Database Sales, Closing Costs Products; Lender-Related M&A; What's Moving Rates

By: Rob Chrisman | Thu, Jun 20 2019, 10:13 AM

“Enable” is such a vague, over-used tech term. The same with “repurpose.” But over the next 10 years Google is going to “repurpose” (aka, re-zone) a lot of land and plans to invest $1 billion to “enable” the development of 20,000 new homes in the San Francisco Bay Area, including more than 5,000 affordable housing units. Hope they throw in some mixed-use projects because the Bay Area doesn’t need more people driving somewhere. Speaking of growth, among the 15 cities or towns with the largest numeric population gains between 2017 and 2018, eight were in the South, six were in the West, and one was in the Midwest, per the U.S. Census Bureau. Phoenix was at the top of the list with an increase of 25,288 people, followed by San Antonio (20,824); Fort Worth (19,552); Seattle (15,354); and Charlotte (13,151).

Lender Products and Services

“AFR offers an impressive range of value-added services to our broker partners, including: access to the secure online AFR Loan Center (which allows you to monitor and manage your loan pipeline 24/7 from virtually any device), free AFR University Training and Certification in unique programs for Manufactured Housing, Renovation Lending and One-Time Close construction, complimentary On-Demand Processing, so you can remain focused on production, automatic notifications when a house you closed with AFR is listed for sale or when AFR receives a payoff request, and integration with various broker-focused origination platforms. In addition, AFR offers an Alexa skill that allows you to check things like expiring rate locks and find out which loans have recently closed — all without lifting a finger. If those weren’t enough reasons to partner with AFR, you can find even more by visiting www.afrwholesale.com. Questions? Email sales@afrwholesale.com or call 1-800-375-6071.”

Where are the highest closing costs? According to the 2018 Annual Closing Cost Report from ClosingCorp, states with the highest closing costs, including taxes were District of Columbia ($24,613), New York ($13,581), Delaware ($13,309), Washington ($12,667) and Maryland ($11,395). And, the national average for a single-family property was $5,779, including taxes. Download the report, here or contact media@closing.com for more information.

Webinar: See Blend’s lender toolkit Join Blend next week (6/27) to learn how Blend is equipping mortgage originators with cutting-edge tools to meet homebuyers’ rising expectations. Don’t miss out – Sign up now.

In today's environment while deals are flowing like the Nile River it's easy to forget that slower times are coming so making a decision that's best for your company’s future is really hard. Think about Maslow's Hierarchy of needs. The foundation of Maslow’s Hierarchy is all about basic needs - Food, Water, Warmth, Rest, Security and Safety. Do what the smartest lenders are doing and turn your database into a farm. On average a borrower will have 11.4 mortgage related transactions in their life, so if you have 50,000 records in your database you actually have more than 500,000 transactions at your fingertips. Lenders that are using Sales Boomerang have originated over $1B in new loans this year and 100% of these loans have come from within their own database. Fulfil the basic needs of your company FOOD (deals) and Security (consistent opportunities) and schedule a demo today.

Capital Markets

The value of negative-yielding bonds has reached a record $12.5 trillion, Bloomberg data shows, surpassing a 2016 peak after the European Central Bank hinted quantitative easing might resume. And in the United States the yield on our **10-year T-Note dipped below 2% for the first time since November 2016.** Fed Funds don’t drive mortgage rates, but the same factors move both in a similar direction. What’s going on out there?

Jobs data has been mixed lately with May's disappointing jobs report juxtaposed with unemployment claims and the latest JOLTS showing continued strength. (The JOLTS report showed that there are currently 7.5 million job openings and 5.6 million unemployed; the 14th consecutive month where openings exceeded unemployed. 54 percent of employers have reported not being able to find qualified applicants to fill open positions according to the latest NFIB survey a skills gap is leaving many positions unfilled.) On the other side of the Fed’s dual mandate, inflation remains in line or below the Fed’s targeted levels with both the Producer Price Index (PPI) and the Consumer Price Index (CPI) rising less than expected last month. Tariffs remain a hot topic and so far, the data suggest that Chinese suppliers have been absorbing most of the increase costs as import prices fell 0.3 percent in May. This leaves the Fed in a good position when it comes to interest rate policy after analyzing both parts of its dual mandate. Since inflation remains below target, there would be room move rates lower if they saw fit to maintain the current expansion.

Should central banks be worried as fears of deflation have gained traction with the global economy **now showing signs of a synchronized deceleration?** Analysts have found that the most likely scenario for the global economy is that inflation will continue to run well below historic levels in a "deflationary pressure" scenario, though in the United States, inflation should remain "stable," not meaningfully above or below the Federal Open Market Committee (FOMC)'s 2% target, evidenced by the FOMC taking a more "patient" stance on future policy tightening at their January meeting this year.

Internationally, inflation is most likely to remain at or below the ECB's and BoJ's desired rates in the near term, with the probability of an inflation overshoot quite low in both regions. The risk of an inflationary scenario in the U.S. has diminished, along with the probability of a meaningful overshoot, neither of which has been lost on the Fed. The lower risk of too-high inflation was noted in the January FOMC meeting minutes and highlighted by Chairman Powell in his post-meeting press conference as a reason for the FOMC's pivot to a more dovish policy outlook.

Yet a real fear of deflation seems a bit premature, suggesting that the FOMC **can indeed afford to be "patient" with further adjustments** to the fed funds rate, as the committee pledged in January. An uptick in inflationary pressure/stable prices probabilities along with declining deflationary pressure probabilities can be viewed as a strong signal of that particular price scenario for the global economy in the near term. In real time, the highest probability event is that the stable prices scenario unfolds for the global economy in 2019, allowing the world's major central banks to dial back their tightening plans amid slower growth and little chance of an inflation overshoot in the near term. But as the risk of deflationary pressure has not risen notably enough, the Fed, ECB or BoJ will need to meaningfully reverse direction., a cause for patience in the near term.

The Fed yesterday indicated a readiness to cut interest rates for the first time in more than a decade to sustain the near-record U.S. economic expansion, citing "uncertainties" in its outlook. The official vote left the Fed Funds target unchanged at 2.25-2.50%, although St. Louis' Bullard did vote for a 25-bps cut. The statement included the language that the Fed "will act as appropriate to sustain the expansion," which was viewed as opening the door for a rate cut at the next meeting in July. While the statement cited a still-strong labor market and pickup in consumer spending, continued weakness in business investment and soft inflation tilted the overall tone to the dovish side. The Fed clearly now sees increased uncertainties for continued economic expansion. Separately, the central bank made clear it thinks the law is on its side if President Trump took the unprecedented step of trying to remove Jerome Powell.

Dr. Mike Fratantoni, legendary MBA SVP and Chief Economist, commented on the latest Fed statement, saying "The (Fed) recognized that the economic outlook has become more uncertain, particularly given the weakening in business activity in recent months, both in the U.S. and abroad. The economic projections produced by the FOMC in conjunction with the meeting, however, tell a somewhat different story. The median forecaster on the committee now projects rates to hold steady in 2019, with one rate cut in 2020. Looking at the range of forecasts, there are a number of members who are considering cuts as warranted both this year and next. Markets are going to have a difficult time digesting these mixed messages, as it indicates that the Fed recognizes the slowdown, but is not yet committed to cut rates this year. Thus, mortgage rates may be more volatile in the months ahead, which could both provide refinance opportunities for some homeowners, while causing potential homebuyers to pause amidst the uncertainty."

U.S. Treasuries responded with gains across the curve, though the curve is steeper, mortgages are tighter and spec pools have improved, with 2/10s now almost 8 bps steeper and 2/30s over 10 bps steeper. The U.S. 10-year closed -3 bps to 2.03 percent as it continues to creep below 2 percent. Fed funds futures market now sees a 100% implied likelihood of a rate cut in July, with the implied probability of another cut in September standing at 80.0 percent

After all that to digest from the FOMC decision, today has seen central bank decisions from the BoJ & BoE. Both were expected to keep policy unchanged. The U.S. calendar just kicked off with weekly initial claims (-6k to 216k) and the Philadelphia Fed Business Index (.3). Later this morning, markets will receive May Leading Indicators. As the world continues to look at the Fed's announcement yesterday, we begin today with Agency MBS prices better .125 and the 10-year yielding 2.01%.

Jobs and Promotions

Award-winning First Community Mortgage just unveiled its newest technology: A robust marketing operating system, integrated with our other advanced technology to make your job easier and grow your business. "This system gives us the edge over our competition. Put powerful tools in the hands of your referral partners, bringing them immense value through co-branded marketing, single property websites, open house registration pages, and so much more! Allow the system to work for YOU. Human Mortgage by First Community Mortgage is the perfect place for loan originators to thrive. Our experienced support staff and advanced technology help streamline the mortgage process. Those interested should apply through the First Community Mortgage careers page. We have branches throughout the southeastern United States. However, we are always looking to grow with the right 'humans,' no matter your location. If you have the experience necessary and an interest in discussing opening a new branch, reach out to Brandon Sandefur, EVP."

Congratulations to Austin Niemiec on being named the new Executive Vice President of Quicken Loans Mortgage Services (QLMS). He started as a mortgage banker at Quicken Loans 10 years ago and has gained the focus that only comes from working with thousands of clients. Austin has spent the last two years leading the Account Executives at QLMS through a period of rampant growth. Bob Walters, President and Chief Operating Officer of Quicken Loans, had this to say: "QLMS couldn't be in better hands as it writes the next chapter in its story of innovation, client service and success. Austin lives by the motto 'Always grateful, never satisfied.' That combination of gratitude for past successes, along with a searing desire to consistently innovate and improve, is powerful and will serve QLMS well." If you don't work with the fastest-growing mortgage lender serving the needs of mortgage brokers, connect with QLMS here.

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.

Company Moves

Don't forget that the new BB&T and SunTrust merger name is Truist, fun for automatic spell checkers. (But wait: Truliant, a North Carolina credit union, is suing over the name. I'm sure they'll figure it out.)

Ditech Holding Corp., which filed for bankruptcy in February, has reached two separate deals with buyers for its forward and reverse mortgage servicing and originations businesses. Publicly traded real-estate investment trust New Residential Investment Corp. (NewRez) will acquire assets of Ditech's forward mortgage servicing and originations business Ditech Finance LLC, while Mortgage Assets Management LLC will buy the stock and assets of the company's reverse mortgage business, Reverse Mortgage Solutions Inc.

U.S. regional bank Prosperity Bancshares Inc. is acquiring Plano, Texas-based LegacyTexas Financial Group Inc. for $2.1 billion, creating the second-biggest bank by deposits in the state. Most know LegacyTexas from its wide-ranging successful warehouse operation. The deal is expected to strengthen Houston, Texas-based Prosperity's foothold in North Texas cities as well as in and around the Dallas-Fort Worth area. As of March 31, 2019, LegacyTexas held assets worth more than $9 billion, total loans of $8.1 billion and total deposits of $7.1 billion, while Prosperity held $22.35 billion in assets and $17.2 billion in deposits.

We also had the news that Pretium, a specialized alternative investment management firm focused on residential real estate, mortgage finance and corporate credit, and Varde Partners, a global alternative investment firm, inked an agreement for Pretium to acquire Deephaven Mortgage from Varde.

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