

FHA and VA Updates; U.S. Economy Continues to Strengthen

By: Rob Chrisman | Fri, Mar 9 2018, 9:15 AM

Let's end the week with a non-mortgage related note about nature. You Tube has a live webcam [a live webcam](#) in the San Francisco Presidio of a Red-Tailed Hawk nest. Not much happens when its dark, but recently an egg was laid! Hawks couldn't care less about legal settlements, but Lehman Brothers Holdings Inc.'s bankruptcy estate will [pay \\$2.38 billion](#) to compensate for its role in the mortgage crisis, helping us put more issues behind us.

FHA and VA News

The MBA's latest application survey showed that the **FHA share decreased to 10.1%**. Still, it is a valuable, and profitable, piece of the origination pie for most lenders. But the White House has moved at a painfully slow pace with some financial services nominees (e.g., Federal Reserve posts, FHA commissioner, FDIC).

"We need some assistance regarding our ability as a lender to charge the borrower notary fees on FHA and VA loans when it is an employee of the lender who is acting as the notary." [Lenders Compliance Group provided some guidance](#). "With respect to a VA loan, the lender may not charge the borrower a separate itemized notary fee, regardless if the notary is an employee or not. All such fees are intended to be covered by the 1% flat fee charge. With respect to an FHA loan, the current handbook provides that the lender may charge the borrower **"reasonable and customary fees** that do not exceed the actual cost of the service provided".

FHA did its upgrade to its TOTAL Scorecard database Friday, February 16, through Monday, February 19, 2018. During the upgrade, [TOTAL Scorecard](#) and [FHA Connection](#) (FHAC) was remain accessible during standard operating hours; however, data from transactions routed through the TOTAL Scorecard was not transferred to FHAC until the upgrade is complete. It is important to note that the 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. Also note, that this is an upgrade to the database only; there is no impact or change to the version of TOTAL Scorecard currently in use.

Ginnie Mae has added ["ARM Reset Data for Platinum WAC Pools: January New Issuance and January Monthly"](#).

FHA published Mortgage Letter (ML) [2018-02](#), "Extension of Disaster Foreclosure Moratoriums for Specified Areas Impacted by Hurricane Maria," which **extends the current 180-day foreclosure moratorium** in the Presidentially-Declared Major Disaster Areas (PDMAs) for Hurricane Maria in Puerto Rico and the U.S. Virgin Islands for an additional 60 days, through May 18, 2018. Read [HUD's press release](#)

FHA released [ML 2018-01](#) designed to provide immediate loss mitigation and other relief options to FHA borrowers in certain designated Presidentially-Declared Major Disaster Areas (PDMAs) allows for the use of streamlined income documentation and other requirements to expedite loss mitigation relief for affected borrowers. It also introduces a new "Disaster Standalone Partial Claim" option to help eligible borrowers on forbearance plans to resume their pre-disaster mortgage payments, helping to avoid payment shock as well as keeping their interest rate and payment terms the same.

As a reminder, VA published [Circular 26-18-1](#) on Feb. 1st, Policy Guidance for VA Interest Rate Reduction Refinance Loans (IRRRL), issuing new policy guidance for completing, delivering, and confirming the initial and final Veteran's Statement and Lender Certification on IRRRL transactions. AmeriHome has adopted this VA change in the timeline provided by VA. Effective for IRRRL loans closed to the borrower on and after April 2, 2018. The IRRRL General Requirements section of AmeriHome's VA and VA IRRRL Program Guide has been updated to refer to the new requirements in VA Circular 26-18-1.

United Wholesale **lowered its minimum FICO requirements** on government loans from 680 to 640 on FHA and VA Elite loans, in addition to lowering the minimum loan amounts for Elite loans from \$175,000 to \$125,000 with no LTV cap.

Due to investor changes, availability for the 4.5% FHAVA Down Payment Assistant (DPA) Grant has been suspended. Locked loans with Land Home Financial Services must have funded on or before February 28, 2018. There will be no availability to grant exceptions to this policy and cancellation fees will be in effect for any loan cancelled or denied. This charge will be \$400.00 which is charged by the investor. Land Home Financial offers many other Grant programs to meet borrower's needs.

Mortgage Solutions Financial offers **FHA loan programs for FICO scores less than 640**.

The following loan plans are now available for selection in M&T Bank Correspondent's MEME: FHA \$100 30-year fixed – 610. FHA \$100 30-year fixed CRA – 330. FHA \$100 203(k) 30-year fixed – 614. FHA \$100 203(k) Limited 30-year fixed – 1614. FHA \$100 203(k) 30-year fixed – CRA - 1330. FHA \$100 203(k) Limited 30-year fixed CRA – 1311. The product pages will be updated with these loan planes and posted to MEME.

Mountain West Financial Wholesale issued the following reminder: For FHA Platinum loans, **the max DTI is 45% regardless of LP or DU findings**. For Conventional Platinum loans, the max DTI varies based on AUS, Credit Score and Mortgage Insurer: Up to 50% with DU Approve/Eligible only, 640+ credit score for Radian for monthly premium only. 700+ credit score for Essent, MGIC and Genworth. Up to 45% with LPA Accept. GSFA Paid MI: 45% (660-699 credit score). 50% (700+ credit score): DU only.

With reservations on and after January 26, 2018, GSFA has suspended two FHA grant options:

4.00% for FICOs 640-659, product code FF30USPL4% FHA FIXED 30YR PLATINUM4%

5.00% for FICOs 660+, product code FF30USPL5% FHA FIXED 30YR PLATINUM5%

An announcement will be made if GSFA makes these options available again in the future.

For remaining GSFA gift options, please refer to the GSFA Platinum Matrix/Overview.

Capital Markets

There has been a lot of talk recently about the return to “normal” rates, but what does that even mean? I asked BJ Necel who replied, “For nearly the last ten years, the credit disequilibrium created by low administered rates worldwide leaves no guidance on where the appropriate level of interest should be to fairly price financial capital. Since the Fed dramatically lowered the fed funds rate in 2008, it has averaged 150 basis points below core CPI to stimulate the economy.

“Now that growth and inflation expectations have risen, where does that leave the **path for interest rates**? Using the same comparison, during the expansion of the 1980s the fed funds averaged 373 basis points above CPI, during the 1990s expansion it averaged 271 basis points above CPI and during the 2000s expansion it averaged 197 basis points above CPI. The behavior of the fed over the last 10 years combined with structural breaks in macroeconomic variables used in many models that forecast future interest rates create challenges in pinpointing what should be considered “normal” interest rates.”

We had a little rate improvement yesterday, resulting in a few intra-day price changes from lenders. Treasuries ended Thursday slightly higher, as U.S. stocks rebounded with White House officials leaving open the possibility that President Donald Trump's tariff proposals will spare Canada and Mexico from the highest penalties. Other countries will be invited to negotiate individual terms, defense against tariffs that other countries impose on imports from the U.S.

But rates in the U.S. are influenced by what happens overseas, and the latest European Central Bank statement took a small step toward removing their easing bias by no longer mentioning that asset purchases may be increased. **Treasuries had been slightly softer** ahead of the release of the ECB statement and remained so after its release. ECB head Draghi was slightly dovish, however, in saying that the bank's reaction function had not changed with bids getting lifted in both treasuries and bunds.

This morning we've had the employment data. Don't look for it to change the expectations of **three or four short-term rate increases** this year by the Federal Reserve. Expectations were for an increase in nonfarm payrolls of 196k, the unemployment rate to remain unchanged at 4.1%, and for average hourly earnings to increase just 0.1% m/m. Instead we had nonfarm payrolls +313k, topping forecasts and with a January revision higher. The unemployment rate did remain unchanged at 4.1%, and hourly earnings came in as expected at +.1%.

If anyone cares, also on the schedule is January wholesale inventories and sales at 10:00am ET. We start today with rates higher, due to the strong employment data (again) versus last night's close: the 10-year is yielding 2.90% and agency MBS prices are worse .125-.250.

Employment and Training

Norcom Mortgage recently launched its new JAB marketing initiative to continue creating mutually beneficial business partnerships within a competitive mortgage landscape. JAB, which stands for Joint Venture, Affinity/Member Benefit Program, and Brokered Business, is a triple-threat program that maximizes the strengths and efficiencies of partnered companies to help customers and clients achieve their goal of home ownership. Norcom Mortgage is a direct lender licensed in over 40 states. For more information on JAB and Norcom, please contact Jim Morin.

GSF Mortgage Corporation is offering the ability for branch managers and loan originators to build their own tailored brand – making them

more appealing to their local communities by adding a personal touch that counters the big box image of mortgage lending. President Chad Jampedro was recently featured in the MPA Power Originator and explained his belief in the power of building a personal brand, especially in smaller markets where it is critical to be “hyper-connected to the community”. If you are interested in a branch opportunity and have the desire to build or maintain your personal brand, please reach out to Chad directly.

In TPO news, “Established in 2000, Plaza is the lender of choice for FHA loans with credit scores as low as 580. Plaza is the 2nd largest wholesale lender for FHA product (according to FHA Connection 2-year report) and offers virtually all FHA loan programs. Plaza’s local market expertise, proven track record of underwriting FHA loans and reputation of unrivaled service makes them your go-to lender. Plaza’s boots-on-the-ground Account Executives are true experts, with an average of 23+ years working in our industry and average tenure at Plaza of 6+ years! Start to finish – Plaza knows FHA! Plaza recently improved FHA pricing for FICOs of 680 or higher and now has expanded their price improvements to include FICOs from 620 – 679. FICOs from 640 - 679 have improved by .500. FICOs from 620 – 639 have improved by 1.25. Contact your local Account Executive for more information or visit Plaza’s website today.”

Floify, the leading mortgage automation and point-of-sale app and Hippo Insurance, an insurtech company, bring you Part 2 of their highly anticipated 3-part webinar series with speaker, author of Foundation to Sustainable Success, and former top producer, Kelly Resendez. It will be held on March 15th at 1:00pm EST. Feedback on Part 1 was overwhelmingly positive. Mortgage professional, Barbara S. said, “This was by far one of the BEST webinars.” In Part 2, Resendez will provide you with the framework and strategies that will set you up for sustainable success. Resendez will cover how to build your vision, goals and plan; how to increase referrals using her referral efficiency target; how to increase Realtor referrals with her Realtor efficiency target; and, how to create your non-negotiable plan so you can remain disciplined. Don’t wait, space is limited... Reserve your seat at the Foundation to Sustainable Success webinar now!

“Let’s be honest. Networking sucks. But it’s necessary in this business of ours, which is why on Wednesday, March 14th from 10-11 AM PST/1-2 PM EST, Sierra Pacific Mortgage is providing a free webinar called “The Networking Playbook: How to Strategically Navigate the Room & Score Big Time!” This free, engaging, info-training course focuses on how to make networking less awkward, less sales-y, and a much better use of your time. And all you have to do to register is [click here](#). You’re welcome.”

Waterstone Mortgage Corporation, a national bank-owned mortgage lender headquartered in Pewaukee, Wisconsin is looking to acquire small to mid-sized traditional retail, purchase-focused mortgage companies nationwide. “Today’s tighter margins and complex regulatory environment motivate many small mortgage companies to seek ways to expand their business, including strategic acquisitions to create additional synergies. Waterstone Mortgage has the strength and stability that mortgage executives seek when considering a sale of their retail business. The lender is a wholly-owned subsidiary of WaterStone Bank SSB (NASDAQ:WSBF), which has assets of more than \$1.8 billion. The company offers a broad range of products including FHA, VA, USDA, and conventional loans, one-time close construction financing, bank portfolio lending products, jumbo products, and condo financing. It produced \$2.5+ billion in origination volume in 2017, 90% of which comes from purchase mortgage loans. For more information, visit info.waterstonemortgage.com/acquisitions. If your retail-focused mortgage company could benefit from an acquisition by Waterstone Mortgage, contact us to have a confidential conversation.”

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