FHA's Loan Limits; Lender Updates; MBS and Non-Performing Supply/Demand

By: Rob Chrisman | Mon, Dec 8 2014, 10:57 AM

Folks who have all their retirement money tied up in Ocwen shares hope that they don't go the way of Lehman Brothers, PNC, Countrywide, WAMU, and so on. But the shares did take a big hit after New York squashed the deal between Ocwen and Wells Fargo. And what will happen to Ocwen and other similar servicing buyers if the big banks stop selling? Well, here's an easy-to-read primer.

Government originators took note over the weekend that FHA's Office of Single Family Housing published Mortgagee Letter 2014-25, which provides FHA's single family **housing loan limits** for Title II Forward Mortgages and Home Equity Conversion Mortgages (HECMs), and provides loan limit instructions for streamline refinance transactions without an appraisal. "The loan limits published in this Mortgagee Letter are effective for case numbers assigned on or after January 1, 2015, and remain in effect through December 31, 2015. The maximum FHA loan limit "ceiling" for most areas remains at the 2014 level of $625,500 for a one-unit property. The minimum FHA loan limit "floor" for all areas remains at the 2014 level of $271,050 for a one-unit property. There are no jurisdictions with a decrease in loan limits from the 2014 levels. To enable Mortgagees to easily identify areas with loan limit increases, FHA has published a separate list of counties with loan limit increases. Mortgagees may view this list on the Maximum Mortgage Limits web page."

Various organizations around the nation are weighing in proposals all the time. For example, recently the **Wisconsin MBA** wrote a letter of support to the CFPB agreeing with the MBA position on **HMDA revisions**. The WMBA cited their support regarding the strong concerns regarding the data security and privacy implications of the proposed HMDA revisions. The WMBA further supported the MBA regarding the limiting of the proposed HMDA rule to the statutorily mandated additional fields. "Adding new fields is a cost concern, along with the possibility of errors which would be costly. WMBA supported the MBA in requesting "clear definitions and to allow for like comparisons, along with an increased tolerance for good-faith errors with the increased reporting burden. The WMBA also supported the reconsideration of the proposed institutional and transactional coverage lowered to a HMDA reporting threshold to those that make 25 loans a year. These smaller lenders do not constitute a large percentage of the market, and it is hard to see how lowering the threshold will improve the CFPB's insights into the mortgage market as a whole in any meaningful way. Such lenders would report such a small amount of loans that it likely would not constitute a meaningful data set to measure fair lending risk, the original purpose of the statute. Requiring these entities to report will force them to make expensive technology upgrades or personnel changes as well as possibly hire outside vendors. MBA would urge CFPB to review its decisions about the appropriate reporting threshold considering these concerns."

Let's see what some of random lenders have been up to lately...

FNMA and FHLMC reported guarantee fees on single family residential loans they charged lenders climbed to 51bps in 2013 vs. 36bps in 2012 and 22bps in 2009.

Stonegate Mortgage Corporation has announced that it will expand its offering of non-agency mortgage products. These new product offerings will be accessible through Stonegate Mortgage's retail, wholesale, and correspondent channels. Stonegate Mortgage Corporation's release of Select ARM and Expanded Fixed Rate products represents a significant expansion of the non-agency product suite. Select ARM products offer 90% LTV with no mortgage insurance up to conforming limits, including high-balance limits in applicable areas. The Expanded Fixed Rate products include loans to $5MM in select areas, 85% LTV (No MI) to $2MM, cash out refinance to 75% LTV, Investment Properties to 75%, cash out amounts to $1 MM, and second homes to 80% LTV.

Chase just announced another incentive on top of their existing incentive. As Adam Quinones put it, "Implied 7x multiples don't make sense. The only way to rationalize their bid is to assume they're ignoring GSE G-fees. Anyone else think they're gearing up to launch more risk-sharing deals?"

Golden State AMC is now the approved AMC for **HomeBridge's** California territory on Conventional transactions and also available in all territories on Freddie Mac, Government and Jumbo products. Full details can be found under broker resources regarding Golden State AMC by clicking here.

Kinecta Federal Credit Union updated its guide to coincide with Fannie Mae's recent updates. For details, click here. Choose the Lending Announcements link for your channel. The Alerts are posted under the Compliance category, dated 11/17/14. Also, Jumbo Fixed Rate and Jumbo ARM credit eligibility was updated to align with investor guidelines. These updates are effective immediately. The matrices will be updated to reflect these changes.

Mountain West Financial, Inc. (MWF) announced a change to the Identity of Interest section of its Conventional Guidelines. Loans for 1 unit second home or investment properties that include Non-Arm's Length, At-Interest or Identity of Interest characteristics are no longer required to be priced through the Direct Program. Additionally, enhancements have been made to its FHA & VA Streamline Products including guidelines applicable to FHA Credit Qualifying and Non-Credit Qualifying Streamline transactions.

People's Bank (KS) spread the word that the USDA has just issued some updates that everyone needs to be aware of: "1. The new USDA Guidelines will go into effect on December 1, 2014. This is a project that the USDA has been working on for over a year and was originally scheduled to go into effect last August. The Peoples Bank USDA Matrix will be updated and posted to SharePoint on November 30, 2014. 2. If your USDA Loan has not received a 'Conditional Approval' from the appropriate RD Office by November 28, 2014, then the loan will be subject to the new Guidelines. 3. The RD Offices will not accept new loan applications from 11/22/2014 through 12/01/2014 in order to work through its backlog.

Stearns Wholesale is offering LPMI pricing improvements and improvements to its government pricing. LPMI pricing features improvements on FICO scores 700+. For more details, click here. Government pricing also features improvements on FICO scores 660+ for both purchase and refinance transactions. To view the flyer, click here. Refer to Stearns rate sheet for complete pricing details. Stearns has also announced, as of November 17, 2014, it will be migrating to a standardized Administrative Fee of $995 for all mortgage transactions in the state of California ($795 for Streamline transactions).

Turning to the markets, my assumption is we as an industry will be talking about **MBS demand** well into the beginning of 2015. Certainly this commentary has discussed it. It's a good conversation to start considering credit conversations have been leaning towards the eventual easing of guidelines. The Federal Reserve Bank of New York, in a recent article, touches on demand and the credit markets in The Sensitivity of Housing Demand to Financing Conditions: Evidence from a Survey. . Economists Andreas Fuster and Basit Zafar employ an alternative survey-based approach to gauge the sensitivity of housing demand to mortgage rates, down payment constraints, and an exogenous shock in nonhousing wealth. "By designing a survey in which respondents are asked for their maximum willingness to pay (WTP) for a home comparable to their current one, under different financing scenarios. We vary down payment constraints, mortgage rates, and non-housing wealth. We find that a relaxation of down payment constraints, or an exogenous increase in non-housing wealth, has large effects on WTP, especially for relatively poorer and more credit-constrained borrowers." Albeit a very technical paper, written by very technical economists (I think I saw a formula with all the major Greek symbols in it), it is worth a general peruse.

I know, credit is tight. I know, "make sense" loans have all but removed performance issues seen over the past few years. But sales of **non-performing assets** have always been, and always will be, the key-stone to the credit markets....when Egypt financed the pyramids there must have been an investor who said, "But what if they default, then what?" Earlier this month, BofA and Citi showed us 'then what', as they sold pools of non-performing assets. Bloomberg writes, "Bank of America put about $1 billion of troubled debt on the market last week, consisting of nonperforming loans and some where payments have resumed, said the people, who asked not to be identified because the offerings are private. The Charlotte, North Carolina-based lender also is marketing about $1 billion of soured home loans with Wells Fargo & Co., according to one of the people. Citigroup is separately selling about $1 billion of nonperforming and re-performing mortgages, the people said." **So who's buying this stuff**, you ask? Hang on to your seats, the news is shocking: hedge funds. "More firms are seeking to acquire the soured debt, including hedge funds such as Metacapital Management LP and One William Street Capital Management LP. Wall Street-backed companies that have built home-rental businesses, such as American Homes 4 Rent, Starwood Waypoint Residential Trust, Altisource Residential Corp. and Axonic Capital LLC, are also buying nonperforming loans to expand their property holdings."

It is becoming harder and harder to argue that the economy is **merely bumping along**. Looking at last week, whether it was the employment data, car sales, trade balances, or construction spending, these reports show ongoing momentum in the U.S. economy at year end. The Federal Reserve's Federal Open Market Committee will meet next week 17 to discuss and set monetary policy, and given the tone of recent news it is not a stretch to think we may see short-term rates ticking higher in the middle of 2015 rather than later. As David Zervos from Jefferies noted Friday, "The US employment data were VERY strong. QE has worked its magic and the FOMC will be looking to remove accommodation sooner than the market thinks. As we have discussed before, the communications surrounding this accommodation removal will be complicated, and policy mishaps will become more frequent."

There's just not much going on this week until Thursday on the economic release schedule. Then we have Initial Jobless Claims, Retail Sales, and some import price numbers. Friday we will have the Producer Price Index and the University of Michigan Consumer Confidence numbers. The 10-yr closed out last week with a yield of 2.31% and this morning we're at 2.33% with agency MBS prices worse slightly.

Jobs

HomeStreet Bank is seeking a Loss Mitigation Manager in the Seattle area to manage a staff and oversee collection of past due residential loan products. Founded in 1921, HomeStreet is one of the largest community banks in the Pacific Northwest, with mortgage operations in Washington, Oregon, Idaho, Arizona, California and Hawaii. "Successful candidates will have experience in the analysis of loan files for the purpose of evaluating the potential for available loss mitigation and/or work-out options. Manage investor requirements including but not limited to; Fannie Mae, Freddie Mac, Oregon Housing, FHA, VA, USDA, and private investor/insurers. Ensure audits are satisfactory.

HomeStreet Bank offers a competitive compensation and benefits package which includes comprehensive health care coverage and an employee matching 401(k) plan. HomeStreet Bank is an Equal Opportunity/Affirmative Action Employer. Minorities, females, protected veterans and individuals with disabilities are encouraged to apply.

And congrats to Jason Howze. Due to its growth, Tennessee's **First Community Mortgage** announced that he has joined FCM in a new position as the Vice President of Retail (Midwest). Based in Louisville, Howze will be focusing specifically on direct sales, relationship management and market share growth. He was hired at FCM in order to expand and lead retail initiatives for a newly defined Midwest Region. In August of 2012, FCM opened their second operations office in Louisville, KY, which now houses correspondent lending functions and a branch retail team, led by Michael Hilleary and Shane Gilmet. If you're an LO or branch and interested in seeing what FCM is up to in a confidential manner, contact Jason Howze.

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