Digital, Compliance, Servicing; Commercial and State Bond Products Next to be Impacted?

By: Rob Chrisman | Thu, Mar 26 2020, 9:08 AM

While in captivity it is important to keep busy. Every day people ask me where I think rates will be next week. Here you go: my forecast! After you check out that graph, it brought to mind that Kris W. sent, “For the third time this week I’m buying enough booze for the next two weeks.” Seeing large lenders in the mainstream press can drive one to drink, the latest example being Quicken Loans and a possible cash crunch. (Any servicer who has to advance payments they don’t receive will be hit. As a reminder, the top servicers include Wells Fargo, JPMorgan Chase, Nationstar, Bank of America, NewRez, QLMS, PennyMac, and Freedom.) “Being hit” brings to mind the secondary markets right now. “Hey, the price you’re showing me isn’t what the screen shows!” “Well, then sell it to the screen!” That is a common refrain, and without a well-priced and stable secondary market, the primary market goes away. Dean Brown from MCM posted this article addressing the Bulk Execution Problem seen by lenders everywhere. Check out capital markets below.

Lender Services and Products

James “Jim” Bopp, a top renovation lending expert, has joined Planet Home Lending, LLC. Known for his incredible insight and knowledge of renovation loan programs, Jim heads the MBA’s FHA 203(k) working group. His leadership, coupled with Planet’s significant investment in resources, is taking Planet’s renovation offerings to the next level. Let Jim and Planet’s renovation lending team help you explore, start, or grow a successful program that captures your share of the $330 billion remodeling market. To make renovation a significant and profitable portion of your business, contact Jim Bopp (518-369-8242).

As COVID-19 continues to profoundly impact every aspect of business, Sourcepoint understands mortgage servicers must adapt quickly to a new normal. Its experienced Omnichannel Contact Center and Collections teams, and default support staff are available to serve your borrowers and ease their concerns, not only during normal times but also during periods of uncertainty. Backed by the most comprehensive set of servicing and collection licenses and a 3,500+ global workforce with US and Global centers, Sourcepoint’s teams are well equipped to help your borrowers through these difficult times, whether fielding customer service inquiries, navigating through a forbearance application and the approval process to ensure they get the assistance needed in a timely manner, or working through loss mitigation or modification strategies, they are here to help. To learn more about how Sourcepoint can help sharpen your customer focus during these challenging times, contact Sourcepoint.

In the current environment, digital strategies, including social media marketing, have become more important than ever. However, for mortgage lenders, one poor choice of words can have regulators on your back faster than you can type #bestratesintown. Is your organization prepared to monitor all of its accounts to ensure compliance? Don’t hesitate. Automate! MQMR now offers a social media monitoring platform designed specifically for financial institutions and independent mortgage lenders to help keep a close eye on the messaging loan originators are using on social media while also meeting regulatory requirements for web and social media content archiving. Ready to learn more? Schedule your demo here by April 15 and enter to win a $250 gift card. Need more tips? Download our free white paper on The 7 Deadly Social Media Sins.

Building intuitive digital experiences has arguably never been more important for lenders. Join Bob Meara (Celent), Eric Somers (BMO Harris Bank), and Alden Seabolt (Blend) for CBA's webinar "Leveraging digital transformation to nail customer acquisition." They'll demystify what it means to transform your organization with strategies that support seamless customer onboarding experiences. Sign up for free with the promo code Blend0407.

Coronavirus Adjustments Continue

Will state bond programs and down payment assistance programs be the next casualty? Down Payment Resource, in touch with all HFAs and other program administrators, sent this out.

From Oklahoma REI Down Payment Assistance sent, “Due to market volatility, REI is not going to be able to allow lenders to cancel loans without a cancellation fee. This will not be a permanent rule, but will be implemented during this crazy time. REI loans are hedged just like your company hedges loans and if we have numerous cancellations it will definitely affect our pricing in the coming days.”

Out of New Hampshire came, “Due to the impact of the COVID-19 (Coronavirus), the mortgage-backed security market is no longer properly functioning. Our financial advisors have informed us that New Hampshire Housing can no longer set interest rates as the secondary mortgage market is not functioning as normal and pricing is not clear. After exploring our options, we regretfully determined that it was necessary that effective immediately, New Hampshire Housing is suspending taking loan reservations until further notice.

Finance of America's Commercial Division sent, "We are suspending all originations until April 1st due to market volatility. We will reassess at that time to see if the market has stabilized. We apologize for the inconvenience this has caused."

But from within Deephaven came this note. "Unfortunately today we had to displace nearly 90% of our staff. Those remaining are continuing to source out liquidity and are looking at the stimulus package to see if anything in there can be tapped from a liquidity standpoint." Note, this is a personal email, not a company memo.

Genworth supports the flexibilities and temporary measures announced by Fannie Mae and Freddie Mac this week, effective for all loans utilizing Genworth Mortgage Insurance. The GSE measures are effective immediately for loans in process. MGIC issued a similar announcement, as did Radian and Essent.

Gateway First Bank Correspondent Lending is temporarily requiring a minimum FICO score of 680 on all newly locked Government loan programs. This includes FHA, VA, USDA, HUD-184, SETH Goldstar, CAFA Gold 100, and the GSFA Open Doors programs. Government loans currently locked prior to today March 25, 2020, will be eligible for extensions based on Gateway's published extension policy, as outlined in Chapter 3 of our client guide. Gateway continues to monitor volatility and will provide updates and guidance throughout the market turmoil. Thank you for your partnerships and patience during these challenging times that are having an impact on your business and our industry; we are all in this together. In the meantime please prepare your borrowers for a variety of scenarios and potential rate changes throughout the day. We are committed to keeping you apprised of any and all changes. (*Please note, these FICO changes do not include the Texas Veterans Land Board Program.)

California's Sierra Pacific got the word out that, "…we are only accepting brokered loan submissions. We are currently not accepting any Correspondent submissions…" Questions should be addressed to your rep.

Capital Markets

Are you getting the guidance you need during market volatility? In the last month, MCT has sent nine timely MarketFlash updates, authored four articles, hosted five webinars, and provided daily market commentary along with a constant stream of support and communication to lender clients. One client shared, "Thanks for all you are doing during these unprecedented times, taking time to keep us informed has been awesome." The wide-ranging topics covered include execution challenges, industry advocacy, Fed actions, BE to mandatory spreads, ensuring liquidity, mitigating margin calls, managing pull-through, and detailed market analysis. According to another client, "You are doing phenomenal given the circumstances. I feel blessed to have partnered with MCT." As your trusted capital markets partner, MCT stands by you during times of market volatility - even if you are not an MCT client. Reach out for guidance and support or join the MCT newsletter.

We've had the end of the bull market in stocks, in part because of the Federal Reserve. The Fed had been a huge wind at the market's back for a decade, but now faces a problem it cannot solve: It can't print enough money to ensure that people don't get infected. Put in a more dire way, many believe that nothing the Fed can do at this point is going to offset the full shock of the coronavirus, because its tools are just not well suited to making up for lost work hours or helping employees who have missed out on paychecks. Additionally, central banks around the globe do not have the firefighting power that they had going into the 2008 financial crisis. Of course Jerome Powell disagrees, but the fact stands that many central banks, like in Japan and in parts of Europe, already had very low or even negative interest rates. **The Federal Reserve's moves to increase dollar access are calming markets at the heart of the global financial system.** What matters now is whether the outbreak turns out to be a short-term, painful blip, or a longer-term devastation that will kill companies entirely and have greater repercussions for financial markets.

It's certainly already had marked impacts. China's economy shrunk in Q1 for the first time since 1976, an ominous sign for the rest of the world. Recent initial unemployment claims in the U.S. showed a spike, greater than any weekly jump that occurred during (or since) the 2008 financial crisis. The unemployment data is about to look much worse, as last week's data is from before many cities and states took more restrictive measures to "flatten the curve" and forced closings of certain businesses. As entire sectors of the U.S. economy shut down, lawmakers are considering options that would dwarf the federal government's response to the 2008 financial crisis. That crisis, which sent unemployment to 10 percent, centered on foreclosures and the banking sector, **but this crisis is springing from dozens of places.**

Despite Congressional leaders still not finalizing a $2 trillion fiscal stimulus package by the time U.S. markets closed yesterday, the risk-off sentiment continued as expectations of a deal coming together remained elevated. The package reportedly will include direct payments, a loan program for small businesses, and a support fund for industries, cities, and states. Some Republican senators threatened to block the package because it did not include limits to the unemployment insurance provisions for low-wage workers, but Democratic Senator Bernie Sanders emphatically warned he would be the one to derail the deal if the legislation was altered. The Republicans argued unemployment insurance provisions for lower-wage workers, as written, would provide more money in unemployment benefits than the workers make on the job, thus damaging the economy. Sanders also said he wants the legislation to include tougher oversight on aid for corporations and to require them to pay higher wages and stop offshoring jobs. The day also saw more chatter regarding funding at non-bank servicers amid talk for forbearance and foreclosure suspension by the GSEs while the market for servicing has also become challenging.

Outside of Washington, there was some valuable data for market participants to digest. February **durable goods orders increased 1.2 percent when they were expected to decline** -1.4 percent. Though, excluding transportation, durable goods orders declined -0.6 percent and were worse than expected. Business spending was soft in February, and that figure was made worse by the knowledge it will collapse from here due to the shutdown measures adopted to stop the spread of the coronavirus. The FHFA Housing Price Index increased 0.3 percent in March after increasing 0.6 percent in February. On a positive note, the day's $41 billion 5-year note auction was met with solid demand. The 10-year Treasury yield closed the day +4 bps to 0.86 percent.

Adam Quinones at Refinitive addressed liquidity in the mortgage market. “Originator hedging liquidity has improved in TBAs, however it doesn't feel like the mortgage market is functioning any better as a result. Yes, the basis tightened two points in two days but that's resulted in upside-down positions and has triggered margin calls and an exodus from the lender triparty/AOT space. Pool execution is truly terrible (behind TBA), payups have disappeared, and new product ramps ‘trade negative’ if they trade at all. The economics of selling directly to the Agencies are becoming a moot point for many shops as the co-issue bid went missing almost overnight. No company retaining servicing can get a practical servicing mark and certainly can't justify aggressive interest-only multiples when every new loan represents a potential payment advance liability. Speaking of multiples, the looming BU/BD reprice promises to be painful. Expect at least a full multiple reduction in buyups. That leaves few options if you can't fund yourself. The only hope for many shops is selling bulk forwards to large aggregators, though these shops are dealing with their own capacity issues and a complete loss of pool execution. That pain point is becoming more and more apparent with every new rate sheet.” **Does anybody have a better idea than taking your lumps as soon as possible?** Thank you, Adam.

The Desk of the **NY Fed conducted five FedTrade operations yesterday.** The three morning operations saw purchases of $23.19 billion, out of a possible $32.6 billion. For the day, the Desk purchased $39.876 billion MBS of the estimated $50 billion, or 79.8 percent of the expected planned purchases. Total purchases since the Fed restarted QE purchases are now at $161.9 billion now. The Desk will conduct a total of $50 billion in MBS FedTrade operations today following the same schedule as yesterday and Monday, purchasing primarily “current coupon” product. The Desk will also report on MBS purchases for the week ending March 25 in the afternoon.

Looking at economic releases today, we’ve already had a whole spate of data: Weekly Initial Claims (3.3 million, a post WWII high), Q4 GDP (third estimate +2.1 percent, old news), and Advance February goods trade balance ($60 billion). Later this morning brings the KC Fed manufacturing index for March. We begin today with Agency MBS prices better .125-.250 and the 10-year yielding .78 percent after the historical jobless claims jump – we knew it was going to be bad.

Employment

Are you currently in mortgage fulfilment and looking for a better company to build your career? Join an expert operations team at Flagstar Bank that is solely focused on closing loans on time, every time. You'll experience the difference right away. With annual originations of about $30 billion, Flagstar ranks among the top 5 bank mortgage originators in the country and is looking to hire talented mortgage personnel to join Flagstar’s team nationally. If you are passionate about details, and want to be part of a team that cultivates a diverse, inclusive, and respectful work culture, search here to find the best position for you.

“Put yourself firmly in control. Work when and where you choose. Take home more money by controlling your own pipeline. Choose from hundreds of loan options to offer borrowers the lowest rates available. The benefits of becoming an independent mortgage broker are many, which is why a rapidly growing number of borrowers are looking to them to buy or refinance a home. It’s still the perfect time to visit BeAMortgageBroker.com to learn more.”

Fear and uncertainty, especially during the COVID-19 epidemic, may negatively influence your feelings and behavior. By reaffirming our positivity and the steps we can take to quell fear and anxiety, we may be better at self-governing our reactions and behavior and thus the social impact of the epidemic. #weR1❤ is dedicated to defeating the COVID-19 threat together as a community through solidarity and support. GO Mortgage would like you to please consider signing the petition as an individual or as a business. For each commitment made, #weR1❤ will donate $5 to the following foundations: CDC Foundation and the COVID-19 Solidarity Response Fund for WHO. Please spread the word and feel free to share the link with your friends and colleagues who want to adhere to a set of commitments meant to inspire and change the way we look at and view our everyday lives and business practices.

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