

Flagstar's Leadership Change; Big Lawsuits and Settlements; Private MI News; Lock Desks Busy!

By: Rob Chrisman | Wed, Oct 3 2012, 10:44 AM

There are some stirrings out there that are raising some eyebrows. Jungle drums pounding about a whispered 30% pay cut for many at **Genworth**... telegraph wires humming over a rumored recent **U.S. Bank** lay off some 14 AE's, 3 RVP's, and a major change in the comp plan for those left. (This comes on the heels of eliminating some 1,200 brokers a few weeks ago.) The plan is that the company wants to do more volume with fewer brokers and fewer AE's - interesting given that *U.S. Bank Home Mortgage moved up into the #3 slot in total originations behind Wells and Chase during the 2nd quarter.*

Perhaps someone will find a home with Home State Bank, "a profitable, 100-yr-old federally-chartered community bank headquartered in Crystal Lake, Illinois. Home State has a newly-created VP/OPS Manager opening to accommodate/expedite continued growth. This will be a highly visible member of senior management team with the authority to not just implement company policy but also create it, especially vis-à-vis employee leadership & development." The candidate will work from state-of-the-art operations center in Crystal Lake. Local candidates only, please. For more information on the bank visit homestbk.com, and resumes should be sent to David Impey at dimpey@homestbk.com.

Flagstar folks learned of a new management change, with Mike Tierney replacing Joe Campanelli as president immediately and as CEO on November 1. The announcement was full of platitudes for Mr. Campanelli ("...excellent job of transforming Flagstar and its return to profitability...") Mr. Tierney comes from within Flagstar, as he was Managing Director of Personal Financial Services, and lives in Michigan - a big help.

Lockologists were busy last week. **Applications for U.S. home mortgages last week were up over 16%** with refi's accounting for 83% of them. Yes, refi's were up almost 20%, hitting their highest level since early 2009, but purchase apps were up also, increasing almost 4%. (It would be fascinating to see how many of those refi apps were from borrowers who had refi'd during 2012 already.)

Some names just never go away. Or, in some cases, the people & business model don't. In this article, **Fortune Magazine identifies PennyMac as Countrywide Part II** - [read](#). Folks wonder about whether or not a viable 2nd mortgage market will evolve again. Bank of America is offering to write off 150,000 delinquent second liens for certain "in need" borrowers, as part of its national settlement agreement. Good luck on LO's seeing a new program for 2nds with banks grappling with [these losses](#).

A quick follow up to a note yesterday about **PennyMac Mortgage Investment Trust's** purchase of a \$452 million portion of a \$622 million non-performing residential mortgage pool: Debtwire reports that it was sold by Citi. **John Wilen from Debtwire** reports that, "The REIT paid 42% of the mortgages' unpaid balance, or \$189.84 million...translate to a "quick sale" or broker price opinion (BPO) price of roughly 63, the trader said. A second trader, head of loan trading at another primary dealer, explained that most NPL buyers look at collateral value, not loan balances."

Yes, banking and mortgage margins are sky-high, and companies are socking it away for a rainy day - like this one. **The federal mortgage task force that was formed in January by the Justice Department filed its first complaint against a big bank (JPMorgan Chase, which took over Bear Stearns/EMC)**, citing a broad pattern of misconduct in the packaging and sale of mortgage securities during the housing boom. The suit, which apparently *doesn't have much new information*, was brought in New York State court by Eric T. Schneiderman, the state attorney general, who is also a co-chairman of the **Residential Mortgage-Backed Securities Working Group**. The complaint contends that Bear Stearns and its lending unit, EMC Mortgage, defrauded investors who purchased mortgage securities packaged by the companies from 2005 through 2007. The firms made material misrepresentations about the quality of the loans in the securities, the lawsuit said, and ignored evidence of broad defects among the loans that they pooled and sold to investors. "Moreover, when Bear Stearns identified problematic loans that it had agreed to purchase from a lender, it was required to make the originator buy them back. But Bear Stearns demanded cash payments from the lenders and kept the money, rather than passing it on to investors, the suit contends." [Check it out](#).

Continuing with legal news, **the Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB) have reached a settlement with American Express Centurion Bank** (Salt Lake City) for deceptive debt collection and credit card marketing practices, in violation of section 5 of the Federal Trade Commission Act. "This action results from a FDIC and Utah Department of Financial Institutions examination, in which the CFPB joined last year. The CFPB, the Office of the Comptroller of the Currency (OCC), the Utah Department of Financial Institutions, and the Board of Governors of the Federal Reserve System took separate actions against various entities related to the Bank. Under the settlements, American Express agreed to the issuance of Consent Orders, Orders for Restitution,

and Orders to Pay (Orders) which result in total restitution from all entities of approximately **\$85 million** to more than 250,000 affected consumers, and the imposition of civil money penalties totaling approximately **\$27 million**. "The FDIC and the CFPB determined that American Express Centurion violated federal law prohibiting unfair and deceptive practices by, among other things: Misrepresenting to consumers that if they entered into an agreement to settle old debt (that was no longer being reported to consumer reporting agencies), such settlement would be reported to consumer reporting agencies and thereby improve the consumers' credit scores. In fact, no such reporting occurred. Using settlement solicitations that implied that consumers who entered into settlement agreements to partially pay such debts would have the remaining balance of their debts forgiven, when in fact the balance remained a debt owed to American Express. Using solicitations that misrepresented the points and awards consumers would receive upon enrollment in one of American Express' credit card products."

Now that the dust has settled, yesterday was a big day for servicers: [304 changes](#) needed to be carried out to their policies and procedures. I can't even imagine that... but here is what the public [sees](#). Oh, and wait - there's even a site for whistle blowers, or anyone who just wants to blame the servicer when they're the ones who didn't make the payment: <https://www.mortgageoversight.com/>.

How about some private mortgage insurance and title insurance news? The industry is certainly waiting for any news on QRM and QM, and how it will impact its business, but in the meantime...

Sure there are rumors that those folks at Genworth recently took a 30% pay cut, but they're still in MICA! The number of borrowers using private mortgage insurance (MI) keeps going up, according to the monthly numbers from Mortgage Insurance Companies of America. MICA's member companies (which include **Genworth, Mortgage Guaranty Insurance, and Radian Guaranty, but not Essent, UG, or National MI**) - reported a total of \$397.5 billion in primary insurance in force for August, an increase from \$396.4 billion in July. MICA member companies reported a total \$11.2 billion volume of new MI written on newly-originated conventional mortgage loans in August, a step up from \$10.1 billion in July. Dollar volume on new insurance has risen steadily each month since the start of the year. Good thing, since Mbody's recently announced it is continuing its review of Genworth and its MI companies that may result in a downgrade.

Word has it that **MGIC Investment Corporation is on its way to resolving stipulations set forth by Freddie Mac** in order for the insurance company to continue issuing insurance. MGIC announced that Freddie reduced the amount MGIC Investment must pay to its subsidiary from \$200 million to \$100 million. The GSE also extended the deadline for this contribution from the end of September to the end of December. Additionally, Freddie Mac approved MGIC Indemnity Corporation (MIC), a subsidiary of MGIC, to write insurance in 16 jurisdictions besides Wisconsin "that have specific regulatory capital requirements when MGIC is not able to write new business in a jurisdiction because MGIC would not meet those requirements," according to MGIC's announcement. MIC is approved to write new business through the end of 2013 in areas where MGIC does not meet the necessary capital reserve requirements. This is an extension of its previous approval through the end of this year. With \$167 billion in insurance on 1 million mortgages as of the second quarter of this year, MGIC is the nation's largest private mortgage insurer.

Radian Guaranty, the private mortgage insurance subsidiary of Radian Group, announced it will begin offering "a unique program, the **Responsible Homeowner Reward (RH Reward)**, to encourage borrowers, who recently modified their mortgages through the U.S. Department of the Treasury's Home Affordable Modification Program (HAMP), to remain current on their new mortgage payments. Administered exclusively by **Loan Value Group LLC**, the RH Reward program pays cash rewards to eligible homeowners for making their mortgage payments on time. Radian selects eligible homeowners for enrollment in the program and a reward account is then established in their name that grows with each on-time mortgage payment, up to a maximum amount. The reward is paid in cash when the mortgage is refinanced or paid off and the homeowner pays nothing to participate, remaining eligible by simply making their mortgage payments on-time.

Old Republic Title Insurance Group sent out a release to the industry reminding us that the settlement process is a vital component of the mortgage lending and real estate transaction, and discussing its safeguards. The release said, "Prior to being approved as an Old Republic agent, each prospective agent goes through an in-depth application process. Key steps in the application process include: validation of licenses and insurance coverages, background checks, including credit history of key principals of the agent, and review of settlement account practices and procedures. Applicants who successfully complete our selection process and become our agents undergo regular monitoring, auditing and reviews consistent with risk factors identified through our annual certification protocol. Our agents remain subject to periodic background and credit checks as circumstances merit. Our procedures for monitoring and auditing our agents are the most thorough undertaken in the industry...Please feel free to leave a question or ask for a call by clicking on the following link: [Lenders.Contact@OldRepublicTitle .com](mailto:Lenders.Contact@OldRepublicTitle.com)."

There sure are plenty of government and private stats that we wade through every month regarding the health of the housing market. The latest comes from CoreLogic, which reported that home prices in August posted the largest annual increase in over six years. Although it was nearly flat to July's number, it was up over 3% from August 2011. (Excluding distressed sales - sales of bank owned real estate (REO))

and short sales - home prices increased 4.9 percent on an annual basis in August and 1 percent from the July index.)

"You can't keep a good market down!" Yesterday mortgage-backed securities, in the rate range that impacts rate sheets for borrowers and brokers - where the Fed is buying \$4 billion a day, improved nicely. Fannie 3's, which are "buckets" for 3.25-3.625% loans, improved by nearly .250 in price by the end of the day, and the 10-yr closed at 1.62%. And it is hard to be very focused on economic numbers out of Chicago, or the ISM, or Richmond, when entire countries in Europe continue to be in trouble and the Fed is buying huge quantities of agency mortgages.

But next to housing, jobs are critical, and we've had the ADP Employment report for September this morning on the non-government jobs sector. ADP reported private sector employment increasing 162k, **much less than expected**. Friday's Non-Farm Payroll number is expected to be about +115k, with the unemployment rate sliding up to 8.2%. We'll also have the ISM Non-Manufacturing Index out at 8AM MST. **Early on we are practically unchanged from Tuesday's close, with the 10-yr still at 1.62% and MBS prices steady.**

The awesome power of a wife's love...

A very old man lay dying in his bed. In death's doorway, he suddenly smelled the aroma of his favorite chocolate chip cookie wafting up the stairs.

He gathered his remaining strength and lifted himself from the bed. Leaning against the wall, he slowly made his way out of the bedroom, and with even greater effort forced himself down the stairs, gripping the railing with both hands.

With labored breath, he leaned against the door frame, gazing into the kitchen. Were it not for death's agony, he would have thought himself already in heaven.

There, spread out on newspapers on the kitchen table, were literally hundreds of his favorite chocolate chip cookies.

Was it heaven? Or was it one final act of heroic love from his devoted wife, seeing to it that he left this world a happy man?

Mustering one great final effort, he threw himself toward the table.

The aged and withered hand, shaking, made its way to a cookie at the edge of the table, when he was suddenly smacked with a spatula by his wife.

"Stay out of those," she said. "They're for the funeral."

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