MLO Jobs; Jumbo, Workflow, Retention Products; Agency Risk Changes Ahead; Want a 6 Month Lock?

By: Rob Chrisman | Tue, Mar 30 2021, 11:14 AM

The demand for shipping on the Suez Canal never stopped. (Do you think this conversation ever took place on the bridge of the Ever Given? “I bet you can’t turn this thing around in the Suez Canal!” “Really? Here, hold my beer.”) Mortgage pricing, as with so many things, is a factor of supply and demand. There are only so many units with a view of Central Park. Not only do MLOs compete against other loan originators within their company (in a friendly way, usually), but also against other lenders AND against all-cash transactions. The MBA’s Chief Economist Dr. Michael Fratantoni recently reminded me that NAR’s latest stats showed that all-cash buyers accounted for 22 percent of deals in February. And don’t forget that on the demand side of the equation, the U.S. Federal Reserve announced that capital relief introduced at the start of the pandemic will be allowed to expire at end of March. Today’s audio version of the commentary is available and this week is sponsored by The STRATMOR Group. Seth Appleton, the President of MISMO, is the guest discussing developing standards for exchanging information and conducting business in the U.S. mortgage finance industry.

Lenders and Broker Services and Products

Look at the Suez Canal. You can build the biggest and best ship in the world, but if you can’t steer it straight, you end up disrupting $400 million an hour in global trade. For DocProbe, as a Fintech in the mortgage space, technology is at our core. Automation, machine learning, AI and document recognition are at the heart of our effectiveness and why lenders are partnering with us to manage their Final Documents. Ultimately, though, it is our people and process that are pulling together a Trailing Document operation that supports over $230 Billion in originations nationwide. When it comes to unresponsive settlement agents, corrections, and investor exceptions, it is DocProbe’s deep mortgage experience, powered by a Trailing Document platform that is the secret sauce to a smooth and seamless post-closing and secondary fulfillment. This is disruptive innovation. We think of it as the perfect balance. People. Process. Technology. Our clients know it as the perfect solution. Visit DocProbe or reach out to Nick to learn more.

Trying to help your organization gain momentum in the digitally driven lending landscape? Join us at Forward, Blend’s virtual summit from May 18-20, where innovators and industry leaders alike will gather to hear from expert speakers, discover Blend success stories and move into the future together. Reserve your spot today.

Could “Machine as an Underwriter” be the new Software as a Service? That’s what Candor’s clients think. They use a Machine early in the process to conduct a complete underwrite. It’s whiplash fast and always accurate. If you haven’t seen a demo, you should change that.

Organizations looking to maximize retention and loyalty know the value of focusing on the customer experience but struggle to put it into practice. As common challenges arise, such as keeping marketing and sales teams aligned, the focus gets lost. One organization found the winning strategy that helped it double retention rates in 2020. Listen in to how they did it as Total Expert Founder and CEO Joe Welu sits down with Finance of America Chief Digital Officer Dan Catinella.

Last week, Black Knight experts joined the Chrisman podcast to discuss the changing mortgage landscape and how an all-in-one loan origination system (LOS) can give lenders of all sizes the advanced capabilities needed to stay competitive and maximize growth. Black Knight’s Empower® LOS features the functionality you need to seamlessly originate loans on one platform to help increase efficiency and speed, lower operational costs and improve the homebuying experience for borrowers. With an integrated digital point of sale, loan officer features, a comprehensive pricing engine, closing fee service, actionable intelligence, eClosing and much more, lenders can get it all with Empower. Watch how Black Knight’s high-performance LOS can help mitigate both regulatory and operational risk, generate a more intelligent workflow with “lights-out” processing, perform tasks at scale and integrate with third-party tools. In your next technology investment, turn to Black Knight’s proven Empower LOS.

Racial disparity in the homebuying process, specifically, around appraisals, is getting a lot of attention in the mortgage industry and across the country right now. In a special NAMMBA webinar on April 8, Reggora CEO Brian Zitin will interview Jillian White, SRA, and head of collateral at Better.com about the topic of racial bias in the appraisal process, how that could materialize, and how technology can make an impact. Learn more and register here.

Digital mortgage and fulfillment platform Maxwell just announced its $16.3 million Series B funding round led by Fin VC and TTV Capital. Maxwell plans to use this capital to accelerate the best-in-class technology solutions it offers to community lenders and their borrowers. Today, the platform facilitates over $6 billion in monthly loan volume, with the ability to close loans 45% faster than the national average. With this new investment, Maxwell remains committed to arming the 250+ lenders on its platform with cutting edge, innovative tools and features that help them compete against the industry's biggest players. Click here to learn from Co-founder & CEO John Paasonen how Maxwell will deploy its Series B funding round.

Check out the Prime Jumbo Special ClearEdge Lending is offering. During the month of April, ClearEdge, on all locked loans over $1 million in CA or over $850,000 outside of CA will get 75 bps off until April 30th. That's right: a Prime Jumbo loan that locks in the month of April will get 75 bps off. You can take that to the bank. To become an approved partner apply today at ClearEdgeLending.com

What's Ahead for FHFA and Treasury Changes?

In mid-January, the U.S. Treasury, and the Federal Housing Finance Authority (FHFA, overseer of GSEs Freddie Mac and Fannie Mae), amended the terms of F&F's Preferred Stock Purchase Agreements. Included in that was a list of objectives, one of which was limiting 2nd home and non-owner loan purchases by the Agencies. Why was this March announcement a surprise to anyone? It was stated in January. What else was included in the publicized plans, meaning, what else might the industry see from Fannie and Freddie?

In January it was announced that, "The GSEs will limit the acquisition of single-family mortgage loans secured by second homes and investment properties to 7% of single-family acquisitions, aligned with their current levels, over the preceding 52-week period." This was re-announced earlier this month.

"The GSEs will limit the acquisition of single-family mortgage loans with multiple higher risk characteristics at their current levels. A maximum of 6% of purchase money mortgages and maximum of 3% of refinancing mortgages over the trailing 52-week period can have two or more higher risk characteristics at origination: combined loan-to-value (LTV) greater than 90%; debt-to-income ratio greater than 45%; and FICO (or equivalent credit score) less than 680."

Lastly, "The GSEs will limit the acquisition of single-family mortgage loans to (i) qualified mortgages, (ii) loans exempt from the CFPB's ability-to-repay requirement, (iii) loans for investment property subject to the restrictions above, (iv) refinancing loans with streamlined underwriting for high loan-to-value ratios, (v) loans originated with temporary underwriting flexibilities due to exigent circumstances, and (vi) loans secured by manufactured housing."

In 2021 none of this should come as a surprise. As Mountain Lake Consulting's Dave Stevens reminds us, "His steps to date include no support for non-bank servicers during forbearance, first payment forbearance 500 bp and 700bp fee policy, a refi fee of 50bps, an aggressive capital rule that handicaps CRT and risk-based treatment, and the recent 7% mix cap on non-owner occupied and second homes."

Long Term Locks

(Reprint from July of 2013… some things never change.)

With the run up in rates, lock desks are once again fielding questions about long term locks (6 months or a year) from borrowers and LOs spooked by the market. Remember when certain banks' wholesale clients (brokers) were notified that the policy, "prohibits a borrower from paying extended lock fees"? For example, way back when, "Wells Fargo Home Mortgage policy prohibits the borrower from paying extended lock fees (for locks 90 to 360 days in length). This does not impact rate extensions that can be paid by the borrower. Since extended rate locks are not a borrower fee related to the loan transaction, charges for this service will not be disclosed on the GFE or on the HUD-1." Of course secondary market prices are traditionally poor when locks go out that far.

But builders have always been interested in long term locks, and builder business is pretty strong. Some lenders created builder divisions especially with Realtor listings being tight. Long term locks are niche products, of course, but the problem for capital markets folks with builder business is, of course, hedging the darned stuff. The MBS market is most liquid 1-3 months out, and builder business goes out 6-9 months. Is the LO going to financially stand behind a 9-month rate lock? Of course not. When I was running Capital Markets, and I'd quote a rate and price to an LO with a builder client who wanted to obtain pricing six months out, they would laugh at the 1–2-point fee – but just look at the 4-6 point move we've had in the last three months.

As a quick tutorial, one can't really sell a mortgage-backed security today that settles (closes) in six months. But companies can collect an up-front sizeable fee, and/or turn to options, like puts and calls. I'll keep this basic and short! Buying a "put" from a broker-dealer gives you the option (not the obligation) to sell something in the future at a certain price. A builder who likes the rates and pricing six months from now could pony up 1.5-2 points and the lender use it to buy a put – but most LOs never want to hear that, nor do builders, who often want lenders to guarantee today's rates and prices. Still, many lenders offer extended locks out to 90 days – the MBS market actively trades out there, and sometimes investors will go out 120 days IF the client pays a deposit (often 1%).

Different investors handle this differently – it is best to ask. Without naming names, some will treat the up-front fee of .5-1.0 as non-refundable, others will refund it if the loan is denied, and others are very willing to count it toward closing costs. But capital markets folks continue to remind LO's that there is no free money. The commitments are rarely transferable, meaning that if the builder finds a buyer, and then the buyer cancels, the rate lock can't be given to someone else. And other lenders may offer some custom construction clients some type of float down option at today's prices – but usually the borrower pays interest until then.)

But don't take my word for it! Besides the competitive benefits, long-term locks may provide access to new sources of production, but they present unique risks for secondary departments. Learn about the opportunities, challenges, and hedging best practices for managing a pipeline of long-term locks in MCT's whitepaper.

Capital Markets

It's easy to talk about day to day moves (like yesterday's margin call on Wall Street over hidden leverage, or President Biden likely announcing a **new infrastructure spending plan today**), but the consensus around the industry seems to be that mortgage rates are on the rise. That would create a little conundrum for the housing industry since rising home prices from solid demand, and a lack of new supply with an increase in rates, causes the cost of homeownership to rise. What was an economic bright spot last year suddenly has a changing narrative.

For good news, the Mortgage Bankers Association's latest Forbearance and Call Volume Survey revealed that the total number of loans now in forbearance decreased for the fourth straight week, this time by 9 basis points to 4.96 percent of servicers' portfolio volume in the prior week as of March 21. According to the Mortgage Bankers Association's estimate, 2.5 million homeowners are in forbearance plans.

The economic calendar today gets underway shortly with same store sales from Redbook for the week ending March 27 and January home prices from FHFA and Case-Shiller. Later this morning brings March consumer confidence and the **latest Dallas Fed Texas services.** We also have **three Fed speakers:** Governor Quarles, Atlanta's Bostic, and New York's Williams. **Today's MBS purchase schedule is tied for the largest on the current schedule** at over $8 billion across UMBS30 2 percent and 2.5 percent and UMBS15 1.5 percent and 2 percent. We start Tuesday with Agency MBS prices worse .125-.250 and the 10-year yielding 1.76 after closing yesterday at 1.72 percent on continued optimism about the vaccine distribution.

Employment and Transitions

Does making 135,000 clams being a Supervisory Underwriter for the FHA in So Cal interest you? Here you go!

Based on borrowers' ratings of their mortgage experience, Pacific Sunbelt Mortgage is once again the #1 ranked lender in the nation by Eliant Experience Management when evaluating the lending experience with over 50 national and regional lenders. For more than a decade, Pacific Sunbelt Mortgage has been ranked by Eliant and has continually delivered an exceptional mortgage experience to its customers, builder sales agents, and the entire builder teams. During the last four years, it has consistently set the standard for Eliant's large lender clients and in the last two years Pacific Sunbelt Mortgage has been "Eliant Gold Certified", the highest level of certification. No other lender has ever achieved this consistent level of excellence over consecutive years. This unique accomplishment is based solely on Pacific Sunbelt's extraordinary customer satisfaction score averaging 95.7% for the last 24 months. For more information about Pacific Sunbelt Mortgage, reach out to Andy Campbell.

Movement Mortgage chose a new Florida sales leader! Jonathan Garrick has been promoted to Movement's Regional Leader overseeing loan officers and business development across the state of Florida. Movement Mortgage, a national top 10 retail lender, made the move after elevating Matt Schoolfield to a national division leadership role from his regional position in Florida. In his new role, Garrick is actively expanding across the Sunshine State, hiring motivated producers and sales leaders to fuel Movement's aggressive growth plans. "What excites me are the opportunities everyone in this company has in front of them," he told teammates when the announcement was made Friday. "For LOs, if you want to be a $100 million-plus producer, or you want to be a $15 million producer and spend more time with your family, whatever you want, we want to help you achieve it. If you're ready to step into a leadership role, we're going to need it because we have so much opportunity to grow." To learn more about careers at Movement, visit movementlo.com.

Ocwen Financial's PHH Mortgage subsidiary has hired Andy Peach as SVP of Correspondent Lending where he will report directly to George Henley, Ocwen's chief growth officer.

And non-agency lender Deephaven today announced the appointment of Shelly Griffin as SVP of Client Development, tasked with helping Deephaven's correspondent partners improve loan volume and borrower satisfaction by making it easy and efficient to originate non-agency products. She has rejoined Deephaven after previously being VP of Client Development and Director of Client Risk Management.

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