Marketing, Wire Fraud, Profitability, Bidding Products; All Eyes on the Economy

By: Rob Chrisman | Mon, Jul 29 2019, 8:57 AM

As the residential lending industry continues to buzz about the CFPB addressing the definition of a Qualified Mortgage, with proponents hoping that the ATR rules are better detailed, people who believe that climate change is a hoax are no doubt puzzled why Moody's, the bond rating agency, bought a startup that quantifies climate-related risks. (The company analyzes the possible financial pitfalls of intensified hurricanes, heat stress, and floods in 196 countries and the risk exposure for 3,000 companies. Timely as Paris hit 108.6 degrees Fahrenheit last week, the hottest temperature ever recorded there.) Lenders in this country know that things are happening along the coasts: twelve states added more than 150,000 housing units between April 1, 2010, and July 1, 2018, per the U.S. Census Bureau. In terms of the largest numeric increase, the top six were Texas (1.1 million), California (597,000), Florida (558,000), North Carolina (357,000), Washington (262,000) and New York (256,000).

Lender Products, Services, and Partnerships

ResX Warehouse Lending is a division of United Bank, a respected commercial lender with an over 150-year track record of delivering for its clients. ResX isn't new to the warehouse business. In fact, it has been making warehouse loans longer than many of the "established" lenders out there. ResX is also not looking to waste time with inflated promises or the latest fix-and-flip pitch. Instead, they're real people and experts in the business. ResX Warehouse delivers extensive management experience, more effective and efficient processes, and the drive to be a complete banking resource for clients. In combination with United Bank's full-service array of products and services, ResX is the ideal platform for the mortgage banker serious about meaningful growth. That means no wasted time, no pipeline clogs and no worrying about whether or not it's in it for the long haul. If that sounds interesting to you, give ResX a look!

FormFree® announced that it has entered into a strategic alliance with FundingShield, a fintech firm that safeguards homebuyers, mortgage lenders and title insurance underwriters from wire fraud. FundingShield's loan-level verification services assure closing funds transferred at the end of a mortgage loan transaction go to verified bank accounts belonging to authorized recipients. FormFree will integrate FundingShield's Wire Account Verification Service (WAVS) into its Passport® all-in-one verification solution as a value-added service available to more than 1,000 mortgage lenders and their customers, including those who use Passport through one of FormFree's more than 100 integrations and reseller partnerships.

With mortgage rates extremely low and volumes high, lenders require access to real-time business intelligence to understand how well they are performing. Optimal Blue has responded by releasing Competitive Analytics, a game-changing innovation that enables clients to gauge performance through sophisticated visualizations that illustrate market position, compare margins and profitability, and assess the effectiveness of current pricing strategies. Competitive Analytics provides three distinct benchmarking capabilities: (1) VOLUME BENCHMARKING – a percentile rank of loan production to the overall market with volume trend charts across specific time periods; (2) LENDER PROFILE BENCHMARKING – interactive market comparisons of loan level parameters like FICO, LTV, loan amount, and more; and (3) PRICING STRATEGIES BENCHMARKING – key secondary marketing comparisons of metrics that impact profitability including margins, concessions, price, and note rate, filtered by business channel, institution type, state, MSA, and more. To learn more about Optimal Blue's business intelligence offerings including Competitive Analytics, please visit www.optimalblue.com.

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®.

Is Digital Marketing Dead? Why Direct Mail Marketing Outperforms Digital Marketing, and How to Do It Right. Digital Marketing is fast, cheap or free, and virtually everyone is on their smartphones or computers. But when it comes to response rates, it just can't compare to good ol' mail. In this enlightening webinar, Michelle Boucher, VP of Marketing at Monster Lead Group, will reveal why mortgage companies are investing more of their marketing spend in direct mail and how they're consistently getting the highest ROI from that investment. What you'll learn: The formula for a high performing direct mail campaign, how AI, predictive analytics and deep data have changed direct mail forever, and the "X factor" you can use that nearly doubles close rates. Plus, attendees will get a FREE checklist on How to Get Monster Responses from Direct Mail!

Capital Markets

Compass Analytics is proud to report that RoundPoint's Bidstream, the first cash flow based, loan-level servicing released premium (SRP) co-issue bid process, has received an overwhelming amount of acceptance by the industry, to the tune of $10B processed in just the first 3 months! Very similar to the bulk bid workflow many are accustomed to through Compass Analytics, sellers for the co-issue SRP portion only are able to receive and commit live co-issue SRPs with a simple, accurate, and fast all-in value. In addition to the improved speed and accuracy compared to normal pricing grids, sellers are also seeing pickups in basis points through this new process! Due to the availability of granular loan-level bid data, Roundpoint is seeing, on average, 30-40% of bid loans warrant a pay-up over traditional multi-level pricing grids. For more information, please contact your local Compass representative.

Improve your secondary market relationships. While chasing post-closing docs is probably not at the top of your mind, your relationship with your investors is. Handling Trailing Documents in-house is not only inefficient, resulting in delayed post-closing doc delivery and penalties (which can add up), but it can hurt your relationship with your investors. Your core business depends on those relationships. At DocProbe, we improve your secondary market relationships by delivering complete and correct Trailing Documents to your investors on time, every time. Guaranteed. DocProbe retrieves, audits, corrects, and ships your Trailing Documents to your investors within their timeframe. No missed deadlines. No errors. No penalties. With our proprietary LOS-integrated software, you can even track pending documents for your and your investors' peace-of-mind. To learn more about how DocProbe can make your Trailing Document operations streamlined and error free and improve your investor relationships, contact Nick Erlanger (866-486-0554) or catch Nick at the Lenders One Summit in Seattle next week.

Statements from Federal Reserve Chairman Jerome Powell and Federal Reserve Bank of St. Louis President James Bullard suggest a quarter-point interest-rate decrease will occur this month. Bullard has emphasized the move should be seen as recalibration, rather than the first in a series of cuts.

It's Fed week! As widely expected, the FOMC decided at its last meeting to leave its target range for the federal funds rate unchanged between 2.25 percent and 2.50 percent. That said, the committee indicated that it could be **easing policy in the not-too-distant future,** downgrading its assessment of the economy from rising at a "solid rate" to a "moderate rate." There were no major changes to the Fed's GDP growth projections for the next few years relative to the forecast that was released after the March FOMC meeting, but the FOMC acknowledged in the most recent statement that "uncertainties to this outlook have increased." Additionally, the committee dropped the word "patient" from its statement, which many inferred meant that the FOMC would be on hold for some time as it analyzed incoming data. The committee now says that it "will closely monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion," aka the Fed will cut rates at the first sign of trouble.

There were also important changes to the so-called "dot plot." In March, none of the 17 FOMC members looked for rates to be lower at the end of 2019, but the most recent plot indicated that one committee member looks for rates to be **25 bps lower by the end of the year**, and seven members expect that rates will be 50 bps lower at the end of 2019, reinforcing the view that the Fed indeed will be cutting rates soon. The continued undershoot of inflation below the Fed's target and the relative lack of conventional "ammunition" argue for more accommodative monetary policy in an environment of uncertainty. Much speculation is predicated on the assumption that uncertainty related to trade policy continues to linger. But if President Trump and Chinese President Xi agree to a trade deal at the G-20 that eliminates the tariffs that both countries have levied on the other side, then the need to cut rates may vanish. On the other hand, if negotiations completely break down and the United States levies tariffs on the remaining $300 billion worth of Chinese imports, then the FOMC may need to cut rates more than 50 bps.

On Friday we had a little intra-day volatility, mostly due to Q2 U.S. GDP showing the **consumer is doing just fine**, but nothing dramatic and the 10-year ended the week yielding 2.08%. The implied likelihood of a 50-basis point rate cut on July 31 ticked up to 19.4% from yesterday's 18.8% but was down from 24.0% one week ago. There was a fair amount of Trump/trade talk, most dealing with weakening the dollar, France, developing countries, and China.

With the swelling pipelines supply and demand is on trader's minds, and one measure is the issuance of mortgage-backed securities. ThomsonReuters reported that through Friday July issuance of eMBS at $128.9 billion "surpassed last month and was within striking distance of January 2017's $131.7 billion, though net issuance was expected to fall with speeds peaking." Remember that the NY Fed continues to purchase Agency MBS and released a new FedTrade schedule covering the July 29 to August 13 period with the Desk conducting three operations comprising up to $1.247 billion MBS.

Who needs to follow economic news **when we can take our queues from the Fed and other Central Banks?** This week's highlights are the latest decisions from the Bank of Japan on Tuesday, our Fed on Wednesday, and the Bank of England on Thursday. Unlike the FOMC, the BoJ and BoE are expected to keep rates steady. But we do have some scheduled news starting tomorrow (not much today). Tomorrow includes June Personal Income and Consumption, Consumer Confidence, Pending Home Sales, and the PCE Price Index. If you care about property values from nearly three months ago, we have the May S&P Case-Shiller Home Price Index.

Wednesday are the weekly MBA app numbers, July ADP Employment Change, Q2 Employment Cost Index, July Chicago PMI, and FOMC Rate Decision. Thursday has weekly jobless claims, Construction Spending, and ISM Manufacturing Index. Friday we can look forward to all the employment/unemployment data, as well as trade balance figures, Factory Orders, a Michigan Consumer Sentiment Survey. Ahead of all that, this morning we find rates a little lower versus Friday's close: the 10-year is yielding 2.06% and Agency MBS prices are better by a few 32nds.

Employment and Transitions

Cardinal Financial announced the hiring of Karl Benjamin, Vince Cavalea, and Michael Gallo. "The addition of these three dynamic industry veterans will provide top-tier experience to our leadership team as we continue to grow our channel. Karl will serve as our VP of National Sales for TPO, Vince has been hired as the Regional VP of Northeast and Great Lakes, and Michael has come on board as our SVP of Operations. These additions position us to be further committed to the wholesale space and will help align us to pursue our goal of being a top wholesaler in our industry. If you are looking to join a dynamic team, contact Karl Benjamin."

Tennessee-based Mortgage Investors Group (MIG) launched a centralized sales group that will be based in Charlotte, complementing the company's recently announced plans of hiring Gary Royal to expand retail operations outside of Tennessee. Darrell Bagwell has joined MIG as Director of Centralized Sales, and his team will serve borrowers who want a streamlined online home loan experience. Bagwell has 18+ years of mortgage sales management experience in the Charlotte area. "MIG's adoption of the digital mortgage experience combined with the wisdom that 30 years of being in business gives you, makes MIG a perfect fit for LOs who enjoy the direct consumer approach. MIG is offering a golden opportunity," Bagwell said. MIG President and CEO Chrissi Rhea added, "Whether our customer interface is online, on the phone or in our office, our focus is to make the client feel right at home." Apply HERE for this golden opportunity.

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