

TPO loan, Customer Service, CRA, QC, Lead-Gen Tools; Widespread Agency Changes; Why No Decent ARM Pricing?

By: Rob Chrisman | Tue, Apr 26 2022, 11:07 AM

Running feels great unless you compare it to not running. While here in Northern California for a board meeting, I received, "I read your capital markets section every day because I can understand it, but can you please knock off using 'basis points'? They are confusing." I admit they take a while to understand, but easy to compare & convert the two. 1 percent is 100 basis points. 50 basis points is ½ of one percent. 75 basis points is ¾ of one percent. I mention this because "seventy-five basis points is the new 50 basis points." Everyone was expecting ½ percent increases in Fed Funds, but no more. A relentlessly hawkish Federal Reserve is ramping up market expectations for big interest rate hikes that would have been considered unthinkable (and market crippling) just two months ago. Nomura says that the FOMC will hike the fed funds rate by 75-basis points in June and July after a 50-basis point rise in May. That would bring the rate up to 2.25 percent, a phenomenal amount of tightening given that the Fed was still easing by buying assets as recently as March. With [mortgage rates](#) at the highest in 10 years, lenders are more likely to see requests for pricing exceptions. STRATMOR Group is [conducting a short survey](#) to better understand how lenders are handling pricing exceptions in the face of new regulations and the current market. The results of the survey will be shared with participant lenders. (Today's podcast is [available here](#) and this week's is sponsored by [Richey May](#), a recognized leader in providing specialized advisory, audit, tax, technology, and other services in the mortgage industry and in banking.)

Lender and Broker Programs and Services

In California, there is a new Down Payment Assistance feature for 37 eligible counties available to county employees in GSFA Member Counties. Golden State Finance Authority is now offering up to 5.5 percent in down payment and closing cost assistance (DPA), combined with attractive First Mortgage [interest rates](#) for GSFA Member County employees purchasing or refinancing in the County of their employment. The "Assist-to-Own" DPA is a new feature under the GSFA Platinum Program. It offers an affordable solution for borrowers purchasing or refinancing a primary residence but lacking the cash resources for the down payment and closing costs. For more information, view the [Single-Family 2022-06](#) announcement or visit www.gsfahome.org.

In today's fast-paced, volatile mortgage market, lenders need technology to help them stay flexible and adapt to changes quickly. Product, pricing, and eligibility technology that is more advanced makes it easier for lenders to compete in a fast-moving market. The [Lender Price](#) team will be attending the CMBA Mortgage Innovators Conference at the Hilton Anaheim next month, May 2-4. Be sure to catch our CEO, Dawar Alimi, speaking on the panel called "Operations Automation Journey" on May 4th at the Innovation Stage. Lender Price will also be attending the [MBA Secondary & Capital Markets Conference](#) in New York May 15-18. Feel free to [get in touch](#) to schedule a meeting and learn more about Lender Price, the modern and proven PPE working with 22 of the top 30 wholesale lenders, including 8 out of the top 12 banks and credit unions.

In today's challenging origination market, you need a fast, cost-effective way to find reliable leads. SiteXPro™, offered by Black Knight, provides on-demand, affordable access to a powerful online lead-generation tool. Drawing from our high-quality, nationwide property data, SiteXPro helps you quickly and easily identify targeted leads based on current, reliable information. The solution offers a variety of search-and-filter options so you can create lead lists to your specifications. Generate lead lists by geography, property type, current mortgage amount, LTV, loan type and more. You can even access AVMs on SiteXPro to help verify if there's sufficient equity in a property for a cash-out refinance or HELOC. [Sign up for a free 30-day trial of SiteXPro*](#) and start getting instant, affordable access to the leads you need. *Available to new customers only. 30-day trial includes access to standard package of reports/solutions and does not include access to third-party products.

Rising [mortgage rates](#) coupled with low inventory and competitive home prices are setting the tone for a less-than-ideal environment for homebuyers. But a competitive marketplace means opportunity for new business, and you'll need to adjust your sales and marketing strategies to enhance your network and attract and engage new buyers. Our new complimentary eBook, [Rethinking Your Marketing Strategy in Times of Rising Mortgage Rates](#) will help you attract, engage and ultimately close more loans with homebuyers than ever before.

[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](#).

Critical Defect Rate Drops 18% in Q3 2021: ACES Quality Management released its quarterly [ACES Mortgage QC Trends Report](#) covering the third quarter (Q3) of 2021. The latest report provides an analysis of post-closing quality control data derived from ACES Quality

Management & Control® software. Notable findings include mortgage lenders managed origination quality extremely well, leading to an 18% improvement in the overall credit defect rate. Manufacturing-related loan defects decreased as volumes declined. Q3 marked the official shift from refi to a purchase-driven market, with purchase defects increasing as a result. Defect performance on conventional loans stabilized while FHA defects rose. The [Early Payment Defaults trend line](#) indicates that reviews peaked and are now below pre-pandemic levels, shifting the focus to the remaining loans in forbearance status and exit plans for those borrowers.

“Customer Experience is critical. The industry has been focused on the Digital revolution taking place within the mortgage life cycle. While speeding up cycle times and lowering costs are important, we must not lose sight of the key element that drives our business: The Consumer. How do you lower costs while improving customer experience? That is why lenders and servicers are partnering with Sutherland. Our Design and Innovation Labs in San Francisco are a customer centric think tank that allows us to uncover opportunities to increase our client’s business. Whether you’re trying to reduce withdrawal rates, increase portfolio retention or reduce call center volumes with Conversational AI, our focus is to pinpoint areas of improvement that keep your most precious asset, ‘the borrower.’ We’d like to hear from you: please contact [Tim Gillis](#).

Correspondent and Broker Loan Products

Lakeview Correspondent is excited to announce the launch of a Bank Statement Mortgage program April 25th. Bank Statements are the newest addition to the Bayview Non-Agency Suite of products. Choose your income doc options (from 12 or 24 months personal and/or business bank statements for self-employed, 100% commission or Independent Contractors). [Reach out to your sales contact](#) today to learn more. Lakeview will be back at The Blue Fin in New York City, for the MBA Secondary conference, [contact us](#) to get on our schedule.

Chase is now making it easier than ever for our clients to deliver Non-Agency loans! Jumbo AUS is the latest tech-forward solution in Chase’s offering. Starting April 22nd, Non-Agency Amortizing loans can be run through either DU or LPA. In addition, many of the existing Non-Agency guidelines are being aligned with the Agencies to simplify the underwriting process. Existing and prospective clients can contact the Chase [Client Management Team](#) today to learn more about how Chase’s Jumbo AUS program can help streamline their Non-Agency production.

Conventional Conforming Changes

A robust QC plan is your roadmap to manufacturing quality loans. [This issue of Fannie Mae’s Quality Insider](#) highlights frequently missed components in lenders’ QC plans and is the first of a series offering actionable insight to improve your QC program.

On June 24, Fannie Mae will launch Collateral Underwriter® (CU®) Version 5.4, introducing its new undervaluation risk flag along with 16 new undervaluation risk reason codes to complement the existing overvaluation risk flag and reason codes. [View Fannie Mae CU Version 5.4 Release Notes for details](#).

Effective on 04/01/2022, co-op properties are now permitted with Freddie Mac, as follows: TPO Broker Clients Only, Eligible Products: Standard Freddie Mac and HomePossible products. Key Differences between Fannie Mae and Freddie Mac are provided in [Fairway Wholesale Lending Client Announcement 2022-04-01](#). For full requirements, refer to the Co-op guidelines in Fairway DRIVER.

[loanDepot’s LDW WNTW 3-28-22](#) includes information regarding loanDepot Conventional Lending Guide – Refinance Transactions, Freddie Mac, and Fannie Mae - Important Appraisal Product Updates, loanDepot – mello Broker Portal AUS Update.

[AmeriHome Correspondent 20220310-CL General Announcement](#) summarizes previously published changes made during March and recent Agency and regulatory news.

In [Fifth Third Correspondent Lending Communiqué 2022-2](#), COMD Self Employed Requirements for all Products and Fannie Mae Median Credit Score.

PennyMac’s choice for its [April Product Highlight](#) is Conforming Conventional manufactured homes. And Penny updated the Conventional Second Home LLPA Grid, effective for all Best Effort commitments taken on or after Thursday, April 14.

FAMC Correspondent National discussed requirement updates on Conventional Conforming Construction-to-Permanent One-Time Close. [See FAMC National Bulletin 2022-06 for additional information and all lock, delivery, and purchase by dates](#).

The loanDepot Conventional Lending Guide received multiple updates. Additionally, the jumbo Advantage EXPRESS Matrix and Lending Guide were updated. Read [loanDepot’s LDW WNTW 3-21-22](#) for details.

loanDepot made multiple updates to its loanDepot Conventional Lending Guide, revised Disaster Inspection Requirements, and expanded

its jumbo Advantage EXPRESS – FLEX. Find out details in [LDW's WNTW Edition 04_04_22](#). Also, don't miss [loanDepot's Key Dates Calendar for the month of April](#).

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In [Fifth Third Correspondent Lending Communiqué 2022-2](#), Fifth Third posted information regarding the expiration of COVID self-employed requirements and Fifth Third's acceptance of DU's use of the median credit score on most loan products with multiple borrowers.

Wells Fargo Funding (correspondent) is significantly improving adjusters for certain conventional Conforming and high balance Loans as described in [Wells Fargo Funding Newsflash C22-13](#). Also Noted, beginning May 2, 2022, Co-ops with escrowed HO6 policies, conventional Conforming and Non-Conforming Loans will be ineligible for purchase.

Capital Markets

Unfortunately for borrowers, the yield curve is extremely flat, so there is little incentive to move into a 15-year loan or an ARM at this point. In addition, liquidity in higher coupon MBS has been poor to say the least with very wide bid/offers or simply no price discovery. (This has always been the case with ARM securities.) As a result, some higher rate combinations may simply not be available yet. **Keep in mind that any rate over 6.125 percent would have to be delivered into a UM30 5.5**, which are not yet trading in any material amount. No liquidity = no decent pricing.

Will China's COVID-19 lockdowns reignite supply-chain woes? Will hawkish policy from the Federal Reserve to combat inflation lead to recession? What will ultimately happen in Russia's war on Ukraine? Lots of questions with few definitive answers means volatility will persist in the bond market. Investors bought fixed-income securities en masse yesterday, betting the selloff has gone too far, too fast, and economic growth is poised to slow. That is good news for [mortgage rates](#).

Is Fed tightening intended to, or even capable of, getting inflation back down to 2 percent? At the very least, Fed officials signaling a relatively-rapid pace of rate increases over the rest of the year is helping elevated inflation expectations stabilize. Remember, even with the more hawkish rhetoric, the bond market is pricing in faster inflation. The Federal Reserve's aggressively hawkish policy stance has driven a remarkable turnaround in 10-year real yields, which were below -1 percent in March after Russia invaded Ukraine. **Inflation-adjusted yields were negative for about two years**, but investors in 10-year Treasuries can now expect to **earn real returns** on their money as the income on nominal 10-year notes is expected by investors to exceed average inflation over the coming decade. This has primarily been driven by higher real yields rather than higher inflation expectations. Rising real yields hurt tailwinds for risk assets, like stocks, threatening their relative attraction versus bonds.

Today's economic calendar is under way with March durable goods orders (+.8 percent, ex-transportation +1.1 percent) and Philadelphia Fed non-manufacturing surveys (slipping to +29.3). Later this morning brings Redbook same store sales, February house prices from Case-Shiller and FHFA, Consumer confidence in April, March new home sales, Richmond Fed manufacturing and services indices, Dallas Fed Texas services for April, and a Treasury auction of \$48 billion 2-year notes. The Desk will conduct **two operations for up to \$2.4 billion targeting 30-year 3.5 percent through 4.5 percent**. We begin Tuesday with Agency [MBS prices](#) better .250 and the 10-year yielding 2.77 after closing yesterday at 2.83 percent.

Jobs, New Hires

"Don't let your success of today lay you into complacency for tomorrow. For that is the worst form of failure.' (OG Mandino) Ready to build the life and business of your dreams? Is that possible with your current company? It's easy to be held back by your situation and just accept that things are pretty good. We're focused on taking Branch Managers from 'pretty good' to 'GREAT!' Find out how a branch can go from \$42M, to \$98M, to \$223M in just 3 years. SPOILER ALERT: It all started with a confidential phone call. Our transition plan removes the pain of changing companies, our platform encourages the vision of your future, and our leadership supports you in taking over your market. It's time to take the next step in your career! Contact [Anjelica Nixt](#) to schedule a completely confidential conversation."

"[PacRes Mortgage](#), formerly Pacific Residential Mortgage, is excited to announce the hiring of Will Wells as Branch Manager of our new Granite Bay, CA location. As we continue our rapid expansion across the U.S., we're thrilled to welcome such an experienced and knowledgeable professional in the Sacramento metro area. "I joined The Pac because of my strong desire to be a part of a true team environment with common goals," said Will. "I am excited to be a part of this rapidly growing company where every individual is genuinely dedicated and determined to make every experience a WOW!" If you want to build your entrepreneurial dream, join Will and the uniqueness of a "national boutique" company that has all the resources of a large corporation without any of the corporate bureaucracy. Please contact Jeff Strode, CXO at 503-805-0991."

[Academy Mortgage Corporation](#) announced that Kristi Pickering has been named President of the company. The appointment of Pickering is part of Academy's strategic plan to further strengthen the company's growth and long-term sustainability. This shift will allow the company's CEO James Mac Pherson to focus on strategic growth opportunities while Pickering concentrates on the day-to-day operations of the organization. Since joining Academy in 2019, Pickering has served as the company's Chief Operations Officer. Under her leadership, the company has developed a dynamic operations team, expanded its technology landscape, and implemented several process improvements to streamline and enhance the overall experience. "Kristi is an incredible leader and an inspiration to many. She has not only my trust but my utmost confidence," said James Mac Pherson, CEO of Academy Mortgage. "I could not be more excited about the future of Academy Mortgage." To learn more about Academy Mortgage, contact EVP of Growth [Patrick Welberg](#).

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