BREAKING DOWN COLOR BARRIERS

How the mortgage and housing industries react to the current civil rights moment could shape policies and bridge the homeownership divide for the Black community.
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Andy Taylor (left), general manager of mortgage at Credit Karma, and Matt Rider, CIO, home lending technology at Wells Fargo, will be featured speakers at Digital Mortgage 2020.
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How travel restrictions are changing the mortgage business

Video conferencing might replace some in-person meetings even after people can go back out on the road again

By Brad Finkelstein

Travel bans, both formal and informal, are changing the ways firms in the mortgage industry are managing relationships with their own branches and other companies.

Since mid-March, travel has been curbed or banned by some of the biggest entities operating in the field, including Ellie Mae, Quicken Loans, Docutech and First American.

While more interactions now occur through video conferencing, several executives said that something is lost in the new way of doing business: little nuances that can be detected in an in-person conversation.

At the same time, given that video conferencing requires a unique kind of focus, internal company events that move online must be handled differently to accommodate for the digital format.

And these aren’t all temporary measures: video chat is likely to replace some in-person visits long after the pandemic ends and the travel bans are lifted, industry figures said.

ClosingCorp, headquartered in San Diego, does not have a formal travel ban, but the company restricted travel in conjunction with directives from Center for Disease Control and local government protocols across the country, said CEO Bob Jennings.

“From a travel perspective, it’s really our sales people and our implementation people that spend the most time on the road,” he said. “And even with them, we’ve been pleasantly surprised that they’ve been able to continue their jobs somewhat unimpeded due to the introduction and widespread use of things like Microsoft Teams and Zoom and other video conferencing collaboration technologies.”

While many of the big steps in the sales and implementation processes can occur by teleconferencing, what’s missing are the little touch points, like the hallway conversations and the recognition of body language, Jennings said. In his opinion, it has elongated both the sales cycle and the implementation cycle.

“We talked a lot about, ‘how do we solve for that going forward?’ because we suspect that even when all of the travel restrictions are lifted, people are still going to operate in this remote disbursement environment,” he said.

Without the free exchange of information that a face-to-face conversation fosters, someone may miss out on perhaps 1% of context, Jennings said. But “that 1% is critically important to the sales process and the implementation process.”

While video may fall short on that regard, it does create a greater intimacy than a phone conversation could, noted Planet Home Lending’s Chief Operating Officer Suzy Lindblom.

“We can tell a lot more from a face-to-face interview than you can on the phone,” Lindblom said. “I personally have calls with a lot of our branches and I’ve been doing (many) more videos with them, because I do think it’s important to see faces to feel you’re having that one-on-one conversation.”

Still, when Meriden, Conn.-based company had its midyear sales meeting, it stretched the event to three days for four hours a day, “because being on video is different than meeting in person,” in terms of staying involved, she said.

Despite those difficulties, the mortgage industry has maintained productivity. That’s thanks, in part, to the fact that the field is built on relationships created from attending conferences, internal and external, in person, said Mike Fontaine, COO at Plaza Home Mortgage.

“The reason the industry has been able to move forward right now is because we all have pretty good relationships from having gone to these events over the years,” said Fontaine.

“But if we can’t travel for the next 12 months, I think that’s going to hurt the ability for people to continue to help those relationships and also to develop new relationships with new customers and vendors and peers out there .”

Nonetheless, “safety first” is the mantra at Plaza Home Mortgage, which has a travel ban.

Headquartered in San Diego, the company operates in the wholesale and correspondent origination channels. So, when it comes to monitoring its third party originators and other vendors, which is a Consumer Financial Protection Bureau mandate, Plaza is using video conferencing.
Impact not ready to kiss non-QM goodbye yet

By Brad Finkelstein

Impact Mortgage Holdings, which once regarded its push into the non-qualified mortgage market as the key to its future growth, is not giving up on that business yet, representatives said on a conference call.

But for now in the non-QM market remains battered by the economic slowdown, the firm is concentrating on the conforming and government products that have a more stable secondary market outlet.

The company reported a first-quarter loss of $64.7 million — a smidge higher than it previously disclosed on a preliminary basis on June 4. This is compared with a fourth quarter loss of $677,000 and a first quarter 2019 loss of $12.6 million.

"The company is currently evaluating the nonagency jumbo and [non-qualified mortgage] products and will continue to monitor these market segments as facts and circumstances evolve," said George Mangiaracina, chairman and CEO. "We're prepared to participate in the reemergence of non-QM lending. Non-QM has been a key differentiator for the company and aligns with our historical position as the leader of alternative credit."

Nearly all of Impact's third-party originations in the first quarter were non-QM: $150.9 million of the $152.1 million total from wholesale and $53.3 of the $54.2 million from correspondent. Retail was the opposite, with non-QM making up a mere $57.4 million from the $1.3 billion that channel produced in the quarter.

Even with dwindling originations midway through March due to the market dislocation related to the Federal Reserve's actions to mitigate the coronavirus-driven downturn, Impact had total production of $1.52 billion in the first quarter. That's a small increase from $1.51 billion in the fourth quarter and a substantial uptick from $581.5 million in the first quarter of 2019.

At the end of March, Impact shut the production business down entirely.

Impact's first quarter should have been even better, Mangiaracina said on the conference call. "The company was poised to record a significant increase in originations for March, with capacity projected at approximately $1.4 billion, up from $190 million in March of 2019," he said. Instead, it curtailed originations for the month at $350 million.

Given the secondary markets' reluctance to buy non-QM loans, Impact took a loss on the sale of its originations of $28.16 million in the first quarter. In the fourth quarter, it had a gain on sales, at $26.07 million, while the first quarter of 2019 saw a gain of $12.21 million.

In addition, because of the interest rate environment that requires the company to mark down the value of its MSRs, the servicing business lost $18.3 million in the first quarter.

In its current origination configuration, Impact is targeting $250 million in volume by the end of the third quarter in the retail/call center channel alone, which provides "a baseline of profitability for the origination platform," said Tiffany Entsminger, chief risk officer and head of operations. In 2015, Impact acquired consumer direct lender CashCall.

Impact is also updating the product offerings in its wholesale channel to add GSE-eligibility and government options.

"Originating loans with strong credit quality, maximizing operational efficiencies, optimizing geographical diversity in the portfolio while continuing to be sensitive and alert to changing consumer needs on forbearance and COVID-related hardships will be top of mind during the next quarter," she said.

That doesn't mean the company is abandoning the non-QM market. The company was "a pioneer in both the alt-A and non-QM space. We continue to have a strong appetite around non-QM and continue to pay attention to the changing forbearance landscape, borrower behavior and appropriate risk-based pricing for these products," said Justin Moisio, chief administrative officer.

While there are published guidelines for forbearances from the GSEs and federal agencies, "identifying solutions in the alternative credit market … will be a significant milestone prior to relaunching [non-QM] in a meaningful way," Moisio said.

But there's a cloud on the horizon. The Consumer Financial Protection Bureau's proposal to replace the qualified mortgage patch and the standards used to measure ability-to-repay might broaden the definition of what is QM loan, which in turn would constrain the non-QM market as a whole, said Nima Vahdat, the company's general counsel.

Even with the addition of conforming products to their offerings, the TPO channels are "foundational for our non-QM business which is potentially six months away predicated on uniform standardization of forbearance," said Paul Licon, chief financial officer.

Impact is engaged with the special servicer on how to handle non-qualified mortgages in forbearances. NMN
Smaller banks have more risk from coronavirus-affected CRE mortgages

For banks with assets between $10 billion and $100 billion, the average exposure is 165% of capital

By Brad Finkelstein

Banks with assets of under $100 billion have significant exposure to commercial real estate loans, Fitch Ratings said. For banks between $10 billion and $100 billion, the average exposure is 165% of capital. For the smallest banks, whose asset size is under $10 billion, that percentage is even higher, at 184% of capital, the company found.

By comparison, at larger banks, which are typically more diversified, there’s an average of 50% of capital exposed to commercial real estate and construction lending. The ratings agency views hospitality, retail and construction lending as the segments most affected by the coronavirus.

Due to a large number of forbearances though, Fitch stated that the ultimate impact for all institutions is difficult to determine in the short term. They note, however, that smaller banks increasingly make up a larger share of the entities doing commercial real estate lending.

“Since the Great Recession of 2008, smaller banks have gained market share in the U.S. bank CRE lending market. Banks with $10 billion to $100 billion in assets have demonstrated particularly strong participation and growth in investor CRE lending while large banks have pulled back,” said the report from Johannes Moller and Christopher Wolfe. They note that larger banks have become more diversified because of this shift.

The adoption of conservative underwriting guidelines after the Great Recession will help mitigate some of the risk for the depositaries, whose practices Fitch views more favorably than for the “more loosely regulated nonbank financial lenders,” the report said.

“Specifically, for the banks in Fitch’s rated universe, it is very seldom that loans held on [a] balance sheet on stabilized properties are approved when they rely on future cash flow or occupancy before debt service coverage requirements are met. In such cases, banks typically look for additional creditor protection like sponsor recourse, cross default clauses, cash escrows or some combination of these,” the report said.

While exposure to hotel and lodging properties is low, representing less than 10% of bank CRE portfolios, Fitch expects that segment, along with retail, to have the highest delinquency rates amid the fallout from the pandemic.

Retail is a particular problem at some smaller banks, where mortgages secured by these properties make up 30% or more of their portfolio.

Going into the shutdown, commercial real estate delinquency rates across all investor types remained low, according to Mortgage Banker Association data released on June 18. At the end of the first quarter, the 90-day-plus late payment rate at banks and thrifts was 0.51%; while still historically low, it was up from 0.42% at the end of the fourth quarter and 0.48% one year prior.

By comparison, the 30-day delinquent and real estate owned rate for commercial mortgage backed securities was 1.79%, down 28 basis points from the fourth quarter and 82 basis points year-over-year.

The first-quarter delinquency rates were negligible for Fannie Mae, 4 basis points; Freddie Mac, 8 basis points; and life insurance companies, 4 basis points.

“This year’s first quarter marked the end of a long period of extraordinarily low and stable delinquency rates for commercial and multifamily mortgages,” said Jamie Woodwell, the MBA’s vice president of commercial real estate research in a press release.

“With the onset of the COVID-19 pandemic and our social and economic responses to it, more recent data from MBA and others show increasing pressure on delinquency rates, particularly for loans backed by hotel and retail properties, where the impacts have been most immediately and dramatically felt.”

The delinquency rate for Fitch’s rated CMBS portfolio was 1.46% at the end of May, up 14 basis points from 1.32% in April and 1.31% for March.

Its latest report reiterated a prior prediction for the CMBS delinquency rate “to rise and peak between 8.25% and 8.75% by the end of third quarter 2020; this expected rate is close to the peak of 9.01% reported in July 2011 during the Great Recession.” NMN
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Featured speaker
Matt Rider
CIO, Home Lending Technology, Wells Fargo

Featured speaker
Andy Taylor
General Manager of Mortgage, Credit Karma
Secondary

Estimated monthly advancing obligations

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Notes: Estimates as of June 26
Source: Black Knight

5 ways mortgage companies may be able to maintain liquidity

Nonbank servicers have been seeking more sources of cash since the coronavirus disrupted markets and elevated forbearance rates. These are some strategies they may be able to use.

By Bonnie Sinnock

Liquidity has been a concern for mortgage companies servicing loans ever since the coronavirus outbreak and forbearances began piling up. Not only has advancing increased, but housing-finance businesses have faced additional liquidity strains elsewhere.

In particular, with mortgage servicing rights and nonagency loan values dropping, housing-finance businesses’ access to additional liquidity has declined. Also, in some cases, mortgage companies have been subject to margin calls.

Some companies may be getting sufficient liquidity from traditional sources, but others aren’t, and in either case they may want to prepare for the possibility of additional loan performance stress down the road by supplementing existing sources of cash.

“Nonbank mortgage companies want to put in place not only what they need today but what they think they may need in a stressed scenario over the next 6-12 months in case forbearance options and delinquency levels rise even further,” said Warren Kornfeld, a senior vice president in Moody’s Investors Service’s financial institutions group, and the author of a recent quarterly report on the sector.

From strategies accessible to players of all sizes to a new innovation in advance financing that may appeal to larger companies, here’s the rundown on five ways mortgage servicers may be able to maintain liquidity, and some of the pros and cons of each.

Ginnie Mae’s PTAP program
Ginnie Mae has a government liquidity facility available to specifically address single-family mortgage needs related to advancing funds on loans with forbearance.

It’s an important backstop and an option for smaller players in the government market that otherwise might have nowhere else to turn.

But as it’s description as a “last resort” suggests, Ginnie’s program is not the most attractive from a cost perspective and sets some restrictions on users, such as limits on executive compensation. It also could affect other counterparties’ willingness to lend. While issuers aren’t formally required to use PTAP financing only when all other options are exhausted, it may be best to consider it in that context.

“If you are in a position to somehow finance these advances either through cash, other operations or otherwise, you should do that instead,” said Michael McElroy, a partner in Mayer Brown’s banking and finance practice.

MSR financing
Servicers could use financing secured by a portfolio of MSRs for additional liquidity, but right now it may be a challenge to obtain that due to the volatility of valuations.

“Only a handful of lenders that lend in the MSR financing market are active right now,” Kornfeld said.

MSR sales
In a pinch, companies can look for buyers for their MSRs, but they’ve often had to accept fire sale prices due to recent market conditions.

“The deals that we do see where lenders want to trade or sell their assets, these typically are lenders who have a liquidity event or issue that they need to solve for and in that case, selling assets even at a ‘depressed price’ is something that they’ve figured out they’ve got to do,” said Allen Price, senior vice president at servicer BSI Financial Services.

Like the PTAP program, MSR sales may be a “last resort” option for liquidity.

“If you don’t need to sell mortgage servicing rights, you don’t need the liquidity and you can afford to hold onto your assets, then that’s what you’ll do,” he said.

While overall market conditions are challenging for servicing, there are some fluctuations that may be worth noting in decisions about whether or when to sell.

For example, May estimates from Black Knight suggest that prepayments have slowed slightly month-over-month even though they are still historically high.
Breaks from the FHFA and GSEs
While the government-sponsored enterprises didn’t provide their servicers with a liquidity facility the way Ginnie Mae did for issuers, the GSEs and their regulator have taken other steps to help.

From coronavirus-related relief applied to mortgage companies’ minimum liquidity requirements to a $100 partial reimbursement of a fee that may be incurred for notification in the CARES Act forbearance process, there are various breaks available from the GSEs that can add up.

“This is the agencies saying, ‘We recognize that there’s disruption. We get it and while we’re not trying to cover your entire expense, here’s something that will help,’” said Price.

MSR securitizations
Securitizations backed by all or a portion of servicing fees like one New Residential Investment Corp. recently launched are an option that may appeal to larger companies in the government-sponsored enterprise market as well as the Ginnie Mae market.

“I wouldn’t overstate this, but there certainly has been a little more interest in this kind of transaction because of the environment today,” said Jack Kahan, head of Kroll Bond Rating Agency’s residential mortgage-backed securities group.

In the universe KBRA rates using its methodology, these rated transactions seem to be most economically beneficial for larger nonbank mortgage companies with low-end investment-grade or high-end speculative-grade ratings. Kahan said.

An increased willingness by Fannie Mae and Freddie Mac in recent years to tweak the acknowledgement agreement defining the extent of the servicer and the servicer’s lenders’ rights to the MSRs has helped pave the way for these transactions, said Lenny Giltman, a senior manag ing director at KBRA.

Advancing financing
Just prior to the coronavirus outbreak in the United States, loan performance had been relatively strong.

So the need to advance payments for delinquent borrowers was low, and there was less focus on financing those advances.

Now that advance rates are higher, companies are giving a lot of thought to using private facilities to specifically fund advances again, particularly in the Ginnie Mae market.

“What some companies are looking for is the ability to finance the Ginnie Mae MSRs themselves and the advances separately,” said Kornfeld said.

Chimera adds pandemic-impacted loans to next RPL pool

By Glen Fest
Chimera Investment Corp. is sponsoring its second securitization of performing and reperforming loans since the onset of the coronavirus pandemic.

The $338.42 million CIM Trust 2020-R5 is a pool of 2,222 season RPLs acquired by Chimera that have recovered from previously distressed status.

About 2.5% were 30 days delinquent as of the cutoff date for the pool, compared to just 1.5% for Chimera’s previous RPL transaction in March.

However, the former figure does not include the 4% (or $14.5 million across 722 loans) of pooled mortgages that are in deferred status due to COVID-19 relief. Such loans are still treated as delinquencies under ratings agency methodology for the pool.

Nearly 45% of the loans are considered “dirty current,” either from a missed payment in the previous two years or the lack of a full 24-month pay history.

The age of the loans excludes them from the ability-to-repay qualified mortgage standard of the Consumer Financial Protection Bureau, but Chimera seeks to mitigate that risk by pooling well-seasoned loans. The loans — a mix of fixed, step-rate and adjustable-rate contracts — have an average age of 152 months.

Approximately 68.7% have been previously modified, according to ratings agency presale reports. The largest concentration of mortgages (20.7%) in the pool are in California.

The transaction includes a $214.73 million Class A1 tranche of notes benefiting from 36.55% credit enhancement (up from 34.5% in CIM Trust 2020-R2), and which carry preliminary AAA ratings from DBRS Morningstar and Fitch Ratings.

Fitch has assigned an expected loss of 29.5% of the loans, up from 26% in Chimera’s March transaction. The loss projections have gone up in consideration of the uncertainty of how far pandemic-related stresses will impact homeowners’ job status and income.

DBRS Morningstar projects 26% expected losses, up from 24.5% in the prior transaction.

To account for potential payment shortfalls related to COVID-19, Fitch noted it assumed deferred payments on a minimum 40% of the pool for the first six months of the transaction.

Fay Servicing and Select Portfolio Servicing Inc. are the named servicers for the transaction. Like previous Chimera deals, there will be no advances of delinquent principal and interest payments from the servicers.

Chimera, organized as a mortgage real estate investment trust, has been an active RMBS issuer in the RPL space since 2014, and also been a sponsor prime jumbo and investor property RMBS deals.

The company has accumulated 139,639 loans totaling $13.3 billion as of year-end 2019. NMN
Framework's CEO on education’s role in homeownership during a crisis

Framework Homeownership CEO Danielle Samalin helped support consumer organizations after the housing bubble burst. Now she’s using that experience to help borrowers and buyers navigate new challenges.

By Bonnie Sinnock

Consumer advocates served as intermediaries between mortgage companies and borrowers during the Great Recession, and Framework Homeownership CEO Danielle Samalin sees them playing a similar role in the current downturn, too.

Founded in 2012, Framework Homeownership is a Boston-based consumer education provider founded by two HUD-approved nonprofit counseling intermediaries. It provides an online course that meets Department of Housing and Urban Development standards and fulfills education requirements for certain government-sponsored enterprise loans.

Samalin talked to NMN recently about the takeaways from the past recession that are helpful for companies trying to help borrowers and homebuyers with coronavirus-related challenges.

Below is a discussion with Samalin about those challenges and the role technology is playing to address them. Her responses are excerpted and edited for length.

What role did you have during the 2007-2008 housing crisis and how does it compare to the role you have now in helping homeowners and buyers contend with the coronavirus?

Between 2007 and 2012, I was at the Housing Partnership Network, supporting organizations created to respond to the foreclosure crisis. That crisis was a tsunami, and the organizations I supported had to ramp up fast to provide services and interface with the mortgage industry in new ways. They also had to access funding sources to do this, and a big part of my role was supporting these organizations’ access to federal funds made available in response to the crisis. Framework, where I am CEO today, emerged out of this crisis. It was a way to reach consumers, at scale, using technology. Also, as a social enterprise founded by two nonprofit organizations, we wanted to be able to respond nimbly, without a reliance on precarious federal funds. The major difference between my work then and now is that Framework reaches consumers directly, while in 2007, I worked with organizations. However, Framework is connected to a network of nearly 200 organizations, so we still leverage that model. It’s the only way to have the most effective impact on diverse markets affected by the current crisis. None of us can do this alone.

Prior to the Great Recession, counseling was primarily focused on the prepurchase education. Afterward, it became more focused on helping consumers struggling to make payments. How likely is it that counseling could have a similar role to play in helping the mortgage and housing markets recover from the coronavirus outbreak?

The Urban Institute found in the last crisis, that borrowers with counseling were 67% more likely to be current after nine months than homeowners without counseling, and nobody wants a deluge of foreclosures. But things are different this time around. This is a public health crisis unlike anything seen in our lifetime, and it is different from the 2008 crash, which was caused by predatory lending practices. I have been pleased with how quickly the mortgage finance industry has responded to the housing implications of coronavirus, and to the continued willingness to modify the approach if the response suggests they should. Without a doubt, housing counseling organizations will be called upon again to address this new crisis. It will be critical to quickly absorb lessons learned from last time, and apply them to these new challenges.

One of the challenges during the 2007-2008 crisis and its aftermath was establishing connections and collaborations between mortgage servicers and borrower advocacy groups. There’s a sense that’s less of a concern this time around, but a dormant technology platform created to facilitate those kinds of connections was recently revived to address the coronavirus. Could these types of collaborations play a role in recovery again?

It concerns me very much that we will be unable to learn the lessons from the 2008 crisis. We absolutely need to revive the notion of efficiently sharing documents between housing counselors and servicers. We absolutely must
The government-sponsored enterprises, at the direction of their regulator, are making a change to counterparty requirements that will give non-bank mortgage companies relief related to loans in forbearance. This is something quite relevant right now, as there already is misinformation out there regarding who is/isn’t eligible for things like forbearance. Collaborations are as critical as they were last time.

Last time, the nonprofit housing counseling industry had to fight first to make their voices heard, and then for critical technology efficiencies to be added to the loss mitigation process. We had to fight again for reimbursement commensurate with the value housing counselors brought to the transaction, such as a fee for service. I hope the industry remembers the lessons learned, so if a tsunami of foreclosures happens again, we are ready to address it from day 1.

The government-sponsored enterprises had been considering tightening counterparty requirements for nonbanks, but in light of COVID-19’s spread, they’ve rethought that.

By Bonnie Sinnock

The government-sponsored enterprises, at the direction of their regulator, are making a change to counterparty requirements that will give non-bank mortgage companies relief related to loans in forbearance.

The change allows mortgages in forbearance to count less heavily toward nonperforming loan calculations used in determining minimum liquidity standards. Those calculations are normally based in part on the amount of agency mortgage servicing that is 90-plus days past due.

As a result of the change, mortgage companies that work with Fannie Mae and Freddie Mac can count 30% of previously current loans that go into forbearance toward that calculation. For liquidity purposes, loans in this category will remain in it for the duration of the quarter even if they exit forbearance.

The Community Home Lenders Association welcomed the move.

“CHLA is appreciative of this step, which recognizes that loans in forbearance that are not in default don’t pose the same risk and don’t merit the same financial requirements as loans in default,” Scott Olson, executive director of the association, said in an email.

While forbearance rates are starting to fall, they remain historically high as a result of the coronavirus and related federal policies, according to the Mortgage Bankers Association.

Plans for the change at the GSEs followed the Federal Housing Finance Agency’s decision to reconsider a different tweak to GSE counterparty standards that was drawn up before the spread of the coronavirus. The previous proposal would have tightened some counterparty requirements. Fannie Mae and Freddie Mac’s changes to the nonperforming loan calculation factor into additional counterparty requirements nonbanks must meet above and beyond bank minimums for acceptable net worth.

Remember that having a trusted advisor — an unbiased housing counselor, for example — made it more likely that an at-risk borrower would respond. This is something quite relevant right now, as there already is misinformation out there regarding who is/isn’t eligible for things like forbearance. Collaborations are as critical as they were last time.

How does your company educate consumers about the home purchase process?

Framework’s products educate and support homebuyers and homeowners. Through our Keep Home platform, we provide tools and resources that guide homebuyers through every step and decision in home buying. This year, we have launched our homeownership features on the KeepHome.com web and mobile platform. We believe in homeownership and we know that the American dream isn’t achieved when a mortgage document is signed. It’s about succeeding as homeowners.

So now we are rolling out features to support decisions we make as homeowners — from maintenance and repair or renovations, to financial insights. This includes the support we provide for homeowners in the event that they cannot manage their payments. The coronavirus has only strengthened the need for this support. We connect with networks of nonprofit counseling organizations around the country to make sure that if we cannot support our customers, we can send them to the best unbiased resources who can.

Fannie Mae and Freddie Mac giving nonbanks a break on liquidity requirements

The government-sponsored enterprises had been considering tightening counterparty requirements for nonbanks, but in light of COVID-19’s spread, they’ve rethought that.

By Bonnie Sinnock

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“CHLA is appreciative of this step, which recognizes that loans in forbearance that are not in default don’t pose the same risk and don’t merit the same financial requirements as loans in default,” Scott Olson, executive director of the association, said in an email.

While forbearance rates are starting to fall, they remain historically high as a result of the coronavirus and related federal policies, according to the Mortgage Bankers Association.

Plans for the change at the GSEs followed the Federal Housing Finance Agency’s decision to reconsider a different tweak to GSE counterparty standards that was drawn up before the spread of the coronavirus. The previous proposal would have tightened some counterparty requirements. Fannie Mae and Freddie Mac’s changes to the nonperforming loan calculation factor into additional counterparty requirements nonbanks must meet above and beyond bank minimums for acceptable net worth.

Fannie Mae/Freddie Mac forbearance rate

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 11-17</td>
<td>6.40%</td>
</tr>
<tr>
<td>May 18-24</td>
<td>6.35%</td>
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<tr>
<td>May 25-31</td>
<td>6.30%</td>
</tr>
<tr>
<td>June 1-7</td>
<td>6.35%</td>
</tr>
<tr>
<td>June 8-14</td>
<td>6.30%</td>
</tr>
</tbody>
</table>

Source: MBA
Remote home appraisal software options proliferate amid coronavirus

The social distancing-related limitations on home appraisals is inspiring some companies to find new ways to advance the process

By Paul Centopani

“Don’t ever let a good crisis go by without benefiting from it.” I can’t remember who said it but I think this is one of those times,” said Tony Pistilli, SVP and chief appraiser at Computershare Property Solutions, referring to recent innovations in the home appraisal industry.

The profession had been going the way of the dodo even before the coronavirus pandemic instituted the need for social distancing. The number of people employed as appraisers has steadily declined over the last several years, while machine learning technologies are increasingly capable of doing some aspects of an appraiser’s job.

As home sellers express concern over allowing appraisers into their homes today, companies are developing ways to revolutionize the remote appraisal process.

The traditional method of evaluating a home without entering it was largely imperfect since it relied heavily on drive-by inspections, a few captured photos and broker price opinions. The data collected is incomplete without every aspect of the house being seen.

Black Knight’s recently launched cloud-based app SCOUT enables homeowners to collect pictures and data to share with appraisers remotely. The appraisers then do their usual analysis and deliver valuations. The app has its own security measures, like finger signature certification, GPS tracking with time stamps and direct photo input to boost accuracy and curb fraud.

Cape Analytics is pushing the bounds of geospatial property intelligence by cataloguing external housing characteristics on a large scale. It leverages a network of partners to capture high-resolution imagery from fixed-wing aircrafts, satellites and drones multiple times a year. Company reps say the technology is better able to observe roof conditions and other features like solar panels or pools, which are difficult to assess during in-person appraisals. Previous to this, remote assessments were commonly done using Google Earth or downloads of outdated property data.

With millions of buildings in its repository, Cape’s artificial intelligence analyzes properties to make “observed truths.”

“Plugging information into our computer vision model creates objective observations on every house it looks at, forming observed truths,” Raj Dosaj, head of real estate markets at Cape Analytics, said in an interview. “It would be like the same inspector evaluating every house in the country. The output is much more usable and we are able to test that against actual data.”

If mass appraisal information becomes readily available, it could make the housing market more efficient. Most borrowers need to line up the sale of their current home before buying their next due to lack of liquidity. With improved property information and better understanding around home values, homes turn into more liquid assets, Dosaj said.

“Consumers benefit from having more certainty around transaction timing and leaving less money on the table by understanding the money they paid for the house is the right price,” he added.

These new concepts brought to the forefront by COVID-19 help mortgage lenders as well. By giving more confidence in the collateral values and improving borrower experience, loan officers can bolster their business volume.

Appraisers, by-and-large, have stubbornly refused to adopt technologies used for assessing and inspecting houses in the past, according to Pistilli. They met alternative measures with tremendous backlash because they viewed it as detrimental to their careers.

However, these advances can augment their roles, Pistilli said. If appraisers use the tech to their benefit, they can make themselves valued commodities. If they resist and become irrelevant, they stand to fall to the wayside.

The appraiser community can look to the relationship between dentists and dental hygienists as a way ahead, Pistilli added.

“The hygienist will spend 30 minutes cleaning your mouth and then the dentist comes in and really just makes sure everything was done right,” Pistilli said. “Their expertise affords them that opportunity and pays the big bucks. If appraisers viewed themselves as subject matter experts and utilized technology as a means of doing the time-consuming, less technical stuff it’d make them more efficient.” NMN
Remote online notarization jumps 40% in May

With more real estate and mortgage companies moving to a digital process, volume expectations in the face of coronavirus restrictions shot way up in May compared to April

By Paul Centopani

As the coronavirus ushered in a mass shift to remote work, more and more mortgage and housing companies adopted digital processes to maintain business continuity.

Remote online notarization usage grew 40% in May, with 33% of professionals using it compared to 24% in March and April, according to Qualia's latest industry survey. Of the 335 respondents — the majority of which work for title and escrow companies — 65% now transitioned to working remotely, up from 61% in the prior survey.

This rapid change buttressed a "monumental shift in mindset," Nate Baker, Qualia co-founder and CEO, said in a press release.

With all the technological catch-up, low interest rates and lockdowns lifting across the country, optimistic volume outlooks rose 414% month-over-month. About 36% expect amplified business in the 30-day future and 34% expect consistency, versus just 7% and 24%, respectively, the month before. Meanwhile, 13% foresee decreased volume compared to 46% in April and the remaining 17% are unsure what to expect, down from 23%.

"The real estate industry looks very different than it did just three months ago, and it will likely look very different in the next three months as we see remote work and remote online notarizations transition from temporary stopgap solutions to permanent options," Baker said.

"These results suggest that real estate professionals are settling into new routines for conducting business, whether they’re contactless in-person, digital or hybrid options," he added.

"Notably, a large majority of respondents remain interested in remote online notarization options, indicating that RON is likely to stay post-pandemic and become a consumer expectation."

Remote notarization — either virtual or wet-signature — represents a chief piece of the lending’s fully digital pie. In May, Qualia launched its Connect Video Chat in compliance with RIN guidelines, providing secure, real-time video in which wet signatures are recorded and stored on its servers.

"We have seen numbers rise and some unique situations with borrowers stranded in other countries so RON has helped tremendously," Paul Anselmo, CEO of Evolve Mortgage Services, said in a statement to NMN.

"However, where we thought we were headed in March and where things actually ended up are vastly different. While there has been an overall increase, the rate of [industry-wide] adoption for complete paperless closings is disappointing."

Evolve teamed with Pavaso, a digital closing platform offering RON technology, in late March.

While remote notarizations might still not be mainstream yet, servicers could bring the second wave of adaption, Tim Anderson, SVP of business development and corporate strategy at Pavaso, said in an interview. With over 4 million mortgages in forbearance, servicers will need to carry out loan modifications remotely once the moratoriums end.

"It took two months to get more adoption than in 20 years for e-sign because the coronavirus forced change," Anderson said. "I’ve never seen bills passed so quickly. Legislators from many different states who can’t agree on anything, passed the emergency RON laws. That’s what I see as most important. RON adoption isn’t easy, there are restrictions and implementation challenges. The ones that get it, will thrive. The ones that don’t want to change will lag and might not survive."

Several experts and industry leaders remarked on the expanding use of digital platforms overall at a recent virtual event hosted by Moody’s Investors Service. Bill Emerson, Quicken Loans vice chairman remarked that innovation from Fannie Mae and Freddie Mac over the last few years has "really come to fruition here in this pandemic."

"What that’s cascading into is a marketplace where the consumer gets used to a digital closing," He pointed to the rapid adoption across multiple states since the crisis began of remote online notarization as an example. "We’ve been working on that for years and it was so hard to get momentum around that."

Going forward, consumers are going to demand access to digital closings "and the regulatory environment and the legislative environment is going to have to catch up," Emerson said.

— Brad Finkelstein contributed to this story
The Supreme Court’s invalidation of the single-director structure at the Consumer Financial Protection Bureau spells trouble for the head of the Federal Housing Finance Agency, legal experts say.

Like the CFPB, the FHFA is led by a single director nominated to a five-year term. And the statutory restriction in the Dodd-Frank Act on a president’s ability to fire a CFPB director — which the high court threw out on June 29 — is similar to the law that created the FHFA.

Some observers say the court’s ruling in Seila Law v. CFPB suggests it could rule the same way for the FHFA, or that that ruling is enough of a basis for a Joe Biden administration, should the Democrat win the White House in November, to fire Trump-appointed FHFA Director Mark Calabria. Either development would further complicate the futures of Fannie Mae and Freddie, which the FHFA regulates.

“The opinion establishes why the [Housing and Economic Recovery Act] structure is just as unconstitutional as the CFPB’s Dodd-Frank provisions, so if this were to come before the Supreme Court, they would rule precisely the same way,” said Richard Gottlieb, a partner at Manatt, Phelps & Phillips.

In both cases, Congress sought to require a president to find sufficient cause before firing either agency’s director, in order to preserve their independence and prevent the regulators from becoming too politicized.

But in a 5-4 decision written by Chief Justice John Roberts, the high court found that the CFPB’s structure vests too much power in the hands of one person, who does not answer to a board or commission, and that the president has broad authority to appoint and remove agency heads.

The ruling gives a sitting president the ability to fire a CFPB director at will — eliminating the “for cause” provision in Dodd-Frank — but keeps the rest of the law and the agency intact.

While the for-cause provisions in HERA and Dodd-Frank use different wording, many experts believe that the outcome of the CFPB case would apply to the FHFA, putting Calabria on shaky ground should the Democrats win the White House. The legal uncertainty has significant implications for how the FHFA manages and seeks to end Fannie and Freddie’s conservatorships.

“On the FHFA front, the Seila decision will weigh heavily on what the Supreme Court will do given the structural similarities between the CFPB and FHFA,” said Alan Kaplinsky, the co-practice leader at Ballard Spahr’s consumer financial services group. “Both have a single director who can only be dismissed for cause, which is the core of the constitutionality question addressed by the Seila decision.”

The high court could accept an FHFA constitutionality case sooner rather than later. The justices are set to decide soon whether to hear arguments in Collins v. Mnuchin, a case that challenges the single-director leadership structure of the FHFA.

After the CFPB decision, Calabria disagreed that the Supreme Court’s ruling would affect the FHFA, saying in a statement that while he respected the decision in the Seila Law case, “this ruling does not directly affect the constitutionality of FHFA, including the for-cause removal provision.”

Yet many have countered that a future administration will look to apply the Seila Law ruling to the FHFA and other similarly structured agencies.

In the majority opinion, Roberts called the FHFA “essentially a companion” of CFPB, but pointed out that the agency regulates the government-sponsored entities whereas the CFPB governs “purely private actors.”

The court missed an opportunity to make a real distinction between the FHFA and the CFPB, said Gottlieb, making it likely that the result of the case will affect both agencies.

“Non-lawyers should understand that while the court’s FHFA commentary is not legally binding as [the FHFA’s structure] was not before the court, the ruling plainly chose not to draw any technical distinctions in the relative enforcement authorities of the two directors,” he said. “By not doing that, the court has telegraphed, strongly, that the FHFA structure under HERA would be unconstitutional for exactly the same reasons.” NMN
Compliance & Regulation

This case is separate from past actions from the Federal Communications Commission, which has refused to grant a similar exemption to cover Fannie Mae and Freddie Mac loans.

In 2018, 17 groups, including the American Bankers Association, Mortgage Bankers Association and Credit Union National Association, petitioned the FCC to again amend its interpretation of the TCPA to make robocalling lawsuits harder to win for consumers. This followed a March 2018 appellate court ruling that invalidated the prior FCC interpretation.

The case before the Supreme Court, Barr v. American Association of Political Consultants, came at the issue from a different point of view. The lobbying group contended that Congress was treating dissimilar aspects of speech in an unequal fashion.

In the majority opinion, Justice Brett Kavanaugh agreed with that point, stating “because the law favors speech made for collecting government debt over political and other speech, the law is a content-based restriction on speech.”

But seven of the justices said that the TCPA was not unconstitutional (as the AAPC wanted and the other two conservative justices supported). The majority argued that the 2015 amendment could be severed from the other provisions of the law.

“As a result, plaintiffs still may not make political robocalls to cell phones, but their speech is now treated equally with debt-collection speech,” Justice Kavanaugh wrote.

The decision was a big win for consumers, said Margot Saunders, an attorney with the National Consumer Law Center.

“We were very concerned that the whole TCPA was possibly in danger. This decision does protect consumers from unwanted, unconsented to, robocalls related to government-backed debt,” she said.

What the court ruling does not end are discussions around what constitutes consent as written in the mortgage contract and whether that can be revoked unilaterally, Saunders said.

The ABA and other groups are petitioning the FCC to allow robocalls regarding information about forbearances and other coronavirus-related initiatives without advance consent from consumers.

So far the FCC has not responded, said Saunders, whose organization supports the measure.

“Are you going to have adequate staff to make individual calls? And that is going to add some back-end costs for mortgage servicers and debt collectors,” said Sterbcow. NMN

Supreme Court ruling eliminates autodialer use for FHA, VA collections

The Supreme Court struck down a 2015 update to the Telephone Consumer Protection Act, which permitted robocalls to cellphones for government-related debt collection

By Brad Finkelstein

The U.S. Supreme Court’s ruling in a Telephone Consumer Protection Act case will have an immediate impact on servicers of federally guaranteed mortgages who have used robocalls to reach borrowers.

The ruling ended an exemption that permitted autodialing to consumer cellphones for collections of government-related debt, like mortgages.

“While the Supreme Court’s ruling did not add any new requirements for mortgage lenders, it reinforces that TCPA compliance remains very much in force,” said Mike Eshelman, head of consumer finance at the fintech firm Jornaya.

“Mortgage lenders need to ensure that they have a solution to protect themselves or they will be exposed to potential lawsuits and settlements which have recently averaged as much as $6.6 million,” Eshelman added.

Damages for TCPA violations start at $500 per call or text. This amount can be tripled for willful violations of the act.

Servicers may still call consumers manually, assuming they meet all the criteria around spam phone calls, which are prohibited by the TCPA, as well as the Can-Spam Act, said Marx Sterbcow, a mortgage industry attorney.

The exemption at the heart of the Supreme Court decision was created in a 2015 amendment to the TCPA, which had bipartisan support. But that amendment only covered Federal Housing Administration, Veterans Affairs and U.S. Department of Agriculture Rural Housing Service mortgages.

The decision means that servicers once again need to have an unrevoked consent to contact consumers regarding collections for those loans and other forms of federal debt like student loans

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Breaking down the color barriers to homeownership

How the mortgage and housing industries react to the current civil rights moment could shape policies and bridge the homeownership divide for the Black community

By Paul Centopani, Brad Finkelstein and Bonnie Sinnock

For PKL Homes owner Pamela Loveless, “what is happening now in the Black Lives Matter movement ... [is] just a piece of the larger conversation that needs to be happening in this country.”

Loveless and members of her family are Black, and some of them have experienced being taken into police custody after having been mistakenly identified as suspects. This happened even though they complied in each instance and have family members that serve on the force. One young man was tazed, another was thrown down on the ground with his date after being stopped on their way to dinner.

"Someone judging you negatively when they don't even know you is awful. Once you experience that feeling, you never forget it," said Loveless, who previously worked in the mortgage industry for over two decades.

The police killings of George Floyd, Breonna Taylor and Ahmaud Arbery have kicked off protests on racial injustice across the country and ignited a national conversation about social and economic inequalities that are the result of deeply ingrained racist attitudes and institutional practices in American culture.

As the country reckons with centuries-long discriminatory systems and policies, housing and homeownership are under the spotlight as a sphere of severe inequity for people of color. Data from the first quarter of 2020 shows homeownership rates of 73.7% for whites and 44% for Blacks, according to the Census Bureau. Such discrepancies, which also show lower homeownership rates for Hispanics at 48.9% are a sign that federal civil rights laws banning housing discrimination are not working as intended.

The housing and mortgage industries can and should respond to these deaths and other issues the Black community faces, according to the National Association of Real Estate Brokers.

"Black Americans are simultaneously battling COVID-19, as well as the virus of racial injustice, the virus of discrimination, the virus of prejudice and the virus of inequality," said Donnell Williams, president of NAREB. "This is a historic time. A new birth is taking place. In the future, you will be asked, 'what’d you do?' What’d you do when the homeownership gap between Blacks and whites hovered around 30 percentage points? What’d you do when Black men were shot and killed for jogging in Georgia or physically restrained to death in Minneapolis?"
Those in the mortgage industry offer some thoughts on how we got here, what’s being done to fix it and how much further we need to go.

The inherent problems
Homeownership is a foundation for building wealth. Purchasing a home is a sound investment, boosts net worth and becomes an asset to be passed down generationally. Over time, the effects of that compound. Intrinsically, a racial wealth gap dovetails with the homeownership gap.

“Within the past few years, if a Black family was at the poverty line, the average net wealth was $0. At the same point in time, a white family under the poverty line typically had $18,000 in wealth,” said James Ryan, president of Time For Homes, an advocacy group that aims to combat homelessness in New York.

“This isn’t necessarily the work of some racist politicians from the deep south with redneck ideas making nefarious legislation. It’s a continuum of what’s happened previously. The majority of white families passed down some kind of wealth.”

Those gaps can be blamed in part on the last century’s redlining practices.

Black people already faced a stacked deck before the racist practice put up another housing barrier in the 1930s. Redlining pushed segregation, devalued neighborhoods of color and made it nearly impossible for Black people to obtain mortgages.

The Home Owners’ Loan Corp. assigned colors and grades to neighborhoods based on what it referred to as “mortgage security.” The green neighborhoods, populated by well-to-do white people, received grades of “best” or Type A. Then came blue, “still desirable” Type B, yellow, “definitely declining” Type C, and red, “hazardous” Type D. The HOLC largely marked urban zones with high populations of black families red and it became almost impossible to get approved for a loan for homes in those areas.

Since 1980, homeowners in redlined neighborhoods gained 52% less wealth in property value than those in greenlined neighborhoods, a recent analysis by Redfin found. Additionally, black borrowers are almost five times more likely to own a home in a redlined neighborhood than in a greenlined neighborhood.

And even though the Fair Housing Act should have eradicated redlining, the act only holds power if it’s enforced. Cases surfaced in recent years, including a 2019 undercover Newsday investigation, which revealed widespread discriminatory behavior among Long Island’s real estate agents, and resulted in new state regulations to strengthen the law.

Credit issues create another obstacle for potential buyers of color.

“You can’t get a mortgage without at least halfway decent credit,” Ryan said. “Again, it’s disproportional to communities of color. You also have a disparity in the criminal justice system. If you go to apply for an apartment to get on track to be fully housed and a step closer to buying a home, most will require credit check and background checks, which could be problematic. Indiscretions with the law shouldn’t matter if you served your time and are no longer on probation or parole.”

Predatory lending also targets Black and Latino borrowers, leading to financial devastation. During the housing boom prior to the Great Recession, Black and Latino borrowers were twice as likely as whites to receive high-cost subprime loans. Black and Latino families making over $200,000 annually were more likely to be given a subprime loan than a white family making $30,000 a year, according to a report from Bloomberg.

The dearth of minority representation within the industry also points to why rules and regulations are shaped disadvantageously for people of color. Getting more diversity, especially with top positions would help level the playing field.

“We have to work to get more people of color into the mortgage business. We’re going to do employment outreach efforts, starting at the college level,” said Patty Arvielo, president of New American Funding, a mortgage lender based in Tustin, California. “My personal goal is to interface with communities of color to let them know about the opportunities in the mortgage business. Color matters. Representation matters. And we’re going to make sure that that message never gets lost.”

Loveless, who founded PLK Homes to address short-term workforce housing and student rental needs, said greater representation within the real estate and mortgage communities is a crucial way to help the Black community at large.

“Most of the mortgage companies have programs for inclusiveness, and they are constantly tweaking those,” she said.

But the recurrence of regulatory and legal actions suggest the industry could still do a better job when it comes to engaging in equitable practices as required by law.

She advises lenders to be particularly careful bias or discrimination does not come into the picture when it comes to manual underwriting used to make exceptions.

“Where you can override or make a manual decision, that’s when companies can get into a little bit of a gray area,” Loveless said.
Programs for the people

Releasing a statement of solidarity is merely lip service until a company actually puts action behind it. Myriad ways exist for the lending industry to help Black borrowers and many have taken steps to counterbalance the issues.

At the beginning of June, Bank of America committed $1 billion over the next four years to communities of color disproportionately affected by the coronavirus. As the pandemic spread and the economy shut down, lenders tightened their underwriting standards and shied away from non-QM loans. In turn, it became more difficult to secure a mortgage, predominantly for low-income consumers.

However, New American is one lender that kept its low FICO, FHA, manual underwriting and bond programs going through these uncertain times.

Because many homeowners of color can’t rely on their parents to borrow money, coming up with down payments presents a great challenge, particularly in high-end markets, sources said. While some see down payment assistance programs as controversial — HUD wants to put restrictions on these programs, arguing they benefit the provider not the borrower — perception doesn’t totally mirror reality, according to the National Association of Hispanic Real Estate Professionals.

“People forgot that we’ve had great success with programs with very high LTVs — namely VA loans and FHA loans — and have done so historically,” said Gary Acosta, cofounder and CEO of NAHREP. “The correlation between defaults and LTV is real but not as challenging as others see it.”

VA loans and FHA loans — and have done so with programs with very high LTVs — namely in down payment assistance to creditworthy borrowers, particularly communities of color. Over 54% of its DPA goes to minority borrowers and the Chenoa Fund sponsors the UHOU$ Initiative — an effort to increase responsible homeownership among African Americans.

However, government policy in recent years has discouraged the use of DPA in part because of the potential risks of foreclosure.

Breaking long-held and possibly outdated beliefs surrounding homeownership could be another factor in closing the gaps. As with wealth, if Black borrowers don’t have the generational knowledge of how to buy a house passed down, their vision of getting there could be blunted, according to Steve O’Connor, SVP of affordable housing initiatives at the Mortgage Bankers Association.

Located in the nation’s capital, the MBA represents every facet of real estate finance. The association’s affordable housing initiative provides strategies and tactics to bridge the homeownership divide.

“We are collaborating around and addressing key gaps in homeownership in the minority community, mainly the knowledge gap where people have misinformation about what’s required to become homeowners, like they need 20% down and perfect credit,” O’Connor said. “So how do we get reliable information into their hands? Because they’re self-selecting out of the market right now.”

Change at the top

No silver bullet exists to close the chasm in homeownership. However, making numerous equitable policy additions and adjustments could combine to tip the scales.

In the near term, how the government and lenders handle the coronavirus fallout could help to limit further hardships. But housing advocates are bracing for a surge in financial instability and homelessness following forbearance periods ending.

“There was an unemployment rate still high, and that affecting mostly people making under $50,000 a year, they are not going to be able to catch up,” NAREB’s Williams said. “I’m afraid that after the forbearance ends, they are just going to line people up for foreclosures and evictions.”

Williams wonders whether loan-level pricing adjustment fees could be removed. The GSEs implemented these fees after the housing crash. The LLPAs exist more to protect the U.S. government, the GSEs and the MBS investors than the lender. And they cost already-strapped borrowers more money.

Government-sponsored enterprises shouldn’t operate at a hindrance to any segment of society, particularly those already at a financial detriment, said

“I’ve always felt the federal government does not need to be in the mortgage lending business, unless they’re going to be there to reach segments of the population not being reached adequately,” NAHREP’s Acosta said. “So if you look at Fannie and Freddie and their book of business, my sense is — this is just my opinion — that they probably do more business than they need to in the affluent segments of the marketplace and a lot less business than they probably should be doing in the first-time home buyer, less affluent segments of the business.”

Ridding the industry of the stigma surrounding down payment assistance would pave the way for many. If the majority of minority borrowers do not possess the upfront means to purchase a home, they should not be excluded from doing so, advocates say.

“HUD should stop attempting to restrict creditworthy, mostly minority, borrowers from having the ability to acquire DPA from a governmental entity,” said Tai Christensen, director of governmental affairs at CBC Mortgage Agency.

“Any restrictions to DPA programs should be viewed as a direct attack on Black homeownership. If we as a society wish to close the racial wealth gap and bring healing to our communities of color, HUD must not enter into any rulemaking that decreases equitable access to government-backed down payment assistance.”

In this vein, the government can look at expanding programs like HUD Section 184. Established in 1992, the section allows Native Americans to get a mortgage for 2.25% down with flexible underwriting.

“I can’t tell you how much help that would be to amend that section and add African Americans,” Williams noted. “What a stimulus that would be.”

Advocates like PLK Homes’ Loveless are hopeful that the activism that has sprung from this historic moment will lead to positive change. She’s gotten some community support to that end, but she also noted instances in which she has faced compounded discrimination and hostility from strangers making false assumptions that anyone Black was part of a multithetic group of rioters that damaged property during the protests.

With the spread of the coronavirus having a disproportionate effect on the Black community, things could get worse before they get better, Loveless said. But her experience of prevailing after facing multiple hardships makes her hopeful that things can get better even when times are tough, with persistence.

“I look at things now and say where do we go from here? How do we address this?” Loveless said. “You start with inclusive practices and training, and go from there.” NMN
California

Laguna Hills
BlackFin Group has hired Mark Dangelo to serve as chief innovation consultant.
In his role, Dangelo will be responsible for leading and managing innovation-led business transformation and technology projects.
He has been a principal consultant for CSC, A.T. Kearney and Stanford Research Institute, and a senior manager for Ernst & Young.

Georgia

Atlanta
First Option Mortgage has tapped Fobby Naghmi as executive vice president, national sales manager, and James Carroll as retail operations director.
Previously, Naghmi was senior vice president of the Eastern division of Planet Home Lending.
Before joining First Option Mortgage, Carroll was executive vice president and owner of The Carroll Mortgage Group.

Oregon

Portland
WFG Lender Services, a Williston Financial Group company, has named Jodi Bell vice president of national business development for its lender services organization.
In her new role, Bell, who is based in Dallas, will be responsible for building and maintaining client relationships.

Prior to joining WFG, she served as vice president, national sales executive for ServiceLink.

Pennsylvania

Pittsburgh
ServiceLink has appointed Yvette Gilmore as senior vice president of servicing product strategy.
Prior to joining ServiceLink, Gilmore, with over 20 years of industry experience, spent more than a decade at Freddie Mac, where she held several leadership positions and most recently served as vice president of servicer relationship and performance management.
Prior to joining Freddie Mac, Gilmore led the loss mitigation departments at IndyMac and Washington Mutual.

Virginia

McLean
Freddie Mac has appointed Christian Lown as executive vice president and chief financial officer.
Lown was previously executive vice president and chief financial officer at Navient Corp.
He succeeds Donald Kish, who has served as interim CFO since December 2019.
Kish will continue serving as senior vice president, corporate controller and principal accounting officer.
Prior to joining Navient in 2017, Lown was managing director, financial institutions group at Morgan Stanley, where he co-led the global fintech and North America banks and diversified finance investment banking practices.

NMN
Voices

Ginnie Mae forbearance rate

Source: MBA

The problem with Ginnie Mae’s new restrictions

FHFA, HUD and Ginnie Mae should let the rate of prepayments on MBS dictate bond prices and market rates

By Chris Whalen

Just before the July 4 holiday began, Ginnie Mae issued new guidelines on early buyouts of reperforming loans. The term “reperforming loan” describes a mortgage loan that is not more than 30 days delinquent, that was previously bought out from a pool or loan package backing a Ginnie Mae mortgage-backed security, and that retains the same rate and terms as the rate and terms associated with such loan on the date the loan was previously securitized in a Ginnie Mae MBS.

Why is this rule change significant? Simply stated, the rule prevents servicers from selling RPLs into new Ginnie Mae pools, thereby robbing the servicers of any economic benefit of the early buyout.

By making early buyouts on RPLs unattractive, Ginnie Mae hopes to reduce prepayment rates on its MBS. The sad part of this mess is that lenders and servicers are paying not only for bad decisions by Ginnie Mae, but equally bad policy by another agency across town, namely the Federal Reserve Board.

By purchasing hundreds of billions in Ginnie Mae MBS since March, the Federal Open Market Committee has badly distorted the mortgage markets, driving up prices for agency and government MBS.

We encouraged mortgage bond purchases back in April, but the FOMC has refused to moderate its purchases even as the bond market recovered. Indeed, the near-hysterical members of the FOMC have started to purchase private debt, another unneeded subsidy for the big Wall Street investors.

When a global investor like Black Rock, PIMCO or the Bank of Japan pays 106 for a Ginnie Mae 2.5% coupon MBS, and then receives prepayments at par, that is obviously a source of concern for investors. Ginnie Mae is sensitive to the feelings of large investors, but it should not confuse matters of concern with fundamental legal obligations to support the mortgage markets.

Yet neither Congress nor the Department of Housing and Urban Development nor the Federal Housing Finance Agency have served the issuers and servicers that are dealing with COVID-19. Congress arbitrarily imposed costs and expenses on servicers of conventional and government insured loans, costs that may never be reimbursed even partially.

“These policies unfairly penalize lenders for loans that were fully underwritten according to FHA or enterprise requirements,” notes House Financial Servicers Committee Chair Maxine Waters, D-Calif.

“They have contributed to significant credit overlays that may be disproportionately impacting access to credit for minority and other underserved borrowers, and they may also be preventing borrowers from accessing forbearance and other protections available for federally backed loans.”

Making early buyouts of delinquent loans is one of the few ways that servicers can mitigate the growing burden of advances of principal, interest, taxes and insurance under the CARES Act. So, when Ginnie Mae tells government servicers not to make early buyouts of RPLs, that is like sending a big “Foxtrot Oscar” holiday greeting card to everyone in the industry, banks and nonbanks alike.

If prepayments are too high, then maybe interest rates are too low. This suggests that the pricing on those Ginnie Mae 2.5s ought to be more like say 103 rather than 106, but again there is that problem with the FOMC. The Fed economists who think they control the U.S. economy have decided that residential housing will pull us out of the COVID economic disaster. This means that short-term interest rates are likely to stay low for years to come and mortgage rates will stay sub-3% for years to come.

What should FHFA, HUD and Ginnie Mae do? The simple answer is let the rate of prepayments on MBS, which is largely a function of the policies of the FOMC, dictate bond prices and market rates.

And since the Fed is now the biggest investor in Ginnie Mae securities, tell us again please why high rates of prepayments are a concern to HUD?

Chris Whalen is chairman of Whalen Global Advisors and publishes the Institutional Risk Analyst blog.
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