Marketing, Broker, Appraisal Products; Shifts in Credit Reporting and Underwriting; Negative U.S. Rates?

By: Rob Chrisman | Wed, May 13 2020, 9:09 AM

Remember the old days at a birthday party when someone would blow on the cake before everyone ate it? Things are certainly changing, including processing residential loans. In our biz, as we all wait for Ginnie to come out with its electronic promissory note policy, Informa Financial Intelligence released its April 2020 Mortgage Originations Data. Rate-lock volume has increased 53% YoY but decreased 27% MoM across all channels, while funded volume has increased 51% YoY and 13% MoM. Average 30-year Conforming FRM funded loan note rates have fallen 107bps from April 2019. Compared to 2019, YTD purchase lock volume down 3% and funded volume is down 7%, while YTD Refinance (R/T & C/O) lock volume is up 205% and funded volume is up 207% YoY. Big picture: U.S. households amassed $155 billion in debt during the first quarter, bringing the total to a record $14.3 trillion, according to the Federal Reserve Bank of NY. Credit standards have tightened marginally, the central bank says.

Lender Services and Products

Digital mortgage leader Maxwell has announced Altavera Mortgage Services founder and former CEO Brian Simons has joined the company as president. Simons comes to Maxwell with 23 years of experience in the mortgage industry, including capital markets, loan origination and default management. His deep understanding of the mortgage market further heightens Maxwell's capacity to build mortgage software that is tailored to meet the technology needs of its hundreds of small and midsize lender customers. "We're thrilled to have Brian join the Maxwell team," said John Paasonen, co-founder and CEO of Maxwell. "He will be a huge asset as we enter our next phase of growth and extend our mission to empower lenders to make mortgages simpler and more accessible." To read the full release, read the blog post here.

"As entire organizations have moved to home offices, mortgage technology has been tested like never before. Calyx Path, our cloud-based, configurable, enterprise-level LOS has made the transition seamless for our customers. With its multi-channel design, anytime accessibility, pre-configured or fully configurable options and uptime guarantee, Path is designed to simplify the loan process and provide the flexibility lenders need to run their business during these unprecedented times. For more information, contact Michele Warren."

During COVID-19, each state has had different guidelines regarding stay-at-home orders and non-essential business closures. When it comes to appraisals, some states have shut them down completely, some are "business as usual," some require exterior but not interior inspections...and some keep flip-flopping their stance (we're looking at you, Vermont!). It's hard to keep track of what's allowed in each state, especially as it changes over time. Now you can refer to a new State Appraisal Update page that will be continually updated as states start to ease their restrictions and allow appraisers to go back to work. This resource, as well as other resources about managing appraisals during this challenging time, are provided by Triserv, a 50-state AMC that has client-specific, dedicated teams on both coasts offering high-touch, personalized service. Contact Triserv at learnmore@triservllc.com.

What happens to the people who visit your website or open your emails, but never contact you? They could be comparison shopping, doing research or maybe they got distracted by any number of things, especially when working from home. Your first impression is now gone, and you may be soon forgotten. Seroka Brand Development, as mortgage industry specialists for over 32 years, will help you develop a retargeting strategy for your company to help keep you top of mind with your target audience and increase your conversions. Seroka can help you with building awareness with a custom audience, retarget those who spent time on your site, develop a cross-sell retargeting strategy, retarget by the number of visits to a page and much more. Reach out to Seroka today to learn more and get ready to #turnupyourbrand!

Grow your new business with rates starting at 2.5%. Conquest from UWM. Just in time for what could be the best purchase season our industry has ever seen, UWM is launching Conquest, a program designed to help brokers win new business by offering significantly better pricing to any borrower who hasn't recently (within the last 18 months) closed a purchase or refinance through UWM. With rates starting at 2.5% on conventional purchases and rate/term refinances, it's a great way to add new borrowers to your roster, build new relationships with real estate professionals and wow them all with UWM's fast turn times, elite service, and groundbreaking technology. Talk to your UWM account executive or sign up today at uwm.com.

Fannie Mae's May 5 update to Lender Letter 2020-03 temporarily suspended representation and warrant relief for verification of employment previously performed through the Desktop Underwriter® (DU®) validation service. For now, Fannie Mae seller/servicers must either verbally identify applicants' employment status or use one of the alternatives permitted by the GSE through June 30, such as using borrower bank statements or paystubs to confirm employment. According to FormFree Founder and CEO Brent Chandler, asset data might be a better way to determine a borrower's employment status anyway. Echoing his statements in National Mortgage News last week, Brent writes, "with consumer-permissioned bank data, we can corroborate direct deposit information against other data sources to verify asset, income and employment and qualify a loan with as much confidence as any other system lenders use today." For a demo of how Passport by FormFree verifies assets, income and employment, email Gregg Palmer.

UNIFY CRM shows you how to connect the right way, at the right time, with the right people. Industry leaders are forecasting the historic demand for new homes to revitalize the market. Planning and securing relationships to prepare for whatever the market brings is just one of the things UNIFY CRM can help you achieve. The future is unknown, but our commitment to your success is not. UNIFY CRM has features and automation tools designed to make the most of your contacts and relationships. Target Builders with co-branded drop campaigns with your preferred Realtors. Open House Flyers and Single Property Websites strengthen the relationships connected to your business. Let us help you take the stress out of everyday tasks and find the exciting opportunities in your database and current relationships. We built UNIFY CRM for the challenges of this business. Work Smart. Manage Smarter. Sell Better. Schedule a Demo Today.

COVID Credit Changes

Mortgage forbearance is a temporary pause in payment; it is NOT forgiveness. All missed payments by the borrower must be paid back. It can have significant impacts on credit history and credit scores. But Federal relief provided for in the CARES Act tells lenders to be flexible with mortgage borrowers, automatically granting payment forbearance of up to 90 days for all who request it and not reporting negatively to the credit bureaus.

If there are three groups that know about credit, it would be the CFPB, FHFA, and HUD. They launched a new mortgage and housing assistance website. The syndicate "are offering extensive CARES Act assistance and **protection for Americans having trouble paying their mortgage or rent** during the COVID-19 national health emergency" and the site "consolidates the CARES Act mortgage relief, protections for renters, resources for additional help, and information on how to avoid COVID-19 related scams. It also provides lookup tools for homeowners to determine if their mortgage is federally backed, and for renters to find out if their rental unit is financed by FHA, Fannie Mae, or Freddie Mac."

Don't forget that in January Fair Isaac Corp., announced a new suite of scoring models that will be available from all three credit reporting agencies (Experian, TransUnion and Equifax) to lenders by the end of 2020. For example, here's Experian's take. The new models will treat late payments and debt more severely, but will also now consider historical information about your credit card balances and payment amounts. Your FICO Score will likely change as a result. If you are in the lower 600s and struggling to make payments on time, your score can and will go down further as usual but now it will happen even faster and at bigger point range. If you are in the high 600s and making payments on time and trending toward lower debt levels, your score could actually increase.

The April COVID-19 consumer financial report points out that 52% of homeowners report being concerned about the value of their homes, almost one quarter of renters are delaying buying a home as a result of COVID-19, and 45% of renters said they're living paycheck to paycheck.

Yesterday Wells Fargo Funding (correspondent) spread the word via C20-033 (33 already!?) that for loans purchased after 5/19, "In the event a payment due the Seller/servicer becomes late after Wells Fargo Funding purchases a Loan, the Seller is responsible for notifying our New Loan Reconciliation department by email (NLR-CorrespondentResearch@wellsfargo.com) within 15 days of such payment's due date or the month such payment was due."

Yesterday Franklin American let correspondents know that it is, "amending Bulletin #2020-17 published May 4, 2020 as follows: A Conventional purchase or rate and term refinance transaction that enters into forbearance after the FAMC purchase date will not be assessed the agency LLPAs of 5.000% (first time homebuyers) and 7.000% (all other loans). FAMC's policy for cash-out refinance transactions remains unchanged. Any Conventional cash-out transaction that enters into forbearance following the FAMC purchase date and prior to agency settlement will be subject to repurchase. As a reminder, FAMC will not purchase any transaction that is in forbearance."

MWF Wholesale now has a maximum Debt-To-Income (DTI) ratio of 43% for all CalHFA products. CalHFA FHA manually underwritten loans will remain at a maximum of 43% DTI. (Loans not locked by April 30th that have a DTI more than 43% will be subject to cancellation.) Please check your loans and leads to ensure your loans >43% DTI are locked in a timely manner.

Don't forget that Fannie Mae updated the Impact of COVID-19 on originations in LL-2020-03 to extend the temporary policies to June 30. Also added topics on unemployment benefits as qualifying income, furloughed borrowers, suspension of representation and warranty relief for employment validation through the Desktop Underwriter® (DU®) validation service, sale of loans aged six months or less, and more.

Quicken Loans made some changes to its self-employed document requirements: 60 days of asset statements showing 6 months of PITIA (for the subject property) in reserves, Business tax returns, If the business is a sole proprietorship, personal tax returns are acceptable.

Audited profit and loss statement of the most recent month OR 30-day business assets from the most recent month, If the business is a sole proprietorship, a personal asset statement from the most recent month is acceptable. The above guidelines do not apply to VA IRRRLs and FHA non-credit qualifying streamlines.

Capital Markets

Does negative inflation lead to negative interest rates? Federal Reserve policymakers are pledging to do whatever is necessary to boost the US economy while **making it clear they do not back negative interest rates**, a strategy tried in Europe and Japan. "It is not at all clear that they've been successful there. ... We can use other tools to handle the situation," Federal Reserve Bank of St. Louis President James Bullard says. Yet President Trump renewed his push for negative rates. Fed Chair Powell will likely dismiss the option of negative rates when he speaks this morning.

Looking at the bond market yesterday, Treasury yields rallied, and with them MBS, after Dr. Fauci warned against a premature reopening of the economy. Dr. Fauci also said at least eight Covid-19 vaccine candidates are in development, though he doubted any will be ready by fall. House Democrats proposed a new $3 trillion virus relief bill, but Republicans opposed it and instead spent the day reportedly considering a China sanction bill due to Covid-19. Traders also assessed comments from Fed officials, who said the possibility of massive bankruptcies could create a lasting scar, **and expressed the potential need for more fiscal stimulus.**

As far as economic releases went, Core CPI missed expectations as CPI posted the largest drop in total CPI since December 2008. It was the largest drop on record going back to 1957 for core CPI, reminding everyone that the Fed is unlikely to move off the zero bound rate anytime soon. The Treasury Budget for April showed a deficit of $737.85 billion versus a surplus of $160.3 billion in the same period a year ago, largely a function of the tax filing deadline being extended, and government spending surging due to stimulus measures employed in response to Covid-19. And the day saw the completion of a strong $32 billion 10-year note auction. Today sees a $22 billion new 30-year bond auction this afternoon.

Today's economic calendar is underway. Mortgage applications increased 0.3 percent from one week earlier, according to data from the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey for the week ending May 8. April PPI (-1.3 percent) and Core PPI (-.3 percent). **The NY Fed will conduct two FedTrade purchase operations totaling up to $5.083 billion**, including 2% MBS that currently have a 101 handle. We begin the day with Agency MBS prices better/up nearly .125 and the 10-year yielding .66 percent after closing yesterday at 0.68 percent.

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