

Thornburg, Sindeo, and Caliber News; DU 10.0 Changes; Freddie to Tweak Underwriting?

By: Rob Chrisman | Mbn, Sep 26 2016, 9:33 AM

Tonight we can all watch a big job interview on TV at 9PMET. And whether it is money or other things, sometimes you if don't ask for it, you won't get it. When Andrew Carnegie, who said, "He who dies rich, dies disgraced," sold his steel company to J.P. Morgan for \$480 million in 1901 he became the richest man in the world. He was even congratulated by J.P. Morgan when the two men ran into each other on an ocean liner. But Carnegie admitted that he couldn't help thinking that the financier might have given him another \$100 million if he'd asked for it. "Very likely, Andrew," Morgan replied. Asking that question early on, and the answer to it, would have built a lot more libraries.

STRATMOR brought out its [September Insight report](#). Lots of companies are out there hiring retail loan officers, but **where are recruiting teams looking?** Apparently, per STRATMOR's survey group, 91% recruit originators from independent mortgage companies, 58% target entire branches, 79% recruit from bank-owned mortgage companies, and 37% recruit entire bank mortgage branches. And, on the flip side, **what's the top reason for borrowers choosing a lender?** "My interaction with the originator or loan officer," was cited by 33% of borrowers and also was associated with a top satisfaction score of 94. With the exception of "My Realtor's referral," which was cited as a top reason by 22% of borrowers (and only applies to purchase transactions), a borrower's interaction with a loan officer was a far more important factor in choosing a lender than any other reason. (And this month's edition also includes a report titled, "The Search for **Believable LOS Returns**" By Len Tichy.)

But it isn't all rainbows. In Illinois **First Midwest Bancorp** in Itasca is planning to shutter 16 branches in connection with its acquisition of Standard Bancshares in Hickory Hill, Ill.

The name **Thornburg Mortgage** is long gone, but its memory, and legal affairs, live on. The U.S. Securities and Exchange Commission filed a motion Friday in a federal court saying it will [drop three out of five](#) remaining civil fraud claims against two former top executives of Santa Fe's Thornburg.

The National Association of Mortgage Brokers (NAMB), The Association of Mortgage Professionals, announced today the launch of the [KickStart program](#), an initiative designed to grow the mortgage broker channel by providing grants to loan originators aspiring to open their own mortgage shops. It received a \$500,000 grant from United Wholesale Mortgage. "The initiative will grant interested and qualified individual loan originators an amount up to \$10,000, with the aim of covering startup costs such as office space and software technology that makes it possible for them to accept loan applications. Applicants are not required to pay back the funds."

"KickStart is targeting loan originators in banks or branch networks who have experience in the residential mortgage industry and demonstrate a potential aptitude to successfully own and operate an independent mortgage brokerage firm. These individuals should embody an entrepreneurial spirit and have experience as a mortgage loan officer." It is best to check requirements through the website above.

Mat Ishbia, President and CEO of UWM, noted, "Wholesale currently makes up 12 percent of market share - the goal is to double that, at the least. KickStart will strengthen the market by getting more loan originators where they belong, at independent mortgage companies. We hope that our competitors will join us in this initiative to make the wholesale channel stronger."

Speaking of raising funds, San Francisco's **Sindeo** raised almost \$12 million and [filed this](#) with the SEC.

You never want to hear your secretary say, "The New York Department of Financial Services is holding for you on line 3." In this case **Caliber Home Loans** actually received a letter, but Caliber heard from the regulator who [asked for information on handling distressed borrowers](#). Let's hope that NY wants the information to provide a role model for the way other organizations should be handling these. But the article states that NY is in the early stages of an investigation.

All lenders know a thing or two about credit and income, and there is a lot going on out there. **Freddie Mac** and two nonbank lenders (**Alterra Home Loans** and **New American Funding**) are [loosening income and documentation requirements](#). Of course [some are questioning it](#).

Equifax Inc. announced that for the first time in 30 years the information that it provides lenders on traditional credit reports has been updated to include up to two years of debt repayment and balance history. [The change](#), effective Sept. 24, is part of an effort to help mortgage lenders and other credit grantors better understand an individual's creditworthiness.

"Now lenders can review up to two years of debt repayment and balance history. When assessing a potential homeowner's credit report, mortgage lenders historically had access to an individual's total outstanding balance of credit, utilization and overall credit availability. The

information did not offer details on whether payments serviced all or part of an individual's debt nor if patterns existed in the consumer's balance utilization. The update coincides with [research conducted by Fannie Mae](#) which demonstrated that, all else being equal, borrowers who paid off their credit card debt every month are 60 percent less likely to become delinquent than borrowers who make only the monthly minimum payment. The inclusion of this trended credit data will provide mortgage lenders with a more comprehensive view of a borrower's debt management practices.

"The information will help lenders more accurately identify and potentially reward responsible credit behaviour beyond just assessing an individual's credit score. In addition, the use of trended credit data can help to expand access to credit and to provide more borrowers an improved chance of qualifying for a mortgage."

I haven't seen anything out of Freddie Mac, but **Fannie Mae rolled out DU 10.0**, the 31st version of its automated credit decision engine. LOs and brokers need to know that in the new version the "trended" credit data will be used by the DU risk assessment to evaluate how the borrower manages his/her revolving credit card accounts. A borrower who uses revolving accounts conservatively (low revolving credit utilization and/or regular payoff of revolving balance) will be considered a lower risk. A borrower whose revolving credit utilization is high and/or who makes only the minimum monthly payment each month will be considered higher risk. So this will help borrowers who pay their bills off every month.

In reference to the DU 10.0 upgrade, **Pacific Union Financial** will continue to require that the borrower with a usable credit score contribute more than 50% of the total monthly qualifying income.

JMAC spread the word about its aggressive Alternate Docs option? JMAC Lending's [Venice Non-Agency program](#) has an expanded and aggressive Alternate Docs opportunity. The product also features 6-month bank statements, which is very unique. In addition, Foreign Nationals are permitted for the Venice program. Visit <http://www.jmaclending.com/product-list/> to see the company's product line.

HomeBridge Wholesale issued a reminder regarding [Trended Credit Data](#).

In regard to the DU 10.0 update, **LHFS** will continue to require that the borrower with a usable credit score contribute more than 50% of the total monthly qualifying income. At this time, LHFS does not allow non-traditional credit regardless of AUS messaging.

Recent **Citi general policy updates** include Desktop Underwriter: Version 10.0, Condo Project Approval: Investment Property Occupancy Ratio, Verifying the Existence of Borrower's Business, plus additional updated and clarifications.

Flagstar posted the following: During the weekend of September 24, Fannie Mae will implement Desktop Underwriter Version 10.0, which will include the changes described below. The changes included in this release will apply to new loan casefiles submitted to DU on or after the weekend of September 24. Loan casefiles created in DU Version 9.3 and resubmitted after the weekend of September 24, will continue to be underwritten through DU Version 9.3.

Don't forget that tomorrow a House Financial Services subcommittee will hear testimony and discuss various bills including H.R. 4211 which would enable Fannie & Freddie to consider alternative measures of assessing a borrower's credit worthiness. Will it break up the credit score monopoly at the GSEs? Doubtful - the FICO model is pretty entrenched.

What will the result of these changes be in the secondary markets? After all, if investors in agency MBS are spooked by these changes it will impact the demand side of the supply & demand equation in setting mortgage rates. Some critics believe that these changes, given that F&F are under government conservatorship, will further put the U.S. taxpayer on the hook if the changes result in higher losses. Investors rely on the reps and warrants provided by the Agencies, who in turn rely on the reps and warrants signed by lenders. Steady as she goes...

Not much happened in the market Friday - it was uneventful - so I won't waste your time talking about it. The 10-year note price improved .125 to yield 1.62%; 5-year T-notes also improved nearly .125, as did current coupon agency MBS prices.

It's a brand-spankin' new week - the last of September. Housing and jobs drive the economy, and this week we have updates. Today at 7AM PT we have August's New Home Sales. Tomorrow, after the debate tonight at 6PMPT, we'll have a series of Standard & Poor's CoreLogic Case-Shiller home price numbers from a few months ago, along with Consumer Confidence. Wednesday we'll see the MBA's application data and Durable Goods. Thursday is Initial Jobless Claims, 2nd quarter's GDP, and Pending Home Sales. Friday the 30th is Personal Income and Consumption, a series of PCE numbers, and the University of Michigan's set of figures.

If you're trying to guess where rate sheets are going to be, well, rates are a shade better with the 10-year wallowing around a yield of 1.60% and agency MBS prices slightly better in the early going.

Jobs and Announcements

As increased compliance and regulatory costs continue to erode servicing profitability, many asset owners question whether it makes sense to invest in a servicing infrastructure. Allen Price, SVP of Business Development for **RoundPoint is having conversations with asset owners who are seriously considering handing over servicing functions to a third-party**. "Many lenders believe that RoundPoint is an excellent choice. RoundPoint services over a \$70 billion portfolio, a large portion of which RoundPoint is the servicing rights owner, making it one of the few servicers with 'skin in the game' and offers full, interim, private label and backup subservicing for a diverse client base. RoundPoint sets the standard for white glove customer service, ensuring that its clients' borrowers have a positive experience. If you are considering outsourcing servicing of your mortgage assets, consider RoundPoint as your first stop." Contact Allen Price (704-426-8846) with questions.

On the MI side of things, **Essent Guaranty, a leading mortgage insurance provider, is seeking an Account Manager in New York** to cover the Syracuse, Albany, Hudson Valley, and Metro NY areas. "This is a great opportunity for an individual with outside sales experience in the mortgage or mortgage insurance industry or an underwriter with great customer service skills and a strong desire to move into outside sales. As an Account Manager at Essent you will be responsible for helping to grow our business with our existing customers as well as expanding our customer base by introducing Essent to new lenders. If you have 5 to 7 years of related mortgage industry experience and the desire to join a highly motivated sales team, please send us your resume; must have a valid driver's license." [Learn more about Essent here](#).

And for new broker products **Parkside Lending recently announced that it has added a new program, Jumbo II, to its existing suite of Jumbo products**. "Jumbo II offers both Fixed and ARMs up to 90% LTV. This is the latest addition to our Jumbo portfolio which also includes Expanded Jumbo (fixed up to 95% LTV) and Premier Jumbo (competitive ARM pricing). We are pleased to offer another product to help borrowers who need loan amounts greater than \$417,000. For more information on any of our Jumbo products, contact your Parkside Account Executive or info@parksidelending.com. Experience Parkside's exceptional customer service and let us bring the power of caring to your business."

Over at **Guaranteed Rate**, the eighth largest retail mortgage lender in the nation, congrats to Jim Eboli who has joined the company as regional sales manager responsible for the growth, management, and recruitment efforts of the Chicagoland and upper Wisconsin region.

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