Pool of Potential Borrowers Deep; Why a Company Would Close a Division; Lots of Training Coming Up

By: Rob Chrisman | Tue, Sep 18 2012, 11:22 AM

And now for something completely non-mortgage related...For you astronomy & space explorations fans out there in Northern California, if you're around Friday morning you can see the space shuttle Endeavor fly over, mounted to a 747.

Here in South Carolina, at the Mortgage Bankers Association of the Carolinas conference (the 57th!), the question came up, **"When is Wells Fargo going to drop out of correspondent lending?"** (Don't gasp - the issue is brought up all the time, especially with Wells pulling out of wholesale after a few months' notice.) As a reminder I don't work for Wells, and the question is not simple, especially since it is somewhat related to the question, "Why is Wells still buying loans from correspondents who originate loans through brokers?" My opinion is that **it comes down to economics for Wells and every other aggregator or lender**: can a branch or business channel of a third party originate a loan for less money than the branch or channel of the aggregator? And can a profit be made, given the risks inherent in a particular channel, business line, or branch originating those loans? If the answer is "yes" then the investor or lender will continue to do so. But if a branch, or lender, sees costs go too high (due to rent, compliance, legal fees, potential future lawsuits with the DOJ, whatever), then pressures on that branch or business channel will emerge.

Yesterday at the MBAC conference I had the privilege of being on a panel with **Dave Stevens, the president of the Mortgage Bankers Association, and Dan Arrigoni, US Bank Home Mortgage President and CEO**. (Dan is well known for costing his company some easy profits during the subprime mortgage run-up, but saving the bank billions when that segment collapsed.) Both gentlemen were obviously very knowledgeable and up on current events, but **one of the best quotes came from Dan**. "I was testifying a while back, and I asked the panel if they knew about the packs of gum that come 20. You put one piece of gum in your mouth, and it tastes pretty good. You put another in, and it tastes good, and so on, and so on. Pretty soon you have so much gum in your mouth you not only can't taste anything, but you can't chew, and it's not doing you any good. That's what the mortgage industry is facing with all of the regulations coming down the pipe."

Here's a note from an MI industry vet: "I do find it interesting that we continue to hear about how it is impossible to get any loans done due to the new guidelines, restrictions, etc. **Every lender I speak to has more business than they can possibly handle** and have dramatically increased margins to manage this volume. Not denying it is harder to do a loan today than previous but obviously, many, many loans are getting done and lenders are swamped - doesn't sound like 'impossible' to me."

Who is left to refinance? Plenty of folks, per the number crunchers at **CoreLogic**. Putting aside the question of, "What will a world of 3.5% 30-yr borrowers look like in five years?" there are still oodles of homeowners with rates in the 5% and 6% range who could benefit. "Roughly 69% of American homeowners with mortgages at the end of the second quarter had rates of 5% or higher and about 33% of them had rates above 6%, according to detailed mortgage data provided to The Times by Santa Ana research firm CoreLogic." Check it out.

Huh? **What is this fabled Bank of England low-cost funding for mortgage loans?** "The scheme, first announced last month, would support businesses and households wanting to borrow, said George Osborne, the chancellor. Speaking while visiting a small company, he added: 'We are going to lend money to banks on the condition - and it's going to be a very strict condition - that they lend it on to businesses like this.' A scheme to boost lending to first time buyers and small companies was unveiled today by the Bank of England in a move that ministers hope will inject fresh funds into the ailing UK economy. Sir Mervyn King, the governor of the Bank of England, said the new scheme aims to free up the log jam in credit hitting the economy by offering banks cheap finance on the condition they pass it on to borrowers. He said access to cheaper funding would also encourage competition and drive down lending rates further. Banks supplement lending based on their reserves of savings and deposits by accessing funds from international lenders. The cost of raising funds on the money markets has increased in recent months as the UK has slipped into recession and the euro crisis has deepened. The scheme will allow banks and building societies to free-up funds tied to loans made to groups like small companies and housing associations. The loans can be swapped for government bonds with the Bank of England. The bonds are the equivalent of cash and can form the basis of new loans. The Bank of England said it will charge a small fee for accessing the facility, but this could be as much as one or two percentage points below the cost of raising funds from other sources." (Thank you to Susan M. and her staff at **Opes Advisors** for passing this along.)

The **training opportunities** continue along unabated. Here are some for upcoming weeks, some sooner than later.

The FHA will be hosting a webinar on REO appraisals on September 18th. Aimed at appraisers new to the FHA rosters and more experienced professionals who want to familiarize themselves with the process, the training covers what FHA Roster appraisers should know about reporting protocol and explains the official policies issued in FHA Mortgagee Letters and Handbooks. Register here.

For those who work in housing counseling, the **Rural Community Assistance Corporation** is holding a training session entitled "The Effects of Regulatory Changes in Assisting Your Housing Counseling Clients" in Santa Ana, CA on September 20th. Note that this is available for nonprofit housing counseling agencies only. More information can be found here.

FHA Homeownership Counseling training is coming to Minneapolis, MN from October 22-26th. A variety of courses and workshops will be available; see this page to find out more.

Avenue 365 is a rapidly growing national title services company serving all 50 states. "Its online **instant GFE generator** provides an invaluable guarantee against any tolerance issues and losses associated with closing costs and fees. Their platform also offers the ability to close anytime/anywhere 24/7 (all 365 days of the year), a customer service team with availability to match, revolutionary turn times, HARP-readiness, and simple online ordering, tracking, and viewable documents." It also offers a long list of REO/default services for those who are servicing loan portfolios and due diligence services for those whose focus is investing/trading. For additional information or to register, please contact Jon Fogel at jfogel@avenue365 .com.

Fannie Mae's Housing Finance Institute began hosting its online interactive training sessions on September 10th. At present, it's possible to sign up for courses on interpreting DU findings, reconciling custodial accounts, and investor reporting, with a promise of more choices to follow. Find out more and register here.

Fannie will be holding a live webinar on October 20th to discuss the recent updates to Desktop Underwriter's credit risk assessment and eligibility requirements. Those interested can register here. Online training for Fannie's Technology Manager application will also be available on October 31st. More information and registration links are available here.

Law firm **Ballard Spahr** will be presenting a webinar on the Servicemembers Civil Relief Act on September 19th that will cover the CFPB's objectives with regards to members of the military, the SCRA's place in the current regulatory environment, and best practices in dealing with the law. The program will also give an overview of the protections afforded by the modern SCRA as compared to the Soldiers' and Sailors' Civil Relief Act. Register here.

Titan Capital's Risk Management team is hosting a webinar on **CFPB Exam Readiness** on September 19th. The training will explain how participants can best prepare and what to expect before, during, and after the exam. Interested parties can register at http://titanlenderscorp.com/.

It seems to be a busy first week of October - **Ellie Mae's Encompass National User Summit** will kick off the month in Las Vegas, NV from the 1st to the 3rd. The conference will feature numerous training sessions, speakers, and networking opportunities. Register here.

On October 2nd and 3rd, Louisville, KY will play host to **BOL's 2012 Lending Compliance Conference**. The program will break down upcoming regulatory developments (think expanded HOEPA coverage, "Qualified Mortgage" triggers, the "Higher Risk Mortgage Loan" category, et cetera), summarize the details of proposed regulation, and explain the full implications for lenders using checklists, game plans, and comprehensive analyses. More information / registation

On October 8th, **Ballard Spahr** is offering a webinar on the CFPB's recent proposal to combine Dodd-Frank loan originator compensations with the existing Regulation Z loan originator compensation rule. The program will cover the fine points of the proposed regulation, including permitting loan originators to pay borrowers costs under certain conditions, the qualification requirements for employee loan originators who work for banks, the ramifications of the CFPB's analysis of point banks, and defining the concept of a "proxy" as it relates to the compensation issue. Interested parties can register here.

The Mortgage Bankers Association of New Jersey will be hosting **Fannie Mae Day** in Philadelphia, PA on October 30th to discuss all things Fannie. MBA-NJ/NJAMB members may attend for no charge. Watch the MBA-NJ events page for further information.

Very unsurprisingly, compliance is a hot topic at mortgage industry events. **The California Mortgage Bankers Association** is holding its annual Western States Legislative, Regulatory, QA and Compliance Conference in Costa Mesa, CA on December 3rd, which will feature Edwin Chow, the Western Regional Director of the CFPB. See this link to register. Note as well that sponsor opportunities are still available.

Turning to the markets, an article in late August, after the Jackson Hole economic meetings, said, **"'The economic situation obviously is far from satisfactory**,' Mr. Bernanke said Friday, remarks that appeared to reflect that the Fed's basic assessment of the economic outlook has not been substantially altered by the recent data...In addition to asset purchases and forward guidance, the account of the most recent meeting mentioned two other options. The Fed could cut the interest rate it pays banks on reserves kept at the Fed, which might push some money into circulation. It also could seek to provide low-cost funding for certain kinds of lending, like mortgage loans, emulating a program recently begun by the Bank of England. Some members of the committee also have said publicly that they would like to replace that time horizon with a trigger tied to economic data, for example declaring that the Fed is likely to keep interest rates near zero until unemployment falls below a specified level, or until economic output exceeds a certain threshold." **Talk about being transparent weeks in advance!**

There wasn't a lot of news of consequence out yesterday. The Empire Manufacturing Federal Reserve Bank of New York's general economic index dropped to minus 10.41, the lowest since April 2009, from minus 5.85 in August, and much weaker than the median forecast calling for minus 2. Mortgage bankers were relatively quiet, per Tradeweb and ThomsonReuters, with the bulk of selling being 3% securities (the MBS buckets containing 3.25-3.625% home loans). The 10-yr ended the day at 1.84% and rate sheets saw prices worse ever-so-slightly.

It is still early, but the economic calendar for today doesn't have too much to move the market aside from possibly another house price index (this one the September NAHB housing market index, expected to come in at "38" whatever that means).

What will ordering a pizza be like in 2015? If you think privacy is dead now with NMLS or credit scoring, check this out: http://www.aclu.org/pizza/images/screen.swf.

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