U/W, Training, Non-QM, Marketing Products; Ginnie's Growth

By: Rob Chrisman | Tue, Jul 16 2019, 9:01 AM

Although lots of small lenders don't seem interested in being acquired any longer ("Hey, our pipeline is full and we're making money again! Autumn is a long way off!"), M&A is alive and well. The latest example comes from Southern California where William Lyon Homes (NYSE: WLH) has bought South Pacific Financial Corp., a retail mortgage banking company based in Irvine. South Pacific has been rebranded as ClosingMark Homes Loans Inc., and is part of a new financial services division being launched by the homebuilder. The unit, ClosingMark Financial Group, will include title insurance, settlement and mortgage services.

Lender Products and Services

As a lending manager, the winding down of home-buying season is the perfect time to re-evaluate your process and determine how technology can help unlock the potential of your business. Taking a step back to look at what you've accomplished this home-buying season and how you can improve next time around is crucial for meaningful year-over-year growth. Whether it's improving your borrower experience, lifting referrals, or increasing back-office efficiencies, digital mortgage providers like Maxwell are an impactful way to push your business forward. Today, Maxwell has 150+ retail-focused lenders on the platform that enjoy increased efficiency — closing loans 45% faster than the national average — and elevated borrower experience, seeing customer satisfaction increase as high as 25%. To experience Maxwell, click here and set up time for your customized demo. It's not too early to start planning for 2020!

Verus Mortgage Capital, the industry's premier non-QM investor, helps lenders reach responsible borrowers like the self-employed, foreign nationals and real estate investors who don't fit traditional credit profiles. Grow your customer base, your margins, and your loan offerings. Learn more about Verus' correspondent lending opportunities at CMBA's 47th annual Western Secondary Market Conference July 15-17. Email Jeff Schaefer to schedule an on-site meeting.

Calling all Marketing Managers: How difficult is it to produce compliant marketing that is targeted, localized, and customizable… while meeting your Loan Officer's deadlines? Usherpa's custom marketing portal – Launch Pad – was designed for corporate marketing teams so you can design and send materials that align with your unique company vision and brand strategies all in one place. Effortlessly build a library of collateral that is directly linked to all your LO's databases and integrated with your Loan Origination System. Why switch between multiple systems to build content on demand when you can seamlessly design marketing campaigns within Usherpa CRM? Launch Pad is your one-stop-shop to getting the right messages out at the right time. Don't hesitate! Learn how Usherpa's HTML email wizard leverages your efforts while saving an impressive amount of time.

"Just like summer, XINNIX has a deal that won't last forever! We are providing exceptional Summer Savings to help your referral business grow with two outstanding one-hour classes for one great low price. "Exceeding Realtor Expectations" and "Powerful Presentations" are the perfect combination that will help your business thrive this summer and beyond. Through July, both classes (valued at $498) are being offered together for the low price of $299. Don't delay! This offer ends on August 1. Register today for our August classes and watch your production grow all season long. For more information about The XINNIX System of performance training, accountability, and coaching, visit our website or click to schedule a call with one of our Account Executives."

The key to success is to start looking into opportunities to expand your business. As a leading investor in the industry, TMS offers a suite of rehabilitation loan products to maximize your loan offerings. It is currently running a pricing special on FNMA Homestyle, FHA 203k and USDA Combo CTP Pilot loans. Reach out to your TMS CAREspondent VP or sign up to partner with TMS today to learn more.

Simplify your underwriting process with Loan Product Advisor asset and income modeler (AIM). Through the expertise of third-party service providers, AIM automates the manual processes of assessing borrower assets and income. AIM reduces the burden of traditional documentation, speeds up the loan origination process and helps you close loans faster. Freddie Mac is working hard to bring you solutions that create efficiencies for your business and improve the borrower experience - giving you a competitive edge. These capabilities are available now. Gain greater efficiency in your underwriting processes with AIM - get The Freddie EdgeSM.

Capital Markets

Here at the Western Secondary in San Francisco some of the folks were talking about how Ginnie Mae securities (primarily GNIIs, composed of government loans) traded poorly in the selloff amid heightened concerns about more supply following last week's passage in the House of two bills impacting FHA and VA loans. Investors in mortgages, and mortgage-backed securities, are keenly interested in watching prepayment speeds. Who in their right mind would want to pay 105 (a premium of five points, like paying $105,000 to own the cash flow from a $100,000 mortgage) if it is going to pay off in six months and return $100,000? The exposure of Ginnie, Freddie, and Fannie pools of mortgages are driven by rates and broker exposure. Experts think **prepayments, aka "speeds," will increase this month due to lower rates.** But there are other things lenders should know about what is pushing rates and prices around these days.

Ginnie Mae announced that issuance of its mortgage-backed securities (MBS) totaled $44.217 billion in June, the highest since December 2016. A breakdown of June issuance includes $42.785 billion of Ginnie Mae II MBS and $1.432 billion of Ginnie Mae I MBS, which includes $1.014 billion of loans for multifamily housing. Ginnie Mae's total outstanding principal balance of $2.076 trillion is an increase from $1.971 trillion in June 2018. For more information on monthly MBS issuance, UPB balance, REMIC monthly issuance and global market analysis, visit Ginnie Mae Disclosure.

Credit is the lifeblood of the economy, and it continues to flow, as corporate bond issuance has picked up, and growth in bank credit remains solid. Financial markets encountered a significant amount of volatility at the end of 2018. Not only were there signs of slower global growth, but markets witnessed the Fed tightening monetary policy further, escalating trade tensions with China, a U.S. stock market swoon, and yield spreads on corporate bonds, especially on high-yield corporate bonds, widening noticeably. **Tighter financial conditions, if maintained, can lead to slower economic growth**, if not to outright economic contraction. Furthermore, new issuance in the corporate bond market slowed to a trickle at the end of last year as there was only $12 billion of new investment grade bonds brought to market in December. There was no new issuance in the high yield market that month, which normally slows toward the end of the year, but December's outturn was the lowest monthly total in at least 18 years. Corporate bonds are vitally important to the financing of the non-financial corporate sector as they account for two-thirds of its outstanding debt. Activity in the corporate sector could come to a screeching halt if the corporate bond markets remain essentially closed for an extended period of time.

But financial conditions have eased markedly thus far in 2019. Not only has the stock market rebounded, but corporate bond spreads have receded in recent weeks. In addition, new issuance in the corporate bond market has picked up noticeably in the new year. In January, there was $117 billion of investment grade bonds and $17 billion of high yield bonds that were brought to market. The $134 billion of total corporate bond issuance in January was above the average monthly run rate of 2018. Bond issuance may be important for large and some medium-sized businesses, but **smaller enterprises rely on bank financing.** In that regard, growth in bank credit has strengthened in recent months. Total bank credit was up 5.0% YoY in the week ending January 23, more than a full percentage point higher than just a few months previously. Commercial and industrial loans were up 11.0% relative to the same period in 2018. If there is a weakness in bank credit, it is in real estate loans, which are up only 2.9% on a year-ago basis. In summary, financial markets have bounced back this year, with volatility subsiding and credit continuing to flow to the non-financial sector. Solid growth in credit at present reinforces the conviction that U.S. economic growth will remain resilient in 2019, albeit a bit slower than last year.

Last week we saw that **June's strong payrolls did nothing to change the outlook of the Federal Reserve** regarding its economic outlook and the expectations for a rate cut at the end of July. Global economic trade winds as well as deteriorating fundamentals should be enough to compel the members of the FOMC to cut rates as an insurance measure to aid continued economic expansion. At his recent semiannual testimony before Congress, Fed Chair Powell was candid in his assessment that he does not consider labor market as being hot and that it has room to continue to attract people back into the workforce as well as the potential to boost wages. Although as we've seen, wage grown has been anemic throughout the expansion. On the other side of the Fed's dual mandate, inflation continues to remain below the Fed's target despite recent price index data showing small upticks. Part of the reasoning behind a rate cut is also to bring inflation up to the Fed's desired levels.

Turning to yesterday's bond market, which drive mortgage prices, U.S. Treasuries began the week quietly, closing -1 bp to -2 bps across the curve, including the 10-year -1 bp to 2.09 percent on no notable domestic news, though China's growth figures for Q2 showed the slowest growth rate in nearly three decades. That slowing was expected, and speaking of expectations, Fitch Ratings expects the FOMC to cut the fed funds rate just one time this year. And from Europe, Germany's Economy Ministry showed that growth weakened in Q2 while manufacturing remained sluggish in its latest monthly report.

Today is much more interesting as far as markets are concerned, with several first-tier releases. We've already had earnings reports from JP Morgan, Wells Fargo, and Goldman Sachs, as well as June retail sales (+.7%) and import / export prices (-.9%, -.7% respectively). Ahead are Redbook same-store sales for the week ending July 13, June industrial production and capacity utilization, May Business inventories, the NAHB Housing Market Index, and May TIC data. There are also several Fed speakers during the session to provide further rate cut clarity, including Governor Bowman, Atlanta's Bostic, Dallas' Kaplan, Chicago's Evans, and Chair Powell. The Fed will also publish the minutes from the recent discount rate meetings. But we begin the day with Agency MBS prices worse .125 and the 10-year yielding 2.11%.

Jobs and Franchises

AMCs and Title Companies: Due to continued growth, Accurate Group is looking to acquire appraisal management and title/closing businesses throughout the U.S., with particular emphasis in the Western U.S. By becoming part of Accurate Group, your teams will gain access to the latest digital and mobile technologies and be on the leading-edge of revolutionizing real estate lending processes. Please contact Paul Doman to learn about Accurate Group's approach to acquisitive growth.

Are you tired of managing a corporate P&L? Then maybe it's time to start managing your own instead. Introducing Motto Franchising, LLC, the very first national franchised mortgage brokerage network in the U.S. When you join the Motto Mortgage network, you have the freedom and flexibility to run your own business while taking advantage of an out-of-the-box mortgage company solution. We even streamline the process of starting a new business by providing a strong wholesale lender mix, franchisee setup support, LOS training, licensing assistance, marketing tools and more. It's time to manage your future, on your terms. To learn more on how this innovative model is breaking the mold, contact our team (866.668.8649).

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