Housing News Update

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A Silver Lining in the Regulatory Cloud

In the midst of the Know Before You Owe or TRID rule implementation which she says "**devoured the industry's bandwidth**," Faith Schwartz, Corelogic's Senior Vice President, Government Affairs, finds some reasons to cheer and to buck the industry current of CFPB bashing.

Writing in the company's *Insights* blog, Schwartz says that, while innovation has taken a **backseat to compliance** as the housing finance industry coped with new rules and regulations, "not all the changes that regulators have wrought have been negative. In fact, some might be setting the stage for future innovation."

It was CFPB (the Consumer Financial Protection Bureau) that delivered TRID. She said, but the ideas behind it are laudable over time, making the mortgage process more transparent and understandable. CFPB is also one of the biggest advocates of **e-closings** which the mortgage industry has talked about for years but hasn't yet achieved. Hopefully the pilot study the bureau is conducting will demonstrate their value to consumers and industry and bring closer the day of simple and paperless closings.

She also touts the **eventual** value of the new Home Mortgage Disclosure Act (HMDA) reporting rules, agreeing that it is a big effort for lenders to comply with the massive data requirements and will become more so with new transparency mandates. However, "The Bureau's intention is clear: full pricing and credit transparency for nearly every mortgage loan originated. This has always been inferred, but in the future lenders will have to capture and report significantly more data." She predicts that over time lenders and other stakeholders "will find a cadence with this new reporting requirement and readjust for a new approach to lending reporting standards" and that increased transparency is a positive for consumers and investors as well if credit standards rise.

She also praised progress made toward the new **common securitization platform** even if other aspects of GSE reform have faded into the background. The Federal Housing Finance Agency (FHFA) Scorecard for 2016 indicates the first release of the new platform, which involves existing Freddie Mac single class securities, will come this year. It will be followed by implementation of the single-security on the common platform by both GSEs in 2018. "When it is ready, the common platform will support and enhance the agency market, and make a new single GSE security possible," Schwartz says.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

Regulators have significantly altered the way the mortgage industry has originated and serviced loans over the last seven years and this has caused a great deal of disruption and discomfort to legacy players. She quotes an expression used by management consultants to explain why companies and industries **resist new ideas**. A "phenomenon limited repertoire" means that managers believe that the way they have done something is the only way to do it, "and they tend to remember how deviations from the norm had failed in past."

This has created **openings for new entrants--**non-bank originators, private equity and hedge funds, mega-special servicers and now fintech companies-who are eyeing opportunities that were once the sole province of the federal agencies and big depositories. These new entrants aren't worried about how things have changed, she points out. Instead they are focused on using new technology to drive inefficiencies out of originating and servicing loans. "In 2016 and beyond, this kind of thinking will drive innovation."

So, she concludes, "Maybe there is a silver lining to the regulatory cloud that has been hanging over our industry."

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its “Proposed Criteria for Evaluating Home Buyer Contract Forms” on Tuesday. The 15 criteria focus on the contracts’ form — whether the documents are readable and understandable — and content — whether they are fair to homebuyers.

-the document’s expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
-the right to terminate the contract
-the disclosure that compensation is negotiable
-the broker’s compensation clearly stated and that the buyer broker can’t receive additional compensation for facilitating a sale
-that any additional fees, such as for showing a home, will be deducted from the broker’s commission if there is a successful sale
-that the commission is due only if there is a successful closing
-that buyers have an obligation — for no longer than 60 days, CFA recommends — to pay a broker who earlier showed them a home they purchased after the contract ended
-seller concessions paid directly to buyers
-dual agency not pre-approved by the contract
-an explanation of how a broker treats different buyer clients interested in the same property
-that buyers should not be required to first go through mediation or arbitration if they have a complaint

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