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CLOSING THE GAP
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Digital Mortgage State of Affairs


The products featured in each ad weren’t brand new, nor were they the first in their class. But their respective messages resonated in a way that made people pay attention and sent competitors scrambling.

The one-minute Rocket Mortgage ad, which cost somewhere in the neighborhood of $10 million just to air, extolled the virtues of homeownership and the trickle-down economics that come with it.

To be sure, the ad had its share of critics who wondered if the Detroit lender had forgotten everything that had transpired in the industry since the Great Recession. Speed and ease were associated with long-defunct bad actors and purveyors of predatory loans. How could a mortgage process that was this easy truly un największy?

The format changed to a weekly newspaper, which was followed by the launch of our website in the late 1990s. The current magazine format of our print edition debuted in late 2015. Likewise, a number of sister publications have come and gone as industry needs have evolved. (Anyone remember Resolution Trust Reporter from the heady days of the S&L crisis?)

While the times have certainly changed, our dedication and commitment to serving the mortgage industry have never wavered. We look forward to continuing that mission in the years to come.

Send your comments, questions and story ideas to Editor in Chief Austin Kilgore: austin.kilgore@sourcemedia.com

This month, we’re pleased to present the third annual Digital Mortgage Conference. We’ve relocated to a much larger venue in Las Vegas this year, and we anticipate another sellout crowd. If you’re attending the event, I do hope you’ll take a moment to say hi.

This month’s issue also kicks off NMN’s 43rd year as a publication. Our very first issue was published Sept. 30, 1976, back when we were a biweekly newspaper known as National Thrift News. The website and magazine you know now as National Mortgage News has been re-imagined a few times over the years. It was renamed National Thrift and Mortgage News in June 1989, and then simply National Mortgage News in April 1990.

While the times have certainly changed, our dedication and commitment to serving the mortgage industry have never wavered. We look forward to continuing that mission in the years to come.

Send your comments, questions and story ideas to Editor in Chief Austin Kilgore: austin.kilgore@sourcemedia.com

Austin Kilgore
DocMagic has a new look.

Fig. 1 (Star)
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Fig. 2 (Check Mark)
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Profitability has gotten a little more challenging for the GSEs, but their net income recently has returned to more normal levels.

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Source: Company earnings

Fannie Mae

Freddie Mac

Senate Dem Demands Wells Fargo Explain Error That Led to 400 Foreclosures

A Democratic member of the Senate Banking Committee is calling on Wells Fargo to explain a mistake that led to hundreds of customers being denied mortgage adjustments, leading many to lose their homes to foreclosure.

Fannie Reclassifies Certain Assets, Sees Big Earnings Boost

M.C.: “Coal miners call it ‘robbing the pillars’ when you weaken the support columns designed to prevent collapse. Fannie continues to reverse loss reserves and use other accounting gimmicks to appear stronger than reality.”
Loan servicing can be a difficult business that often involves complicated document and data workflows across the loan cycle. But a few stages of the cycle stand out for their particular complexity and the need for effective processes to help manage them efficiently, and to fulfill increasingly rigorous sustainability objectives and lessen security risks.

When onboarding loans, servicers frequently contend with document and information flows from multiple origination systems. Bulk transfers of loans can involve incompatible servicing platforms, with documents and data delivered in formats and structures that have to be reconciled. Missing documents can disrupt downstream processes, including foreclosures, and can create problems during a loan handoff, which can alienate customers.

A survey of industry professionals shows that billing and payments continue to involve a considerable amount of manual work. Escrow computations for property taxes and insurance can be especially challenging, and often involve a steady flow of documents and information between servicers and third parties.

Loss mitigation can strain systems built largely for performing loans. Loan modifications essentially replicate the document burden involved in the underwriting, with additional constraints imposed by regulatory protections for troubled borrowers and investor guidelines about how to provide relief, whether monetary or in terms of extended time to repay. When foreclosing on a loan, documents must be accessible and servicers must follow careful procedures.

In onboarding, billing and payments, and loss mitigation, business process automation can help servicers rationalize and streamline workflows. Documents and data delivered to servicers across modes – email, fax, internet portals, or hard copies that have to be scanned – can be captured, stored, shared and processed in a user-friendly environment. Business process automation helps give servicers a clear picture of their holdings of documents and where those documents are in the processing cycle. Automated alerts and notifications can help servicers keep their processing tasks on track. Managers can use dashboards and data analytics to help monitor activities and performance both for individual employees and the organization as a whole.

Moreover, as the risk of cyberattack grows and protecting consumer privacy becomes more important, business process automation offers powerful security features. Sensitive consumer information passing through the components that make up an automated business process system can be safeguarded by encryption and other measures. Document access can be restricted to authorized personnel and tracked by user, which can create an audit trail that can help firms spot and defend against malicious behavior.

Capabilities like document encryption and access control are vital for firms trying to adhere to demanding new consumer privacy standards. The European Union’s newly enacted General Data Protection Regulation requires that companies keep a complete inventory of the information they have on EU consumers, and control and monitor who uses it.

Further, business process automation enables users to set rules and policies to control printing and document access that can help reduce printing costs and resource waste. Unchecked, there is a tendency for people to print out pages and pages of unnecessary documents as a safeguard. Business process automation can help servicers track and restrain printing usage – by logging activity by department, for instance, or instituting rules on color printing versus black and white – and help them meet sustainability objectives.

To learn more, please visit: usa.canon.com/advancedsolutionsforfinancialservices or contact Michele Rothkin at mrothkin@cusa.canon.com
Now that we are buying and selling homes through Zillow Offers, we believe that having our own mortgage origination service as an option for consumers will allow us to streamline the process for people who buy a Zillow-owned home. Over time, we expect the work we do in conjunction with this new line of business will help us expand our offerings to our partners — including real estate brokers with existing in-house mortgage operations and third-party lenders who co-market with Premier Agents.”

LendingTree tried to get into the mortgage business with the acquisition of Home Loan Center, but exited during the real estate bust in 2012 when it sold the company to Discover. Discover found a similar lack of success and exited the business in 2015.

Mortgage Lenders of America has 300 employees. Its president, Philip Kneibert will remain with the company as general manager, and will report to Schwartz.

“We’re focusing this acquisition on Zillow Offers and our primary goal with MLOA is to streamline the mortgage process so that we can sell Zillow-owned homes more quickly,” said Erin Lantz, the company’s vice president of mortgage. “So it’s that speed that’s really important in Zillow Offers and that’s where we see having an integrated process with a mortgage lender integrated into our Zillow Offers platform.”

Zillow’s been an active acquirer of companies in real estate, including Trulia and document services company DotLoop in 2015. This year, it got into the home flipping business. Other brands include StreetEasy and RealEstate.com.

“At this exciting time in the real estate industry, Zillow Group is committed to developing innovative technology and services, like Zillow Offers and, with today’s announcement, potential for mortgage originations, that help our partners meet evolving consumer expectations, while generating more revenue opportunities,” CEO Spencer Rascoff said in the company’s second-quarter earnings press release.

Revenue in Zillow’s mortgage segment slipped 8% during the quarter to $19.3 million from $20.9 million one year ago. The company reported a net loss of $3.1 million for the quarter, an improvement from the $21.8 million loss for the second quarter of 2017.

Zillow Enters the Mortgage Business by Purchasing a Lender

The price for the Overland Park, Kan.-based lender was not disclosed. The deal is expected to close in the fourth quarter.

By Brad Finkelstein

Zillow Group is moving from being a mortgage marketer to originating loans with its acquisition of Mortgage Lenders of America, in an effort to support its home flipping business.

The price for the Overland Park, Kan.-based lender was not disclosed. The deal is expected to close in the fourth quarter.

Zillow is in the lead generation business through Zillow Mortgage Marketplace. In June, the Consumer Financial Protection Bureau dropped an inquiry over possible violations of the anti-kickback provision of the Real Estate Settlement Procedures Act in its co-marketing program.

Its current advertising products for lenders — Connect, Custom Quotes and lender co-marketing — remain an important part of the business, and the company intends to support and grow that marketplace for years to come, Zillow said in a press release.

Mortgage Lenders of America is an existing marketplace client. It also solicits leads on LendingTree, according to the company’s website.

Last year it originated 4,400 loans and that leaves a lot of other business for lenders that want to advertise on its platform, Zillow said. Dollar volume figures for the lender were not disclosed.

“Getting a mortgage can be the toughest, most painstaking and time-consuming part of the home-buying process,” Greg Schwartz, president of media and marketplaces at Zillow Group, said in the press release.
Quicken Loans Launches Proprietary Reverse Mortgage Alternative to HECM

By Bonnie Sinnock

Quicken Loans subsidiary One Reverse Mortgage is rolling out a private-label alternative to the Federal Housing Administration’s Home Equity Conversion Mortgage that offers higher loan limits and more flexible underwriting terms.

The product is called the Home Equity Loan Optimizer and is already available in the lender’s consumer-direct channel and will soon be available to mortgage brokers. The loan was designed to fill the void where the FHA’s product has fallen short of what some borrowers are looking for, said Gregg Smith, president and CEO of One Reverse Mortgage.

“We’ve been exclusively a HECM shop, but we’ve been working on our own version,” he said in an interview.

Customers have been divided as to whether they want to discuss loans over the phone or face-to-face, so One Reverse Mortgage will be offering the product through both channels to meet the needs of the two different types of clients, Smith said.

The fixed-rate, closed-end loan gives borrowers more leeway than the standard product in some areas, but less in others. For example, the new loan allows for higher loan limits up to $4 million and for debt to be paid off to qualify. It also offers more flexibility for borrowers to use a reverse mortgage to buy a home, as well as when a condominium property is involved. It doesn’t require mortgage insurance.

“We built a program that speaks to a larger audience. You can have seller concessions and you can consolidate debt,” Smith said.

In addition, the program makes all funds available at closing, and does more to accommodate solar panels, within certain restrictions. The loan lacks a seasoning requirement for previous cash-out mortgages.

But the program also has some underwriting restrictions that HECMs don't. For example, properties must be worth at least $350,000, and two appraisals are required if the value exceeds $2 million. Borrowers must have a minimum credit score of 640, and nonborrowing spouses are prohibited.

The company plans to securitize the new product. It also is considering offering other variations on the private-label reverse mortgage in the future, including an adjustable-rate loan.

More proprietary reverse mortgages are being launched in the market overall in response to a more pessimistic outlook for HECM volume.

Millennials May Delay Having Children in Order to Afford a Home Purchase

By Elina Tarkazikis

As housing affordability continues eroding on growing property values and mortgage rates, nearly a quarter of millennials believe they need to delay having children to afford a home purchase, according to ValueInsured.

“Conventional wisdom assumed millennials were buying homes later because they chose to get married and have children later,” Joe Melendez, CEO and founder of ValueInsured, said in a press release.

“New research now suggests homeownership may be the cause, not the effect, of delayed family formation. It is an alarming trend, and we see more acute evidence in expensive housing regions,” said Melendez.

Millennials comprise the largest cohort of homebuyers, and will be responsible for driving the housing demand curve forward through the end of the year, but their perceptions on making a purchase soured in the third quarter.

The share of millennials reporting that buying a home today is a good investment fell into negative territory at 48%, according to ValueInsured’s Modern Homebuyer Survey. This marks a survey low which is down from 54% a quarter ago and down from the previous high of 77% hit two years ago.

Further demonstrating a shift in their views, 61% of millennials claim buying a home is more beneficial than renting, which is another survey low and a significant drop from just two years ago when the share was 83%.

About 58% of millennials claim that a home purchase is the best decision they can make for themselves and their families, which is the lowest this figure has been in the past 10 quarters.

The generation continues associating owning a home with making sacrifices, as 32% don’t think they can afford a healthy and balanced diet while saving to buy a home at current prices.
What FHFA Scandals Mean for Agency’s Future, GSE Reform

By Hannah Lang

The biggest impact may be to focus the administration’s efforts on selecting a nominee to succeed Director Mel Watt, whose term ends in January.

In July, a three-judge panel for the U.S. Court of Appeals for the Fifth Circuit ruled that the agency’s leadership structure, in which a single director is shielded from presidential firing unless there is cause, violates the Constitution.

But a more explosive story broke just days later in a report by Politico about an investigation into allegations that Watt, an Obama appointee whose term ends in January, made inappropriate sexual advances toward an employee.

On Aug. 2, Politico also reported an investigation into the FHFA’s inspector general, Laura Wertheimer, for allegedly taking steps to undercut her office’s oversight of the agency in response to pressure from Watt.

The Federal Housing Finance Agency has faced a barrage of negative headlines lately, from a sexual harassment probe of Director Mel Watt to a court ruling declaring the agency’s leadership structure unconstitutional. But will the flood of bad news affect policy related to oversight of Fannie Mae and Freddie Mac?

Analysts say the biggest impact of all the attention — albeit negative attention — may be to elevate the profile of an agency that despite its relative obscurity poses significant personnel and policy questions that the administration will have to eventually address.

“It’s kind of turning D.C.’s attention to the future of housing finance a little bit more than it has been for some time,” said Ed Mills, a policy analyst at Raymond James.

Mills and others said the effects of the recent scandals on the agency’s current leadership — and how it handles the conservatorships of the GSEs — are likely limited, mainly because Watt is near the end of his term and attention has already begun to shift to who his successor will be.

“This would have a huge impact if this was in the first six months of the tenure, not in the last six months,” said Mills.

But if the administration had not been focused on selecting a new nominee to run the agency, the recent scandals may be accelerating that process. Attention to the agency could grow this month; the House Financial Services Committee announced an FHFA oversight hearing for no later than Sept. 27.

“Each one of these headlines ... brings more focus to the transition ahead more so than necessarily defining the transition,” said Isaac Boltansky, the director of policy research at Compass Point. “So at a minimum it’s just getting more attention within a White House that I think at times has not prioritized financial regulatory nominees in its to-do list.”

Still, Boltansky agreed that the recent developments likely will not impact broader discussions about FHFA reforms since the agency’s top leadership position is about to change over.

“If we were at a different point in the five-year term, I think that there would be more of a window for legislative consideration of the FHFA’s governance structure, but given that we’re a few months and possibly even less from President Trump getting to tap the next head of the FHFA, I seriously doubt that either chamber of Congress is likely to focus on this issue,” he said.

And analysts widely agreed that the agency being cast in a more negative light likely won’t have much bearing on efforts to reform the GSEs. Reform of the housing finance system has already been intractable enough.

“GSE reform has many complex economic and political moving parts and thus won’t be materially impacted by any one or two individuals,” said Mark Zandi, chief economist of Moody’s Analytics.

Some suggested the ultimate outcome of the court case over the agency’s constitutionality, before the Fifth Circuit, is a bigger factor in determining the agency’s future than the allegations facing Watt and the agency’s inspector general.
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Servicing

Satisfied customers
TD Bank and Caliber gained the most satisfaction points this year, after having the largest year-over-year declines in 2017

2017 2018

Source: J.D. Power

Consumer Satisfaction with Servicers Rises, But Digital Has Room to Grow

Investments in technology and emphasis on user experience contributed to an increase in the average satisfaction score for mortgage servicers.

By Paul Centopani

Investments in technology and rededication to user experience helped consumer satisfaction with mortgage servicers improve from 2017, according to J.D. Power.

The industry's average satisfaction score was 758, up four points from last year. While that increase was relatively minor, a number of servicers experienced much better year-over-year point increases on an individual level.

TD Bank topped all servicers in year-over-year gains with 63 points, and Caliber Home Loans was second with a 61-point jump. Both had the largest declines from 2016 to 2017.

Overall, mortgage servicers poured money into bolstering their digital presence, a trend expected to continue as the space evolves. Only 20% of customers said they used the mobile platforms, but those who did reported higher satisfaction ratings over nonmobile users. The percentage of mobile users is much lower compared with businesses like checking or credit cards that involve more frequent transactions.

For that 20% figure to grow, a combination of things need to happen, according to Craig Martin, senior director at J.D. Power. "There has to be a quality upgrade," he said. "The servicing interfaces usually aren't up to the same level as other parts of the websites. The origination side is where they're spending a lot of money. On the servicing side, they're not sharing information, they're not talking, they're not educating, they're not engaging ... they're pretty much just driving you to act and that's it."

Adding value would be the way to digitally connect with more customers. "That may be education, promotion, or things like how to lower your monthly bill so you're offering up information with value to the consumer to get their eyes to your site," Martin said.

Quicken Loans is the top-rated mortgage servicer for the fifth straight year. Quicken's score of 857 is 99 points above the industry average and grew by 17 points year-over-year.

"They're one of the few mortgage servicers today that is offering a mobile app on the servicing side," Martin said. "Technology sets them apart. Their communication [does], too."

One of the challenges for servicers is that their customers have little personal connection with them beyond routine mortgage payments, Martin said.

"Quicken does a good job of engaging and does a wealth of advertising," he said. "Both of those speak to the borrower in common language. They're down-to-earth and plain-speaking, while still being knowledgeable."

Marion McDougall, chief loan administration officer at Caliber, gave a lot of the credit for the company's improvement to its focus on customer experience and development of a program called CLEAR — which stands for communicate, listen, educate, anticipate and resolve.

"We refocused on walking in the customer's shoes, putting extra emphasis on listening to them in order to identify the gaps in our shortcomings," McDougall said. "We advocate for customers' goals rather than just meeting their needs and find resolutions swiftly. We also went live with our mobile app earlier this year."

Caliber's steps to improvement align with Martin's advice for servicers, whom he says are at a crossroads.

"They're going two directions: Some are retrenching and not spending money, being conservative and trying to wait out this marketplace. Others are driving for change, investing in technology in both servicing and origination," Martin said.

If servicers "keep doing the same thing they've always done, eventually they'll lose market share to cutting-edge players — people focused on the customer, people focused on digital and driving that optimal experience in the new way of doing business."

Mortgage servicer satisfaction is calculated on a 1,000-point scale and measured through feedback from six categories: new customer orientation, billing and payment process, escrow account administration, interaction, mortgage fees and communications. NMN
Mortgage Foreclosure Rates Hit a 12-Year Low

By Paul Centopani

The mortgage delinquency rate dropped on an annual basis, a sign of a strengthening economy, but could soon see a spike due to this year’s wildfires, according to CoreLogic.

In May, the foreclosure inventory rate reached 0.5%, its lowest depth for any month since September 2006. Foreclosure rates dipped 0.2 percentage points from last year.

The share of mortgages that transitioned from current to 30 days past due was 0.8% in May 2018, the same from a year before. Early-stage delinquencies (30-59 days past due) are a harbinger for the state of the mortgage market. The rate of early-stage delinquencies also dropped, going to 1.8% from 1.9% in May 2017.

The overall mortgage delinquency rate in the U.S. sat at 4.2%, marking a year-over-year decline of 0.3 percentage points.

“While the strong economy has nudged serious delinquency rates to their lowest level in 12 years, areas hit by natural disasters have had increases,” Frank Nothaft, chief economist for CoreLogic, said in a press release.

The impact of the wildfires that roiled throughout the Western U.S. probably hasn’t been felt yet. “The tragic wildfires in the West will likely lead to a spike in delinquencies in hard-hit neighborhoods,” Nothaft continued.

“The wildfire in Santa Rosa last year destroyed or severely damaged more than 5,000 homes. Delinquency rates rose in the aftermath, and in the ensuing months we observed home-price growth accelerate and sales decline. We will likely see the same scenario unfold in fire-ravaged communities this year,” he added.

Of course, hurricanes are another natural disaster that doubles as a major culprit to housing damage and late mortgage payments.

“Serious delinquency rates continue to remain lower than a year earlier except in Florida and Texas, the hardest-hit states during last year’s hurricane season,” said Frank Martell, president and CEO of CoreLogic. “We have observed continued challenges for families to make mortgage payments in regions impacted during the 2017 hurricane season.”

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Servicing

Getting stronger
Mortgage delinquencies and foreclosures fell year-over-year in May as the economy gains steam

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Source: CoreLogic

nationalmortgagenews.com

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collaboration at a glacial pace, one market observer said.

“This is where we are today: An announcement of a deal or a quiet agreement to reopen access is like an achievement,” said Mark Schwanhausser, director of omnichannel financial services at Javelin Strategy & Research. “In many ways it’s a frustrating period for aggregators.”

Other data aggregators said they had experienced access issues with Capital One also. FormFree, which provides mortgage lenders with verification of asset reports that are used as an alternative to borrowers supplying paper or PDF bank statements, had alerted users on July 5 it “suspended data feeds from Capital One in response to a data disruption.” That was later resolved.

In a statement provided by Capital One, the bank downplayed any suggestion it had been playing hardball with aggregators. The statement said it was following protocol to safeguard its data.

“It is possible that the regular upgrades that we make to improve the safety and security of our systems may impact the ability of some third parties to access customer data, should they rely on methods that don’t meet our reasonable security standards,” the bank said. “While this may cause a temporary inconvenience as impacted third-parties adapt, this was an important upgrade we made to help prevent customer harm.”

Finicity, in Murray, Utah, will connect through Capital One’s Customer Transactions application programming interface. With open authorization technology, users will not need to share their banking credentials with third-party apps. Instead of handing over customer data, the tech creates tokenized access, providing direct authorization through Capital One.

Once the connection is in place, customers are expected to migrate in the first quarter of 2019.

“Technology is enabling us to bring waves of new financial tools into the marketplace,” Becky Heironimus, managing vice president of enterprise digital products and data connections at Capital One, said in a press release. “We know many of our customers actively use and rely on third-party services to help them manage
Technology

and track their finances, and we appreciate the value these services provide. Our agreement with Finicity helps our mutual customers take full advantage of their platform.“

The bank has steadily maintained it is willing to work with aggregators, but its security expectations for secure data sharing had to be met by third parties.

Brandon Dewitt, chief technology officer at MX (another data aggregator that partners with Finicity), said the agreement demonstrated Capital One is willing to work with fintechs along guidelines that provide data access and satisfy security concerns.

“This is an example of an agreement that stands on the governance being outlined with how data should be handled, secured and utilized as outlined by guidance from the [Consumer Financial Protection Bureau] and recent guidance from the Treasury,” Dewitt said. “These agreements are just coming to practical use, but many are being conceived as we speak.”

Capital One’s Heironimus said in the release that “through the API, our mutual customers can securely connect with thousands of leading fintech applications and enable access to accurate account information that gives them control and transparency over how and when they choose to share their Capital One financial data.”

This agreement follows several Finicity has made with other big banks, including USAA, Wells Fargo and JPMorgan Chase. With a variety of relationships with service and application providers, Finicity aggregates data for personal financial management tools, generates verification reports for lenders and supports ACH verification for payment providers, among other services.

Capital One’s other API partners include Abacus, Clarity Money, eMoney Advisors, Expensify, Intuit and Xero.

These agreements are done at the discretion of banks. While the CFPB and the Treasury Department have issued guidance on data sharing, there is no regulation compelling such transfers. By comparison, open banking regulation in the U.K. forces banks to share data with third-party fintechs and retailers.

To address trust and competitive concerns, U.S. fintechs and data advocacy groups have proposed data-sharing frameworks for the industry. The latest was presented in May by Envestnet’s Yodlee, Quovo and Morningstar’s ByAllAccounts. NMN

nationalmortgagenews.com
Compliance & Regulation

HUD Seeks to Ease Fair Housing Rule’s Burden on Local Governments

The Trump administration has argued that the Affirmatively Furthering Fair Housing rule, issued in 2015, was too prescriptive.

By Hannah Lang

The Department of Housing and Urban Development took its first step toward overhauling a rule meant to guide local jurisdictions in how they comply with the Fair Housing Act.

To the dismay of housing advocates, the Trump administration in January suspended the Affirmatively Furthering Fair Housing rule, arguing that it was too prescriptive. The rule, drafted by the Obama administration, is meant to help locales meet obligations under the Fair Housing Act to provide affordable housing options and avoid housing discrimination.

In an advance notice of proposed rulemaking released Aug. 13, the department sought comment on changes it says will reduce regulatory burden, provide greater control and increase the housing supply.

"HUD found that in contrast to its stated goals, the AFFH rule proved ineffective, highly prescriptive, and effectively discouraged the production of affordable housing," the department said in a press release.

In May, the department also withdrew a computer assessment tool that local governments had used to file affordable housing plans under the 2015 rule.

"It’s ironic that the current AFFH rule, which was designed to expand affordable housing choices, is actually suffocating investment in some of our most distressed neighborhoods that need our investment the most," HUD Secretary Ben Carson said in the press release.

"We do not have to abandon communities in need. Instead we believe we can craft a new, fairer rule that creates choices for quality housing across all communities," he said.

However, housing advocates disagree and argue that the rule was effective.

"This proposed action reveals yet again that the current administration fails to understand its civil rights obligations and the importance of the Fair Housing Act for the communities it is supposed to serve," said Megan Haberle, the deputy director of the Poverty & Race Research Action Council.

"Until suspended by HUD, the current rule was benefiting numerous localities by helping them construct meaningful fair housing goals, address discrimination, and broaden housing choice in ways that made sense for each community."

Morgan Williams, the general counsel for the National Fair Housing Alliance, said the suspension of the rule was unfair yet the group is willing to work with HUD to ensure that any changes “guarantee meaningful outcomes.”

"Any reconsideration of the rule must account for the fact that HUD has a track record of more than 40 years of failing to properly ensure compliance with its affirmatively furthering fair housing mandate," she said.

"While the rulemaking process is underway, HUD should continue to vigorously enforce the current rule, which went through extensive piloting and public comment and is designed to produce real results."

Advocacy groups including the Poverty & Race Research Action Council, the National Fair Housing Alliance, the American Civil Liberties Union and the NAACP filed a lawsuit against the department in May, asserting that the suspension of the rule was unlawful. HUD and Carson had filed a motion to dismiss the case, but a judge for the U.S. District Court of the District of Columbia heard oral arguments in the case in July.

The public can comment on the proposed regulations for 60 days after the proposal is published in the Federal Register. HUD will also be looking at comments submitted in response to the suspension of the local government assessment tool in its consideration of potential changes, the department said. NMN
Relief from HMDA Requirements May Go Further Than Banks Realize

By Rachel Witkowski

Federal reporting requirements for mortgage data have been a moving target in recent years. Just as one set of policymakers expands reporting rules, another eases them. But bankers are starting to see more signs of clarity.

One point of confusion: Do reforms enacted in May reducing Home Mortgage Disclosure Act reporting fields for small lenders mean they still have to collect the data?

An official at a recent Federal Deposit Insurance Corp. meeting suggested that banks qualifying for the exemption are under no obligation to collect the data internally, except in certain rare circumstances.

"From our point of view, we do not think the law requires you to collect the data if you don’t have to report it," said Jonathan Miller, deputy director for the FDIC’s division of depositor and consumer protection, at the meeting of the agency’s community bank advisory panel. "It’s completely up to you whether you want to do it for whatever internal purposes, fair lending or for other purposes."

Banks have been waiting for more HMDA guidance from the regulators after Congress in May passed a legislative package that curtailed parts of the Dodd-Frank Act, including exempting smaller lenders — about 85% of the industry — from reporting the extra data fields that had been required by the 2010 law.

The HMDA data is often used by examiners to identify fair-lending issues. Banks have been questioning whether they still need to collect the data to protect themselves from potential enforcement, even if they no longer have to report it.

Miller’s comments have been seen by some as a significant sign of where regulators may be going. Although the Consumer Financial Protection Bureau writes all the rules and guidance related to HMDA, prudential regulators like the FDIC are tasked with monitoring their banks below a $10 billion asset threshold for compliance.

“It’s significant in the sense that it hasn’t been said before but it’s also highly logical,” said Warren Traiger, senior counsel at Buckley Sandler LLP. “It would not surprise me if the [CFPB] guidance adopts what Jonathan Miller said.”

Dodd-Frank had mandated 14 additional data fields for HMDA reporting on top of nine that had already existed, but the new law passed by President Trump means lenders that originate fewer than 500 closed-end mortgages in each of the two prior calendar years and institutions that originated fewer than 500 open-end lines of credit over the same period are exempt from reporting the extra HMDA data.

However, that HMDA exemption is rescinded for a bank if it receives a low CRA score twice in a row.

Miller’s comments came in response to a banker at the meeting who said his institution had been advised by a “national compliance consultant” to continue collecting the data — so it can be shared with regulators in case the bank received a poor Community Reinvestment Act score on lending to lower-income communities.

The consultant said, “We’re not so sure you’ve been relieved of the data requirements… because if you get a needs to improve or a substantial noncompliance grade in CRA, you better have that data to report,” said David Hanrahan, president and CEO of Capital Bank of New Jersey in Vineland.

Miller responded, “If you are not reporting the data, we would not expect you to collect the data.”

“Just avoid getting a ‘needs to improve’ two times in a row,” he said.

There are concerns, however, about whether regulators could still root out the fair-lending violations with less data being reported.

During the meeting, FDIC Chairman Jelena McWilliams asked her own staff to “elaborate” on “how we are going to look at fair-lending issues in general if this data is not collected.”

Miller responded that “nothing changes for us in how we do any of our exams pre-2018” because new data that had been mandated by Dodd-Frank and in separate CFPB rules was not even required to be reported until this year.

“We will still be collecting the old data and we’ll still be doing the same kind of analysis we have always done,” Miller said.

“If there is a red flag, we talk to the bank, we collect the additional data on a case-by-case basis… and then we do the analysis.”

On top of the additional Dodd-Frank reporting, former CFPB Director Richard Cordray moved to add another 25 data fields that went into effect in early 2018, but acting CFPB Director Mick Mulvaney has indicated he will rescind those fields.

Many industry observers agreed that regulators will not pull back on fair-lending enforcement because there is less HMDA data being reported by smaller banks.

“I don’t think this has a large effect on CRA or fair lending because… it doesn’t stop the agencies on a case-by-case basis from getting whatever fair-lending data they can get,” said Richard Andreano, practice leader of the mortgage banking group at Ballard Spahr. “It would just have to be something they would have to compile and it would take some time.”

Of the roughly 1,850 FDIC-supervised banks that reported HMDA data in 2017, the agency estimates that 244 will be required to do full HMDA reporting in 2018. These institutions had roughly 71% of the originations and 76% of the dollar volume reported under HMDA by FDIC-supervised institutions in 2017.

nmm
Closing the Gap

Early adopters took digital mortgages from concept to reality. What will it take for everyone else to catch up?

It’s been nearly three years since a watershed moment propelled the concept of a digital mortgage into the public consciousness and sent the industry into a frenzy of innovation and investment. That moment, a 60-second commercial during Super Bowl 50 for Quicken Loans’ Rocket Mortgage, asked the question, “What if we did for mortgages what the internet did for buying music, and plane tickets and shoes?”

“You would turn an intimidating process into an easy one.”

While Rocket Mortgage was far from the industry’s first foray into online lending and paperless processing, something was different this time. In the aftermath of the Great Recession, massive regulatory changes upended how business was done. New processes and tools were needed to manage these compliance requirements. Everything else was an afterthought. As a result, an industry notorious for being technology laggards found itself even further behind.

But by the time 2016 rolled around, conditions were improving. Most of the new compliance requirements had been implemented and the “new normal” had set in. Lenders, and their technology vendors, finally had the time and money to invest in improving the borrower experience.

Practically everyone understood what a seamless, digital experience would mean for the industry. Getting there was the hard part. The four-part series that follows examines key digital mortgage developments and explores the untapped opportunities that remain.

While the embrace of digital mortgages has been swift among many early adopters, questions about value proposition and operational complexities continue to vex the broader industry.

Fannie Mae and Freddie Mac’s efforts to automate originations with third-party data may prove crucial as lenders continue to face pressure from rising costs and thinning margins. But while lenders may see the value of these initiatives, many are slow to commit.

Digital mortgages are great for the first 30 days of a borrower relationship, but what about the potentially 30 years after that? Or when a borrower comes on hard times? Embracing digital mortgages in servicing may prove valuable to borrowers and servicers alike.

Finally, as mortgages rapidly become more modern, compliance requirements aren’t moving quite as quickly. But recent efforts by the Treasury Department may soon open the door for improved dialogue between industry practitioners and their regulators.

— Austin Kilgore
Easing the Growing Pains

The scale and scope of implementing a digital mortgage strategy may seem insurmountable to many lenders. But success can be achieved when executives stay committed to their vision, while remaining nimble enough to overcome myriad roadblocks along the way.

The leaders at Quicken Loans and Mid America Mortgage know firsthand the challenges that come with disrupting a deep-rooted industry like mortgage lending. It hasn’t been easy and their journey is far from over, but these early digital mortgage adopters have charted a course for the rest of the industry to follow.

“I got pushback internally,” said Jeff Bode, CEO of Mid America, which uses the brand Click n’ Close for its digital mortgage experience. “Nobody likes change. Everyone wants to come in and do their job like they did the day before.”

But infusing automation into online mortgage applications and streamlining the closing process wasn’t developing technology for the sake of simply having more bells and whistles. The goal was to transform not just how business is done internally, but throughout the entire loan process.

“We were also worried about the perception from the loan officers as to what our borrowers and title companies would feel about it. We did have a few title companies that were averse to trying it,” Bode said. “After they did one closing, they thought it was great. They didn’t have to produce a pile of documents or chase down anything from the borrowers post-closing. I wish I’d done it five years earlier.”

Still, initial progress was slow.

“We didn’t roll out a fully closed system right out of the gate. Initially, we had a bifurcated process where the borrower would go to the title company and sign anything that needed to be notarized in front of the closer,” Bode said. “It was a clunky process where they still had some paper to deal with.”

Handling the e-signed notes after closing was even more difficult.

“We found a big challenge in the execution allocation in our secondary marketing,” Bode said. “We had to break what worked before, until we figured out the process, found our best execution and made sure we got the best price for our loans.”

Simplifying the overall process and making it faster — while still maintaining rigorous underwriting standards — is essential to any digital mortgage strategy. Identifying which parts of the process to modernize is often best achieved by listening to borrowers.

“Importing financial information is something clients love and tell us about all the time,” said Regis Hadiaris, executive director of Rocket Mortgage at Quicken Loans. “Connecting bank accounts and digitally verifying information in real time gives a lot less for the client to do and the burden of proof is lifted from them. With everything all verified upfront, it shaves a week off closing time. There’s no additional manual verification and they don’t have to find documents they never use.”

The speed and ease of other types of online commerce has raised expectations for all manner of consumer transactions. But mortgage lending is unique in how far it has to go to meet these demands.

“Consumers and their expectations are changing very rapidly. We live in a world where we expect to do anything at a touch of a button on our phones and when we can’t, it seems odd. Our whole industry has to live up to that,” said Hadiaris. “But speed is only part of the equation. Consumers demand certainty as well.”

“First-time homebuyers want to understand what they qualify for so they can start making offers with confidence. Real estate agents want verified approval from potential homebuyers. We’ve learned that and leveraged the technology to roll out those things,” Hadiaris said.

Universal, remote notarization is the final piece of the mortgage process awaiting full digitization. Less than one-fifth of the states permit remote notaries, but it’s gradually changing across the country.

“Fully digital, remote e-closings is the thing clients want that we haven’t been able to fully roll out yet. That’s a state-by-state change that has to happen to enable that,” Hadiaris said.

“It’s crazy to think you can go online, do your research, customize your mortgage options, get approved, and lock your interest rate,” he added. “Then at the closing table, here comes a stack of paper and a pen. We have a hybrid model, but where we want the whole industry to go is the fully remote online closing.”

Bode agreed. “We still could do a better job on the application side. The remote notary piece through all the states needs to expand, but that unfortunately requires law changes and that’s never easy.”

— Paul Centopani

Finding ROI in Data Validation

Fannie Mae and Freddie Mac’s loan data validation initiatives promise lenders faster turn times and certainty on buyback risk. But operational integration and loan officer acceptance remain impediments to a widespread embrace of these programs.

Fannie’s Day 1 Certainty and Freddie’s Loan Advisor Suite offer waivers on representation and warranty requirements on data points in the loan file that have been automatically validated through approved, third-party vendors.

When asked about their assessment of the initiatives, lenders view them favorably, with an average score of 7.8 on a scale of 10 in a survey conducted by industry analyst Tom LaMalfa, president of TSL Consulting.

To be sure, the group of 26 lenders, surveyed at the Mortgage Bankers Association’s Secondary Market Conference earlier this year, is a small sample. But those surveyed said only 24% of their loan volume is being closed using either government-sponsored enterprise program.

“There are an awful lot of things everyone likes about them, but a surprising number haven’t yet employed them for one reason or another,” LaMalfa said.

One possible reason is that lenders are focusing their resources on more pressing issues, such as the TILA-RESPA integrated disclosures and Home Mortgage Disclosure Act updates.

“Lenders over the past three to four years also had to spread their technology investments and time on implementing and revising TRID and the HMDA changes, as well as digital point of sale initiatives,” said Craig Focardi, senior analyst for banking at Celent.

“IT’s not just a business decision, but an operational decision to implement significant GSE technology. There’s lots of data
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elements to map, integrations and workflows and processes to change,” he added.

The adoption pace is similar to what happened when the GSEs first rolled out their automated underwriting systems: “I look back to those early AU days and it took a good three to five years until there was normalization of process, and the acceptance of staff within the lending organizations that it was not going to take over their jobs, it was a tool to enhance what they do,” said Randy Jones, Freddie Mac vice president of client solutions, who worked on its Loan Prospector pilot in the mid ’90s.

Something similar is happening with Loan Advisor Suite, he said.

“We are currently tracking as expected,” in terms of lender adoption, said Fannie Mae Director of Product Development Cindy Keith. “We’ve learned a lot of good lessons along the way with the support lenders need for adopting” Day 1 Certainty.

The difficulty for lenders often lies in implementing new procedures for loan officers and other staff, including tasks like ordering reports earlier in the origination process, she said.

“Those with challenges have asked us to give them some best practices,” Keith said, so Fannie created additional support tools, including the ability for lenders to measure return on investment.

“The lenders themselves are not reluctant; senior management is accepting of the concept,” said Michael Celenza, vice president and head of consulting at Digital Risk.

Digital Risk has a contract with Fannie to help lenders incorporate Day 1 Certainty. That work has shown that lenders lack a true understanding of the time and effort needed to incorporate the data validation programs into lenders’ operations, Celenza said.

“It’s significant, it’s a process change; it’s not necessarily a technology change,” he said.

Another part of the acceptance problem, he said, is at the loan officer level. “Change is hard, but this is a struggle for them,” he said. “But when they let go of the documentation and let the process work, the results are dramatic.”

When lenders use Fannie’s property valuation tools, they save 20 days in the process, while using employment verification saved 12 days and asset verification saved six days, Keith said.

Freddie Mac’s implementation approach includes having a dedicated team to help customers integrate its technology. It also teams with the vendors to assist lenders, Jones said.

Loan Advisor Suite brings in the other two “c’s” of mortgage loan underwriting — collateral and capability — that were left behind when automated underwriting systems were first introduced. But the centerpiece of Freddie’s program is the credit part, Loan Product Advisor, and that’s where a lot of the new capabilities reside, Jones said.

This includes the capability Cloudvirga created earlier this year with Freddie that allows for a single-click submission into both Freddie’s Loan Product Advisor and Fannie’s Desktop Underwriter.

“That’s where our whole push and direction is. It shouldn’t be an either/or choice, you should have easy access to both systems so you can see that upfront,” Jones said.

“The track that we’re on is not surprising. When you’re building things to try and provide value and help change, you always want it to happen overnight but that’s not reality,” he said.

— Brad Finkelstein

Digitizing Default

The origination segment has garnered much of the digital mortgage attention in the industry, particularly when it comes to customer experience and satisfaction. But incorporating many of those same processes into the servicing side of the business presents an attractive opportunity to realize those same objectives, particularly for borrowers facing financial difficulties.

The industry is accelerating the pace of technology adoption to develop a more efficient process, but efforts to streamline the mortgage market haven’t strayed much from the origination sector.

While lenders are deploying consumer-facing digital tools that offer streamlined processes to apply and get approved for a loan, default servicers are often relying on disjointed systems and fax machines to process loan modifications and other forms of loss mitigation.

At a time when the industry is obsessed with customer experience, it seems ironic that default — perhaps the most stressful and complex aspect a borrower encounters with a loan — has largely been an afterthought in the digital mortgage revolution.

After all, the steps involved in executing a loan modification share a striking resemblance to underwriting a new mortgage.

“Default is really the last island yet to be overtaken by the tide of new technology, and that’s because it’s more complex; there’s a lot of dimensionality in default, a lot of different data, a lot of different participants,” said Steve Horne, the former CEO of Wingspan Portfolio Advisors, a specialty servicer he founded in 2008 and operated until it declared bankruptcy in 2016.

“That being said, technology is catching up,” Horne, now the CEO of consulting firm Alta Vista Advisors, said.

In the run-up to the housing bubble burst, the mortgage industry had little incentive to offer, let only streamline, loss mitigation processes. Home prices were soaring, delinquencies were low and the small volume of defaults that did exist were tolerable risks.

But after the Great Recession, an influx of loss mitigation programs and new regulations were created to address the mounting foreclosure problem. Servicers were too overwhelmed to innovate.

But today’s mortgage environment, filled with a thirst for technology and far fewer delinquencies, weaves together the perfect circumstances for an overhaul of default servicing.

“The crisis took everybody there in order to manage through it, and now that the crisis is over and the default numbers are at record lows, it’s time to play catch-up in that space and look at how can we provide the best consumer experience for our clients and customers that are going through a tough time,” said Anne Beck, product manager at Fiserv Lending Solutions.

Vendors like Fiserv have developed loss mitigation tools, including online borrower portals, to make it easier for borrowers to apply for loan modifications. Meanwhile, Quicken Loans is applying its Rocket Mortgage approach to loss mitigation.

“It’s not the sexy part of servicing; it’s not the flash and bang or the thing that you go out and promote,” said Nicole Beattie, vice president of servicing at Quicken Loans. “It’s an underserved area of the market that we just thought differently about and said, regardless of what a client may be going through, regardless of if they’re performing or not performing, they deserve the exact same respect and we
should invest in our technology regardless of the client’s situation.”

Quicken’s loss mitigation platform, called Rocket Solutions, provides responses to consumer mortgage modification requests via Rocket Mortgage’s servicing website.

Servicers have now had a number of years to implement and understand the myriad new regulations on their segment of the industry. That’s now making it easier to develop technology to streamline and automate compliant processes.

“I think new technology is 100% aligned with the new compliance and regulatory requirements because it’s all about transparency at the end of the day, whereas older systems were about really anything but,” said Horne.

Instead of being manual laborers by collecting and passing on data, default servicers can focus on overseeing processes to ensure borrowers are delivered the best possible outcomes for their situations.

“It will rework everything in the industry, and if you look at the new wave of technology coming into the financial services space, it has completely redone unsecured lending, consumer lending and even made strides on mortgage origination, which is changing all of the roles,” Horne said.

This shift also helps servicers make better use of their employees.

“We don’t need as many team members making the decision. We’ve now put them as part of the defense and said, ‘Now you’re going to audit to make sure that the product that we’re delivering is 100% the right decision for the client,’” said Beattie.

While the originations segment is leading by example in its pursuit of a completely digital mortgage, it’s unrealistic to think that the default servicing sector will ever be fully automated, which is probably for the best, according to Beck.

“You cannot really manage through a modification process, or a short sale, or a deed in lieu, without having physically spoken to your servicer,” she said. “But it’s taking those first steps and taking the process of getting the documentation and understanding the process better that’s helpful. So much of servicing still relies upon getting a faxed document.”

— Elina Tarkazikis

A New Era for Compliance

The Treasury Department’s recent report on how to regulate nonbanks drew praise from tech startups and mortgage industry insiders alike. In addition to recommendations for a new federal fintech charter and that regulators pull back from payday lending rules, the report contained a section that might be music to a mortgage banker’s ears, including support for the industry’s automation efforts and another call to soften the use of the False Claims Act against lenders.

The report discussed ways to accelerate adoption of electronic promissory notes — or eNotes — in federal mortgage programs, as well as automated appraisals. Regulations notoriously lag the pace of new innovations, so industry experts are hopeful the Treasury report will facilitate an ongoing dialogue about establishing a regulatory framework that reflects the realities of a modernized mortgage market.

“My sense right now is that the industry is really at a tipping point in terms of adoption of digital mortgage or e-mortgage technologies,” said Michael Fratantoni, chief economist for the Mortgage Bankers Association. “The technology is there, the industry desire is there, but there are some regulatory hurdles and the Treasury report identified some of them.”

Treasury endorsed the use of electronic promissory notes at Ginnie Mae, the Federal Housing Administration and the Federal Home Loan banks, noting that the FHA would first need the budget to do so. The department still uses an older mainframe-based operating system, and officials have emphasized the desperate need for technology upgrades.

But one challenge is that while Fannie and Freddie accept e-mortgages, Ginnie Mae does not, although it has outlined a plan to eventually adopt the technology.

The Home Loan banks also do not currently lend against eNotes, and Treasury recommended that they work toward a goal of “accepting eNotes on collateral pledged to secure advances.”

The department also encouraged the FHA to develop enhanced automated property appraisals to “improve origination quality.”

Industry representatives welcomed the Treasury report’s recognition of the FHA’s need for technology upgrades. “CHLA supports recommendations in the Treasury Report to fully fund FHA IT needs, to improve their automated appraisal capabilities and to provide more clarity on the False Claims Act,” said Scott Olson, executive director of the Community Mortgage Lenders of America. “On appraisals, we’ll see what happens,” he said. Regulators and agencies “will continue to find ways to streamline the appraisal process.”

In a move sure to please lenders that have shied away from working with the FHA because of rigid False Claims Act standards, Treasury also recommended that the Department of Housing and Urban Development establish transparent standards to determine which violations it considers to be most harmful in order to help the Justice Department decide which abuses to prosecute.

“Enforcement of the False Claims Act is critical to ensuring integrity of any federal program and protecting it against knowing violations,” Treasury said. “At the same time, FCA enforcement actions can impose significant costs on a defendant both in terms of financial and reputational damages.”

MBA members are “very, very happy” that the administration appears to be recognizing and validating the concerns lenders have about working under the False Claims Act, Fratantoni said. “This has really been a constraint and it’s impacting access to credit and it’s impacting the FHA program as a whole because they have had a number of both large and midsize lenders back away from the program because of this risk.”

— Hannah Lang
Why Independent Mortgage Banks Need CFPB Regulatory Relief

The high cost of preparing for both CFPB and state exams has a disproportionate impact on small independent mortgage banks that don’t have the compliance economies of scale of larger lenders.

By Michael Jones & Sam Lamparello

Our firms recently joined up with 50 other independent mortgage bankers in a comment letter to the Consumer Financial Protection Bureau asking for regulatory streamlining for smaller IMBs.

Our letter asked that Section 1024(b)(b) of the Dodd-Frank Act — which requires tiered regulation of nonbanks based on size, volume, product risk, and extent of state supervision — be fully implemented with respect to these types of community-based mortgage lenders.

IMBs are supervised by every state in which they do business, as well as by the sponsors of mortgage programs they originate under, including Fannie Mae and Freddie Mac and government agencies like the Federal Housing Administration and Department of Veterans Affairs. IMBs are also redundantly regulated by the CFPB with respect to federal consumer mortgage laws.

Why is this a concern? Because the additional costs of preparing for CFPB exams (on top of state exams) and of divining CFPB rules interpretations that may differ from state regulators has a disproportionate impact on smaller IMBs. Smaller lenders don’t have the compliance economies of scale that larger lenders do. The costs of redundant CFPB regulation contribute to IMB consolidation, which is bad for competition and bad for consumers.

The CFPB has supervisory authority over banks, thrifts, and credit unions with assets over $10 billion, a threshold that exempts roughly 98% of the nation’s 5,600 depository institutions. Our letter asks for similar treatment for nonbank IMBs — calling on the CFPB to adopt a formal policy or rule that exempts smaller IMBs from CFPB exams or audits, as well as makes it clear that the CFPB will not take enforcement action against smaller IMBs unless one of their state regulators or a different federal regulator provides a referral for it to act.

In the summer of 2017, the Treasury Department released a detailed report on regulatory issues, which highlighted unnecessary regulatory burdens, with recommendations to address them. A major conclusion of that report was that “The CFPB’s supervisory authority is duplicative and unnecessary.”

Treasury’s report noted that CFPB supervisory authority extends to state-licensed nonbanks that neither enjoy special status under federal law, “nor is regulation needed to address moral hazard created by deposit insurance.” The report further underscores the effectiveness of state supervision, noting that state supervisors “were often leaders in identifying consumer protection problems during the financial crisis and have a unique perspective into the financial services available and needs in their communities.”

The report concluded by calling on Congress to repeal the CFPB’s duplicative supervisory authority, recommending that “Supervision of nonbanks should be returned to state regulators, who have proven experience in this field and an existing process for interstate regulatory cooperation.”

There is legislation that provides a model for how to do this: H.R. 1964, the “Community Mortgage Lender Regulatory Act of 2017.” The bill, introduced by Rep. Roger Williams, R-Texas, provides for streamlined, risk-based CFPB regulation of smaller through the type of approach we advocate.

The recent regulatory relief bill, S. 2155, approved by Congress and signed into law by President Trump, provides substantive regulatory reform for community and regional banks, and for many other areas, such as manufactured housing and the securities industry. While that bill included a useful Transitional Licensing provision, there was really no substantive regulatory relief in S. 2155 for smaller community-based IMBs.

This is where the Dodd-Frank provision on tiered regulation comes in. We don’t need Congress to act; we just need the CFPB to fully follow the statutory requirements of Section 1024(b)(2) of Dodd-Frank. The provision says CFPB supervision of nonbanks should be tiered based on size, volume, product risk, and extent of state supervision. Smaller IMBs meet all of these categories — probably more so than any other types of nonbank financial firms or financial activities.

Community-based IMBs are small businesses that originate and service mortgages and are major job creators. IMBs are active in their local communities and have historically done a better job than the large banks in serving low- and moderate-income and underserved borrowers. Consumers benefit both from the personalized service of community IMBs and their commitment to mortgage loan origination through both good economic times and bad.

Michael Jones is the CFO of Georgetown Mortgage in Georgetown, Texas, and Sam Lamparello is CEO of MLB Residential Mortgage in Springfield, N.J.
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LERETA has selected Rick Holcomb as senior vice president of its tax outsourcing operations.
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Most recently, he was vice president of operations at CoreLogic.
Holcomb began his tax service career at First American Real Estate Tax Service and also worked for Midland Mortgage, a division of MidFirst Bank in Oklahoma.

FLORIDA

MIAMI
Greystone is expanding its lending presence in South Florida with the hiring of Federico Calaf.
He is responsible for boosting loan origination in the region, particularly for multifamily small balance lending.
Over the course of nearly two decades, he has worked in commercial real estate finance in South Florida and San Juan, P.R.
Prior to joining Greystone, Calaf was a principal at Miramar Asset Management, where he led deal sourcing, acquisitions, dispositions, asset management and financing for the commercial real estate firm.
He also held positions in the commercial real estate and construction loans divisions of Banco Santander and Doral Financial Corp.

MARYLAND

COLUMBIA
IndiSoft has tapped Mark Sweeney for the chief technology officer position. Sweeney, who will be responsible for all technical and product strategy, development and support, brings to the firm more than 30 years of experience in the technology industry.
He was previously senior vice president of service delivery at Bank of America and executive vice president of applications development at Countrywide Home Loans.

OKLAHOMA

EDMOND
ADFITECH Inc. said that the board of directors has named Thomas Apel as chief executive officer, who will assume day-to-day leadership of the company immediately.
Apel founded ADFITECH in 1983 and was actively involved in the company until 2010.
He currently serves as chairman of the board of Stewart Information Services Corp. and on various other private boards.

NEW YORK

MELVILLE
TMS, a national financial services and mortgage company, has promoted Barbara Yolles to chief strategy officer and Pete Sokolovic to president of originations.
Yolles, who joined the company in August of last year, has 25 years of industry experience. As chief strategy officer, she will be leading all of the growth initiatives, innovations and technology for TMS.
In his new role as president of originations, Sokolovic, who also has 25 years of industry experience, will oversee both the retail and wholesale business channels.

Mark Sweeney
Columbia, MD

Barbara Yolles
Melville, NY

Federico Calaf
Miami, FL

Thomas Apel
Edmond, OK

Rick Holcomb
Covina, CA

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Today's housing market climate is a stormy one for homebuyers; growing home prices and mortgage rates are creating affordability obstacles for potential purchasers, and limited inventory is pushing property values upward. But, some local housing markets, supported by lower median home prices and more favorable mortgage rates, offer purchasing power advantages to consumers.

From Washington to Baltimore, here's a look at 12 best housing markets for homebuyer purchasing power. The data, from the May First American Real House Price Index, measures home price changes, taking local wages and mortgage rates into account “to better reflect consumers’ purchasing power and capture the true cost of housing.”

**No. 1**
Pittsburgh, Pa.  
Median sale price: $125,000  
RHPI: 65.42  
Year-over-year RHPI: 3.4%

**No. 2**
Washington, D.C.  
Median sale price: $374,921  
RHPI: 85.16  
Year-over-year RHPI: 3.7%

**No. 3**
Baltimore, Md.  
Median sale price: $258,000  
RHPI: 83.07  
Year-over-year RHPI: 6.1%

**No. 4**
Oklahoma City, Okla.  
Median sale price: $158,000  
RHPI: 73.31  
Year-over-year RHPI: 6.8%

**No. 5**
Memphis, Tenn.  
Median sale price: $157,250  
RHPI: 57.23  
Year-over-year RHPI: 7.9%

**No. 6**
Hartford, Conn.  
Median sale price: $220,000  
RHPI: 75.22  
Year-over-year RHPI: 9.5%

**No. 7**
Virginia Beach, Va.  
Median sale price: $220,500  
RHPI: 95.52  
Year-over-year RHPI: 9.9%

**No. 8**
St. Louis, Mo.  
Median sale price: $166,250  
RHPI: 71.7  
Year-over-year RHPI: 10.1%

**No. 9**
Raleigh, N.C.  
Median sale price: $248,500  
RHPI: 82.25  
Year-over-year RHPI: 10.5%

**No. 10**
Chicago, Ill.  
Median sale price: $238,561  
RHPI: 70.49  
Year-over-year RHPI: 10.8%

**No. 11**
Median sale price: $202,897  
RHPI: 87.72  
Year-over-year RHPI: 11.5%

**No. 12**
Milwaukee, Wis.  
Median sale price: $175,000  
RHPI: 96.54  
Year-over-year RHPI: 12%
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