THE CHRISMAN COMMENTARY
DAILY MORTGAGE NEWS

Call them what you will: solution provider, outsource provider, vendor, third-party provider… residential lenders in the distant past never relied upon outside companies to assist them in making home loans. My, how things have changed. Outside companies are in a position to slice and dice and analyze all kinds of lender information. But the mortgage industry is not alone in this. For example, grocery store Kroger has an in-house data operation called 84.51, which sells information to 1,400 companies about sales and what people are buying. More consequentially for shoppers, the company claims to have over 2,000 variables on customers including 18 years of data from the Kroger Plus card program, including 2 billion annual transactions from 60 million households. The company claims it's got over 35 petabytes of customer data. *Who's in your wallet?* Switching gears entirely to bring things back to mortgages and housing, Elliot Eisenberg, Ph.D., writes, "From 1976 through 1979, 418,000 entry-level single-family houses/year were built, 34% of all new homes constructed. In the 1980s, the number fell to 314,000/year, still 33% of all new homes built. In the 1990s it shrank to just 207,000/year, and in the 2010s about 150,000/year. During the just completed 2010s, starter homes averaged just 55,000/year, or just 7% of new residential construction." Follow the money, and apparently it is not going into starter homes.

Independent mortgage banks and compliance

The Community Home Lenders of America (CHLA) sent a comment letter to the Consumer Financial Protection Bureau (CFPB), the second CHLA letter in a week arguing that a CFPB rule designed for non-banks in general is redundant for IMBs and unnecessarily imposes new compliance burdens when applied to smaller MBs.

"The CHLA letter expresses support for the rule's objectives, noting that it fills a gap for most nonbanks. However, the letter calls for a safe harbor compliance provision for IMBs, saying that, '. . . we see no real consumer benefit of imposing a redundant requirement on independent mortgage banks (IMBs) through a complex 212-page rule to report agency and court orders IMBs already routinely provide to the Nationwide Multi-State Licensing System and Registry (NMLS).'

"The proposed rule requires non-banks to designate a senior executive responsible for compliance with these agencies and court orders. The CHLA letter pointed out that the CFPB press release claimed this only applies to 'larger non-banks' but the $1 million in gross receipts exemption is meaningless for IMBs. CHLA called on the CFPB to exempt all by the largest IMBs from this requirement, pointing to Section 1024(b)(2) of Dodd-

Frank, which requires the Bureau to tailor supervision of non-banks by asset size, volume, risks to consumers, and degree of state oversight."

Credit cards

Friday the Commentary noted, "The CFPB took a poll of the largest credit card companies on if they ever furnished actual payment information. 'For those that suppress it, we asked why, and if they had any plans to change their practice. Here is some of what we learned: Major market players made the change to suppress data within a short period of time. Credit card companies didn't say when they would restart reporting actual payment information. Companies suppressed data to limit competition. By suppressing actual payment data, the largest credit card companies are making it harder for people to shop for credit and save money.'

"The news prompted one veteran originator to write to me. 'This sounds all well and good, but I believe that if the Agencies do this, it would result in a negative impact on the lower economic groups who pay minimum payments. It you tighten on end of the equation, the other end is diminished. My opinion is that there seems to be a concerted effort by FHFA, HUD, and CFPB to steer weaker borrowers toward FHA. I often hear that FHA has better rates. But, in fact, when the MIP is included , since it permanent, the FHA rates are more costly.'"

From Houston Michael P. sent, "I'd like to add a comment on the CFPBs actions. I agree with the 'veteran originator's' statement, but, to expand, if the actual payments are reported, I feel that will affect more than the lower economic groups. The effect of higher made payments will expand to the middle economic levels as well.

"A $10,000 credit card balance with current rates of @ 18% will have a minimum payment of @ $350. $300 of that $350 will be interest. So, to pay down the balance in a somewhat meaningful way, say a payment of $500 would make sense. Even if the borrower has one credit card with that scenario, there is BIG difference in qualifying with the two numbers. Imagine a borrower with 2, 3, or 4 cards where they pay more than the minimum.

"A better option to consider would be to show the minimum payment required (which we will use to qualify) and to keep CFPB happy, add the actual payment made. The CFPB should focus on a couple of things. First, builders not paying incentives to buyers that use outside lenders (especially if the in-house lender messed up, which I am seeing more of lately). Second, collection companies reselling the accounts and the buyers of thief accounts showing current dates as open dates. And third, charged off accounts showing 'past due' balances when the account is dead in the water anyway. Creditors should show the balance that was charged off as the last balance owed and leave the past due $0." Thank you, Michael!

Vendor/third-party provider: random news from around the biz

There are some wiz-bang developments out there for lenders to peruse. Let's take a random look at who's been doing what lately.

Ginnie Mae is transitioning from GinnieNET to their new delivery platform, Single Family Pool Delivery Module (SFPDM). **With the retirement of GinnieNET fast approaching (July 2023), are you prepared to make the move?** If not, the Mortgage Delivery Specialists (MDS) can help! MDS, a division of MIAC Analytics, is a third-party delivery agent with 30+ years of experience helping Fannie Mae, Freddie Mac and Ginnie Mae Sellers and Issuers sell and securitize their residential mortgage loans. We are actively engaged with Ginnie Mae as we transition our clients from GinnieNET to SFPDM and have been using SFPDM since 2022. Our experienced team and established methodology can help you get your loans sold quickly and accurately. Contact us today if you'd like to hear more about how we can partner together to make your GinnieNET to SFPDM transition a smooth one.

Joint Venture partner wanted to bring to market our SaaS that produces a near 100% digital mortgage. After 9+ years of daily development, The Complete 1003 Software recreates the human questioning sequence a mortgage application goes through in underwriting. We've also analyzed over 70,000 underwriting decisions to identify and sequence the 165 questions where underwriter discretion comes into play. Overall, we capture a dataset beyond any of the newer AI/ML/RPA/OCR systems. Our solution produces the blueprint to originate a truly digital mortgage and could prove especially valuable should Amazon, Salesforce, etc. decide to enter the mortgage industry and underwrite mortgages using a fixed dataset. If your firm operates in POS/LOS/AUS and/or any aspect of mortgage AI/ML/RPA/OCR**, our unique business model will produce an increase in revenue for you of 400-500%+ over traditional software integrations.** Interested JV partners can contact Alan Bercovitz or schedule an intro meeting here.

Lender Toolkit is putting on its 2023 Lender Toolkit Supercar Experience, brought to you by Lender Toolkit, **Lenders One**, **Reggora**, **Lodestar**, and KPMG, the exotic car racing event will take place on February 27 from 12:30-4:30 pm just before the start of ICE Experience 2023 Feb 27 – Mar 1.

Burnham WGB Insurance Solutions announced its partnership with Secure Insight of Parsippany, NJ to provide a specially-focused cyber liability solution addressing the mortgage industry's specific exposures and needs. Targeted industries include Mortgage Bankers, Mortgage Brokers, Settlement Attorneys, Escrow Companies, Title Agencies, Abstract Agencies and more.

It is rumored that **Black Knight is close to selling its Empower LOS** is order to gain antitrust approval to merge with Intercontinental Exchange. The antitrust regulators were almost certain to prohibit Encompass and Empower from being under the same roof. Encompass and Empower are the #1 and #2 loan origination systems in what is a pretty concentrated industry. No mention of who would be the buyer.

The continuing battle in Washington over the proposed acquisition of conventional servicing software monopoly Black Knight (BKI) (k/n/a Loan Processing Services) by Wall Street data monopoly Intercontinental Exchange (ICE) seems to be drawing growing scrutiny as portrayed by Chris Whalen.

Amid inflation and rising consumer debt, findings from **a new survey from loanDepot show American households would put their HELOC funds to use quickly, ranking home upgrades and renovations as the top use**. The survey, which polled more than 1,000 American homeowners across the country, illustrated that Americans grappling with recent economic pressure could alleviate some of that pressure by using a Home Equity Line of Credit (HELOC) to achieve their financial goals. American homeowners are currently sitting on record levels of home equity, seeing an average 15.8% increase from 2021's already heightened numbers.

Secondary market deals help set primary market rates for borrowers

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The Federal Reserve does not set mortgage rates. Instead, supply and demand in the open market do, combined with the value of servicing, loan level fees, and competitive forces. Let's take a gander at some Agency news in the capital markets.

Ginnie Mae's mortgage-backed securities (MBS) portfolio outstanding grew to $2.280 trillion in December, including $31.14 billion of total MBS issuance for the month of December, leading to $19 billion of net growth and a new record end-of-year balance. December new MBS issuance supports the financing of more than 107,000 households, including more than 49,000 first-time homebuyers. Approximately 70 percent of the December MBS issuance reflects new mortgages that support home purchases, as refinance activity remained low due to higher mortgage rates. The December issuance includes $29.45 billion of Ginnie Mae II MBS and $1.69 billion of Ginnie Mae I MBS, including approximately $1.57 billion in loans for multifamily housing. For the 2022 calendar year, Ginnie Mae supported the pooling and securitization of more than 730,000 first-time homebuyer loans. For more information on monthly MBS issuance, UPB, REMIC monthly issuance, and global market analysis, visit Ginnie Mae Disclosure.

Fannie Mae announced the results of its twenty-eighth reperforming loan sale transaction. The deal, announced on October 6, 2022, included the sale of approximately 10,100 loans totaling $1.9 billion in unpaid principal balance divided into five pools. The winning bidders were PIMCO, Chase, and PIF Onshore XXXV LP. Reperforming loans are loans that have been or are currently delinquent but have reperformed for a period of time. The terms of Fannie Mae's reperforming loan sale require the buyer to offer loss mitigation options to any borrower who may re-default within five years following the closing of the reperforming loan sale. All purchasers are required to honor any approved or in-process loss mitigation efforts at the time of sale, including forbearance arrangements and loan modifications. In addition, purchasers must offer delinquent borrowers a waterfall of loss mitigation options, including loan modifications, which may include principal forgiveness, prior to initiating foreclosure on any loan. The transaction is expected to close by February 23, 2023. Interested bidders can register for ongoing announcements, training, and other information here. Fannie Mae will also post information about specific pools available for purchase on that page.

Freddie Mac announced the pricing of a Seasoned Credit Risk Transfer Trust offering, a securitization of approximately $1.0 billion including both guaranteed senior and unguaranteed subordinate securities backed by a pool of seasoned re-performing loans (RPLs). Freddie Mac Seasoned Credit Risk Transfer Trust, Series 2022-1 includes approximately $958 million in guaranteed senior certificates and $86 million in unguaranteed mezzanine and subordinate certificates. The mezzanine certificates will be rated. The transaction is expected to settle on April 12, 2022. The underlying collateral consists of 6,677 seasoned fixed-, step-, and adjustable-rate RPLs, and includes both loans that were modified to assist borrowers at risk of foreclosure and loans that were never modified. The Seasoned Credit Risk Transfer Trust program is a fundamental part of Freddie Mac's seasoned loan offerings which reduce liquid assets in its mortgage-related investments portfolio and shed credit and market risk via economically reasonable transactions. To date, Freddie Mac has sold over $9.7 billion of Non-Performing Loans and securitized more than $74 billion of RPLs consisting of $30 billion of fully guaranteed PCs, $33 billion of Seasoned Credit Risk Transfer Trust senior/sub securities, and over $11 billion of Seasoned Loans Structured Transaction securities. Additional information about the company's seasoned loan offerings can be found at: http://www.freddiemac.com/seasonedloanofferings/.

Freddie Mac Multifamily announced that it will soon go to market with the issuance of $92.8 million in Social Bonds supporting 1,500 units across four seniors housing properties in Arizona. More than half the units are affordable to seniors with incomes at or below 50% of area median income according to Freddie Mac's affordability guidelines. According to the company's Social Bonds Framework, the proceeds of Freddie Mac's Social Bonds are used either to provide liquidity to social impact financial institutions for financing of affordable housing or to finance multifamily properties originated by the Freddie Mac Multifamily Optigo network that are affordable to an underserved population. Institutions receiving liquidity and properties financed from Social Bonds proceeds are expected to foster various socioeconomic opportunities for residents and their communities, in addition to providing affordable housing to low- to moderate-income families. Read more about Freddie Mac Multifamily's Social Bonds here.

Freddie Mac announced the pricing of a Seasoned Loans Structured Transaction Trust (SLST) offering, a securitization of approximately $385 million including both guaranteed senior and non-guaranteed subordinate securities backed by a pool of seasoned residential mortgage loans. The SLST program is a fundamental part of Freddie Mac's seasoned loan offerings which reduce less-liquid assets in its mortgage-related investments portfolio and shed credit and market risk via economically reasonable transactions. Freddie Mac SLST Series 2022-1 includes approximately $345 million in guaranteed senior certificates and approximately $40 million in non-guaranteed subordinate certificates. The right to purchase the subordinate certificates was awarded on May 16 via an auction. The transaction is expected to settle on May 26, 2022. The underlying collateral backing the certificates consists of 2,731 fixed-, adjustable-, and step-rate seasoned loans, and includes both loans that were modified to assist borrowers at risk of foreclosure and loans that were never modified. As of the Cutoff Date, none of the loans are more than 150 days delinquent. To date, Freddie Mac has sold almost $9.7 billion of non-performing loans and securitized approximately $76 billion of re-performing loans consisting of $30 billion of fully guaranteed PCs, $34 billion of SCRT senior/sub securitizations, and almost $12 billion of Seasoned Loans Structured Transaction offerings. Additional information about the company's seasoned loan offerings can be found here.

Do Buzzwords Sell: A Parody of Self-Promotion
By Adam Johnston (this is a generic parody and is not intended to lampoon any particular company)

At <insert any company name>, we are a leading <insert any business type> that is revolutionizing the <insert industry/product> by providing end-to-end, tech-enabled solutions that drive unparalleled, class-leading customer experience, and processing efficiency. Our cloud-based environment, machine learning, blockchain solutions, and cutting-edge tech stack, power unrivaled service levels and drive rapid incorporation of emerging technologies. Using our innovative, proprietary workflow, supported by best-in-class artificial intelligence, and scalable capacity solutions, we seamlessly receive and process information to ensure up-to-date status and exceptional support for mobile applications. If you are ready to work with a next-generation, technology-driven, fintech that is reinventing <insert industry/product>, reach out to our natural language processing chat-bot or <insert sales contact info> to discover the advantages we offer.

I've got a story to tell
And it's all about me
I'll use buzzwords aplenty
Impressed you will be

You'll know right away
With words like unparalleled and emerging
That we've done something special
You must buy at my urging

Or maybe you'd like
To solve your work pain
By leveraging my cloud-solutions
Using AI and blockchain

I've got all the answers
Innovations and bots
Machine learning experiences

I revolutionize lots

I'm reinventing and class-leading
I'll mentioned fintech a ton
I'll give you a next generation something
Before I am done

You'd love to work here
Where you'll be challenged, not bored
Our culture is unrivaled
And we give out awards

Let's celebrate the buzzwords
Our advertisements will shout
Convincing proclamations of greatness
We figured everything out

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