New CFPB Exam Procedure; States and NMLS Expansion; Do Rates Correlate Directly to Production?

By: Rob Chrisman | Mon, Sep 10 2012, 10:03 AM

One of Coke's slogans several years ago was, "Always Coca-Cola." Unfortunately for SunTrust, who invested in the company almost a hundred years ago, it was not to be, and SunTrust had to sell its stake in Coke in order to cover bad loans. SunTrust also took a $375 million provision for mortgage repurchase losses, wrote off $3 billion in bad loans, and sold $200mm in affordable housing investments.

I have been retained by a Northern California Residential Retail Lender, expected to do $3 billion in originations this year, who is searching for a Vice President of Mortgage Operations. I am told that the role has enormous growth opportunity as the company expands throughout the West Coast. "The right person should be strategic, yet hands-on, and believe in growing and developing people. Looking for a person committed to growing a team and working well with the sales team. The candidate must have in depth experience in managing and leading a high level Mortgage Banking Operation; selling directly to agencies, and must have experience in managing processing, underwriting, QC, doc drawing, funding, shipping, and post-closing functions. He or she will also have credit authority." Please feel free to pass this on if you know someone who'd be interested as it is a very good opportunity to join a solid company with a seasoned management team; resumes should be sent to me at rchrisman@robchrisman com.

Kinecta Federal Credit Union continues to grow its business and is hiring Retail Mortgage Loan Consultants in the greater Los Angeles area and a Wholesale AE's for the Pacific Northwest to cover Washington, Utah and Oregon. Additionally, Kinecta continues to hire Senior Underwriters, Underwriting Assistants and Funders in their Southern California and Chicago operations centers. Kinecta FCU is one of the nation's leading Credit Unions with more than $3.2 billion in assets and serving over 236,000 member-owners across the country. Kinecta offers a competitive compensation and benefits package in addition to a dynamic culture and a large product line. Go to kinecta.org and click on the Careers tab to view all openings, position descriptions and apply online or send a resume to Daniel Borgstadt at dborgstadt@kinecta org.

"Rob, how does mortgage volume correlate to interest rates? We're already planning for 2013, and what might happen if rates stay at these levels, or go up 100-200 basis points if/when Fannie and Freddie exit stage left." This is just my opinion, but I would say that it doesn't correlate - at least directly. When rates were much higher, like 6 or 10 or 18%, we could count on every drop of .5% resulting in a "refi boomlet." But overall mortgage volume relates to a number of factors, rates being only one of them. General economic conditions and ease of credit jump to mind, as well as the overall population growth and recent mortgage production levels. In addition, the reason why rates go up will influence volumes. If rates go up because of the loss of Fannie & Freddie, that has one impact. But if rates go up because the economy is heating up, that would have a different impact. That is a short answer to a relatively complex question, and if you'd like to delve into the historical numbers a good place to start is Freddie's statistics page. And good luck with planning out rates, manpower, and volumes for 2013 - remember that *past performance is no indicator of future gains or losses.*

I have a lot lately from lenders that with the recent refinance activity slowing and pipelines continuing to shrink, week over week, additional focus and resources has been placed on obtaining newly originated purchase-money loans. Emphases by some lenders have been directed towards advertising and marketing, additional loan officer sales hires and maintaining lower rates on primary home purchases. We've all seen the pattern before, and lenders will cut prices to bring in volumes to support overhead. I will suggest that **regulators don't seem to be fond of pricing differences based on risk, or servicing differences**. Is it disparate lending that most lenders have a separate rate sheet for California, for example? California pricing is usually higher than other states. Is it disparate lending that a few lenders charge an additional fee (.125) for Nevada loans because Nevada has declining property values? Will the CFPB understand this? I hope so - pricing risk is one of the cornerstones of lending. Here's a good article on it.

There has been some recent activity with NMLS. In mortgage banking, loan officers are required to be licensed by the NMLS. LO's put their number on their business cards. And now some states are requiring non-mortgage "money handlers" to do the same. (We're not down to lemonade stand operators yet...) Starting last week **Idaho and Pennsylvania transitioned to NMLS the state licensing process for certain non-mortgage consumer financial service providers**. In Idaho, all money transmitters now have the option of using the NMLS to obtain or renew their licenses, and in Pennsylvania all debt management services, money transmitter, and accelerated mortgage payment providers "can" begin to use the NMLS for all licensing-related transactions - and it will be the law starting November 1. Idaho regs and for Pennsylvania.

I, and many others, didn't think that **down payment assistance programs** worked. Borrowers need skin in the game, right? Wells Fargo, however, is rolling out another one.

The mortgage herd is spooked, given the specter of CFPB exams/audits. There are plenty of webinars and classes on the subject ("Preparation is next to Godliness," as they say), and Tom Farmer with **MCT** reminded me of the MBA PowerPoint on preparing for one. And **the CFPB just released new examination procedures**. ("These examination procedures are intended for use in examining larger participants in the consumer reporting market.") This one is only 55 pages.

Well, the agency, investor, and lender updates just keep coming. It is hard to keep up, and I squeeze them in, space permitting. As always, it is best to read the actual bulletin, but these will show you the trends.

First Commercial Bank of Bloomington, Minnesota, was closed Friday with **Republic Bank & Trust Company** of Louisville, Kentucky, assuming all of its deposits.

Freddie Mac's Loan Prospector is scheduled for an update on September 23rd. The Alt 97 Offering Identifier and the new construction value of the "Newly Built" option for conventional loans will both be removed, while feedback messages will be revised to comply with changes to credit underwriting, negotiated terms, mortgage eligibility, and short sale fee guidelines as well as guidance on assessing FHA loans and the use of LP feedback certificates. In addition, LandSafe will be removed as a credit reporting company option.

FEMA announced on Monday, August 20th that disaster aid would be available for the counties in Ohio that were affected by the storm activity and straight-line winds in late June. Properties in Adams, Allen, Athens, Auglaize, Belmont, Champaign, Clark, Coshocton, Fairfield, Franklin, Gallia, Guernsey, Hancock, Hardin, Harrison, Highland, Hocking, Jackson, Knox, Lawrence, Licking, Logan, Meigs, Miami, Monroe, Morgan, Morrow, Muskingum, Noble, Paudling, Perry, Pickaway, Pike, Putnam, Shelby, Van Wert, and Washington counties are all eligible for aid. Properties whose appraisals were completed before July 2, 2012 should be re-inspected using Freddie Form 442/Fannie Form 1004D by the original appraiser. The re-inspection should include an exterior photo, a letter stating that the property hasn't been damaged, and the appraiser's commentary on any negative conditions that may affect the property's marketability.

In the wake of Hurricane Isaac, **Wells Fargo's Wholesale and Correspondent divisions** both remind clients that all appraisals completed prior to the storm will have to be re-inspected. Neither Wells nor FEMA had issued an official declaration designating specific disaster areas as of August 29th, but for any properties that show signs of damage, clients should comply with the Wells disaster policy. This primarily affects properties in Alabama, Florida, Louisiana, and Mississippi, though FEMA is currently assessing the extent of the damage. When this assessment has been fully carried out, Wells will choose to apply its disaster policy either to the complete list of counties specified by FEMA or its own list of zip codes.

Last week the economic data were largely disappointing as the ISM manufacturing index, construction spending and employment reports all posted results below consensus expectations. The manufacturing sector appears to be slowing due to sluggish domestic and export demand, and the service sector remains in positive, but slow growth, territory. Both seemed to contribute to the poor 96,000 non-farm payroll jobs added for the month of August. (The unemployment rate surprisingly ticked down to 8.1%, though this was almost solely a function of the participation rate dropping to its lowest level since 1981.) Economists continue to believe that U.S. growth will be below 2% for the year.

This week's focus is clearly on the Fed and whether or not QE3 is launched. The never ending cavalcade of economic news continues this week. Besides the usual ups and downs associated with Europe, which will probably be with us for years, we have some Trade Balance figures tomorrow, and some Import and Export Prices Wednesday. Thursday is Initial Jobless Claims (gee, do you think that the President is hoping for good news?), the Producer Price Index, and most importantly the Federal Open Market Committee's meeting results (no change expected, but we'll see what the verbiage is). And Friday the 14th is a big day with Retail Sales, the Consumer Price Index, Industrial Production and Capacity Utilization, and a University of Michigan Consumer Sentiment Survey.

Looking back to Friday the 10-yr closed at 1.66%. **With no real news today we find the 10-yr at 1.66% and agency MBS prices better by a few ticks (32nds).**

An elderly couple was celebrating their sixtieth anniversary. The couple had married as childhood sweethearts and had moved back to their old neighborhood after they retired. Holding hands, they walked back to their old school. It was not locked, so they entered, and found the old desk they'd shared, where Andy had carved "I love you, Sally."
On their way back home, a bag of money fell out of an armored car, practically landing at their fee t. Sally quickly picked it up and, not sure what to do with it, they took it home. There, she counted the money - fifty thousand dollars!
Andy said, "We've got to give it back."
Sally said, "Finders keepers." She put the money back in the bag and hid it in their attic.

The next day, two police officers were canvassing the neighborhood looking for the money, and knocked on their door. "Pardon me, did either of you find a bag that fell out of an armored car yesterday?"
Sally said, "No".
Andy said, "She's lying. She hid it up in the attic.
Sally said, "Don't believe him, he's getting senile"
The agents turned to Andy and began to question him.
One said: "Tell us the story from the beginning."
Andy said, "Well, when Sally and I were walking home from school yesterday ...."
The first police officer turned to his partner and said, "We're outta here!"

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