

# Enforcement Action Webinar; Non-QM Snapshot; German 10-year Yield Drops Below 0%

By: Rob Chrisman | Fri, Mar 22 2019, 8:47 AM

Congrats to former President Jimmy Carter. As of today he is no longer just the oldest living U.S. president, but now is the longest-living in the nation's history. Created in 1986 LIBOR was not around during his presidency, but the transition away from using LIBOR is also making news. The Alternative Reference Rates Committee, a Federal Reserve-backed advisory panel, says it wants to see, by June, [a computer model for mortgages](#) that incorporates an alternative interest-rate benchmark to replace Libor. Daniel Coates, a Federal Housing Finance Agency official and a panel member, says that is "a really aggressive deadline." (LIBOR, by the way, is owned by ICE, who also, for the folks playing along at home, owns MERSCORP Holdings who brings us [MERS](#).)

## Lender Products and Services

On March 26, Weiner Brodsky Kider PC will present the webinar "[Administrative Enforcement Actions](#)" from 1- 2 pm EDT. Civil enforcement actions can present serious risks to companies: proceedings can delay or derail key business objectives, tarnish reputations, reduce consumer confidence, and trigger parallel enforcement actions from other government entities. Government agencies have recently shifted their enforcement focus, while new players have entered the landscape. Join WBK attorneys, Mitch Kider, A.J. Dhaliwal, and Brian Serafin, as they discuss the issues and latest trends related to administrative enforcement actions. [SIGN UP TODAY!](#)

[MortgageFlex Systems](#) will be at booth 311 showing lenders a LOS that will decrease their cost to originate and increase profitability. MortgageFlexONE is a single system that uses modern SQL and utilizes business-rules. MortgageFlexONE works with HELOC's, chattel loans, consumer lending, manufactured home loans, construction, conventional, and more. Our team combined has over 30 years of lending experience. We'd be happy to discuss our other services and a solution that's right for you. If you want to schedule a meeting or connect before the MBA Technology Conference, contact John McCrea, SVP of Business Development (860.536.5125)."

Quicken Loans Mortgage Services (QLMS) offers an exclusive program to its best performing partners. Pinnacle members get a Fresh Start credit repair consultant to assist clients that need help boosting credit scores. All members also receive complimentary five-day rate lock extensions and EPO fees are waived if another originating company pays off the new loan within six months. Lastly, members can attend invitation-only events that combine industry education and once-in-a-lifetime experiences. Plus, more benefits are always being added. To join Pinnacle, broker partners must have achieved certain milestones related to number of loans closed with QLMS and they need to have high satisfaction rankings from their clients. If you'd like to learn more about the program, contact your QLMS account executive or go to [QLmortgageservices.com](#).

Forward-thinking fintech company TMS is excited to be one of the first-to-market with eNotes, leveraging its services and technology for the full spectrum of its subservicing clients' needs. As an early adopter of eNotes, the company is now approved and equipped to buy eNotes through its correspondent channel or via bulk purchases, and to act as a servicer or subservicer for mortgages using eNotes.

## Non-QM

While expectations for this business were high "when it was invented," estimates for 2018 point to about \$20 billion, or 1.5% of the \$1.6 trillion or so of residential originations. Fans of [non-QM suggest it will double in 2019](#) to \$40 billion. Time will tell! In the meantime. . .

Who is Western Asset Mortgage Capital Corp. (WMC)? It has a huge footprint in the non-qualified mortgage (non-QM) lending market, and WMC (managed by Western Asset Management, has one of the largest non-QM portfolios in the sector at more than \$1 billion. Eric Hagen with KBW writes, "We expect the company's exposure to rising long-term interest rates is low and believe higher rates may even be a catalyst for more non-QM originations. . . WMC is the only hybrid residential mortgage real estate investment trust (REIT) that offers exposure to both Agency commercial mortgage-backed securities (CMBS) and mortgage credit risk, with virtually no exposure to Agency residential MBS (RMBS). The prepayment and convexity risk in the company's Agency CMBS portfolio is very low, especially relative to other stocks in the sector. . . We believe we're in the very early innings of origination growth in the non-QM lending market. We think the addressable market of borrowers that fall outside the credit standards of the government-sponsored enterprises (GSEs), but don't qualify for a jumbo mortgage loan, is very high.

Time will tell, of course, how much production goes through this channel. Non-QM companies are raving about the possibilities. The "QM Patch," where any loan that is approved by DU or LP (GSEs) is automatically QM, expires January 10, 2021 or on the day the GSEs exit Federal Housing Finance Agency conservatorship, whichever occurs first. But the government is good at kicking the proverbial can down the

road, **so many expect a continuation as the date approaches.** The FHA, VA, and USDA QM rules are permanent.

Housing reform and CFPB regulations may be headed for a conflict if what is called the GSE patch is not renewed when it expires in 2021. The CFPB discourages loans with debt to income ratios above 43%, but also permits GSE backed loans to fall under the QM umbrella, even though they permit DTIs up to 50%. Roughly a third of GSE loans fall in the 43-50% DTI range, which could become non-QM loans once the patch expires. Some recommend that the GSEs replace the DTI rule with a 150-basis point cap over APOR to determine eligibility under QM.

In the secondary markets, Angel Oak Companies and NewRez (ex-New Penn) are producing enough non-QMs to warrant the issuance of multiple mortgage-backed securities with the loans in one quarter. In the primary markets, there isn't currently a field indicating if a loan is non-QM in the HMDA dataset. The expanded dataset for 2018, however, will have fields for DTI, points/fees, etc., so those with the desire can probably pull non-QM lender rankings using HMDA data going forward. Back in September [ARMCO published a piece](#) on how non-QM production is gaining in popularity.

Companies like [Sprout Mortgage](#) continue to expand their client base.

Plaza has expanded its [Solutions Non-QM program](#) PLUS Plaza will calculate bank statement income for you. Send a quick request from the Plaza website and Plaza will review and calculate the monthly income for you before you submit your loan. Download the [Quick Step Guide](#) for instructions.

Whether you are a broker experienced with non-QM loans or you're looking to get your feet wet, Citadel makes the process easy. The appraisal transfers are simple, as [reassignment of appraisals are not required](#), even at funding.

Angel Oak Companies and its affiliated lenders announced its record-breaking year in 2018 which includes the **doubling of their non-QM origination number from the previous year** to the tune of \$2.2 billion non-QM originations. Although this growth contradicts some of the trends seen in the mortgage industry for 2018, Angel Oak Companies are expecting another rapid period of growth this year. "In 2018, our lending units saw a distinct rise in the popularity and use of non-QM products as more creditworthy borrowers turned to these innovative options," said Angel Oak Companies Managing Partner and Co-CEO Michael Fierman. "We've reached an inflection point for non-QM products, and the industry across the country now sees the strong demand for our products as well as the quality, speed and service delivered by Angel Oak. We continue to see great potential for this market and look forward to getting more borrowers into additional homes in 2019."

Do you have a borrower with a BK, Short Sale or Foreclosure less than 7 years ago? Parkside Lending offers [Expanded Jumbo Standard Non-QM products](#).

Deephaven Mortgage and Class Appraisal have partnered to provide quality and service for residential appraisals to the mortgage broker community. Mike Brenning, Chief Production Officer at Deephaven Mortgage, stated, "This partnership allows Deephaven to communicate with a dedicated team of appraisal management associates at Class Appraisal that has an outstanding and compliant communication protocol, so that our broker partners can get appraisal results delivered on time."

Calyx® Point® users can now access Deephaven's non-QM mortgage products. Originators can instantly determine fit across Deephaven's non-QM loan programs utilizing Deephaven's IDENTI-FI AUS Findings Report on any loan file in Point without having to import/export a 1003 or credit information. Originators do not have to be preapproved with Deephaven to see a detailed breakdown of the qualification criteria applied, along with documentation requirements. "

Excelerate Capital has introduced its ["Gold Program."](#) This non-QM product offers 2-year full doc, 24-month bank statements and 0 months reserves. Contact Rachel To for more information.

Mountain West Financial Wholesale now offers [the Non-QM G program](#). This program is available as a 30-year fixed and a 30-year or 40-year fixed with an interest only option.

## Capital Markets

The **German 10-year (bund) yield has dropped below 0%** That makes investing in the U.S. 10-year look pretty good if you want to earn anything on your money. U.S. Treasuries exhibited little movement by close Thursday, including the 10-year closing unchanged at 2.54%, as markets digested yesterday's dovish Fed news. There was no real market-moving news during the session, especially from the U.S. We did have some central bank decisions, including Norges Bank raising its key policy rate (due to Norway's solid economic growth and rising oil price), the Swiss National Bank and Bank of England leaving their rates unchanged, as expected. Additionally in England, reports are that the EU will consider a nine-month Brexit extension if British Prime Minister Theresa May's plan is not approved by British lawmakers next

week.

Today's calendar kicks off with preliminary March Markit Manufacturing and Services PMIs at 9:45am ET. Next up is existing home sales and wholesale inventories and sales at 10:00am. In the evening Atlanta Fed President Bostic will speak in San Francisco. We begin today with agency MBS prices +.250 versus Thursday afternoon and the 10-year yielding 2.47%.

## Jobs

Summit Mortgage is seeking growth-oriented Originators who are looking for a company that provides full support to help grow their business. If you are a Loan Officer ready to manage your own location, or a Branch Manager looking to expand your team, please give us an opportunity to demonstrate our commitment to helping you grow. Extensive in-house support, a full suite of technology and marketing systems will help you capture new clients while maintaining a large pipeline of prospects and Realtor relationships. Designed to be nimble, Summit is lean in management layers and deep in capability giving you the Freedom to Grow Your Business. Summit is a privately-held, well-capitalized lender headquartered in Minnesota. Since 1992, Summit has been helping originators exceed their client's needs by providing all of the advantages of a national company with the family-oriented values of a local establishment. Contact us at [HR@Summit-Mortgage.com](mailto:HR@Summit-Mortgage.com) or [www.joinsummitmortgage.com](http://www.joinsummitmortgage.com).

[Caliber Home Loans, Inc.](#) and its National Builder Division recently achieved another top 10 ranking among lenders for home builder production in 2018, according to housing market intelligence firm Metrostudy. For the third year in a row Caliber's builder division has earned a top 10 spot for home builder production and a top five spot among non-builder owned lenders. In 2018 Caliber closed 6,179 new home sales. Caliber ensures that builders' homebuyers are provided with the ideal loan product - one that complements their financial situation and personal preferences. In addition to success in builder sales, Caliber was recently ranked #3 non-bank lender for Agency Jumbo and #2 non-bank purchase lender, per Inside Mortgage Finance. Builder-focused loan officers should contact Jeremy DeRosa or Michael Brown to learn about career opportunities at Caliber.

[GSF Mortgage Corp.](#) continues to expand its Direct Originator Partnership Program for originators who are interested in a low expense and best execution opportunity in today's market. The program has no branch or lender fees, translating to better pricing and compensation for the originator. Included in the partnership is access to Encompass Origination System, Optimal Blue Pricing Engine, SocialSurvey, MBS Highway, Sales Boomerang and HubSpot CRM—all at no charge to the originator. Originators participating in this partnership have the "BEST OF BOTH WORLDS" A fully supported Retail platform with direct agency access and robust marketing and point of sale technology and the ability to Broker transactions and build relationships with leading Wholesale companies. If you are interested in the Direct Partnership please reach out to VP of Lending, Frank Papaleo.

Did you hear about APM's Sales Summit? There's still time to register for a city near you! The American Pacific Mortgage Spring Sales Summit gives you the perfect opportunity to become informed, inspired and educated, and network with other top producers and branch managers. The jam-packed agenda and breakout sessions are designed to provide you with inspiration and strategies to elevate you and grow your production by creating experiences that matter. The Summit still has dates in Orange County, Sacramento, Concord, and Seattle/Bellevue, so you can choose the city most convenient for you. Click [here](#) for a video to give you a sneak peek at what Summit is all about. For qualified candidates that want to take a serious look, we will cover the cost to get you there! [Click here to register](#) or contact Dustin Block (303.378.3166).

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