FHA MIP Under Fire; Ellie Insight Report; Lender 1st New England Bankrupt;

By: Rob Chrisman | Wed, Dec 24 2014, 10:27 AM

As you may have guessed, there is no logical correlation between whether there is snow in Boston on Christmas and the performance of the stock market. Any incidence of a white Christmas in Boston and bullish market performance in the following year are purely coincidental. This may be why this indicator is also referred to as the "BS indicator". See? Who says you never learn anything from this commentary?

As a reminder since there still seems to be a little confusion about this, **Congress unanimously voted to extend** a provision of the Servicemembers Civil Relief Act (SCRA) until January 2016, which prohibits foreclosing on a Servicemembers house for one year after returning from active duty. Congress had previously extended the protection period from 3 to 9 months in 2008 and then to one year in 2012. If Congress did not pass the provision, the protection period would have reverted back to three months. Last May, Senator Sheldon Whitehouse proposed the Foreclosure Relief and Extension for Servicemembers Act of 2014 and stated that troops returning from fighting overseas should not have to fight to keep a roof over their heads when they return home, as they often need to time to regain their financial footing.

According to the latest Ellie Mae Origination Insight Report, the **refinance market is picking up steam** due to the low interest rates, as lenders' refinance share rose for the fourth straight month in November. Since July, lenders' overall volume of refinances climbed thirteen percent and the total closing rates on purchase loans increased to 66.5 percent, the highest level since Ellie Mae began tracking this number in August 2011. The increase in refinance volume has been a cushion for lenders who normally face a slow winter market. As the end of 2014 approaches, The New Year looks promising for most lenders with continued low rates and the re-emergence of the GSE's three-percent down payment loan programs. Other findings from the report include the average time to close a purchase loan was 41 days, up one day from October, whereas the average time to close a refinance loan decreased to 37 days, despite the increase in refinance activity. Credit requirements have also remained the same from a year earlier, with 31% of borrowers having an average FICO score of under 700.

The level of FHA's insurance premiums continues to come under fire. As Millennials begin to invest in homeownership, changes need to be made to allow these young adults to qualify and finance a loan.

Dave Stevens, president of the **MBA**, spread, "I wanted to share with you a letter that MBA Chairman Bill Cosgrove sent yesterday on MBA's behalf to Secretary Julian Castro at HUD **calling for FHA to reduce mortgage insurance premiums (MIPs)** in an effort to both improve access to credit for FHA's targeted borrower segment -- low and moderate income and first time homebuyers -- and also as a means to ensure the future stability of FHA's Mutual Mortgage Insurance Fund (MMIF). MBA has long been on the record in support of efforts to responsibly improve access to credit for qualified borrowers. What really precipitated the letter was the re-entry of Fannie Mae and Freddie Mac into the low down payment (95-97 LTV) space. Our fear is that if FHA keeps MIPs at the current level, FHA would lose more volume to the GSEs given that GSE loans with private MI would cost borrowers less. Further, FHA would face the threat of adverse selection, with the GSEs picking off the higher credit quality borrowers in the segment. Both the lower volume and the lesser credit quality borrowers pose threats to FHA's efforts to recapitalize the MMIF to its Congressionally-mandated two percent level. You can read the letter for more of our rationale.

The Community Home Lenders Association (CHLA) has called for the **FHA to lower annual premiums** in order to make FHA loans more affordable for lower and middle income homebuyers, an income bracket most millennials fall into. CHLA has proposed the change after the FHA's annual Actuarial Reported was published, which indicated the FHA is making a steady progress towards strengthening their finances. Since FHA's mission is to provide financing for first time and minority borrowers, the only way it can fulfill this undertaking is by reducing premiums. Last February, CHLA asked the FHA to reduce its annual premium level from 1.3% to 0.75%. In this report, CHLA pointed out that about 125,000 to 375,000 borrowers would have purchased a home in 2013 with an FHA loan if premiums weren't so high. FHA home purchase volume has also decreased by more than 40% since 2010 and has experienced comparable declines in loans to African-Americans and Hispanic homebuyers.

Ocwen Financial Corporation, in the news lately and the nation's largest independent mortgage servicer, announced the re-launch of a free database of loan-level data for mortgages serviced by Ocwen in private label mortgage-backed securities (MBS), powered by the REALPortal platform. The re-launch addresses a variety of requests from mortgage loan investors to enhance functionality, access to data and bandwidth. Additional functionality is being planned for near-term implementation. Access to Ocwen's REALPortal service is free, and interested parties can register a login and password, click here.

Last month **Stearns Wholesale** began 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. Stearns has also announced mid-November that it migrated to a standardized Administrative Fee of $995 for all mortgage transactions in the state of California ($795 for Streamline transactions).

Penny Mac has updated its VA High Balance LLPA Value effective with commitments taken on or after Thursday, November 20th, 2014, the VA High Balance Loan Level Price Adjustment will be reduced. The value will reflect in the "Government LLPAs" tab of the Best Efforts, Mandatory, and AOT rate sheets. To view the announcement, click here.

Plaza Home Mortgage announced it has enhanced its risk management policies and procedures governing its wholesale lending business by ordering third party risk reports on settlement agents. The process will be managed for Plaza by Secure Settlements Inc. Plaza has also launched its qualified mortgage evaluation tool in collaboration with LoanScoreCard. Its QM finding report will provide immediate assurance that the loan meets QM guidelines. The full story is available for review in its press release.

PMAC Lending Services posted interesting information regarding the Senate election results potentially causing delay in USDA December 11th Map Changes. The midterm elections results are in and the Republicans now control the U.S. Senate. According to PMAC, it is more than likely when the current Continuing Resolution (CR) expires on December 11th, the Republican controlled House and Senate will likely pass another CR which will fund our Government until March, 2015. If another CR is passed in December, there is a strong possibility the current eligible areas will remain intact during the length of the new CR. The CR extends a current general provision regarding housing program eligibility. This means that if a community is eligible today, they will remain eligible the length of the CR. The new USDA guidelines (7 CFR 3555) went into effect on December 1st. Please note that all loan packages that did not receive a conditional commitment by November 28th 2014 will be subject to the new guidelines. If a loan application was sent to the USDA prior to December 1st and a conditional commitment was not issued, the USDA will have to release GUS back to the lender and the file must be re-run through GUS and the new guidelines will apply.

First Community Mortgage has posted Wholesale Product and Pricing Bulletin 2014-11b NOVEMBER 2014 GUIDELINE CHANGES to its underwriting guidelines. To view the bulletin, click here.

What did all that news yesterday mean for mortgage rates? Gross Domestic Product was much stronger than expected (pushing rates up), but Durable Goods were less than expected, pushing rates lower. Personal income was +0.4% to $54.4 billion in November. Disposable personal income (DPI) increased +0.3% to $42.4 billion. Personal consumption expenditures (PCE) increased +0.6% to $67.9 billion. The FHFA House Price Index was +0.6% in October. From October 2013 to October 2014, house prices were up 4.5 percent - no impact on rates. The University of Michigan Consumer Sentiment hit a seven-year high, pushing rates up. New Home Sales were +1.6% in November - not a big impact on rates. The median sales price of new houses sold in November 2014 was $280,900; the average sales price was $321,800. The seasonally adjusted estimate of new houses for sale at the end of November was 213,000. This represents a supply of 5.8 months at the current sales rate.

So after all that rates moved higher primarily due to the GDP number - it is hard to argue with the strength of the 3rd quarter and this momentum is expected to help things in the 4th. The 10-year note sold off .875 in price, closing at a yield of 2.27%, while current coupon MBS prices only worsened .5.

(**Read More: MBS RECAP: The Kind of Holiday Session we Hope to Avoid; Bond Markets Pounded**)

This morning we had the MBA's apps data for last week (falling further by 1% from the week before) and will have Initial Jobless Claims at 8:30AM EST - a day early (expected unchanged from last week's 289k) and a $29 billion 7-year note auction at 11:30AM EST. In the early going rates are virtually unchanged from Tuesday's closing levels.

Jobs and Announcements

Franklin American Mortgage, the nation's 5th largest wholesale lender, is seeking a highly motivated, experienced sales management professional to serve as VP, Regional Sales Manager covering the following areas: IA, IL, KS, MN, MO, NE, ND, SD, UT, and WI. Responsibilities include recruiting prospective Account Executive candidates, as well as developing, training, and mentoring new Account Executives to grow loan production from active and prospective accounts. Please visit FAMC's job posting or e-mail Jennifer Rader for more information.

Different companies have different strategies for expansion. Of course there are different ways to grow, adding products, channels, regions, and so on. Along those lines I received an e-mail from industry veteran Allen Friedman with **iServe** that should resonate with anyone in a service business. "On the coattails of the iServe's growth in 2014 we plan on continued expansion through 2015. The one area in this industry within our direct control is service. iServe continues to succeed by creating a user friendly team environment that attracts new branches and originators, and is the reason we have such a good record in retaining existing talent." Friedman goes on to state that at iServe customer service is more than a checklist of daily activities. "It is a corporate culture that recognizes that the loan file is processed based upon a series of relationships, all dependent upon each other. It is the personal contact, the fast response times, and the accessibility at any time, that allows the flow to be seamless and stress free for everyone involved. At the forefront and most importantly, our actions have a direct effect upon the lives of the borrower. In some cases, it represents their first experience in the home buying or refinance process. For many, it is a defining moment in their lives, in which iServe participates as a critical link. We never forget that there is a borrower and referral partner at the end of every transaction. At the end of the day, our team philosophy assures that our originators have the freedom to originate loans in an environment of consistency and self-assurance that each and every borrower will be well cared for."

iServe is looking for established originators and branches in key markets throughout the country to join the company. Co-CEO Ken Michael states, "We have the talent, product, vision and support to continue our growth at each and every level." Allen Friedman can be reached at afriedman@iservelending. com.

At the other end of the scale, Newton-based residential mortgage company **1st New England Mortgage Corp**. has filed for Chapter 7 bankruptcy. 1st New England Mortgage Corp. does business as Aberdeen Mortgage, FNE Mortgage and First New England Mortgage, according to the bankruptcy filing. The mortgage company had $1.2 million in liabilities, including $124,456.28 to Company President and CEO David W. Black and $944,375.47 to Lehman Brothers Holdings Inc. care of Dallas-based Locke Lord LLP, according to the bankruptcy papers.

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