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Wells Settlement is FHA Record

Reuters is reporting that Wells Fargo & Co has agreed to pay a record **\$1.2 billion** to resolve a dispute with the Justice Department over mortgages it falsely claimed were eligible for Federal Housing Administration (FHA) insurance. The settlement in the case *U.S. v. Wells Fargo Bank NA, U.S. District Court, Southern District of New York*, also resolves claims against a former Wells Fargo vice president, Kurt Lofrano and a federal probe in California of loan originations by American Mortgage Network LLC, which Wells Fargo bought in 2009.

Reuters says that in court papers filed with the Manhattan federal court the company "admits, acknowledges, and accepts responsibility" for falsely certifying that thousands of the home loans it originated during a period extending from 2001 to 2008 qualified for FHA insurance. Wells Fargo also admits that from 2002 to 2010 it "**failed to file timely reports** on several thousand loans that had material defects or were badly underwritten, a process that Lofrano was responsible for supervising."

The Justice Department maintained that the bank's actions led to **substantial losses for taxpayers** when the FHA had to pay insurance claims when borrowers defaulted on the loans.

U.S. Attorney Preet Bharara in Manhattan called the settlement a reproach for "**years of reckless underwriting**" by the bank and said in a statement, "While Wells Fargo enjoyed huge profits from its FHA loan business, the government was left holding the bag when the bad loans went bust."

This is just the latest in a long series of settlements between the U.S. government and many of the country's largest banks over risky loans written in the several years prior to the housing meltdown in 2008. The Wells Fargo settlement is the largest in FHA history over such infractions and the company stated in February that the settlement would reduce its previously reported 2015 profit by **\$134 million**, to account for extra legal expenses.

Franklin Codel, president of Wells Fargo Home Lending, in a statement said the settlement "allows us to put the legal process behind us, and to focus our resources and energy on what we do best -- serving the needs of the nation's homeowners."

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%

Update: Buyer Broker Agreement

	Value	Change
Builder Confidence	Mar 51	+6.25%

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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