

LO Opportunities; Warehouse, Marketing Products; VA Cash-out Changes

By: Rob Chrisman | Wed, Jan 2 2019, 8:49 AM

Last week I noted a STRATMOR study that shows, pretty much year in and year out, that traditionally, 82% of residential production comes from 40% of the loan officers out there. Thank you to Kirk H., who sent a note [and video](#) on Price's Law: The square root of the people in any domain do 50% of all the work. If there are 100 FTEs at your company, are 10 of them doing half the work? If so, let's hope you're one of the ten since lenders will continue to adjust their costs to their volume as we head into 2019. Speaking of streamlining, lender M&A is expected to continue into 2019, the latest example coming from Massachusetts where New Fed Mortgage Corp. will [acquire Commonwealth Mortgage LLC](#).

Lender Products and Services

[LegacyTexas Bank, Warehouse Lending](#) is eNote Ready! "LTB is a national warehouse provider with unparalleled service and a staff of industry veterans. eNote readiness adds to our streamlined and paperless process for funding a full suite of residential loan programs. If you need a warehouse lender who can fund your eNotes, and provide competitive terms on warehouse lines up to \$100 million, contact us today: Martha Reitz (972-801-5792) or Michelle Marrapodi (972-801-5781)."

Stearns Wholesale is waiving appraisal fees on all FHA loans in January. Borrowers can save \$525-\$625 when they choose an FHA loan with Stearns now through January 31, 2019. Stearns is 100% committed to making it easier for our brokers to deliver a superior customer experience every single time. Available for both purchase and refinance loans, the fee waiver is handled through [SNAP 2.0](#) so customers will not be charged for the appraisal. In addition to the fee waiver on FHA loans, Stearns is also reducing the loan level pricing adjustment by 25 basis points for FICO scores between 580-619 and 660-679.

Stop Losing Money in 2019! With the mortgage industry becoming increasingly difficult to survive let alone thrive, companies are in search of new marketing strategies to compete in this new era of credit. The Decision Science team at [BBM](#) has created an advanced suite of propensity data models that help professional origination marketers identify homeowners who are **actively in the market for FHA, VA, Jumbo and Non-Agency loan options**. Our average loan amount for active FHAVA and Non-Agency applications exceed \$350K and gross top line revenue of nearly \$15,000. If you're marketing is not reaching these levels of performance than let [BBM](#) show you how a targeted marketing strategy focused on propensity modeling and targeted revenue opportunity can change the trajectory of your company. For more information about [BBM Marketing Services](#) and about becoming an approved origination partner, please contact Bill Senteno.

VA Cash-outs

What our military leaders think about Donald Trump aside, let's focus on borrowers. "Rob, are you hearing that some vets are paying \$14,000 in fees to obtain \$20,000 in their own cash from a refinance, thus having their UPB go up by \$34,000? That sounds like a crime to me." If true, a headline like that isn't what our industry needs. But let's take a step back.

Recall that in May the "**Protecting Veterans from Predatory Lending Act**" ("VA Act") was signed into law, effective as of that date, as section 309 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Public Law 115-174). The VA Act, codified at [38 U.S.C. 3709](#), provides new statutory criteria for determining when, in general, the VA may guarantee a refinance loan. The VA Act also requires VA to promulgate regulations for cash-out refinance loans within 180 days after the date of the enactment of the Act, specifically for loans where the principal of the new loan to be VA-guaranteed or insured is larger than the payoff amount of the loan being refinanced.

Based on the way the VA Act structured new section 3709, VA-guaranteed or insured refinance loans are now effectively grouped into three categories: (i) interest rate reduction refinancing loans (herein "IRRRLs"), (ii) cash-outs in which the amount of the principal for the new loan is equal to or less than the payoff amount of the refinanced loan (herein "Type I Cash-Outs"), and (iii) cash-outs in which the amount of the principal for the new loan is larger than the payoff amount of the refinanced loan (herein "Type II Cash-Outs").

Buckley Sandler LLP writes, "On December 17, the Department of Veterans Affairs (VA) published an [interim final rule](#) in the Federal Register to amend its rules on VA-guaranteed or insured cash-out refinance loans as required by Section 309 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (codified as 38 U.S.C. § 3709). (See also, VA [Circular 26-18-30](#) for a summary of the rule.)

"The interim final rule, which revises the current regulation, 38 CFR 36.4306, bifurcates cash-out refinance loans into two types, (i) Type I, the loan being refinanced is already guaranteed or insured by VA and the new loan amount is **equal to or less than the payoff amount** of

the loan being refinanced; and (ii) Type II, cash-outs in which the amount of the principal for the new loan is larger than the payoff amount of the refinanced loan.

“Under the interim rule, for both Type I and Type II, the VA will permit a cash-out refinance provided: Reasonable Value (the new loan may not exceed an amount equal to 100 percent of the reasonable value of the dwelling or farm residence that secures the loan), Funding Fee (the funding fee may be financed in the new loan amount; however, any portion of the funding fee that would cause the new loan amount to exceed 100 percent of the reasonable value of the property must be paid in cash at the loan closing), Net Tangible Benefit (the loan must provide a net tangible benefit to the borrower, which can be satisfied in one of eight ways (i) the new loan eliminates monthly mortgage insurance, whether public or private, or monthly guaranty insurance; (ii) the term of the new loan is shorter; (iii) the interest rate on the new loan is lower; (iv) the payment on the new loan is lower; (v) the new loan results in an increase in the borrower’s residual monthly income; (vi) the new loan refinances an interim loan to construct, alter, or repair the home; (vii) the new loan amount is equal to or less than 90 percent of the reasonable value of the home; or (viii) the new loan refinances an adjustable rate loan to a fixed rate loan), Disclosure (the lender must provide the borrower, and the borrower must certify, net tangible benefit information, a loan comparison disclosure, and an estimate of the amount of home equity removed from the refinance, in a standardized format, on two separate occasions: not later than 3 business days from the date of application and again at closing), and as required by the current regulation, any borrower paid discount must be considered reasonable in accordance with § 36.4313(d)(7)(i) and the loan must also otherwise be eligible for the VA guarantee.

“For Type I cash-out refinances, the VA also requires (i) all the fees and incurred costs to be scheduled to be recouped within 36 months after the date of loan issuance; (ii) a loan seasoning period of the later date of 210 days after the date of the first payment made and the date the sixth monthly payment is made on the loan; and (iii) under the net tangible benefit requirement, for a fixed interest rate to a fixed interest rate, the rate must be reduced by 50 basis points and for a fixed to adjustable interest rate, the rate must be reduced by 200 basis points.

“For Type II cash-out refinances, if the loan being refinanced is a VA loan, the same loan seasoning requirement applies (the later date of 210 days after the date of the first payment made and the date the sixth monthly payment is made on the loan). There are no additional restrictions on fee recoupment or rate reductions. The interim final rule takes effect February 15, 2019, with comments due on or before the effective date.”

Prashant Gopal, the U.S. real estate reporter with Bloomberg News [wrote a piece](#) focused on the high price some veterans are paying by doing cash-out home loans. “Lenders, who can charge thousands of dollars in fees, are encouraging veterans to extract as much as 100 percent of their home equity.”

The story prompted one industry vet to comment, “There is some real bad stuff going on now with **lenders churning VA cash outs**, telling veterans that this is a benefit they have earned, yet charging the veteran 4-5 points in total fees to get a little bit of their equity. The VA funding fee on a cash out is 3.3% by itself, so they are paying a ton of fees, which is just added to their loan balance. In some cases, they are being charged more in fees than the cash they are getting back. Total rip-off of our veterans, and the most disgusting part is the lenders doing this are wrapping themselves up in the flag, saying they are sticking up for veterans when they are just ripping off their face.”

Capital Markets

The decline in rates continued Monday as the U.S. 10-year ended the abbreviated New Year's Eve session yielding 2.69% on no real market-moving news. Any news of note came on the Chinese trade front, with President Trump tweeting over the weekend that he had a “long and very good call” with China's President Xi Jinping, adding that “big progress” is being made.

China's President Xi spoke over the weekend, touting the reforms that have been implemented in 2018 though his rosy comments haven't matched recent Chinese economic readings. China reported its first contractionary reading of the official Manufacturing PMI since 2016. **Turning to Europe**, the Italian parliament passed their 2019 budget by a 327-228 vote. **Basic income for the poor and jobseekers will reportedly begin in April**. Separately, European Commission President Jean-Claude Juncker said that the EU is ready to negotiate a new deal with the United Kingdom once the British Parliament approves the current withdrawal bill.

Today's U.S. economic calendar is light before picking up tomorrow and Friday with ADP, vehicle sales, Treasury supply, December payrolls plus the return of FedSpeak, including Chair Powell with Atlanta Fed President Bostic as a panelist at a meeting in Atlanta on Friday. Today's calendar sees only the non-market moving Markit Manufacturing PMI at 9:45am ET. Rates are lower again today due to the impact of the shutdown: we begin today with the 10-year yielding 2.65% and Agency MBS prices better by .125.

Jobs

Top-ranked lender Inlanta Mortgage, Inc. is growing again, adding its newest office in Destin, Fla. The new office is led by Balenda Hetzel,

Regional Production Manager, with Loan Officers Bonnie Manthey and Melody Glasgow, and Loan Partner Rhonda Summers rounding out her team. “We are excited to kick off our 25th anniversary year with the opening of our Destin office and are thrilled to have Balenda on board to lead this new team,” said Paul Buege, president and COO. “Our new location allows us to grow into new markets that include Louisiana, Alabama and Georgia, as well as expand into new areas of Florida.” Drop Balenda and her team a congratulatory email. Looking to be part of a fast-growing, top-ranked mortgage workplace with cutting-edge technology partnerships? Check out Inlanta's career page, or contact Inlanta's Shaun McGuire, Director of Branch Development, via email or 262-439-4277.

Carrington Mortgage Service (CMS), a well-established wholesale lender originating and funding FHA, VA, GSE and Non-QM loan is seeking experienced Wholesale Underwriters to work out of its Anaheim office. VA designation and/ or Non-QM experience is required. CMS has seen tremendous growth throughout 2018, with much of that growth coming out of the Anaheim office. If you are eager to join a company that is growing, and one that would value your skills, please email your resume Darryl Bradshaw or Bela Donine.

“While other lenders ease their way into the new year, Nations Lending is poised to pounce on markets from coast-to-coast. Our strategic vision has already seen the opening of 10 new branches in 2018 Q4, and resolution to accelerate our retail growth platform and expand our footprint in 2019. If you're in Raleigh, Atlanta, Nashville, San Antonio, Cincinnati, Dallas, or the states of California, Colorado, and Florida, we want to hear from you. Consider aligning yourself with Nations Lending, a well-established, Ohio-based, full-service national lender licensed in 47 states. We invest in our branches, helping them to reach and support their success. Make the only New Year's resolution you won't regret – Join the Nation! If interested in a Branch Manager role, contact Division Retail Store Sales Manager, Jordan Gerard (337-501-0155) or Division Retail Branch Sales Manager, Derek DeGuits (732-580-5038). For more information and opportunity on how to join our growing organization, please visit the company's [website](#).”

Congrats to Craig Schimelman who has been brought on by Athas Capital Group as its VP of Wholesale Originations. Craig has made a name for himself in the non-QM world, having created national footprints for non-QM lenders and investors as well as bringing on and training wholesale AEs around the nation. Craig has opened up Athas' new Atlanta office, and is in search of talented AEs for Athas' Eastern Division. Athas Capital Group was founded in 2008 to serve a market filled with borrowers deserving of credit but did not fit the conventional lending box. “Our flexible products offer financial solutions to meet these challenges, with options for both owner-occupied and nonowner-occupied residential properties in 36 states...and growing. Athas Capital Group also offers financing for income-producing commercial properties, including multi-family, mixed-use, office and retail buildings as well as hard money loans.”

PRMG continues to expand their national footprint and finishes 2018 strong with the opening 3 new Retail Locations during the month of December! Along with the drive and ambition to bring the American Dream of Homeownership to all cities across the country, PRMG has now opened its doors in Jonesboro, AR; Wilmington, NC and Beaufort, SC. PRMG is [Built by Originators for Originators™](#) and is devoted to continuously growing their retail platform. If you are a Motivated Loan Originator who wants to be Progressively Better, contact Chris Sorensen (909.262.0452).

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