Housing News Update

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No, FHA Won't Be Offering 40 Year Loans

Ginnie Mae sent out a press release last week could create some confusion for those readers who only skimmed the lede. The opening paragraph states that the agency is creating a new pool of mortgages for securitization on the secondary market. The pool, to be known as Pool Type C-ET, will contain loans with terms up to 40 years while the current set of pool types only supports loans with 30 year or shorter terms. It is easy to miss that **this special pool is not a new offering for borrowers but is limited to loans that have gone through a loan modification.**

It is probable that this pool is being created in anticipation of the number of FHA, VA, and USDA loans that will be coming out of pandemic-related forbearance plans. The latest survey by the Mortgage Bankers Association estimated that 5.13 percent of homeowners with those loans were still in the program as of June 20. Black Knight's weekly survey estimates the raw number at over 800,000. Many of these borrowers **have either entered or will soon enter he last three months of eligibility which is currently capped at 18 months**, and most will have significant past due balances.

Borrowers who leave the program are offered several options for paying back their arrearages including several types of loan modifications. Among them is a re-amortization of the loan to spread the amount over the remaining life of the loan, but in many cases this could result in an unaffordable monthly payment.

The new pool type is expected to be available by October, at about the time the 18 month terms begin to expire. It will be a "Custom" pool with a minimum size of one loan and a $25,000 minimum balance. There will be no upper limit on the loan amount as long as the eligible collateral meets the participating agency's requirements. That collateral will be participating agency modified loans with original terms of 361 months or more, capped at 480 months. All modifications of an included mortgage loan after its origination must have been occasioned by default or reasonably foreseeable default.

"It's important that Ginnie Mae issuers have secondary market liquidity for options that our agency partners determine are appropriate for supporting homeowners in distress," said Michael Drayne, Ginnie Mae's Acting Executive Vice President. "Because an extended term up to 40 years can be a powerful tool in reducing monthly payment obligations **with the goal of home retention, we have begun work to make this security product available.**"

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%

Drayne noted that the terms and extent of use of the included loans would ultimately be determined by the FHA, HUD's Office of Public and Indian Housing, VA, and USDA' Rural Development Program. Their loans are the basis for the Ginnie Mae pools.

"Ginnie Mae has been integral to the interagency actions to prevent foreclosure for homeowners experiencing financial hardship as a result of COVID-19," said Alanna McCargo, HUD Senior Advisor to Secretary Marcia Fudge. "The challenges of the last year require meaningful solutions to help keep people in their homes, which has been a priority for Secretary Fudge. As interest rates rise, this 40-year feature will enable more payment reduction options to help homeowners."

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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