# Sales, Marketing, Cap. Mkts. Products; Agencies and Forbearance Loan Purchases

By: Rob Chrisman | Thu, Apr 23 2020, 10:16 AM

Other than things like a mother's love, most things have prices, and Fannie and Freddie set theirs for buying loans in forbearance in the form of tacking on loan-level pricing adjustments (LLPAs): 500 basis points (5 percent) for loans where any borrower is a first-time homebuyer, and 700 basis points (7 percent) for all other loans. (More below.) The street artist Banksy's works are also pricey, and has some fun products from his work from home efforts. Animals produce things as well and thank you to Josh F. who sent along this cool webcam of a peregrine falcon and her three fluffy chicks high above UC Berkeley. Speaking of animals and nature, here's some good news: the population of unadopted animals in shelters has plummeted as they've found homes. Homes? Our industry help millions finance every year, let's get into it.

**Lender Services and Products**

Maxwell has just released its latest, best-in-class integration within Encompass by Ellie Mae for managing disclosures through their digital mortgage platform. No more fumbling between two systems, confusing borrowers, and missing compliance pieces. Provide a compliant and seamless disclosure experience all in Maxwell's digital mortgage platform fully in sync with Encompass, keeping your borrowers and compliance officers happier. Maxwell provides a fully automated workflow to ensure an optimal user experience from application to closing that includes delivering disclosures to your borrowers while meeting the regulatory requirements essential for compliance. To learn more about Maxwell's new disclosure integration with Encompass click here and request a demo today!

HomeBinder: Stay Connected Post-Close. Grow your business with a HomeBinder that keeps you connected with homeowners post-close. Drive agent referrals by co-branding HomeBinder with the real estate partners you work with. Integration with Encompass automates the entire process (including loan docs!) Exclusive 10% off HomeBinder for loan officers (ends May 31st). Learn more today.

"Updates from Service 1st: IRS meetings are occurring with the industry this week on restarting IVES (4506-T Processing). All Service 1st verification turn-times are nearly 50% less than industry benchmarks (4506-T an exception due to IRS service halt). All 26 VOE data sources are reporting as normal. Seven out of 10 Service 1st manual verifications of employment are completed in 24 hours or less. Multiple new and innovative solutions for wire fraud mitigation, income determination, credit, and client behavior monitoring. The stats don't lie: it's worth getting in touch. In between ESPN's MJ greatest hits, check out SRV1st.com, register for our newsletter, and schedule a demo for next week."

How are you responding to the impact from the COVID-19 pandemic? Read Black Knight's white paper to gain insight into the current and forecasted impacts to the industry, recommendations you should consider addressing these changes, and innovative solutions uniquely suited to meet your most challenging needs.

Live webinar: Building Your Lending Operations on a Foundation of Quality: How Mountain America Credit Union Achieves Optimal Loan Quality Through QC Automation. Learn about the current regulatory climate and how credit unions can best navigate through these unpredictable and ever-changing conditions; how data-driven audit technology can make a lasting impact on overall loan quality; and the success story from a leading credit union on how they revamped their qc operations to improve quality and increase member confidence. Register for the live webinar, Wed, April 29, at 2PM ET. (Can't make it? Register anyway and you will be sent the recording.)

Are underwriting turn times hurting your brand? The recent market volatility reminds us how important it is to deliver impactful messages to partners and consumers. It also demonstrates the need to quickly adapt to the conditions on the street. For example, recent guideline fluctuations have impacted underwriting turn time. Is your messaging reflecting the current reality? Velma's ability to quickly adjust to the shifting landscape illustrates the power of a nimble, enterprise platform built with the loan officer's brand at the forefront. Loan officers are the lifeblood of the mortgage industry. Keeping their clients and partners informed with perfectly timed messages is the key to retaining and recruiting the top producers in the industry. Schedule a demo today to learn how you can protect and promote your loan officer's brand.

Trouble keeping Loan Officers focused on building their loan pipeline? Automatic notifications and Daily Updates from Unify CRM keep your Loan Officers focused and ahead of a volatile market. As working from home becomes our new norm, finding effective ways to keep your Loan Officers focused is crucial. What are the tools they need to stay efficient and relevant to partners and borrowers? The Solution: Unify CRM's automatic notifications are only the start. Unify has automated marketing features to target many types of borrowers, while credit score monitoring and listing alert features help you stay laser focused in today's market. Together with text messaging and automated email campaigns, borrower presentations and pipeline management, Unify CRM gives you the power to succeed. All while fully integrated with Encompass or your LOS. UNIFY CRM is your partner in connecting with the right number to the right borrowers at the right time; contact us, so we can show you how to keep your LO's focused on what's truly important.

**COVID-19-Driven Changes**

Yesterday's big news du jour was that **Fannie and Freddie will temporarily buy/securitize loans in forbearance**, meaning that lenders can now sell or securitize their new mortgages even if in forbearance. Know that no lender, including depository banks, wants to be sitting on unsold and unsaleable loans that are in forbearance so the pressure was put on F&F to come up with a policy.

There are stipulations. Loans must still meet the general requirements of F&F and will be priced to mitigate the heightened risk of loss to the GSEs. The loans included in the plan are purchase loans and rate and term refinances only; no cash out refinances may be delivered while in forbearance. The reason for forbearance must be directly/indirectly related to COVID-19. Loans must not be more than 30 days delinquent with note date on/after February 1st, 2020. The note date must be on or after February 1st, 2020 for May 1st delivery to the GSEs, and the loan must also not be more than 30 days delinquent at the time of sale or securitization to Fannie/Freddie. And there's the matter of the price hit.

MBA President Bob Broeksmit summed things up. "The Federal Housing Finance Agency (FHFA) announced it would allow Fannie Mae and Freddie Mac (the GSEs) to purchase qualified single-family loans for which the borrower had sought forbearance after closing but before delivery to the GSE. Unfortunately, the agency authorized the GSEs to apply what we believe are excessive loan-level price adjustments (LLPAs) to these loans: 500 bps for first-time homebuyers and 700 bps for other loans. The agency also excluded cash-out refinances altogether, which means those loans remain unsaleable to the GSEs at this time.

"MBA will continue a full-court press with FHFA and through legislative efforts to achieve a more positive outcome for consumers and lenders. Our lobbying and policy teams are hard at work, and we will be engaging our industry members through a Mortgage Action Alliance (MAA) Call to Action, asking them to contact their legislators and press our case." (Bob included this link to an interview on CNBC's "Squawk Alley" to discuss a series of issues which are important to lenders and consumers alike.)

For good news, the industry has some clarity. Like them or not, the policies have been spelled out. A 4-month cap for servicers advancing payments, and 7 point hit on the sale. Some lenders may try to hold loans on their books rather than suffer a 7-point hit. Certainly banks or portfolio lenders have that option. But warehouse banks won't allow non-depository lenders to do that. **Critics of the new policy opine that the FHFA doesn't care about mortgage originators, it cares about saving REITs and the repo market.**

Lenders reacted. For example, Flagstar sent out a note to correspondents "…temporarily implementing the following changes effective Monday, May 1, 2020. All correspondent loans purchased after the 15th of the month following first payment due date must include evidence of first payment made. Evidence should be provided using a payment history from correspondent or servicer system of record."

In all this, it is important for compliance folks, and originators, to remember, and not let it be lost in the shuffle, that the Consumer Financial Protection Bureau (Bureau) issued a final rule raising the loan-volume coverage thresholds for financial institutions reporting data under the Home Mortgage Reporting Act (HMDA).

The final rule, amending Regulation C, increases the permanent threshold for collecting and reporting data about closed-end mortgage loans from 25 to 100 loans effective July 1, 2020. The final rule will also amend Regulation C to increase the permanent threshold for collecting and reporting data about open-end lines of credit from 100 to 200, effective January 1, 2022, when the current temporary threshold of 500 of open-end lines of credit expires. In October 2019, the Bureau extended the temporary open-end threshold until January 1, 2022. Absent today's final rule, the open-end threshold would have reverted to 100 open-end lines of credit upon the expiration of the temporary threshold.

HMDA and its implementing regulation require certain financial institutions to report data about mortgage loan applications, origination's, and their purchases. The data serve HMDA's purposes, which are to help determine whether financial institutions are serving the housing needs of their communities, to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed, and to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

**Capital Markets**

Are you getting the guidance you need during market volatility? In the last two months, MCT has sent 19 timely MarketFlash updates, authored 7 articles, hosted 10 webinars, and provided daily market commentary along with a constant stream of support to lender clients. One client shared, "Today was the most difficult day, and EVERYONE was amazingly helpful. There are honestly too many examples, I wouldn't be able to do this without your team." Topics covered include Challenges & Solutions to Correspondent Lending in Crisis, FHFA and Fed actions, BE to mandatory spreads, ensuring liquidity, mitigating margin calls, and managing pull-through. 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. Review market volatility guidance and join the MCT newsletter.

U.S. Treasuries sold off in “curve-steepening” fashion yesterday as oil recovered slightly and stocks went higher on a mixed bag of earnings. **The big news on the day was Congress passing the latest $484 billion aid package**, which Treasury Secretary Mnuchin believes will be sufficient to help small businesses cope with the shutdown. (Until it’s not.) On the coronavirus front, New York’s death rate dropped to the slowest level this month. The NY Fed was busy purchasing $9.581 billion MBS of the $10.709 billion maximum. The FHFA made an announcement that it will allow the GSEs to purchase select single-family loans (at risk-adjusted prices) which are already in forbearance. Fannie Mae released eligibility requirements which included no more than one month of delinquency at the time of the loan securitization while maintaining certain reps and warrants.

Today’s economic calendar is underway with **jobless claims for the week ending April 18 (4.42 million, about as expected)**. The calendar rolls on later this morning with preliminary April Markit manufacturing and servicing PMIs, March new home sales, the Kansas City Fed manufacturing, comments from New York Fed President Williams and the NY Fed will report on weekly MBS purchases for the week ending April 22. We begin the morning with Agency MBS prices unchanged and the 10-year unchanged after closing yesterday at 0.62 percent.

**Jobs**

“Even during this challenging time in our industry, The Mortgage Firm continues to grow and attract top talent. We are pleased to announce the addition of Dan Nunes, as Area Sales Manager. Dan brings over 20 years of leadership and business development skills to help lead the expansion efforts in the Raleigh/Triangle and North Carolina markets. Nunes cites The Mortgage Firm’s visibly strong culture, the simplistic yet efficient use of technology, and limited managerial layers that promote an entrepreneurial spirit while still providing an incredible infrastructure of support, as his key reasons for joining The Mortgage Firm. ‘This provides me the right mind set and tools to help my team members and I achieve success. I feel, without a doubt, we have found a great home by joining The Mortgage Firm.’ For more information about growing your mortgage career at The Mortgage Firm, email Mickey Schilling, Director of Strategic Growth.”

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