

Sales, Valuation, Rehab Products; Non-QM Moves in Primary and Secondary; Capital Markets

By: Rob Chrisman | Mbn, Sep 14 2020, 9:27 AM

People can accomplish a lot in a day. And lenders are continuing to hire like mad dogs (if mad dogs had HR departments), especially non-bank lenders. The Mortgage Bankers Association reports that nonbank mortgage bankers and brokers' collective payrolls [expanded by nearly 2%](#) on a consecutive-month basis and were up 9% from a year ago in the Bureau of Labor Statistics' latest report. The industry employed an estimated 323,300 in July, preliminary figures show. (If anyone tells you, "A half a million people are in this business," tell them to inform the BLS.) Speaking of jobs, a friend of mine who is homeschooling her kids told me, "My child just said 'After March through June, and now this, I hope I don't have the same teacher next year' I'm offended!" Yes, with all the craziness around politics and no set policy about returning to work, or to school, going on, it is easy to become [tangled up](#) in the madness.

Broker and Lender Services and Products

"To quote the [B-52s](#), we do it 'cause love rules," Brent Chandler said when asked about FormFree's decision to host the [Heroes Golf Classic](#) on October 30 at Braselton, Georgia's Château Élan with all proceeds from the charity golf tournament donated to the American Red Cross. Chandler has served on the board of the American Red Cross' Northeast Georgia chapter since 2017. "Speaking of love," Chandler added, "our more than 3,000 lenders and partners love the top-tier service and operational excellence Cindy Snow brings to her work with FormFree. She has knocked our socks (and those of our customers) clean off, and we are proud to announce Cindy's elevation to the role of COO." Read more about Snow, a 2020 HousingWire Insiders Award recipient, [here](#).

[Rehab Financial Group](#) is a leading private money lender, specializing in 100% financing on rehab and construction loans, up to 65% ARV. A direct lender since 2009, RFG has continued to fund loans throughout the pandemic and has grown 30% over the past year. "With Wall Street and many lenders becoming more conservative, we have an opportunity to help our brokers and borrowers accelerate their growth plans with our forward-thinking products," shares John V. Santilli, Chief Revenue Officer. With growth comes expansion. Susan Naftulin, President and Co-Founder of RFG, says, "We're thrilled to welcome our new account executives, David Ellenburg and Harvey Goldberg, who bring a combined 60 years of experience in mortgage and lending." If you're interested in learning about our broker referral program, you can reach David Ellenburg and Harvey Goldberg (610-645-9939 ext. 321 for David or 319 for Harvey).

Loan officers are busier than ever. To keep up with demand, mortgage companies are turning to technology to increase employee productivity and job satisfaction, create a productive and efficient lending process, and keep borrowers satisfied with the customer service they receive during the process. [Capacity](#), a new kind of helpdesk powered by artificial intelligence, empowers mortgage professionals with instant knowledge and automated workflows. Capacity connects apps, mines documents, captures tacit knowledge, and automates processes, all through a mobile-friendly chat interface. Deploy within 30 days. [Request a demo to learn more](#).

Next up, let's talk about the CURE. No, not the 1980's English rock band, but [Computershare Loan Services](#) (CLS) newest valuation tool. As the industry continues to surprise us with record low interest rates, lenders need to turn loans faster in order to keep up. [The CURE Report](#) is an innovative new appraisal solution that incorporates the Collateral Underwriter's results directly into the appraisal review to address appraisal deficiencies, resulting in higher quality appraisal reports, improved CU scores, and faster overall turn times. CLS' commitment to innovation and focus on exceptional client experience gets your borrowers to the closing table faster! Valuations services are performed by Computershare's licensed appraisal management company, Computershare Valuations Services. Contact CLS today to see how the CURE Report fits into your valuations program!

One of the biggest concerns a Lender has when evaluating a new technology is adoption. "Having over 85% adoption is something that we are very proud of!" (Michael Guidotti, APM) [Sales Boomerang](#) notifies mortgage lenders when someone in their database is ready for a loan. "Look at the opportunity cost you have by not having Sales Boomerang. Last year we closed over \$72M in loans that we would have lost from not having Sale Boomerang." (Stephen Barton, EVP, Eustis Mortgage) "In the first 4 months we took in \$180M in applications and we have about 100 LOs. My top performing LO attributes 25% of her business to Sales Boomerang alerts, a significant impact." (Katherine Campbell, CMO, Assurance Financial) The numbers speak for themselves: 20x Avg. ROI, \$240 Avg Cost Per Acquired Loan, 10-20% Avg Lift to Loan Volume. [Request your report today](#) to see exactly how much you lost this week. We will show you which competitor took your deal, what was the loan amount, what type of loan it was, the term and much more.

Has COVID-19 altered your business plans this year? Don't worry – our experts are here to help! The States Title Ask the Expert webinar and podcast series features tips on navigating organizational challenges during this global crisis. Hear from industry leaders such as U.S. Secretary of Commerce Larry Summers, Sierra Pacific Mortgage Chief Production Officer Jay Promisco, and CMG Financial President/CEO

Chris George. Catch on our [on-demand webinars](#) on our website, or listen to our [podcasts](#) on the go with your favorite streaming platform: Spotify, Apple, and Google.

Non-QM and QM in the Primary and Secondary Markets

The industry's MBA sent a letter on Tuesday to the CFPB responding to the Bureau's proposed rule revising the General QM definition. The letter explains the Mortgage Bankers Association's support for the price-based QM construct, and offers several recommendations to help ensure the rule meets its stated goals of robust consumer protections and broad access to sustainable credit.

The [comments](#) responded to the Consumer Financial Protection Bureau's (CFPB) [proposed rule](#) to amend the General QM definition by replacing the debt-to-income (DTI) ratio limit with a price-based approach. MBA's comments express support for the price-based General QM standard given that loan price (measured by comparing a loan's annual percentage rate to the average prime offer rate for a comparable transaction) is a strong indicator of a consumer's ability-to-repay. MBA's letter also recommends the Bureau adopt a 200-basis-point (bps) threshold for Safe Harbor QM, and suggests various other changes to better ensure the new QM standard provides compliance certainty.

LoanStream Mortgage [has enhanced](#) its NanQ/ Non-QM Guidelines & Pricing.

A while back Civic Financial Services announced the release of its Correspondent Channel, and announced the release of its new [Rental Program](#), designed for real estate investors who are focused on aggregating rental properties. The program includes 5/1, 7/1, and 10/1 interest-only ARM products for either a single asset or a portfolio of properties, allowing investors to further expand their businesses. CIMC's expansion of its product offerings serves real estate investors with a rental strategy, who may not meet the requirements of the conventional lending space and/or do not want to go through the painstaking process associated with a conventional loan.

Without demand for a particular loan product, it wouldn't be originated. In the secondary markets, Fitch has assigned expected ratings to Angel Oak Mortgage Trust 2020-6 RMBS (AOMT 2020-6). The certificates are supported by 667 loans with a balance of \$311.54 million secured mainly by non-qualified mortgages (Non-QM) as defined by the Ability to Repay (ATR) rule. Approximately half of the loans were originated by several Angel Oak entities, which include Angel Oak Mortgage Solutions (51.9 percent), Angel Oak Home Loans LLC (2.1 percent) and Angel Oak Prime Bridge (0.1 percent).

Of the pool, 80.2 percent comprises loans designated as Non-QM, and the remaining 19.8 percent are investment properties not subject to ATR. Class A-1 has an expected rating of AAAsf, while the mezzanine tranche has an expected rating of BBBsf. This will be the 12th Fitch-rated transaction consisting of loans originated mainly by several Angel Oak-affiliated entities (collectively, Angel Oak). This is Angel Oak's fifth mortgage-backed security since mid-May. All of the deals have been stocked with non-qualified mortgages originated before volatility in March disrupted the non-agency securitization market. Loans in the new security have seasoned for an average of 10.1 months. Also, 8.8% of the mortgages are under pandemic-related forbearance plans.

Information was sent out that Wells Fargo plans to issue its first non-QM security. Step right up and buy a piece of the \$273 million bond, filled with mortgages that have been on the books for more than 15 months, per Fitch Ratings, an average credit score of 779, an average debt-to-income ratio of 32.5% and an average current combined loan-to-value ratio of 66.5%. There are no mortgages with less-than-full documentation, loans for investment properties, or loans to foreign national borrowers. Fitch tells us that many of the mortgages in the MBS received non-QM status because they didn't meet rigid standards set by the CFPB. All of the loans were originated by Wells and none are delinquent or in forbearance.

MFA issued its inaugural non-QM securitization transaction: \$393 million in total collateral, with an average WAC of 6.3 percent and LTV of 66 percent. The transaction complements a wave of recent securitization activity for non-QM and other mortgage debt, where liquidity appears to be coming back a little more, and spreads are stabilizing. Conditions remain relatively favorable for mortgage REITs, especially MFA, to securitize additional loans, thereby creating flexibility to pay down portions of its higher-cost funding.

While the credit performance of the company's portfolio still deserves watch, some improved structure on the funding side is the more material near-term catalyst for earnings and valuation. The collateral profile of MFRA 2020-NQM1 looks generally similar to the company's deal that was marketed, but subsequently pulled, in early March. The most senior piece of the deal's capital structure priced more or less in line with other recent non-QM transactions around 120 bps over swaps; however, MFA issued a mezzanine tranche carrying 7.5 percent credit subordination at a spread of only 275 bps, or roughly 50-100 bps tighter than some recent deals with similar credit enhancement. Only 66 loans in the deal, or roughly 7 percent of borrowers, were in forbearance at the end of July, down meaningfully from the 20-30 percent that was noted for the company's overall non-QM portfolio in April and May.

Capital Markets

On Friday U.S. Treasuries ended the abbreviated week last week with a little rally and the MBS basis closed mostly wider as more attention was paid to the continued selling of tech stocks. A bad week for arguably over-inflated assets. Domestically, we learned that the overall Consumer Price Index was up 1.3 percent year-over-year and core CPI up 1.7 percent year-over-year (led by used-car prices). Annual inflation rates are still running well below 2.0 percent. The other release on the day showed the Treasury Budget deficit increased to a \$200.1 billion deficit in August. The budget data is not seasonally adjusted, **so the August deficit cannot be compared to the July deficit of \$63.0 billion**, though the deficit in August 2019 was \$200.3 billion. Unfortunately, the year-to-date deficit climbed above \$3 trillion.

What is our Federal Reserve buying? For the week, net Desk purchases from FedTrade operations totaled \$22.065 billion, nearly all of the \$22.071 billion maximum. This equated to \$5.5 billion per day on average versus around \$6.6 billion in originator supply.

Today, **the Desk will conduct the last three operations** (including two in Class A) on the current schedule that total up to \$6.7 billion starting with \$2.9 billion UMBS30 2 percent and 2.5 percent followed by \$1 billion UMBS15 1.5 percent and 2 percent and \$2.9 billion UMBS30 2.5 percent and 3 percent. In the afternoon, the Desk will release a new two-week purchase schedule along with the mid-September to mid-October reinvestment estimate, which is expected to total \$111 billion based on paydowns in the Fed's portfolio plus the \$40 billion monthly increase in SOMA holdings.

Today's economic calendar contains nothing of note. Tomorrow, however, are August Import / Export Prices, as well as August Industrial Production and Capacity Utilization. Wednesday brings August Retail Sales, July Business Inventories, September NAHB Housing Market Index, **and September's FOMC Rate Decision**. In addition to the usual jobless claims on Thursday, markets will also receive August Housing Starts and Building Permits. The week closes with August Leading Indicators and September Michigan Consumer Sentiment. We begin the week with Agency MBS prices roughly unchanged and the 10-year unchanged from Friday night yielding yielding 0.67 percent.

Employment

Recently named among Top 5 Best Mortgage Companies to work for by National Mortgage News, Geneva Financial, Home Loans Powered By Humans, has experienced explosive growth and is seeking Operations Professionals nationally. Competitive pay and benefits. Underwriters, Processors, Closers, and multiple other positions available. Most positions can be remote/home-based across the United States. Geneva strives to humanize every aspect of its business from the inside-out. With a culture-forward mindset, the focus is on employees to ensure an unbeatable experience for their customers. Geneva Gives, BE A GOOD HUMAN, and Hero of The Year initiatives deemed Geneva a recipient of this year's AZ Business Magazine's Excellence in Banking Award for Community Impact. In 2019 Geneva was ranked a nationally fastest growing company in the financial sector, mortgage industry and all industries categories. Apply today at www.GenevaFi.com/careers.

"Three outstanding mortgage industry veterans (Dave Pilotte, Sigrid Hauser, and Chris Seinturier) are taking the next steps in their career by joining a new service-focused wholesale mortgage company, Unified Reliance Wholesale. Get in on the ground floor and take the next steps in your career today by joining Unified Reliance Wholesale. This talented leadership has the skills to develop mortgage professionals like you who share their passion for efficiency and excellent customer service. Ready for a new, exciting chapter in your life? Want to be part of a team of driven employee-owners? We're launching October 1st and we'd love to chat! We're looking for Underwriters, Jr. Underwriters, Closers, and Customer Service, Setup / Disclosures, QC, and Scenario Desk personnel. Contact Chris Seinturier to learn more or apply for an [open position](#) now."

Pick up the phone when others put it down. [Model Match](#) Partners onboarded a \$1B in new volume last month in an industry neck-deep in an Operations hire frenzy. Pipelines are bursting at the seams and many are hunting for relief. The [Model Match](#) ecosystem represents a concrete business plan and strategy designed to create efficiencies and bring organization to new heights. Our unique approach makes data actionable, heightens accuracy and provides our partners with the ability to stay ahead of the competition, grow their markets month after month and focus on what's most important - building healthy pipelines to forge stronger relationships. [Reach out to our team today](#) to learn how you can join hundreds of forward-thinking lenders who are staying ahead of the curve.

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