Are Rate Sheets Following the Bond Rally? Banks & CAMELS; RESPA-TILA News; USDA Loans

By: Rob Chrisman | Fri, Oct 10 2014, 8:45 AM

This commentary is not about global warming or climate change, nor is it about golf (although plenty of mortgage bankers play) or how water use impacts property values - but in California they all intersect. Some states have seen huge amounts of rainfall in recent months, but the water situation in California is dire, and recently there was a story about a water board member and homeowner in Southern California who had no interest in cutting back on watering his lawn. The reason? The water board member felt that if his lawn died it would reduce his property's value, and in fact his water usage had actually increased. Speaking of using water, there are about 15,500 golf courses in the United States which use about 2.1 billion gallons of water per day. About 1,100 of those are in California, many in desert areas like the Coachella Valley/Palm Springs which has approximately 28 percent of Southern California's golf courses. Northern California golf courses use about 140,000 gallons of water per day - that's roughly the same amount of water a family of four uses in a year. For context, one million gallons of water would fill about 11/2 Olympic swimming pools (which hold 660,000 gallons).

Agri-Access recently rolled out a niche product called the RuraLiving Home Mortgage Program and are looking for correspondent partners in all 50 states. RuraLiving offers 15 or 30 year fixed rates for hobby farm properties that typically do not conform to traditional secondary market financing, and rates are typically 50-60 bps over conforming. Eligible properties are 5-160+ acres, allow Schedule F income, outbuildings and distant comps. *Agri-Access will be at booth #126 at the MBA Conference Expo in Las Vegas* to further explain the program. If you would like to schedule a meeting during the conference to discuss this unique correspondent opportunity, please contact Matt Morrow.

As a reminder, this commentary doesn't focus entirely on residential lending. In fact, today we have additional commercial lending jobs which seem pretty interesting. Sabal Financial, LLP, a Newport Beach, CA based organization continues to expand its wholesale commercial real estate term lending platform, run by Len Israel. Specializing in the origination of small balance ($1 - $10 million) loans on stabilized properties nationally through its extensive broker network, Sabal seeks to fill the following positions: Broker Sales Representatives (nationwide), Area Managers (North Central and Mid-Atlantic), as well as Loan Analysts (located in Newport Beach, CA) to support the company's rapid growth. The Company has created a proprietary, innovative web-enabled technology that incorporates real-time, risk-based pricing and deal management functionality for both brokers and their clients. Sabal currently manages over $7.4 billion in CRE assets worldwide, encompassing all property types and is rated by both Morningstar and Fitch as a Primary and Special Servicer. For more information on career opportunities with Sabal, please send your inquiries and resumes to Kelly Garriott.

Companies are hosting large events for employees and potential employees. For example, **American Pacific Mortgage** just hosted their biannual 2014 Fall Sales Summit ("OWN THE DAY") yesterday in Seattle WA to rave reviews! **The next event is Wednesday October 15th in Anaheim, CA at the Hyatt Regency Hotel**. Since the company's inception in 1996, the Summits have grown to an attendance of approximately 750 branch managers, originators and guests amongst three regional venues. This year's events are planned to deliver valuable insight and inspiration, with an impressive lineup of guest speakers. The Anaheim Summit speakers will include industry experts, best-selling author Kevin Hall, as well as an inspirational message from Dodger Steve Sax. The Summits are an incredible opportunity to hear from APM's CEO, Kurt Reisig and President, Bill Lowman as they share insight on what's next for APM. See why over 350 originators have joined American Pacific Mortgage over the last 12 months and register for APM's "OWN THE DAY" Summit by simply emailing Mike Haden.

Congrats to Tim Yanoti. **American Financial Resources**, Inc/eLEND announced his hiring as president/Board Member. "Tim brings a wealth of experience and knowledge from a 25 year career in the business, most recently as Head of Securitization for Fannie Mae. Tim will be focusing on the growth initiatives of AFR as the industry shifts to a more private capital intensive landscape."

Recently the commentary mentioned layoffs at **Shelter Mortgage**, and I received this note from Brian Simon with **New Penn**. "I wanted to respond to something you printed regarding New Penn and our recent acquisition of Shelter Mortgage. We acquired 63 locations and nearly 350 FTE with this Shelter Deal, and the downsizing that occurred in Milwaukee was primarily corporate support positions, and represented only one location and less than 20% of the workforce (64 FTE). We are actually hiring employees in some of the other locations, and look forward to the Shelter group being a vibrant and growing part of our organization."

Hiring or firing, banks are finding their lending is about to come under further scrutiny by the Fed. US regulators have started to audit Wall St loan books on a monthly basis in an effort to curb aggressive underwriting. "Monthly audits mean the regulators can tell the banks to stop right there and then, and tell them the consequences if they don't". ***Regulators could lower the CAMELS rating of a bank if it doesn't listen to lending guidance.***

NAMB reported that it met with the CFPB to discuss mortgage brokerage compensation, the 3% cap on points and fees, as well as loan origination compensation. "The CFPB provided excellent industry insight and guidance into several of the key areas plaguing mortgage originators and mortgage brokerage entities. It is obvious the CFPB is a data driven organization and NAMB is determined to show them that the mortgage broker model is extremely effective in mitigating upfront costs for consumers. We are also determined to show them that thousands of small businesses are being adversely impacted due to the limitation on entity revenue." NAMB has produced a survey for originators to take.

Speaking of the CFPB and communication, it had another webinar on the **TILA-RESPA Integrated Disclosure rule** and a recording of the webinar is now available. Check out the video of the webinar. ("Please note that registration is required to view the recording.

This was the third in a series of webinars to address the new rule as creditors, mortgage brokers, settlement agents, software developers, and other stakeholders work to implement it over the next year. This session focused on questions related to the Loan Estimate Form.")

Ballard Spahr's Marc Patterson did a solid write-up of it that every compliance person should be aware of - even though it doesn't take effect until next August. The webinar focused on the Loan Estimate and addressed specific questions regarding the content of the Loan Estimate form that relate to corresponding provisions of the Closing Disclosure. "In the initial webinar, the CFPB staff provided a basic overview of the final rule and new disclosures. In the second webinar, the CFPB staff focused on core operation issues such as the receipt of an application, assumptions, fee tolerances, record retention, and timing for the initial and revised Loan Estimates. The topics covered include: (1) brokered transactions, (2) origination charges, (3) calculating cash to close, and (4) the adjustable payment and adjustable interest rate tables."

Q: Does the creditor have to disclose an itemization of the amount financed with the Loan Estimate? No. A creditor would not disclose an itemization of the amount financed with the Loan Estimate and Closing Disclosure. The CFPB also advised that some disclosures are required to be made only on the Closing Disclosure and not the Loan Estimate. These include some of the fed box disclosures, such as the amount financed and the finance charge. These disclosures are required to be on the Closing Disclosure pursuant to sections 1026.38(o)(2) and (o)(3), but are not required to be included on the Loan Estimate. However, note that even for the Closing Disclosure, the amount financed is not itemized. Section 1026.38(o)(3) requires that only the amount financed itself (which is calculated in accordance with section 1026.18(b)) be disclosed. **Q: When the sale price of the property is not yet known, does the creditor disclose a label other than "sale price" for the sale price on the Loan Estimate?** No. The label should state the sale price, and the label does not change when the creditor uses an estimated sales price as described in commentary section 1026.37(a)(7)-1. For transactions without a seller, such as a refinance, because there is no sale, the estimated value of the property is disclosed in place of the sales price, and labeled "property value" with "property" abbreviated as "prop."

(To view more, click on the site above, or you can listen to the CFPB's tape recording. Do they still call it a "tape recording" anymore?)

Franklin American Mortgage Company announced it will continue to purchase USDA Rural Housing loans with Conditional Commitments subject to the availability of commitment authority during the USDA lapse in funding timeframe.

M&T Bank announced, in response to the severe storms and flooding in Michigan and in anticipation of a Federal Disaster Declaration, M&T Bank will enforce the Disaster Re-inspection Policy for all properties located in the affected designated Area: Counties of Macomb, Oakland and Wayne. M&T accepts ESIGN for pre-closing or application documents only. Additionally, regarding USDA lapse in funding, with accept Conditional Commitments subject to the availability of commitment authority, reminding Correspondents they are required to submit the USDA Loan Note Guarantee to M&T within 30 days of loan being purchased, even with this temporary lapse in funding.

Mountain West Financial Wholesale announced, effective 10/2/14, it will accept USDA transactions with CLTVs up to 103% that meet the following criteria: Purchase only, all USDA eligible property types, Manufactured Homes are not eligible. Note: Max CLTV, including USDA Guarantee Fee and Community Second, cannot exceed 103%.

NewLeaf Wholesale will continue to fund USDA/Guaranteed Rural Housing loans with Conditional Commitments that are "subject to funds availability," until funds become available and the Loan Note Guarantee is issued. All other conditions must be met prior to funding during the temporary lapse of funding, beginning October 1st as announced by USDA.

Sun West will continue to purchase USDA Rural Housing loans with Conditional Commitments subject to the availability of commitment authority. Correspondents must ensure all standard Reps and Warrants and underwriting requirements, are met. The Loan Note Guaranty will be required as a post-purchase stipulation.

Wells Fargo Funding announced it will temporarily purchase eligible Guaranteed Rural Housing (GRH) loans with contingent conditional commitments if all other conditions have been satisfied according to USDA guidelines.

All of the new multi-family construction and REO-to-rental supply has finally caught up to the market. The vacancy rate for apartments rose to 4.2% in the third quarter, the first increase since 2009. Apartment developers are going to complete the most units this year since 1999. The divergence between multi-family and SFR is striking. The punch line is that some of these professional investors are going to start to think about letting some supply go, which should finally give the first time homebuyer a chance to get in, which is good for the economy and also the mortgage banking business.

With regard to the markets, the big question that originators have is, **"Will the rally in the Treasury market, and the drop in rates, carry into the MBS market, and in turn rate sheets?"** As every lender knows, and the MBA has documented, any impact of rate improvements is muted by loan level price adjustments, buy-ups and buy-downs, historically high gfees and mortgage insurance costs, and compliance expenses - all of course passed on to new borrowers. The yield on the 10-year T-note, for example, is much lower than where it was at the beginning of the year, but how about rate sheets? Recently the 10-yr has been dabbling with the 2.20% range, yet agency MBS prices have lagged in the rally. Certainly few investors want to pay a hefty premium for loans that are going to pay off soon.

Speaking of mortgage pricing, Fannie Mae just published early November buy-up and buy-down grids. As Adam Quinones with Thomson Reuters observed, "What a difference a month makes. The bid/ask tightened a ton. Buy-ups barely budged but buy-downs plummeted... Is Fannie having trouble competing with lenders who are shelving loans?"

There is no scheduled news today here in the States, but rates were down overnight. **In the early going the 10-yr. is at 2.30% after closing Thursday at 2.33% and agency MBS prices are better by about .125.**

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