

Freddie, Fannie, Conventional Conforming Updates; Private MI Changes

By: Rob Chrisman | Fri, Jul 1 2016, 11:24 AM

The Fourth of July is Monday...the date of the Declaration of Independence (quibble all you want about late signers); the next commentary will be Tuesday. The U.S. Census Bureau tells us when the U.S. became an independent nation on July 4, 1776 there only 2.5 million people living here; last 4th of July there were 321.4 million. And everyone is talking about the UK & Brexit: \$114.1 billion was the value of trade with the UK. Back in 1776, they were our enemy; now they are our 8th leading trading partner.

A quick correction to a note yesterday in the commentary fortunately pointed out by several readers. BHLB, the buyer of First Choice Bank, is not Berkshire Hathaway. It's **Berkshire Hills Bancorp** in Western Massachusetts.

Fannie Mae and the Mortgage Bankers Association (MBA) released updated forecasts. Fannie's updated forecast reflects slightly higher single family new home purchase origination estimates for 2016, and **slightly lower origination estimates for 2017** relative to the May forecast. Fannie Mae expects single family purchase originations of \$1 trillion in 2016, representing a YoY increase of 10%. According to Fannie Mae, "Housing activity is gaining strength heading into the summer, with pending home sales rising to a decade high." The MBA kept its \$1.01T and \$1.05T 1-4 family purchase mortgage origination estimates for 2016 and 2017 the same relative to the May forecast. New home purchase mortgage originates are the primary driver for mortgage insurance volume given the 4x penetration rate relative to refinance volume.

And [housing & banking groups announced opposition to the Fannie and Freddie recapitalization plans](#). The battle over the future of housing finance is heating up. Five major housing and finance trade groups on Wednesday [sent a letter](#) to Federal Housing Finance Agency Director Melvin Watt, urging him to reject recent calls for his agency to take actions to allow Fannie Mae and Freddie Mac to build capital. (The FHFA is the regulator of Fannie and Freddie.)

The 25 stakeholder organizations including real estate, financial, and consumer organizations who have called on the FHFA to take action on overly **burdensome fees charged by the GSEs** (Fannie and Freddie). **The letter itself asks Director Watt to direct the GSEs to reduce or eliminate loan level price adjustments - another effort to make conventional mortgage credit more affordable for consumers.** The consensus contained in the letter is that G-fees have increased sharply since 2009, and that when combined with LLPAs, GSE income has increased substantially without achieving broad access to credit. The result is arbitrarily high prices for consumers, which are felt particularly by minority, young and first-time homebuyers with low-and moderate-incomes.

The letter argues that LLPAs aren't necessary to cover risk that is already covered by g-fees and other forms of risk sharing. I'd also note the diversity of opinions included here and the tremendous number of stakeholders who have signed on in agreement.

For example, NAR President Tom Salomone wrote, "If the FHFA is serious about reducing the burden on creditworthy borrowers trying to enter the market, then it's time to address the fees that Fannie Mae and Freddie Mac charge consumers looking to purchase a home. Loan-level price adjustments and g-fees simply lock too many creditworthy borrowers out of the conventional mortgage market, particularly minority, low-income, and first-time homebuyers. FHFA can direct the GSEs to reduce or eliminate those fees right now, in recognition of the good work that's been done to manage risk at the GSEs. We believe that should happen so more responsible borrowers can take the step towards homeownership."

In a recent bulletin, **M&T Bank** noted it prefers all condo properties to be prepared on Form 1073 (even Fannie/Freddie site condo properties), Fannie and Freddie will accept Form 1004 or 1073. Note - if using Form 1004, the appraiser must include an adequate description of the project and information about the homeowner's association fees and the quality of project maintenance. M&T also sent a reminder that on FNMA HomeReady HomeStyle loans that utilize non-borrower income (as a compensating factor to exceed 45% DTI), the non-borrower income worksheet and certification (Fannie Mae Form 1019) is required.

Fannie Mae made the following updates in June: updated the Guide to simplify the way income limits are applied for HomeReady, updated policy on self-employed income, removed the policy that limits refinances of restructured mortgage loans, and updated the policy on project insurance specifically as it relates to mortgagee clause on a project master policy.

Flagstar Bank is now offering the Freddie Mac Home Possible program, Doc. #5335. This program includes enhanced borrower eligibility and improved mortgage insurance requirements. The program incorporates a general income limit of 100% of area median income (AMI) and provides no income limits for properties located in designated underserved areas.

The Fannie Mae HomeReady program is available in **Pacific Union's** FLOW and can now be accessed by Quick Pricer in Price My Loan and

Lending QB.

As everyone knows by now, Desktop Underwriter Version 10.0 release has been rescheduled for the weekend of September 24, 2016. More information on DU Version 10.0 can be found in the [Release Notes](#) and other resources on the [DU web page](#).

Fannie Mae's The [Principal Reduction Modification Servicer FAQ document](#) has been updated and posted to the business portal. Question 16 has been added.

In order to enhance policy, **Fifth Third Mortgage's** refinance transaction requirements have been clarified including, but not limited to the following: escrow account requirements when proceeds are used to pay real estate taxes for both rate and term and cash-out transactions. Property Assessed Clean Energy (**PACE**) loan payoff requirements for rate and term transactions. Refinance of previous cash-out transactions within 6 months. Living trust irrevocable eligibility provision for continuity of obligation (Freddie Mac Only). Refer to its Correspondent Underwriting Guidelines for additional information.

Fannie Mae's [Quarterly Compass](#) is now available highlighting news and updates for Q2 2016. This edition summarizes what's new with several Uniform Mortgage Data Program (UMDP) initiatives, the summer launch of its new integration platform, plus Fannie Mae Connect news, HomeReady enhancements, and more.

AmeriHome's Fannie Mae program guides are updated to support changes announced in Fannie Mae Desktop Underwriter Release Notes - DU Version 10.0, dated February 23, 2016, and last updated June 10, 2016.

Fannie Mae continues to provide enhancements to make [Connect](#) easier and more efficient. Recent enhancements include its Report Survey Tab which allows users to provide quick feedback on report content and usability. Export and Print Instructions providing informative details about how to best optimize each report's view. Interactive Quick Tips Demo to view instructive tutorial to navigate users through Tableau reporting functionality.

M&T has received updated communication from Fannie Mae that HomeStyle kitchen renovation work plans may include the following appliances: Ranges/Ovens/Cook tops - free standing or built in. Refrigerators, free standing or built-in. Built-In microwave ovens (affixed to wall/over stove/etc. and built in dishwashers. If any are not included at the time of the original work write-up, eligible appliances may be purchases with contingency funds at the end of the project.

Franklin American Mortgage clients be advised that effective Monday, June 27th the LLPA on FHAVA loans with FICO's between 620-639 is increasing from -1.750 to -2.000. This applies to all best effort locks and loans registered to trades Monday and beyond. Also noted, all manual chapters under its Compliance heading have been [reviewed and updated](#) with new formatting and a table of contents to improve ease of use. Conventional products have been updated to include the release of FNMA's HomeReady Product, expanded maximum LTV/CLTV/HCLTV limits for High Balance products and updated guidelines to follow the current VA policy for student loans in repayment.

PennyMac announced non-delegated Eligibility Review will be available for conventional loans with Best Effort locks as of May 23rd. Applicable LLPAs for non-delegated loan will be made available on Best Effort rate sheets only. An executed Underwriting Service Agreement is required for all sellers that wish to participate in the program.

PennyMac announced non-delegated Eligibility Review will be available for conventional loans with Best Efforts locks, effective Monday May 23, 2016. [Read more here.](#)

And although the share of overall originations covered by **private mortgage insurance products** only ranges around 15%, the products are tied in to conventional conforming business.

Arch MI will support and insure eligible loans that are approved through Fannie Mae 10.0 Score Card via its EZ Decisioning program which will incorporate the additional guidelines applying to borrowers with non-traditional credit.

Essent announced the launch of its new online tool designed for loan officers navigating the next generation of homebuyers. [EssentIQ](#) shows millennials and other first-time homebuyers how Essent MI can help them become homeowners now so they can start building equity faster. Using a data-driven design, the tool: shows the opportunity cost of waiting to save 20% down vs. buying now with Essent MI, calculates the monthly payment for a loan that has Essent MI, and projects how quickly homeownership will build equity and wealth accumulation

EssentIQ also creates personalized, easy-to-understand presentations that can be saved, printed and shared via email.

MGC is spreading the word to its customers about "[Deep Coverage](#)." "Deep Coverage Mortgage Insurance" refers to extending the use of mortgage insurance, both by using deeper coverage on loans that currently require mortgage insurance (loans with less than a 20% down payment) and by using MI on loans that do not currently require it. There are many obvious benefits to this approach, including: Mortgage

insurance pricing is transparent and available to all lenders, regardless of size. Competition among 7 mortgage insurance companies brings an immediate increase in competition for pricing mortgage credit risk. Deeper coverage brings an immediate decrease in taxpayer risk, putting substantial additional private capital in front of taxpayers before the GSEs purchase the loans. Deep Coverage Mortgage Insurance can play a significant role in bringing additional private capital to housing finance, reducing taxpayer risk before the loans arrive at the GSEs.

Yup, today is a Friday, Monday is a holiday, and today is a shortened trading day in the bond market. Lenders may price conservatively since locks can't be hedged, although many will make estimates about afternoon volume and sell a portion this morning. But who the heck would lock in a loan's interest rate on a summer Friday afternoon? I'm sure some will...

With one week after Brexit analysts are already talking about the EU making some concessions to the United Kingdom about wooing them back, and the UK being receptive. Yesterday news made the rounds that the ECB was considering moving away from the capital key (which governs how much of each country's bonds are bought in Quantitative Easing), citing the lack of available float which set off a rally in peripheral EGBs - and nudging U.S. Treasury security prices down (.125 on the 10-year) and rates up (closing at 1.49%).

For news today there are no "first tier" numbers normally out at 8:30 AM EDT, but we will see the Markit Manufacturing PMI at 9:45 AM EDT, and at 10 AM the June ISM and May Construction Spending. Rates sheets will be better; **the 10-year is back down to 1.41% with agency MBS prices +.125-.250.**

Jobs and Announcements

In wholesale product news, "Many homeowners across California have lower utility bills through energy improvements, including solar panels, and have financed them with a P.A.C.E. (Property Assessed Clean Energy) lien, also known as a HERO lien. P.A.C.E. (aka HERO) liens, however, have kept thousands of homeowners from refinancing into historically low rates but [Broadview Mortgage](#) has come out with the PACEBuster loan, which allows homeowners to be green, save money on utilities AND refinance their mortgage. Falling under limited cash out guidelines, not cash out, it allows borrowers to include the P.A.C.E. (HERO) lien in the new loan up to 95% LTV. For LTVs requiring MI, Broadview has partnered with MGIC. If you are a broker seeking cutting edge solutions like these, contact [Andrew Ryan](#), SVP Wholesale Lending. Branch opportunities are also available and [Joel Harrison](#), Business Development Manager, can help guide you."

[Mason-McDuffie Mortgage Corporation](#) in California, is proud to announce that its Chief Information Officer, [Jason Frazier](#), has been recognized as a [Rising Star](#) by [HousingWire](#) Magazine. The [2016 Rising Stars](#) represent the best young leaders in the mortgage industry. Frazier has worked tirelessly to design and initiate out-of-the-box technology enhancements, develop vendor partnerships, invent creative strategies, and deploy marketing innovations for Mason-McDuffie. Frazier created a loan officer concierge group, the first of its kind for the mortgage industry, called [Prime Services](#). This concierge group combines technology, training, marketing, social media, human resources and on-boarding into one team whose sole purpose is to put the company's loan officers in the best position to succeed.

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