Non-QM, Employment Opportunities, Ginnie Mae RBC Rule; Fed Rate Hike Reaction

By: Rob Chrisman | Thu, Sep 22 2022, 10:24 AM

All eyes have been on the Federal Reserve this year, but for independent mortgage banks, the focus has been on maximizing production and minimizing overhead in the face of higher rates and decreasing margins. In fact, the ability to offer unique and relevant products has helped keep the lights on at many companies. One of these products is non-QM, which will be discussed in a webinar today at 1pm EST hosted by Robbie Chrisman (Hey, that's me! It's been fun writing, editing, and publishing this commentary in its entirety the past three weeks with my dad on vacation. I've enjoyed hearing from many of you). Webinar panelists will dive into strategies, compliance, how they are performing, and what the future looks like for non-QM. One other current concern in the industry is Ginnie Mae's Single-Family Applicant and Issuer Financial Eligibility Requirements, which were announced last month and have caused consternation for Ginnie Mae issuers and potential issuers. There's more on this subject below, and today's podcast, available here, includes a discussion with Seth Sprague and Mignonne Davis on the current servicing landscape and how the Ginnie Mae risk-based capital rule is impacting servicers. (This week's podcast 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 Vendor Services and Products

What lies ahead for mortgage servicers as they prepare for the risk landscape? No matter what the impact of rising foreclosure activity, home equity demand, and interest rates, servicers need to be prepared to "hold the line" and manage risk exposure. Following guidance from the MBA's President & CEO, Bob Broeksmit, Clarifire's recent blog, "Can Servicers Rise to the Latest Challenges?" offers three top focus areas to minimize current industry risk. Avoid CFPB criticism and enforcement action by partnering with a proven industry innovator whose mission is to help ensure readiness for whatever lies ahead. Visit Clarifire in Nashville at the MBA's Annual Convention & Expo. Stop by booth #1122 or schedule a meeting with us to experience modern innovation delivered through a better approach, better results, and brighter automation with CLARIFIRE®.

As you know, you can't put something on the internet if it isn't true. (And if you believe that, I've got some oceanfront property in Arizona for sale.) Unfortunately, 70% of NextGen buyers ages 22 to 37 rely on Google for their personal finance knowledge, so they don't always get their facts right. With NextGen buyers accounting for 1 in 3 home purchases today, lenders are poised to set the record straight and build life-long customer relationships along the way. On September 22 at 2 pm ET, join Sales Boomerang + Mortgage Coach's Alex Kutsishin and Dave Savage along with Homebot's Katie Hoffman-Faulk to learn how to reach your volume goals by reaching NextGen borrowers.

Famous New York Yankees owner George Steinbrenner once said, "If you don't have a hernia yet, you're not pulling your own weight." While you don't need to add a trip to the doctor to succeed in business, brokers will need a loan origination system that pulls its weight – especially in a market as demanding as this one. Finding and retaining customers is more of a priority than ever, and a winning LOS instantly responds to prospects to help convert them into customers. A winning LOS also seamlessly integrates with your technology to streamline the origination process. And a winning LOS automatically markets to existing customers to help turn them into clients for life. LoanCatcher® from Black Knight pulls it weight, without weighing you down. Now that's a win-win. Black Knight is showcasing LoanCatcher at NAMB. See how this all-in-one LOS can help grow your business and create customers for life.

Looking to reduce accounting costs? Richey May's Client Accounting and Advisory Services (CAAS) practice provides a comprehensive mortgage accounting service that lets you outsource your accounting functions with flexibility. Our model lets you turn fixed accounting costs into variable costs when volume drops or your needs change so you can do what makes sense for your business. It fills the gaps when internal accounting resources get stretched thin or the talent pipeline shrinks – or both. The best part? Utilizing our CAAS team puts your finances in the hands of mortgage accounting experts and lightens your administrative load, so you can focus on making key business decisions. At times like these, it helps to have ways to outsource to a team of experienced mortgage accounting professionals while reducing costs. Contact us for details and learn more here.

Considering non-delegated correspondent options and want to learn from the experts? Sign up for the upcoming National Mortgage Professional webinar, How to Win with Non-Delegated Correspondent – Key Insights on the Model and Fulfillment Solutions. Join industry insiders, Don Chiesa, Senior Vice President for Rocket Pro TPO's Correspondent lending platform and non-delegated correspondent, Tyler Flora, CEO of SunnyHill Financial. Partners are now experiencing Rocket Pro TPO's new Non-Delegated Correspondent fulfillment options. Sign up today to join our partners who are already leveraging Rocket technology for all their disclosure needs including closing documents! Contact Rocket Pro TPO today to learn more.

Learn how to turn insights into action for building business during the Planet Home Lending Symposium and Economic Forecast an exclusive webinar highlighting the current housing landscape, affordable opportunities, and mortgage solutions to meet unique borrower needs. Join Planet Home Lending VP, National Renovation Lending, Jim Bopp, and SVP of Correspondent Sales, Jim Loving, along with Freddie Mac's Senior Economist, Rama Yanamandra, Ph.D., and Senior Affordable Lending Manager, Jason Jefferies to hear how to master your market. Register today at this link — admission is limited for this online event, so reserve your seat for Oct. 12 now. Don't miss this opportunity to make home possible with solutions that address today's down payment and inventory challenges. This might be the most significant 60 minutes for your bottom line all year long.

Quantitative tightening, interest rate hikes, and market deterioration have left many mortgage lenders in need of strong strategic guidance. Join MCT on Friday, September 23rd at 10am PT for their webinar on QE to QT: Current Market Recommendations. In this webinar, MCT will analyze the current market and provide recommendations as the Fed continues quantitative tightening. Topics will also include the three distinct market deteriorations over the course of this year, what to look for moving forward, and a set of recommendations to improve performance now. MCT is an industry-leading provider of fully-integrated capital markets services and technology. Their offerings include an array of best-in-class services and software covering mortgage pipeline hedging, best execution loan sales, outsourced lock desk solutions, MSR portfolio valuations, business intelligence analytics, mark to market services, and an award-winning comprehensive capital markets software platform called MCTlive! Contact MCT today to discuss your strategic needs.

GNMA Risk Based Capital Rule

Since Ginnie Mae announced a new capital rule last month, the prevailing thought has been that many IMBs will struggle with the new requirements. Concerns raised center on the capital tools implemented, why excess mortgage servicing rights are penalized, and unsecured debt. Ginnie Mae then started one-on-one talks with its issuer base over the agency's new eligibility requirements and updated standards on financial requirements, with parts set to take effect in September 2023.

As a result, Ginnie Mae published a set of "Frequently Asked Questions" to address the inquiries received during the agency's one-on-one conversations with the industry since the updated minimum independent mortgage bank eligibility requirements were announced in August. During the long lead time to implementation, Ginnie plans to focus issuer discussions on the reasons behind the new rules and the framework in place to support them.

"Since announcing these updated standards, Ginnie Mae has actively engaged with Issuers and stakeholders who have questions," said Ginnie Mae's President, Alanna McCargo. "We are taking this opportunity to provide additional clarity around our approach. While the overwhelming majority of Ginnie Mae Issuers are compliant with these requirements today, we will continue engaging with our Issuers throughout the implementation period to ensure our program guidelines support a strong and vibrant source of housing finance liquidity." The FAQs can be found here.

Additionally, David Stephens put out an opinion piece in response to Ginnie Mae's new capital rule that's worth a quick read.

Capital Markets

U.S. Treasuries endured some volatility yesterday around the September FOMC decision, as the Federal Reserve issued its fifth interest rate hike of 2022, another 75-basis points to 3.00 percent to 3.25 percent. Officials also updated their forecast, expecting the benchmark rate to rise to 4.4 percent by year end and 4.6 percent during 2023. The projections, which showed a steeper rate path than officials laid out at the start of summer, **underlines the Fed's resolve to slow inflation despite the risk that higher borrowing costs could send the U.S. into recession.**

Chair Powell said during his press conference that this would not be the last rate hike. He also warned of a housing correction, said predictions for a soft landing were less likely, and added that potential MBS sales were not discussed during the FOMC meeting. What caused volatility in the bond markets was his reminder that the Fed isn't planning to rescue the market with a rate cut anytime in 2023. The futures market had previously priced a potential cut into settlement sometime next year.

Separately, Russian President Putin announced a partial mobilization of reservists, fueling speculation that the European Union and the United States will increase their involvement on the other side of the conflict. Treasury yields ended the trading day declining from their opening levels.

Despite higher rates leading to a moderation in the pace of growth in median selling prices, existing home sales decreased 0.4 percent month-over-month in August to a seasonally adjusted annual rate of 4.80 million, above consensus estimates of 4.70 million versus an upwardly revised 4.82 million in July. August marks the seventh straight month that existing home sales have fallen. Total sales in August were down 19.9 percent from a year ago. "The housing sector is the most sensitive to and experiences the most immediate impacts from the Federal Reserve's interest rate policy changes," said NAR Chief Economist Lawrence Yun. "**The softness in home sales reflects this year's escalating mortgage rates.** Nonetheless, homeowners are doing well with near nonexistent distressed property sales and home **prices still higher than a year ago**."

Following yesterday's FOMC events, **today is packed with more central bank decisions** (the BoJ, SNB, Norges Bank, and the BoE) The U.S. calendar got under way with weekly jobless claims (unchanged at 213k) and the Q2 current account balance (-$251.1 billion). Later this morning brings August leading indicators, Freddie Mac's Primary Mortgage Market Survey, September KC Fed manufacturing, and a Treasury auction of $15 billion reopened 10-year TIPS. We begin the day with Agency MBS prices worse by .250 and the 10-year yielding 3.57 after closing yesterday at 3.51 percent.

Employment

CBC Mortgage Agency is looking to hire a Chief Credit and Risk Officer to manage and oversee the credit, risk, and compliance components and operations of the company. The Chief Credit and Risk Officer will oversee originations, second lien portfolio, and servicing quality. Additionally, the Chief Credit and Risk Officer will evaluate TPO risk of correspondent sellers with proficiency as well as create and manage the credit performance monitoring and performance process and requirements. Be part of a growing team that has the goal to increase nationwide affordable and sustainable homeownership with our down payment assistance program known as Chenoa Fund. Click on the job ad to learn more about this remote opportunity that offers great compensation and benefits here.

A medium-sized healthy/profitable Fannie/Freddie approved Western US based IMB is seeking a CFO. If you'd like to join a nationally ranked top place to work, please send your resume to Anjelica Nixt.

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