

Vendor Management, Appraisal, and Compliance Products; FHA Changes Turning Heads

By: Rob Chrisman | Thu, Mar 21 2019, 10:33 AM

Want a growth industry? How about aging? PulteGroup's Del Webb 55+ brand will build [10 new Del Webb communities](#), planned to open over the next 18 months. Boomers welcome! Another growth industry is...Wite-Out?! Often used as the butt of jokes about using it to "fix" mortgage applications, correction fluid sales are doing fine (+1%) as Wite-Out sales [rose 10 percent in 2017](#) versus the flat U.S. stationary and office supply market. So someone out there is using it.

Lender Services and Products

Maxwell's industry-leading digital mortgage point-of-sale continues to get even better. Maxwell just announced their integration partnership with pricing leader Optimal Blue, enabling loan officers to run and save scenarios from within a borrower file. Maxwell's elegant integration with Optimal Blue streamlines the process of evaluating, saving, and curating the best products for your borrowers, all in one intuitive interface. Maxwell's world-class product design and engineering teams create thoughtful integrations with the technology critical to the mortgage process. From leading LOS providers and Day 1 Certainty verification services to credit providers and disclosure platforms, Maxwell's integrations enable your team to spend time with people, not paper. Interested in learning more about Maxwell and their new pricing integration with Optimal Blue? Request a personal demo by visiting www.himaxwell.com or simply book your time [here](#).

Looking for ways to grow your business? Freddie Mac is collaborating with clients to deliver automation and insights that provide a competitive edge. Cut back on documentation and reduce time to close with Loan Product Advisor® automated income and asset assessment capabilities. Save borrowers time and money with ACE appraisal waivers, now available for certain condo unit loans. Grow your condo business with Freddie Mac's unit-level condo exception tool, Condo Project AdvisorSM. Get greater efficiency with simpler collateral QC and underwriting in Loan Collateral Advisor® [Get The Freddie EdgeSM](#).

For a limited time only, NewRez Wholesale is offering free appraisal offers through the end of March! Choose one of NewRez's Smart products or a NewRez FHA loan and we'll reimburse your borrower's appraisal fee. Contact your AE today to learn more about how you can get an appraisal fee credit for your borrower's loan closing. Don't forget to ask your AE about our improved MI pricing for all new loans that hit UW after March 18th. Exclusions and restrictions apply. Max appraisal value reimbursement for Smart Series is up to \$650 and FHA up to \$550. This offer is available for all new locks through March 31st.

The Compliance NewsHub is your free mortgage credit and compliance resource library. Join the thousands of industry professionals who've subscribed to ARMCO's Compliance NewsHub, the mortgage industry's first free comprehensive searchable online resource for regulation-related news and information. The Compliance NewsHub provides mortgage lenders with fast and easy access to the most comprehensive source of current information on a full range of regulation-related topics—from investor guidelines to state law and CFPB mandates. ARMCO's Compliance NewsHub provides the latest compliance news and announcements by category: federal legislation, legal, industry, agency/GSE, disaster and state. The Compliance NewsHub Calendar offers a searchable library of past and future regulation announcements that users may search according to date, industry and regulating body. SUBSCRIBE to the ARMCO [Compliance NewsHub Bulletin](#) and get a free checklist on How to Survive an Onsite Audit.

Congrats to Kevin Pettaway whom [Triserv Appraisal Management Solutions](#) has announced is its new Director of National Sales. Kevin is very well known in the industry as a longtime mortgage industry veteran with extensive experience and knowledge of mortgage lending as well as the appraisal management process. As a valuable asset to Triserv, Kevin will help Triserv continue to grow as one of the premier appraisal management companies and will cover clients on a national level. Please contact Kevin (303-870-2538) to help with your appraisal needs.

[Caliber Home Loans, Inc.](#) is set to launch the latest addition to its Portfolio Suite. Professional Elite is a new loan program specifically tailored to self-employed borrowers. Self-employed borrowers are typically left without many options when it comes to home financing due to their unique financial profiles. Professional Elite allows Caliber to verify income using personal and business earnings statements rather than relying on W-2's. Caliber has long been regarded as the pioneer in post-crises, non-Agency lending and was the first lender to reintroduce non-Agency products back into the mortgage space. Email CPLTeam@CaliberHomeLoans.com for more information.

Mortgage vendors routinely deal with consumers' sensitive personal and financial data, and if that information is mishandled or compromised, it's the lenders, not the vendors, that are on the hook. Thus, vendor contracts are critically important to mitigating any risk lenders might face from these relationships. Don't gamble with your vendor contract reviews! Learn which contract provisions are most

critical to addressing vendor risk in, [Rolling Sevens: The Top 14 Provisions Every Lender Should Examine When Reviewing Vendor Contracts](#), a free white paper from HQVM, MQMR's vendor management division. HQVM has helped lenders of all sizes establish a right-sized vendor management program that meets regulatory requirements and effectively reduces risk. Contact sales@mqmresearch.com to learn more or to set up a meeting at the MBA Tech Conference in Dallas. While you're there, don't miss The Art and Science of Vendor Management session by HQVM's Erin Harris on Monday, March 25 from 2:00 - 3:00 pm.

Servicing News

The question of whether to retain more, or less, servicing in the current mortgage environment really depends on capital/cash, accounting, risks and mortgage policy for both banks and independent mortgage banks. It's not an easy road to navigate, and it requires having data driven solutions to understand the current and potential impacts on your originations and servicing lines of business. For example, a lender that can originate at \$6,000 per loan, retail (and one of six lenders do, according to data from the PGR: MBA and STRATMOR Roundtables Program) can retain much more servicing without incurring cash flow problems than a lender that has retail costs of \$8,000 or more. In his article in the March issue of STRATMOR's Insights Report, "Finding Balance: Servicing in the Mortgage Lender's Strategy," STRATMOR Principal Seth Sprague, CMB provides insight into the top-of-mind concerns for Banks and Independents in today's evolving servicing environment. It's all about servicing in STRATMOR's [March Insights Report](#).

Fun With FHA

The industry took note of the **tighter scoring model**, and its impact on certain borrower groups, that goes into effect "for mortgages with case numbers assigned on or after March 18, 2019." ([FHA INFO # 19-07](#)). Amy Glatte at Bell Bank Mortgage writes, "HUD's new scoring model not being applied until the FHA Case # is pulled is way too late in the lending process because most Realtors will not even start showing Borrowers homes until they have been pre-approved for a mortgage. If HUD does not reprogram FHA TOTAL Scorecard to move up when they apply their new tighter scoring model, it will mean all of our FHA pre-approvals of Borrowers will be in jeopardy of losing their automated approval after the loan is retransmitted with a FHA Case # after they have purchased a home! Maybe other Lenders will take the time to [contact HUD](#) (202-708-1112) to bring this to HUD's attention!" Thank you, Amy!

Yes, the FHA is taking initial steps to better mitigate the increasing risks in recent Single-Family fiscal year (FY) endorsements. Effective for mortgages with case numbers assigned on or after March 18, 2019, FHA will update its Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard to **specifically manage the decrease in average borrower credit scores** and the excessive risk layering that results when multiple risk factors are present. Federal Housing Commissioner Montgomery has publicly stated numerous times in recent months that FHA must seek the right balance between mission of supporting sustainable homeownership. To be successful long term, FHA must maintain the integrity of its insurance endorsements. This includes assessing the causes of the increase in higher-risk credit characteristics in the portfolio and making prudent and necessary changes to recalibrate and adjust its policies as warranted to manage credit risk.

FHA recently published [Mortgagee Letter \(ML\) 2019-05](#), Removal of the Ten-Year Protection Plan Requirements, which streamlines home warranty requirements for FHA single family mortgage insurance by removing the requirement that borrowers purchase ten-year protection plans in order to qualify for certain mortgages on newly constructed single family homes. This guidance saves the homeowner the cost of the protection plan and follows the December 14, 2018, publication of the final rule of the same name, which streamlined these home warranty requirements, effective March 14, 2019. The homebuyer and builder will **continue to execute a one-year Warranty of Completion of Construction**, which provides FHA with assurances that the home was built according to plan and protects the buyer against defects in equipment, material, or workmanship supplied or performed by the builder, subcontractor, or supplier. The warranty further states that the warrantor agrees to fix and pay for any defects and restore any component of the home damaged in fulfilling the terms and conditions of the warranty. The one-year warranty begins on the date that title is conveyed to the buyer, the date that construction is complete, or upon occupancy, whichever date occurs first.

The news about Mortgage Scorecard system (that reinstates manual underwriting requirements for certain mortgages with credit scores below 620 and DTIs above 43%) has caught a fair amount of attention. Large banks have been steering clear of the program, with its low FICOs and high DTIs, for several years now despite the profit found in the loans. With a reported average FICO of 670 some call the FHA program "the new subprime" and supporters view this as a step in the right direction to protect a program against adverse selection. More than 28% of the traditional single-family loans the FHA endorsed during the first quarter of the current fiscal year have credit scores below 640, and more than 13% of all traditional single-family mortgages the FHA endorsed during the same time period had credit scores below 620. Additionally, there is an [increasing concentration](#) of loans that have both credit scores below 640 and DTIs above 50%, according to the FHA."

Correspondent Group posted a [FHA third party verification and reminder regarding tax transcripts](#).

MWF posted [Wholesale Bulletin 19W-020](#) regarding FHA's update to its TOTAL Scorecard.

US Bank Correspondent posted [Seller Guide SEL 2019-012](#) updating changes to the Lender Scorecard on VA cash-out refinances.

PennyMac posted upcoming update requirements for the "Purchase Special" on the Conventional and Government LLPA tabs of the Best Efforts and AOT/DT rate sheets.

Capital Markets

How 'bout dem rates!? But do we want a slow economy? Signaling no more rate hikes in 2019, yesterday's "dovish" Fed events saw U.S. Treasuries rally to their lowest yields of the year, including the 10-year dropping -8 bps to 2.54%. Hopefully your lock desks were busy! The March FOMC Statement **confirmed the Fed's patient-minded stance** as expected, but the central bank's dot plot showed that policymakers no longer expect to hike rates in 2019. Additionally, the FOMC lowered its 2019 GDP growth forecast for the U.S. to between 1.9% and 2.2% from 2.3%-2.5% forecast in December. The final dovish action was the FOMC signaling that the balance sheet runoff will slow in May and end in September. Despite the above, Fed Chairman Jay Powell said during his press conference that economic fundamentals remain strong and the FOMC's outlook is positive, for what that is worth.

Overseas market movement on Tuesday centered around China potentially not complying with the terms of the trade deal, President Trump stating that the U.S. is likely to keep tariffs on imports from China until China complies with the terms agreed upon, and news that the People's Bank of China may lower the reserve requirement ratio during the second quarter. British Prime Minister Theresa May officially requested to push the Brexit date back to June 30, though European Council President Donald Tusk said in response that a short extension would be conditional on the UK House of Commons voting in favor of a deal.

The US calendar just began with weekly jobless claims and the Philadelphia Fed Manufacturing Index (-9k to 221k, and strong at "13.7" respectively). Coming up is February leading indicators at 10AM ET. Economic news is overshadowed by yesterday's Fed statement. We begin today with agency MBS better by .125 versus Wednesday's close and the 10-year yielding 2.50%.

Jobs

Perch, a real estate technology company, is looking for an experienced mortgage professional who is passionate about building a modern mortgage brokerage from the ground up. Perch has offices in New York, Austin, Dallas and San Antonio, and raised over \$50 million in financing from top tier investors. "We are looking for a Head of Mortgage Operations to lead the design and implementation of Perch Mortgage. This is an exciting opportunity to join an early stage venture-backed company in an instrumental role. The ideal candidate possesses deep knowledge and experience in residential mortgage lending, including a valid Texas Residential Mortgage Loan Originator license. For more information on the role and company, please see [our full posting here](#) and reach out to Sarah Decker."

"Ready to make your move from retail LO to independent mortgage broker? The time has never been better. At [BeAMortgageBroker.com](#), we can match you with a mortgage broker in your area or help you take the next steps toward opening your own shop. We are your single, no-cost source for the information and tools you need to become an independent mortgage broker. Call us for a free, confidential consultation and continued support throughout the process at 800.229.6342 or learn more at [BeAMortgageBroker.com](#)."

Attending the Atlanta Mortgage Expo? Come visit Symmetry Lending at booth 512! Meet with our Area Managers, Caleb Riso and Jeff Thomas, to learn more about Symmetry's commitment to Service, Speed, and Simplicity. As your reliable HELOC specialists, Symmetry follows agency guidelines with very few overlays. Not attending the Atlanta Mortgage Expo? Visit [symmetrylending.com/areamanager](#) to Find Your Area Manager today. Symmetry is growing! Learn more about positions for new Area Managers and other roles at [indeed.com/cmp/symmetry-lending](#).

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