

Broker Products; Trends in Condo Lending; Lower Rates Ahead?

By: Rob Chrisman | Wed, Jul 3 2019, 9:05 AM

I was in Park City, Utah recently, and the real estate agents gave me an interesting statistic: it is believed that 80% of the land and buildings are owned by people or companies who live outside of the area. A large number of those are condominiums (more condo news below), with prices ranging below and above Houston's newest high-rise condo development (with [prices starting at \\$1.5 million](#)). Park City development is limited due to the mountains, zoning, and neighborhood outcry. Interestingly, only four states gained more than 50,000 housing units between 2017 and 2018, per the U.S. Census Bureau: Texas (172,000), Florida (108,000), California (104,000) and North Carolina (63,000). But it was actually Utah that was the fastest-growing state in terms of housing units, with an increase of 2.2 percent between 2017 and 2018. Idaho came in second with an increase of 1.9 percent.

Lender Products and Services

As Americans prepare to celebrate Independence Day, you can celebrate your own independence from the mundane and time-consuming work of chasing down vendor items when you partner with Quicken Loans Mortgage Services (QLMS). The fastest-growing mortgage lender powering mortgage brokers, regional banks and credit unions closes your loans faster – an average of 10 days faster than the rest of the market! QLMS handles your payoffs, VOE's, homeowners insurance, declaration pages, condo questionnaires, FHA case number transfers and closing/escrow agent communication – just to name a few. Your most precious asset is time. Let QLMS obsess over your pipeline to free up your time to grow and build your business. Partner with the best and grow your business along with QLMS. [Click here](#) to partner with QLMS and accelerate your business.

MCT is proud to announce the industry's first client-wide rollout of new functionality that delivers real-time pricing and automates loan commitment for PennyMac clients. Previously limited to agency executions, MCTive! Rapid Commit speeds up the committing process, ensures data integrity, and optimizes best execution for all commitments. Last week, MCT completed the industry's first API commitment with a correspondent aggregator via PennyMac's new technology. "This integration is a significant step on our road map for increased technology collaboration with PennyMac," stated Phil Rasori, COO at MCT. After completing best execution analysis and determining loans to be sold to PennyMac, Rapid Commit intelligently selects products and delivers commitments for all loans with a single click, including execution of the tri-party agreement required for AOT transactions. Learn more about MCT API's and integrations. Lenders interested in leveraging MCTive! Rapid Commit to improve their loan sale process should [schedule a consultation](#).

What makes a user conference worthwhile? Loan Vision, a leader in providing financial management and accounting solutions to mortgage banks, asked that question when planning for its 2019 User Conference. . In addition to the sessions, the Loan Vision Lab will return for the third year, offering attendees the chance to speak to an expert one-on-one and discuss customer-specific questions. For those looking to attend, Loan Vision has extended the early bird rate through July 31, 2019. For more information on Loan Vision or their User Conference, contact Carl Wooloff.

Condo Chatter

A condominium is [a title](#) to a unit of real property which is ownership in the airspace which an apartment, office or store occupies. In many states, if an owner defaults on HOA dues for their condo, townhome, or other community interest home, the homeowners association can foreclose. Condominium lending is poised to capture an increasing share of mortgage originations in the coming years as buyers in their 20s or 30s, first-time homebuyers, and a growing number of seniors seek out affordable housing options, Condo lending may see an increase in mortgage originations

Recent [research](#) from CoreLogic explored the state of the condo market in-depth, noting that despite consistently accounting for roughly 8% of total mortgage originations, condos sales are taking off in high-cost areas, such as Washington, DC, and Hawaii, where they account for around 40% of the market. In 2018, the government-sponsored enterprises (GSEs) raised commercial space allowances to 35%, up from 25%, relaxed and streamlined underwriting requirements for smaller developments and lower loan-to-value (LTV) loans. The changes contributed to an uptick in the origination of conventional condo loans.

Industry groups, including the National Association of Realtors and the National Reverse Mortgage Lenders Association, [urged](#) the Department of Housing and Urban Development (HUD) to update its condo policies in a letter sent earlier this year. The letter notes that as of January 2019, FHA has approved about 18% of condo project applications, with 42,983 applications still outstanding.

During [remarks](#) before the National Association of Realtors, Commissioner Brian Montgomery suggested that FHA may be ready to take up the issue. “We’ve been in the process of revising our condominium project approval requirements to get to a final rule and update our policies,” said Montgomery. “We anticipate that the updated regulations will be more flexible, less prescriptive and more reflective of the current market than existing provisions.” The Office of Management and Budget (OMB) is reviewing FHA’s final rule.

CoreLogic announced its [CondoSafe](#) solution integration with Ellie Mae’s Encompass. This integration helps remove the complexities and frustrations that come with condo lending by providing a single source for important association documentation and other necessary reports. With a standard fee the CondoSafe report alerts underwriters to potential Fannie Mae, Freddie Mac, Federal Housing Administration, Department of Veterans Affairs or other investor eligibility issues. “Alerts are delivered in an underwriting-friendly, standardized format—allowing lenders to easily focus on areas that require more investigation. Important documents such as CC&R’s and Insurance documentation can also be obtained in an a la carte manner.”

Freedom Mortgage Wholesale has faster and easier Condo approval with its [Condo Advantage](#). Plus, FMW will pay the Condo Questionnaire fees (available for a limited time).

Capital Markets

Economic data has continued to lead market participants to **expect at least a 25-basis point decrease** in the fed funds rate on July 31. Nominal income increased 0.5 percent in May, matching the increase in April, due mostly to interest income as interest rates were higher. Wages and salaries were up 0.2 percent as was inflation measured by the personal consumption expenditure price index. Meanwhile, consumer confidence fell 9.8 points in June to 121.5, well off last October’s high of 137.9. New orders for durable goods decreased 1.3 percent in May and transportation equipment orders continue to be held back due to delays and cancellations at Boeing. On the housing front, new home sales were down 7.8 percent in May to the lowest annual rate of the year at 626,000 and supply has ballooned to 6.4 months’ worth. At least the low rate environment is fueling refinance activity which is up 75.3 percent over the last 12 months on a four-week moving average.

We have jobs data this Friday. Will we see an accommodative monetary policy in the near-term after seeing recent slowing of employment growth? Job growth slowed in May, and the overall trend in hiring downshifted, pointing toward **further weakening for growth**. It has been argued that there are seasonal distortions in the initial estimate of Q1 nonfarm payrolls data, as each year during the Post-Great Recession era, one month of Q1 nonfarm payrolls typically has had a much larger or smaller change in payrolls than the other two months. Outside of Q1, unusually volatile employment data is uncommon although it is typically attached to weaker GDP growth.

Additionally, weaker GDP growth rates are associated with higher recession probabilities, which often indicate the need for a more accommodative monetary policy. In November 2010 and September 2012 the Fed announced second and third rounds of the quantitative easing program as an effort to stimulate the weakening economy. In Q4-2015 the Fed projected three rate hikes in 2016, but ended up hiking only once at year-end in light of slower growth. Overall, softer employment data and further weakening in the economy, could drive the Fed to be more cautious about the outlook for growth, causing markets to price in two rate cuts later this year.

Italian sovereign debt yields have fallen below 2% for the first time since May 2018 as expectations mount that the European Central Bank will introduce fresh quantitative easing. The yield on the 10-year Italian bond declined 15 basis points, to 1.95%; meanwhile, the 10-year German bund yield decreased 3 basis points, to a record low of -0.36%.

General global growth concerns and defensive positioning were the name of the day ahead of tomorrow’s Fourth of July holiday. **Yesterday U.S. Treasuries rallied in slight curve-flattening fashion**, including the 10-year closing -5 bps to 1.98 percent (its lowest level since 2016) on the back of both disappointing data out of Europe and uncertainty about the U.S.-China trade standoff. The UK’s June Construction PMI hit a 10-year low, Germany’s May Retail Sales declined when they were expected to rise, and Russia and Non-OPEC allies agreed to extend production reductions until March of 2020. Separately, the U.S. Trade Representative Office added \$4 billion in EU tariffs to its existing review related to Airbus subsidies, with new tariffs that total \$21 billion potentially being enacted as early as August 13 pending the outcome of the World Trade Organization dispute. The final news out of Europe on the day was that the EU Council nominated IMF Director Christine Lagarde to be president of the ECB, who would become the first woman head of the bank, just as the bloc’s economy looks in need of fresh stimulus.

As a reminder, SIFMA recommends an early 2:00 p.m. ET close today for the Treasury ahead of tomorrow’s Independence Day holiday. The economic calendar is packed with some **usual Thursday releases moved up a day**. We have already had the usual mortgage applications from the MBA for the week ending June 28 (-0.1 percent from one week earlier). We have also had several labor market indicators with job cuts from Challenger, Gray & Christmas (U.S.-based employers announced plans to cut 140,577 jobs from their payrolls in the second quarter of this year, down 26% from the first quarter but 34% higher than the same quarter last year), June ADP employment (private payrolls +102k); initial claims for the week ending June 29 (-8k to 221k), and the June trade deficit (\$55.5 billion).

Later this morning final June Market Services PMI, the ISM nonmanufacturing PMI for June, and May factory orders are all due out. The big action will come Friday, when we get the latest Non-Farm Payrolls, which will be scrutinized after last month's flop of just 75,000 jobs. This time, economists expect a pickup to 164,000 and for the unemployment rate to hold steady at 3.6 percent. With all this going on Agency MBS prices are better by .125 and the 10-year yielding 1.95%.

Jobs and Transitions

A national aggregator is looking for a business development leader to help manage and grow its presence in the affordable housing marketplace. Candidates should be well-versed in all agency housing initiatives, state and local housing authority programs and the affordable housing community. For confidential consideration please submit your resume to Anjelica Nixt.

"NEXA Mortgage is one of the nation's fastest growing mortgage brokers, leading the way out of retail with growth across the country. If you are a LO, BM, or TL, contact NEXA now to experience why brokering is better. Many of our LOs have doubled their production within the first 3 months due to NEXA's solid support, compensation, underwriting (you don't really believe brokers lose control), rates, products, leadership, marketing, technology, and processing (you will love our processing). Mark your calendars now to join our weekly WHY NEXA Zoom meeting, Thursday at 11am PST. Login on to NEXA Support and our support staff will place you in the meeting. If you can't wait to learn more, login now and ask for Michael Neill (480-643-9161) or email Michael Neill. Currently in 9 states, submitted in 14 more and will add any requested. NEXA Mortgage, the leader in WHY 'Brokering is Better!'"

"Caliber Home Loans, Inc. is home of the modern mortgage originator. We are a purchase focused lender that's driven by a national network of originators. To ensure our Loan Consultants' success, we provide them with best-in-class technology, operations, and products for today's market. Caliber is succeeding in the current market and has the numbers to prove it. Scotsman Guide ranked Caliber #2 for Top Overall Volume and Inside Mortgage Finance ranked us #3 non-bank retail lender for our 2018 production. Contact Jeremy DeRosa or [visit our website](#) to learn about high-producing career opportunities in your market!"

Volly announced the appointment of Theresa Sloan to SVP of Client Services, managing Volly's enterprise-wide client services teams and client relationships. "Theresa's track record, experience, and passion for client services and technology leadership make her an outstanding addition to the Volly team and corporate culture," said Jerry Halbrook, Volly's CEO.

And ACES Risk Management (ARMCO) has hired industry veteran Mike Ehring as senior director of business development. Congrats!

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