AMC, Lender Wanted; Sales, Compliance, Non-QM, Processing Tools; VA Program Primer

By: Rob Chrisman | Tue, Jun 14 2022, 12:03 PM

While we await FEMA to declare the Yellowstone area a disaster (page down and spend 40 seconds watching the video) is "niches to riches" the new informal slogan of loan officers? LOs are certainly watching how higher interest rates have already impacted American homeownership as rising mortgage rates and house prices reduce buyer affordability. At the other ends of the loan process, making the rounds, which capital markets staff say is causing confusion, via ZeroHedge is a blog post from Louis Barnes at Cherry Creek Mortgage declaring MBS going "no-bid". While many of us can agree liquidity isn't what it once was, there are still massive volumes of MBS being transacted upon daily. Bid/ask spreads are certainly not as tight as they once were but we are a far cry from the early days of COVID 19 where some dealers outright refused to trade TBA. In other words, liquidity isn't what it is in a normal market, and bid/ask spreads are wider, but no one I've spoken to is having issues trading current coupon MBS. Capital markets folks are talking about interest rates (going to do what they're going to do), offering new products to their originators, Ginnie Mae's Digital Collateral Program, MBA's SPCP Toolkit, and the FHFA's Equitable Housing Finance Plans & Transparency Framework. (Today's podcast is available here and this week's is sponsored by SimpleNexus, an nCino company and award-winning developer of mobile-first technology for the modern mortgage lender. Nexus Closing gives borrowers flexibility and convenience during closing. Today's has an interview with Pam Faulkner, Simple Nexus' VP of Customer Journey on eClose and helping lenders implement technology.)

Broker and Lender Services and Programs

"Elvis has NOT left the building," say several Las Vegas wedding chapels that finally obtained licensing agreements to offer Elvis-themed weddings after facing cease-and-desist orders from the entity that controls the King's name and likeness. The king of digital mortgage lending isn't going anywhere, either. In fact, SimpleNexus has only continued to grow; the industry's leading homeownership platform just announced that Family First Funding has implemented its Nexus Engagement™, Nexus Origination™, and Nexus Closing™ solutions to provide borrowers with a streamlined, single sign-on homebuying experience from application to closing. Learn why 200 Family First Funding loan originators "just can't help falling in love" with the SimpleNexus platform.

Having recently added the great states of New Mexico, South Carolina, Wisconsin, and Washington, wemlo now proudly offers game-changing third-party loan processing in 47 states (and Washington D.C.). From coast to coast, wemlo's dedicated processors work hard behind the scenes so you can focus on client-facing work. As the industry's first third-party processing solution with an all-in-one digital platform, wemlo is on a mission to revolutionize mortgage transactions. Ready to see how wemlo can help your business grow and thrive? Connect with us today to find out how!

We like our "Bourbon and BS" here at Sales Boomerang, but here's a fun, boozy fact without the BS: the world's oldest known bottle of whiskey (likely produced between 1762 and 1802) sold for a whopping $110,000 last year. Bourbon may get better with age, but lenders can't be patient when they're scraping the bottom of the barrel for additional loan volume. Refis are drying up, but 2022 is still a year of opportunity with homeowners sitting on more tappable equity than ever before. Lenders that want to make the most of this equity-flooded market need the right technology and mindset if they want to succeed, but there's no time to lose. Quit letting customers' home equity sit in your customer database to age, and try these 10 simple ways to turn tappable equity into loans that convert right away.

Verus Mortgage Capital is poised to help lenders capitalize on the anticipated high non-QM origination volume that is forecasted for 2022. In fact, it is expected to be similar or greater than 2021. The same can't be said for conventional volume. Don't make the same mistake as others, and wait for the conventional market to improve, let us introduce you to Non-QM. The good news is you don't need non-QM experience to succeed in this sector. You just need Verus. We are the largest issuer of securitizations backed by non-QM loans and the industry's largest purchaser. As such, we offer flexible programs for creditworthy consumers with untraditional credit (such as the self-employed) whereby we utilize alternative forms of documentation to ensure proper vetting. Meet us at the Eastern Secondary Conference in Florida June 21-23 to get better acquainted with the non-QM opportunity. Email Jeff Schaefer, EVP – Correspondent Sales, to set up a meeting and learn more.

Is your organization prepared for more aggressive CFPB oversight? Richey May has helped our mortgage banking clients mitigate risk and strengthen compliance capabilities for the past 35 years. Our CFPB Readiness services will provide your organization with the best resources available, empowering you to take proactive measures, drive efficiencies, navigate change and focus on growth. Contact our experts at Richey May Advisory today to learn more about how we can help you prepare.

If you're a mortgage professional concerned about building a sustainable business that thrives in all market cycles, you won't want to miss

Floify's upcoming webinar, "Unique Strategies to Grow Your Mortgage Business in Any Market Environment," on June 22. During this all-star panel discussion hosted by Floify President/GM Sofia Rossato, attendees will learn how the industry's top originators and operations leaders continue to grow their business by using innovative strategies and smarter processes to stay one step ahead of their competition – even as market conditions change. Save your seat today, you won't want to miss this one. Register for Floify's June 22 webinar now!

VA 101

Plenty of VA loans were funded over the last few years. But there continues to be questions about the program, so how 'bout a quick overview of VA loans from a capital markets guy? After all, my Mom and Dad received a VA loan in 1967 to buy their first home. And why not, given the 18.4 million veterans (7.1% of the adult population aged 18 years or older) in this country.

The Department of Veterans Affairs, aka VA, guarantees of portion of home loans for eligible veterans. This guarantee results in lenders being able to fund mortgages with more favorable terms and qualifying than those for conventional or other mortgages. To be eligible a veteran must meet certain requirements that include length of service, duty status and "character of service." Essentially, most veterans who have received an honorable discharge, or active military or military reserve, likely have VA eligibility which is good since VA mortgage rates tend to be lower than conforming conventional rates.

VA loans may only be used to purchase a primary residence the veteran must move into within 60-days. LOs and underwriters know that, depending on the price and location of the home, a veteran can purchase a home with no down payment or refinance and pull cash out up to 100% of the appraised value. And VA uses the same maximum county loan limits as those for conforming loans, $647,200 for the all counties, up to $970,800 for "high-cost counties." And vets can purchase a home with a VA loan up to $2 million dollars with a relatively low-down payment.

VA loans have a funding fee that is added to the loan amount. The amount of the funding fee ranges from 1.4% to 3.6% of the loan amount depending on purpose of loan, if veteran has used their VA eligibility before, and loan to value. Veterans with a disability rating higher than 10%, recipients of the Purple Heart, and surviving spouses of veterans who died in the line of duty are exempt from the funding fee.

The only co-signers allowed with the veteran on a VA mortgage are the veteran's spouse, or another veteran or active service member. All signers on the loan must occupy the home as their primary residence. Dennis Smith with Stratis Financial reminds us that non-spousal partners are eligible per the VA to co-sign but most lenders will not accept this type of co-signer as the amount of the loan the VA will guarantee is greatly reduced. Income qualifying is easier for a VA loan vis-à-vis conforming mortgages as debt-to-income ratios are not used. VA loans qualify with "residual income," how much money you have left each month after making your new house payment plus other obligations.

To sum things up, since there is no down payment requirement, veteran buyers have more purchasing power with more cash available to make a higher offer alongside a strong credit profile. Unlike many loan programs, a lower credit score, bankruptcy or foreclosure does not disqualify borrowers from a VA home loan, and VA guidelines do not state a minimum credit score to qualify. VA loans have an estimated average of 60 bps less in rate than conventional loans since January 2020. Additionally, only those with VA loans (or 20% down payments) avoid mortgage insurance premiums, which eases some of the persistent mortgage affordability concerns that exist in the market today. The VA does have a form of home requirements to ensure the property is a safe investment for the home buyer. VA turn times are in line with FHA and only average 5 days longer than conventional loans.

Capital Markets: Inflation, Shortages, Lower Earnings

Markets flashed red yesterday (bond prices down, rates up) as investors priced in bigger Fed rate hikes in the aftermath of Friday's consumer inflation report. It was "risk off" all around with treasuries and equities tumbling along with most other U.S. financial assets, with the bond selloff accelerating after the close. Treasuries flashed a recession warning: the U.S. yield curve inverted with two-year note yields exceeding those on benchmark 10-year debt for the first time since early April. Treasury **10-year yields climbed to the highest since 2011 while two-year rates jumped to levels last seen before the 2008 financial crisis.** Mortgage News Daily's 30-year rate yesterday broke above 6 percent, to 6.13 percent, for the first time since 2008.

Traders are betting the Federal Reserve will raise rates by 75 basis points at least once in its next three meetings, with some people saying that the big hike might happen at this week's meeting. The last time we saw that was November 1994. The Fed is almost assuredly going to increase the Fed Funds rate by 50 basis points at its meeting this week, rather than 75 basis points, **but traders will pour over the statement language for the degree of hawkishness.** A booming economy, record low unemployment, strong earnings estimates, and consumers flush with cash should be able to withstand some tightening. But rates are already high for consumers.

Yesterday afternoon **the Desk released the MBS purchase estimate for the June 14 to July 14** period which totaled $13.0 billion, as expected, including the $17.5 billion taper. The Desk also released a new schedule covering the June 14 to 28 period totaling $6.2 billion and including the addition of some 5 percent to UMBS30s, at the expense of 3.5 percent, with GNIIs targeting 4 percent and 4.5 percent, and UMBS15s 3.5 percent and 4 percent. There is one operation per business day over the schedule with five in UMBS30s, three in GNIIs, and two in UMBS15s. Today's schedule sees the Desk in UMBS30 4 percent and 4.5 percent for up to $920 million.

Today brought another important inflation indicator with the May Producer Price Index (+.8 percent for the month, +10.8 percent year-over-year versus expectations of +1.2 percent m/m and 11.3 percent y-o-y). NFIB Small Business Optimism was released (-.1 to 93.1). Day one of the two-day Federal Open Market Committee meeting gets under way in Washington, D.C. We begin the day with Agency MBS prices better .125-.250 and the 10-year yielding 3.32 after closing yesterday at 3.37 percent.

Careers and Companies Wanted

A Texas-based appraisal management company is currently expanding and is seeking acquisitions nationwide. The AMC is well capitalized and fully licensed in all 50 states and DC and seeking opportunities with full-service AMCs who are interested in rapid growth and expansion. All communication strictly confidential. Contact Chrisman LLC's Anjelica Nixt to forward notes of interest.

An experienced leadership team, with proven success, is searching to acquire a mortgage lender with Ginnie Mae approval. Fannie/Freddie approvals and multiple state licenses are a plus but not required. A shell company is preferred with nominal assets and staff but open to discuss various options. Please confidentially reach out to me to have your note forwarded directly to the principal.

The Mortgage Firm, a mid-size independent mortgage bank with over 27 years of history, has an immediate need for an experienced and proactive Compliance Manager. The Candidate will lead the compliance team, assess the firm's compliance, regulatory and reputational risk, monitor for compliance with new or amended laws, rules and regulations, with an emphasis on fair lending. This is a remote, work from home position. Interested candidates can submit their resume to Sheri Nedley, SVP Operations & Capital Markets.

"Did the great resignation get you thinking about your next great adventure? You can finally become your own boss when you open a Motto Mortgage franchise. Even better, when you become part of the Motto network, you'll lead the charge but won't be traveling solo. We'll be both compass and travel guide as you launch and run your mortgage office. That's because we provide professional marketing content, product mix, wholesale lender relationships and compliance support through our exclusive Mortgage Brokerage-in-a-BoxSM business model. Hey, you're the adventuring type and so are we. Email franchise@mottomortgage.com today for all the thrilling details."

"Assurance Financial, an aggressive and growing full-service mortgage banker originating in the SW, SE, and eastern U.S., is continuing to expand across our lending footprint. We have opened 3 new markets and branches in 2022 so far and want to meet more great people! Our commitment to providing exemplary app-to-close service and a great technology stack has been the difference-maker during the past few months, especially to our Realtor, builder, and purchase money clients. We are looking to add dynamic entrepreneurial-minded producing branch managers in all good markets: Southeast, Southwest, and Eastern states. If you a true leader and want to go to the next level with your career; lead, run and grow your own market; close all your loans on time; and, enjoy a great life/work balance environment, contact Paul Peters, CMB or here for more details."

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