NAR Warns Realtors About TRID; Unabated Agency Changes - Who Can Keep Track?

By: Rob Chrisman | Wed, May 13 2015, 10:47 AM

In 1963 President John F. Kennedy designated May as Senior Citizens Month and then in 1980 President Jimmy Carter changed the name to **Older Americans Month**. The U.S. Census Bureau has compiled statistics for those 65 and older - and not all of them are capital markets guys. In 2060, the projected population of people 65 and older is 98.2 million, whereas the projected number of baby boomers at this same period is 2.4 million, with the youngest age of the baby boomer to be 96 years old. It's anticipated that 2056 will be the first year where those 65 and older will outnumber those less than 18 years old - don't ask me how they can pretend to predict birth rates 25 years from now. In 2013, the median income for people 65 and older was $35,611 and 9.5% of people in this age cohort were in poverty.

Life sure ain't easy for those changing their company's policies and procedures for August 1st. Yes, they know what has to be done but figuring out who does what will be interesting. But groups are doing their parts, and yesterday it was the turn of real estate agents. "**Realtors should prepare themselves now for the new disclosure requirements** being implemented by the Consumer Financial Protection Bureau later this year, and communication between all parties in the real estate transaction is essential in ensuring a smooth transition, according to speakers at a regulatory issues forum here at the 2015 Realtors® Legislative Meetings & Trade Expo. Richard Cordray was there, saying, "...the CFPB's new mortgage rules are smart for the industry and are designed to educate and empower consumers to 'know before they owe.' He stressed the importance of preserving reliability in the mortgage market and ensuring that consumers have the knowledge upfront they need when buying a home, which he labeled as likely one of the biggest financial decisions they'll make in their lives.

Huh? A CFPB timeline site showing how it got to where TRID is today.

Let's see what's going on in conventional conforming land.

I know what you're thinking, 'Gee, I sure would like to relive 2007 & 2008's financial market collapse culminating in the governments **conservatorship** of FNMA and FHLMC.' Well you're in luck. The Federal Reserve of New York has a **well written paper** on just that topic, along with detailed analysis of events leading up to it. The Fed's conclusion regarding the end goal of reforming the agencies is worth a read, it writes, "The path forward for reform of Fannie Mae and Freddie Mac does not look promising. As time passes since September 2008, the perceived urgency for reform seems to recede. Delay prolongs the uncertainty over the government's future role in residential mortgage finance, which in turn is a deterrent to private capital re-entering the market, and makes the government's role appear more difficult to replace. Delay also raises the likelihood that deeper reform will be judged as too difficult to accomplish, and raises the risk that the conservatorships are ended by returning Fannie Mae and Freddie Mac to private status with only minor changes to their charters."

As a reminder the FHFA released a statement concerning homeowners association (HOA) **super-priority lien foreclosures** - a direct response to any jurisdiction that determines an HOA super-priority lien is a true priority lien with the capacity to extinguish (if unsatisfied) a first lien mortgagee's mortgage or deed of trust. More specifically, FHFA noted in its April statement that federal law "precludes [the] involuntary extinguishment of Fannie Mae or Freddie Mac liens while they are operating in conservatorships and preempts any state law that purports to allow holders of [HOA] liens to extinguish a Fannie Mae or Freddie Mac lien, security interest, or other property interest." This statement is more definitive than their December 2014 statement, as it "confirms [FHFA] has not consented, and will not consent in the future, to the foreclosure or other extinguishment of any Fannie Mae or Freddie Mac lien or other property interest in connection with HOA foreclosures of super-priority liens."

In December, FHFA had indicated that it was "concerned by some liens being advanced to 'super-priority' status over Fannie Mae and Freddie Mac first-lien mortgages" and that "FHFA has an obligation to protect Fannie Mae's and Freddie Mac's rights, and will **aggressively** do so by bringing actions to void foreclosures that purport to extinguish Enterprise property interests in a manner that contravenes federal law." In other words, FHFA has now strengthened its opposition to this harmful policy by expressing its lack of consent for any HOA extinguishment of the Agency's property interests.

"Rob, I recently heard that the agencies will not hold as much MBS on their books as originally thought going into 2015, what say you?" Yes, put another way, they will probably need to reduce some portfolio holdings by year end to remain under the cap....**the bigger news** is that this number has been revised UP, by as much as $50B. We know as of December 2014, the size of FNMA and FHLMC portfolios were $414B and $408B, respectively. With a 2015 cap of $399B, factoring in non-agency MBS and whole loan holdings, it was estimated by some that heading into the new year the GSE's were likely to reduce their MBS holdings by $20B (give or take a few billion) by year end. However, based on the agencies 2014 10-K submissions, in October of last year, FHFA is asking the GSEs to **maintain their retained portfolios at 90%** of the annual cap (or $359B as of Dec 2015). From Freddie's 10-K, "In July 2014, pursuant to the 2014 Conservatorship Scorecard, we submitted a plan to FHFA to meet (even under adverse market conditions) the portfolio reduction requirements of the Purchase Agreement. In October 2014, FHFA requested that we revise the plan to provide that we would manage the UPB of the mortgage-related investments portfolio so that it does not exceed 90% of the annual cap established by the Purchase Agreement." Based on the revised requirements, Fannie and Freddie will have to reduce the size of their retained portfolios by about $49-55bn in 2015.

As a reminder a while back the FHFA released its 2015 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions. Among the **most notable provisions** is the goal to finalize the structure for a single security by the end of this year. You may recall that MBA previously argued for the single security to be pursued independent of the Common Securitization Platform in order to expedite development and this is an important step in that direction. Also contained in the Scorecard is a substantial increase in GSE risk sharing requirements: $150B for Fannie Mae, $120B for Freddie Mac, with both required to utilize at least two different risk-sharing structures to achieve the goal.

During the weekend of April 18 Fannie Mae implemented **Asset Management Network** (AMN)/HomeSaver Solutions® Network (HSSN) Release 20.2, which includes the changes described in the Release Notes.

As a reminder, **PennyMac** requires all pages of a successful Uniform Collateral Data Portal (UCDP) Submission Summary Report (SSR), from both Fannie Mae and Freddie Mac. Data integrity between the SSR and the final appraisal is critical as both GSEs require corrections to the SSR when the appraisal delivered does not match. Detailed requirements can be viewed in PennyMac's announcement 15-16.

Fannie Mae offered up new and enhanced technology platforms, including the new Pricing & Execution - Whole Loan (PE - Whole Loan) application. "**PE - Whole Loan** will replace and combine our current mandatory and best efforts committing applications, eCommitting™ (eC) and eCommitONE® (eC1). The PE - Whole Loan application retains most of the features available today while introducing some exciting new aspects to the committing and pipeline management experience. The transition is seamless, no registration or process changes will be required, and each lender's committing activity and access will be migrated directly from eC and eC1 into PE - Whole Loan. Users of eC and eC1 will receive additional details regarding the phased rollout timeframe of PE - Whole Loan, which takes place throughout 2015. For more information on PE - Whole Loan, including job aids, FAQs, overviews, and more, review the PE - Whole Loan page."

Fannie Mae's **97% LTV** Consumer Outreach Materials is now available to help lenders reach out to responsible homebuyers and educate them about the availability of low down payment options. These new resources (flyers, FAQs, and email content) can be customized to include your company logo, contact information, and product name. Visit the Outreach Materials page on the Fannie Mae website to access these resources and refer to the Consumer Outreach Materials & Guidelines for usage instructions and terms and conditions. Fannie Mae's new Multiple Financed Properties Lender Job Aid summarizes the additional requirements that apply to borrowers who are financing a second home or investment property and will own multiple financed properties. The Multiple Financed Properties Checklist can help determine when the additional requirements are applicable.

FAMC updated its Rate/Term section to allow an existing first mortgage HELOC to be treated as "no cash-out", to coincide with the Fannie Mae announcement SEL 15-03. Additionally, the removal of its previous second home gift donor overlay has been updated to show requirements for second home as the same for a primary residence.

Caliber Home Loans, Inc. has reduced its LPMI rate and offers lower than standard LPMI rates for Conventional Conforming and High Balance Fixed and ARM transactions.

Freddie Mac is **streamlining the underwriting process** for Assets and Reserves in its Loan Prospector July 19 release. The proposed release will include: eliminating the need to verify reserves beyond those required, provide new and revised loan-specific and actionable feedback messages, and organizing messages for assets and reserves in one section on the Loan Prospector Feedback Certificate. Please review the Single-Family News Center article for more details on the enhancements, as well as information on available resources.

More thrills and chills on the conventional conforming front tomorrow!

The bond market selloff took a breather Tuesday. Whew! As a gauge of where rates are, the yield on the 10-year hit 2.36% recently but grappled back to 2.26% - a slight improvement from Monday. Of course this volatility impacts hedge costs - and not for the better as companies don't want to lose valuable locks in what is being seen as a decline in origination volumes. Hey, at least those 4% mortgages won't prepay right away, right? Buying and selling of agency MBS is running $1.5 -$2.5 billion consistently.

But this is all so... yesterday. Today we've had the MBA's lock figures for last week. (Apps were down for the third straight week, declining 3.5%, with refis dropping almost 6% and purchases nearly unchanged.) We've also seen Import & Export Prices (expected higher, both fell .3% and .7% respectively) and Retail Sales (expected +0.2 on headline and +0.5 ex-autos, they were only flat although the prior month was revised higher, and no change ex-autos - ugly). And the Treasury, not content with the monies Fannie and Freddie are passing along every quarter, will continue its quarterly refunding with $24 billion 10-year notes at 1PM EDT. The 10-year is back down to 2.20% and agency MBS prices are better .250-.375 versus Tuesday's close given this weak news and the thinking that maybe rates shouldn't have shot up so much.

Jobs and Announcements

AnnieMac Wholesale, a nationwide mortgage lender who is an approved seller/servicer with Fannie Mae, Freddie Mac and Ginnie Mae, is expanding its Wholesale lending channel. Headquartered in Mount Laurel, NJ, "AnnieMac Wholesale's executive management team aims to earn your business through exceptional service... again and again. AnnieMac Wholesale is focused on providing brokers with the highest level of expertise and customer service you expect from a wholesale lender." Management is currently looking for AEs in New York, Pennsylvania, New England, North Carolina, South Carolina, Georgia, Texas, Ohio, and Florida! Interested AEs can send resumes to wholesaleinfo@anniemacwholesale. com.

The vendor management sector has become a growth industry, "With an increase in regulatory scrutiny around vendor management, lenders are searching to find a holistic, cost effective, and customizable solution. HQ Vendor Management (HQVM), a division of Mortgage Quality Management and Research (MQMR), provides vendor management services to assist lenders in mitigating risk and complying with regulatory standards. HQVM utilizes software automation to streamline workflow management and serve as a centralized repository. HQVM works with each lender to create a customizable solution to match the lender's current business model and risk appetite. HQVM has recently expanded its services to include settlement agents. American Financial Network, DAS Acquisition, and Mortgage Investors Group have engaged HQVM as its vendor management provider of choice. For more information about vendor management or to schedule a meeting at the upcoming New York conference, contact Casey Hughes.

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