

Lender Products and Services; IMB Profits Plummet; Conforming Updates

By: Rob Chrisman | Wed, Mar 23 2022, 9:48 AM

Another day of travel, heading to [California](#) and its Central Coast. The state has seen its share of house price appreciation, as has the nation, and in terms of actual sales there are some who are predicting a [steep decline in sales activity](#) despite heading into the traditional summer buying season. (And there are stories about home “[buyer’s remorse](#)” which to me sound like whining.) Yes, as prospectors said starting in 1849, “there’s still gold in them thar hills.”

There’s gold in startups also: Of course the [co-founders are beaming](#) in the photo from [Tomo](#), a startup founded by former Zillow execs that aims to speed up the mortgage approval process, raised a \$40 million Series A round at a \$640 million valuation, doubling the company’s value after it [raised](#) a \$70 million seed round last year. But there’s less gold in lending. Independent mortgage banks (IMBs) and mortgage subsidiaries of chartered banks reported a net gain of only \$1,099 on each loan they originated in the fourth quarter of 2021, down from a reported gain of \$2,594 per loan in the third quarter of 2021, according to the

Mortgage Bankers Association’s (MBA) newly released Quarterly Mortgage Bankers Performance Report. Marina Walsh, CMB, MBA’s VP of Industry Analysis, observed, “Among the headwinds were lower revenues and higher production costs... The average cost to originate a mortgage has now risen for six quarters in a row, reaching a study-high of almost \$9,500 per loan by the end of 2021.” (More below!)

Products and services

It’s World Meteorological Day, so let’s hear it for the meteorologists who keep us informed when inclement weather strikes... Especially those with a sense of humor in the face of technical difficulties. When the forecast for mortgage interest rates turns gloomy, having the best tools for your team is key to winning business. From origination to automated compensation management and business intelligence, SimpleNexus’ homeownership platform can create a stress-free experience for any lender. Tomorrow at 2 PM ET, get an inside look into how Genesee Regional Bank and Community Title Network are using SimpleNexus to accelerate digital transformation. [Register](#) for the free webinar to see how SimpleNexus can help your business conquer the mortgage market, rain or shine!

“Birchwood Credit Services has provided credit reporting solutions to financial institutions for over three decades. We’re passionate about what we do because we believe it matters. Our proprietary bundled pricing models guarantee all add-on fees and back-end processing costs up front so there are never any additional “surprise” fees. In addition to eliminating hidden costs, these models improve TRID compliance and lower your credit expenses. Visit us [today](#).”

Is your retention strategy effective? In our competitive, equity-centric market, it’s critical for lenders to hold onto their valued customers. Today’s consumers expect timely, relevant, and specific offers to be shared with them via their preferred digital channels. Fortunately, delivering on these expectations and streamlining retention efforts just got easier for Optimal BlueSMPPE clients. Thanks to a new integration between the Capture lead analytics platform and the Surefire mortgage marketing engine, lenders can automatically gather and organize leads based on live pricing and eligibility. Loan officers can then conduct outreach with customized, qualified offers. Join Black Knight for a complimentary webinar on Thursday, March 24, to learn more about this seamless integration, and to discuss how automated, personalized outreach based on near real-time pricing can amplify your retention strategy. [Register for the webinar](#) today.

How much could your borrowers save each month with a jumbo ARM loan? What loans are investors hungry for in this market? Get that knowledge delivered to your inbox every month, for free, when you [sign up for the MAXEX Market Report](#). MAXEX, the first digital mortgage exchange, has a network of more than 290 bank and non-bank originators along with more than 20 high-profile investors on one platform giving you access to information you can’t find anywhere else. Better serve your borrowers by [downloading the March MAXEX Market Report](#) today.

“Is it currently difficult for you as a mortgage origination business to find underwriters, loan processors and servicing agents. By enabling NXTsoft OmniConnect lifecycle API connectivity, we can fill the gaps that were previously manual human processes, thereby reducing the need for pre-COVID staffing levels and dramatically decrease turnaround time. NXTsoft has over 25 years’ experience connecting financial services systems cost-effectively and efficiently. Visit [here](#) to learn more.”

Don’t let the muggles get you down today, let’s celebrate Ravenclaw Pride Day! As Albus Dumbledore says, “It is our choices that show what we truly are, far more than our abilities”. Make the right choice and send your next Golden Snitch (“investor business cash flow loan”), to Orion Lending! Orion offers minimal tradeline requirements, no reserves, DSCR as low as ZERO, industry leading technology, and

underwritten entirely in house! What's not to love? To learn more about this exclusive investor loan, please [click here](#).

#Truth: AI is the best path forward, but what's the safe bet? Rip a page from the playbook of lenders that have figured it out. They've cut cycle time by ~14 days, are getting 10+ underwriter touches per day, making healthy margins, and can smoothly scale for the next refi boom (yes, it's coming). The secret? Candor's Loan Engineering System. Beyond basic "stare and compare" or calculation tools, Candor's AI has made 1.5M complex decisions with no human review or assist: it's authentic Expert System Technology. We're so confident in those decisions, we Warrant every single one. Candor allows you to "hire" a Machine as an Underwriter that never makes a mistake, has zero bias, and gets a same day conditional approval for instant borrower surety. And, for the ultimate audit trail, a permanent database captures the entire history of the underwrite. There is no substitute, no alternative, no comparison. [Isn't it worth 30 minutes to learn more?](#)

Are you creating social media content that connects with millennials and Gen Z homebuyers? 78% of professionals who use social media marketing OUTPERFORM their peers! That's an amazing reason for mortgage professionals to pay close attention to their social media strategies. In the US alone, social media usage has increased by 32% since the onset of the pandemic. Now's the time to stop and build a strategy that works, and create content that attracts. Find out how. Download our new complimentary eBook, [Social Media Marketing: How to Connect with Today's Borrowers](#) today.

Capacity is returning from TMC's 2022 member conference with some great new connections and insights. Industry experts like Jodi Hall (NMB) Kevin Peranio, (PRMG) and Kate DeKay, (Eustis) shared how companies are bringing AI to their teams, increasing productivity. Originators use data from many external sources to meet the regulatory requirements during the loan process. The time-consuming task of manually searching contracts, bank statements, loan applications, and guidelines is inefficient. The mortgage industry is in dire need of a [platform](#) that securely integrates with lenders' key systems, providing loan officers with instant, actionable answers about borrower opportunities, loan statuses, guidelines, and more.

IMB's cost structure

To continue the discussion of the MBA's findings, 76 percent of the firms in the study posted a pre-tax net financial profit in the fourth quarter. Those firms with servicing operations benefited from slower prepayments and low delinquencies that helped boost mortgage servicing right (MSR) valuations. Were it not for servicing operations, only 58 percent of the firms in the study would have posted a net financial profit in the fourth quarter.

"The average pre-tax production profit was 38 basis points (bps) in the fourth quarter of 2021, down from an average net production profit of 89 bps in the third quarter of 2021, and down from 137 basis points on a year-over-year basis. The average quarterly pre-tax production profit, from the third quarter of 2008 to the most recent quarter, is 56 basis points.

"Total production revenue (fee income, net secondary marketing income and warehouse spread) decreased to 353 bps in the fourth quarter, down from 396 bps in the third quarter. On a per-loan basis, production revenues decreased to \$10,569 per loan in the fourth quarter, down from \$11,734 per loan in the third quarter. Net secondary marketing income decreased to 275 bps in the fourth quarter, down from 310 bps in the third quarter. On a per-loan basis, net secondary marketing income decreased to \$8,326 per loan in the fourth quarter from \$9,300 per loan in the third quarter.

"Total loan production expenses – commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations – increased to a study-high of \$9,470 per loan in the fourth quarter, up from \$9,140 per loan in the third quarter. From the third quarter of 2008 to last quarter, loan production expenses have averaged \$6,758 per loan. Personnel expenses averaged \$6,438 per loan in the fourth quarter, up from \$6,185 per loan in the third quarter."

Conventional conforming tidbits

Don't forget that Fannie Mae (effective March 19th) and Freddie Mac (effective March 6th) will begin allowing Desktop Appraisals on owner-occupied purchase transactions when eligibility is reflected on the AUS findings.

Freddie and Fannie (the GSEs) have [announced](#) that effective April 21, 2022, three Qualified Mortgage (QM)-related data points will transition from warning to critical. These datapoints were meant to transition previously on February 11 but were delayed giving the industry additional time to prepare. These edits are important because inaccurate information provided in these datapoints may prevent loans from being eligible for sale to Freddie Mac. Review the [Loan Closing Advisor® April 21 release notes](#) for details.

Freddie Mac's Guide Bulletin 2022-6 announced on July 17, 2022, an update to ACE eligibility for cash-out refinance transactions and the introduction of ACE + Property Data Report (PDR) Certain components of the ACE+ PDR offering are being reviewed and tested. The Guide will not be updated at this time to reflect this change. Sellers should refer to [Freddie Mac Guide Bulletin 2022-6](#) to follow the ACE+ PDR

requirement. Related Resources available include [FAQs on ACE+ PDR](#), [ACE+ PDR Dataset](#), [PDR Dataset Sample](#), [Completion Report Dataset](#), [Completion Report Dataset Sample](#), and [Q1-2022 Policy Highlights Video](#).

The Uniform Appraisal Dataset (UAD) and Forms Redesign Initiative working group has issued [a report to industry stakeholders](#) describing the input and development process for the new Uniform Residential Appraisal Report (URAR), which will replace individual appraisal report forms on a future date to be determined. Freddie Mac and Fannie Mae detail how stakeholder feedback shaped the data driven URAR. The report provides transparency about the specific input received from the industry on a preliminary version of the URAR sample report, and how comments were addressed to develop the final draft URAR. The report also describes the URAR's benefits, including standardized information, dynamic components, and intuitive flow.

[Freddie Mac issued an Industry Letter](#) reminding clients of the requirements related to reporting security incidents to Freddie Mac and ensuring adequate business continuity provisions are in place in the event of a system outage. Seller/Servicers are encouraged to review the joint cybersecurity advisory recently issued by the Cybersecurity and Infrastructure Security Agency and the FBI due to matters related to the conflict in Ukraine.

Effective for all Best Effort commitments taken on or after Tuesday, March 22, per [PennyMac Announcement 22-22](#), Conventional LLPAs will be updated to add 2 new Manufactured Home LLPAs to the LLPAs by Product Feature Grid.

[loanDepot's WNTW03_14_22 Edition](#) covers multiple topics including NDC Escrow/Impound Account Reminder, Power of Attorney (POA) Restriction Lifted on Conventional Texas Homestead Refinance, Freddie Mac's Automated Income Assessment Functionality Expansions, and Important Appraisal Product Updates from the GSEs.

[PRMG Product Update 22-11](#) addresses multiple topics including revisions to manufactured home credit score allowance on Agency Fannie Mae and Agency Freddie Mac as well as multiple Government programs. Clarifies the not to exceed date of the most recent bank statements requirement on Agency products. CHFA Preferred Plus Conventional Tax transcript clarification.

Effective March 21, Wells Fargo Funding has new HomeReady subordinate financing adjusters providing Sellers an additional delivery option for Fannie Mae HomeReady program on loans with subordinate financing that is not a Community Second. The new subordinate financing adjusters are subject to HomeReady adjuster caps. Supplemental information is listed in [Wells Fargo Funding Newsflash C22-010](#) to assist in the correct application of the new HomeReady adjusters and avoid pricing changes upon Loan purchase.

Fannie Mae and Freddie Mac have recently published guide updates announcing changes to several topics, including desktop appraisals. This announcement provides impacts to AmeriHome guidelines as a result of these changes. [See AmeriHome announcement 20220303-CL for details](#).

Franklin American Mortgage posted updates that includes information on Product and Guideline Updates, Clarifications and Reminders, which includes removal of the Rental Income Investment Properties overlay. View [FAMC Correspondent National Bulletin 2022-05](#)

for additional information and all lock, delivery, and purchase by dates, if required.

Capital markets

The recent selloff in mortgage-backed securities and Treasuries deepened yesterday as both Federal Reserve hawks and doves joined Fed Chair Powell's call to move forward on raising [interest rates](#) to curb high inflation. A half-point hike is now expected in May as the Fed takes a more aggressive policy approach in the near term to help ensure price stability.

Today's calendar is mostly about supply with the Treasury conducting three auctions including a \$16 billion reopened 20-year bond. Fed Chair Powell is currently delivering remarks in the wake of his exceedingly hawkish statements from Monday. Ahead of the open, MBA mortgage applications were shown to have decreased 8.1 percent from one week earlier as rates on 30-year conforming mortgages jumped by 23 basis points last week, the largest weekly increase since March 2020. The jump in rates comes as markets moved to price in a much faster pace of rate hikes, as well as expectations of fewer MBS purchases from the Federal Reserve.

The lone remaining data point today is new home sales for February and are expected to decline from 801k to 775k. And besides Chair Powell, San Francisco's Daly will also deliver remarks. The Desk will purchase up to \$1.3 billion over two operations. We begin the day with Agency [MBS prices](#) unchanged from Tuesday's close and the 10-year yielding 2.39 after closing yesterday at 2.38 percent.

An 80-year-old gentleman was being interviewed on his 60 years of marriage. "Is there one big difference in your marriage today compared to when you were first married?" asked the interviewer. "Well," said the man after pondering for moment, "it now takes me all night to do what I used to do all night."

MLO jobs

How do you double the size of your sales staff without paying huge sign-on bonuses? At Shamrock Home Loans, it starts with a #ServeSales solution-based culture. The 1st client of all Shamrock staff is the Loan Officer. And to make sure all LO's are served with distinction, Shamrock matches its serve-staff roles using a tool called Culture Index. Shamrock CEO, Dean Harrington says, "We've found that the right people for serving sales have a HOSPITALITY gene. Culture Index helps us identify the 20% of people who have this profile. Our LOs have been blown away by what this has done for their quality of life, their referral partner relationships, and their production." To learn more about Culture Index or Shamrock's #ServeSales solution-based mindset connect with Dean on [LinkedIn](#) or email [Adam Larkin](#).

View this Article: <https://www.mortgagenewsdaily.com/opinion/pipelinepress-03232022>