

# Broker Products; Credit and Underwriting Changes; Middle East Driving Rates

By: Rob Chrisman | Fri, Jan 3 2020, 8:49 AM

In state news, happy belated CCPA Day! The California Consumer Privacy Act officially went into effect 1/1, and it's a big deal. Full compliance expected by July 1. Here's what attorneys and "technologists" think about [the potential impact of the new law this year](#) and beyond. In other state news, house prices in 20 major US cities increased in October at the fastest pace in five months, according to an S&P CoreLogic Case-Shiller index. Prices gained 2.2% year over year, largely because of a strong labor market and declining mortgage rates. And who says that builders aren't gobbling up chunks of land across the nation? Here's [a very interesting New York Times article](#) with cool photographic proof from above.

## Lender Services and Products

What's more important, price, speed, or customer service? REMN Wholesale's new Platinum advantage product means brokers no longer have to choose. REMN's Platinum Advantage ties the wholesale lender's industry-leading 24-hour turn times and reputation for customer service into a product line that brokers around the country have been yearning for all year. Now, when price matters, REMN is there. When brokers need a wholesale lender, they can depend on, REMN is there. If speed matters, REMN can't be beaten. Brokers interested in finding out more about REMN's Platinum Advantage program can email their account executive directly or connect with a REMN regional manager online [through its website](#).

Today, ReadyPrice announced definitive partner agreements with leading Fulfillment providers, Focus Fulfillment and Shanks & Associates. These agreements allow over 400 Non-Delegated Correspondent Lenders to access ReadyPrice's Mortgage.Exchange. For the first time, NDC lenders and originators can own the process, beginning with initial product pricing gathered from the nation's top investors, all the way through Post Closing documentation. Look like a broker with product selection and control the process as a banker, all from the Mortgage.Exchange platform. ReadyPrice is driving independence across the NDC Channel! [Schedule your live demo today](#) to get started.

QLMS ended the decade with its strongest year to date, and couldn't stop breaking records! The number of LOs who closed a loan with QLMS doubled, growing to a whopping 13,000 LOs; Over 90% of them independent mortgage brokers. On top of industry leading pricing, products and operational excellence, brokers are leveraging the innovative technology QLMS has built. One of those technologies is "The Answer." Its proprietary questionnaire-based algorithm gives clarity to difficult and uncertain mortgage questions. Brokers can use this incredible tool to keep tabs on ever-changing guidelines. Recently, the rules around proposed rental income history have changed. Do you know how to apply them? Are you missing out on approvals and/or commissions? "The Answer" will save those loans! Click [HERE](#) to see how 'The Answer' turns mind-numbingly complicated situations into concise answers, helping you give better advice and close more loans.

## Changes in the Credit Landscape

People are certainly opening their wallets. Spending for goods and services initiated by credit, debit, and prepaid cards issued in the United States, which totaled \$7.266 trillion in 2018, is projected to reach \$10.086 trillion in 2023 according to statistics from The [Nilson Report](#). At the end of 2018, there were 6.96 billion credit, debit, and prepaid cards in circulation in the U.S. That total is expected to reach 8.02 billion at the end of 2023. Nearly 7 billion payment cards generate more than \$7 trillion in purchases of goods and services. Credit cards accounted for 54.17% of spending on all types of cards, down from 54.37% in 2017. Spending on credit cards is project to account for 54.13% in 2023. Outstanding credit card debt was \$1.124 trillion at the end of 2018, an increase of 5.8%. Outstandings are projected to reach \$1.435 trillion by the end of 2023.

But wait! There are more numbers! The average amount of a credit card purchase transaction was \$90.73 in 2018, up from \$89.88 in 2017. In 2023, the average amount is projected to be \$94.44. Payment cards in circulation include general purpose type (Visa, Mastercard, American Express, and Discover), PIN-debit type (Star, Nyce, Pulse, etc.), as well as private label type (store, gasoline, medical, hotel, airline), ACH, and private label prepaid, etc.

PCF Wholesale's [EZ-DSCR product](#) offers the ability to qualify off the I/O payment. No Income / No Reserves (to \$1.5M) / No Employment on 1003. 80% LTV on Purchases, Cash-out to 75% LTV, FICO's down to 600 plus more.

Redwood Trust Choice QM up to \$2M with a min 661 FICO to 70%. Optimal Blue has replaced Redwood's Renew products which are classified as "Standard" with a new "Expanded Guidelines" version. As a result, the "Standard" version of the Renew products have been discontinued and will no longer be offered in the Optimal Blue system. Customers utilizing this content for proprietary products have six

months from 12/18/19 to reconfigure eligibility/adjustment sourcing. New and improved versions of Redwood's Renew program are available in Optimal Blue's new Expanded Guidelines fields. Contact Client Services with questions.

Lenders are reminded that individual loans need to be resubmitted to an Automated Underwriting Engine based upon investor specific underwriting and tolerance requirements. M&T does not impose any "overlays" on these investor tolerances. Reminder: AUS tolerances apply to AUS Findings only. The loan data transmitted must always match as of the closing date.

US Bank posted [SEL-2019-067](#): Assets used for Repayment (Asset Dissipation Underwriting).

PRMG posted [Product Update 19-76](#). Updates include clarification on using Financed MI on Agency Products. Clarifies seller provided seconds (seller carrybacks) are allowed, if HUD guidelines are met on FHA Standard and High Balance. The removal of properties with less than 600 square feet from Ineligible Property Types on USDA loans. VA and VA High Balance products clarification regarding two veterans where the factor for VA Funding Fee is not the same is considered an eligible Veteran/Borrower Combination. VA IRRRL and VA IRRRL High Balance loan seasoning, Self-Employment Income – Profit and Loss Statement (P & L) and Balance Sheet Requirements on Diamond Jumbo. Refer to the profiles for details.

## Industry M&A

S&P Global reports banks and thrifts in the US closed 3.3 branches to every one opened in September (221 to 66), bringing the total to 87,738 overall. Over the prior 12 months, 3,019 branches have been closed vs. 989 opened.

In depository bank news it was recently announced that, in Massachusetts, Cambridge Trust Co. (\$2.8B, MA) will acquire Wellesley Bank (\$986mm, MA) for \$122mm in stock (100%) or 1.59x tangible book, and Bridgewater Savings Bank (\$623mm) will merge with Mansfield Co-operative Bank (\$527mm) and form a new mutual ownership entity. In Pennsylvania William Penn Bank (\$418mm) will acquire Washington Savings Bank (\$159mm) and will also acquire Fidelity Savings and Loan Association of Bucks Co (\$86mm). First Bank and Trust Co (\$54mm, OK) will acquire The First National Bank of Pawnee (\$58mm, OK). In Maine Bangor Savings Bank (\$4.6B) will acquire Damariscotta Bank & Trust Co (\$193mm) for about \$35mm in cash (100%) or about 1.85x tangible book. And in Texas First National Bank (\$530mm) will acquire First State Bank (\$185mm).

In the servicing biz, Sagent Lending Technologies announced a definitive agreement to acquire ISGN Corporation. "The acquisition will expand Sagent's loan servicing solutions and further demonstrate an ongoing commitment to the broader mortgage industry for current and future clients." Recall that Sagent was formed as a joint venture between Fiserv and Warburg Pincus in 2018 with a focus on improving the lending experience for both lenders and borrowers. "Through innovative solutions in mortgage and consumer lending technology, Sagent empowers lending clients to exceed borrower expectations, increase efficiency, and improve agility in an ever-changing compliance environment." (ISGN is a global provider of mortgage technology products, delivering smart and innovative SaaS technology solutions to the residential mortgage industry.)

## Capital Markets

Tuesday's talk of curve steepening was just that: Tuesday's talk. U.S. Treasuries began 2020 with a rally that was paced by longer duration bonds. The 2-year Treasury yield closed yesterday unchanged from Tuesday's close, while the 10-year dropped -4 bps (closing at 1.88 percent) and the 30-year fell -5 bps, as stocks climbed to new record highs (again) and **U.S. jobless claims fell to a four-week low**. The initial claims figure may have decreased, but not before registering the highest four-week moving average in 23 months. It seems a tight job market stopped meaning higher wages long ago, since most new American jobs are in the service industry and pay little.

I'd like to say it was a notable day for markets, but anything after the lightly traded last two weeks was probably going to seem like big moves worthy of headlines. Weak data out of Germany and the UK weakened the euro and pound as demand for the safe-haven dollar picked up. British factory output fell in December at the fastest rate since 2012, a survey showed, while a German Purchasing Managers' Index survey showed the manufacturing sector contracted further in December.

The dollar recovered from a six-month low to rebound on the opening trading day of this year, ending a poor December for the dollar (tensions with China eased and global growth prospects rose) that meant it closed flat for all of 2019. While it may spell good news for the dollar, it does revive concerns that 2020 may not be as good for growth in the EU and in the UK as people were surmising as recently as a few weeks ago. While most Manufacturing PMI readings from the EU beat expectations yesterday, those same readings pointed to continued contraction. The final piece of international news was the People's Bank of China announcing that its reserve requirement ratio will be lowered by 50 bps on Monday.

Fed speak isn't expected to be very exciting over the next several months. With the recent de-escalation in trade tensions, **the FOMC is expected to keep rates unchanged through 2021**. Many big banks have an estimate of the optimal Fed funds target rate, which helps compare monetary policy across different economic cycles and provides some insight to the path of policy going forward. When the effective fed funds rate rises above the estimated optimal rate, this suggests that monetary policy is too tight, given the inflationary pressures in the economy and the probability of recession at that time. This often occurs when the FOMC embarks on hiking cycles to prevent the economy from overheating, such as at the end of 2018.

After hiking rates four times over the year, the FOMC had pushed the fed funds rate almost 40 bps, on a four-quarter moving average basis, **beyond many estimates of the optimal rate**. Increasing trade uncertainty and deteriorating growth abroad, pushed the FOMC to signal a shift in policy and cut rates by 75 bps over three meetings. Those cuts not only helped the FOMC assuage fears of recession but also revitalized the nation's struggling housing sector.

Future FOMC actions will be largely based on if real GDP growth comes in significantly different than expectations. Stronger GDP readings would mean the Fed could then begin to discuss hiking rates. Something else to keep in mind is the FOMC is far more likely to risk being too accommodative rather than too tight. As Chairman Powell noted in his December press conference, **inflation has repeatedly run below the Fed's 2.0 percent inflation target** and failing to hit this target on a sustained basis could push inflation expectations even lower.

Also today, the Desk of the NY Fed will conduct a UMBS30 FedTrade operation targeting up to \$\$793 million 2.5 percent (\$257 million) and 3 percent (\$536 million). There is a collection of non-market moving news this morning: December ISM-New York figures and business conditions, December ISM manufacturing PMI, and November construction spending. We'll see the return of Fed speak today with Richmond's Barkin, Chicago's Evans, San Francisco's Daly, Governor Brainard, and Dallas' Kaplan before the minutes from the latest meeting are released in the afternoon. We begin the day with Agency MBS prices better by a solid .125 and the 10-year yielding 1.83 percent: military news from the Mideast is driving bonds and stocks this morning.

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