

# Dodd Frank Diversity Requirements; Updates on TARP and Shadow Inventory

By: Rob Chrisman | Thu, Aug 30 2012, 10:18 AM

I can't walk by a magazine stand in a grocery store or an airport without seeing a bunch of folks on the covers who are either in better shape than I am or are better cooks. **Here, for something totally non-mortgage banking related are the single-copy sales of the top 25 U.S. consumer magazines in the first half of 2012.** The figures are as reported by the magazines to the Audit Bureau of Circulations, an industry group. Food Network Magazine saw the biggest percentage gain, while Weight Watchers was the top decliner. 1. Cosmopolitan, 1.4 million (-15% from the first half of 2011), 2. Woman's World, 1.1 million (-4%), 3. First For Women, 1 million (-6%), 4. People, 1 million (-19%), 5. Us Weekly 573k (-11%), 6. Family Circle 567k (+8%), 7. In Touch Weekly, 561k (-13%), 8. In Style, 545k (-4%), 9. People StyleWatch, 460k (-9%), 10. National Enquirer, 457k (-9% - oh no!), 11. O, The Oprah Magazine, 449k (-18%), 12. Glamour, 423k (-7%), 13. Food Network Magazine, 400k (+18%), 14. All You, 395k (-11%), 15. Men's Health, 391k (-9%), 16. Star Magazine, 379k (-14%), 17. Real Simple, 373k (-2%), 18. Woman's Day, 360k (+6%), 19. Life & Style Weekly, 343k (+2%), 20. Weight Watchers, 326k (-28%), 21. Good Housekeeping, 319k (-6%), 22. Vogue, 301k (-16%), 23. Women's Health, 299k (-5%), 24. Vanity Fair, 284k (-19%), 25. Seventeen, 267k (-9%).

Magazines are probably the last thing on the minds of Pacific Mercantile Bank employees. **Pacific Mercantile Bank announced it is closing down the wholesale division** for the 2nd time just after over about a year of re-opening it. (I received one note saying, "At least they gave us a 2 week notice, not like New Century Mortgage where I used to work that only gave us a 24 hour notice via a conference call.") [Here's one](#) from "The Way Back Machine" - all you have to do is change the dates.

**Is the housing market doing well, or not?** There are dozens of housing-related indices released every month, and yesterday we all learned that **Pending Home sales rose in July to the highest level in over two years** and remain well above year-ago levels, according to the National Association of Realtors. Now, I've never known anyone who bought a house in Pending Home (note: wait for laughter to die down), but seriously, the Pending Home Sales Index is a forward-looking indicator based on contract signings. Lawrence Yun, NAR chief economist, said the index is at the highest level since April 2010, which was shortly before the closing deadline for the home buyer tax credit. "While the month-to-month movement has been uneven, more importantly we now have 15 consecutive months of year-over-year gains in contract activity," Yun said. "All regions saw monthly increases in home-buying activity except for the West, which is now experiencing an acute inventory shortage...Falling visible and shadow inventories point toward continuing price gains. Expected gains in housing starts of 25 to 30 percent this year, and nearly 50 percent in 2013, are insufficient to meet the growing housing demand," Yun said.

**But not so fast! Remember the massive shadow inventory?** Here is [one person's take on it](#).

Speaking of remembering things, remember TARP? Of course you do. But **where does the Troubled Asset Relief Plan stand?** Investment banker Keefe, Bruyette & Woods released the latest figures on the remaining CPP investments (Capital Purchase Program) held by the Department of Treasury. Only \$9.6B remains in TARP CPP outstanding. Under CPP, Treasury invested \$204.9B in 707 banking institutions and as of 8/28, received \$218.2B in repayments and income (inclusive of dividends, interest, warrant income, and other income). Treasury received repayments totaling \$192.2B, earned income of \$26.3B from dividends, interest, and warrant dispositions, and posted losses of \$3.1B.

KBW reports that, "Of that \$9.6 billion, the outstanding CPP investments are in 301 banking institutions. Remember that it has been selling off investments, and recently completed its fourth public auction of \$324M in total TARP CPP investments in 12 banks (EXSR, Fidelity Financial Corp., Trinity Capital Corp., MNAT, CBS Banc-Corp., Park Bancorporation, PFBI, FCMP, Diamond Bancorp, First Western Financial, Commonwealth Bancshares, & Market Street Bancshares) for aggregate proceeds of \$234M in late July."

And you can't talk about mortgage origination without talking about the CFPB and Dodd-Frank. For the IT folks out there, **it is rumored that the CFPB is considering requiring companies to convert all document files into machine language HTML** - perhaps to make computer audits more efficient. I am the first to admit that, besides knowing where the power button is, I know little about computers, but wouldn't that make lenders convert PDF for TIFF to HTML? Is HTML even in use? Or was it replaced by XHTML? And if this rumor is true, how does the security of HTML stack up against the others?

And this commentary has discussed it before, but compliance officers know that Dodd Frank dictates lenders working with vendors who have a diverse ownership. Catch the wave! Mark DeGennaro, who heads up the **Collingwood diversity effort**, wrote, "We see a real market need for diverse suppliers, and all small businesses for that matter, to have access to capital at a reasonable cost and assistance in satisfying the rigorous counterparty requirements imposed on them by government agencies, large systems integrators and financial institutions." The Collingwood Group, mostly known for consulting on GNMA issues, announced its [move](#) recently or a summary of its

division can be seen at [collingwoodassetmanagement.com](http://collingwoodassetmanagement.com). (To reach Mark, his e-mail is [MDeGennaro@Collingwoodllc.com](mailto:MDeGennaro@Collingwoodllc.com).)

And this note from Jay Patel with Salataris. "In the past few months, we have seen a significant increase in vendor and supplier diversity questionnaires. Both vendors and suppliers are required to put together policies and procedures in order promote diverse business participation for clients they want to do business with. The questions range from requiring vendors and suppliers to put a dollar and percentage goal of supplier diversity to providing a list of existing diverse suppliers currently used. What I am seeing is both vendors and suppliers are unsure of how to verify whether or not their vendors and suppliers hold any form of diverse supplier certification. As we know, the CFPB will begin asking regulated entities the same questions in the upcoming months to ensure their interests are aligned with the CFPB Office of Minority and Women Inclusion. In essence, vendors and suppliers should begin taking a look at their vendors and suppliers and begin asking whether or not they have any diverse supplier cert." (As a side note, Salataris recently hired Gary Vandeventer - MERS VP for Product Division - to assist it in its sub-servicing and MERS third party annual audits. If you want to reach Jay, write to him at [jpatel@salataris.com](mailto:jpatel@salataris.com) or learn more about his firm [salataris.com](http://salataris.com).)

Nothing like some recent agency, investor, and lender updates to give one a flavor for lending and compliance trends:

First, I received this note from Wendy Barnett with DataQuick: Fannie Mae has no bulletin to be found, but has been notifying clients in person and by phone that Custom DU (CDU) will no longer accept new submissions after September 30, 2012 and resubmissions after December 31, 2012. This was a tool that used the DU engine to also provide decisioning on non-Fannie Mae loans. DataQuick has been providing a solution for several lenders, with our Mindbox - Art Enterprise component framework for Pre-Qualification, Product, Pricing and Automated Underwriting." Shoot Wendy an e-mail if you have questions about this: [wbarnett@dataquick.com](mailto:wbarnett@dataquick.com).

**Pacific Union** has added a VA Standard and VA Specialty product to their offerings. These are available in FLOW to any seller who has been approved to deliver VA loans to Pacific Union provided that they comply with the requirements outlined in the VA lending handbook. Both products are 30-year fixed rate loans that permit amounts of up to \$625,000 and purchase, cash out, and IRRRL transactions. VA Specialty is available to borrowers with minimum FICO scores of 560 for conforming base loan amounts and 600 on high balance base loan amounts and permits 100% purchase, cash out, and IRRRL financing. The VA Standard product requires a minimum FICO score of 620 and allows for 100% purchase and IRRRL financing and 90% cash out financing. Any lock requests submitted to Pacific Union on or after July 25th are subject to a loan amount minimum of \$50,000. This is effective for all loan types.

Some weeks back **SunTrust** updated multiple guidelines within the Non-Permanent Resident Alien Guidelines, as well as its Permanent Resident Alien Requirements. The revised SunTrust Mortgage Declining Market Index reflects a change for the state of Arizona. For loans under the Keyloan program and Jumbo Solution Second Mortgage loan program, SunTrust no longer includes the Tucson/Pima County Metropolitan Statistical Area (MSA) as a moderately declining market. And it clarified the mortgage history documentation requirements for the Key Loan program.

In late July **Flagstar** told clients that it is performing a prefunding review of all Delegated loans to ensure all applicable documents and disclosures are submitted in the loan package.

The head of **FEMA** announced on July 23, 2012 that disaster aid has been made available in the State of West Virginia to assist in recovery from the effects of severe storms and straight-line winds during the period of June 29, 2012 through July 1, 2012. For loans secured by properties, in the designated disaster areas, and appraised prior to the Federal Government / State Government declaration, the following post-disaster guidelines will apply: An exterior re-inspection must be completed. The re-inspection should be completed on FHLMC Form 442 / FNMA Form 1004D. The re-inspection must be completed by the original appraiser. The re-inspection must contain an exterior photo of the property, as evidence of no damage. The appraiser must provide a certification stating that the property is free from damage, and is in the same condition (or better) as when previously inspected and appraised. The appraiser must include any appropriate commentary concerning negative conditions which would affect the marketability of the property.

*(With Isaac camped out in the South, watch for an increased number of disaster updates.)*

Non-warrantable condominiums are not eligible for non-same servicer. Please check this link to [HUD's Condominium List](#) to verify if a condo project is on the exclusionary list or not. There are a few different statuses: Anything declined (and therefore ineligible) would show up as Rejected. Other statuses (Approved, Approved - Expired, Withdrawn, or not on the list) would fall under eligible. The FHA Streamline FAQ, Exh 02-281 will be updated to reflect this information and posted to **MEME**.

**Frankly, there isn't much going on in the markets.** Europe seems to be finishing up August vacations, here in the U.S. vacations are going full bore. Here in the States analysts are jawboning over what might or might not come out of Bernanke's speech in Jackson Hole concerning more Qualitative Easing: QE3. Interestingly, given the Wall Street research pieces I've seen, most do agree that Jackson is likely to disappoint. By the end of the day on Wednesday Treasuries recorded a modest sell-off with 10-year notes marked lower by about .125

(1.65%), and agency, current coupon MBS prices also worse by about .125.

For thrills and chills today, at 8:30AM EST we'll have Initial Jobless Claims (expected slightly lower), Personal Income (also expected slightly lower) and Personal Consumption (seen higher). Later we have a \$29 billion 7-yr note auction. **Early on we have the fixed-income markets up slightly from Wednesday's close.**

The wife left a note on the fridge...

"It's not working; I can't take it anymore; I've gone to stay at my Mom's!"

I opened the fridge, the light came on and the beer was still cold. What the heck is she talking about?

View this Article: <https://www.mortgagenewsdaily.com/opinion/08302012-ethnic-diversity-tarp>