

Raj Date and DeMarco Chatter; Slice and Dice the Latest Redwood Jumbo Deal

By: Rob Chrisman | Wed, Nov 14 2012, 11:19 AM

I am not a huge shopper, but merchants and the press have latched on to next Friday, dubbed **Black Friday**, at the expense of remembering what Thanksgiving is all about. That being said, the first myth is that Black Friday is the day when retailers finally turn a profit on a year to date basis. While this myth does have some grounding in fact, **most retailers historically make money throughout the year**. Target and Walmart, two of the Nation's largest retailers, are already well into the "black" of positive earnings. Other retailers like Sears and the Gap will need more than Black Friday to turn them positive for the year. Another myth is that Black Friday is the busiest shopping day of the year. Here to, while traffic is at near records, Black Friday usually doesn't produce the most sales. The busiest day of the year for retailers is usually the Saturday before Christmas, followed by the Friday before Christmas. While Black Friday has at times been the busiest, usually it is ranked 3rd or 4th. Finally, the myth that Black Friday will portend how the holiday season will go is also weak in terms of support. In looking over Black Friday's performance for the last 7 years, the day is no more or no less a reliable indicator than any other shopping day of the year. Last year was an exception as the post-Thanksgiving shopping weekend produced sales that were up 5.2%, that resulted in a 4th quarter retail jump of 3.8%. All this said, Black Friday does hold some significance, as about 10% of the holiday sales do take place on this day.

Turning to the jobs front, in San Jose fast growing Western Bancorp is searching for a "Marketing Communications Manager" in addition to loan officers and operations staff. The person will have a broad range of responsibilities, with a strong focus on turning copy and multimedia content into engagement, leads and closed business, e-mail marketing, internal newsletters, video production, and more. Industry and related experience is a huge plus. If you're highly organized, productive and passionate please apply [online](#) or email careers@westembancorp.com. Visit Western's [careers page](#). The firm is also searching for retail and wholesale LO's and AE's.

Hey, **ever wanted to look at a jumbo securitization from Redwood Trust & Kroll Bond Ratings?** You might want to take a look, especially if private securitization is the wave of the future. "Kroll Bond Ratings Releases RMBS Presale: Sequoia Mortgage Trust 2012-6": *60% of the loans are from First Republic Bank, Fremont Bank, Prime Lending (part of PlainsCapital Bank), Flagstar Bank, and others (catch the "Bank" trend in there?)*, with Cenlar servicing 86% of the pool (followed by First Republic and PHH). Check it out - it doesn't cost anything to set up a password: <http://www.krollbondratings.com/index.php>.

For those who like to see numbers prove what they already sensed, mortgage origination was up in the third quarter. According to the latest mortgage lender ranking data, **originations in Q3 were up 11% from Q2**, putting third-quarter production at an estimated \$475 billion. The report shows that loans insured by the FHA made up about 13% of originations in Q3, down from the revised 14% in Q2, and Freddie and Fannie unchanged at 74%. The survey, conducted by Mortgage Daily, reflected information obtained through an origination survey, filings with the SEC, and company news announcements, and is based on data for 29 lenders that accounted for 77% of the total estimated market. The top five lenders (Wells, Chase, USBank, Bank of America, and Quicken Loans) accounted for about 53% of the market. Per the survey, PennyMac saw the most growth in mortgage production, posting an 87% increase from the second quarter, with Stonegate Mortgage, United Shore Financial Services, and Quicken also having notable increases (76%, 62%, and 45% respectively).

Switching gears to servicing, it is no surprise that Wells Fargo, BofA, Chase, Citi, and USBank made up the **top five in terms of portfolio size**. However, recent servicing rights acquisitions made by Ocwen, Nationstar, and Walter Investment Management are very likely to change the rankings, especially with Ocwen's purchase of Homeward Residential Holdings and mortgage assets from Residential Capital and Nationstar and Walter coming on strong.

But will acting FHFA director **Ed DeMarco** be around to see it? The Financial Times reports that a number of people are giving full credence to the chance that President Obama will replace him and put in place a director that is more amenable to using Fannie and Freddie to modify or forgive principal on the more underwater loans (read: higher coupons). Investors are fully aware of this, and, not that it impacts current rate sheet coupons, but have been selling higher coupon residential MBS. The sell-off is being dubbed "the DeMarco trade" after Edward DeMarco, acting director of the Federal Housing Finance Agency. The Obama administration has quietly told housing industry activists in recent weeks that he will be replaced as head of the agency that supervises government-run mortgage finance agencies Fannie Mae and Freddie Mac. And refinancing means that older, higher-interest loans backing existing MBS would be paid back, undermining the value of the securities. Per the Financial Times, in recent weeks senior officials within the Obama administration have asked Democratic groups to supply a list of potential candidates to replace him. Critics call it "policy meddling" and point to how Clinton's politics put the mortgage market into the mess we're in today.

While we're mired down in politics, Paul Sperry with "Investor's Business Daily" issued a report on November 8 titled, "Obama Plans To Unleash Racial-Preferences Juggernaut In Second Term". If true, this could become ugly. [more](#).

And lastly, **Raj Date, the deputy director of the U.S. Consumer Financial Protection Bureau, is leaving the agency at the end of January.** Date (age 41) is a former banker who ran the agency from August 2011 to early January, was an early hire to the bureau in the fall of 2010. Date currently has no other plans, other than to spend time with family. My guess is that "spending time with the family" will last until the second or third round of: "Put away your socks." "No." "Put away your socks!" "No!"

On to some other somewhat **recent investor and MI updates**, along with the usual disclaimer that it is best to read the bulletin for full details, but this will give you a flavor for current trends.

For folks who live in Florida and are curious about **Stearns Lending**, it is holding a **Job Fair** in Tampa this Friday and Saturday.

New private mortgage insurance hit a "roadblock" in September, according to Mortgage Insurance Companies of America's (MICA) monthly statistical report. MICA's member companies - Genworth, MGIC, and Radian - reported more than \$398.6 billion in primary insurance in force for the month. That volume is up from August's \$397.5 billion. While insurance in force increased, new insurance slowed down. Maybe MICA's numbers would improve if it included Essent, UG, and National MI.

Plaza has updated its LTV/CLTV and credit score requirements for agency high balance loans as per the changes announced by Fannie. Effective for conforming ARM, fixed agency, and Island Prime high balance products, specific credit requirements apart from the 620 minimum have for the most part been removed, provided that DU finds the score acceptable.

Weststar reminds approved correspondents that all Fannie transactions dated December 1st or after require documentation of UCDP compliance. Guidance on verification of rent and verification of mortgage requirements in the Weststar Quick Reference Guide has been updated. The revisions clarify when a VOR/VOM is required outside of automated underwriting findings; see the guide in full for further details (<https://www.box.com/shared/static/acenua7poxkwhixmaa1h.pdf>).

MSI is requiring that all loans in FEMA-designated areas that weren't closed or purchased by October 29th adhere to its disaster policy and be inspected for evidence of damage. Clients are reminded that this affects all areas identified by FEMA as a "disaster area" and not just those that receive "individual assistance." Sellers may now opt to provide Disaster Compliance Inspection Reports from the original appraiser or another certified appraiser rather than ordering them through an AMC.

Flipping over to the markets, Tuesday even though the Treasury market barely budged, **mortgage prices** sank and rates rose resulting in price changes. But...how much can they really go up with the Fed buying \$3.5-4 billion a day? Yes, sporadic imbalances occur, but still...We have the usual chatter out of Europe (although Greece had a good debt auction) but the markets remained mostly risk averse given the fiscal cliff and global growth uncertainty. Certainly mortgage banker supply has shifted down into 2.5 & 3% coupons (2.75-3.625% mortgages), and on Tuesday those coupons were worse by .125-.250 (the U.S. 10-yr actually improved nearly .250, closing at 1.58%).

We have a new day today, of course, and rates are still around the same levels. The good ol' MBA came out with its usual applications numbers, which showed quite a jump last week: +12.6%. We'll be dealing with Sandy-influenced numbers for quite some time, and the MBA reported that application volume in New Jersey more than doubled over the week, while volume in Connecticut and New York increased more than 60 percent, per Mike Fratantoni, MBA's vice president of research and economics. Refi's were up 13%, and purchases were up 11%.

We've already had the Producer Price Index, -.2%, much lower than expected, with its core rate at -.2%. (Year over year the PPI is +2.3%.) Retail Sales for October came in as expected at -.3%, ex-auto unchanged. Later today we'll have the FOMC's release of its minutes from the October 23-24 meeting. Market participants will be particularly looking for any discussion about a "QE4" involving Treasury purchases to commence after Operation Twist concludes at the end of the year.

Looking ahead to the rest of the week for scheduled news, tomorrow is Jobless Claims, the Consumer Price Index, Empire Manufacturing, and the Philly Fed. (With problems in Europe, and with the U.S. fiscal cliff, does what the Empire Manufacturing number tell us mean anything?) Lastly, on Friday the 16th we'll see the Industrial Production and Capacity Utilization duo.

As the fabled Christmas tree arrives at Rockefeller Center this morning, **we find the 10-yr.'s yield up to 1.61% and current coupon MBS prices worse about .125.**

(A traditional joke for this time of year.)

A young man named John received a parrot as a gift. The parrot had a bad attitude and an even worse vocabulary. Every word out of the bird's mouth was rude, obnoxious and laced with profanity.

John tried and tried to change the bird's attitude by consistently saying only polite words, playing soft music and anything else he could think of to 'clean up' the bird's vocabulary.

Finally, John was fed up and he yelled at the parrot. The parrot yelled back. John shook the parrot and the parrot got angrier and even ruder. John, in desperation, threw up his hand, grabbed the bird and put him in the freezer. For a few minutes the parrot squawked and kicked and screamed. Then suddenly there was total quiet. Not a peep was heard for over a minute.

Fearing that he'd hurt the parrot, John quickly opened the door to the freezer. The parrot calmly stepped out onto John's outstretched arms and said "I believe I may have offended you with my rude language and actions. I'm sincerely remorseful for my inappropriate transgressions and I fully intend to do everything I can to correct my rude and unforgivable behavior."

John was stunned at the change in the bird's attitude.

As he was about to ask the parrot what had made such a dramatic change in his behavior, the bird spoke-up, very softly, "May I ask what the turkey did?"

View this Article: <https://www.mortgagenewsdaily.com/opinion/11142012-raj-date-demarco-black-fri>