

Student Loans Pass Credit Card Debt; CFPB Observations; Origination Rankings - Look Who's #3!

By: Rob Chrisman | Fri, Jun 15 2012, 10:01 AM

On June 15, 1752, Benjamin Franklin performed his famous kite experiment, proving that lightning is a form of electricity. Something that seems to be electrifying originators out there is this week's **comments from Rajeev Date, the Deputy Director of the CFPB**. Below is a smattering of the e-mails I received.

Fred R. wrote, "I sat in on a NAMB webinar stating that CFFB is looking to extend its tentacles to **Realtors**, and at very least those who hold dual licenses as a realtor and as MLO (I think California requires real estate licenses for loan originations). It's time that NAR wakes up and stands with the mortgage industry for a sensible halt to the excesses, as the two groups have a common goal."

Brian T. noted, "ACFPB audit wants rate sheets to verify the borrower received the best rate? Since when is the only reason one lender can be selected over another is price? In that case, **why not just eliminate all but the lowest priced lenders right now** - there will then be just one provider and we'll never again have to worry about the 'lowest price'. Does service, or the difficulty in doing a loan, matter? So much for the CFPB restoring 'free markets'."

Larry O. observed, "In every free market exchange that I am aware of, the provider (or seller) is paid more if they give the consumer (or buyer) a worse deal (on an individual transaction basis). This is true for everything from a bag of peanuts to a new car. **The beauty of the market though is manifold including that the consumer can chose to walk away if they wish, the seller has competition, and most providers realize that in the long run they'll make more if they are fair/competitive rather than maximizing a single transaction!** That is why brokers can't arbitrarily JUICE the rate from 6 to 8 percent. I'm not saying that can't or doesn't happen from time to time because I'm sure it did. But if this voluntary exchange is in need of regulating, we should also fix the profit (or margin) on cars, dentists, pizza, airfare, hotels, etc. I don't mind that the government wants to ensure honest disclosure of the terms of a deal (or ingredients, or warranty, etc.), but when he talks about profit, you could easily re-write that paragraph to almost any other business/industry/transaction and if there are people that believe it - please move to a country that practices socialism rather than screwing this one up for the rest of us. I believe we are losing the battle of articulating truth. **If a deal is presented honestly, then individuals should take responsibility for their own actions and stop blaming others or ceding their responsibility to the government.**"

From California I received, "I find Date's continual use of language, 'mortgage broker' irritating and insulting. It means that beltway culture is set on that thinking of us. Since being a mortgage broker since 1984 I can attest that most of those awful and heavy YSP loans were originated by the bank call centers in the waning days of World Savings, WAMU and Countrywide. And now out of survival strategy, I am a mortgage banker & broker and a member of that sacred fraternal society of 'bankers' so I get to frequently avoid the oppressive rules put in place by that ever too powerful banking cabal that tried to rub me out in my former title. We have many miles to travel before we will ever see common sense lending again. I'm one of the 'suckers' who didn't make big easy money on those high YSP & 3 and 5 yr. PPP loans simply because they put me ahead of my client's safety. I hope they don't make it yet more challenging for my borrowers and me but let's just say I am working my pipeline very hard, I am very busy and saving every dollar I can in case I have to change careers sometime in 2013 or 2014 due to this witch hunt. Their witches have been hunted down and thank you for that purge, in my view. Now the hunters are the problem. Call 'em off."

Steve E. writes, "Of course many consumers paid up some on rate during the crisis with unscrupulous lenders (90% of which are gone FYI due to the crisis) but Date's comments reflect the mindset of the ivory tower types & rabid anti-lender consumer groups that infest our regulatory agencies these days. That they can even say someone went from 6 to 8 with a straight face is bizarre. They have no clue as to the competition forces that were strong even during the height of the crisis, nor that most lenders wouldn't even of had that pricing spread available. If their rhetoric was at least reasonable, in the general realm of reality, they might get some more support from industry. As it is, it all witch hunts today. Mortgage Bankers better get on board that they are the 'witches' being hunted."

Here's something to talk about during the BBQ this weekend: **student loan debt in the U.S. has now surpassed credit card debt outstanding.**

Something else that has turned some heads is **US Bank slipping into the #3 spot in terms of originations through all channels**. There's definitely been some shuffling of the top originators *who report their numbers*: Wells Fargo & Company (31% market share), Chase (10% market share), U.S. Bank Home Mortgage, Bank of America, CitiMortgage, PHH Mortgage, Flagstar, Quicken Loans, Provident Funding Associates, Ally/ResCap/GMAC (now BK), BB&T, SunTrust Mortgage, Fifth Third Mortgage, MetLife Home Loans (now gone), and Franklin American Mortgage.

Just so we are clear, per the 1st quarter numbers, all origination channels, **Wells Fargo nearly equals the rest of the top 10's total market share/volume**. And the top 10 account for 65% of the entire market, per the National Mortgage News' numbers, which, of course, does not factor in a smaller player - say Provident or Flagstar or Quicken, just to randomly pick a few - selling loans to Wells or Chase or US Bank.

How about a few training and lender updates, with lots more tomorrow (yes, Saturday).

Jerry Baker, ex-managing director at Countrywide and Chairman, President and CEO at Fleet Mortgage Group to President and CEO of First Horizon and First Tennessee Bank, is now the CEO Mentor and Executive Coach with **Building Champions**. Jerry will be featured in a webinar, discussing "detailed industry advice as well as his business fundamentals that every CEO, manager and loan officer should take to heart." [Register here](#)

Flagstar Bank informally spread the word that it is still offering the FHA Streamlines for both our correspondent and wholesale channels with a 640 minimum FICO. Check with your rep!

M&T "is pleased to announce that Non M&T-to-M&T FHA Streamline Refinance transactions are now eligible subject to the guidance described below. Non M&T-to-M&T FHA Streamline pricing is based on a newly calculated "current" LTV obtained by using the value from a required AVM report, the Freddie Mac HVE. NOTE: the current LTV (calculated off the value of the HVE) should be used to select the correct product code and pricing, as per LTV buckets, ONLY. The current LTV based on HVE will not be used for underwriting or for submission to FHA. If the HVE has 'no hit' or a confidence score other than "H" or "M", a Conventional exterior-only appraisal (Form 2055) must be substituted as the source used to calculate a current LTV. Correspondent Lenders will be required to include the HVE or exterior appraisal in their loan files. M&T will require an Underwriter note showing the calculation of the "current" LTV used to determine pricing. This note may NOT appear on the FHA Transmittal. Underwriters shall use the original appraised value, from the original loan closing, to determine the LTV for underwriting purposes."

Charles Schwab has added a HELOC account to its Quicken home lending program, with the rate for primary residences listed at 3.99%. Borrowers aren't subject to an annual fee or minimum balance requirement and pay no interest until they use the credit line.

Kinecta reminds clients that its most recent agency price adjustments went into effect for all loan applications locked on or after June 4th. All loans must comply with Kinecta's lock policies, which have been clarified to say that any loan re-locked within 45 days from its expiration or cancellation date is subject to all prior extension fees and that, when renegotiating the rate lock for lender paid with borrower paid discount scenarios, base rate market movement is calculated using the final note rate.

All new DU Refi Plus loans over 125% whose submissions are received by **Penny Mac** on the DURP Unlimited program are required to re-run AUS with the estimated value provided by DU. PMAC's underwriting department will re-run to confirm collateral requirements and Eligible AUS. Any loans that were in the pipeline before June 4th will be honored according to the previous guidelines. PMAC has rolled out new FHA Portfolio and Jumbo programs with a purchase special of 0.75% rate improvement for the latter. Both updated matrices are now available.

Once again, with all this going on, **mortgage rates are an afterthought**. But Thursday MBS closed "higher and tighter down in coupon" on volume that Tradeweb reported was "well below normal." It was another day of weaker-than-expected economic reports (Initial Claims, CPI) and on continued distressing news out of Europe. By the time the dust settled 10-year Treasury notes settled around 1.63%, although there is market chatter this morning that G20 officials said central banks were ready to take actions to stabilize the markets in the event of any extreme reactions following the Greek elections. Can the central banks really do much? **Keep your eye on the Greek elections Sunday** which may determine whether the country upholds austerity measures attached to international aid, and if they remain in the euro bloc all together.

While countries in Europe scramble, we have some second-tier economic news here in the U.S.: the Empire State Manufacturing Survey for June was released. Expected lower slightly, the Empire Index dropped dramatically to "2.29." Long after this commentary comes out we'll see Industrial Production and Capacity Utilization for May, and the preliminary June Michigan Sentiment reading which is projected declining. **In the early going rates have improved: the 10-yr is down to 1.59% and agency MBS prices are better .125-.250.**

I received this note. "Just so your male readers are fully informed here are the right answers to the questions for men from this week:"

1. "What are you thinking about?" You.
2. "Do you love me?" So Much!
3. "Do I look overweight?" No, never!
4. "Do you think she is prettier than me?" Who?
5. "What would you do if I died?" Kill myself.

Quotes for Father's Day (Part 1 of 2):

"When I was a boy of fourteen, my father was so ignorant I could hardly stand to have the old man around. But when I got to be twenty-one, I was astonished at how much the old man had learned in seven years." Mark Twain

"A very rich person should leave his kids enough to do anything, but not enough to do nothing." Warren Buffet

"You know, fathers just have a way of putting everything together." Erika Cosby

"I cannot think of any need in childhood as strong as the need for a father's protection." Sigmund Freud

"That is the thankless position of the father in the family - the provider for all, and the enemy of all." J. August Strindberg

"I just owe almost everything to my father [and] it's passionately interesting for me that the things that I learned in a small town, in a very modest home, are just the things that I believe have won the election." Margaret Thatcher

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