Servicing News; FHA and VA Update; US Bank Exits Wholesale

By: Rob Chrisman | Thu, Dec 7 2017, 9:20 AM

Upset that Richard Cordray has left the CFPB and is officially running for governor of Ohio? Bored with lending here, and want to go into the home financing business in Africa? Per AllAfrica, Tanzania leads the pack with mortgage rates at 18%. The U.S. isn't the only country struggling with affordable housing. The proportion of Tanzanian urban households who might afford the cheapest newly built house by a private developer, given current mortgage financing, was only one per cent, lower than Uganda (3%), Rwanda (3%) and Kenya (8%). (See? I read other things beside airline magazines and the National Enquirer.)

Servicing Update

Pete Mills, SVP, Residential Policy and Member Services with the MBA, sent, "Rob, as a follow on to your recent tutorial on MSRs, I just wanted to highlight a significant advocacy win for MBA, independent mortgage bankers and the entire mortgage market. The Senate tax reform bill, as introduced and passed by the Senate Finance Committee, contained a provision that would have dramatically altered the tax treatment of **Mortgage Servicing Rights**. In a significant win for the MBA and the industry, the manager's/substitute amendment contained an MBA-supported provision offered by Se. Mike Rounds (R-SD) and supported by Senate Finance Committee Chairman Hatch (R-UT) that excluded from taxable income "any item of gross income regarding a mortgage servicing contract." Without that amendment, the bill would have **taxed MSRs** in the **year they are booked**, rather than as the cash is received over time.

"The long-standing alignment of tax payments with servicing cash flows is an integral feature of our entire housing finance market that drives business models and is priced-in to mortgage interest rates (as you noted in your recent MSR tutorial). Altering the taxation of MSRs would have: caused many, if not most, independent mortgage banks (IMBs) to give up servicing as the tax payments would cause a liquidity drain, forced re-aggregation of the market, giving borrowers fewer financing options and forcing more frequent transfers of their loans' servicing, and created an MSR market with many sellers and far fewer buyers, reducing liquidity for MSRs, downward re-pricing of the asset (for both retained and released MSRs), and higher interest rates. This adjustment could have been quite sharp and disruptive at the outset of the tax change.

"One of the keys to securing the amendment was the strong response to MBA's Call to Action and the approximately 9000 letters sent to Senators by MBA members through the Mortgage Action Alliance. Those voices were amplified by numerous individual calls by MBA members to key Senators explaining the unintended impact of the provision. MBA thanks everyone who acted!"

A Couple Deals Worth Mentioning...

MountainView Financial Solutions was the exclusive sale advisor to a $1.7 billion FNMA/FHLMC non-recourse servicing portfolio. The portfolio was a 100% 1st lien product package with a 718 WaFICO, 72.6% WaLTV, 4.12 WAC, $215k average loan size, with top states: California (62.4 percent), Washington (6.6 percent), Arizona (6.5 percent), and Oregon (4.7 percent).

MIAC offered up 43 NPLs totaling $3mm. Bids were due 12/6/17 EOB. Loan level bids were welcomed but AON is preferred. "BPOs are available and all files are available for review."

IMAC #104488 $10mm (19 loans) Hybrid ARMs Bank NYC Investor Loans; 5.51% WAC, 53.96% LTV, 4.5% reset margin, 6/2/6 caps, 355 WaRemaining Term, 5 WALA, 743 WaFICO, 91% rental properties, 100% NY.

FZDS, an NFDA certified company provider of flood zone determination services to the mortgage lending industry, announced the integration of its flood determination and mapping services with Fiserv's LoanServ loan servicing solution. The integration provides Fiserv clients with timely and reliable flood zone determinations with automated life-of-loan tracking, transfers, and payoffs.

FHA, VA, and Ginnie Mae Program News

If you are an interested party in the Ginnie Mae Multiclass Securities Program, click here to view information regarding an impending change in policy regarding the eligible collateral requirements for Ginnie Mae Platinum Securities.

Platinum Participants may aggregate Ginnie Mae II ARM pools within its new WAC ARM Platinum program. Fourteen (14) new WAC ARM Platinum Pool Types have been created in the Platinum Processing Application.

If your company is doing **streamline refinances**, pay attention! Ginnie Mae rolled out APM 17-06 announcing its next step in the continuing effort to address the detrimental loan churning and high prepayment speeds in its securities. The announcement expands pooling restrictions to cash out refinance loans, and outlines additional measures taken to protect the Ginnie Mae security. Any covered loans that do not meet these requirements are prohibited from being pooled into Ginnie Mae standard MBS pools.

"Additionally, Ginnie Mae is actively monitoring the pooling activity of issuers to identify behavior that violates these changes and is also now increasing the tracking and **analysis of prepayment rates**. Furthermore, prepayment information will now be included in Ginnie Mae's Issuer Operational Performance Profile (IOPP) scorecard, which is used to evaluate issuers against their peers."

Beginning with the November 2017 HMBS disclosures, Ginnie Mae began disclosing the HECM Loan MIP Rates based on the FHA policy change per Mortgagee Letter 2017-12.

FHA announced a planned upgrade to its **TOTAL Scorecard database** beginning at 10:00 pm on Wednesday, November 22, through Saturday, November 25, 2017. During the upgrade, TOTAL Scorecard and FHA Connection (FHAC) will remain accessible during standard operating hours; however, data from transactions routed through the TOTAL Scorecard will not be transferred to FHAC until the upgrade is complete. It is important to note that the AUS national database upgrade does not impact the completion of the endorsement process for those transactions where TOTAL scoring is complete prior to the start of the upgrade.

As previously announced in Newsflash C17-057, dated November 14, 2017, Wells Fargo Funding will no longer offer FHA and VA 7/1 and 10/1 ARM products as of December 11, 2017. This change is in response to current market conditions, which have caused pricing for some FHA and VA ARM products to be higher than their fixed rate counterparts.

Pacific Union recently posted updates that include the following: Due to an increased number of manufactured homes not converted to real property 'at closing', manufactured homes must now be classified as real property **'prior to closing'** for all FHA, VA, and USDA transactions. A maximum of 45% DTI is required on Refer/Eligible recommendations and manually underwritten loans for VA products.

PennyMac posted information regarding an update to FHA DTI overlay.

Franklin American Mortgage Company has increased the maximum loan amount on VA Jumbo transactions to $1,500,000 for all transaction types. Loan amounts greater than $1,000,000 will require a 700 minimum FICO. This change is effective immediately.

Caliber Home Loans is offering the FHA 203H with 100% financing designed **specifically for disaster victims** who are replacing a lost home, available for single-family properties and FHA-approved condominium units.

Pacific Union Financial issued a reminder that as of January 30, 2017, it revised the seasoning requirement for VA IRRRL transactions to require a minimum of six consecutive monthly payments prior to loan closing date. If the credit report does not reflect six consecutive monthly payments, the required payment history must be obtained from the servicer. If the credit report/payment history does not reflect six consecutive monthly payments when the loan is underwritten, the loan will be conditioned for an updated payment history and a Clear to Close will not be issued until the required payment history is provided. No exceptions will be made to this overlay.

Isn't the First, Won't be the Last

Remember when a couple big banks, namely Bank of America, Chase, and Wells, **exited wholesale?** Non-depositories rushed into the void. If one looks at the stats from 2016, one sees volume/market share rankings of United Wholesale, Caliber, Stearns, Provident, Freedom, Sun West, Plaza, Flagstar, Franklin American, LoanDepot, CMG, Union Bank, US Bank (2.3%), Finance of America, and MB Financial.

"U.S. Bank Home Mortgage will exit the Wholesale Mortgage Lending channel as we strategically realign our growth plans and investments for the mortgage business. As part of this change, approved wholesale brokers will have until the close of business on December 11, 2017 to register loans for funding no later than March 12, 2018. This change **does not impact** our purchase of closed loans from Correspondent and Housing Finance Agency lenders or our Retail lending business.

"The mortgage industry is undergoing rapid transformation fueled by emerging technologies that hold the potential to dramatically improve the mortgage lending customer experience. Investments, such as the U.S. Bank Loan Portal, have positioned us as a leader in leveraging these technologies to grow our business. However, we are just at the beginning of our long-term transformation journey. Building on our strong foundations in Retail, Correspondent and Housing Finance Agency lending will require on-going focus to maintain our leadership positions in these core channels. This strategic refocusing led to the difficult decision to exit Wholesale Mortgage Lending."

So, does the widespread bank exit from wholesale open opportunities for midsize non-depository independents in this channel, given that the last money center bank has exited? I'd say yes.

Capital Markets

The **flattening yield curve** is certainly receiving a lot of attention as the 2-10 gap approaches 50bp. (At 25 basis points each, outright inversion would result within the **next two Fed hikes** if 10-yr. yields don't rise). But yesterday the 2s10s spread edged up one basis point to 53 bps after Tuesday's five-basis point contraction. Agency MBS and U.S. Treasury prices ended Wednesday on a higher note. 30-year mortgages, which tend to track 5 or 7-year Treasuries more than 30-years, rallied and the 10-year closed yielding 2.33%.

This morning we've had the November Challenger job cuts (35k - still low), as well as initial jobless claims (down to 236k). Tomorrow is the employment data, but it would have to be a big surprise for the Fed not to advance the agenda of another rate increase next week. The 10-year is currently yielding 2.34% and agency MBS prices are unchanged versus Wednesday's close.

Jobs and Promotions

As part of its expansion throughout the western United States, Western Bancorp is excited to welcome Mike Jones as Regional Vice President, Sales for the Pacific Northwest based in Seattle. "With over 25 years of creating and managing multi-million dollar producing teams, Mike will be building his organization to grow pipeline in Washington, Oregon, Arizona, Nevada, Utah, and Idaho. Specializing in training and coaching new sales teams, Mike is a welcome addition to our growing company. Prior to joining Western Bancorp, Mike held senior leadership mortgage sales roles at a handful of well-known banks and lenders. Mike is looking for Senior Account Executives in all the markets so contact him(425.283.7950).

"Mr. Cooper Correspondent is excited to announce the addition of Stephen (Steve) Smith as the Account Executive for the Northeast Region. Based out of the Washington D.C. area, Steve joins our team with 18 years industry experience covering Mandatory, Best Effort, Non-Delegated and Wholesale executions. Steve will be working closely with Peg Eaton, Account Representative, to continue to grow the Northeast Region focusing on New York, New Jersey, Washington D.C., Maryland, Maine, New Hampshire, Vermont, Connecticut, Massachusetts, Rhode Island, Delaware, West Virginia, and Northern Virginia. Steve is looking forward to meeting with all our valued clients in the region, discussing how we can better serve you, and sharing our continued enhancements to our Correspondent channel! Mr. Cooper recently celebrated our five (5) year anniversary in Correspondent and we continue to focus on ease of doing business, product development, and providing our valued clients and borrowers a world class experience."Caliber Home Loans Inc., America's fastest growing mortgage company, recently received national recognition for its support for the military and veteran community. The Employer Support of the Guard and Reserve (ESGR), an office of the Department of Defense, presented Caliber with the ESGR Seven Seals Award for 2017. As a company recognized by VetJobs, MReport Magazine and Military Friendly Brands, Caliber provides its military and veteran employees with the necessary tools and resources to be successful. "Caliber is honored to receive this recognition from the ESGR, an organization that makes a tremendous impact for the military community," said Caliber CEO Sanjiv Das. "We consider it our duty and honor to support veterans, reservists and military spouses. Looking ahead, we are committed to furthering our support for this community through 2018 and beyond." To learn about how Caliber can support your military and veteran needs, contact Bryan Bergians or visit https://www.calibermilitarylending.com/

View this Article: https://www.mortgagenewsdaily.com/opinion/12072017-streamline-refis