

# Proposed and Actual Conventional Conforming Changes are Everywhere

By: Rob Chrisman | Fri, Apr 8 2016, 10:58 AM

The post office lowering postage rates this weekend is good. Student loan performance is not: [more than 40%](#) of student loan borrowers are either not making payments or are delinquent. (Thus the move to refinance student debt & cut debt burden through companies like [SoFi](#).) And at the other end of the age spectrum America's 65-and-over population is projected to nearly double over the next three decades, ballooning from 48 million to 88 million by 2050. Worldwide, the 65-and-over population will more than double to 1.6 billion by 2050, according to "[An Aging World: 2015](#)." For those of you who like demographics, check it out. In 2015, 15% of the U.S. population was 65 or over. Reverse mortgage lenders know that baby boomers began reaching age 65 in 2011 and by 2050 the older share of the U.S. population will increase to 22%.

## The changes in conforming conventional loans run the gamut and don't just stop.

First we'll start with an opinion piece titled, "[Why Fannie and Freddie Cannot Be Recapitalized](#)." Building capital with earnings would take decades, and in the near future "the chances of the companies being released from conservatorship is extremely low." A far more probable outcome is that the companies eventually get wound down and replaced by a new system, perhaps along the line of the National Mortgage Reinsurance Corporation [recently outlined in a paper](#).

And then another proposal: "[Fannie Mae and Freddie Mac: If You Can't Kill Them, Merge Them?](#)" A group including some of the chief architects of the Obama administration's housing policy released a paper outlining a new proposal for [how to deal with mortgage-finance giants Fannie Mae and Freddie Mac](#). The key takeaway: Instead of winding down Fannie and Freddie, the companies would be merged into a government-owned corporation that would take over the responsibilities of buying mortgages, wrapping them into securities and guaranteeing investors against default.

The CMLA released [its new policy on GSE reform](#). "The time has come to move ahead on GSE reform. The flaws that led to conservatorship have been identified in the GSEs' business and operational models, and we know how to fix them. Collectively we need to take the necessary steps to transform the GSEs into well-regulated utilities providing liquidity equally to lenders of all sizes, to serve the mortgage financing needs of homebuyers," said Brooke Anderson Tompkins, CMLA Chair.

Certainly Mel Watt is going to have a decision on principal mods for conforming loans held by the government somewhat soon. Politically the left has been pushing the FHFA to do this for years, and now that the FHFA House Price index has now recouped practically all of its losses from the bubble years this will be an issue. Could HARP be replaced with a high-LTV refi? Stay tuned.

**Fannie Mae's** new Marketing Center is a free online tool providing lenders and other housing professionals access to a variety of customizable marketing materials including HomeReady mortgage, HARP, and more. Add your logo, company colors, product names, contact information and choose images from our photo gallery to brand and make these materials your own. With its Marketing Center, you get the benefits of professionally designed materials while saving the time and money required to develop them yourself. [Learn more](#).

**Fannie Mae's Multiple Financed Properties Checklist job aid** has been updated with the addition of a reserves calculation table and examples of reserves calculations. The checklist can help lenders determine whether a transaction meets the additional requirements applicable under Fannie Mae's guidelines for borrowers with multiple financed properties. As a reminder, [Desktop Underwriter \(DU\) Version 10.0](#), to be implemented the weekend of June 25, 2016, will reflect a simplified policy that will apply to loans for borrowers with multiple financed properties. The updated policy will require fewer eligibility overlays and updated reserve requirements, which will be automated by DU. Until the DU update, lenders may use the [checklist](#) to help apply the policy requirements.

**This Announcement** describes **Fannie Mae updates to its Selling Guide** policies that support expanding access to mortgage credit and bringing certainty and simplicity to doing business with Fannie Mae. These changes include HomeStyle Energy Mortgage loans, multiple financed properties, update to Texas section **50(a)(6)**, and other misc. updates.

**Fannie Mae and Freddie Mac** have developed standardized Condominium Project Questionnaire forms in response to industry feedback. The new forms streamline the process by providing lenders with a clear and consistent approach to collecting information when determining eligibility for mortgages secured by units in condo projects. Fannie Mae Forms **1076 (full)** and **1077 (short)** are available on the Guide Forms page for optional, but encouraged use. Find out more about this effort in the [Announcement](#).

Check out all the resources available on **Fannie's HomeReady page**, including: The HomeReady [Income Eligibility Lookup tool](#), an easy-to-use lookup tool that provides HomeReady income eligibility by property address or by Federal Information Processing Standards (FIPS)

code - now mobile friendly for web browsers on Apple®, Samsung®, and Android™ devices. [Customizable marketing materials](#) in English and Spanish, available to help you promote HomeReady to your customers and business partners. HomeReady income flexibility fact sheets, including sample scenarios for extended-income households, rental and boarder income, and non-occupant borrowers. The [eLearning course](#), based on the live webinar, available 24/7 for your convenience.

**Wells Fargo** has removed its 120-day seasoning requirement for Rate/Term Refinance on Conventional Conforming, Manually Underwritten Loans to follow the more restrictive standard of Fannie Mae or Freddie Mac guidelines. Rent Loss Insurance for Cooperative Properties that are less than 70% owner occupied on Conventional Conforming and Non-Conforming Loans will now adhere to Fannie Mae guidelines. Letters of Explanation for Credit Inquiries has been updated to require LOE's within 90 days on Conventional Conforming Loans. Additional Policy Expansion's regarding Investment Property Maximum LTV/TLTV/CLTV and Super Conforming Mortgage Program Maximum LTV/TLTV/CLTV have also been updated.

Wells Fargo Funding is removing its Borrower Authorization for Counseling Form requirement, pertaining to post purchase delinquency counseling, for Home Opportunities Program Loans and aligning more closely with Fannie Mae HomeReady. Its risk advisory bulletin noted as part of Wells Fargo Funding's pre-purchase review, the consummation date, for both escrow and non-escrow states, is determined using the latter of Note date or Notary Date, as evidenced on the Security Instrument. The Closing Disclosure (CD) provided to the borrowers at consummation should be accurate; a CD provided after consummation is considered a post-consummation CD, and borrower-paid amounts can only increase on a post-consummation CD due to a valid post-consummation event.

**M&T Bank** will adhere to the updates regarding alimony, child support and separate maintenance income per Agency Underwriting Eligibility Standards (UES). The Agency UES serves all Fannie and Freddie registered loans but does not include M&T Treasury product. The new policy requires documentation of no less than six month of the full payments, copies of bank statements or canceled checks showing payment are required. Effective with all loan applications dated 4/6/16, the updated guide will be posted to the MEME and Empower Info Centers.

**Ditech** is aligning with Freddie Mac recent updates to the LTV/CLTV/HCLTV for Super Conforming Mortgages and 1-unit Investment Property Mortgages. The LTV/CLTV/HCLTV requirements for super conforming mortgages are being aligned with requirements for mortgages subject to the base conforming loan limits. The maximum LTV/CLTV/HCLTV ratio for rate and term refinance mortgages secured by a 1-unit investment property will align with purchase transactions.

**Plaza Home Mortgage's** Freddie Mac Programs have been updated to align with the Super Conforming and 1-unit Investment Property LTV/CLTV changes announced in [Freddie Mac Bulletin 2016-3](#). [Super Conforming Fixed](#) and [Super Conforming ARM](#) Program Guidelines: Section 3: Updated (expanded) the LTV/CLTV ratios to align with base conforming loan limit LTV/CLTV ratios. Section 17: Added 3% max interested party contributions for LTV > 90%. [Freddie Mac Retained Conforming Fixed](#) and [Conforming ARM](#) Program Guidelines: Section 3: 1-unit investment property rate/term refinance LTV/CLTV updated to 85%.

**FAMC Correspondent** National Bulletin 2016-07 includes information on Product and Guideline Updates, Clarifications and Reminders including removal of overlays. Information includes the removal of the requirements on accessory units for the comparable sales that previously applied to both DU and LP for conventional products, lenders should follow standard agency requirements. The private roads requirement on conventional products for the recorded road maintenance agreements that previously applied to both DU and LP has been removed. In addition, FAMC has removed the requirement for an Attorney Opinion Letter for inter-vivos trusts on delegated loans only. The requirement for prior approval loans (loans underwritten by Franklin American) remains unchanged.

**Pacific Union Financial** posted its conventional product update regarding Continuity of Obligation. It will no longer required for Fannie Mae or Conventional Fixed Rate (CC) products. Desktop Underwriter (DU) messaging will be updated at a later date to align with the policy. Until that time, DU messaging related to Continuity of Obligation may be disregarded. However, there is no change to the Freddie Mac Continuity of Obligation requirements; Loan Prospector (LP) loans must continue to meet Freddie Mac guidelines.

**NewLeaf 1** Conventional guidelines were updated to reflect the Freddie Mac alignment of the Super Conforming/High Balance LTV/TLTVs with Conforming for both Fixed and Hybrid ARMs. The LTV/TLTV for the DU/LP High Balance product in now aligned with the Conforming requirements. In addition, the LTV for 1-unit Investment properties is increased. The changes impact the NewLeaf 1 DU/LP Fixed & Hybrid ARM matrices.

Turning to the bond markets... When the Fed's Open Market Committee raised overnight rates in mid-December the yield on the 10-year was 2.29%. Thursday it closed at 1.69% - 60 basis points lower in yield! If that isn't proof that the Fed doesn't set long term rates, including mortgages, I don't know what is. Yesterday U.S. Treasuries continued their spring rally as the Japanese yen touched a fresh 17-month high amidst another bout of global risk aversion. There wasn't much news but the sense of fear and pessimism was enough to send the 30-year Treasury yield to its second-lowest close (2.52%) since April of 2015, with the one exception being February 11.

There is nothing of substance for scheduled news today. As noted above we closed the 10-year at 1.69% and in the early going **we're at 1.72% with agency MBS prices worse about .125.**

### Jobs and Announcements

In Ops jobs news **Firsttrust Bank is seeking experienced DE Underwriters and Wholesale Processors to join its team. Underwriters may have the option to work remotely.** Founded in 1934 and currently in its third generation of family ownership, Firsttrust is a privately-held bank with assets of \$2.5 billion. Safe and Sound for more than 80 years, Firsttrust provides both retail and commercial services through its 18 banking offices located in South Eastern Pennsylvania and Southern New Jersey. To find out more about Firsttrust contact [Joanna Reynolds](#).

On the production side **Fidelity Bank Mortgage is seeking talented mortgage professionals to grow the wholesale and correspondent business in Florida, North Carolina, South Carolina, and Alabama.** Fidelity is a direct seller/servicer of FNMA, FHLMC, and GNMA loans. "Our account executives represent Fidelity in the market for broker, non-delegated and delegated correspondent business channels. Fidelity Bank is the largest community bank based in Atlanta, GA and is well capitalized to grow the wholesale and correspondent origination division. To apply, please email your resume to [resumes@ionbank.com](mailto:resumes@ionbank.com)." EOE/Veteran Status/Disability, Fidelity Bank is an Equal Opportunity, Affirmative Action Employer. Fidelity Bank does not make employment decisions based on race, color, religion, national origin, sex, sexual orientation, gender identity, disability, age, genetic information, veteran status, or other applicable state or local laws.

And for brokers, "**Carrington Wholesale Lending** is now including conventional loans among our portfolio of products, adding to our Government lending experience- providing more choices for our broker customers, their agent partners and their clients. Together with our government product line and expertise, Carrington is the go-to lender for both government and conventional lending, ensuring we're able to provide loan choices across the entire market to a more diverse range of customers. Carrington's Wholesale group's new conventional products include Conforming Fixed Rate Loans (Purchase/Refinance available), Conforming, High Balance (Higher Loan Amounts, Purchase/Refinance), Freddie Open Access (Refinance), DU Refi Plus (Refinance), Lender Paid Mortgage Insurance (LPMI), and Texas Home Equity."

Last but certainly not least, on the new products side of things, [Kerri Milam](#) from [Depth Public Relations](#) writes, "Developments in mortgage technology and services tell us where our industry headed. For example, when an industry torchbearer invests both the treasure and time to achieve the stringent ISO 9001 certification, as announced last week by First American's Mortgage Solutions group, it signals a commitment to quality and transparency, and models leadership by example. The acquisitions of Altavera by [Computershare](#) and Titan Lenders Corp by [MetaSource](#) tell us that **operational quality is now a prime focus for investors as they shape their portfolios.** Collaboration through technology process innovation is another emerging in real estate and mortgage finance transactions, with companies like e-closing pilot participant [Pavaso](#) and e-recording pioneer [Simplifile](#) laying down tracks that will converge to form our industry's equivalent of the first Transcontinental Railway."

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