

Capital Markets, Purchase Advice Products; Investor Agency Changes; Rates Hit Housing; IMB Costs Head Higher

By: Rob Chrisman | Wed, May 25 2022, 10:47 AM

All the stories that could be told, and so many that have yet to happen. And now 19 that never will be. It is very hard to go about one's day, whether one has children or not, or a teacher in their family as I do, or not, given what happened in Uvalde, Texas, yesterday. Or to imagine what being in that classroom was like. And just like after every other mass shooting in the United States, fingers are pointed, lines are drawn, and rhetoric that we've all heard before is repeated until it happens again. Ban guns? Better background checks? Create fortresses out of elementary schools? Improve mental health care? We'll go around and around on the reason(s) and the cure(s). Far be it from a daily commentary on residential lending to adequately address the evil that we witnessed yesterday. But we all do what we can. (Today's podcast is [available here](#) and this week's is sponsored by [Matchbox LLC](#), igniting ideas for the mortgage industry. Expertise in assisting clients through transition periods with Technology, Capital Markets, and Education. Today's features an interview with Mark Walser, President of Incenter Appraisal Management, on desktop appraisals.)

Lender and Broker Software, Services, and Programs

Since 2006, [Mortgage Professionals Providing Hope](#) (MPPH) has provided thousands of families and children worldwide with avenues out of poverty, such as safe housing and quality education. To honor this commendable work, the June installment of Sales Boomerang's monthly Worthwhile Webinar series will support MPPH's humanitarian relief programs. For a \$10 donation, join Sales Boomerang's Alex Kutsishin, Mortgage Champion's Dale Vermillion, SDP Solutions' Scott Payne, and Mortgage Coach's Dave Savage on June 8 at 2PMET to learn more. All proceeds from the event will go to MPPH, with Sales Boomerang, SDP Solutions and Vermillion Consulting, Inc. each matching up to \$1,000 in ticket sales. [Register and join this growing coalition for positive change!](#)

Is PA reconciliation using up too much of your team's bandwidth? There's a better way, as Terra Johnson, SVP Controller of Highlands Residential Mortgage, finally found out. After years of reconciling PAs the error-prone, time-consuming manual way, she discovered Richey May's intelligent automation solution. A managed, fully supported standalone offering by Richey May in partnership with Zoral Group, [Purchase Advice Automation](#) lets you manage PAs and clear warehouse lines for thousands of loans a month, barely lifting a finger in the process. Johnson's team uses Purchase Advice Automation for reconciliation, which in turn created efficiencies with closing the books and month-end reporting. In the first year, she saw 50 percent productivity gains in her department and projects a 41 percent annualized ROI with the implementation fee amortized over the next five years. Why wait? See it in action for yourself. [Sign up](#) for a demo today.

Your customers are asking you to provide options for several variables. You know there are many Sprout non-QM loan solutions available, but you don't know all the details without spending time researching them. Don't fret: iQualifi by [Sprout Mortgage](#) is your go-to tool for program for pricing answers! Receive instant pricing information, with EASY info inputs, FAST loan program identification and SIMPLE pricing tables. Mortgage professionals are invited to try iQualifi today, for lightning-fast results. Message TRYiqualifi@sproutmortgage.com.

[You've seen us in the news.](#) Now see us in person for a 30-minute meeting that could boost your bottom line all year long. Planet Home will be at three upcoming events taking meetings to serve your business needs. Join Regional Sales Manager [Stan Tucker](#) (804-317-9018) at the Indiana MBA 2022 State Convention, June 5-7, at the Grand Wayne Convention Center in Fort Wayne, IN. Meet with VP, National Renovation Lending [Jim Bopp](#) (518-348-6426) or Regional Sales Manager [Danny Hughes](#) (203-981-5743) at the New York MBA Annual Convention, June 7-9, at the Saratoga Casino Hotel. Or sit down with Regional Sales Manager [Jim Shaler](#) (813-784-6237) at the Florida MBA Annual Convention, June 21-23, at the Hyatt Regency Grand Cypress in Orlando, FL. Where will we be seeing you?

First Quarter Profit Outlook

Independent mortgage banks (IMBs) and mortgage subsidiaries of chartered banks reported making only [\\$223 per loan](#) in the first quarter of 2022. Why? "The primary driver was cost, with total loan production expenses ballooning to a new study-high of \$10,637 per loan, up more than \$1,000 per loan from fourth-quarter 2021 and more than \$2,500 per loan from one year ago." The \$223 is down from a reported gain of \$1,099 per loan in the fourth quarter of 2021, according to the Mortgage Bankers Association's (MBA) newly released Quarterly Mortgage Bankers Performance Report.

Of particular interest to capital markets folks was the average pull-through rate (loan closings to applications) decreased to 73 percent in the first quarter, down from 78 percent in the fourth quarter. "Net secondary marketing income decreased to 270 bps in the first quarter, down from 275 bps in the fourth quarter. On a per-loan basis, net secondary marketing income increased to \$8,429 per loan in the first

quarter from \$8,326 per loan in the fourth quarter.” (If you have questions about the stats, contact [Marina Walsh](#), CMB, MBA's VP of Industry Analysis.)

Lenders React to Agency Changes

[Fairway Wholesale Lending](#) announced the release of the new down payment assistance program, Freddie Mac BorrowSmartSM, which can be used in conjunction with the Freddie Mac Home Possible® and Freddie Mac HomeOne® first mortgage products. Refer to the Freddie Mac BorrowSmartSM Guidelines accessible after logging into [Fairway DRIVER](#) for full program details.

[PRMG](#) is now allowing an exemption for non-owner occupied (investment) transactions with QM Point and Fee fails on the Agency Fannie Mae and Agency Freddie Mac products. Details are available in [PRMG's 5-11-2022 Important Announcement: Business Purpose and Occupancy Affidavit \(Conventional\)](#).

[AmeriHome](#) posted a summary of recent Freddie Mac Guide Bulletins with changes to several topics including but not limited to asset and income modeler (AIM) and automated collateral evaluation (ACE) eligibility updates. All of the changes announced in [AmeriHome Announcement 20220501-CL](#) are effective immediately unless otherwise noted.

Pennymac updated values Conventional LLPAs effective for all Best Effort commitments taken on or after Monday, May 16, on Second Home LLPA Grid.

[PRMG Product Update 22-21](#) includes information providing guidance on condo approvals when requiring PERS approvals on All Agency Products. Assets for Income validation allowed (which determines borrower's income based on direct deposits) - available with AccountChek currently for Agency Freddie Mac/Home Possible/Refi Possible/Agency. Additionally, PRMG added product codes for SOFR ARMs on Agency Texas Home Equity.

FAMC/Citizens Correspondent posted information on Conventional Conforming DU regarding Cryptocurrency related to asset/liabilities, income updated requirements on refinance transactions LPA, effective for all loans locked on and after June 1. See

[FAMC/Citizens Correspondent National Bulletin 2022-08](#) for additional information and all lock, delivery, and purchase by dates, if required.

Similar to Freddie Mac selling guide changes, Fannie Mae announced updates to address virtual currency such as cryptocurrency for qualification requirements. Flagstar Bank's Conventional Underwriting Guidelines will be updated with the changes shown in [memo 22050](#) and are effective immediately unless otherwise noted.

Starting with new locks as of Monday, May 23, Flagstar Bank will be updating the existing loan level price adjustments on the products noted in [Flagstar Bank memo 22051](#).

[loanDepot Wholesale](#) updated its Conventional Lending Guide regarding income and verification, Standard ARM 3–4-unit eligibility on jumbo Advantage EXPRESS, plus updates and clarification on Advantage EXPRESS FLEX.

Pricing news from [Wells Fargo Funding](#), effective May 19, conventional conforming adjusters are changing by 50 basis points for second homes and investment properties less than or equal to 80% CLTV. Adjuster tables are shown in [Wells Fargo Funding Newsflash C22-019](#).

Conventional Loans for Lower-Income, Credit-Worthy Clients are available at [A&D Mortgage](#).

[HomeReady®](#) and [Home Possible](#), conventional loan programs by Fannie Mae and Freddie Mac respectively, are designed to serve credit-worthy, low-income buyers looking to purchase a new home. With either loan program, qualified borrowers have the opportunity to buy a home with little or no money out of pocket by using gifts from friends or family toward the down payment.

Capital Markets

What's a cross hedge? How is duration calculated? These are just a few common questions the industry experts from Optimal Blue, a division of Black Knight, receive from capital markets clients. As a follow up to Optimal Blue's recent webinar, [white paper](#) and [blog post](#) on durations and successful hedging, we invite you to join our next session on Wednesday, June 1. This webinar will focus on frequently asked questions from capital markets participants, which range from the topics of hedging and durations to the current state of the market. Save your seat today for this timely and informative webinar.

Rising [interest rates](#) and recent regulatory actions have created a significant demand for transparency throughout the loan sale and settlement cycle. Mortgage tech disruptor [Polly](#) satisfies that demand with the industry's only cloud-native, purpose-built Loan Trading Exchange. Leading mortgage lenders leverage Polly's unified exchange to: (1) execute faster by automating manual tasks and data entry,

eliminating redundant and cumbersome spreadsheets; (2) improve execution with unrivaled loan- and pool-level best execution analysis tools; and (3) streamline workflows with seamless GSE and LOS API integrations, including Freddie Mac Cash-Released XChange®. [Join Polly on LinkedIn](#) to learn more about the powerful, no-code configuration that could help your organization realize a substantial increase on monthly gain-on-sale execution when used in conjunction with the PPE.

Turning to [interest rates](#), a jittery market was witness to a “risk-off” trade yesterday as investors seem to lack confidence in the Fed, and the macro economy shows more signs of abrupt slowing. Goldman said the equities selloff will only bottom when the Fed signals the end of tightening and that may not happen until a recession is apparent. A disappointing report on new U.S. home sales did not help matters.

New Home Sales fell 16.6 percent during April to a seasonally-adjusted annual rate of 591k (a level typically seen in the 1970s and 1980s), well below consensus estimates. The fourth straight monthly decline and the second consecutive double-digit drop puts sales down 27 percent compared to a year ago. Sales for the prior three months were also revised lower, inviting concerns about the strength of the economy in an environment underscored by inflation and affordability pressures. Following an increase of over 200 basis points in [mortgage rates](#) since the end of last year, **the housing market has certainly turned**, and inventory of new homes rose to nine months at the current sales pace, which is the most since May 2010 and suggests an imminent slowdown in the rapid pace of house price appreciation. Previous reports on existing home sales, mortgage applications, and homebuilder confidence have all turned lower, but the new home sales figure is the sharpest indicator yet of a dour housing market. Prices remain firm, however, with the median **price of a new home rising 19.6 percent over the past year to \$450,600**.

Today's calendar is under way with MBA mortgage applications, which decreased 1.2 percent. [Mortgage rates](#) during the reporting period were narrowly changed despite the 15 basis points drop in the 10-year yield amid a volatile trade. We've also received April durable goods orders (+.4 percent, ex-transportation +.3 percent, both lower than expected). Later today brings a Treasury auction of \$48bn 5-year notes and newly sworn-in Vice Chair Brainard delivering remarks ahead of **the release of the all-important minutes from the May 3/4 FOMC meeting**. Yesterday, FOMC voter Esther George noted the central bank will probably hike to 2 percent by August and then be guided by inflation. MBS investors will be keen to hear more on the Fed's thinking with regard to future MBS sales. Speaking of MBS investors, the NY Desk today will purchase up to **\$1.73 billion in 30-year 3.5 percent through 4.5 percent MBS**. We begin the day with Agency [MBS prices](#) are better by .125 and the 10-year yielding 2.71 after closing yesterday at 2.76 percent.

Careers and Retail and Wholesale Lenders Wanted

A group of wholesale mortgage veterans is looking for a DBA opportunity to team up with an established mortgage banker. The group's footprint covers the Mid-West & Western states, with a track record of steady sustainable purchase business. Customer service to the broker base is the most important component looked for, followed by a full spectrum of NONQM, Conventional & Ginnie products. The group is looking to base the opportunity on results delivered, not promises or coming off a historically exceptional year. The mortgage banker should be financially stable, with the ability to digest the entire book of business. If you are interested in starting this confidential conversation, please email Wholesaleopportunity@outlook.com.

A very large, financially stable, purchase-focused independent mortgage banker is searching for a retail lender to acquire, preferably in the Midwest or Florida. The ideal lender will have funded between \$1-4 billion in 2021. Principals (only) should [send me](#) a confidential note of interest for forwarding.

Wyndham Capital Mortgage has added two industry veterans to lead its new retail division: Susan Hamel, as Director of Retail Sales in Charlotte, NC, and James Hennessey as Retail Market Leader in Tampa, FL. “Wyndham's successes over the past 21 years have uniquely positioned it to drive the growth of this new retail team,” shares Hamel. “With unparalleled culture, collaboration, and technology, Wyndham is an easy choice for originators who want to up their game.” For more information on opportunities to help grow your business in 2022, please contact [Aquil Flythe](#).

“[Acra Lending](#) continues to expand its footprint as the industry's leading private mortgage lender, and we are seeking talented mortgage professionals to join the growing team! Now is the time to join a company that provides competitive mortgage lending programs and a seamless customer experience. Acra Lending, a leader in Non-QM lending, is currently hiring for [Fix & Flip Account Executives](#), [MLOs](#), [Wholesale Account Executives](#), [Correspondent Sales](#), and [more](#). Apply at [JoinAcra](#) or [email us](#) to learn more about the opportunities we offer.”

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