

# Appraisal, Sales Products; QM Patch and Non-QM News in the Primary and Secondary Markets

By: Rob Chrisman | Fri, Jul 26 2019, 10:19 AM

You should become, if you're not already, familiar with the term "Advance Notice of Proposed Rulemaking (ANPR)." The Consumer Financial Protection Bureau [issued an ANPR](#) toward ending its special treatment for certain mortgages backed by Fannie & Freddie in the agency's underwriting rules. Recall that any loan approved by DU or LP falls into "QM" regardless of debt to income ratio. The expiration of "The Patch" is something everyone was talking about anyway, but to have regulators address it is a big deal. FHA and non-QM lenders are licking their chops, but this is a great way for the industry to shore up and re-define the "Ability to Repay" (ATR) rules. Lots more on this below, but the CFPB will collect feedback on Thursday's request for 45 days, just email: [2019-ANPR-ATRQM@cfpb.gov](mailto:2019-ANPR-ATRQM@cfpb.gov) and include "Docket No. CFPB-2019-0039" or "RIN 3170-AA98" in the subject line of the email.

## Lender Products and Services

What are you missing by not turning on Sales Boomerang? Lenders using Sales Boomerang have seen \$1.7B in originations in just 7 months! \$277M in originations in June alone. 80,000 notifications have been delivered to their 58 active lenders in the past 30 days and they have 21 contracts out for signatures. You've seen Sales Boomerang on the cover of Banking CIO Magazine this month as the Top Tech Company in 2019 and 10 of the top 16 lenders in the country are either clients already, on boarding or have a contract out. So the only thing you are missing by not working with Sales Boomerang is billions in repeat business, being on the cutting edge of technology and preventing your competitors from stealing your customers. Take the first step and schedule a demo! [#noborrowerleftbehind](#)

I was at the recent NYMBA Convention and a hot topic at CEO roundtable was the cost of pre-qualifying borrowers. We spend money to find the customers and spend money on credit reports to pre-qualify them, then just send them off with a piece of paper and hope they come back when they find a house. LenderLogix has developed some pretty cool technology called QuickQual that keeps the borrower engaged throughout the entire home search so that your pre-quals convert to applications. [Check out the demo for yourself](#) and you probably won't go back to printing letters or emailing PDFs again.

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.

What is, by far, a broker's biggest expense? It's not marketing, payroll, technology or leases. It's fallout. Add up the loans that don't close every year and the lost revenue is staggering. QLMS offers an exclusive program called "Fresh Start" to its Pinnacle partners. Fresh Start consultants go to work to improve your client's credit - making them eligible to qualify. On average, a successful Fresh Start client improves their credit score by 38 points! QLMS partners love the program. "My borrower's credit was shot. I submitted the client to the Fresh Start program and, after following their precise instructions, our client's credit score increased by more than 80 points. The borrower now qualified and their offer was accepted in days." - Nick Iniguez, MBS Capital Group. This incredible service is free to QLMS Pinnacle partners. [Click here to learn and earn.](#)

Last week, Anow (short for 'Appraisers Now') launched Anow Enterprise, cloud-based software designed to help appraisers form service networks to meet the capacity needs of mortgage lenders, organize large appraisal firms, and provide service innovation for AMCs. Anow Enterprise builds on the software suite thousands of appraisers are already using to slash appraisal turn times and enhance appraisal quality. Want to see how working with Anow appraisers can transform your business? [Book a 1-on-1 demo](#) of Anow Enterprise and explore features including order routing and scheduling, performance tracking and QC review tools.

## Myths in lending? No way!

Fact or Myth? Some of the commonly held beliefs in the mortgage industry may be more myth than reality. In the July issue of STRATMOR Group's [Insights Report](#) released today, Senior Partner Jim Cameron provides data that separates myth from fact around three current beliefs, including whether there is such a thing as economies of scale and whether older borrowers are less tech savvy than other age groups. You may find a few of your paradigms shift after reading this issue - check out "Myth Busters: Dispelling Common Myths in Mortgage Banking" in the [July Insights Report](#) and find out where your reality is.

## Non-QM

After the regulator's press conference yesterday, one broker wrote to me observing, "Just guessing here but I'd estimate 80% of the loans I see are over 42 DTI. They will all have to go FHA." Another option, of course, is to a Non-QM investor. (A good list [can be found here](#) after entering your state.) The CFPB's regulation requiring lenders to verify their borrowers' ability to repay includes protection for a category of loans known as "qualified mortgages." So-called QM loans include certain features such as a 43% debt-to-income limit, but there are other criteria that differentiate QM and non-QM loans. Call it the GSE Patch, or the QM Patch, it is scheduled to expire no later than Jan. 10, 2021.

CoreLogic estimates have \$260 billion of mortgages last year going to F&F due to being approved by DU & LP but not "really" being a QM loan due to the DTI. We all know that the Trump Administration wants to reduce the government's role in housing. The Urban Institute estimated that an additional 3.3 million mortgages were originated between 2014 and 2018 using the patch. [Thursday's proposal would allow the patch to expire as scheduled in January 2021](#), or after a short extension if necessary. The CFPB has begun work on what could serve as a replacement for the patch, requesting public feedback on what that replacement should look like but stopping short of outlining a specific proposal.

Loan originators know that demand for product in the secondary markets drive rates. With the downward move in rates, and the influx of rate and term refs, lenders focusing on rolling out non-QM to help volume have lessened. But the product line is still increasing in popularity, sometimes stretching the definition of "ability to repay." Some wonder, for example, if one month's worth of bank statements is really enough to qualify a borrower. But let's see who is doing what in the secondary and primary markets.

IMN's Non-QM Forum, Nov 14-15 at The Sofitel Los Angeles in Beverly Hills. Given the timelines of this area and the recent spike in Non-QM activity, the early results have been quite encouraging, and a "Who's Who" of the sector is expected to be in attendance here including correspondents, wholesale originators, investors, servicers, etc. Contact Sharda Somen for information.

Preliminary ratings were assigned to Arroyo Mortgage Trust 2019-3's ([ARRW 2019-3's](#)) mortgage-backed notes. ARRW 2019-3's assets consist primarily of fixed-rate, one-, three-, five-, seven- and ten-year adjustable-rate, fully amortizing non-qualified mortgage (71.2 percent), and ability-to-repay (28.8 percent) exempt loans secured by first liens on residential properties (the mortgage loans). The mortgage pool consists of 2,271 mortgage loans with a principal balance of approximately \$975.07 million non-prime RMBS as of the cut-off date.

The vast majority of the loans in the pool have 30-year original terms to maturity, and the pool's weighted average seasoning is approximately 17 months from origination date. The pool includes both seasoned performing and newly originated non-prime collateral with a weighted average loan age of approximately 18 months. The loans were underwritten primarily using non-traditional income documentation sources to borrowers with substantial equity. Income on certain mortgage loans (51.1 percent by balance) were verified using "alternative" (e.g., bank statements and business profit and loss statements) or "other" methods (e.g., rental and lease agreements and asset depletion). Though only 3.2 percent of the loans of the total pool balance used bank statement documentation, this is weaker than "full" documentation, and consequently increased loss coverages for these loans.

After a record breaking first half of 2019, [Angel Oak Companies](#) (non-agency mortgages) carried on into Q2 2019. Angel Oak's lending platform originated \$681 million for the quarter, bringing its 2019 origination total to over \$1.2 billion- [a 45% increase from Q2 2018](#).

[Citadel Servicing Corporation](#), with programs up to \$5 million and others with no reserve requirements, continued its record setting growth following up Q4 2018 with another stellar period in Q1 2019. CSC is comprised of three origination channels (wholesale, consumer direct unit and correspondent) and a servicing platform exclusively dedicated to the management of CSC's loan production. Since CSC's inception in 2011, it has originated more than 10,500 Non-QM loans totaling over \$3.85 billion. In Q1 2019, increasing volume 40% year over year, CSC has originated or purchased over \$470 million of Non-QM loans retaining and servicing every loan while maintaining a cumulative (30 days to REO) delinquency rate under 3.00% on the unpaid balance of such loans.

NewFi Wholesale has implemented LoanScorecard's product and pricing engine, Pricer1™, and non-agency AUS, Portfolio Underwriter™, as its Non-QM Pricing & Scenario Tool. Powered by LoanScorecard's Pricer1 and Portfolio Underwriter technology, NewFi Wholesale's Non-QM Pricing & Scenario Tool allows approved and potential broker partners to run loan scenarios in Calyx@Point® or on the lender's website. Brokers can then quickly determine eligibility and pricing across NewFi Wholesale's proprietary non-QM products: Sequoia Portfolio Plus, Sequoia Portfolio Expanded, Sequoia Investor Pro and Sequoia CPA.

Sun West's Electra Portfolio Programs, available under the Hybrid Correspondent channel, are designed for well-qualified borrowers who are unable to obtain financing through traditional agency and jumbo sources. It's Electra Portfolio Loan Programs: Non-QM is NOT Sub Prime. [View the Sun West Improved program guidelines for details](#).

Ditech Correspondent Clients should note its Closed End Piggyback Home Equity Products have been suspended. No new applications or lock requests are permitted. Locked pipeline applications must be submitted to underwriting by July 17, 2019 and funded no later than July

31, 2019. Additionally, Ditech has suspended its Expanded Criteria (Non-QM) Products. Locked pipeline Non-QM applications must be closed and funded no later than today.

### Capital Markets

Yesterday European Central Bank President Mario Draghi **signaled a further easing of monetary policy** and said the outlook for the economy – particularly manufacturing – was "getting worse and worse". He also said the central bank's inflation target is considered symmetric, meaning it could be extended to the upper side of 2%. Draghi deemed the recession risk in the eurozone as "low," however, and said the bank is ready to adjust all instruments as appropriate and that it is looking at tiered rates and QE purchases. Good to know given that, at this point, **much of the U.S. interest rate movement is due to overseas factors**.

U.S. Treasuries declined in price on Thursday, including the 10-year closing the day +2 bps to 2.07 percent, after strong domestic durable goods orders (a positive input for Q2 GDP forecasts), initial jobless claims, and the ECB news set the tone for the day.

The week of scheduled news closed with the first look at domestic **Gross Domestic Product figures: +2.1% stronger than expected but down from 3.1 percent** in Q1. Final sales were strong at +3.0%. Will the Federal Reserve be less inclined to raise rates next week? We begin the day with Agency MBS prices worse a few ticks versus Thursday's close and the 10-year yielding 2.09%.

### Employment

"U.S. Bank Home Mortgage is growing in Texas and the Central Coast & Central Valley in California! We're hiring Sales Managers and Loan Originators with Builder/CRA/Traditional experience. We're seeking stellar talent to build a dynamic growing team to help navigate important milestones and strengthen futures together in the communities we live and work. At U.S. Bank, you'll get the incentives, tools, resources and personal support you need to pursue your professional dreams and cultivate meaningful relationships with the people and communities you support. We offer a comprehensive benefits package, including a pension plan and matching 401k plan!" Apply online or contact Christina Saucedo, U.S. Bank Recruiter (651-325-0984). U.S. Bank is an equal opportunity employer.

"Alpha Mortgage is seeking a licensed Encompass Administrator to join our team in our Wilmington, NC office (not a remote position.) The Encompass Administrator is responsible for systems administration to include researching changes and managing periodic system enhancements in upcoming versions of Encompass and other applications, ensuring Encompass is functioning consistently in accordance with applicable laws and regulations, process-flow improvement, testing of system changes, and resolving issues. Qualifications: HS diploma, Encompass Administrator Certification, 2 years Ellie Mae Encompass Administration experience and 2 years of mortgage industry experience. Please address questions and/or confidential resumes to Wendy Sandlin, Human Resources Manager.

Caliber Home Loans, Inc. believes that technology can empower Loan Consultants to deliver superior service, reduce complexity in their jobs and work smarter. Caliber's platform was inspired by the people that actually use it: loan officers and includes a proprietary LOS and mobile-friendly consumer applications – and mobile apps that seamlessly integrate with it, along with a marketing portal that helps our Loan Consultants promote Caliber's products and services. Caliber believes that technology should not be "set it and forget it" and that continuing to update your platform is the key to addressing the needs of today's borrower. Caliber believes the way to protect the Loan Consultants' future is to be one step ahead of the customer. If your company and its technology isn't helping you grow your business, we're ready to talk. To learn more about Caliber's technology platform and how it's building the new industry standard, contact Jeremy DeRosa.

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