

# Tax Update, PACE Changes, 4506-T News; Tax Bill Hitting Rates

By: Rob Chrisman | Thu, Dec 21 2017, 9:15 AM

Welcome to the Winter Solstice (yes, more sunlight ahead of us in the Northern Hemisphere!). Things are slowing down ahead of Christmas, shipping and post-closing departments are having potlucks, and I received this note from Joe Wilson, the Chief Marketing Officer for SimpleNexus. "We made a fun game for your readers to enjoy. It's a simple, retro-style game that is an [LO jumping over hurdles](#) to get their loan closed." Thank you, Mr. Wilson.

## Taxes, Mortgages, and Tax-Related Polices

The tax bill **has been passed** by Congress, with all its pros and cons. Treasury yields rose on the news, since growth prospects are strong and getting stronger. The changes impact those that itemize their deductions. After this year, the interest paid on loans for vacation homes is no longer deductible. Property, state and local income taxes face a combined \$10,000 deduction limit. While the deduction limit pertaining to mortgage interest drops to \$750,000 of debt on your primary residence, it remains \$1 million for homes purchased before Dec. 15 of this year.

The bill **limits the deductibility** of property taxes and state and local income taxes to a combined \$10,000. In states such as New York and California where home prices and property taxes are high, this change means some homeowners could face bigger tax bills beginning next year.

Taxpayers will continue to be able to exclude up to \$500,000 (\$250,000 for single filers) from capital gains taxation when they sell their home, if they have lived there for two of the previous five years.

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Pacific Union Financial **posted updates and enhancements**. Changes include both liability insurance and Fidelity Bond coverage are not required if a Fannie Mae Limited Review is completed, including for FNMA DU Refi Plus loans and PUD properties. Also, not required if it's a Freddie Mac Streamline Review is completed, including for FHLMC Relief/Open Access and PUD properties. The ARM Adjustment Date Matrices have been updated to include Pacific Union's 2018 required delivery and purchase dates on FHA and VA. Tax transcript information must be received from the IRS prior to submission of a request for a conditional commitment for loan note guarantee on USDA transactions. This could include a "no record" result when a member of the household did not file a tax return for the year(s) requested.

AmeriHome Mortgage **will no longer require** tax and W-2 transcripts for Fannie Mae, Freddie Mac, FHA, or VA loans when all a borrower's qualifying income is W-2 wage-earner income and/or fixed-income typically reported on a 1099.

Wells Fargo and U.S. Bancorp have both signed contracts with Blend Labs to use its mortgage software to potentially shave five or six days off the six-week application period, according to The Wall Street Journal. Blend Labs software directly connects to information sources so that it can automatically fill out [mortgage applications](#). For example, it connects to TurboTax to glean information from filed tax returns and pay stubs. Don't forget that Blend Labs, a five-year-old San Francisco company, raised \$100 million during its last funding round, boosting its valuation to \$500 million.

The "HERO" program (Home Energy Retrofit Opportunity) is a nice option for eligible homeowners who want to install solar panels or other conservation improvements to their property. The amount spent on the improvement are then assessed against the property as a lien, plus interest. This special assessment (PACE lien: Property Assessed Clean Energy) is then paid off over time on the property tax bill.

Great deal, right? Well it can be as long as the homeowner **remembers the existence of the lien** when they decide to sell the home. PACE is a priority lien, but this tax lien is not always factored into the purchase price. The seller and the listing agent must be mindful to disclose the PACE lien. The lien should technically show on the prelim, but the buyer is less likely to understand the ramifications of the special tax assessment. If a buyer ends up with a five-figure lien or the seller fails to close escrow, the consumer is most certainly going to be looking at the licensee as a central person with responsibility for the problem.

Properties encumbered with PACE obligations are no longer eligible for all FHA insured financing effective with FHA Case Numbers assigned on or after January 6, 2018. The FHA [Handbook 4000.1](#) will update these changes within the next 30 days. The M&T FHAUES will also be updated accordingly.

MWF posted that FHA announced that properties encumbered with PACE/HERO obligations will no longer be eligible for FHA insured financing. PACE/HERO obligations may now be paid off with a Rate/Term Refinance or a Cash Out Refinance. FHA Streamlines with a PACE/HERO obligation will need to be converted to a credit qualifying Rate/Term Refinance. Purchase transactions will require the PACE/HERO obligation to be paid off and removed. A PACE/HERO obligation may no longer be subordinated. Guidance is effective for all case numbers issued on or after January 7, 2018. Currently, to pay off a PACE/HERO obligation, the transaction must be considered a "cash out" refinance, regardless of when the PACE/HERO obligation was originated.

## Capital Markets

The spread between the 2-year (1.85%) and 10-year (2.45%) Treasury yield is 60 basis points. Analysts worry about anything inside 60bps (and panic inside 30bp) as it has historically pointed toward a recession. Today's environment though could **indicate something else**. It may show investors don't see much inflation (tech advances) and that global currency factors are weighing on yields more than anything else. Even with 4 more hikes from here, which is what many experts foresee, the federal funds target would only rise to 2.50% (still very stimulative). Barring some unforeseen risk that surfaces, **things look good for now**.

Yesterday we all learned that existing **homes sales unexpectedly jumped** 5.6 percent to an annual rate of 5,810,000 units. This was the third consecutive monthly gain, and the strongest, best sales rate since the economic recover began in 2009. But total inventory dropped 7.2 percent at the end of November and the median existing home price increased 5.8 percent to \$248,000. At the current sales pace, inventory is at a 3.4-month supply. First-time homebuyers declined to 29 percent of sales and all-cash sales were 22 percent of transactions, which is up from 20 percent in October and 21 percent from last year.

We also learned that **mortgage applications decreased** by 4.9 percent on a seasonally adjusted basis from last week. The refinance share of applications was 53.9 percent, the highest since December 2016.

Turning to interest rates, and the things that drive them, the 10-year note edged higher to close at 2.50% and the yield curve steepened for the third day in a row. On the demand side of the equation Thursday will be the final Fed Trade operation of the year which will see the NY Fed purchase \$1.14bn 3.5% and \$490mn 4.0% 30-year conventional - all telegraphed ahead of time. This morning we've had the final update on Q3 GDP (3.2%, slight revision down), initial jobless claims (+20k to 245k, the 4-week moving average up slightly), and Philly Fed Business Index (26.6, topping forecasts). The FHFA Home Price Index and the Freddie Mac Primary Mortgage Market Survey coming up. After the early set of numbers, the U.S. risk-free 10-year is yielding 2.49% and agency MBS prices are a shade better versus last night's close.

## Jobs and Promotions

Joe Treinen has rejoined forces with Tim Cranston, this time as Co-Branch Manager of Inlanta Mortgage, Inc.'s Lewisville, TX location. Joe and Tim previously worked together at Bank of America and MetLife Home Loans, and they are excited to bring their talents together again years later. As a previous top producer in Ohio, Joe is now using his experience to introduce Inlanta Mortgage in the state of Texas by leading the growth of one of its newest branches in the Dallas-Ft. Worth market. In his 24+ years of residential mortgage lending experience, he has originated mortgage loans, led large mortgage teams at varying levels of management for leading mortgage originators, and, most recently was the National Sales Director for an independent mortgage company in the DFW marketplace. Contact Joe Treinen, NMLS #986044, at 469-444-3753. Contact Tim Cranston, NMLS #1636286, at 469-444-3755.

Mann Mortgage LLC, headquartered in the beautiful Flathead Valley of northwest Montana, is looking for a dynamic and highly experienced Controller. The right candidate will become an integral member of an energetic team and will provide oversight and leadership in support of accounting services across the organization. "We offer a competitive salary, robust benefits, generous PTO, 401(k), relocation assistance and a vibrant, positive working environment. Qualified candidates may send resumes to Kris Clark.

Parkside Lending, the #7 wholesale lender in 2017, continues to hire Outside Account Executives and Inside Sales reps. "With all the news of Wholesale companies closing and merging we wanted you to know we are here, and have been, since 2004. We offer Wholesale and Non-Delegated Correspondent channels, great technology, and offer competitive compensation, benefits and opportunities. We are looking for AEs across the US with a focus on the following markets CA, FL, TX, CO, IL, GA, WA, OR, UT, MA, NC, CT, MN & OH and Inside Reps located in Chicago and other areas. Come join a stable industry leader."

If you're reading this, you are most likely in the top group of mortgage originators in the nation. That means you know how to see beyond the noise and hype and get to the deal. So do we. Assurance Financial is quietly growing into a nationwide leader in lending. Yes, our compensation structure is excellent - better than most. And yes, our back-office support is second to none - 16 years of working, changing, and perfecting it. And yes, we have a full-service marketing team at your disposal with a budget and commitment to helping you do what you

do best. And yes, we have an unwavering mission to close loans on time, every time! We have immediate openings for proven, successful producing Branch Managers and MLOs in Wilmington, Charlotte, Austin, and many other branch locations throughout the country, as well as an Eastern Regional Production Manager for our expanding East Coast operations. Are you the one? For immediate consideration and more information, contact Paul Peters, CMB, Assurance Financial, Recruiting Manager (225-239-7948).

PrimeLending promotes Joe Thompson to Regional Manager for South Texas, which includes Houston, Austin and San Antonio. Known for his relentless drive to succeed and genuine passion, Joe steps into his new role following a breakout year for the entire Southeast Texas-area team he helped develop. But 2017 hasn't been all roses and World Series wins for Joe and his team. When PrimeLending needed an unflappable leader to direct Hurricane Harvey relief efforts in South Texas, Joe Thompson answered the call, demonstrating tireless energy, quick decision making and a huge heart along the way. Joe also serves as President of the Houston Mortgage Bankers Association, leading local industry advocacy and education efforts to strengthen the Southeast Texas mortgage industry. Joe is looking to add elite producers and build new branches in 2018. If you're an experienced LO ready to discover your best, contact Bill Harp (469-737-5767).

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