Ocwen's Racketeering Lawsuit; MD Halts Eminent Domain; Latest on Agency Debate

By: Rob Chrisman | Thu, Apr 10 2014, 10:25 AM

Sometimes my 91-year old Dad's sense of humor grows tiresome. For example his, "How do you know it when you see a mortgage guy at the supermarket? He asks, "Paper or plastic (cackle cackle)." The plain fact of the matter with thousands in the biz, and thousands **having left the biz**, many of them have a lot going on not directly related to mortgages. For example, one who left the business several years ago not only is a mystery writer using a mortgage underwriter as a protagonist, but now has created a publishing house: Cindy Sample Books. Cindy's written three books, and all three titles have hit the humor and mystery bestseller lists, with "Dying for a Date" reaching # 1 in both humor and in "cozy mysteries" in mid-March. (It also hit # 49 of over 4 million titles on Amazon.) Here's the Amazon link for "Dying for a Date." Way to go, Cindy!

When the marketing companies that sell leads start talking about purchase money, you know the market has moved. At the recent **LeadsCon** in Las Vegas, Lending Tree CEO Doug Lebda said his top priority was getting local LOs mixed in with the usual call center price offers. That's going to be great for retail purchase money lenders like Prospect Mortgage. Prospect is looking to acquire companies who want to focus on Agent referrals. Contact John Manglardi at Prospect (john@tmpinvestments. com) if you'd like to hear more about what they are doing.

On the jobs side, TruHome Solutions, LLC is seeking a highly motivated and proven leader to join their leadership team as the Vice President of Mortgage Technology who will be responsible for oversight and direction of a cross functional technology team, systems management and development of software as well as managing vendors that provide system support. Strong negotiation skills, analytical thinking and process improvement/efficiency in a mortgage lending environment is necessary to ensure technology initiatives are accomplished while sustaining mortgage business priorities. This position plays a critical role in creating and maintaining the strategic partnership between Business needs and Technology delivery. TruHome Solutions, LLC is a solid organization that offers first in class benefits, great work life balance and competitive compensation! Interested parties should email for a complete job description or forward resume to Karen Steen at ksteen@cacu. com.

And **Citibank**, N.A., is strategically adding new correspondent sellers for delegated and non-delegated delivery. Citi offers competitive pricing with additional incentives for CRA eligible loans. It also offers a thorough pre-purchase review process to help improve quality manufacturing and delivery to Investors and Agencies. A relationship-centric organization, all clients benefit from the expertise, support and resources that Citi offers. For consideration please complete the Prospective Mortgage Correspondent Questionnaire here.

A thought, for what it's worth: I don't think it's fair or accurate to use the phrase "...one of the products that **contributed to the housing crash**." The appropriate phrase to me is . . . "one of the products whose abuse contributed to the housing crash." Plenty of companies are involved in repairing the damage done to housing, others maybe not. The latest lawsuit has turned some heads, this one involving a RICO (racketeering) charge against Ocwen and Cross Country Home Services.

We haven't heard much about **eminent domain** recently, especially with many markets appreciating and troubled borrowers declining. In fact, Maryland lawmakers just passed a bill blocking the use of eminent domain for two years. Bill Henry, a member of the Baltimore City Council, had asked the city to look at a plan by Richmond, Calif., to seize underwater mortgages in an effort to bolster the housing market. However, the plan has faced opposition from the financial industry and other interested parties.

Indiana has updated its licensing regulations to allow, applying to certain circumstances, federal savings banks to retain and sponsor mortgage loan originators. The updated provisions apply to federal savings banks that are exempt from statutes concerning the licensing of creditors in first lien mortgage transactions. The new regulations state that such banks may voluntarily register with the Department of Financial Institutions to retain and sponsor licensed mortgage loan originators. These regulations are effective on July 1, 2014.

South Dakota has adopted Senate Bill 68 and the Uniform Real Property Electronic Recording Act. As many know, in some states in order to qualify as a "document" and thus recordable, a few conditions are mandated; such as: it must be original, be on a tangible medium, be in writing, or be signed. The newly adopted act now allows an electronic document to satisfy these requirements. South Dakota becomes the 30th state to adopt such closing regulations.

Maine recently modified several provisions of its Consumer Credit Code to facilitate the multi-state licensing process. With the new legislation, the administrator must receive and act on all applicants for licenses to make supervised loans. Bankers Advisory writes, "a supervised loan is a consumer loan, including a loan made pursuant to open end credit, in which the rate of the finance charge, calculated according to the actuarial method, exceeds 12 ¼% per year, or which is secured by an interest in real estate." Maine's state code S.P. 643

and 678, which does not outlaw the term "Mainiacs" when referring to state residents, becomes effective on July 15, 2014.

What's the **District of Colombia** up to? I don't know, but sometimes I think they shouldn't even be a state. Recently, the Department of Insurance, Securities and Banking jumped on the amendment bandwagon and modified its rules regarding the foreclosure mediation program. The new rules clarify the operation of the foreclosure mediation program which assists homeowners and provides alternatives to foreclosure. The rules can be found here, and became effective immediately with its passage.

New York's Department of Financial Services recently amended provisions pertaining to its sub-prime banking laws, specifically to terms associated with sub-prime home loans. The amendments addressed the definition of the terms "commitment", "week", and "good faith estimate." All these terms are used to define sub-prime loans in the state of New York, and also are used to determine if a loan is considered "sub-prime." These amendments are effective immediately.

West Virginia has amended provisions in section 46A article 2 of the state's Consumer Credit House Bill pertaining to the conduct that constitutes "unfair" or "unconscionable" conduct when collecting or attempting to collect a debt. There goes my retirement plan.

I was in a meeting one time when my **secondary** marketing guy said to product development, "wake up and smell the profits." No one can deny that banks have been making money, and contrary to financial news reports, banks have been performing in such a manner counter intuitive to the macro economies pace. Depository institutions have been performing for the better part of four years, with 17 out of the last 18 quarters with year-over-year growth. Commercial banks and savings institutions insured by the FDIC reported aggregate net income of **$40.3 billion** in the fourth quarter of 2013, a $5.8 billion (16.9 percent) increase from the $34.4 billion in earnings that the industry reported a year earlier. According to the FDIC's recent release on bank performance, the improvement in earnings was mainly attributable to an $8.1 billion decline in loan-loss provisions, and litigation expenses. Lower income stemming from reduced mortgage activity and a drop in trading revenue contributed to a year-over-year decline in net operating revenue. More than half of the 6,812 insured institutions reporting (53 percent) had year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable fell to 12.2 percent, from 15 percent in the fourth quarter of 2012. We'll see what happens tomorrow with Wells & Chase's earnings.

Wells and **Chase** are in pretty deep with Freddie and Fannie, and the FHFA, as are mortgage insurance companies. The MI company umbrella sent out, "USMI applauds Senate Banking Committee Chairman Johnson and Ranking Member Crapo for reaching a bipartisan agreement on housing finance reform legislation, drawing largely from the bipartisan Corker/Warner bill. We are pleased that the bill recognizes the important role of private mortgage insurance in ensuring access to housing finance for borrowers while protecting taxpayers and serving lenders of all sizes. We look forward to working constructively with Congress and other policymakers to build a well-functioning housing finance system backed by private capital."

The recent spate of **agency news** has been interesting to follow. Arguably F&F should not stay under government conservatorship, but what are the alternatives? And what are the implications for their other roles in housing, such as apartment financing? Sarah Mulholland wrote an article for Bloomberg saying that, "The apartment-lending units of Fannie Mae and Freddie Mac were among their few money makers after the U.S. housing collapse. Now they should help transform the U.S. mortgage industry. Lawmakers...see an antidote...in the structure of the firms' multifamily operations, which share risks with lenders. Senate Banking Committee Chairman Tim Johnson and Republican Mike Crapo are proposing legislation to create a new government-backed reinsurer of mortgage bonds that would require private investors to bear losses on the first 10 percent of capital. The model for the provision mirrors Fannie Mae and Freddie Mac's multifamily lending operations, requiring lenders to shoulder some of the risk on loans they originate. Unlike the firm's residential units, the divisions that lend to apartment landlords came out of the financial crisis relatively unscathed, partly because of better underwriting. The multifamily lending model works "because the lender, in one way or another, explicitly is on the hook for losses," said Andrew Jakabovics, senior director of policy development at Enterprise Community Partners, a non-profit affordable housing investment company. 'There is a lot more due diligence that goes into those deals.' The Johnson-Crapo bill creates a new lender, the Federal Mortgage Insurance Corp., which would begin operations within five years. Here's the link.

And of course investors in **Freddie and Fannie** are trying to figure out which side of the trade to be on.

Those in the industry know what may happen if Freddie and Fannie fade away and the fabled "**private capital"** enter into things in the secondary markets. "Fannie, Freddie Overhaul Will Translate Into Higher Mortgage Rates," says the Colton-Carliner paper of The Harvard Joint Center for Housing Studies. Mortgage rates could rise by as much as 1.5 percentage points for homeowners with weaker credit or smaller down payments under various legislative proposals to overhaul Fannie and Freddie. A separate study published last month by Moody's Analytics estimated that the Johnson-Crapo bill would increase rates by around 0.4 percentage point for borrowers with a 750 credit score and a 20% down payment, bringing the today's mortgage rate of around 4.5% for a 30-year, fixed-rate loan to around 4.9%. On a median priced home, the increase translates into a monthly payment that is around $40 higher. Such an increase would have a "measurable but very modest impact on the housing market". They estimate that the higher financing costs could reduce home sales by around 250,000 units and housing starts by 100,000 units over three years.

And let's not forget the belief that removing F&F from the scene will **negatively impact** those special interests best served by consumer and civil-rights organizations. (Was that politically correct enough?) "Housing Bill Threatened by Rift on Help for Disadvantaged" screamed the headline. A bipartisan bill drafted by Senate Banking Committee leaders Tim Johnson and Mike Crapo relies on incentives to persuade financiers to lend to groups with higher risk profiles. Consumer and civil-rights organizations are pushing instead for a mandate that those groups must be served.

Regarding the **markets**...we really didn't have much news this week until the release of the Fed minutes yesterday afternoon. But when all was said and done, the 10-yr was nearly unchanged at a yield of 2.68% and agency mortgage-backed securities had rallied...back to unchanged! There was a fair amount of shuffling between coupons and maturities, but really, the economy continues to do a little better, housing and employment are still the cornerstones and neither is setting the world on fire, and it comes down to supply (by lenders) and demand (by the Fed and investors).

It's early here in Memphis, where I am fortunate enough to be attending the Tri-State conference, and MBS prices have not been established yet, but overnight it was pretty quiet. Today we'll have Initial Jobless Claims (expected -6k to 320k) and Import Prices (expected at +.2%). Later we will have the primary dealers stepping up to buy a piece of the $13 billion 30-yr bond auction. Ahead of that the 10-yr's yield is down to 2.65% after closing Wednesday at 2.68% which would suggest agency MBS prices are perhaps .125 better in price.

Okay, I've seen a few of these before, but they are clever and hilarious.

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