Court Ruling on LO Overtime; Mortgage Insurance Comparison; FHA/VA Lender Changes

By: Rob Chrisman | Tue, Mar 10 2015, 10:17 AM

The mortgage industry continues to deal with unintended consequences of over-regulation, including higher prices for borrowers. The barrel industry is learning a thing or two about unintended consequences. There are many small whiskey distillers cropping up around the US, and the increased interest in drinking bourbon has led to a shortage of wooden barrels! Charred oak barrels are necessary for aging whiskey and new cooperages have begun operations around Kentucky in order to meet the new demand, anyone who can make a barrel is now in high demand, and the price of wooden barrels is going through the roof. With the ruling on overtime pay for originators, maybe fewer brokers are thinking about going into barrel making.

Everyone is talking TRID. The new TILA-RESPA Integrated Disclosure (TRID) Rule is going into effect 8/1, roughly 100 business days away. There is a lot to do to ensure you are in compliance. If you are interested in learning more about the new TILA-RESPA Integrated Disclosure Rule, including basics such as which types of mortgage loans are covered under the Rule, what information must be included in the revised Loan Estimate and Closing Disclosure forms, what triggers the "application process" and what the revised tolerance requirements are, please know that on Wednesday, March 18th at 1PM EST/10AM PST, the Mortgage Bankers Association (MBA) and the American Mortgage Law Group (AMLG) will be holding a complimentary **60-minute webinar which will focus on the new TRID Rule** and provide valuable insights from those who have a thorough understanding of its requirements. The webinar will focus on critical issues that must be addressed in the last few months leading up to implementation to allow lenders to seamlessly transition to the new disclosures. To register for this free comprehensive webinar please contact AMLG's managing member James Brody or simply click here to register!

Cottage industries continue to spring up as a result of the CFPB and what many say is its overbearing rules and regulations. BuckleySandler partner Joe Reilly has delivered just that with The New CFPB Mortgage Origination Rules Deskbook, which is now available on Amazon. Over 8,000 copies of the PDF version have been downloaded to date by some of the nation's top banks and mortgage companies and hard copies are now available. Published in partnership with the American Bankers Association (ABA), the CFPB Deskbook is the "one-stop shop" for all the mortgage origination rules made effective by the CFPB in January 2014, meaning that it consolidates all sources of compliance information in one place. It covers ability-to-repay and Qualified Mortgage requirements, points and fees, loan originator compensation, appraisals, high-cost mortgages, and Qualified Mortgage provisions for Federal Housing Administration and Veterans Affairs loans, among others. It also offers a summary of the TILA-RESPA integrated disclosure (TRID) taking effect in August of this year.

Indecomm - Mortgage U has a variety of industry insights and trainings including its NEW **TILA-RESPA Integrated Disclosures Training Package** and TIP of the Week, a new blog post "FHA MIP Refi Boom Caution Points", LATE 8 HR CE Training opportunity for those who still need their 2014 certification and how to register for our Upcoming **20 HR** SAFE Comprehensive MLO Class. Click the link to view its website. Interested in articles and insights about all things compliance? Follow the link to view the latest issue of Indecomm's compliance corner.

Switching over to HUD and its FHA & VA programs, and the Agencies, in February, U.S. Mortgage Insurers (USMI) testified before the House Financial Services Committee Housing and Insurance Subcommittee on behalf of the private MI industry. Rohit Gupta, President and CEO of Genworth Mortgage Insurance and chair of USMI, pointed out **the key differences** from obtaining a mortgage from the government-backed FHA program or from private mortgage insurance. For example, FHA covers almost all losses if a loan defaults, which means there may be less reason to ensure loans are underwritten and serviced in a "prudent and sustainable manner." Whereas, MI covers first losses down to a stated coverage percentage, meaning there is greater incentive for "prudent underwriting and good servicing." MI private capital has covered more losses than the FHA, covering more than $44 billion in losses on loans sold to the GSEs that taxpayers would have had to pay otherwise. This is in stark comparison to the FHA insurance fund that required $1.7 billion from U.S. taxpayers. FHA capital reserve standards have to be at a minimum of 2 percent of risk insured but currently rest at 0.41 percent. MIs are required to be at a minimum of 4 percent and all MIs are reporting greater capital ratios than what is mandated. Gupta went on to state that FHA and private MIs should serve as complementary forces, enabling the FHA to remain focused on its mission of serving underserved markets. Gupta also stated that the recent decision to lower annual MI at FHA slows the course of FHA attaining 2% capital requirement and limits return of private capital. To read more about Gupta's testimonial, click here.

And for lender-related FHA & VA changes over the last several weeks...

Previously, **PennyMac** required a current market value, as demonstrated by an Automated Value Model (AVM) or drive by appraisal (2055E or 1075), to calculate an LTV/CLTV on all FHA Streamline transactions. Starting at the end of January PennyMac announced that FHA

Streamline transactions will no longer require a valuation product. With this change, the LTV/CLTV restrictions based on the current value are being retired.

Effective with loan commitments taken on or after Wednesday, February 25, 2015 PennyMac announced the following changes to government loans: Previously, PennyMac required a minimum 640 FICO for all government loan programs. Effective with this change, the minimum FICO for government loan programs is being reduced to 620. Additionally, the maximum base loan amount for VA loans was limited to the greater of the VA county loan limit or $1,000,000. Effective with this change, VA loans will be eligible up to a maximum base loan amount of $1,500,000. Base loan amounts greater than $1,000,000 will require a minimum 700 FICO.

Ditech is currently allowing FHA & VA repair escrow holdbacks and has reduced its FICO score for FHA & VA to 580. VA IRRRL loans, for non-same serviced loans, Ditech now accepts an AVM in lieu of exterior appraisal report & have increased max LTV to 105. In the case of same servicer transactions, no appraisal or AVM is required.

Peoples Bank issued a reminder regarding FHA post payment interest charge. The change affects only the refinance or payoff of loans closed on or after January 21, 2015. It has no impact on loans already insured or closed prior to January 21, 2015. When loans closed prior to January 21, 2015 refinance or payoff, the full month's interest can be collected by the servicer in the payoff.

Envoy Mortgage CLD has announced the removal of several overlays on non-credit qualifying streamline refinance products as well as the reduction to the LLPA on all FHA streamline refinance transactions effective immediately. Guideline changes are as follows: 1) Minimum credit score has been reduced to 620, 2) A credit report with only a current mortgage history and acceptable credit score is allowed (0x30 rating), 3) No reserves required (follow FHA guidelines for funds needed to c lose), 4) Employment must be listed on 1003 but income will not be verified, 5) A VVOE is required for salaried borrowers, 3rd party verification for self-employment, and a bank statement or awards letter is required to verify retirement and social security, 5) Tax transcripts are not required, 6) A signed/dated IRS 4506-T is required for all borrowers. The non-credit qualifying LLPA has been reduced to -0.250% from -1.25% and the credit qualifying LLPA has been reduced to 0.000 from -0.750%.

To further support consumer refinance opportunities driven by the FHA MIP reductions, **Flagstar** is offering a reduced ELP fee of 1.25% (regardless of the number of days) for payoffs that occur on or before June 30, 2015 if the new FHA refinance is sold back to Flagstar.

Sun West posted a reminder about FHA requirements in regards to gifts as an acceptable source of funds and its required documentation on FHA loans. When gift funds are used towards cash to close, the following required documents must be submitted to Sun West as explained in the HUD Handbook 4155.1

Turning to the markets, not much happened yesterday. Sure there was a little movement between Ginnies, Fannies, and Freddies, 30-yr versus 15-year, and various coupons, but overall it was quiet. There was no news, and no market-moving scheduled news for today or tomorrow either. The 10-yr began the week at 2.21% and closed Monday at 2.19% - and sure MBS prices tagged along.

The ECB began its quantitative easing program Monday, which it is implementing through the Eurozone's national central banks. Yields on Germany and France's debt plunged as investors seem to have underestimated the impact of the program. In Greece, however, the 10-year yield rose 65 bps to 9.90%, as Eurozone officials seemed skeptical of Greece's latest proposal for structural reforms, including the much-mocked tourists-as-undercover-tax-inspectors proposal. Turning back to our bond markets, this morning we're sitting around 2.17% on the 10-yr and agency MBS prices are better by a few ticks.

Jobs and Announcements

Freedom Mortgage is actively seeking seasoned AEs for the Arizona, California, Iowa/Nebraska, Nevada, New Mexico, Oregon, Utah and Washington markets! "Freedom Mortgage has emerged as the new leader in the wholesale and mini-correspondent channels and offers competitive FHA, VA, conventional and jumbo product offerings. Freedom is a FNMA direct seller/servicer and top 2 GNMA issuer in the country with nearly $50 billion in the servicing portfolio! Please send all inquiries for IA/NE, NM, OR, WA & UT to Steve Hamerski and all inquiries for AZ, CA, & NV to James Hooper for more information. Freedom Mortgage Corporation is a national, full service mortgage banker with retail, wholesale, correspondent and commercial origination and servicing operations, originating in all 50 states.

Over in Texas **Colonial Savings** is hiring key positions including the SVP of Production Management over Retail, Credit Union and Retention Divisions; Construction Lending Manager; and Prefunding QC Manager at its Fort Worth headquarters. "We are also hiring Dallas-Fort Worth area Commercial Banking Lenders and Mortgage Loan Officers in high volume markets nationwide. Founded in 1952, Colonial is privately owned and provides a wide variety of loan programs in all 50 states. With award-winning retained servicing and a Five Star Bauer Rating, we are among the most respected and stable financial institutions in the nation." To learn more about lucrative careers with superior compensation and benefits, visit the Colonial Careers Page. Equal Opportunity Employer, M/F/Disability/Vet."

Greg Frost is looking for a few more Branch Partners. "Yes, it's the same Greg Frost who was the mortgage industry's first billion dollar Loan Originator and current popular motivational sales trainer. Greg's organization currently has Branch Partners in New Mexico, Arizona, California, Colorado, Texas, South Dakota, Illinois, Iowa and Mississippi. If you're operating in one of these states, and would like to investigate his very profitable Branch Partner business model, just click here to schedule a confidential conversation with Greg. Imagine working with and being mentored by one of the industry's' most prolific mortgage professionals. Click Here now."

Looking to expand your horizons in 2015? Looking to be financially rewarded for your efforts? Then look no further. A multi-billion dollar nationally-recognized mortgage lender is expanding its geographic footprint and is searching for very select, top-tier mortgage professionals capable of rapidly progressing into a multi-branch Regional Management role. "Our unique regionalized model and superior service offers unparalleled opportunity for growth. The ideal candidate is currently a mortgage broker or an existing retail branch manager, with monthly production of $3-5+M, and possesses strong recruiting skills. First year income for this position is projected to be in the mid-to-high 6-figures. As a direct seller to all agencies, we offer a comprehensive suite of products with virtually no overlays, nationwide licensing and regionalized fulfillment. Our system allows the branch / regional manager direct input into operating margins and MLO compensation, while a culture of dedicated corporate support and recruiting assistance allows the manager to focus strictly on sales and branch network growth. Qualified candidates in search of benefiting from superior pricing, 100% branch credits and multi-branch overrides" are encouraged to submit a letter of interest and/or resume to me at rchrisman@robchrisman. com.

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