

2020 Forecasts; News from Ginnie, USDA, Investors Following FHA and VA Changes

By: Rob Chrisman | Thu, Dec 26 2019, 1:14 PM

"I hate it when people ask me what I'll be doing in six days. Come on folks. I don't have 2020 vision." You can be guaranteed that the Republicans will do what they can to prevent a recession in this election year. And I don't think that refis will continue to account for 63 percent of total applications, as they did last week. On a smaller scale, in the recent past, and in 2020, VA lenders are definitely interested in [the concentration of VA loans](#). Where are they being made? With the [MOU between the Department of Justice and HUD](#) regarding the False Claims Act, treble damages, and the potential for the lessening of punitive exposure, will be the Big Banks edge back into FHA lending? There is still a lot of mistrust of the government, and what one Administration says, or does, could change with a new Administration regarding government housing programs. Much more on the activities of FHA, VA, HUD, and Ginnie below.

Vendor/Lender Forecasts

"In the coming second wave of fintech innovation, we will see existing banks and large financial institutions turn every line of business and financial product into a software product." This was Jerry Chen's answer to Blend's question, "How will lending change in 2020?" [Read more](#) from Blend's interviews with 16 industry leaders on what we can expect to see in the lending landscape in the coming year.

FHA, VA, HUD, USDA/Rural, and Ginnie News

It's been interesting to watch the correspondent FHA market share shift to correspondent investors like PennyMac. It's also been interesting to watch the profit margins on this product continue to be solid for many residential lenders, despite the share of overall business. For example, in last week's application data, the FHA share of total applications was 14.5 percent and the VA share of total applications was 15.2 percent. (The USDA share of total applications was less than 1 percent.)

Ginnie Mae announced that issuance of its mortgage-backed securities (MBS) totaled \$56.1 billion in November, providing financing for more than 216,352 homeowners and renters. A breakdown of November issuance includes \$53.6 billion of Ginnie Mae II MBS and \$2.5 billion of Ginnie Mae I MBS, which includes \$1.9 billion of loans for multifamily housing. Ginnie Mae's total outstanding principal balance of \$2.1 trillion is an increase from \$2.03 trillion in November 2018.

(As a quick aside, lower refinance volumes and more modest purchase growth presents a headwind for title insurers. The private mortgage insurers are well positioned in the face of rising mortgage rates given the benefit of stronger earnings as existing policies remain in force and investment yields improve despite the risk of a slowdown in new originations. While the FHFA and HUD increased the base limits, several key housing markets will benefit from increases of 7-10%, including Seattle, Denver and Nashville, providing greater flexibility for buyers.)

On January 1, 2020 the USDA Single Family Housing Guaranteed Loan Program will begin to assess and collect a fee (aka Technology Fee) from lenders on each closed loan that was submitted via the Guaranteed Underwriting System (GUS). Specifically, any file submitted via GUS that is issued Form RD 3555-18E, "Conditional Commitment for Single Family Housing Loan Guarantee," on or after January 1, 2020, will require lenders to remit a one-time \$25 Technology Fee with their loan closing package (i.e. the same time a lender currently remits the Upfront Guarantee Fee). An [advanced copy of Handbook-1-3555 Chapter 16](#) provides direction on the disclosure and collection of the Technology Fee along with a new section on frequently asked questions for loan closings.

On Wednesday, January 8th, FHA is offering a free online webinar providing updates about [FHAs quality assurance processes](#) effective for loan reviews as of January 1, 2020, including the Defect Taxonomy Version 2 and Loan Review System (LRS) enhancements. There will also be a live Question and Answer session at the end of the webinar.

On Wednesday, January 22nd, FHA is offering a free online webinar providing an [overview of FHA-approved servicer requirements](#) including early delinquency activity; timelines; general loss mitigation; evaluation of the borrower's financial condition; and collections best practices.

On Wednesday, January 29th, FHA is offering a free online webinar to review [FHA's option priority waterfall](#) and the process steps to be followed when evaluating owner-occupant borrowers for home retention options. This webinar also covers guidance on the use of informal and formal forbearance repayment plans; how to review, qualify, and process the special forbearance unemployment home retention option; and the actions required to comply with HUD guidance.

On January 2, 2020, Wells Fargo Funding systems will be updated with the new loan limits for VA loans closed on or after January 1, 2020.

AmeriHome Mortgage Compliance has determined that, for its purposes, the technology fee does not meet APR exemptions and similar to disclosing a VA Funding Fee in "Services You Cannot Shop For," is included in the APR calculation. Sellers should consult with their own Compliance and Legal resources to determine TILA and RESPA thresholds and applications.

Chase Correspondent issued a [Revised Bulletin #CB19-50](#) to clarify the VA Loan Limit overlay. Revisions and clarification have been made to VA Loan Limit Overlay Addition, Dodd-Frank Act - Ability to Repay and Qualified Mortgage, Delegated Non-Agency Requirements and Non-Agency Interest Only ARMs.

Plaza Home Mortgage® will be standardizing its Administrative Fees for new loans created in BREEZE on or after January 1, 2020. All loan products (excluding Streamlines and IRRRLs) will be \$995. FHA Streamline, VA IRRRL, USDA Streamline will be \$595 and 2nds will be \$500*. The Administrative Fee will be based on when a loan is created in BREEZE, which may be earlier than when it is submitted. This means that loans created in BREEZE prior to January 1, 2020 will maintain the previous fee amount, if it differs from the new amount.
*waived for TX and VT.

And Plaza has revised its Department of Veterans Affairs (VA) program guidelines to incorporate the Blue Water Navy Vietnam Veterans Act of 2019, which includes changes that are effective for VA loans closed on or after January 1, 2020. Plaza's updated guidelines will be effective on January 1, 2020. Between now and January 1 both current and future VA guidelines will be available.

Sun West Mortgage Company, Inc. accepts lock requests and underwrite FHA Loans per the new 2020 National Conforming and High Balance Loan Limits if FHA case number is assigned on or after Jan 1, 2020.

Bayview | Lakeview Correspondent issued [Announcement C2019-47](#) covering updates to FHA, VA and Affordable Program.

And Lakeview Wholesale issued [Announcement W2019-32](#) covering updates to FHA and VA loan limits.

PRMG updated its Resource Center with multiple changes. Under Policies, Procedures and Information, Upfront Chenoa Process Training has been added and Unison Program Information has been updated. Under General Forms, updates have been made to Income Calculation Worksheet, HOA Full Lender Condo Review Questionnaire, FHA and VA New Construction Documentation and FHA Single Unit Approval Submission Form. Additions to VA Forms for Closed on Or After 1/1/20 include Loan Guaranty Calculation Worksheet, VA Calculator Tool and an updated VA Cash Out Refinance and IRRRL Worksheet. Its Jumbo, Niche and Second Mortgage Product Forms and Information section includes updates to Expanded Access Bank Statement Calculator and the Investor Solution Certification Form.

American Financial Resources has discontinued its VA High Balance product line(s) but continues to offer VA Jumbo products. As a result, these products will no longer be offered in the Optimal Blue system. Customers utilizing this content for proprietary products have six months from 12/20/19 to reconfigure eligibility/adjustment sourcing.

Caliber Home Loans Correspondent Lending will align with the 2020 loan limit increase for VA. VA loans with notes dated on or after January 1, 2020 can begin to utilize the FHFA 2020 loan limits. The 2020 effective loan limits are posted at [U.S. Department of Veterans Affairs Home Loan Limits](#) page. The county loan limits do NOT apply to IRRRLs.

Capital Markets

No one has a crystal ball, but anyone looking ahead should know that [Fannie Mae raised its origination estimates for 2020 despite prominent downside risks](#). Housing is expected to remain supportive through the first half of 2020. Housing supported the larger economy in the third quarter, and we expect it to continue to play a productive role through the first half of 2020," said Fannie Mae Senior Vice President and Chief Economist Doug Duncan. "Positive contributions from single-family housing construction, home improvements, and brokers fees pushed residential fixed investment growth to a robust 5.1% annualized pace this past quarter, and we forecast continued but moderating strength as construction activity and home sales growth continue at a slower pace. With mortgage rates normalizing, we expect a decline in refinance activity in 2020, with the refinance share of originations dropping from a projected 37% in 2019 to 31%. Of course, the housing market as a whole remains constrained by the persistent supply and affordability issues, which is particularly unfortunate given the current strength of consumer demand for reasonably priced homes."

U.S. Treasuries ended the abbreviated Christmas Eve session slightly rallying (let's call it a stocking stuffer for loan officers everywhere) due to the results from a \$41 billion 5-year note auction, where the high yield stopped through the when-issued yield, and the bid-to-cover ratio and indirect takedown were both above averages. Trading was obviously muted with many participants out for the early close and full close yesterday for Christmas.

Bond and equity markets are now open again and have already received the release of the MBA's mortgage application index for the week ending December 20, down 5.3 percent from one week earlier. Also out are initial jobless claims for the week ending December 20 (222k,

as expected). **The highlight of today's calendar is a \$32 billion 7-year treasury note auction at 13:00 ET.** After closing Tuesday -3 bps to 1.91 percent, we begin today with the 10-year yielding 1.91 percent but Agency MBS prices worse a few ticks, if anyone cares.

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