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Wells Fargo pulls out of Marketing Agreements with Agents, Builders

Well Fargo Bank announced today that it will **immediately** begin winding down its marketing services and desk rental agreements with real estate firms, builders, and some other referral sources. Franklin Codel, executive vice president for mortgage production said the company was exploring a number of new options for enhancing and strengthening those relationships over the long term.

A press release issued by the company said that the withdrawal decision was made as a result of increasing uncertainty surrounding regulatory oversight of these types of arrangements "and as part of Wells Fargo's ongoing efforts to **simplify the process** that customers experience as they weigh all of their choices when shopping for a mortgage."

The decision is presumed to arise out of a series of enforcement decisions made by the Consumer Financial Protection Bureau regarding alleged kickbacks between various actors in real estate transactions. In the most recent of these CFPB charged that PHH, a mortgage lender, received payments from mortgage insurance companies to which it referred business. The kickbacks were in the form of reinsurance premiums that the mortgage insurers paid to PHH's reinsurance subsidiary. CFPB presented evidence that the company had **referred substantially more business** to insurers that purchased reinsurance from its subsidiary than to those that did not and the reinsurance did not transfer risk to that subsidiary commensurate with the premiums it was paid.

Wells Fargo as well as JPMorgan Chase were subjects of a similar consent order last January in which CFPB charged they and a Wells Fargo employee had conducted an illegal marketing services kickback scheme with a now defunct title company. That company had provided bank loan officers with **cash and services** in return for referring homebuyers to them for closing services. Wells Fargo agreed to pay $24 million in civil penalties and 10.8 million in redress to consumers over that decision.

These and other actions were brought under RESPA which **prohibits the payment of kickbacks** in exchange for referrals in the real estate market. We do not know the terms of the marketing services agreements Wells Fargo maintained with its referral sources but these paybacks for referrals can take the form of cash, travel awards, gifts, or services such as providing refreshments at real estate agent open houses or caravans.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/3

Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

		Value	Change
Builder Confidence	Mar	51	+6.25%

Codel statement continued, "Because we **value our strong relationships with real estate professionals and builders**, the decision to exit these marketing services agreements was difficult, but we are taking this action to ensure that we continue to conduct our business in a way that represents the best interests of all of our customers and clients. We believe the best way to earn the relationship with real estate firms and builders is through timely, dependable service delivered by the best team in the business."

The decision is **effective Aug. 1** and the wind down will occur over the following 90 days. The company said termination of these marketing services agreements is not expected to have a material impact on Wells Fargo's total mortgage production.