National Mortgage News

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Moment of truth?

With time running out on a key QM safe harbor, a tipping point on housing finance policy may be at hand

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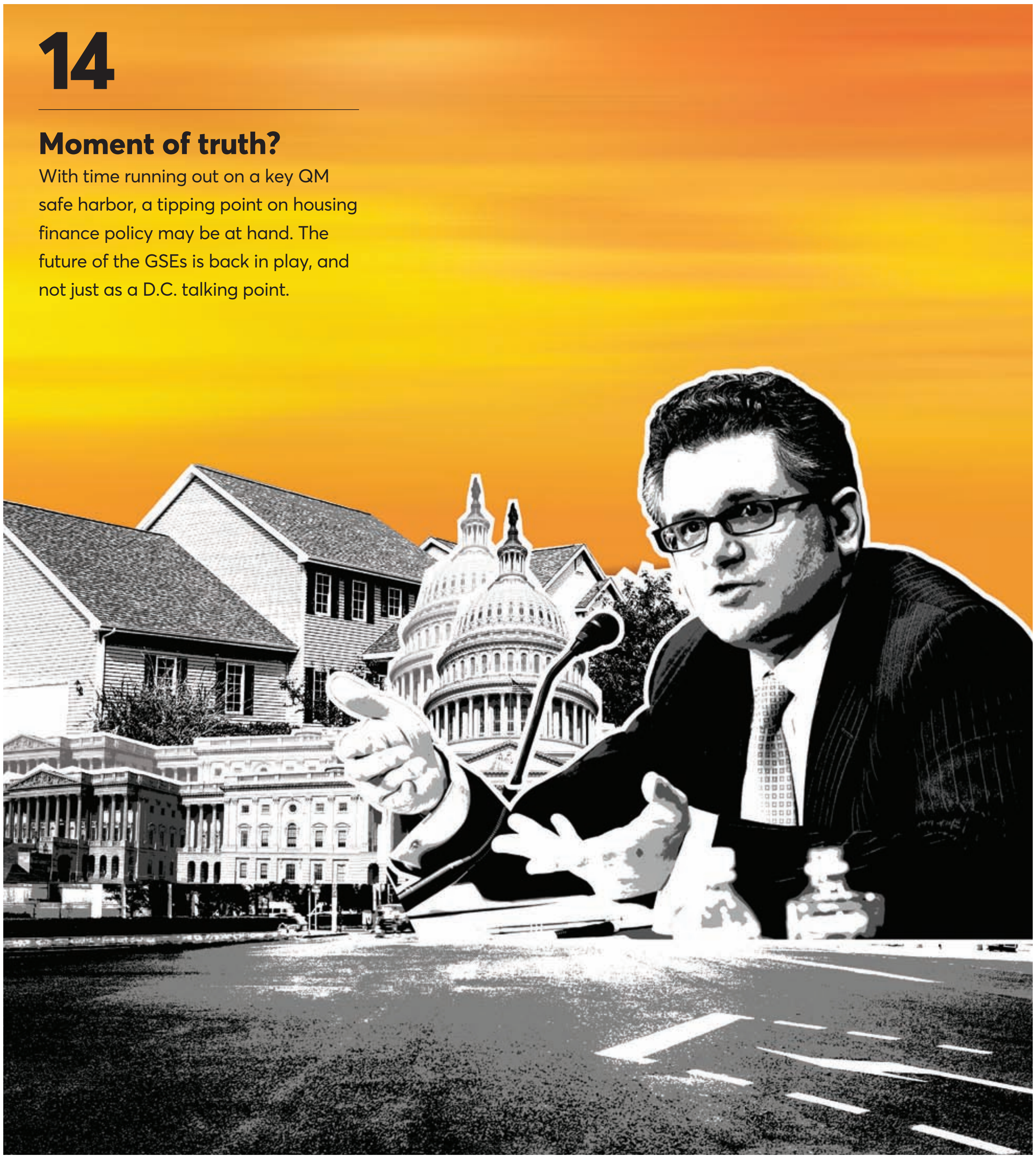

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National Mortgage News

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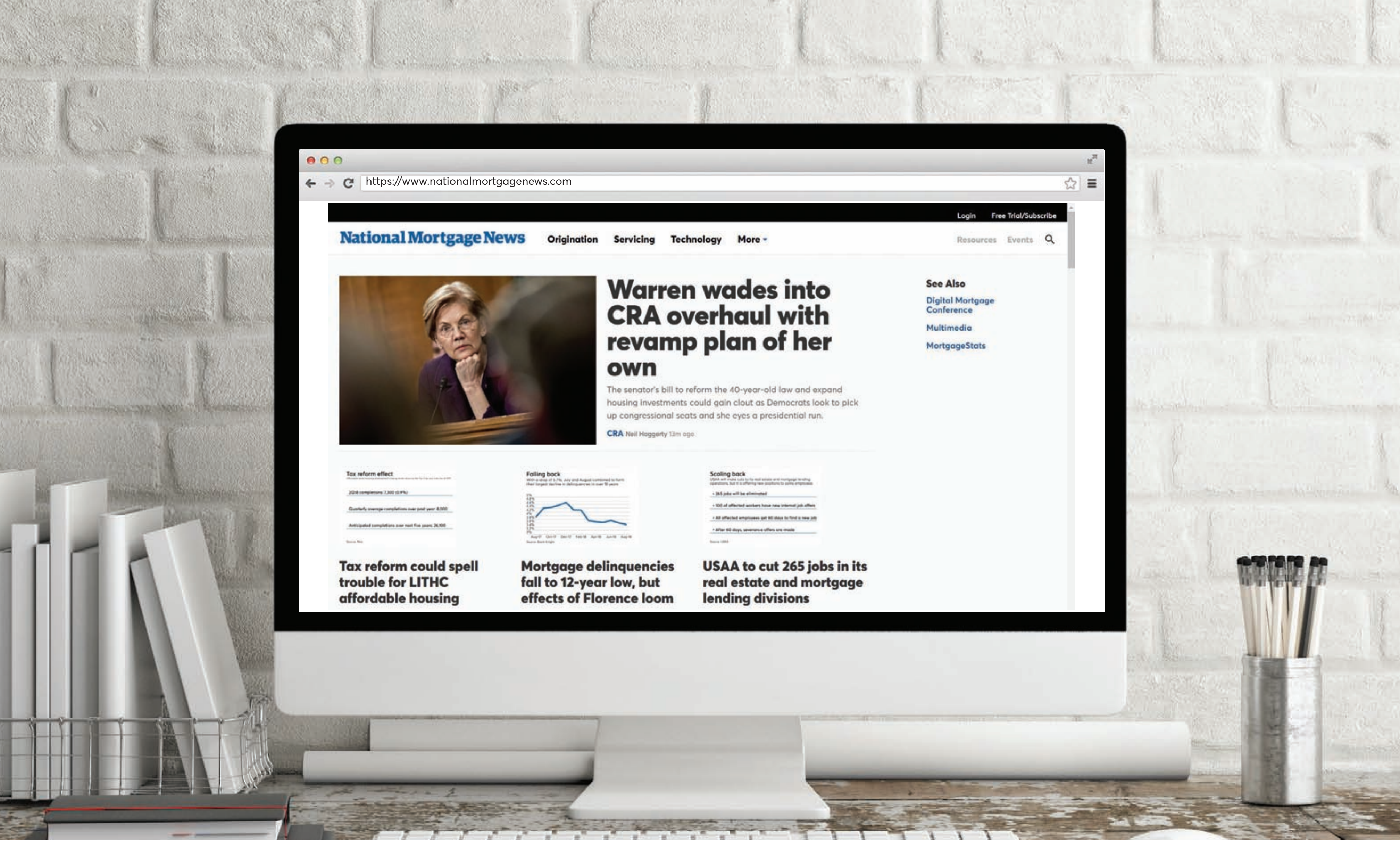

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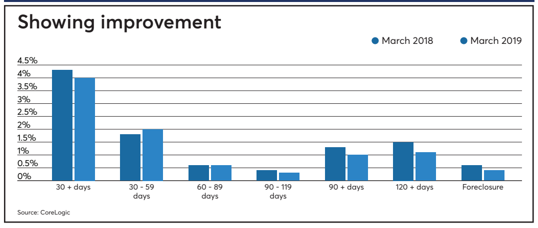

March foreclosure rates haven't been this low in 20 years

Foreclosure rates in March hit their lowest reading for the month in at least 20 years, while overall and serious delinquency rates also achieved 13-year lows for the same period, according to CoreLogic.

People are talking about...

Corporate landlords are snatching up entry-level housing in Boise

SusanInFlorida: "Not a word about HAMP, TARP and the wholesale theft of America's wealth. 'Banks,' while being bailed out in the meltdown they caused, were to restructure mortgages to prevent foreclosures. They did not."

Events

July 10-11
MBA CREF Market Intelligence Symposium
New York, NY
www.mba.org/store/events/conferences-and-meetings/cref-market-intelligence-symposium

Sept. 23-24
Digital Mortgage
Las Vegas, NV
www.nationalmortgagenews.com/conference/digitalmortgage-2019

Nov. 19-21
Small Biz: Banking
Los Angeles, CA
www.americanbanker.com/news/small-biz-banking-conference

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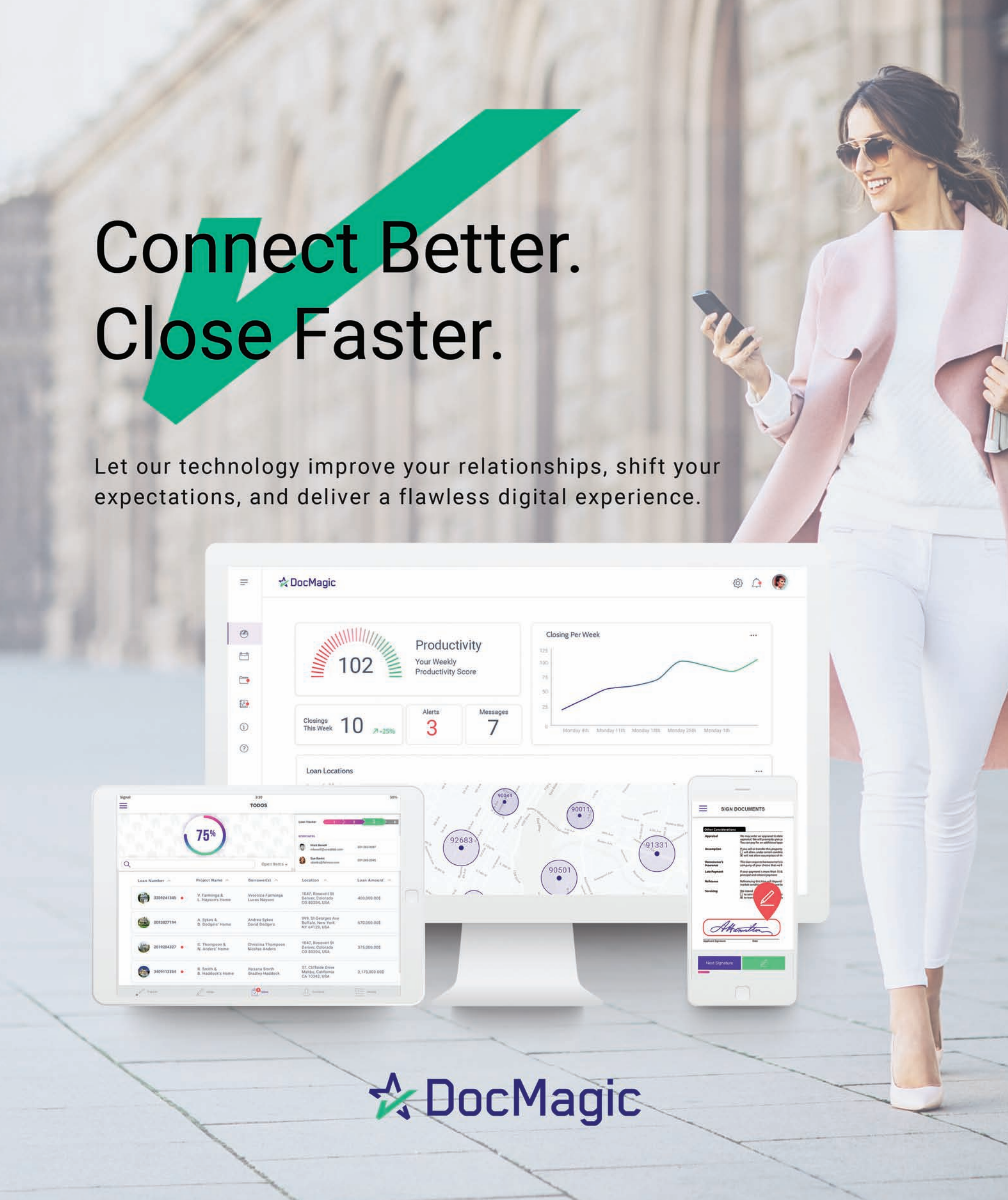
Connect Better.
Close Faster.
Let our technology improve your relationships, shift your expectations, and deliver a flawless digital experience.
DocMagic
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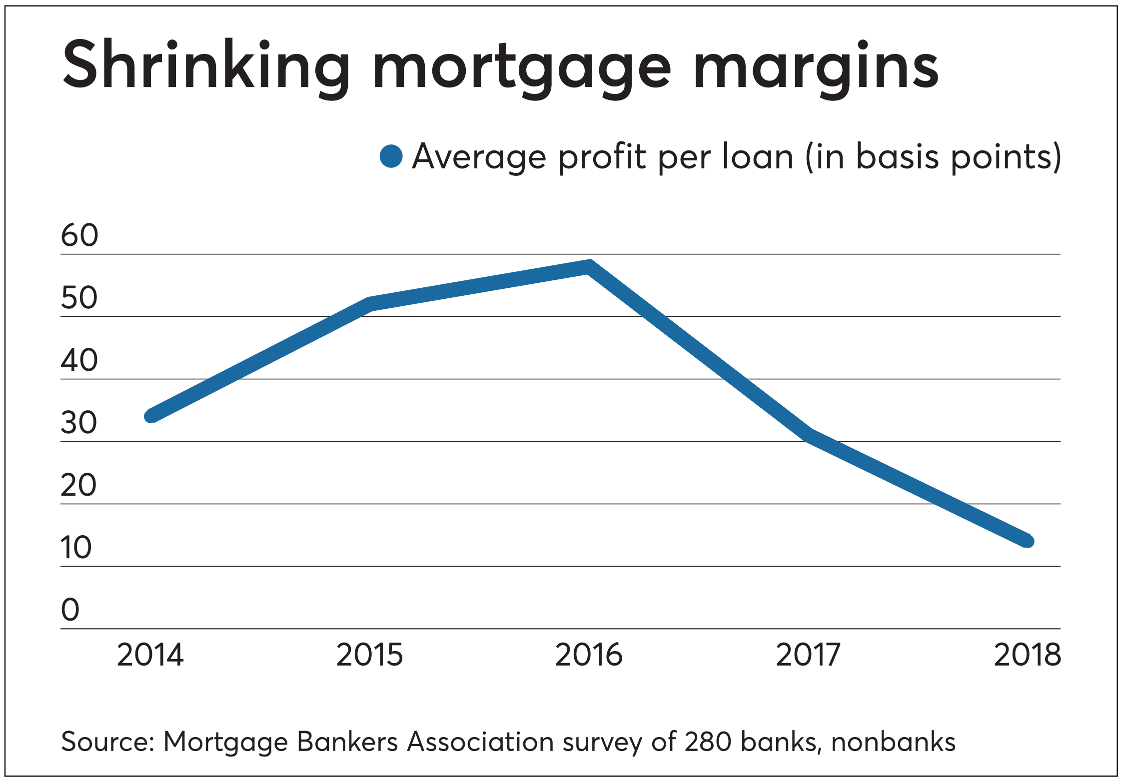


Expect more banks to exit national mortgage lending

Many banks have already scaled back home lending or even left the business. With profit margins shrinking, inventories of homes at crisis levels and competition from nonbanks intensifying, that's unlikely to change.

By Jon Prior

It's no secret the mortgage business has been tough lately, but bankers who have downsized in home lending say it's no fad — they (and others) predict the slim profits are here to stay and that more banks will follow their lead in scaling back.

Seattle's HomeStreet Bank, with about $7.1 billion in assets, got its start about a century ago as a private mortgage bank. But it saw its profit margins on home loans cut in half since the 2008 financial crisis. The bank's national mortgage business managed to break even in 2017 before HomeStreet decided to sell it earlier this year.

Banks have been forced to hold higher capital reserves against mortgage assets after the housing market's meltdown. Stricter regulations and a stubbornly low inventory of homes for sale — especially ones affordable to first-time buyers — have forced several banks to turn what once was a reliable profit generator into an afterthought service within their branch network.

"We will continue to offer mortgages, but the scale of this business line will be substantially smaller, focused on our retail deposit network and regional markets, and positioned for ongoing profitability," said HomeStreet CEO Mark Mason.

Boston's Berkshire Hills Bancorp, with more than $12 billion in assets, decided in April to sell off its national mortgage business and keep to writing new home loans within its established areas. The bank has not found a buyer yet, though there are some suitors lined up with an eye toward reaching a deal by year-end, Berkshire executives said.

"What you will see is other banks have a similar conversation about the strategy of a national footprint," said Gary Levante, senior vice president of corporate responsibility and culture at Berkshire's bank unit.

Some executives within the industry privately cheered JPMorgan Chase CEO Jamie Dimon when he complained in the bank's annual shareholder letter of costly regulations and stifled reform for the mortgage market. He wrote that "odds are increasing" for the bank to change its mortgage strategy.

Dimon went further on JPMorgan's earnings call in April, questioning the bank's role in that market.

"We don't mind the volatility. We don't mind staying in the business," Dimon said. "But you've got to look at that and ask a lot of questions about whether banks should even be in it."

Marina Walsh, the vice president of industry analysis at the Mortgage Banker Association's research arm, said that she does not believe there will be a large-scale retreat from financing home loans, but that more firms will consider making moves similar to ones from HomeStreet and Berkshire as they grapple with a bundle of challenges in housing finance.

"It's just a question of what strategy they want to have," Walsh said.

Margin pinch

Mortgage banking production profits fell to $367 per loan in the fourth quarter of last year, according to MBA data. That margin has shrunk by more than 50% in the past year and was the lowest recorded by the trade group since it started tracking the data more than 10 years ago.

While falling borrowing costs have shrunk revenues on loans, expenses have increased as more loan production has hinged on costlier purchase mortgages compared to refinancing. The average expense on a home loan written last year was nearly 20% higher than it was four years earlier, according to the MBA data.

About two-thirds of bank mortgage subsidiaries and independent mortgage companies reported making a profit last year, down from more than 93% in 2016, the MBA data show. Half of bank mortgage units reported being profitable.

"They're just holding on," Walsh said of those banks still sticking to the business.

The lucrative business of refinancing mortgages had dried up as the Federal Reserve had taken interest rates off near-zero lows held during the past recession. Nonbanks like Quicken and LoanDepot often have a leg up over banks when the market shifts to a mix of mortgages taken out to purchase a home because they are subject to less oversight and, because they are not depository institutions, fewer capital requirements.

To be sure, nonbanks are not the only entities rushing into the market larger lenders are leaving. As interest rates have steadied while the Fed paused its rate-hiking course this year, some smaller banks are expanding their mortgage lending efforts, especially in pockets of the U.S. where housing inventory has grown.

Yet the overall downsizing trend is clear. Walsh said there will be even more mergers and acquisitions to come as some lenders decide to divest.

FHA return?

Bose George, an analyst with Keefe, Bruyette & Woods, said everyone is waiting to see whether Dimon follows through with his threats to leave the mortgage business.

But for one section of the market, banks already have.

A staggering 85% of loans underlying mortgage bonds guaranteed by Ginnie Mae in March were written by nonbank lenders, a record high, according to the Urban Institute. Ginnie Mae backs securities made up of mortgages insured by the Federal Housing Administration and the Department of Veterans Affairs.

The FHA, which banks have largely abandoned writing mortgages for, proposed a change recently to take a less aggressive stance toward policing bad lending practices. Banks were hit with multibillion-dollar settlements following the housing market meltdown in 2008 for allegedly violating fair-lending standards, and executives have complained the risk is not worth it.

"Regulations are one of the biggest concerns," George said after speaking with executives.

Inventory crisis

While banks and their regulators will spar over how much oversight is too much, most will agree there are simply not enough affordable homes for sale.

There was an estimated 5.9-month supply of homes on the market in April, according to the Department of Housing and Urban Development. That number has been on the decline for years since hitting a 10.7-month supply during the height of the foreclosure crisis in 2009. Homebuilders have been slow to put new properties on the market, while the price of existing listings has grown more out of reach.

The median price for homes sold in the first quarter of 2019 topped $307,000, according to Census Bureau and HUD data. That had climbed from a median of about $208,000 during the same period in 2009.

Pinched inventory and higher prices mean fewer mortgages.

"Mortgages historically, it's a low-margin business with a lot of volatility," George at KBW said.

"There's a select few who do it. I feel like it fits better with nonbanks. I doubt there's going to be a big move back." NMN

Bloomberg

One important piece of GSEs' transformation is ready

The launch of a combined securitization platform for the GSEs is meant to ease the transition to a new housing finance system, but questions remain about how the mortgage sphere will adapt to the common security.

By Hannah Lang

The Federal Housing Finance Agency has taken the biggest step to date toward reforming Fannie Mae and Freddie Mac by combining the two mortgage giants' securities platforms. But questions remain about how the uniform system will work long term.

The two companies last month issued a common security through a shared vehicle, the second and final phase of a process planned since 2012. Freddie initially started using the common securitization platform in 2016, now it includes both of the government-sponsored enterprises.

Backers say a uniform securitization structure will increase liquidity and encourage market participation, and that the new platform is a key component in preparing for future broader GSE reforms and for Fannie and Freddie's eventual release from federal conservatorships. Yet skeptics note that Fannie's securities have historically had greater appeal for investors, with more liquidity and more favorable payment schedules. They say it is a gamble to force the market to treat them the same.

"It's hard to see how a blended pool would result in anything other than Fannie essentially subsidizing Freddie," said Joshua Rosner, the managing director of Graham Fisher & Co.

While the Uniform Mortgage-Backed Security likely represents a bigger change for Freddie than Fannie, FHFA argues that blending their platforms will increase competition and ease transition to a future system in which the two companies either will no longer exist or will compete against other market participants.

"This is a way for the taxpayer to realize some value from the massive investment the taxpayer had already made in Fannie and Freddie, and would need to make if we were going to build this platform, so this was really about creating a go-forward infrastructure the market could build on," said Ed DeMarco, the president of the Housing Policy Council, at an Urban Institute event on May 28.

DeMarco introduced the idea of the common securitization platform in 2012, while serving as acting FHFA director.

The common security will lower barriers to entry for new competitors to Fannie and Freddie, the agency has said. The FHFA required from the outset that the tool be developed in a way that would allow future market participants to utilize the platform.

"It's a function that really makes sense for Fannie and Freddie to pool their resources in terms of that securitization infrastructure, rather than each of them investing separately," said Mike Fratantoni, the chief economist at the Mortgage Bankers Association. "It made sense to make that investment once and build a utility that both Fannie and Freddie and potential future entrants could use rather than repeat that investment across multiple different enterprises."

The launch of the common security comes as the Trump administration is said to be readying a broader blueprint for how Fannie and Freddie could be reformed and eventually released from conservatorship, either through legislation or administratively. One looming legislative proposal would convert Fannie and Freddie into private guarantors that compete with other market participants.

In finalizing the unified MBS plan, FHFA has worked to align Fannie and Freddie's prepayment speeds and payment schedules. But even though the idea is for securities issued by the two firms to be treated the same, investors could still try to deduce which securities in a blended pool are Fannie's.

"As we know, Fannie and Freddie have two different execution prices, with Freddie's [securities] trading at a discount to Fannie's," said Rosner.

Fannie acknowledged the risk of losing a market advantage to Freddie in disclosure documents for its securities — or "Supers certificates" — released in May.

"If investors prefer Freddie Mac UMBS or Supers certificates over Fannie Mae UMBS or Supers certificates, our competitive position with regard to the acquisition of single-family mortgage loans and the volume of our single-family guaranty business could be adversely affected," Fannie Mae said in a prospectus.

Questions also remain about how other potential housing finance reforms would affect the operation of the common securitization platform, including whether the FHFA ultimately moves to release Fannie and Freddie from conservatorship without Congress enacting more fundamental GSE changes.

"If you see the administration begin to map out a pretty granular set of steps to get them out of conservatorship, it'll be worth watching both how they think about what happens to the CSP through that transition, and what steps they take along the way that would enable meaningful competition," said Parrott.

Rosner said he does not see how the common securitization platform would work outside of conservatorship without a legislative fix to combat potential antitrust violations.

"On the one hand you say you want competition," he said. "On the other hand you're trying to create uniformity and thus some degree of procyclicality between those companies, which I find a little bit troubling."

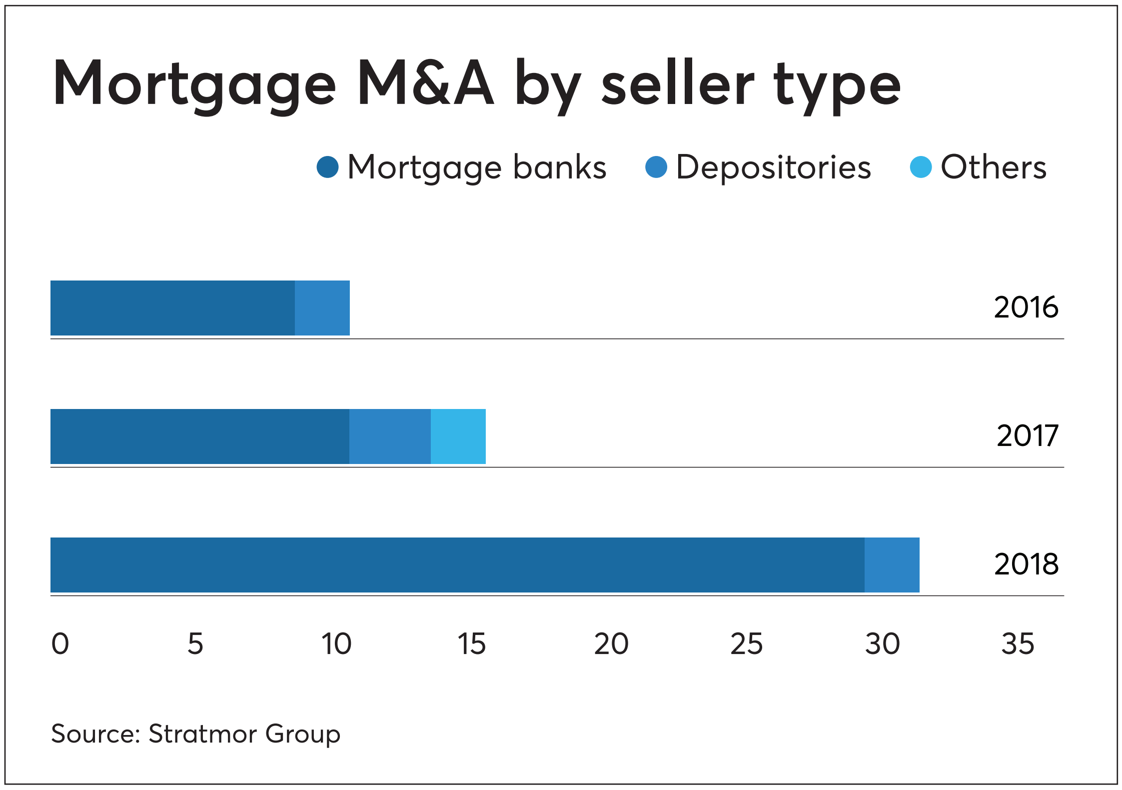
He added that a co-mingling of the GSEs' securities heightened risk just before the subprime mortgage crisis.

"It's important to remember that part of the problem, in the lead-up to the crisis, was Fannie and Freddie buying each other's securities so they functionally became responsible to and for each other's future and existence," Rosner said.

DeMarco noted that the platform was designed so that it could be altered to fit within a future GSE reform structure.

"What we conceived was to set up this common securitization platform as a jointly owned subsidiary of Fannie and Freddie so they were both directly participating," said DeMarco during Urban Institute panel. "But we were quite clear from the beginning — our vision was that this would ultimately become either a market utility or something Congress could dispose of in the process of housing finance reform."

Lawmakers also have the option of building different operations into the platform, said Parrott. "It offers the possibility for policymakers to build on it over time, add functionality to it and possibly even add other users in a way that ultimately will make it a kind of central clearing house for the mortgage market generally," he said. **NMN**



With volume growth elusive, mortgage lenders look for partners

Mortgage company merger and acquisition activity should continue to increase in 2019 as loan production costs rise and originations stay flat.

By Brad Finkelstein

Mortgage company merger and acquisition activity, on the upswing over the past three years, is expected to intensify as originations stay flat and production costs rise.

Industry observers view independent mortgage banks to be at the forefront of the coming consolidation given their funding disadvantages relative to depositories. "Those that are at the lower end of the continuum with respect to capital and liquidity, those are the lenders that are really needing to find a partner," said Jim Cameron, senior partner at consulting firm Stratmor Group.

As originations declined throughout last year, lenders proved themselves willing to accept a certain level of margin compression and financial losses. But that trend isn't sustainable, said John Campbell, managing director at Stephens. In his view, the surprise has been "that it's taken as long as it has to get closer and closer to that true M&A cycle and consolidation."

Expectations of consolidation remain intact despite a slow dealmaking start to the year — a pause generally attributed to valuation concerns and a preference by potential sellers to wait out the seasonally strong part of the year. Longer-term, the trend is clear. In 2016, there were 11 announced deals involving a mortgage company; for 2017, there were 16. That number doubled to 32 for 2018, according to Stratmor Group.

"We're in an environment where lenders are trying to cut costs and reduce capacity — or at least redirect capacity — and meanwhile they're trying to keep up with Rocket Mortgage on the front end," said Cameron. "The bottom players know they need to develop that front end point of sale just to stay in the game, so there is pressure to write checks for technology at the same time they are struggling to generate positive cash flow for operations."

In general, independents have been more likely to profile as sellers in recent deals and banks more likely as buyers. Of the 59 transactions over those three years, an independent mortgage banker was the seller in 50 of them and the purchaser in 39. Banks were the sellers in seven and the buyers in 11. Whether that bias holds is currently a topic of debate as some independents have the means to acquirer depositories.

One example was a deal in August 2018, when the Stitt Family Trusts, which owns Gateway Mortgage, purchased Farmers Exchange Bank, now Gateway First Bank.

Becoming a bank is "a pivotal part of our strategy," said Gateway's CEO, Stephen Curry, and it plans to grow its mortgage business. "We are actively looking at growth strategies including acquisitions. We've had a few shopped to us and we would expect to be a consolidator in 2019."

Gateway has an $18 billion mortgage servicing portfolio, which provides liquidity for the company, he said. Servicing "is an invaluable counterbalance to the retail mortgage business cyclicality," he added.

Gateway did sell some MSRs to facilitate the purchase, partially to raise cash as well as because of the regulatory capital requirements.

Becoming a depository alleviates some of Gateway's concerns regarding profitability because it can offer other services including different loan types to its customers.

In addition, buying a depository helps to shield independent mortgage bankers from political risk, Whalen said in a follow-up interview. Right now there is a "quiet spell in terms of regulation," but if Democrats regain control of the White House and the CFPB, the environment will change. And that will occur as the recent vintage of loans hit their peak default period, he said.

What will not change is that Gateway will remain privately held, Curry said. The Stitt Family Trusts were created by former Gateway Mortgage CEO and current Oklahoma Gov. Kevin Stitt.

It is not an easy task to purchase a depository, Gateway's Curry said. "Finding a seller willing to partner and undergo a long review and approval process is challenging. Additionally, there are challenges with transforming a mortgage firm to meet the regulatory compliance requirements of a depository.

"Once a depository, maintaining sufficient capital would be challenging for most independents, and requires a careful balance between banking and mortgage activities. For these reasons, we believe there will be few who choose to follow this path," he added.

The Gateway deal is of a kind with a model argued for by industry analyst Christopher Whalen in a recent blog. In that piece, Whalen argued that mortgage bankers with a choice would do well to sell their servicing rights because of the financial and reputation risk of a down market and use the proceeds to buy depositories where they can "safely operate a lending and mortgage subservicing business," he said.

"It radically changes the nature of your business. Suddenly you're self-financing, you're paying yourself for things like warehouse loans," Whalen said.

Another option, he said, is selling MSRs to and coming to an agreement to subservice for a fee, pointing to Flagstar — which is a depository — as an example.

"Regulators don't mind that simply because you've taken the most problematic issue off the table, which is where the MSRs go," Whalen added. **NMN**

FCC robocall ruling a setback for debt collectors

By Kevin Wack

The financial services industry often scores victories when it lobbies on issues that are far removed from the daily lives of most Americans. But last month, in objecting to an idea that resonates deeply with the public, the industry found itself on the losing side in Washington.

The Federal Communications Commission voted to allow cellphone companies to implement technology that will block robocalls to their customers, as long as consumers have the ability to opt out of the call-blocking service.

The new rules threaten to impede some of the industry's efforts to communicate with customers in the mobile phone era. Banks and credit unions use robocalls to alert consumers about data breaches and potential fraud, for example. Debt collectors use them to contact borrowers whose loans are overdue.

But automated phone calls are deeply unpopular. The FCC, which received 232,000 complaints about unwanted calls last year, up from 172,000 in 2015, has declared that stopping illegal robocalls is its top consumer protection priority.

"There is one thing in our country today that unites Republicans and Democrats, liberals and conservatives," FCC Chairman Ajit Pai said during the commission's meeting last month. "It is that they are sick and tired of being bombarded by unwanted robocalls."

The commission made clear that call-blocking technology, which has previously been offered by cellphone companies on an opt-in basis, can be implemented unless the customer objects. Mobile phone carriers may have a financial incentive to use the technology broadly because of the costs associated with handling customer complaints over unwanted calls. The FCC also ruled that cellphone companies can allow customers to opt in to services that block all calls from phone numbers that are not in their list of contacts.

The FCC did offer a concession to banks and other companies that had objected to its original proposal, which was published in May. Language added prior to the vote encourages cellphone companies to devise mechanisms for addressing complaints made by legitimate companies, including banks, whose calls are being blocked.

Following the commission's vote, financial industry trade groups said that while they share the goal of eliminating illegal calls, they are concerned about the impact the FCC's action will have on legal calls.

"We continue to believe that callers should be notified when their calls are erroneously blocked, so consumers can continue to receive the fraud notifications, low-balance alerts and other valuable bank information they want and need," Virginia O'Neill, an executive vice president at the American Bankers Association, said in a written statement.

The National Association of Federally Insured Credit Unions also encouraged policymakers to distinguish between illegal robocalls and legitimate communications.

"In the event of fraud or a data breach, consumers could be left in the dark for days, exposing their financial accounts to increased risks and theft," Carrie Hunt, vice president of government affairs at the credit union trade group, said in a press release.

Perhaps the most conciliatory industry statement came from the Consumer Bankers Association, which expressed appreciation that FCC took its concerns into account by at least giving banks the opportunity to contest whether certain calls should be blocked.

"Ensuring legitimate callers have recourse if their calls are flagged as spam or blocked outright is vital to ensuring customers receive the communications they want and need," the trade group's president and CEO, Richard Hunt, said in a written statement.

One question in the wake of the vote is how the FCC's ruling will impact proposed rules on debt collection from the Consumer Financial Protection Bureau.

The CFPB's proposal would limit phone-based collection attempts to seven calls per week. But that provision would become irrelevant in situations where call-blocking technology is being used, said Joann Needleman, a lawyer who frequently represents creditors. "If they don't recognize the number, it's over," she said.

Needleman noted that the CFPB is accepting comments on its proposed rule this summer. She expects the FCC's ruling to be discussed in many of those comments.

The concerns expressed by banks and other companies that use automated calls seemed to carry little weight at the hearing, which focused on the impact that the calls have on aggrieved consumers.

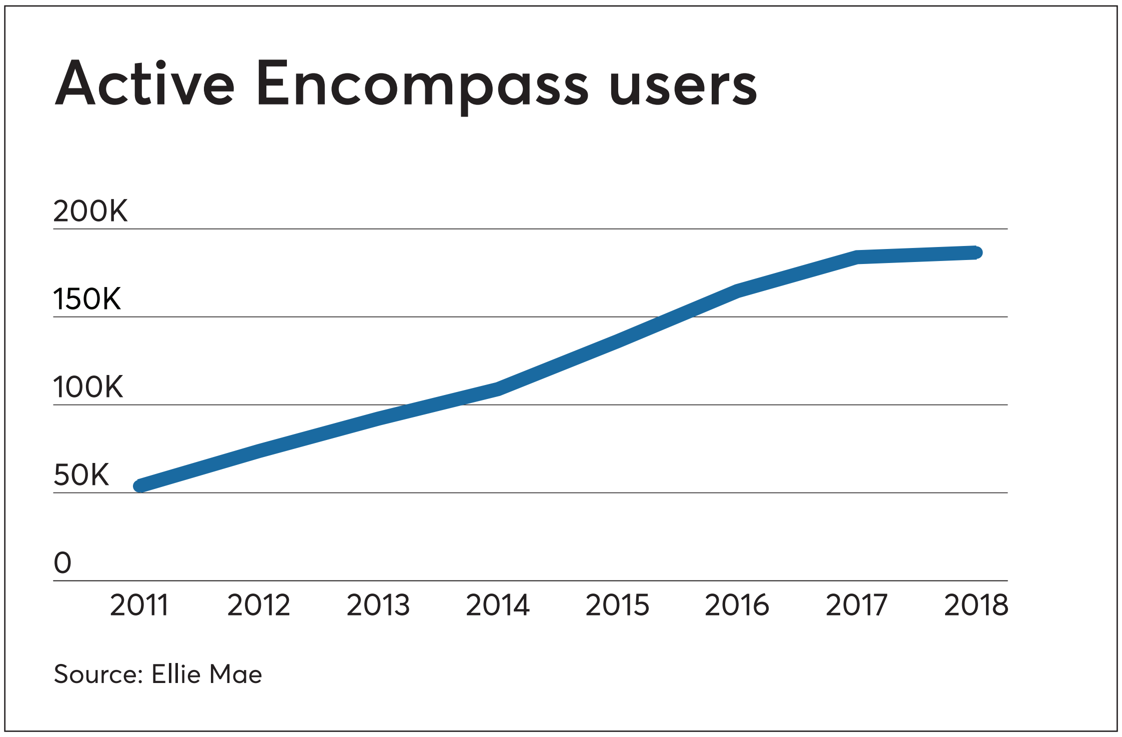
At the start of the Trump administration, Americans were receiving roughly 2 billion robocalls per month, a number that has since climbed to approximately 5 billion per month, according to Commissioner Jessica Rosenworcel.

"That is insane," she said.

Rosenworcel, a Democrat, objected only to the fact that the FCC's ruling does not require cellphone companies to provide call-blocking services for free.

Pai, a Republican, later told reporters that he expects wireless carriers to offer the services free of charge. But if phone companies do charge for call blocking, Pai indicated that he would support a rule requiring that the service be offered for free.

The FCC's vote came two weeks after the U.S. Senate voted 97-1 to approve a bill known as the Traced Act, which is aimed at deterring criminal robocalls. Consumer advocates are calling for additional action by lawmakers and regulators. **NMN**



How Ellie Mae's CEO plans to get the company back into growth mode

After years of expansion as a public company, Ellie Mae went private and cut 10% of its workforce. But new ways to grow lie ahead, according to CEO Jonathan Corr.

By Brad Finkelstein

Ellie Mae shook the mortgage world in mid-May when the recently privatized company reduced its headcount by 10%.

Until then, the company had been in growth mode for many years, starting in 2000 with the purchase of Genesis 2000, and the next year, Contour, when Ellie Mae was still privately owned. It went public in 2011; and acquired AllRegs, Mortgage Returns and Velocify in the years that followed. Between 2011 and 2018, the number of active users of its flagship Encompass loan origination system grew to 186,543 from 53,767. But it plateaued in 2018 as only about 2,600 users were added in that year.

Restarting the company's growth, supported by Ellie Mae's parent, private equity firm Thoma Bravo, is what its CEO Jonathan Corr is thinking about right now. That's possible because being privately owned gives Ellie Mae the freedom to pursue transactions and not have to worry about how investors would respond, he said in an interview with NMN at the recent Mortgage Bankers Association's National Secondary Market Conference.

Below is a discussion with Corr about the changes at Ellie Mae. The responses are excerpted and edited for length.

The transaction with Thoma Bravo closed just about a month ago. Early on, how is the transition going?

JONATHAN CORR: Basically, two things have been constant at this company for 20 years and the 17 I've been here. The North Star is to automate everything between the consumer and the investor; and our values and commitment to the customer.

And that hasn't changed through our various financial configurations. We were a venture backed company, and we had strategic investors like Fannie Mae and PMI [Group] and Genworth and First American. We took the company public, we were public for eight years, and we had some long-term view investors and we had some short-term view traders.

Now we've got an investor that has a long-term view in terms of what we can do over the next four to six years — whatever the horizon usually is — that really is backing us to keep doing what we're doing. They love the platform, love the culture, they want us to double the size of the company, keep driving organic revenue as well as support us to do acquisitions, and probably even more acquisitions than we've done in the past.

So we're excited. We are very much aligned. I don't have to worry about short-term earnings and analysts that are fixated on this penny or that penny or revenue growth at any cost, and focus on building great products for customers, customer success and profitability.

You mentioned doing acquisitions. As a privately held company, Ellie Mae might have some more freedom to pursue deals. But on the other hand, it no longer has the ability to use stock as currency.

Most of the time, you aren't going to use stock to buy something. In most acquisitions these days, especially in our industry, people are buying things for cash. We've never used our stock as currency to buy things in the past, and we've done since we went public, six acquisitions.

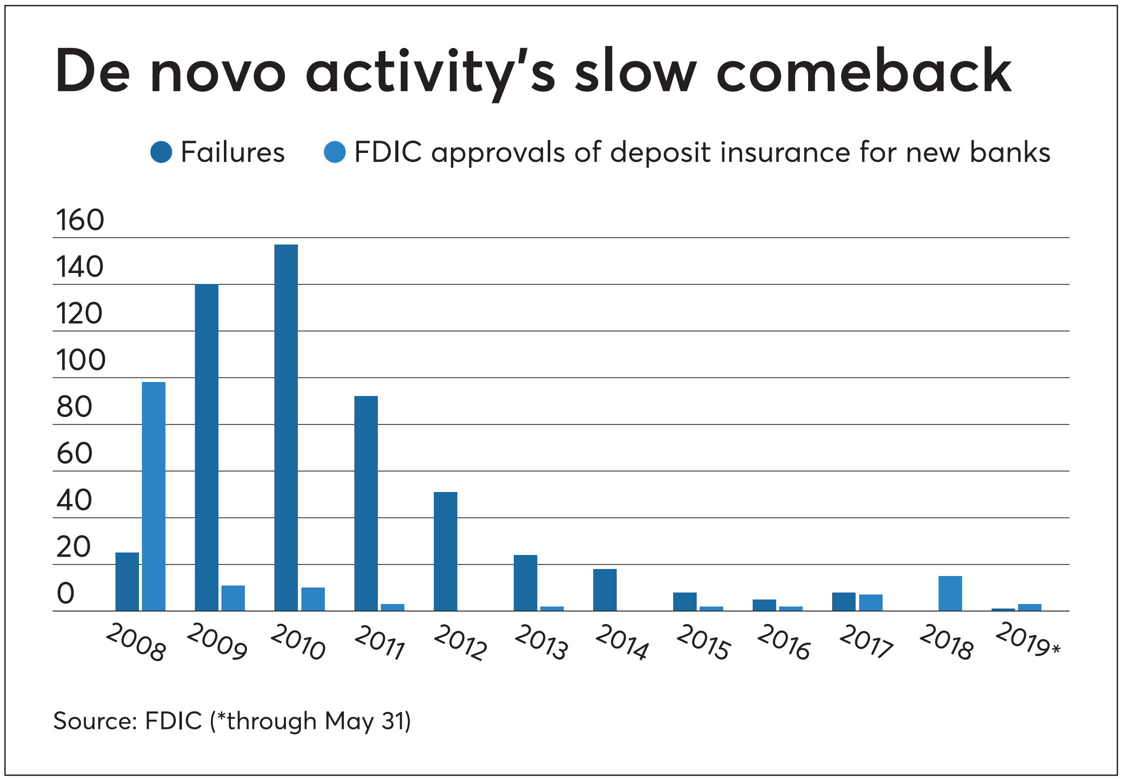
Now I can actually use a combination of equity [and cash] but I also have leverage in the business. So I have some ability to have additional power to go out and do acquisitions.

As we continue to grow and drive profitable growth, we're going to generate more cash and that's going to fuel our ability to make more investments in the company.

So were the layoffs just a temporary retrenchment for Ellie Mae?

Basically, there's a set of costs that public companies have, certain folks that we don't need as a private company. We held off coming into this year doing your traditional, what I'll call trimming of folks on the edge. So you'd do that anyways. We took this as an opportunity to really look at what the most important things are for our customers, what areas are going to create the most value, and to make sure that we're being as sharp and efficient as possible.

So we made modest changes and I feel personally that it's very tough to make any changes. This is an organization with a strong culture and a family orientation, but at the same time I've got to look at what's the best thing for all the employees in the organization and our customers going forward. NMN



De novo bets big on mortgages as other banks back off

Many community banks have given up on national mortgage platforms as not worth the effort, but organizers of NXG Bank in Maryland say they have a plan to make one work.

By Paul Davis

Organizers of a de novo effort in Maryland apparently didn't get the memo that community banks should give up on the idea of national mortgage platforms.

NXG Bank — short for "next generation" — plans to establish traditional deposit-gathering and commercial lending operations around Columbia, Md. But it would also bring on a large mortgage team the day it opens.

"We're going to try to find niches that are profitable and scale the business," said Bill Knott, the proposed bank's CEO. NXG aims to originate and sell agency mortgages.

NXG Bank — whose chairman would be Lori Bettinger, former director of the Troubled Asset Relief Program — intends to bring on a lending team from Mutual of Omaha Mortgage. Chris Incentino, one of the bank's organizers, oversees a 60-member team for the Mutual of Omaha unit that includes loan officers, processors and underwriters. The group is on pace to originate $400 million in mortgages this year.

The proposed bank's decision to build a nationwide mortgage platform comes at a time when other banks such as HomeStreet in Seattle and Berkshire Hills Bancorp in Boston have stepped back from such businesses. Limited demand, regulatory hurdles and intense nonbank competition have contributed to those decisions.

NXG plans to rely heavily on technology and expertise to expand its mortgage dealings.

The proposed bank would accept applications online, though loan officers would handle approvals. NXG would get leads "from a variety of areas," Knott said.

"We're going to do as much as we can technologically to reduce the overhead."

Incentino said originations at the bank should be evenly split between new home purchases and refinancing. That would be a shift for his team at Mutual of Omaha Mortgage, which focuses heavily on cash-out refinance.

The mortgage business will be assisted by Steve Romano, who was previously at Bridgeview Bank Group.

Other organizers have banking experience, including Mark Keidel, a former executive at 1st Mariner Bank who served as interim CEO from December 2011 to July 2014.

Bettinger, who was director of Tarp from 2008 to 2011, would be the chairman. She will continue to serve as executive vice president of Alliance Partners and president of BancAlliance, both in Chevy Chase, Md.

Bettinger said she agreed to join the NXG effort after being recruited by Knott and meeting a number of the other organizers.

"I feel very strongly that community banks play such an important role in the economy," Bettinger said.

"I am so relieved to see the steady uptick in de novo applications," she added. "It's great to get an opportunity to see what a de novo really looks like from the ground floor. It also exciting to see community banking from another perspective and work with a dynamic organizing team."

Given the business model, NGX plans to raise $38.5 million to $42 million in initial capital. Knott said about a quarter of the capital will come from organizers, friends and family. The goal is to open by early 2020.

Knott said his group has had a great experience working with the various regulatory agencies and with government officials in Maryland.

The application coincides with repeated efforts by Federal Deposit Insurance Corp. Chairman Jelena McWilliams to make bankers feel more comfortable applying for new charters.

"Establishing a new bank is a challenging endeavor," McWilliams said in a recent contribution to National Mortgage News.

"It takes time and resources to recruit a competent leadership team, raise capital, and develop a sound business plan," she added. "The FDIC stands ready to work with those who are prepared to build strong new community banks."

The regulators "have been wonderful in this process," Knott said.

"They have been instructive, candid and transparent," he added. "They have helped us get to this point. Whatever the FDIC is doing differently [McWilliams] is doing it correctly." **NMN**

Bloomberg

Will housing issues be a focus of the 2020 race?

At a time when costs continue to soar and regulators weigh reforms for Fannie Mae and Freddie Mac, more than half of the Democratic presidential candidates have discussed housing on the campaign trail.

By Hannah Lang

Housing policy continues to be in vogue in the capital, with officials zeroing in on a reform plan for Fannie Mae and Freddie Mac, and House Democrats focused on affordable housing initiatives. Yet increasingly housing is in the spotlight on the presidential campaign trail as well.

Historically, housing is a relatively obscure topic in national elections, but that could change in the 2020 race. At least 16 of the 23 Democratic presidential candidates have already mentioned affordable housing on the trail. Four have released policy proposals to address the rising cost of owning or renting a home.

A spotlight on housing is consistent with a broader Democratic effort to expand the party's base, but also the result of soaring home and rent prices, experts say.

"The candidates are reacting to the fact that American families are feeling tremendous challenges meeting their housing costs as wages have essentially stagnated," said Marion McFadden, the senior vice president of public policy at Enterprise Community Partners.

The number of Americans burdened by housing costs has increased by almost 14 million in the last 30 years, and almost half of renters now pay more than half of their income on rent, according to a Harvard University report.

"It's a fundamental policy failure and economic failure, but it also has an obvious audience for Democrats particularly to sort of motivate this younger base that they're going to need to win," said Pete Harrison, a senior adviser for housing at Data for Progress.

Harrison said Hillary Clinton's 2016 presidential campaign missed an opportunity to focus on housing, and the 2020 candidates have a chance to engage a whole new class of voters by discussing solutions to the issue. While President Donald Trump will likely be able to run on a healthy economy, mortgage rates are creeping up, impacting both Republican and Democrat voters.

"Now that we have a housing cost crisis in every state in the country and politicians are hearing about it from their urban constituents, from their suburban constituents, from their rural constituents, it's just become impossible to ignore for any politician that's actually listening to voters and actually listening to people in their community," said Henry Kraemer, a housing fellow at Data for Progress.

Some think housing policy could play a role in Trump's re-election campaign as well. The president himself mentioned his administration's efforts to reform the housing finance system and end the conservatorships of the mortgage giants Fannie and Freddie during a May 17 speech to the National Association of Realtors.

"We will consider taking other administrative actions to modernize our housing programs and to ensure more affordable housing to get rid of ridiculous regulations so you can build and build quickly and build beautifully," said Trump.

The government-sponsored enterprises could enter the conversation or be the topic of a question at a presidential debate, especially as the Trump administration readies administrative and legislative plans on reforming Fannie and Freddie, said Diane Yentel, the president and CEO of the National Low Income Housing Coalition.

"Certainly it's been in the news more with [Federal Housing Finance Agency Director] Mark Calabria doing lots of public speeches and lots of interviews, and the Trump administration asking for plans from Treasury and [the Department of Housing and Urban Development]," she said. "Depending on the splash that that makes in the media and in kind of the public consciousness, it might come up on the campaign trail, too."

Four Democratic candidates — Sens. Elizabeth Warren, D-Mass., Kamala Harris, D-Calif., Cory Booker, D-N.J., and Bernie Sanders, I-Vt. — have released proposals directed at tackling affordable housing, and Yentel expects four or five other candidates to come out with their own proposals soon.

"Many of them, I think, want to get those out before the debates in June, which is sort of another marker for us," she said. "The fact the candidates feel like they want to get their housing proposals out there before the debates because they're anticipating there may be a question is also pretty historic for us here in the housing field."

Warren has put out "by far the most comprehensive plan," said Kraemer. Her American Housing and Economic Mobility Act, which she detailed in a March blog post, aims to reduce rents by 10% and invest $500 billion over the next 10 years for the construction of affordable housing units.

"We're not going to solve our housing crisis by nibbling at the edges. We need to tackle it head-on — with big, comprehensive solutions that match the size of the problems we have," Warren wrote in an op-ed for the Reno Gazette Journal. "That's what my housing plan for America does, and enacting this plan will be a top priority of my administration — because every American deserves a safe, decent and affordable place to live."

But for Kraemer, none of the current policy proposals go far enough to enact sweeping change that he says would completely solve an affordable housing crisis.

"All of them would make a difference," he said. "Some of them would make a big difference, but so far none of them will actually provide stable, affordable homes for the 7 million people who need them immediately."

And while voters might generally feel the lack of affordable housing in their communities, only a small fraction pay attention to the mechanics of housing finance, such as Fannie and Freddie or mortgage lending. Candidates will have to put in work to connect the technical policy details with the broader issue, said McFadden.

"The average American does not know very much about housing in this country and where it comes from, so there's a lot of education that needs to be done as well," she said.

"It will resonate with people who are feeling the pinch on affordable housing, but there's still a lot to be done to make the average American understand why are we talking about this." **NMN**

How nonbanks' rising government mortgage market share helps Ginnie Mae

By Bonnie Sinnock

Ginnie Mae is examining whether the shift in business to nonbank issuers has implications for its ability to guarantee mortgage securities payments beyond those it has historically looked at.

Key questions for Ginnie when it comes to its counterparties revolve around liquidity, capital and potentially higher risks that nonbanks, which face lighter regulation and oversight, could pose relative to banks.

One of Ginnie's conclusions is that ensuring nonbanks remain strong counterparties will depend on identifying and nurturing their advantages, such as their diversified business models and the current strength of their liquidity, while also guarding against their risks.

Following a series of recent issuer meetings, acting President Maren Kasper detailed some of her key takeaways.

Nonbanks are more numerous and varied than banks

The wide spectrum of nonbanks in the market is something Kasper says may be underappreciated in the market today.

"A lot of times we talk about depositories vs. nondepositories, but we need to go one level deeper and look at the various nondepository business models. They can vary depending on how you originate, whether your business model is reliant on forward originations relative to servicing income, whether you are hedging and what your hedging strategies are."

"That is something I continue to look at and make sure everyone in the market continues to appreciate going forward," Kasper said. "No two nonbanks are the same."

"I think it's probably important to highlight what the benefits of the nonbanks are in our market. Obviously there's a financial concern in that we want to make sure that there's liquidity, but what [they do] offer for Ginnie is we have a more diversified issuer base. Typically we were heavily concentrated among five banks, which was a good position to be in, but you were concentrated in terms of your exposure. Today a bank, Wells Fargo, is our largest issuer but no one issuer is really more than 10% of our portfolio. So we're more diversified."

Nonbank liquidity is in good shape

"In terms of key conclusions, I think one thing that stood out to me first and foremost was that the current liquidity situation is healthy," said Kasper.

However, Ginnie still wants to keep monitoring nonbanks' liquidity and ensure they are prepared for the day when a weaker economy could strain it.

"We've had very favorable macroeconomic tailwinds that have supported the [overall] market even though the mortgage market was under pressure through much of 2018," Kasper said. "Therefore, we view the healthy environment as a positive thing. But that is to be expected given the macro landscape. At the same time it's also our responsibility to plan for a time when the macro trends are less favorable and more adverse. Nonbanks in our program have done a very nice job of managing the liquidity needs of their business in today's environment. We're looking at that as kind of the baseline."

Nonbanks rely on banks for liquidity

Nonbanks' liquidity is strong thanks to warehouse financing from banks, Kasper noted.

"Another major observation that we had was that while [some] banks have exited the business directly, indirectly they are the backbone of the mortgage finance system. They are providing financing arrangements for the nonbanks in the program, and while we certainly think that's healthy, it brings more uncertainty to the program from Ginnie Mae's perspective, because the banks aren't our counterparties, the nonbanks are," she said.

"If a bank is financing a nonbank, that nonbank is on the hook for making the principal and interest payments, and the bank can pull that warehouse line nearly at any moment. There's a lot of flexibility in all those covenants banks have given themselves. So the banks are giving themselves the optionality to be in the business or not, while the nonbanks are making more of a commitment. The banks have an obligation to Ginnie Mae to some degree, but not to the same extent that they did when they were 80% of our portfolio. They don't have the downside that they once had as a direct issuer." **NMN**

Moment of truth?

With time running out on a key QM safe harbor, a tipping point on housing finance policy may be at hand. The future of the GSEs is back in play, and not just as a D.C. talking point.

By Bonnie Sinnock

A reform of the government-sponsored enterprises has long been a contentious topic in Washington, D.C., one that has proven particularly resistant to bipartisan collaboration.

But since becoming Federal Housing Finance Agency director, Mark Calabria has sent ever clearer signals that the White House is prepared to take unilateral action that would at least start Fannie Mae and Freddie Mac back on the path to private-sector ownership.

Now, with a Treasury Department report on administrative and legislative solutions to ending the conservatorship of Fannie and Freddie slated for release in the first weeks of summer, it is possible that the U.S. financial services industry will indeed need to prepare for a fundamental overhaul of the nation's housing finance industry.

There is no shortage of ideas about steps the FHFA could choose to take, such as creating incentives to redirect mortgages currently sold to Fannie and Freddie to different buyers or establishing initiatives to lay the groundwork for a multiple guarantor system.

What follows is an exploration of a range of some potential reform scenarios, with a focus on the likely impact on various categories of lenders and thoughts on what industry participants can and should do to prepare themselves.

Some unilateral options

There is a consensus that the FHFA could take some initial steps on its own. One such option would be to adjust pricing for loans outside of those considered central to the government-sponsored enterprises' affordable housing mission in a way that could potentially increase private market competition for those products.

"It feels like there's going to be reduction in the footprint of Fannie and Freddie. I think they're going to make some incremental changes such as increasing the g-fees on certain types of loans," said Tom Pearce, CEO and chairman at MAXEX, a private market trading platform that also reviews, reps and warrants sellers' loans. Those could include investor properties, second homes, cash-out refinances, loans with debt-to-income ratios above 43% and some high-balance loans, he said.

In dollar-volume terms, such a step would be consequential. For context, second homes and investor properties combined made up 13% of the dollar volume of mortgages sold to Fannie and Freddie in 2017, according to GSE data analyzed by MAXEX.

When combined with high-balance loans — with a balance of $450,000 or more — as a possible differentiating factor, loans in any one or more of these categories made up a little over half of their dollar volume that year.

The FHFA director has shown an interest in preserving current loan limits and maintaining guarantee fee parity, but Pearce and some others still think the FHFA could call on Fannie and Freddie to reprice conforming jumbos. The impact of that would primarily be on high-cost markets, which would address concerns Calabria has voiced about the concentration of GSE loans in markets like California and other pricey locations.

Other steps Calabria might contemplate would take longer to implement. For example, the agency also could direct Fannie and Freddie to reduce their prices for loans outside of the qualified mortgage definition, which is delineated by, among other things, a maximum 43% debt-to-income ratio.

But that change would almost certainly have to wait until the qualified mortgage patch expires, something that isn't scheduled to happen until after the next election.

The patch refers to a temporary exemption Fannie and Freddie have from the need to make loans in line with the QM definition in order to get a safe harbor from ability-to-repay rule liability. It's supposed to expire in 2021 or whenever conservatorship does.

Calabria has made it clear the existence of the patch is a problem — one would like resolved before 2021.

"The primary problem is that you've got one set of rules that applies to everybody else and one set of rules that applies to Fannie and Freddie," he said in an interview in April.

However, as Calabria himself acknowledges, the fate of the QM patch is ultimately in the hands of the Consumer Financial Protection Bureau.

Overall, Calabria said the best outcome would be for the CFPB to change its approach to qualified mortgages in the first place.

"To me, fixing a lot of the problems with QM will alleviate the need for a patch," he said. "I want to … see the two converge in a place where everybody is under the same set of rules."

This would address the fact that most mortgages insured by the Federal Housing Administration and the Department of Veterans Affairs have a QM exemption with no expiration date as well.

An estimated 25-30% of the mortgages the GSEs buy would be non-QM loans if the patch were not in place, according to estimates by Redwood Trust based on Fannie's and Freddie's credit risk transfer data. That level of exposure should be enough to convince mortgage lenders to explore building or adding to their networks of secondary market buyers.

"If I'm a lender trying to think through what I'm going to do for the next year, I would try to have some private outlets for those marginal types of loans products. I'd also want to maintain relationships with whole loan buyers that hold for investment," said Larry Platt, a partner at law firm Mayer Brown who concentrates his practice on real estate finance, mortgage banking and consumer finance issues.

Of course, there isn't exactly a surfeit of private-sector buying interest at this point. According to Urban Institute numbers for 2017 that MAXEX analyzed, Fannie and Freddie were end-investors for more than 45% of loans originated and another 22% were absorbed by the government market. Of the remainder, 30% were kept by banks in portfolio leaving the private-label market as the end-investor for about 2%.

While banks' market share is significant, their interest in buying mortgages has declined and is considered unlikely to expand.

"It's not an important line item for the banks anymore," said Chris Whalen, chairman of Whalen Global Advisors.

Sharing more risk

There are other considerations behind some of the reform ideas. Risk sharing is a topic that has drawn consistent attention, especially given the nearly non-existent capital held at the GSEs.

The preferred stock purchase agreements with the Treasury established in conservatorship have limited Fannie's and Freddie's ability to retain capital as a buffer against risk. However, Calabria has repeatedly said that he wants that situation to change and with the Treasury and Department of Housing and Urban Development at work on potential conservatorship exit plans, the FHFA could soon have the ability to direct Fannie and Freddie to retain risk-based capital more in line with the private market's standards.

That would make holding risk more expensive for the GSEs, which could increase the need to shed it.

"To the extent FHFA requires more capital, it could make it more expensive to hold risk, and if it gets more expensive to hold risk, you're more likely to want to sell some of that risk off," said Ed DeMarco, president of the Housing Policy Council and a former acting director of the FHFA.

The GSEs already do this to some degree through the variety of credit risk transfer vehicles established during conservatorship, which Calabria wants to preserve. But they could go further, for example, by expanding front-end risk sharing, which can be structured such that risk can be shared at origination. To date, this is something the GSEs' single-family operations have only dabbled in. More common are back-end deals in which risk is shared on closed, seasoned loans.

Occupancy breakdown

Category	Count	Loan balance	% by count	% by balance
Primary residence	2.8 million	$647 billion	87%	89%
Second home	137,589	$42 billion	4%	6%
Investor property	278,150	$41 billion	9%	5%

Note: Single-family mortgages sold to the GSEs in 2017
Source: Fannie Mae/Freddie Mac/MAXEX

Front-end risk sharing can be attractive to lenders because they may be able to get more of a direct benefit from a credit risk transfer if it's done upfront rather than on the back end.

Creating competition

Another alternative would be a legislative effort that would encourage the creation of more competing guarantors. Calabria has supported this idea and Senate Banking Committee Chairman Mike Crapo included it in his recent GSE reform proposal.

More buyers could arguably translate to more competitive pricing for lenders' loans.

"That might help, having some other players in the market," said Tom Millon, CEO of Computershare's North American loan services division.

While multiple guarantors might not become a reality anytime soon, if the market starts to sense they are likely to become a reality down the road, it could lead to a shift in pricing that makes the private market more competitive, Millon said.

One upshot in many of these scenarios could be a transition to a market where banks and bigger players or groups have more of an upper hand and secondary marketing work takes on more importance.

Scott Olson, executive director of the Community Home Lenders Association, voiced concern about the prospect of Wall Street banks or other big players gaining significant market advantages in a post-reform era.

"An ongoing concern for our members and all smaller lenders is that g-fee parity policies stay in place, so that we don't have volume discounts, which could still occur, depending on how GSE reform is done," he said. "CHLA has been one of the most vocal opponents of chartering new GSEs on the grounds that they could act as securitization conduits, and that could open it up to Wall Street banks blurring the lines between the primary and the secondary markets."

Still, mortgages are already a scale market and some say that even if things stay as they are, continuing consolidation may eventually compel smaller players to respond, whether by pooling resources, automating where they can or merging with larger entities.

If the status quo were to be maintained, "the market becomes more and more commoditized, and it becomes a race to the bottom that benefits the larger player," Computershare's Millon said. **NMN**

What FHFA's new chief would like Congress to do about the GSEs

Federal Housing Finance Agency Director Mark Calabria in June asked legislators to authorize housing reform that would include stronger regulatory powers for the agency in its annual report to Congress.

In the first such report penned under his leadership, Calabria also highlighted future risks such as the coming implementation of the current expected credit loss accounting model that could expose Fannie Mae and Freddie Mac to future losses if the status quo were to be maintained.

Recommendations for GSE reform

• Authorize additional competitors

"The enterprises' current duopoly undercuts competition in the market. Increased competition would reduce market reliance on either enterprise and enhance market stability, as well as benefit home buyers. To promote competition, Congress should authorize additional competitors and provide FHFA chartering authority similar to that of the Office of the Comptroller of the Currency."

• Establish FHFA examination authority

"Other federal financial regulators are statutorily authorized to examine companies that provide services to depository institutions and systemically important financial market utilities. The Financial Stability Oversight Council and the Government Accountability Office have each recommended granting FHFA authority to examine third parties that do business with its regulated entities, and FHFA concurs with those recommendations."

• Make sure the GSEs are well capitalized

"Regulatory capital is another area where greater alignment between FHFA authorities and those of other safety and soundness regulators would be a critical statutory enhancement. Important post-crisis changes to the housing finance system and the enterprises' activities should be preserved. These include the recent implementation of the uniform mortgage-backed security, continued use of credit risk transfers, and providing equitable access to lenders of all sizes to the enterprises. Making sure FHFA's regulated entities are well-capitalized, well-regulated, and well-managed remains a critical task, and it must be done to allow them to withstand any future downturn in the economy."

Risks FHFA is monitoring

• CECL implementation

"In June 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-13 which requires significant changes to how companies record their loan loss reserves in the financial statements … Under the ASU, companies will set aside larger amounts of funds to cover expected future credit losses, which will be reflected in institutions' financial statements. The enterprises are expected to adopt the standard on Jan. 1, 2020. While the enterprises are not able to reasonably estimate the effect the adoption of the ASU will have on their financial statements, it may increase their allowance for credit losses and decrease (perhaps substantially) their retained earnings in the period of adoption, which could result in a net worth deficit."

• Underwriting

"Each enterprise's single-family mortgage portfolio experienced modest growth in 2018. Both enterprises increased the acquisition of loans with high debt-to-income and loan-to-value ratios and will therefore need to maintain diligence in underwriting, credit administration and risk management practices to ensure identification, monitoring and management of related credit risks."

• Counterparties

"Counterparties, including seller/servicers and mortgage insurers, expose the enterprises to credit risks. Certain counterparties experienced challenges in 2018 due to deterioration in financial condition, regulatory issues, or housing market developments. Ongoing enterprise counterparty risk management included the application of eligibility requirements, implementation of quality control functions and other oversight processes, and contingency planning in accordance with FHFA supervisory guidance."

Bloomberg

Don't hand Fannie Mae and Freddie Mac over to the Fed

Fannie Mae and Freddie Mac are surely problem children, but making them wards of the Federal Reserve is a very bad idea.

By Peter J. Wallison

A recent article in National Mortgage News asked whether Fannie Mae and Freddie Mac should be designated as systemically important financial institutions, or SIFIs, by the Financial Stability Oversight Council. That would turn them over to the Federal Reserve for more stringent regulation than they currently receive.

Fannie and Freddie are surely problem children, but making them wards of the Federal Reserve is a very bad idea. It would do nothing to stop the destructive housing finance policies Fannie and Freddie currently pursue, but would assure that another major sector of economy would fall under the Fed's permanent control.

The first and most obvious question is this: Why would the Fed, which knows next to nothing about housing finance, be a better regulator than the Federal House Finance Agency, the current regulator and conservator of both Fannie and Freddie? When it was established in 2008, the FHFA was said to have all the powers of a "world class regulator." It has even more powers now as their conservator. At the very least, FHFA is expert in housing finance; the Fed, at the very most, is not.

The Fed, moreover, has failed even in its current assignment as a monitor of the economy's health. Some might recall, for example, that the Fed did not anticipate the 2008 financial crisis. Ben Bernanke, then the Fed's chair, famously told Congress, just before the crisis, that the subprime mortgage problem was "contained."

Leaving aside its failure to foresee the crisis, the Fed did not cover itself with glory as a bank regulator either. Banks and bank holding companies — regulated by the Fed — were among the most seriously affected financial institutions when the financial crisis finally struck. That was a black mark in itself for the Fed, but it turned out that the Fed had allowed many of them to place billions of dollars in mortgages off their balance sheets, in trusts financed by short-term loans from money market funds. This, as long as it lasted, gave these institutions the appearance of strong capital positions. But when those loans were not rolled over in the crisis, these low-quality mortgages had to be brought back onto the banks' balance sheets, causing substantial losses and weakening their capital positions.

And then there are the conflicts of interest. The Fed's original and most important role is that of central bank, stabilizing interest rates for the good of the economy as a whole. This creates a conflict of interest with its bank regulation, since raising or lowering interest rates under some conditions can weaken the banking system. Thus far, Congress has ignored this serious problem. But imagine the conflicts if the Fed were actually the regulator of the dominant players in the housing finance system. Rates that will stimulate housing could be problematic for banks, for a stable currency and for the economy as a whole.

And then there is the regulatory greediness of the Fed. All regulators want to hold on to power and expand it, if possible. In this, the Fed has been a standout. It was established in 1913 as the nation's central bank to prevent recessions and bank failures caused by lack of liquidity; nevertheless, these continued and in many ways got worse, culminating in the Great Depression of the 1930s.

Nevertheless, after the financial crisis in 2008, which highlighted the Fed's failure as a regulator, Congress gave it more new authority in the Dodd-Frank Act than any other financial regulator — including, among many other roles, the authority to regulate SIFIs, the risk-management activities of the new clearinghouse system for financial transactions, and the liquidity rules for bank holding companies.

Imagine, then, what would happen if the Fed were to gain control of the housing finance industry through Fannie and Freddie's designation as SIFIs. There would be no improvement in regulation, since the Fed has never succeeded in that — even with banking. Its conflicts of interest would multiply, to the point where no one would be able to untangle the basis for its decisions. And worst of all, any hope of reforming the housing finance system would be lost as the Fed — with the help of the powerful housing lobby — shows its uncanny ability to keep Congress away from its various regulatory properties.

Peter J. Wallison is a senior fellow at the American Enterprise Institute. He was the general counsel of the Treasury between 1981 and 1985.

Adobe Stock

HUD down-payment policy harms first-time buyers

The agency's new guidance would limit some nonprofits' ability to help borrowers pay their down payments, leading to higher home costs.

By Greg Norton

When the Department of Housing and Urban Development Secretary Ben Carson mishears the term "real estate owned," or REO — as he did in a hearing last month — it can generate quick laughs instead of a deeper analysis into what is happening at HUD.

But the problems that occur when America's housing department takes actions that its head does not agree with are no laughing matter. Just last month HUD went rogue, issuing a new policy that makes it harder for first-time homebuyers — despite Carson himself later suggesting he disagreed with the change.

Unless the White House acts, or HUD reverses itself, the last laugh will be on American families facing higher home costs.

The policy requires governmental entities, like my organization, the National Homebuyers Fund, to request formal permission from all of the jurisdictions in which they operate in order to provide down-payment assistance to first-time homebuyers on mortgages insured by the Federal Housing Administration, which is an arm of HUD.

That's a problem because NHF was created to function on a national basis, with both the adaptability of private enterprise and the accountability of a government entity. What HUD has done is to create a new provision effectively preventing governmental entities like NHF from providing down-payment assistance on a regional, multistate or national level.

FHA-insured mortgages, which aim to help first-time buyers and lower-income families, often include down-payment assistance, as saving for a down payment is, for many buyers, the "most difficult step in the home buying process," according to the National Association of Realtors. Down payments are particularly challenging for African-American and Latino families, the Pew Research Center has found.

Imagine if the Department of Transportation issued a rule saying that your driver's license is not valid in another state unless you have a letter from that state and a lawyer's opinion saying it is OK. Sounds ludicrous, right? But that's what HUD is essentially doing here.

The predictable result will be fewer governmental entities able to help families with their down payments and higher interest rates. Each state's housing finance agency will operate as a monopoly, which is particularly concerning because competition tends to reduce prices and help buyers.

Still, if this hurts homeownership and makes no sense, why would HUD do it? The department's stated concern is the performance of mortgages with down-payment assistance.

That's actually a good thing: HUD should be diligently protecting its role as insurer of these mortgages. If HUD had sought public input, conducted an analysis, published its findings and moved to restrict the worst-performing down-payment assistance providers, that would be good public policy.

But HUD did no such analysis.

In fact, at the same hearing where HUD Secretary Carson made his mistake, Rep. Ben McAdams, D-Utah, asked him about the data justifying this new policy. Carson's statement that he was "not familiar with the data that was used" was correct. That's because, as Rep. McAdams pointed out, "there is no data."

Instead, HUD simply invented a geographic restriction that has no basis in the law or HUD's regulations. If the department were following the president's stated goals of reducing unnecessary government regulation, advancing competition and increasing economic growth, it would not have issued such a change.

Secretary Carson acknowledged this in his exchange at last month's hearing when he responded to Rep. McAdams' criticism of HUD's actions, saying, "I agree with you, actually."

Why would a rule be allowed to go forward on Secretary Carson's watch where he hasn't seen any data to justify it, especially when that rule adds new regulation that works counter to the president's economic agenda? That mystery remains, growing deeper given the secretary's statements at the hearing.

Greg Norton is president of the National Homebuyers Fund.

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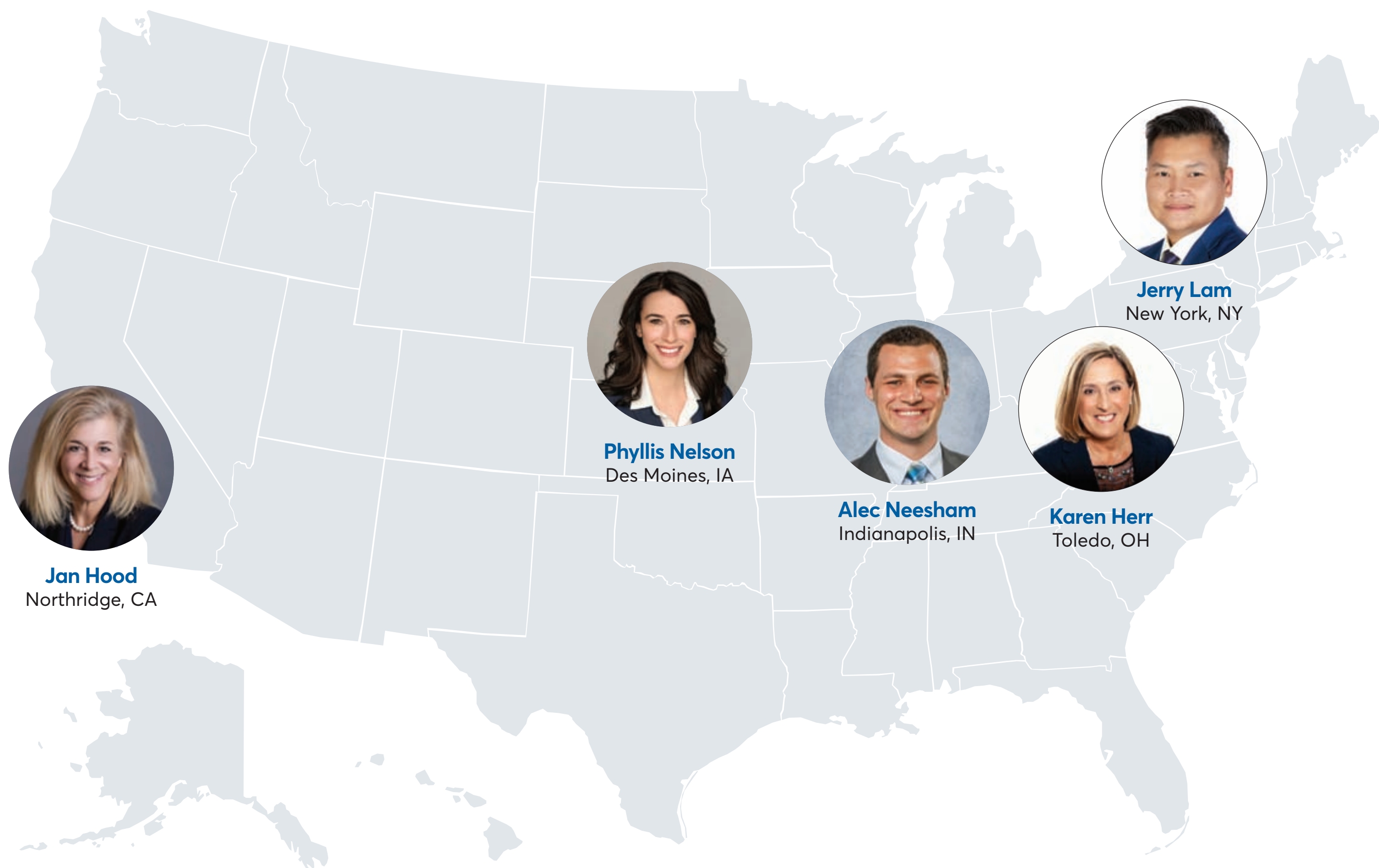


California

Northridge

Extensia Financial has named **Jan Hood** as its newest business development officer.

Hood has over 20 years of commercial real estate lending experience and is a former vice president at George Smith Partners, where she helped to establish a Northwest commercial real estate lending office.

She also worked as an independent commercial mortgage banker and broker for over 10 years.

Indiana

Indianapolis

Marcus & Millichap Capital Corp., a provider of commercial real estate financing, said that Standard Insurance Co. has appointed **Alec Neesham** of MMCC as its correspondent mortgage banker for the state of Indiana.

The Standard recently entered Indiana's CRE lending markets and Neesham will be the only mortgage banker based in Indiana to represent it for commercial real estate loan originations throughout the state.

Prior to joining MMCC, Neesham worked extensively with The Standard and other lenders as part of Pinnacle Financial Group in Cleveland.

Iowa

Des Moines

LenderClose has added software engineers **Matthew Brown, Phyllis Nelson and Jessica Wilson.**

Brown brings to LenderClose more than 15 years of experience in health care information technology.

Nelson most recently worked as a software developer for Hach, and prior to that she served with Pioneer (now Corteva Agriscience) and Shazam and SourceCorp in Iowa.

Prior to joining LenderClose, Wilson worked for IMT Computer Services in West Des Moines.

New York

New York

Greystone has named **Jerry Lam** chief of credit for its Freddie Mac small balance loans platform.

Lam joins Greystone from Freddie Mac, where he most recently served as director of credit for its SBL platform and a senior member of the credit team.

Prior to his tenure at Freddie Mac, he held a variety of production and underwriting roles at companies including Barings Capital, Capital One Bank (formerly Beech Street Capital), PNC Bank and Highridge Costa Housing Partners.

Ohio

Toledo

Valuation Partners has named **Karen Herr** vice president of its U.S. West region.

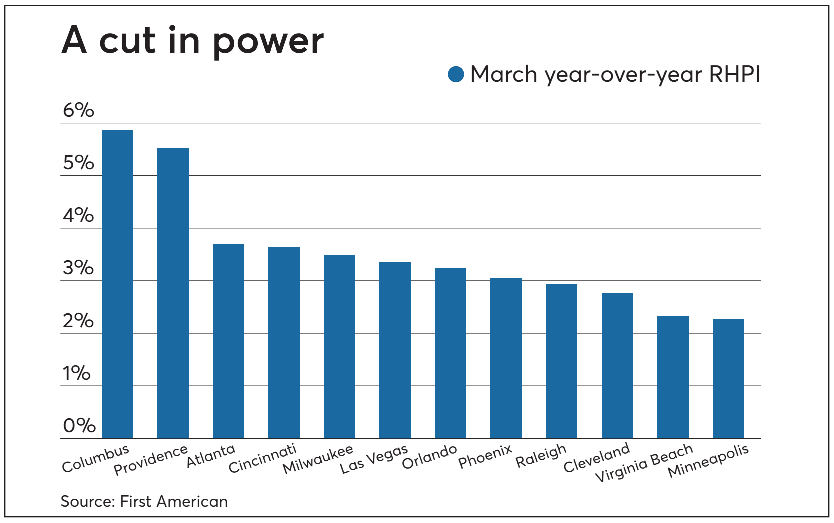
She has more than 30 years of experience in the financial services industry and most recently served as a regional sales manager with PennyMac Loan Services.

Herr's prior roles include serving as senior vice president at Mortgage Capital Management, correspondent sales director at Stonegate Mortgage Corp. and a vice president at JPMorgan Chase's wholesale and correspondent divisions. NMN

MARKETPLACE

SUBSERVICING

12 cities where homebuyers are losing purchasing power



March's average household wages increased 3% from the year before and housing prices decreased 0.04% year-over-year and 0.9% from the month prior. Overall, consumer purchasing power rose 5.2% from March 2018 and 1.5% from February, according to First American Financial's Real House Price Index. The March 2019 data is ranked by the largest year-over-year changes in RHPI for cities where the current value is less than 100.

No. 5

Milwaukee, Wis.
Year-over-year RHPI: 3.48%
RHPI: 93.67
Median sale price: $175,038

No. 9

Raleigh, N.C.
Year-over-year RHPI: 2.93%
RHPI: 81.48
Median sale price: $242,125

No. 6

Las Vegas, Nev.
Year-over-year RHPI: 3.35%
RHPI: 83.17
Median sale price: $268,825

No. 10

Cleveland, Ohio
Year-over-year RHPI: 2.77%
RHPI: 49.83
Median sale price: $131,750

No. 1

Columbus, Ohio
Year-over-year RHPI: 5.87%
RHPI: 60.29
Median sale price: $179,575

No. 3

Atlanta, Ga.
Year-over-year RHPI: 3.69%
RHPI: 72.08
Median sale price: $196,914

No. 7

Orlando, Fla.
Year-over-year RHPI: 3.24%
RHPI: 94.06
Median sale price: $218,750

No. 11

Virginia Beach, Va.
Year-over-year RHPI: 2.32%
RHPI: 90.65
Median sale price: $206,375

No. 2

Providence, R.I.
Year-over-year RHPI: 5.52%
RHPI: 94.90
Median sale price: $258,488

No. 4

Cincinnati, Ohio
Year-over-year RHPI: 3.63%
RHPI: 64.61
Median sale price: $144,375

No. 8

Phoenix, Ariz.
Year-over-year RHPI: 3.05%
RHPI: 88.72
Median sale price: $251,038

No. 12

Minneapolis, Minn.
Year-over-year RHPI: 2.26%
RHPI: 89.94
Median sale price: $245,950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