

Underwriting, Forbearance, One-time Close, Marketing Tools; Loan Processing Changes

By: Rob Chrisman | Thu, Jul 23 2020, 9:38 AM

Loan officers are known for “holding the hand” of their borrowers. Now Google would like to hold the other. With the help of the CFPB, and launched yesterday, searching “mortgage” in Google on one’s phone will lead to Google explaining what a mortgage is, terms to know, recent rates, what one can expect to pay, and more. Probably not shown is the flip side of the coin. For example, 30 day delinquencies increased to 6.1% of all mortgages during the month of April, [according to CoreLogic](#). This is up 2.5% from April 2019. “The COVID-19 pandemic has shocked our economic system and led to unprecedented job loss, reducing the ability of affected families to make their monthly mortgage payments. The latest forecast from the CoreLogic Home Price Index shows prices declining in 41 states through April 2021, potentially erasing home equity and increasing foreclosure risk.” CoreLogic is also predicting that home prices will drop 6.6% nationally over the next year. But others don’t see that as the supply and demand imbalance doesn’t support it, and neither do low interest rates. Brent Nyitray opined, “Perhaps we will see a drop in luxury urban condos due to tougher jumbo guidelines and an exodus from urban areas, but suburban low/mid-tier SFR should be just fine.”

Broker and Lender Products and Services

For the last several months, COVID-19 has had a profound effect on all of us, but believe it or not, it has also led to some incredible innovations and restructuring that will benefit us long term. TMS for example, was able to add new customer “careologists” to handle its borrowers’ increased servicing needs. Portfolio Managers were also trained to be Single Points of Contact (SPOCs), so that each could be a one-stop servicer, resulting in 98% customer satisfaction, a 91% one-call resolution rate, and 49-second call wait times. Check out this blog from TMS where they explain how through adaptation and business innovations, they found an opportunity to improve and grow during a pandemic. Read more [here](#).

Is July’s mortgage forbearance extension spike a sign of trouble? Forbearances that received extensions spiked from 6.52% to 48.06% in the last five weeks. This spike is playing out roughly 90 days after April 1, and it’s no coincidence since most servicers typically grant forbearances in 90-day increments. So the spike may just mean many homeowners needed a full six months to begin with (as CARES allowed) rather than rising homeowner strain. But the COVID economy is very fluid, and [Sagent is analyzing the data in real-time](#). Matt Tully who leads our team in Washington outlines this issue as well as two forbearance milestones to watch next. Please email Matt with your questions: Sagent is here to help!

What’s new, back and better from [AFR Wholesale](#)? AFR’s NEW Streamline Express is sure to be a HIT with clients, with historically low rates, incredible pricing, and timely closings. Eligible FHA streamline refinances are automatically entered into AFR’s Streamline Express, which offers amazingly low rates and a ridiculously fast approval process. But that’s not all. OTC IS BACK! The FHAVA/USDA One-Time Close program has been reinstated (registrations accepted beginning 8/3). And, in addition to offering Manufactured Housing, FHA 203(k) Standard and Limited, and DPA Advantage, AFR is thrilled to again offer VA Renovation and Fannie Mae Homestyle loans. AFR Wholesale fully invests in the success of our business partners by providing an extensive portfolio of products and services, industry-leading technology, professional expertise, and continuous educational opportunities. For more information about becoming a partner, go to [afrwholesale.com](#), email sales@afrwholesale.com, or call 1-800-375-6071.

[Save the date!](#) Learn how Annie Mac increases business for new LOs by over 20% overnight! It’s taking place on Wednesday, July 29th at 1:00 PM EST. The stakes are high for executives at lending companies. Half of borrowers will move forward with the first lender they speak with. Your LO’s have to be that lender 100% of the time. The churn rate of loan originators (LOs) is almost double the national average for U.S. workers. Their average tenure is only 2 years! On average, it costs a lending company \$27,300 in sunk training costs to lose a Loan Officer, and of course, the HUGE volume (\$MM) a high performer takes with them! To be successful and competitive with retention and recruiting, you need to utilize marketing and borrower intelligence tools that maximize the earning potential of your LO’s. Join Larry Masino, Lead Aggregation Marketing Manager at Annie Mac, Alex Kutsishin, CEO at Sales Boomerang, and Chris King, President/Founder at Mortgage IQ CRM as they give you a borrower intelligence and marketing playbook that retains your top performers, because they know you’ve got their back. [Register now!](#)

“Overstated Credit Scores” are an increasing risk, especially if HPA goes red (CoreLogic). “Understated Scores” are a massive opportunity shunned by overlays & shuttered programs. Risk and volatility will continue to increase, and visibility decrease, as this crisis-cycle ages. So, you may as well embrace, understand, and profit from it. The actionable [Mortgage Risk & Fairness Score](#) is a data-driven, predictive & prescriptive, incremental intelligence tool that makes crisis-cycle mortgage banking easier, fairer, and safer. Think of MRS as an intelligent

Carfax on people. Houses, jobs, assets, and credit reports don't pay the mortgage, people do. Socioeconomic volatility makes 'some' people behave unpredictably. MRS makes understanding borrowers easier with its deep, risk & behavioral intelligence: propensity, segmentation, ability, resiliency, and "willingness to pay". The benefits are sharper pricing, more volume, greater visibility, fewer overlays, financial inclusion, fast turn-times, and better margins. MRS is plug-n-play, validated (top 10 bank) and vetted (CFPB, OCC, Fed).

Long-term Lender Viability

Finding the right balance when making decisions that often involve competing objectives in strategy, risk management, capital markets and operations is critical for mortgage bankers. In the July issue of STRATMOR Group's Insights Report, Senior Partner Jim Cameron discusses the discipline and judgement mortgage executives must exercise in order to ensure the long-term viability of their companies in his article, "Mortgage Banking Is a Balancing Act." Jim writes, "There are times when radical action is required to effect change, and it forces companies to think in new and different ways. But on a day-in, day-out basis, most of us don't operate in a world of extremes. It's all about balance versus operating solely in the world as we know it today." Cameron delves into the four areas of competing objectives and comes away with insight across the board. Read his article and more in STRATMOR's [July Insights Report](#).

Loan Processing Never Stays the Same: Random Updates

Oregon House Bill 4204, signed into law on June 30th by Governor Kate Brown, requires all lenders doing business in Oregon to provide notice by mail of the new law's protections to all of their borrowers by August 30th. The law requires mandatory payment deferral, prohibits default mitigation steps, and imposes a foreclosure moratorium, among other measures. The duration is defined as March 8th through September 30th, which may be extended by the Governor. Read a [Q&A](#) about the new law, a [sample](#) of a borrower notice is also available.

Sellers that have been approved by the Agencies to participate in the LPP may begin using the new URLA with loan applications on and after August 1, 2020. To support these Sellers,

Wells Fargo Funding has updated [wellsfargofunding.com](#) to accept the new Uniform Loan Application Dataset (ULAD) to Register Best Effort Loans. Sellers must continue to upload a complete Uniform Loan Delivery Dataset (ULDD), prior to uploading document images, to eliminate the Loan Submission Summary (Form 1, LSS) requirement for conventional Conforming delegated, FHA, VA, and Guaranteed Rural Housing (GRH) Loans.

Fifth Third Correspondent announced that effective with locks Monday, June 22nd, gift funds are no longer eligible to be used on investment properties for Freddie Mac loans. Also,

Fifth Third has aligned with Agency guidance announced in Fannie Mae LL-2020-03 and Freddie Mac Bulletin 2020-17 regarding the temporary purchase and refinance requirements for borrowers with existing mortgages. These requirements are effective with borrower application dates on or after June 2nd, 2020. These requirements will be applied not only to all Agency products but all Fifth Third Non-Agency Jumbo products as well.

Due to delays with the IRS processing transcripts, MMF has extend the requirement for transcripts to be in all loan files for loans funded on or after July 1. If transcripts have been received, they should be included in all loan files submitted prior to July 1.

Flagstar announced that the timing of the verification for an employed borrower is being retracted to within 5 business days of the Note date for all purchase and rate and term refinance loans in process. Verification of business operations for self-employed borrowers remains within 10 business days of the Note date. Flagstar Bank also [announced](#) several updates to its lock extension guidelines including simplified lock extension guidelines, increased availability of additional fee based extension options, and improved pricing structure for extensions.

Capital Markets

There has never been a better time for lenders to switch from best efforts to mandatory loan sales. In the past month, MCT clients are reporting a best efforts to mandatory spread of 100bps for conventional loans and 150bps for government loans. MCT's team of industry experts offer a unique and highly personalized client experience tailored to the needs of each client. They also add value through market driven client communications, industry referrals and month-to-month contracts. [Contact MCT today](#) to learn how they are revolutionizing the client experience. Moving to mandatory loan sales helps lenders manage risk and maximize loan sale profitability. In MCT's post, [Introduction to Mandatory Loan Sales](#), they outline the steps required to switch from best efforts to mandatory loan sales. This transition has not only helped lenders become more profitable but has also helped some lenders mitigate the negative effects of market movements caused by the pandemic. Read their latest post or [visit their hedge advisory page](#) for more information.

Economists are **warning of a potentially disastrous outcome unless additional stimulus is injected into the US financial system before lawmakers take their summer recess**, as existing aid programs are near expiry. Michael Feroli, chief US economist at JPMorgan Chase, says, "If Congress fumbles this, it'll be a pretty big setback for the economy." The U.S. Federal Reserve certainly has more ammunition should we need it. U.S. corporations had hopes for a quick recovery from the coronavirus pandemic earlier this year, but recent shifts in their strategies show they are preparing for permanent impact on demand. Recent announcements include scaling back production, shifting attention from core businesses, and turning temporary furloughs into layoffs. Estimates predict companies in the S&P 500 will report a 44% drop in earnings.

We had some big news stories yesterday, but not much MBS or Treasury movement as a result. As if we needed another reminder of our deteriorating relationship with China, the U.S. ordered China to close its consulate in Houston within 72 hours to protect American intellectual property and private information. A spokesman in Beijing called the move an unprecedented escalation and said China will respond, likely by shutting the U.S. consulate in Wuhan. Separately, reports from Washington say the subsequent stimulus package is looking less and less likely before next month, so the White House and some Senate Republicans are discussing a temporary extension of jobless insurance. The GOP is mulling several proposals to cut the \$600 a week unemployment insurance subsidy and allot more money for testing, **but is still resisting Trump's desired payroll tax cut.**

As far as economic releases went, existing home sales surged 20.7 percent month-over-month in June to a seasonally adjusted annual rate of 4.72 million. Despite barely beating expectations, June's reading was the largest monthly increase on record. Let's not get ahead of ourselves. Existing home sales are still 18 percent lower than where it stood in February, and total sales in June were down 11.3 percent from a year ago. The low inventory is pushing prices higher with the higher demand.

Today's economic calendar is already underway with Initial Claims for the week ending July 18 (+109k, more people are out of work) and Continuing Claims for the week ending July 11 (-1.1 million, a good thing although two weeks old). Later this morning brings June Leading Indicators, Freddie Mac's Primary Mortgage Market Survey for the week ending July 23, and July KC Fed manufacturing. **The NY Fed will again conduct three FedTrade purchase operations, this time totaling up to \$6.6 billion** including two \$2.5 billion UMBS30 2 percent through 3 percent operations and one \$1.5 billion GNII 2.5 percent and 3 percent. The Desk will also report on MBS purchases for the week ending July 22 in the afternoon. Thursday starts with Agency MBS prices better/up nearly .125 and the 10-year yielding .58 after closing yesterday at 0.60 percent after the jobless claims figures indicate a continued weak economy.

Employment and Transitions

"**Caliber Home Loans** understands the important role technology plays in our daily lives. In the Spring of 2018, Caliber launched its suite of three leading-edge mobile apps. Our Borrower mobile app provides an ultimate mortgage experience from originations seamlessly into servicing with 24/7 access on Apple IOS or Google Android devices. Key features are accessed securely via fingerprint or facial recognition authentication. Applying for a new loan? Securely complete an application, check all aspects of loan details and upload documents." There have been over 215,000 downloads and we've surpassed \$1+ billion in mortgage payments made via the borrower mobile app. Caliber also has two additional proprietary mobile apps. One is tailored for our loan consultants, account executives, mortgage brokers, and the other is customized for realtors and home builders. Easily search products, manage your pipeline, and invite borrowers to the mobile app. Let Caliber provide your ultimate lending experience!"

Thrive Mortgage is excited to announce the hiring of another top-notch industry veteran in Dr. Rick Roque. Joining Thrive as the National Director of Business Development, Rick and his team are expanding the extraordinary growth the company has generated over the past several months. Rick has an impeccable reputation throughout the industry and is proficient at developing high-performing teams. "What brought me to Thrive was the extreme scalability of their operations," Rick stated. "What's really impressive are the systems and processes already in place to deliver on the promise Thrive makes to its team members by empowering them to be the best at what they do!" Randell Gillespie added, "Adding someone of Rick's abilities to our leadership team, especially in attracting top-level talent within both the Production and Operations divisions, is simply due to the incredible foundation established long ago at Thrive." For info on available growth opportunities, contact info@thrivemortgage.com.

"We're hiring! Home Point Financial has achieved 400% year over year growth, and we continue to grow at record pace. As a result of our growth (not just the current environment) we're hiring 800 Associates this year, including underwriters and operations positions. Home Point offers an incredible bonus program, opportunities for overtime, and 100% remote work. However, it's our culture that makes us shine. Our "We Care" commitment is a verb not a noun, which is evident through our initiatives. This, coupled with our supportive leadership team and multiple career development opportunities, makes Home Point a premier place to call home. We are the second-largest wholesale mortgage lender (per IMF), and #13 correspondent lender in the US. Join us! To apply, please visit the [careers section](#) of our website or send your resume directly to John Eite."

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