

Compliance, Servicemember Products; The CFPB is Alive and Well

By: Rob Chrisman | Mbn, Apr 29 2019, 9:08 AM

When I was a kid in California, as with my parents and their parents, and their parents, flowers and fruits had seasons. Roses bloomed in the spring. There weren't any peaches from October through June. Apricots & cherries were eaten in May and June, pomegranates in October and November, watermelon in the summer. (In fact, for most of human history, fruit was only available in a seasonal window and ancient humans would have gorged on fruit when available, using the carbs to pack on pounds to survive through lean times, or learned to preserve them.) Seasons had an end. For various reasons not anymore. Lenders and investors wonder if the lawsuits and settlements from ten years ago will ever end. Morgan Stanley [just settled](#) with California AG's Mortgage-Backed Securities Probe for \$150 million. GE Capital's subprime WMC Mortgage [filed for bankruptcy](#) last week. The Chapter 11 filing, a rare step by a major company, comes just weeks after GE agreed to pay a \$1.5 billion fine over WMC, a leading subprime lender that was shut down in 2007. Legal & regulatory issues continue – more below.

Lender Products and Services

Announced last week, digital mortgage point-of-sale leader Maxwell is proud to announce its latest integration with Encompass® by Ellie Mae®. Maxwell's bi-directional integration between Encompass and Maxwell enables lenders to send loan applications, synchronize borrower documents, and trigger status notifications to borrowers and real estate agents without ever leaving Maxwell. "Lending teams spend a lot of time jumping between different platforms to move a loan from application to clear-to-close," explained Lindsay Hunt, head of product at Maxwell. "Maxwell has always prioritized the human element in our software — it's what we stand for. We built our integration with Ellie Mae's Digital Mortgage Solution to solve this and design a best-in-class experience that seamlessly links both platforms for the user." To learn more about Maxwell and their new integration into Encompass, visit www.himaxwell.com. Maxwell gives your borrowers the online experience they expect from a modern mortgage lender; [request a demo here](#).

While you are in NY for the MBA Secondary Conference, pop in and learn more about what is new in the reverse mortgage space. Chrisman blog subscribers have been extended a special promotional rate to a conference being hosted by the National Reverse Mortgage Lenders Association (NRMLA) in New York City, May 20-21. While FHA insures most reverse mortgages made in the US, there is a growing market for proprietary reverse mortgages with fewer restrictions, lower upfront costs and the ability to draw down more money that may be just as appealing to your older clients. NRMLA's conference will introduce you to these mortgage products, how they work in the secondary market, and to the growing importance of reverse mortgages as a retirement planning option for homeowners 62+. Enter the promo code CHRISMANNY2019 to receive \$100 off the current registration rate. For more information, contact Darryl Hicks.

Today, mortgage lenders are looking for ways to reduce compliance costs — without sacrificing quality. Finding a solution that can respond to the ebb and flow of your business needs will be essential in forming a savvy and time-saving compliance solution. With tailored compliance packages, Strategic Compliance Partners (SCP) can accommodate your ever-changing needs. [Click here to learn more about our compliance solutions for Lenders](#).

Caliber Home Loans, Inc.— the nation's #2 non-bank purchase lender — now participates in PENFED's Dream Makers Grant Program. Dream Makers is a stand-alone down payment and closing cost assistance program provided by PENFED for military borrowers. **Eligible borrowers can receive a grant ranging from \$1,000 to \$5,000.** The grant is a 2-to-1 match of the amount the borrower pays into their mortgage. The Dream Makers Grant does not require repayment for any reason. This program is approved by the VA, allows for loans up to a 97% LTV, and can be used for purchases in all 50 states. To get started, a borrower should first apply on the website and upload a copy of their pre-approval letter with the application. Caliber is a lending national lender, and offers a wide range of government, conventional, jumbo and non-agency loans, in addition to participating in several down payment assistance programs.

CFPB and Legal Matters

The president and founder of a Falmouth mortgage company was sentenced in federal court in Boston in connection with [defrauding the Government National Mortgage Association](#) (Ginnie Mae) out of approximately \$2.5 million. Robert Pena, 69, the president and founder of the now-defunct mortgage company, Mortgage Security, Inc. (MSI), was sentenced by U.S. Senior District Court Judge Mark L. Wolf to 32 months in prison, two years of supervised release, and ordered to pay \$2.5 million in restitution to Ginnie Mae. In October 2017, Pena pleaded guilty to an indictment charging him with one count of conspiracy and six counts of wire fraud.

Have regulations and politics exited from lending? Has the CFPB been de-fanged? No, and no. The Consumer Finance Protection Bureau is alive and well, despite not making headlines. Analysts believe that the CFPB's proposed rules being considered are mostly intended to set a framework for the industry which makes it easier to identify bad actors and abusive practices, **not to seriously disrupt the operations of established, compliant companies.** Director Kathy Kraninger's expressed intent is to focus the bureau on preventing consumer harm with an emphasis on consumer education and industry-friendly supervision.

The CFPB recently released a piece on [financial service complaints from servicemembers](#). Remember its "monthly" complaint report, providing a snapshot of consumer complaints submitted across the country. For each state and the District of Columbia, the report provided statistics on complaint volume, the products and services generating the most complaints, company response rates, and a look at complaints from servicemembers and older Americans.

Last week the CFPB issued a [Request for Information](#) (RFI) on two aspects of the Remittance Rule from six years ago and requires financial companies handling international money transfers, or remittance transfers, to disclose to individuals transferring money information about the exact exchange rate, fees, and the amount expected to be delivered.

This month the Acting Director of the Office of Management and Budget (OMB) issued a [memo](#) requiring all agencies to provide new rules to it before they are issued. The OMB will then analyze the new rules and determine if it is major or minor. If it is deemed major, then Congress will perform a review and may decide to disapprove it. The Consumer Financial Protection Bureau (CFPB) would be impacted by this change as it would have to submit new rules and regulations to the OMB and await congressional action if the change was categorized as major. The memo indicates that this new process takes effect on May 11, 2019.

The CFPB has updated the Home Mortgage Disclosure Small Entity Compliance Guide to reflect amendments made by Section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act and the 2018 interpretive and procedural rule. The updated guide is available on the [Bureau's website](#).

Remember that the [CFPB published a blog post on eClosings that covered some interesting territory](#). As an advocate for electronic closings, the CFPB sees the benefits to the consumer as ease of understanding, ease of access, and decreasing the pressure to review certain documents. The CFPB found consumers involved in a 5-month pilot program a few years ago, to be: There is a lot paperwork to review at closing; I'm having trouble knowing who can answer my question; The whole process is painful and overwhelming. eClosing and technology, generally, help consumers better understand the transaction and reduce (some of) the stressors in a closing. Perhaps the biggest revelation was that 80% of Americans now live in a jurisdiction that accepts eRecording. Given those figures, **a surprising number of Americans now have access to the fully electronic mortgage process.**

In my travels around the United States many loan officers, and owners, are concerned that we're heading toward NINA and NINJA loans and casting aside the Ability to Repay rules. ATR hasn't been eliminated yet. Recall its original purpose. Though each individual provision included in the new regulations that banks must adhere to may not cause much burden for lenders in isolation, the combined impact of the numerous regulatory changes generated a multiplicative effect that is contributing to an environment of extreme caution among mortgage lenders. One such regulation that contributes a number of strenuous lender requirements is the ability-to-repay rule, detailed in the Dodd Frank Act and enforced by the CFPB.

The rule stipulates that lenders must ensure that borrowers are able to make timely monthly payments. While the intention behind the rule is to ensure borrower credit-worthiness and avoid the worst abuses that led to the housing bubble, the rule essentially requires lenders to document every potential element of borrower risk, no matter how small. **Effectively, many lenders are forced to document issues that have little to do with lending risk**, simply to remain in compliance. Additionally, the rule makes the lender liable for issues that may cause a borrower to not repay a mortgage in the future, exposing lenders to potential future litigation, the risk, scale and cost of which are largely unknown."

Capital Markets

Fed officials made it clear earlier this year that they had **no plans to raise rates in the foreseeable future**, citing the country's slowing economic growth. They're also under pressure from President Trump to keep rates as low as possible, whether they want to listen or not. However, the Commerce Department reported on Friday that the United States' economy grew at a much better than anticipated rate of 3.2 percent last quarter. Might that prompt the Fed to rethink its interest rate outlook?

U.S. Treasuries experienced a curve steepening to close last week despite the 10-year yield breaking through 2.50 percent to touch 2.495 percent before closing yielding 2.51 percent. Friday we had the first look at Q1 GDP coming in stronger than expected on the headline due to net exports and inventories, but with a sizable downside miss in the inflation components. Yields on most durations fell to their lowest levels in nearly two weeks.

This week's month-end calendar is quite busy, with all releases already out: Personal Income (+.1%) and Personal Spending (+.9%), Core PCE Price Index (a measure of inflation, it was unchanged). Additionally, Japan's Nikkei is closed today and throughout the week for Golden Week, which will be highlighted by the start of an imperial transition.

We have **busy week news-wise** as well! Tomorrow brings the February S&P Case-Shiller Home Price Index, Q1 Employment Cost Index, April Chicago PMI, March Pending Home Sales, and April Consumer Confidence. Wednesday we receive the usual Weekly MBA Mortgage Index, April ADP Employment, March Construction Spending, April ISM Manufacturing Index, and May FOMC Rate Decision. Thursday we receive Jobless claims, Preliminary Q1 Productivity and Unit Labor Costs, and March Factory Orders. The week closes with April Payrolls, Advance March International Trade in Goods, Advance March Retail Inventories and Advance March Wholesale Inventories, and April ISM Non-Manufacturing Index.

Employment

Houston-based lender NRL Mortgage is proud to announce that the company is now fully owned and operated by CEO Ron Zach, CPO Mewael Ghebremichael, and CSO Michael Allen, following their purchase of the company from its investment partner in March of this year. This transaction advances the executive team's vision for the future of the company and allows them to boldly pursue sustainable, scalable growth. NRL Mortgage which is licensed in 47 states is positioned to reach record profits in 2019 and is seeking to acquire retail mortgage branches or mid-size mortgage companies between \$500M- \$1B that share its growth mindset and commitment to success. If you would like to discuss this opportunity and learn about NRL's stellar leadership team, top-rated operational support, and award-winning corporate culture, reach out to Ron Zach for a confidential phone call.

Mortgage Investors Group recently announced that Gary Royal has joined its team to oversee the mortgage lender's growth in new markets across the Southeast region. As MIG's new VP, Southeast regional production manager, Royal will lead the Knoxville-based company's efforts to expand its retail presence outside of Tennessee, where it has been the top residential mortgage lender for more than a decade. The expansion includes opening branches in select markets across the Southeast, including Alabama, Florida, Georgia, North Carolina and South Carolina. Since opening its doors in 1989, MIG has served more than 125,000 clients in excess of \$20 billion. The firm has nearly 400 employees in 25 branch locations from Memphis to the Tri-Cities. MIG has also been the THDA top lender for 16 successive years and the #1 TN USDA Lender for the past 5 years. Interested Branch Managers and Loan Officers should contact Gary Royal (404-376-4320).

The Joint Venture division of NewRez is looking to add mortgage professionals who have long-standing relationships with real estate brokers and builders to their team. "We are proud of our proven track record in launching, managing, growing, and sustaining profitable partnerships," says Vince Daino, VP of Recruiting and Business Development. "With our best-in-class JV partnership platform, we are looking for professionals who are seeking a mortgage partnership solution for their real estate and builder partners that provides significant revenue potential in a 100% compliant manner." The NewRez family brings over thirty years of experience in the JV space and is growing. To learn more about how NewRez can monetize your real estate partner's mortgage referrals while minimizing capital requirements, contact Vince Daino.

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