

# TPO, Fraud, LOS, Vendor Mgt. Tools; Housing and Inflation; Stearns' Business Shut Down

By: Rob Chrisman | Thu, Jan 13 2022, 11:20 AM

2022 is already off to an “interesting” start. *Going directly to the borrower*, normally the role of brokers, lenders, MI companies, and other mortgage education sources, Fannie Mae announced that it has launched [HomeView™](#), the company's new free online homeownership education course, “to help consumers navigate the mortgage and homebuying process confidently and responsibly.” Covid-19 and its variants have already created an uneven approach to business for lenders & investors, our business in general, even school districts. Some businesses are requiring employees to come in, despite the contagiousness of Omicron, others not. For example, Top-10 national mortgage lender Fairway Independent Mortgage Corporation continues to [allow its employees to choose](#) whether to return to the office or not, as do many others. Industry-wide, wholesale platforms are facing huge headwinds with compressed margins and slowing volume... what a difference a year makes, as evidenced by G-Rate shutting down Stearns wholesale. (More below.) And here's a fairly visible, but not particularly well understood, form of *wage inflation in the mortgage business occurring with loan officer compensation when real estate values rise*. LOs are typically paid commission rates that are a fixed percentage of the mortgage amount. So, without any raise in commission bps, when average loan sizes increase (along with real estate values), so do LO paychecks (assuming the same number of average borrowers). *Today's audio version of the commentary is available here*. This week's is sponsored by [SimpleNexus](#), an nCino company and homeownership platform that unites the people, systems, and stages of the mortgage process into one seamless, end-to-end solution that spans engagement, origination, closing and business intelligence.

## TPO, Lender and Broker Products and Services

Increasing acceptance amongst major investors, including the GSEs and the Federal Home Loan Banks of digitally executed mortgages, has triggered a dramatic rise in fintech adoption. Fintech vendors offer tremendous benefits such as increased efficiency, decreased overhead, and greater data integrity but also exposes a new level of risk to lenders. Leveraging more automation has certainly been a long-term industry goal; however, the importance of protecting NPPI remains a top priority. Thus, lenders need to enhance their current vendor management strategy to adequately manage the risk and continue to meet regulatory requirements for vendor oversight. Before diving into a new vendor relationship, gain a quick refresher on the current regulatory requirements related to vendor management; consider reading the following white papers published by the vendor management experts at MQMR: [Fintech Vendor Management Whitepaper](#) and [Fine Art of Vendor Management \(Part 1 & Part 2\)](#), and [Rolling 7s](#).

With a constantly changing mortgage landscape, your loan origination software should include the advanced capabilities to support your business today, while helping you grow tomorrow. Black Knight's Empower® loan origination system (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 all-sized lenders 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.

[FundingShield](#), the market leader in wire & title fraud risk management and closing-agent compliance – released its Wire & Title Fraud Analytics Report for Q4-2021 showing 42% of the ~\$75-Billion loans reviewed in FundingShield's sample set had at least one risk finding, and of those an average of 2.1 risk findings existed per transaction. [Ike Suri, CEO & Chairman](#) shared, “As risk of cyber-threats, fraud, ransomware and third-party service provider vendor risk increases we see Freddie adding to its [2021-31 seller guide](#) updates creating indemnification, non-interference and notification obligations for events such as a security incident from a third-party or vendor of Freddie sellers or servicers. These updates are being incorporated by lenders as we enter a purchase heavy market with higher variability and less control of closing-agents triggering the need for closing-agent vetting, wire & title fraud prevention and a compliance fintech partner.” Contact [Sales@fundingshield.com](mailto:Sales@fundingshield.com) to learn how you can leverage their automation for cost savings, closing document accuracy and processing efficiencies.

[Enter Scotsman Guide's Trusted 2022 Top Originators rankings January 1-31](#). Our trusted rankings are a true benchmark for the mortgage industry that originators use to build their reputations. [Submit your entry](#) to know where you stack up by total production, purchase/refi volume, Non-QM, FHAVA/USDA, HELOC, brokered loans, location and more. Join the other top-producing originators across the nation who have earned the right to call themselves a Top Originator. It only takes a few minutes to enter and forever associate your name and brand with the Scotsman Guide Top Originator rankings. [Build your reputation. Enter today!](#) The only verified ranking of mortgage professionals. If

you closed 100 loans or \$40+ million in production in 2021 you will make the rankings. Make sure to [enter by Jan 16th for the early bird pricing](#).

How's your TPO business? Have you ever surprised a broker when canceling or suspending a loan with incomplete actions? Do your brokers know the specific underwriting conditions not cleared for each loan? Are your brokers properly engaged and the origination facilitated through approvals and closing? So many questions and challenges!! Interested in how Connector by Velma® can extend Encompass to help you run your TPO business efficiently? [More info here](#).

### Not the First Time, Won't be the Last

Unfortunately for mortgage lenders, rates are moving higher and the refinance universe is shrinking. Origination will become more challenging, there hasn't been enough of a change in the yield curve to push clients into other products/terms, lenders will work to sell MSR, and there will be consolidation. Wholesalers are already seeing razor-thin margins and more compliance risk in the Chopra Era... can wholesalers assure regulators that they know what their brokers are doing is compliant?

"Guaranteed Rate, one of America's largest retail mortgage lenders, has announced it has entered into a definitive agreement to acquire Texas-based Stearns Holdings, LLC from funds managed by Blackstone." *Oops... wrong story from January*. My bad. That was from January 5, 2021, and 53 weeks later we have Victor Ciardelli, the CEO and President Guaranteed Rate, sending a note to brokers around the nation regarding G-Rate closing Stearns and ending rate locks with a same-day notice.

"As you are aware, Guaranteed Rate acquired Stearns Wholesale in the early part of 2021 with the ultimate goal of becoming the nation's #1 lender. To ensure our success means we must sometimes make hard decisions. A strategic review has brought us to the decision to discontinue our third-party wholesale channel, Stearns Wholesale Lending. We are incredibly proud of the accomplishments and the many relationships Stearns Wholesale has built over the years by delivering high-quality products and a great customer experience... While exiting the wholesale business has been a difficult decision for Guaranteed Rate, we know it is far more personal and difficult for you, our loyal customers. We will be working diligently to ensure every one of our people and customers is supported through this challenging time. There are several dates to make note of to ensure that your transactions have a smooth journey through the process. (Last day to register a loan was yesterday, January 12th, last day to forward lock a loan was yesterday as well, and the last day to close a transaction is Monday, February 28th.) Your Account Executives and Operational Staff are available for any questions..."

### Capital Markets

[Join MCT today at 10 a.m. PT](#) for a webinar demonstrating the new MCT [Learning Center](#), a review of recommended content by lender growth stage, and an overview of client-exclusive training & resources. In this webinar, MCT's Curtis Richins, Paul Yarbrough, and Ian Miller discuss the debut of the new Learning Center, a one-stop educational content database for each stage of growth of a mortgage lender in the secondary market. The new MCT Learning Center is built around a tailored experience for each individual user with a repository of webinars, technical whitepapers, blog posts, market commentary, and a dictionary of industry terms, granting unparalleled educational access to users looking to expand their knowledge of capital markets. Visit the [Learning Center](#) today. And [join us on Thursday January 13, 2022 at 10 a.m. PT](#).

Grabbing headlines yesterday was a hot inflation number: the Consumer Price Index for December showed the highest yr/yr inflation rate (7.0 percent) since 1982 while core CPI increased at its fastest yr/yr pace (5.5 percent) since 1991. The widely-followed inflation gauge corroborates Fed Chair Powell saying he is prepared to raise interest rates as soon as March to cool inflation, followed by a shrinking of the Fed's \$8.8 trillion balance sheet. **The bond market in 2022 will be shaped by whether the Fed's withdrawal of support is too much** for the recovery to take or whether it's too little, too late. A strong and long expansion in the labor market is going to need price stability, and the risk that policy makers will make the wrong calls for the post-pandemic recovery exists, evidenced by how far behind the curve the Fed seems to be considering wage growth.

From the peak in the spring of 2020, we have seen a steady change in the housing market. Low mortgage rates plus government stimulus programs helped increase mortgage demand, **but the bidding-up of homes increased prices to record levels, making affordability a greater constraint** for both first-time and move-up homebuyers. Among homeowners, the "it's a good time to buy" sentiment fell 30 percentage points over the past year to its current level of 30 percent, but the all-time home price appreciation high will start to filter into inflation numbers this year. Elevated CPI numbers are going to be with us for a while, as it takes about 12-18 months for it to show up into owners' equivalent rent, even if we see some relief in food and energy prices. Yesterday's data points affirm the new stance that the Fed took in December.

The market also showed little reaction to the Fed's Beige Book for January: overall economic expansion in the twelve Fed Districts as

modest... Supply chain issues and labor shortages continued holding back growth while lending activity picked up... Consumer spending grew at a steady pace, but most Districts reported a sudden drop in leisure travel due to the coronavirus. **Employment grew modestly but demand for additional workers was strong.** Robust wage growth was reported nationwide while prices continued growing.

Weekly jobless claims (230k, continuing down to 1.559 million) and the Producer Price Index (only +.2 percent, ex-food & energy +.5 percent) led off today's economic calendar. Later this morning brings Freddie Mac's Primary Mortgage Market Survey, Treasury announcing sizes for next week's reopened 20-year bonds and 10-year TIPS, a \$22 billion 30-year bond auction, and several Fed speakers (Philadelphia's Harker, Governor Brainard's, and Chicago's Evans). The Desk will conduct the last two operations on the current schedule which will target up to \$4.5 billion 30-year 2 percent and 2.5 percent before releasing a new schedule for both MBS and treasuries **along with a reinvestment estimate for MBS covering the January 14 to February 14 period in the afternoon.** We begin the day with Agency MBS prices roughly unchanged from Wednesday and the 10-year yielding 1.74 after closing yesterday at 1.73 percent.

## Employment

"Tyson's Corner VA: Tristar Bank, the fastest growing De Novo Bank in the country, is seeking an experienced Mortgage President to lead our existing Mortgage Subsidiary. A rare opportunity to continue to grow a successful mortgage operation with a De Novo Bank. We are searching for a proven leader capable of building high performing sales teams to join our existing successful operations and production teams. Candidate must have significant experience in recruiting, training, motivating and managing both sales and operations teams. Candidate will report directly to the CEO of the Bank. Previous community banking work history is preferred. Excellent compensation package offered including salary, benefits, and equity share. Resume in confidence to Jayme Dungan. Principals only please. EOE"

A rapidly growing retail mortgage banking firm seeking a Secondary Product Manager to play a central role in identifying innovative investor relationships to expand the sales product offering and to support secondary market activities. You will establish a loan product needs in target markets, identify competitive investor relationships, negotiate, close, on board and educate loan officers on product guidelines and consumer positioning. The Manager will interface daily with senior leadership sales and externally with investors. This position is for energetic, motivated, and entrepreneurial mortgage finance professionals who are eager to join a rapidly growing team and shape the future of the organization in a positive and aggressive way. Position is remote with some travel, and offers a salary, benefits, and other upside perks. For information, email Anjelica Nixt to begin a confidential dialogue.

"At [Finance of America Mortgage TPO](#) we've anticipated a market shift in 2022... Have you? Rates have risen and are expected to rise, refi business will transition to purchase, and home affordability will continue to elude some borrowers. Thankfully, Finance of America Mortgage TPO is prepared. FAM TPO offers an array of agency and government loans that blend nicely with our proprietary Two-X Flex Suite of Non-QM offerings. FAM TPO will help you and your customers take on whatever 2022 has in store. We're looking for talented Account Executives and Brokers in WA, OR, AZ, MN, KY, TN, FL, SC, GA, and specifically in Dallas and Austin, TX. If you're interested in partnering with a company who is focused on YOUR success, contact Kim Bavecic today!

"Launch your career in 2022!!! [New American Funding](#) provides originators with the tools and resources to build your brand and build your business. With our [Local Buyer Connect](#) program we supplement your current business and connect you with live purchase borrowers in the early stages of buying a home. Through this program we match you with local in market purchase borrowers who are transferred directly to your phone. It is completely up to you how many calls you take. Build your real estate partnerships with more in market buyers and co-branded marketing. Build your online brand with custom websites, online reviews, and social media! Our marketing and technology help you work smarter, not harder. Fast turn times and less overlays help you close more loans. Building your business at New American Funding has never been easier! Join our team! Contact Sam Ellsworth today! (714) 401-0183 EOE."

"[Planet Home Lending](#) keeps expanding; even when the market shifts. We've added eight branches and over 70 MLOs in the past six months. Why? Because we give people what they need to succeed, then we get out of their way. You won't be alone, though. Planet ensures our branches work with the same dedicated processors, underwriters, and support team, every day and every file, so you can concentrate on reaching more borrowers and closing more loans. Add in a retail-centric marketing team just for you, and your bottom line could soar in 2022. [Watch our Retail Sales Leader Caleb Mittelstet](#) talk about why originators are moving to Planet. Then send a note to Caleb or SVP Talent Acquisition Brian Miller. Grow your business with Planet Home Lending: Right Place, Right Size, Right Now!"

[Thrive Mortgage](#) knows a thing or two about making waves in the industry. Notably, the depth of experience and product diversity of [Thrive's Construction Division](#), known as [BUILD](#), is already making major strides early in 2022. Starting Monday, January 17th, Thrive launches a new *Lot Loan* product enabling clients to have a single resource for all their construction financing needs! "Instead of rushing through a design phase or a second bank to secure the land, we achieved our goal of providing the consumer a complete, end-to-end construction lending experience," stated [Brian Hurd, VP, National Builder Division](#). "Once a client finds that perfect piece of land, we can provide them a complete financing package and eliminate the biggest stress point for most borrowers." Meet Brian and other Thrive Rock Stars at the

[International Builder's Show in Orlando](#) (Feb. 8-10th, Booth W6855). Click [here](#) to learn more about your [opportunity to Thrive!](#)

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