

Digital, Customer Service Products; FHA COVID News; 1st Quarter GDP Takes a Big Hit

By: Rob Chrisman | Wed, Apr 29 2020, 10:26 AM

While in captivity it is important to observe [the impact of your words](#) during meal times. (Warning: Rated R for language.) Measuring the financial impact of the government-instituted changes is now a focus. Credit-card payments are one of the first places where the effects will show up, and are often the first loans people stop paying when money is tight. They are usually unsecured, so lenders have little recourse if a borrower stops paying. Many large card issuers are letting borrowers [pause their credit-card payments](#) for a month or longer. Some are lowering or waiving late fees and interest charges, or even forgiving portions of customers' balances. And lenders disappointed in purchase times and what aggregators are paying them (mostly due to low servicing values) who think retaining and servicing their own loans is a breeze, think again. Modeling out how much cash you will need to cover is critical. The focus has been on principal and interest, but what about taxes & insurance if your borrower isn't paying? Compass Analytics' "Retaining Servicing - Part III: Forecasting Cash Needs for High Forbearance Servicing" is [available](#) (the password is ServicingPart3). (If you would like to request access to the Servicing Advance Calculator that was demonstrated in the webinar, click [here](#); questions can be addressed to Rob Kessel.)

Lender Services and Products

Free Webinar: Use Digital Closings to Keep Your Loans Moving. Register for a complimentary webinar on Wednesday, April 29 to learn how digital closings can keep your loans on track during the COVID-19 crisis. Hear from John Ralston, Black Knight's Director of eLending Strategy, as he provides an update on digital closings in light of the GSEs' guidance and the availability of remote online notarizations. John will also demo Expedite Close, Black Knight's proven, easy-to-use digital closing solution that can be implemented in a few weeks. [Register for this complimentary webinar today.](#)

From Service 1st ([SRV1st.com](#)): Old risks are rapidly emerging as growing threats for originators. The current refinance market has enhanced early borrower payoff risk. Additionally, as industry has quickly transitioned to a near fully remote model, enhanced vulnerabilities now exist for one of the fastest growing cybercrimes in housing finance, wire fraud. Service 1st is a leader in cohesive risk strategies. Our Mortgage Payoff Watch solution alerts originating lenders should your borrower shop for a new mortgage within the first year of closing--with no monthly minimums! Mitigate growing wire fraud concerns due to enhanced exposures. Wire fraud financial losses are surpassing a likely underreported \$150mm in 2018. S1's fully integrated verification of participant certification and ID plus bank account verification dampens this business risk. [Visit SRV1st.com](#) for industry insights, newsletter registration and scheduling opportunities with members of S1. Staysafe!

This spring has presented us with an unanticipated, new normal. With so many lenders now working remotely, it makes sense to use mobile apps to access necessary files. GetConnexions is a mobile app that lets you access Connexions functionality remotely to better manage real estate valuations, right from the palm of your hands. With an easy-to-navigate dashboard and integrated search tools, GetConnexions lets you obtain workflows, track orders, reference current and past requests, set-up push alerts, and find appraisal locations. It's the perfect way to bridge the gap between lenders, appraisers and AMCs while honoring current social distancing requirements. Connexions' premier Appraisal Management platform delivers best-in-class automation, reporting, data analytics and integration to real estate valuations. It works with over 150 AMCs and over 13,000 independent appraisers nationwide. Want to learn more? [Set up a demo](#) or download the app from the App Store or Google Play today!

How are mortgage originators supposed to bring borrowers and Realtors together when we can't, well, come together? Just ask LendUS. As a brand that was born when two well-established mortgage companies joined forces, they know a thing or two about collaboration. Before any of us had even heard of coronavirus, 90% of LendUS loan officers were using SimpleNexus to connect borrowers, real estate agents and loan officers in one place. And not just for the initial application, but all the way through loan disclosures. [Read firsthand why LendUs considers SimpleNexus such a "powerful tool for moving loans forward."](#)

COVID-19 Changes

After years of low delinquency, stable servicing values, and a very liquid servicing market, mortgage servicers are facing a host of issues not seen since the 2008 financial crisis. It took courage and perseverance to survive the fallout from that time: How are servicers going to handle today's virus-driven crisis? In the April issue of STRATMOR Group's Insights Report, STRATMOR Senior Partners Michael Grad and Garth Graham, Senior Partner and CEO Lisa Springer and Principal Seth Sprague, CMB discuss the steps servicers need to take to proactively manage current issues and prevent a repeat of the past. "We can and will survive the time of COVID-19 by being smarter, more

proactive and more disciplined with our response to the change in market conditions,” says Springer. “We owe it to our borrowers to apply the lessons of the past as we shape a better future for them.” Don’t miss “Walking the Tightrope: Servicing Through COVID-19” in the [April Insights Report](#).

The Federal Housing Administration (FHA) announced the availability of a new Default Reason Code in the Single-Family Default Monitoring System (SFDMS) to ensure that loss mitigation actions that result from the COVID-19 National Emergency are accurately recorded. Mortgagees must follow the loss mitigation guidance in [Mortgagee Letter 2020-06](#) (FHA’s Loss Mitigation Options for Single Family Borrowers Affected by the Presidentially-Declared COVID-19 National Emergency in Accordance with the CARES Act) and should also adjust their default reporting as described below. Mortgagees are asked to begin using the new Default Reason Code 055 – Related to National Emergency Declaration, as soon as possible. This new Default Reason code is available beginning May 1, 2020, for the April 2020 reporting cycle. Mortgagees unable to use Code 055 should, instead, report using Code 010 - Neighborhood Problem, for the April cycle. In addition, if the mortgage is newly defaulted (i.e., no open default episode), mortgagees are reminded to report Status Code 42 – Delinquent, and then Status Code 06 – Formal Forbearance.

Don’t forget that Flagstar issued a bulletin outlining the temporary suspension of [certain products](#).

Due to the continued closure of Internal Revenue Service (IRS) offices responsible for providing tax return transcripts, **Wells Fargo Funding updated its temporary tax return transcript requirements** that were previously published. For conventional Conforming Loans not receiving full income validation through Fannie Mae Desktop Underwriter (DU) validation service or Freddie Mac Loan Prospector (LPA) asset and income modeler*: Delegated – if all income information used to decision the Loan is made up exclusively of wage-earner income reported on a W-2 and/or fixed income reported on a 1099 (e.g., Social Security or VA benefits), and the automated underwriting system (AUS) does not require income documentation other than a paystub, W-2, or 1099, IRS tax return transcripts are not required. For all other transactions, the Seller must provide a verification of deposit (VOD) verifying the assets used in underwriting. Prior Approval — Seller must provide one of the following: VOD verifying the assets used in underwriting, Verification of the borrower’s income directly from their employer or The Work Number database. Verbal verification of income is acceptable. Under its published policy, IRS tax return transcripts are not required for borrowers whose qualifying income was fully validated using DU validation service or LPA asset and income modeler.

Wells Fargo Funding has aligned its appraisal requirements for FHA and Guaranteed Rural Housing (GRH) Loans with the temporary, COVID-19-related, appraisal flexibilities announced by FHA and USDA Rural Development on March 27, 2020. Effective date for FHA Loans with appraisal inspections completed on or before May 17, 2020 and GRH Loans through May 26, 2020.

Freedom Mortgage posted [credit policy updates](#) which include clarification on Conventional loans with "Final Approval" status and new VA appraisal guidance.

Earlier this month Redwood Trust announced it is suspending the issuance of Purchase Price and Terms Letters (PPTLs) and the acquisition of residential mortgage loans delivered for purchase review.

Capital Markets

Around the world, **economies are dealing with the record-breaking financial impacts caused by the coronavirus**. In the Eurozone, Japan, and Australia, PMI indexes hit record lows in April. U.S. durable goods orders fell 14.4 percent and shipments fell 4.5 percent as shelter in place orders disrupt supply chains and demand for many goods evaporates. The housing market slowed in March, but it did not come to a complete halt, with existing home sales fell 8.5 percent and new home sales fell 15.4 percent. There is cautious optimism that the current slowness is creating some pent-up demand that will show up once people are comfortable to move again. It is no surprise that mortgage purchase applications are down 30.6 percent from one year ago and refinances are up 180 percent from a year ago given the current rates environment. The government continues to try to prop up the economy, passing the fourth major piece of legislation aimed at bringing financial relief to people and businesses. **To date, the total fiscal response to the economic upheaval is \$2.8 trillion.**

What happened in the markets yesterday? Wall Street lost some momentum, oil had another turbulent day, and U.S. coronavirus cases topped 1 million, though NYC hospital admissions dropped. U.S. Treasuries rallied ahead of today’s FOMC decision, largely attributable to April Consumer Confidence posting its lowest reading since June 2014. **Consumers are positive about the economy reopening, but less optimistic about their financial prospects**, which could be a headwind for spending activity during the recovery phase. The 10-year closed the day -5 bps to 0.61 percent.

Today’s main economic event will be the latest FOMC statement, at 2:00pm ET, followed by Chair Powell’s press conference at 2:30pm where there is potential for talk of inflation targeting as well as a tweak in the IOER rate. The calendar is underway, with MBA mortgage applications for the week ending April 24 posting a 3.3 percent decline from one week prior. We’ve also had Advance Q1 GDP (-4.8 percent). Later this morning brings March Pending Home Sales and Weekly crude oil inventories for the week ending April 24. **The NY Fed will**

conduct two FedTrade purchase operations totaling up to \$8.213 billion, like Monday. We begin the day with agency MBS prices better by a few ticks and the 10-year yielding .6 percent after the GDP news.

Employment

A profitable, well-capitalized and fast-growing top-100 retail mortgage company headquartered in Northern California is looking for opportunities to acquire assets of companies with demonstrated record of success in retail production while maintaining excellent loan quality. "We are a FHLMC and FNMA, seller/servicer as well as, a Ginnie Mae servicer, with a very comprehensive set of loan programs. We are a storied, employee-owned company with a culture of honesty, collegiality and respect. Our management team has decades of experience and our operational and technological capabilities are second to none. We are recognized for our excellent service to our loan officers and their borrowers and we provide transparency and unlimited upside in compensation for our sales and operations teams. Third party advisors are welcome. All inquiries will be completely confidential." If interested, please send resumes to [Anjelica Nixt](#).

"What's your next career move? Online home refi and purchase loan applications are forecast to accelerate from where they are now, and working from home is the new normal, indefinitely. It's time to re-envision and re-define your day and grow your business on your terms. Interfirst's exclusive LO[+R] position - remote Mortgage Loan Originator - puts the call center resources on your kitchen table. We are expanding to support growing demand across the U.S. Make Interfirst your first move. We are providing our sales professionals with the resources and financial stability that they deserve. All of our LO[+R] are paid an aggressive salary with the opportunity for significant bonuses. Our low-rate no-lender fee combination makes us highly competitive with anything advertised online by any lender in any state. We provide inside purchase and refi leads to you. Goodbye cold calling. Our leadership team has over 100 years of mortgage, sales/marketing, and consumer-related experience, with a 2020 business objective to grow our Retail production, on top of the \$35B we have originated. [Apply today.](#)"

Parkside Lending is grateful for our Partnership with Class Valuation AMC who has enthusiastically joined in helping our Community Heroes through the "COMD Community Heroes Loan Program" where Parkside will waive the fees paid to Parkside and provide 45-day locks for the price of a 30 day. And now, when you select Class as your AMC in Parkside's easy to use broker portal, you will get a \$100 credit towards the cost of the appraisal applied at closing. Parkside is continuing to grow market share in a measured manner. Are you an Underwriter or Client Service Representative (CSR) that wants to "Experience the Power of Caring"? Then we invite you to join our team. Parkside offers a competitive salary, benefits and a bonus plan, in addition to a great team and culture. Please apply at Parksidelending.com or send your resume to PeopleSuccess@ParksideLending.com.

What does commitment mean to you? Stearns has been committed to the Broker and Non-Delegated Correspondent community for over 30 years and is gearing up for the next 30. The fabric of Stearns has always been our people and our investment in them continues into 2020. In order to support our team members, partners, and borrowers, there has been a large amount of initiatives centered around technology, resources, digital experience, and fulfillment infrastructure. Monthly technology releases allow for consistent and consumable enrichment to our team and our clients. In 2020 alone, Wholesale has expanded by 40 new team members and is just getting started. Join us in gearing up for growth this year, click [HERE](#) to be contacted by our recruiting team today.

Do you want to be the Deputy Director, Office of Single-Family Program Development, at FHA and make \$140-170k a year? Here you go: [20-HUD-857-P](#).

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