

Ginnie, Freedom, and loanDepot; Digital Trends Report; Rule 4210 Delayed Again

By: Rob Chrisman | Thu, Jan 31 2019, 8:55 AM

Rumors of a cancelled President's Club award event in a mortgage division of a bank in the Northwest have tongues wagging about acquisition rumors by a larger bank. Certainly 2018 was a year filled with rumors, and 2019 is beginning the same way whether it is with depositories or top 10 wholesalers. Hopefully significant job cuts are behind us as an industry although margins and industry volumes are not magically rebounding. Why would they? Along those lines, Ginnie Mae, with 140 or so employees overseeing \$2 trillion of securities, is doing stress tests and has asked several non-bank lenders to [improve financial metrics](#) before receiving full approval to continue issuing Ginnie-backed mortgage bonds.

Lender Products and Services

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Ginnie, Freedom, and loanDepot

Starting tomorrow [Ginnie Mae](#) has restricted loanDepot's ability to securitize VA mortgages because of apparent churning of recent originations. loanDepot cannot include any VA loans in Ginnie Mae I or Ginnie Mae II multi-issuer securities. loanDepot reportedly will still be an approved Ginnie Mae issuer and can still put VA loans in Ginnie Mae II custom pools and Federal Housing Administration and U.S. Department of Agriculture Rural Housing Service Loans in all eligible Ginnie Mae pool types.

Starting in March [Freedom Mortgage Corp.](#) is again eligible to utilize the Ginnie Mae I and Ginnie Mae II multi-Issuer securities programs for such loans.

Digital and Vendor Updates

If you want the straight story on what's happening with technology in the mortgage industry, STRATMOR Group is the one to ask. In the January issue of the [Insights Report](#), Senior Partner Garth Graham shares key findings from STRATMOR's [2018 Technology Insight Study](#) in his article, "Give It to Me Straight: Technology and Digital Trends in the Mortgage Industry." Garth says one of the most noteworthy findings is that digital is no longer the competitive differentiator - it's the new reality. "Borrowers expect a digital experience, and lenders who are not offering their customers options for executing disclosures, uploading docs and other origination steps are falling far behind their peers," says Garth. With most of the available digital capabilities being deployed and utilized on the front end of the origination process, Garth says there are great opportunities for efficiency gains at the back end of the process, and in meeting the challenge of integrating technology while driving borrower satisfaction. Read Garth's article in the [Insights Report](#) in its new online format.

[Riivos, Inc.](#) announced the appointment of Jeffrey Axelrod as Group Executive of Riivos Mortgage. Riivos is the leader in cloud-based, continuous value chain management technology which, for a few basis points, gives senior mortgage management the power to continuously monitor the future financial ripple effects of business condition changes and assist management's decision making.

[LoanScorecard](#) launched SimpleCECL, a solution providing loan-level analyses for Current Expected Credit Loss (CECL), provisioning reserves at the time of origination. Issued by the Financial Accounting Standards Board (FASB), CECL is the new "expected loss" accounting model for estimating the Allowance for Loan and Lease Losses (ALLL). It replaces the current "incurred loss" model and goes

into effect in 2020 for SEC-filing institutions and 2021 for all other financial institutions. SimpleCECL uses the credit and prepayment model of Andrew Davidson & Co., Inc. (AD&Co), a provider of risk analytics and consulting, and, through LoanScorecard technology, provides a cost-effective loan loss calculation for all size financial institutions.

PenFed, a federal credit union, has chosen [LoanLogics](#) to help increase its capacity for growth in their correspondent lending business, according to Ben Sizemore, PenFed's SVP of mortgage transformation. By automating a substantial number of tasks and streamlining loan deliveries, Sizemore expects LoanHD will enable a significant expansion of the credit union's monthly loan volume as their business grows. "We anticipate LoanHD will enable us to increase our loan throughput by automating processes and continue to deliver our loan document packages to meet investor and regulatory requirements," he said. "LoanHD also meets our standards for robust quality controls that enable us to lower operating costs."

TruHome Solutions™, a mortgage Credit Union Service Organization (CUSO) headquartered in the Kansas City area, announced seven new partnerships: Volt Credit Union, Dade County Federal Credit Union, Texoma Community Credit Union, Southwest Financial Credit Union, Mesquite Credit Union, Campus Credit Union and Cooperative Credit Union. TruHome also announced incoming servicing portfolio transfers for two credit unions - 121 Financial Credit Union (Jacksonville, FL) and Dade County Federal Credit Union.

eOriginal Inc. and LendingQB announced an integration that enables the generation, execution and management of eNotes. Through the automated integration into eOriginal's eNote technology, [LendingQB](#) is providing originators of all sizes with accelerated entry into the digital mortgage ecosystem, while gaining process efficiencies and improving quality control by eliminating manual entries and reviews through LendingQB's loan origination system. In the wake of Fannie Mae and Freddie Mac's increasing acceptance of eNotes, this partnership is the latest in the expansion of the digital mortgage ecosystem. Recently, eOriginal also announced an eNote program with Wells Fargo Home Lending and joined with MERSCORP Holdings to provide the technology to power MERS® eNote Solutions. MERSCORP's eNote offering will also be fully integrated with LendingQB.

Redfin, the next-generation real estate brokerage, and Notarize, the first company to enable an entirely online mortgage closing process, are working together to let customers close a home purchase completely online. Online closings are now available to customers of Title Forward, Redfin's title and settlement company, and Redfin Mortgage, Redfin's lending arm. "Redfin is using technology to improve the entire homebuying process from initial home search, to mortgage application and approval, to purchasing and now closing on a home purchase," said Jason Bateman, head of Redfin Mortgage. "For homebuyers, this means you can choose the time and place to sign your documents, whether that's from the comfort of your couch or on your phone in the moving truck outside your new home." Redfin Mortgage successfully completed its first fully-digital home closing on November 2 for a Texas homebuyer and continues to schedule more digital closings as consumers learn about this option.

ValuAmerica, a Radian subsidiary offering settlement and appraisal products and services, has been renamed Radian Settlement Services Inc. "Changing ValuAmerica to Radian Settlement Services is a key next step in Radian's evolution as a broad-spectrum solutions provider to the mortgage and real estate industries," noted Rick Thornberry, Radian CEO.

The Arch MI Underwriting Manual ([UW Manual](#)) has been updated.

Capital Markets

In this environment of challenging margins, your secondary marketing holds the keys to profitability. [In a recent case study](#), First Bank realized a net profitability increase of 52 basis points after implementing pipeline hedging and best execution loan sales with MCT. They also experienced an 8-basis point lift from new bid tape AOT delivery channels and 12 basis points through investor set optimization. According to Andrew Stringer, Director of Secondary, "MCT's BAM platform allows me to accomplish my tasks with a small team. If I had to prepare, send, receive, and manage bid tapes by hand I would probably need to hire another person." Beyond the bottom-line results, MCT offers clients transparency and boutique-style service that's hard to find between the FinTech's and Wall Street these days. [Learn more about the profitability and efficiency gains](#) that come through leveraging secondary marketing software and an expert team from MCT.

FINRA has again delayed, until March 2020, the implementation of [Rule 4210](#), which mandated risk limits and margin requirements for TBA transactions, spec pools, and CMOs. The net effect will be to **increase liquidity for smaller mortgage originators**. Though they're not the same, the Rule treats mortgage originators (who hedge their pipeline with TBAs) the same as hedge funds who speculate in commodity contracts.

The U.S. 10-year closed at 2.70% as we saw some yield-curve steepening after the release of the January FOMC Statement, which was quite "dovish." Sure the FOMC voted unanimously to leave the fed funds target rate range unchanged at 2.25%-2.50% as expected and its statement acknowledged that inflation measures have remained close to target. (Inflation remaining around target gives the FOMC the ability to remain patient when it comes to future policy moves.)

The Fed funds futures **cut the probability of another hike** in 2019 from about 19% to 10% and bumped the probability of a cut up to 12% as well. The consensus remains no changes for all of 2019. Why? The surprise came when the Federal Open Market Committee acknowledged that it is ready to alter the pace of its balance sheet normalization if economic and financial developments warrant a change, which is notable because the FOMC had hoped to conduct the balance sheet run-off in the background while focusing on the fed funds rate as the main policy tool. Fed Chairman Jay Powell said that the balance sheet normalization will be completed sooner than previously expected, leaving the balance sheet at a larger level than markets anticipated.

Internationally, the British parliament agreed in Brexit negotiations to replace the Irish backstop with alternative arrangements, but EU negotiators responded by saying the Brexit deal is not up for renegotiation. Things relatively quiet on the China/U.S. news front.

Today's economic calendar kicked off with job cuts from Challenger for January (53k), initial jobless claims (253k, highest since 9/17), and Q4 employment costs (+.7%). Personal income and spending have been postponed. January Chicago PMI is expected to register a decline at 10AM and we'll see the **previously postponed November new home sales report**. We begin today with Agency MBS prices a shade better versus last night's close and the 10-year yielding 2.67%.

Careers

An expanding Southern California-based National Mortgage lender who is a Fannie Mae, Freddie Mac and Ginnie Mae seller/servicer is seeking a Head of Capital Markets. Qualified candidates must have proven skill set and success in Investor Relations, Trading, and Credit & Securitization plus ability to develop and build new relationships. Please contact me if interested; please specify opportunity.

Lenox/WesLend Financials retail division is looking for assertive, knowledgeable and hard-working loan officers to fill key positions in its call center. Having almost two decades of experience as a mortgage banker, Lenox is located in Santa Ana, California with a nationwide footprint and is "uniquely positioned to provide LOs with exclusive leads generated by our marketing platform. We offer competitive rates alongside a vast product portfolio and can leverage a centrally located and seasoned fulfillment team to scale quickly. Our experienced and committed leadership team is looking to aggressively expand its call center operation in 2019. Are you highly qualified and eager to advance your career goals? Ask us how we can augment your business with an in-house or remote set up by emailing us."

Did you hear the news? [American Pacific Mortgage](#) has unveiled new branding. It's a fresh and modern take on their legendary commitment to support originators and branch managers, while further expanding their commitment to Creating Experiences That Matter™. APM has released a [video](#) with more information about their new brand vision, and a peek into the culture that has continued to help American Pacific Mortgage stand out in the crowd. Are you interested in seeing what 100% focus on making you look good can mean for you? Contact Dustin Block (303) 378-3166 or Peter Schwartz (916) 770-0053 for a confidential conversation.

A heartfelt congratulations to Tim Broadhurst for joining Churchill Mortgage. At Churchill, Tim will serve as SVP of Loan Officer Development to further Churchill's goals of engaging employees with its meaningful workplace culture and building a world-class production team. Broadhurst will develop his own individual book of origination business, as well as work with the national sales team to design strategies that fuel production across 46 states. Tim's over 20 years of experience will serve as a valuable asset as the Churchill team continues to guide thousands of families onto a smarter path of home ownership, equipping borrowers for a brighter future. [Churchill Mortgage](#) was named a "Best Mortgage Company to Work For" by National Mortgage Professional. Ranking ninth overall, the lender was recognized for its positive workplace culture, commitment to helping employees achieve meaning in their work and obtain work-life balance.

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