

Digital Products, New Book for LO's; Big Bank Mortgage Earnings

By: Rob Chrisman | Mbn, Oct 15 2018, 9:08 AM

What's new here at the MBA's conference in Washington DC? Plenty of secretive M&A closed-door meetings, continued talk that Ginnie is carefully eyeing non-bank approved Ginnie issuer's financial situations, conjecture of MI reps' jobs in the future if all the MI companies roll out pricing engines, and Fannie & Freddie eliminating some "pricing inefficiencies" to end cherry-picking. The FHFA (overseer of F&F) continue to focus on maintaining access to credit, reduced taxpayer risk, and the infrastructure for a single security. There's also talk about the [BofA/NACA 0% down, 4.5% program](#). We're going there again?

Products, Services, Books, and Events for Lenders

Lendsnap, The Digital Mortgage Company™, is hosting private consultations on going digital at the MBA® National Convention Monday and Tuesday only. For a free review of your originations flow, [signup here](#). "Powerfully simple." The new Lendsnap Point of Sale (PoS) system makes every member of your origination team 30% more productive with a single app for qualifying borrowers that includes **importing original financial statement PDFs** from consumer-connected accounts, eSignatures, and an Intelligent 1003. Learn more today at [lendsnap.com](#).

Conquering Shifts is a must read. "I've been originating loans since 2003 so I related to many of the stories within. Learning how top producers excelled during the hard times of '07 and '08 reinforces that salespeople are able to prosper in any economy." Jordan Eller, Capital Mortgage Services. "I LOVED this book. . .it reminded me that building relationships, NOT selling products. . .still works. I especially liked the story about the LO who interviewed 17 different companies to find that right culture fit and is still with his company 19 years later." Elizabeth Douglass, Wintrust Mortgage. "The benefit of owning this book is two-fold. First, it's inspiring. Secondly, it's a fantastic resource to be used during our sales meetings. The authors, Cindy Douglas and Kathleen Heck do a great job showing how some of the industry greats went from ground zero to mega producers" Ben Holloway, Mountain West Financial. To purchase: [www.conqueringshifts.com](#).

Sierra Pacific Mortgage is hosting a free one-hour webinar that demystifies liquid assets on Thursday, October 18 at 11:00 am (PST). This is a great session for any mortgage professional looking to build their knowledge of the most common asset types used to qualify your borrowers. [Register today](#) so you can be more knowledgeable in the future.

ARMCO's Q1 2018 QC Trends Report Reveals Risks Associated with Lender Downsizing—"The distribution of critical defects for the first quarter of this year differed significantly from those we saw during the last quarter of 2017," said Phil McCall, ARMCO's president. "What the report reveals is consistent purchase-dominant contracting markets. One of the newest trends is a spike in defects associated with loan package documentation. This is often a result of lender downsizing and staff consolidation, which occurs when declining loan volume becomes a trend—as it did in the beginning of this year." The report revealed the leading critical defect categories for Q1 2018 were (1) Income/Employment, (2) Assets and (3) Loan Package Documentation. Purchase transactions continued to outpace refinances in Q1 2018, comprising 62.98% of all transactions reviewed. [View the full report here](#).

Despite how often things change in the mortgage business, one thing has remained constant—[Comerica Bank](#). Since 1965, Comerica Bank has been a warehouse partner with mortgage bankers across the country. Comerica Bank takes pride in its unwavering commitment to mortgage warehouse lending. Offering lines from \$5 million to over \$100 million, Comerica continues to grow year over year. If you are seeking a reliable, flexible and consistent warehouse partner, Comerica Bank is here for you. Comerica Bank will customize your warehouse line to meet your needs, including construction financing, non-QM, and second liens. With state-of-the-art technology, Comerica Bank funds loans within seconds, ensuring satisfied borrowers and happy loan officers. Warehouse lenders come and go, but Von Ringger, Department Manager of Mortgage Banker Finance at Comerica, and his team are committed to mortgage banking. To see how Comerica Bank can raise your expectations of what a bank can be, contact Von Ringger at (313) 222-9285. Member FDIC. Equal Opportunity Lender. Loans subject to credit approval.

In this purchase-heavy market, a steady stream of referrals means the difference between standing out as a top performer and being at the bottom of the pack. According to Pipeline ROI, 77% of agents only have one lender they regularly partner with, so there's room for new relationships. . . if you understand what agents truly want in a loan officer. Maxwell interviewed real estate agents across the country to get their perspective on what they value in a lender. Their new eBook, "Winning Agent Business," reveals lucrative insights from agents themselves on how to earn their trust and build a lasting partnership. An exclusive to Rob Chrisman subscribers today (and a must-read for all lending professionals), Download your complimentary copy [here](#).

Bank and M&A News

Higher interest rates have enabled banks to increase profitability in recent years, but **that benefit could be ending**, industry experts say. Banks can increase rates they charge borrowers, but they must also increase returns for savers amid tightening in the refinancing market. Record profits are expected as US banks prepare to release third-quarter earnings reports, but mortgage and other lending, fixed-income trading, completed mergers and acquisitions, and bond and stock offerings appear to be slowing. Citigroup, JPMorgan Chase and Wells Fargo all reported earnings on Friday. Citi has ceased to be the dominant mortgage player it once was, so let's look at Wells Fargo and JPM fared in the third quarter, mortgage-wise.

In general, mortgage banking came in **stronger than some had expected**, primarily driven by gain-on-sale margins. Both companies saw their retail share tick down. Origination volumes at WFC were -8% Q/Q but JPM(+5%) exceeded expectations. In fact, compared to estimates by the MBA(-1%), Fannie(-1%), and Freddie(-2%), JPM did darned well. GoS margins reversed their two consecutive quarter slide, rising +26% (from 77 basis points to 97 bps) at Wells and +12% (43 bp to 48 bp) at JPM, both exceeded company and industry expectations of "flat." Mortgage servicing rights (MSR) valuations rose around 4% Q/Q at WFC/JPM, respectively, on the jump in interest rates during the quarter as everyone expected. At WFC, the carrying value increased to 102 bp from 98 bp, and the MSR revenue multiple increased to 4.18x from 4.15x. At JPM, the carrying value increased to 122 bp from 116 bp, and the MSR revenue multiple increased to 3.49x from 3.31x.

Turning to M&A, the industry is talking about builder Lennar looking to sell its lending arm Rialto. **It is not necessarily a defensive move**, given the slowdown in building and increase in rates. Remember that since at least mid-2017, even before Lennar announced its plan to acquire CalAtlantic last year, the company has clearly telegraphed plans to pivot strategically to a more pure-play home builder. This plan, which included the spin-off of its Five Point Communities unit via an IPO into a separate public company, meant looking to "harvest value" for its Rialto unit so that it could concentrate on core home building businesses, operations, and investments. Rialto's purpose as part of the Lennar business empire has been to serve as an asset management investment platform. Rialto identifies and funds investments in portfolios of commercial real estate opportunistically. This is not a core Lennar business in the "pure-play home builder" sense, but one that served, particularly during an earlier era of distressed real estate and bargain-basement pricing, as a high-margin way to use relatively inexpensive capital.

Once Rialto is sold, Lennar may be aiming to re-invest capital in newly emerging technology and data businesses adjacent to its home building operations, like Ring (now owned by Amazon) and Opendoor.

Banks continue to merge, acquire other banks, or be acquired. Since the end of September these were announced. In Virginia Union Bank & Trust (\$13.0B) will acquire Access National Bank (\$2.9B) for \$610mm in stock (100%) or 2.43x tangible book, and American National Bank and Trust Co (\$1.8B) will acquire HomeTown Bank (\$558mm) for about \$95.6mm in stock (100%) or 1.82x tangible book. Out in California Redding Bank of Commerce (\$1.3B) will acquire The Merchants National Bank of Sacramento (\$218mm) for \$37mm in cash (40%) and stock (60%) or 1.86x tangible book. In Nevada JBNV Holding Corp has filed with bank regulators to acquire Kirkwood Bank and Trust (\$321mm).

Core system provider Fiserv will acquire the third-party debit card processing services of US Bancorp known as Elan, for \$690mm. (Although the move doesn't include the credit card payments solutions, the move further solidifies Fiserv's debit card processing and expands its digital offerings.) In the land of Dorothy and Toto, Citizens Bank of Kansas (\$238mm) will acquire Verus Bank (\$143mm). In PA Citizens & Northern Bank (\$1.3B) will acquire Monument Bank (\$348mm) for about \$42.7mm in cash (20%) and stock (80%). In the cornhusker state, BankFirst (\$467mm) will acquire Iowa – Nebraska State Bank (\$213mm).

Capital Markets

Compass Analytics announced today that over \$200B was bid through its whole loan trading platform, CompassBid, in the last quarter. **CompassBid** remains the only bidirectional, fully self-contained whole loan trading platform in the industry, providing sellers the full breadth of investor eligibility, best execution delivery analytics, accounting, investor bid history, and integration capabilities, while giving bidders a loan bid calculation process that includes a secure portal, data normalization, eligibility determination, best execution, spec-payups, LLPAs, loan-level cash-flow MSR calculation, CRA determination and value, seller bid history, and a dynamic margin and incentive engine! CompassBid is fully integrated with Compass's product, pricing and eligibility engine, CompassPPE, and its API, Compass's pipeline risk management and MSR valuation engine, CompassPoint, Compass's investor portal, CompassDirect, along with commercial and proprietary LOS systems. If you would like to learn more about CompassBid and Compass's full list of products, contact us!

Last week we learned that prices ticked up slowly in September despite trade tariffs and a tight labor market. The Producer Price Index increased 0.2 percent for the month and 2.6 percent year over year as both food and energy prices fell. The Consumer Price Index ticked up

0.1 percent in September and 2.3 percent year over year with consumer food prices remaining unchanged. Both indexes are down from their peak year over year increases seen this past summer. Initial jobless claims remain incredibly low as 214,000, consistent with a strong labor market. Additionally, the National Federation of Independent Business's Small Business Optimism Index remained near its 45 year high in September though it did ease slightly. Job openings are high, but businesses reported having trouble filling the positions.

Mortgage rates jumped to their highest level since April 14, 2011, according to the Freddie Mac Primary Mortgage Market Survey and the markets continue to expect another 25-basis point high to the Fed Funds target in December and are looking ahead to March 2019 for another potential high as well.

The bond market is looking at higher rates, a **more hawkish sounding Fed**, uncertainty regarding US-China trade relations and downgrades to global growth. Tough to follow all that! When the dust settled Friday the bond market didn't do too much to impact rate sheets. The slope of the yield curve faced flattening pressure this week, as the 2s10s spread compressed to 30 bps from last Friday's 35 bps as the 10-year closed yielding 3.14%.

For scheduled news this week, we have the Empire State Manufacturing Index for October (21.1) and retail sales (+.1%) for September today, both expected higher. Tomorrow are the industrial production capacity utilization couplet, JOLTS (job openings), Philly Fed and leading indicators, along with the October NAHB Housing Market Index. Wednesday, as weary conference goers head home, we have the weekly MBA Mortgage Index, September Housing Starts and Building Permits, and the September FOMC Minutes. Thursday we'll see weekly Initial Jobless Claims, October Philadelphia Fed, and September Leading Indicators. Friday things wrap up with September Existing Home Sales. We start Monday with rates versus Friday's close: the 10-year is yielding 3.15% and agency MBS prices are a shade better.

Jobs

Do you have what it takes to take your mortgage lending super powers to the next level? Nations Lending is proud to announce its new initiative to grow its footprint across the U.S. where the company is licensed in 47 states, by expanding our retail branch outlets. This is an amazing, one-of-a-kind opportunity for an LO whose tired of the same routine, and ready to take that next career step as a leader, to advance in an established company with a proven track record of getting loans closed. Ideal candidates for our Retail Branch Sales Manager will have a minimum of 2 years' experience in the LO field, as well as a regional footprint showing a track record of success. If interested, contact Division Sales Manager, Jordan Gerard (337 501-0155). Or Allison Schock, SR Talent Acquisition Consultant (440-527-6718). For more information and opportunity on how to join our growing organization, please visit the company's [website](#).

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