Wells' Market Share Target and Streamline Change; CFPB's View of Mortgage Brokers; The MBA and 203(k)'s

By: Rob Chrisman | Wed, Jun 13 2012, 12:32 PM

Industry experts believe that one of the several reasons Countrywide fell was because of their quest for market share for its own sake, rather than have quality and service drive the market share. Conversely, Wells' market share seems to have come about through "always being there" with steady products, pricing, and service - until now? It seems like **some portion of Wells Fargo's management or retail personnel is now shooting for market share**. Although I doubt if this is the "official" company goal, dressed up like cowboys? How Alt-A era!

The government does what it can to help borrowers, some who perhaps should not been allowed to borrow money in the first place: encouraging loan modifications, FHA Streamlines, HARP, and HARP 2.0 quickly come to mind. But as we've all found out, many times the government can't "make" an investor follow a program, and investors often add **overlays or restrictions when their own risk position is compromised**.

Regardless, Wells Fargo turned some heads yesterday with its announcement that "**Wells Fargo Funding will no longer accept non-Wells Fargo serviced FHA streamline refinance transactions**. Wells Fargo is committed to helping borrowers nationwide with their mortgage financing needs, and this decision will help us accomplish that by focusing on borrowers in our existing servicing portfolio. This policy applies to each of our origination channels across Wells Fargo Home Mortgage." For Best Effort Locks, relocks, and renegotiations, it takes effect on and after June 19, and Mandatory Commitments must be delivered on or before July 31, 2012. "This restriction does not apply to Wells Fargo serviced loans." And "Wells Fargo Funding will continue to purchase FHA Regular Credit Qualifying Refinances (includes Rate and Term and Cash out Refinances) provided they meet FHA's definition of a Regular Credit Qualifying Refinance with an appraisal. This includes both non-Wells Fargo serviced loans and Wells Fargo serviced loans."

As most underwriters know, Wells offered traditional streamline refi's without appraisals (with a few exceptions) down to 640 FICO up until this announcement regardless of servicer. Most other investors, if they allow these at all for loans they didn't service, require an appraisal. **So it would seem that Wells joined other investors, from a risk perspective**. There might be capacity issues, since starting yesterday borrowers with loans endorsed prior to May 31, 2009 can take advantage of reduced MIP on a streamlined loan. Throw this in with a low rate environment, and here we have it.

Speaking of Streamlines, the FHA has posted new Frequently Asked Questions (FAQs) on **Streamline Refinance Transaction Indemnification**. To view the new FAQs go here.

Earlier this week I told a group of lenders in Arizona that the **stated** mission of the **CFPB** is great from a public relations perspective, but if not controlled can drive our industry into a hole. One person reminded me that, "The good parasite doesn't kill its host," not that the CFPB is a parasite - but you get the idea. But one can certainly obtain a sense of the CFPB's thoughts from remarks by Raj Date, Deputy Director of the CFPB, to some bankers in Florida this week. Date reminded us that, "The Dodd-Frank Act was passed in response to the crisis and created the CFPB as a single point of accountability for consumer financial protection." That is a good thing. But Date goes on to say, "The Bureau can, for the first time, **extend federal supervision to non-depositories**. *(Editor's note: any company who thinks that they can't be audited by the CFPB is incorrect. And you'd better have every rate sheet from every day, and every rate/price calculation, ready for them.)* This is a critical advantage. After all, if you think back to the most problematic vintages of mortgages during the bubble - for example, subprime and Alt A mortgages between 2005 and 2007 - most of those problematic mortgages were originated not by supervised banks, but by mortgage brokers and finance companies who then sold those loans into capital market execution on Wall Street. The results, needless to say, were not great."

Date goes on. "Let me give you an example from the mortgage bubble: the yield-spread premium. Too often it was the case that mortgage brokers were paid more to give borrowers a worse deal. If a borrower could qualify for a loan at, say, 6 percent, a broker might juice that rate from 6 percent up to 8 percent. As a result, the most important, most visible person in the mortgage process for many borrowers - the mortgage broker - had a financial stake that was confusingly and perversely in direct opposition to the interest of the consumer himself. If people are paid to treat customers poorly, it shouldn't be surprising when they do." The entire speech can be read here.

It is rumored that Marc Savitt, president of the National Association of Independent Housing Professionals (**NAIHP**) called Date's comments "outrageous" and that the NAIHP is calling for Date's resignation, per MReport. "The banks approved these loans, not the brokers." While Date speaks of 'transparency, fairness, and proper financial incentives,' Savitt believes Date's bias makes him unfit for his role." When I, however, visit the NAIHP website and try to find news of this, up pops something from March of 2011. Maybe I just couldn't see it: http://www.naihp.org/inthenews.

But for something that can be found on a website, the Mortgage Bankers Association (MBA) has called on the U.S. Department of Housing and Urban Development (HUD) to **cease its moratorium on allowing investors to participate in the department's Section 203(k) rehabilitation loan program.** The moratorium was put in place in the mid-1990's due to fraud and waste which, per the MBA, have been taken care of. "The MBA believes that there would be significant benefits from allowing individual investors to participate in the 203(k) program." Read the release.

How about some relatively recent **Wells updates**, besides the Wells news at the top? As always, it is best to read the actual bulletin.

Wells Fargo Wholesale has introduced new tools, including an FAQ section and a reference document that outlines definitions, eligibility, and documentation requirements, to assist in completing loan packages that involve trusts. These can be found under Client Tools on the Broker's First® website.

Effective immediately, Wells has reduced and aligned simultaneous home equity fixed rates in all states for the HELOC with Fixed Rate Advance Options, with the reductions ranging from 0.75% to 0.25% depending on the state. One- to three-year Interest-Only Fixed Rate Advances now start at 4.975%, and amortized fixed rate pricing starts at 5.375%.

For those who want to cancel an existing **FHA Case Number** to take advantage of the FHA's reduction of the MI premium for Streamline refinances, Wells has outlined the necessary process. The endorsement date of the loan being refinanced and the eligibility should first be determined and the original Case Number validated. The endorsement/insured date listed on the HUD-1 Settlement Statement or Note should then be confirmed by emailing the Wells support team at websupport@wellsfargo.com or calling (866)661-8025. If the loan is eligible, this should be discussed with the borrower; if the borrower opts to move forward, the new Case Number should not be ordered until June 11th at the earliest. For loans that have been submitted to Wells that are in process and for which the Case Number has been ordered and assigned, the Wells web support team should be contacted using the FHA Case Number Cancellation Request form. When the Case Number has been assigned, the underwriter should be notified and the new Case Number assignment print-out submitted along with the file. Delays are likely due to the expected high volume of requests.

Wholesale clients are reminded that the "Your Loan Options" section of the MBFD should be completed fully and accurately before submitting the loan to Wells Fargo. To properly fill out this section, the loan with the lowest interest rate should be disclosed as the first option and the loan with the lowest dollar amount as the third option. In order to avoid steering the borrower to a specific loan, the options must include the loan with the lowest interest rate, the lowest rate without risky features, and the lowest dollar amount of points and origination fees on the first three lines, which means that the fourth line cannot be lower than the rates and dollar amounts shown above.

Beginning June 15th, Wells Wholesale will accept only **2010 and 2011 tax returns**. Tax returns from 2009, however, may still be requested by the underwriter. Let's hope they all agree with the 4506! And June 18th marks **Bunker Hill Day** in Suffolk County, MA, and will be excluded by Wells Wholesale in the business day count for Right of Rescission timing. Very exciting!

On a relative basis, **the markets were pretty quiet Tuesday**. MBS sales volumes picked up a little, but with little news from Europe and nothing in the United States, aside from a $24 billion 3-yr note auction, the market decided it was time to drop a little. MBS prices were down/worse slightly, but not as much as the 10-yr T-note which worsened by about .5 in price and closed at 1.66%. But keep in mind that nothing in Europe has been resolved, the Greeks will hold yet another election Sunday, QE3 is still an option, and the FOMC will release its monetary policy statement next Wednesday.

As for the early going today, we had the MBA's application index for last week showing a big **jump in apps (+18%!)** and hitting their highest level since 2009. Refi's were +19% and purchases were up about 13%. Refi's are still hovering around 79% of overall applications. We also had the Producer Price Index for May, -1.0%, and Retail Sales -.2% following April's -.2%. Producer Prices dropped more than expected, while Retail Sales, representing about 2/3 of our GDP, came in about as expected. The Treasury will auction $21 billion in 10-year notes at 1PM EST today. **Currently MBS prices are roughly unchanged from Tuesday's close and the 10-yr is at 1.64%.**

The 5 toughest questions for men. (Part 4 of 5; guaranteed to get me into hot water, but I will gladly print the opposing view if someone sends it to me.)
1. What are you thinking about?
2. Do you love me?
3. Do I look fat?
4. Do you think she is prettier than me?
5. What would you do if I died?

What makes these questions so difficult is that each one is guaranteed to explode into a major argument if the man answers incorrectly (i.e. tells the truth). Therefore, as a public service, each question is analyzed below, along with possible responses.
Question # 4: Do you think she's prettier than me?
Once again, the proper response is always: "Of course not!"
Incorrect responses include:
a. Yes, but you have a better personality.
b. Not prettier, but definitely thinner.
c. Not as pretty as you when you were her age.
d. Define "pretty."
e. Could you repeat the question? I was just thinking about how I would spend the insurance money if you died.

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