savings Bank of Irondale AL, Independent Bankers' Bank of Springfield IL, RockBridge Commercial Bank of Atlanta GA, and Citizens State Bank in New Baltimore MI. City National Bank bought assets of Imperial Capital, Beal Bank bought the assets of New South, and Hancock Bank bought the assets of Peoples First Community Bank. The other three: zip.

PMI, well-known mortgage insurance company, tweaked their "Distressed Markets List", although it doesn't take effect until February. PMI removed 11 MSA/MSD's including the thriving metropolises of Colorado Springs, Kalamazoo, Toledo, and Chattanooga. Unfortunately they added 12, including Pocatello, Indianapolis, Spokane, and Greenville. For PMI loans in Maryland and Rhode Island "will be eligible under the standard distressed market requirements (minimum 700 credit score)", and Delaware will be eligible under PMI's special state requirements (minimum 720 credit score).

In a related story, the Wall Street Journal reported that "Some mortgage insurers and lenders are beginning to relax their down-payment requirements, in a sign of increased confidence in the housing market" on a market-by-market basis. This means instead of coming up with 10% down they can come with only 5% down and still be covered by MI. **MGC made some recent changes, as did Genworth Financial.** Of course, appraisals and underwriting guidelines are still tight, and whether or not investors follow the MI company guidelines remains to be seen. The article discusses how *MI companies are seeking to regain market share from the FHA*, since new insurance written by private mortgage insurers dropped by nearly 60% in the first nine months of 2009.

Fannie Mae announced "that it is suspending all foreclosure evictions from December 19, 2009 through January 3, 2010. All owner-occupants and tenants living in foreclosed properties the company holds will not be subject to evictions during the holiday time frame. The company will also support the efforts of the servicers it works with that are taking similar actions - most recently **Chase and Bank of America.**

AmTrust came back into the lending arena late last week just as quickly as they left it less than a month ago. *The "suite" of products being offered by AmTrust, however, apparently has been cut back.* I have not seen a rate sheet, but have been told that AmTrust cut their Fannie Mae My Community Mortgage and Fannie Mae's Flex97 programs, 1/1 & 2/1 Conforming Standard ARMs, all prepayment penalty options, all convertible ARMs, all non-conforming jumbo fixed programs, and all portfolio ARM programs. Any broker/borrower who had ponied up money for an appraisal for any of those programs may be faced with it being non-portable...

Is your shop up to speed on FHA Streamline Refinances? **U.S. Bank Home Wholesale Division** summarized their employment verification requirements. "Amount of income must be shown on the application and supporting documentation but does not need to be evaluated for non-credit qualifying Streamline Refinances. USBHW also reminded their clients that loans destined for the FHA program requires lenders to "verify employment status of all applicants as of the application date and that each employed applicant has income. At least one applicant must either be employed or have non employment income. Regular employment can be documented in one of three ways (paystub and verbal VOE, a signed and dated VOE, or obtain a paystub that is dated on or after the date of application." And in certifying employment they, and everyone else, require that the borrower is employed and has income at the time of loan application. If the loan is underwritten by a USBHM Underwriting Center, USBHM will execute the certification form, but for loans underwritten by a Direct Endorsed Correspondent the

direct endorsed lender "must include a signed and dated certification form, on their Company letterhead, certifying that the borrower is employed and has income at the time of application. The form must be included in the loan package submitted for purchase by USBHM"

U.S. Bank Home Mortgage also eliminated their FHA 2.0 Margin 1 Year ARM and the 2.75 Margin 1 Year ARM. Apparently they don't even have any in the pipeline, and all other FHA products will remain as part of their eligible program offering, including the FHA 3/1 ARM.

Modifications aren't going so well. Why not? Well, getting to the essence of things, from someone in the trenches, most people do not qualify income-wise on paper. Self-employed borrowers write off a lot on taxes, and many wonder if the government should help a tax cheater. Others experience the loss of spouse's income (divorce, death, joining the circus, etc.), loss of job, overtime hours, or second job. Folks dealing with borrowers in this sector report that most borrowers are angry with their servicer because they cannot pay their mortgage, and that this "feud" prevents an open dialogue especially when there is huge amount of paperwork to be filled out. Lastly, sometimes servicers do not have rights to the loans when the MBS holders own the rights - often the servicer is just the administrator of the pools.

What is going on with the economy as we head into year end, and which way are rates going? If I knew that, I'd be on a beach in Hawaii instead of sitting here in my basement at 4:30AM in my boxer shorts. In spite of some volatility last week, mortgage rates started the week about where they began. Overnight rates are also unchanged, and appear to be going to stay there for at least a few more months. It should be of no surprise that the \$1.25 trillion mortgage-backed securities purchase program is slated to cease at the end of the first quarter.

What's on tap this week besides half of your e-mails receiving "Out of Office" replies? Today is quiet, tomorrow we have Existing Home Sales and the final GDP numbers for the third quarter (do we care anymore?), Wednesday is Personal Income and Consumption, New Home Sales, Consumer Sentiment, and Building Permits - along with the announcement of the size of next week's Treasury auction. The morning of Christmas Eve we have Durable Goods and Jobless Claims that come out at 8:30AM EST, about 10 minutes before everyone on Wall Street heads home. Friday? If your company isn't closed on that day, you should look to make a change. This morning, given the potential rally in stocks, **we find the 10-yr at 3.59% and both the 5-yr Treasury and mortgage prices worse by about .250.**

Grandpa Chrisman was reminiscing about the good old days several years ago.

"When I were a lad, Mamma would send me down to t'corner store wi' a dollar, and I'd come back wi' five pounds o' potatoes, two loaves o' bread, three pints o' milk, a pound o' cheese, a packet o' tea, an' 'alf a dozen eggs. Yer can't do that now. Too many damn security cameras."

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