

Credit, Broker, Accounting Products; Events and Training; Cap. Mkts. Dollar Roll Primer

By: Rob Chrisman | Fri, Jul 19 2019, 9:20 AM

Some people pray for ice cream, and their prayers will be answered as this Sunday is National Ice Cream Day. An MLO prayer? "Dear Lord, just give me one more refi boom. I promise to save my money this time." At the lender level there is plenty of maneuvering going on. Lenders are busy re-hiring ops staff laid off in the past, setting up contract underwriting with private mortgage insurance companies to handle the overflow, or interviewing competitor's ops staff. Some are hiring with the caveat of not hiring anyone requiring desk space in the office. Vets know that full pipelines in July don't necessarily mean full pipelines in October.

Lender Products and Services

Have you converted your leases to the new accounting standard? The requirement kicks in effective January 1, 2020 so there's not much time left to make the switch. To help you understand what is required and how to tackle this project, Henry Chavez, Principal at Spiegel Accountancy Corp., is presenting a free [webinar](#) on July 30 at 10AMPT. Avoid surprises and learn what you need to do to be compliant by year end.

The mortgage industry is in flux. Fluctuating interest rates. Shrinking inventories. Changing borrower needs. Wouldn't it be nice to have some consistency— especially from your automated underwriting system? Freddie Mac Loan Product Advisor® delivers reliable eligibility findings that foster responsible lending and give you confidence that you're originating quality loans. Its innovative capabilities were developed in collaboration with lenders, providing automation and insights that help reduce costs and increase efficiency. What does it all mean for you? Greater opportunity for business growth and an edge on the competition— The Freddie EdgeSM. Learn more about ACE and AIM, available exclusively through Loan Product Advisor®.

First Guaranty Mortgage Corporation (FGMC) is excited to announce the appointment of Michael Massella, SVP of Wholesale Production. "Michael brings over 30 years of wholesale lending experience and is looking for motivated individuals to join the FGMC Wholesale Team as our nationwide expansion continues. With competitive pricing, industry leading turn times, a dedicated structure desk and more, the FGMC Wholesale Team has it all. Do you need a partner who offers Conventional, GNMA, FHA, VA, USDA, 203K and our newly released Second Lien products? We've got it. What about Non-QM solutions? Through Maverick Solutions, our proprietary suite of Non-QM products, we offer alternative options for jumbo loans, investment properties, and more! Sign up [HERE](#) or contact us here to get started today."

"Strong history. Bold future. Stearns Wholesale Lending is celebrating its 30th year supporting the mortgage broker. At Stearns, relationships always come first. You are never just a number. Stearns is committed to utilizing a distributed sales model supplemented by a hybrid internal sales group offering a best in class operational experience for their clients. Hear more from Account Executive Austin Willis in [this video](#). If you're looking to join a company that with a BOLD Future reach out to our Wholesale Recruiter Melissa Richardson at Melissa.richardson@stearns.com."

"Can you believe it's less than 6 months until 2020? If you're worried about hitting your 2019 revenue goals, it's time to rethink your strategy before it's too late. Fortunately, Informative Research's VP of Client Success Blair Biehle will be at the 2019 Convention of the Independent Community Bankers of Minnesota in August. Make sure to meet up with him and learn about [Informative Research's](#) arsenal of solutions that give you a proven plan on how to cut your credit cost by up to 50%. It's possible to save money, retain your customers, and get all of the solutions and services you need to finish out the year strong! Just reach out and we'll show you how."

Events and Training

The Mortgage Bankers Association of Greater Philadelphia is hosting a free webinar on July 25 at 2pm EDT sponsored by Lenders One. The topic is [Top Marketing Strategies to Reach Millennial Home Buyers](#) by Kristin Messerli of Cultural Outreach. Millennials are quickly becoming the largest home-buying generation, but lenders still struggle to reach them. Understanding the millennial mindset, their values and communication styles are key in reaching this group of first-time home buyers. Registration is free [here](#)

The [2019 Convention of the Independent Community Bankers of Minnesota](#) is being held 8/1-8/3.

The [Lenders One Summit](#) in Seattle (8/4-8/7) provides a forum to learn from peers and experts in the field. "In this challenging market, we're focused on continuing to bring new solutions to support your business. Our member and provider networks are the keys to driving our co-op ahead in this industry, and we're excited to gather at Summit to provide a forum for you to grow and learn from thought leaders and peers."

CECL is up for public comment, but FASB and its requirement for an estimate of expected credit losses over the life of the portfolio to be effectively recorded upon origination is still a concern. The new accounting standard applies to all banks, savings associations, credit unions, and financial institution holding companies. [Join OMBA's Webinar, on Tuesday, August 6th beginning at 10:00.](#) Mike Cavellaro & Rob Folland, Barnes & Thornburg LLP will provide an in-depth look at what is required of your financial institution. There is no charge to OMBA Members & Non-Members.

AmeriHome's Correspondent underwriting management team is inviting Sellers to participate in a [webinar on August 12th](#) to cover recent Fannie Mae and Freddie Mac updates and the effect on AmeriHome guidelines and requirements.

[Mortgage Innovators Conference](#) is the ONLY mortgage industry conference that highlights all innovators! Taking place August 11-13 in San Diego, it will feature engaging, expert speakers on a variety of topics from Day 1 Certainty to blockchain and everything in between.

Join the Michigan Mortgage Lenders Association at the state's largest mortgage industry event of the year! I will be attending the [MLLA Annual Lending Conference](#) is from August 14-16 at Crystal Mountain Resort & Spa in Thompsville. This event is for anyone in the mortgage industry and has something for independent mortgage bankers, brokers, community banks, commercial banks, credit unions, and all companies that provides a service to the industry!

The Mortgage Collaborative will be at the new J.W. Marriott in Nashville, TN Aug 18-20 for their 2019 Summer Conference. TMC's bi-annual conferences are extremely interactive events with the agendas constructed by and sessions led their lender members. The entire events are heavily focused on exchange of best practices, experiences with third party providers, and operating more efficiently and profitably. The complete agenda and full details on the event can be [found here](#), and for more information contact TMC's COO Rich Swerbinsky.

The [New England Mortgage Bankers annual conference](#) will be held 9/11-9/13 in Newport, Rhode Island.

The MBA of Southwest Pennsylvania Fall Kickoff in Pittsburgh (LeMont Restaurant) will be held [Wednesday, September 18th](#).

Capital Markets

Capital markets folks are talking about how the drop from one month to the next in MBS prices is negligible, translating to rate sheet pricing differences for a 30-day lock versus a 60-day lock price isn't large. (LOs know, however, that a longer lock period can result in a potential borrower shopping around for a lender, or an increased chance of renegotiation if rates drop. Grab 'em while you can!)

Recently the New York Fed announced it would **engage in four small value agency MBS dollar roll open market transactions**, as they do from time to time, for the purpose of testing operational readiness to implement existing and potential policy directives from the Federal Open Market Committee (FOMC). The New York Fed's Open Market Trading Desk conducts these exercises to test its operational readiness in the Authorization for Domestic Open Market Operations and Authorization for Foreign Currency Operations.

But what is a dollar roll and why should originators care? It's a type of repurchase transaction in the mortgage pass-through securities market in which the buy side counterparty of a "to be announced" (TBA) trade agrees to a sell off the same TBA trade in the current month and to a buy back the same trade in a future month. Like you are selling your brother a car, but agreeing to buy it back in a month for a set price.

The term "roll" refers to rolling the securities forward a month, or three, the most common and most liquid contract dates for rolls. Because there is no increase or decrease in the outright position, dollar rolls carry no, or very little, duration risk. It is simply an extension of a contract, not a new contract. Rolls can be purchased by a new transaction where the originator wishes to push their hedge out to a further date.

Rolling allows the buy side trade counterparty to **invest the funds that otherwise would have been required to settle the buy trade** in the current month until the agreed upon future buy-back. The sell side trade counterparty benefits by not having to deliver the pass-through securities (which they might otherwise have shorted or committed to another trade) in the current month. Prices vary month to month based on the supply of large collateralized mortgage obligation deals that increase the demand for mortgage pass-through securities, or unexpected fallout of mortgage closings in a mortgage originator's pipeline. In either case, financial institutions might have more sell trades in the current month than they are able to deliver securities into, forcing them to "roll" those trades into a future month.

Every basis point can help a lender, and in turn help its borrowers, right? The ability to "trade rolls" gives additional flexibility to MBS market participants, allowing them to better manage the risks and exposures of their production cycles and take advantage of attractive funding opportunities. Trading in rolls takes place to accomplish a variety of purposes such as obtaining pools as collateral for newly issued transactions, pushing hedges further into the future if loans are funded at a slower than expected pace, taking advantage of favorable financing opportunities available through the roll market, and efficiently delivering newly created pools against their TBA transactions.

Thursday was a snoozer of a day in the bond market until the very end. That changed with a late rally that saw the curve steepen and the 10-year close -2 bps to 2.04 percent, after New York Fed President and permanent FOMC voter **Williams said that rates should stay lower for longer** and that the central bank should not keep its powder dry when neutral rates are low. Specifically, he stated "it's better to take preventative measures than to wait for disaster to unfold. When you only have so much stimulus at your disposal, it pays to act quickly to lower rates at the first sign of economic distress." Those remarks, in which he also lamented the lack of a larger increase in the cost of living despite the fact that inflation was lower and the central bank was making large daily asset purchases when the fed funds rate was near zero, grabbed the market's attention.

That was one of many central bank developments throughout the day. There were also reports that the European Central Bank is considering a change to its inflation target, which bid EGBs as markets assumed lower for longer; the Bank of Korea unexpectedly lowered its repurchase rate, Bank Indonesia cut its repurchase rate, and the South African Reserve Bank lowered its repurchase rate. Lots of lowering out there!

Preliminary June Michigan sentiment is the only domestic release slated today, but there is a little Fed speak with both St. Louis Fed President Bullard and Boston Fed President Rosengren delivering remarks. We begin the day with Agency MBS prices worse .125 and the 10-year yielding 2.05%.

Employment

"How confident are you that 100% your customers are coming back to you when they are purchasing a new home? Loan Originators at [First Community Mortgage](#) are staying ahead of the competition by leveraging technology which alerts them if they have customers with a probability of listing their home in the near future. And increasing your database retention rate increases your income. Join a company that invests in YOU and YOUR success. Human Mortgage by First Community Mortgage is the perfect place for loan originators to thrive. Our experienced support staff and advanced technology helps to streamline the mortgage process giving you the ability to close more with less effort. Apply through the [First Community Mortgage careers page](#). We have branches throughout the southeastern United States but are always looking to grow with the right 'humans,' no matter your location. If you have experience and are interested in discussing opening a new branch or joining our winning team, reach out to Brandon Sandefur, EVP."

For a job in the financial services sector, due to continued growth, Inheritance Funding Company, Inc., is looking to hire an additional Funding Officer for its San Francisco Financial District home office. [Inheritance Funding Company, Inc.](#) has provided heirs waiting for their inheritance distribution with capital advances for nearly 25 years. "With nearly \$200M advanced to heirs in all 50 states, IFC is the oldest and largest purveyor of inheritance advances in the country. With continued growth in this lucrative sector, IFC is looking to hire the right talent to catch up with increased demand. Inheritance or probate experience is neither expected nor required. The right candidate will have a blend of sales expertise, analytical reasoning, and strong client communication skills. Competitive base salary and uncapped incentive pay for strong performers." Contact Eric Holdsworth, VP of Marketing.

View this Article: <https://www.mortgagenewsdaily.com/opinion/07192019-dollar-roll>