

CFPB on Construction Loans; Training and Events; FHLB mREIT News

By: Rob Chrisman | Wed, Jan 13 2016, 9:55 AM

Dodd-Frank rules require public companies to provide their shareholders with an advisory vote (non-binding) on the compensation of the most highly compensated executives at least once every 3 years. The so-called "say on pay" votes have added more work to banks and their compensation committees, yet less than 2% of companies fail to get shareholder approval according to executive recruitment firm Korn Ferry. And speaking of company types, **credit unions** are now up to serving over 105 million Americans. The auto loan balance figure of \$100 billion is of interest, as well as [credit union's mortgage volume being 39% higher](#) than the same period in 2014.

Under the "**big news**" category, the FHFA (which also oversees Fannie Mae and Freddie Mac) is [closing a loophole in membership](#), and the industry is curious to see how it will impact companies like Redwood Trust since for some leveraging whole loans with advances is the only asset strategy that produces a return above their cost of capital.

Michael Widner with KBW wrote, "The FHFA announced that it would be **kicking captive insurers**, and thus mortgage REITs, out of the FHLB. mREITs that joined prior to September 2014 will have a five-year sunset period starting from the publish date (roughly mid-February), while those joining more recently will have a one-year sunset. We view this as a negative for the mortgage REIT sector (and mortgage credit availability more broadly), but really only on the margin...we view the loss of this source of funding negatively.

"Overall we saw FHLB membership as providing **benefit to mREITs** through funding diversity more than through lowered costs. There are exceptions to this, primarily for non-agency funding of jumbo whole loan conduits and floating rate commercial mortgage financing. We believe broker/dealer alternative financing vehicles will be more expensive for those products, but also note that all mREITs currently making use of that financing will fall under the five-year sunset provision.

"We saw FHLB advances largely as option value for the long-awaited possibility of accelerating the '**return of private capital**' back to the mortgage markets. Since the financial crisis Fannie, Freddie, and FHA loans have dominated the market. The only meaningful non-government originations have been jumbos, primarily of pristine credit quality. The hope for a return of non-agency securitizations appears to rest outside of banks and broker/dealers (due to regulatory pressures and CFPB rules), and in our view in the wheelhouse of mortgage REITs. FHLB financing could potentially have played a role in opening that up (as it has with jumbo securitizations). There didn't appear to be anything imminent on that front (and certainly nothing in our projections), but it could only have helped if things were to start moving."

Speaking of members of the Federal Home Loan Bank system (in this case Cincinnati), California's **Parkside Mortgage Trust** was admitted as a member of the Federal Home Loan Bank of Cincinnati through its insurance subsidiary PSL Insurance Company LLC. Lenders recall that in the last quarter of 2015 Parkside Mortgage Trust, Inc., organized to operate as a Real Estate Investment Trust (REIT), announced it has commenced operations with the purchase of its first mortgage loan. The non-agency loan will be serviced by its affiliate, Parkside Lending, LLC. "This effort has been in the works for the past three years and we're proud that it has finally come to fruition," said Matthew Ostrander, President and Chairman of the Board of Parkside Mortgage Trust.

And Bloomberg's Matt Scully sent along a write up by Felice Maranz reiterating that FHFA's rule on FHLB membership **hurts mortgage REITs** and others that used captive reinsurers to access FHLBs for funding. It is also a negative for housing as mREITs would use the FHLB funding to buy mortgage-related assets, keeping markets liquid, and pressuring financing costs. On the other hand, the announcement is neutral for banks as the agency dropped a proposal that would have required banks to requalify annually for FHLB membership

In other late-breaking news, the **CFPB has "created a fact sheet that reviews the basics of construction loan disclosures** under the Know Before You Owe mortgage disclosure rule.

For those that care about their money, China's economic slowdown is [having repercussions](#) all over the global economy. The US is probably the most insulated, but it is wreaking havoc in South America and Asia - and at some point that spreads...

Although we're giving some of it back this morning, the U.S. Treasury market rallied sharply Tuesday with 5-year, 10-year, and 30-year securities all touching multi-month highs. The gains were led by falling oil prices and a stock market that is still trying to find a bottom, although technical factors were at play as well in a market that has seen a tightening range since mid-2015. The \$24 billion 3-year note Treasury auction drew a lower-than-average bid-to-cover ratio but the highest indirect bid in years

It is a new day, of course, and we've already seen the MBA Mortgage Application Index for the week ending 1/9 (apps were up 21% with refis up 24%, so we can see what drove that number). Later today we'll have the Fed's Beige Book for January and a \$21 billion 10-year note

Treasury auction. For numbers we had a 2.10% close on the 10-year yesterday and **this morning we're at 2.13% with agency MBS prices worse about .125.**

Jobs and Announcements

In retail job news, along the Atlantic Ocean TD Bank, "America's Most Convenient Bank," will be hiring 79 experienced Mortgage Loan Officers (MLOs) from Maine to Florida. MLOs will originate residential mortgage loan applications, guide customers through the home buying process and explain the variety of mortgage products and services that meet their unique financial needs. The bank will also hire Managing Producers to strengthen the bank's mortgage business. The Managing Producers will maintain responsibility for recruiting new MLOs, managing the loan production of an MLO team, coordinating sales, driving business development and growing the business. Experienced MLOs and Managing Producers who are interested in working for TD Bank can visit www.tdbank.com/careers/ (use Req. ID 109880BR) for more information on open positions.

In wholesale news [EMM Wholesale](#) is expanding its footprint in the Northeast & New England region and is hiring AEs in that region in addition to producing area sales managers, wholesale operations, underwriting, and processing personnel. EMM Wholesale is a division of E Mortgage Management, LLC, a privately held mortgage lender founded in 2003. "We are licensed in over 30 states and are an A+ rated, accredited member of the Better Business Bureau, member of the Mortgage Bankers Association and believe in maintaining the highest of compliance standards with the CFPB. E Mortgage Management is characterized by an energetic, creative staff paired with an in-house marketing agency and cutting edge technology and our underwriting and processing systems allow us to approve and process mortgages quickly without jeopardizing quality. We have cultivated a fun team environment where there is opportunity to learn, develop and advance your career while contributing to the company." For confidential consideration e-mail your resume to [John Mriello](#), Vice President, Human Resources.

And farther inland, [MB Financial Bank](#) is currently seeking qualified Account Executives in the following areas: Dallas, Texas; San Antonio/Austin, Texas, Minnesota, Wisconsin, and Florida. "At MB, Account Executives fund significantly more loans and make more income per month on average compared to peers. AEs, who believe they are funding fewer loans per month than they are capable of funding, and are looking to grow their business, should contact [Buddy Dantin](#), SVP Regional Sales Manager (504.453.4961) for opportunities in TX, MN, and WI, and Tim Bell, SVP Regional Sales Manager (404.316.0459) for Florida. MB Financial Inc. is the Chicago-based holding company for MB Financial Bank, N.A, which has approximately \$15 billion in assets and a more than one hundred year history of building deep and lasting relationships with middle-market companies and individuals. Equal Housing Lender and Member FDIC. NMLS#401467

And in product and investor news...

[Roadrunner Solutions](#) is offering "a free service to help you connect your pre-approved borrowers with local Real Estate professionals that will reinforce your relationship with the borrower." Roadrunner has a large network of Realtors that will respect the relationship between the LO and their borrower. This service will improve your closure rate and help deliver the high level of customer service required for the purchase money borrower. If you are a Call Center LO, run a Call Center Platform, originate loans outside of your local area, or just struggle to find quality Realtors, Roadrunner is a great service for you to try with no fees or any cost to the borrower. Roadrunner has also added website design and support to their product offering. If you would like to find out more [e-mail us](#)."

And "Right House Capital has been preparing for months to help our valuable clients with their TRID issues. As a buyer and a broker for scratch and dent loans, RHC sends the trade in the direction most beneficial to our clients regarding price. [Right House](#) already has yielded several TRID violations at a price between 94.00% and 98.00% of the trade's unpaid principal balance. RHC can either buy or place ALL loans with a TRID issue, regardless of its severity." For more information, please contact [Craig Beard](#).

In QC news, according to STRATMOR's preliminary findings, "more than 85% of independent mortgage bankers outsource some portion of their Quality Control (QC) function. While outsourcing doesn't appear to affect the level of defects present, do you know how your Material Defect Rate in Quality Control compares to peers? STRATMOR Group has reopened its survey on key metrics for the QC department. This survey is targeted at QC department managers at independent lenders who originated at least \$500 million in volume from any channel in 2015. This short survey is free and covers pre-funding and post-funding sampling rates, post-funding Material Defect Rate experienced in the past three months in total and by origination channel and historical post-funding Material Defect rates. Aggregated results will be shared with all participants at no charge. To learn more about the survey, preview the question and [take the survey click here](#) or contact [Nicole Yung](#).

And the interesting **upcoming events** continue to come our way for residential lenders!

Join National Mortgage Professional Magazine and Lender ProLink for their free webinar "[Top Millennial Mobile Strategies for Growth Focused Originators in 2016!](#)" this Thursday, January 14, at 2PM EST. This webinar will teach you how to attract top producing real estate

agents and build trust, respect and authority with them; how to drive new leads; and how to engage millennials with easy to use technology. By registering, you will automatically be entered to win a brand new iPad Mini 4 they will be giving away LIVE! [Click here](#) to register.

If you are looking to start 2016 off with information on the economic outlook for the mortgage industry, then join [Sierra Pacific Mortgage's Market Power Webinar](#) as they host Michael Fratantoni, the MBA's Chief Economist. The 2016 Economic Outlook webinar will cover economic growth, the job market, mortgage rates, trends in mortgage lending and the drivers of housing market growth. This webinar is open to all and will take place on Thursday, January 14th at 11AMPST (2PMEST). Take advantage of what is sure to be an excellent webinar from one of the industry's leading voices. To register, [please click this link](#).

On Tuesday, January 19 and Wednesday, January 20, AmeriHome is offering a TRID Webinar to share TRID finding trends and provide best practices for avoiding TRID-related loan purchase delays. [Click the link for registration information](#).

The California Association of Mortgage Professionals will hold its annual [Sales and Marketing Convention January 21-22](#) in Orange County, California. Help CAMP look to the future by joining this two-day convention. Inspiring speakers, leaders of the industry, and vendors from all across the nation are just the tip of the iceberg.

The MBA spread the word that the **FFIEC** is offering, on January 26th, [a one-day cybersecurity workshop](#) in Washington DC. There is a reception the prior evening that is free to attendees.

Will you achieve your targeted sales goal? [Plaza Home Mortgage is conducting a free webinar on January 20th](#). The focal point is selling skills for Loan Officers by learning ways to use the S.M.A.R.T. process to increase individual goal setting skills.

Mark your calendars, March 15th in New York City, for the BofAML (Bank of America Merrill Lynch) [Residential Mortgage & Housing Finance Conference](#). The primary goal of the conference is to provide participants with a clear roadmap for the future and an understanding of how best to strategically position for the opportunities that are emerging in a rapidly evolving environment.

It isn't too soon to plan ahead for the April 7th and 8th American Conference Institute 25th National [Conference on Consumer Finance Litigation and Class Action](#) in Los Angeles.

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