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Fannie vs. Freddie Earnings; Loan Limit Reduction Ahead; Jumbo Market Chatter; Think Tank Opinion on GSEs;

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Yesterday I went through denial, anger, bargaining, depression, and acceptance - which are now the 5 stages of buying gas.

Incidents of **mortgage fraud** dropped from 2009 to 2010. Either that, or incidents rose - it depends who you ask. **FRAUD**. Regardless, Florida took the "top" honors, followed by New York, California, New Jersey, and Maryland (No. 5).

The FDIC's chairman **Sheila Bair** will indeed be stepping down when her term expires, as has previously been announced. Cake and soda pop will be served in the FDIC's cafeteria on July 8th - no gifts please.

Fannie & Freddie recently released results that appear to point to the different focus in the past of their two companies. One reader wrote, "Freddie Mac reported its first true net profit in almost two years, earning $676 million in the first quarter and not asking the taxpayer for more money. But Fannie reported at $6.5 billion loss for the quarter, and asked Treasury for $8.5 billion in taxpayer money. From my vantage point, the difference rests in the amount of Countrywide business that Fannie bought in the past - **CW was Fannie's best customer for several years**, selling Fannie a variety of A-paper, alt-A, pay option ARMs, and other products. I bet that if you take Countrywide out of the equation, Fannie would show similar results to Freddie. But last year Fannie agreed to one lump sum from BofA to settle the bulk of buyback claims - good for BofA, bad for Fannie."

Last month the **Cato Institute published its opinion of the agencies**, and it is making the rounds. "Foremost among the government-sponsored enterprises' deleterious activities was their vast direct purchases of loans that can only be characterized as subprime. Under reasonable definitions of subprime, almost 30 percent of Fannie and Freddie direct purchases could be considered subprime. The government-sponsored enterprises were also the largest single investor in subprime private label mortgage-backed securities. During the height of the housing bubble, almost 40 percent of newly issued private-label subprime securities were purchased by Fannie Mae and Freddie Mac. In order to protect both the taxpayer and our broader economy, Fannie Mae and Freddie Mac should be abolished, along with other policies that transfer the risk of mortgage default from the lender to the taxpayer."

Who is going to teach your staff about **NMLS**? Be sure to scroll down a little for news on NMLS and Federally regulated institutions! **NMLSTraining**

For any jumbo mortgage fans, here is some chatter: **Jumbo**

By the way, at this point the conforming loan level in the higher-priced areas will indeed drop to $625,500 from $729,750. Although it is not set in stone and could be subject to some political wrangling, few doubt that it will drop. Here is Fannie's memo stating the loan limits **Fannie** along with the **FHFA's**.

Aventur Partners & Aventur Mortgage Capital appear to be turning some heads in the jumbo world. Led by the former co-founder and CEO of Thornburg Mortgage (Larry Goldstone) is developing a new mortgage company specializing in jumbo lending. Past and current legal nightmares aside, Thornburg-style companies certainly have their fans in the business, and the former vice president of Thornburg, David Akre, is the serving COO at Aventur.

"Soldiers do not march in step when going across bridges because they could set up a vibration which could be sufficient to knock the bridge down." Fortunately not every housing market moves in exactly the same direction and in the same magnitude, but Zillow posted some housing numbers that certainly would make a bridge shake a little. There seem to be dozens of house price indices, but the one from **Zillow yesterday showed that home values posted the largest decline in the first quarter since late 2008**. Home values fell 3% in the first quarter from the previous quarter and 1.1% in March from the previous month, and Zillow reports prices have now fallen for 57 consecutive months. Our economy needs job & housing, housing and jobs, to truly recover, and although mortgage rates continue to be low, the expiration of the housing tax credit and the continued flow of foreclosures hitting the market aren't helping prices. Detroit, Chicago and Minneapolis posted the largest declines during the first quarter of the top 25 metro areas tracked by Zillow, while Pittsburgh, Dallas and Washington posted the smallest declines.

As an interesting side note to this, housing is certainly more affordable than any time in a few decades, but credit, appraisal, and documentation standards remain tight (many would say they should, and if they were in place 5 years ago we wouldn't have these issues). One report mentioned that the average credit score on loans backed by Fannie Mae stood at 762 in the first quarter, up from an average of 718 between 2001-2004.

Franklin American relaxed its conventional condominium guidelines to allow established condominiums with 200 units or more to be approved through DU Limited Review or CPM. FAMC also tweaked its policies for "Purchase of a short sale/foreclosure or REO - Appraisal Requirements" (added the requirement for a full appraisal if the borrower is purchasing a property sold under a short sale in addition to transactions where the borrower is purchasing a foreclosure or REO), required that utilities must be on at time of appraiser's inspection, and revised the income documentation guidelines for borrowers employed by an interested party to require a written VOE in addition to the most recent 30 day paystub. FAMC announced the introduction of the Conforming Fixed Rate 97 product which allows loans up to 97% through DU, with certain restrictions.

GMAC Bank Correspondent Funding, echoing FHA Mortgage Letter 2011-11 on the subject of Refinance Transactions, refined its stance on the use of FHA TOTAL Scorecard to underwrite Credit Qualifying Streamlines (will continue to be eligible) and determining the mortgage basis on a Cash-out transaction when a borrower is buying out ground rent. GMAC also reminded clients that the Freddie Mac Relief Refinance Open Access product has been discontinued, and after tomorrow several of its loan program codes will no longer be available. GMACB will not purchase loans where LP feedback states Open Access.

Wells' wholesale notified brokers about changes to its "Compensation and Anti-Steering: BYTE Fee Details Now Accepted, Compensation and Anti-Steering: Appraisal Fee Reimbursement, and Best Practices to Avoid FHA Case Number Cancellation. WF's broker clients were also reminded not to delay in learning about the NMLS Federal Registration*, given a new address for the "Change of Servicer" notifications, updated the processing fee for Guaranteed Rural Housing loans and curing TIL material disclosure errors, and reminded of the final documentation delivery address for VA loan Guaranty Certificates and Rural Development Loan
Note Guarantees.

*Three months ago the Board of Governors of the Federal Reserve System, Farm Credit Administration, FDIC, National Credit Union Administration, OCC, and OTS announced the opening of the Nationwide Mortgage Licensing System and Registry for Federally Regulated originators. "**All originators (company and loan level) who are federally regulated will have 180 days to complete the SAFE Act requirements and register with the federal S.A.F.E. registry.** One should not delay, as at the end of July all federally regulated originators will be required to provide their NMLS Loan Originator and LO Company ID's: **FederalNMLS**

Out in California, **First California Mortgage** is looking for someone to lead its new **Multi-Family division**. The person will be handling the full range of processing and monitoring activities associated with the multi-family housing program, along with cultivating new and enhancing established relationships with realtors, builders, community groups/clubs and associates resulting in new loan originations and referrals. In addition, the person will be securing new Agency lending opportunities, working primarily with Freddie and Fannie. (The complete list of duties and requirements is too lengthy for this commentary.) If you're interested, or know someone who is, contact Shannon Thomson, Director of Human Resources, at **sthomson@firstcal.net**.

Parkside Lending, a west coast wholesaler, reminded its brokers that it will fund Non-owner high balance purchase loans up to 80% LTV up to $625,500 through its Freddie Mac Super Conforming product line and subject to other restrictions. Parkside also allows broker/owners to select individual compensation plans for each of their branch offices. "This means one branch could be at 1.0% monthly comp contract while another is at 1.5% monthly comp -and so on, as long as they are under separate branches as recognized by DRE."

Wall Street continues to see good interest by investors in mortgage products, "...buying from all investor types...Japanese, Real Money and Central Banks have been the largest - the market continues to under estimate the short base...," which is another way of saying that Central Banks and investment firms have an enormous amount of cash to be put to work. And specifically for mortgages, banks have been very large buyers of MBS (per the H8 data). Monday was very quiet, with the 10-yr yield closing at 3.14% and MBS prices a shade better/higher as there is still a flight to safety bid on continued worries about European debt issues - particularly related to Greece.

Just before the funeral services, the undertaker came up to the very elderly widow and asked, "How old was your husband?"

"98," she replied. "Two years older than me."

"So you're 96," the undertaker commented.

She responded, "Hardly worth going home, isn't it?"

Reporters interviewing a 104-year-old woman:

"And what do you think is the best thing about being 104?" the reporter asked.

She simply replied, "No peer pressure."

I'm happy to announce that I will be writing a twice-a-month blog that you can access at the STRATMOR Group web site located at www.stratmorgroup.com. Each blog will address what I regard as an important topic or issue for our industry. My first blog, for example, considers the near and longer-term outlook for jumbo lending. Since you can comment on my blogs, I'm hoping each topic I address will generate a thoughtful dialogue.

View the Full Post at:
http://www.mortgagenewsdaily.com/channels/pipelinepress/05102011-fdic-fraud-agencies-import.aspx