Briefing

QM letter to Cordray signed by 33 groups

On April 12, 33 different housing, securities, banking and community groups signed on to a letter urging that a broad definition of a Qualified Mortgage (QM) be adopted in a regulation to be finalized by the Consumer Financial Protection Bureau (CFPB).

In the letter addressed to Richard Cordray, director of the CFPB, the groups admitted they come from different perspectives and share different views, but they added, "[W]e stand united in urging the Bureau of Consumer Financial Protection (CFPB) to construct a broadly defined QM using clear standards."

The broad coalition of groups believe that if the CFPB fails to get the QM definition right, then already tight credit standards will get even tighter, choking off recovery at a bad time for the housing market.

"Our organizations believe that an unnecessarily narrow definition of QM that covers only a modest proportion of loan products and underwriting standards and serves only a small proportion of borrowers would undermine prospects for a housing recovery and threaten the redevelopment of a sound mortgage market," the groups said in their letter.

Operator of Virginia loan-mod scheme pleads guilty

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) announced on April 10 that Howard R. Shmuckler, 68, of Virginia Beach, Virginia, pled guilty to running a scheme where he collected fees from distressed borrowers for loan-modification services but provided help in only a few cases.

Shmuckler pled guilty to six counts of wire fraud. Each count carries a maximum penalty of 20 years in prison. Sentencing is scheduled for June 22, 2012.

According to the court records, Shmuckler owned a mortgage rescue business based in Vienna, Virginia, known as The Shmuckler Group (TSG). A press release issued by SIGTARP said Shmuckler "misrepresented that TSG had a success rate of 97 percent and falsely portrayed himself as an attorney licensed in Virginia." According to TSG's website, the company said it had 1,100 clients.

The SIGTARP release said that Shmuckler or client recruiters made false representations about their success rate and that caused potential clients to pay fees ranging from $2,500 to $25,000 to help modify the terms of their mortgages.

Midwest housing markets struggling to recover

The Midwest was the only region to post negative results for home prices during the most recent rolling quarter, according to Truckee, California–based Clear Capital®. The region saw its average home prices drop by 2.4 percent in the latest edition of Clear Capital's *Home Data Index™ (HDI) Market Report*. The company computes its HDI based on rolling quarter intervals that compare data from the most recent fourth months with the previous three months.

For the same period, the West, South and Northeast posted modest price gains of less than 1 percent, according to data through March 2012. The company reported that at the national level, home prices in the most recent quarter fell by 0.2 percent.

Clear Capital found that the real estate–owned (REO) saturation rate continued to climb in all regions. REO saturation measures the share of all sales that are made up of distressed properties.

Clear Capital noted in a press release announcing the latest findings that the national REO saturation rate and the regional REO saturation rates climbed for the second month in a row. The company said this confirms that servicers are more aggressively moving their REO backlog in the wake of the approval of the attorneys general settlement with the five biggest bank servicers.

Phoenix tops list of projected strongest housing markets in coming year

Veros Real Estate Solutions, Santa Ana, California, released its VeroFORECAST for the 12-month period from March 1, 2012, to March 1, 2013, and Phoenix topped the list of five projected strongest markets. Veros forecasts that the Phoenix market will see a strong 5 percent increase in its home prices.

The company said the Phoenix market's revival is "based on the drastically reduced housing supply, great affordability and low interest rates." Phoenix's economy has also been able to produce jobs, which accounts for its lower unemployment rate (7.9 percent) than the national average.

Coming in second on the list of

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five strongest projected markets is Bismarck, North Dakota, with forecast price gains of 4.3 percent. The remaining markets on the top-five list are: Shreveport-Bossier, Louisiana (with a forecast 3.4 percent gain); Anchorage, Alaska (3.1 percent); and Fargo, North Dakota/Minnesota (2.7 percent).

In a press release, the company stated, "The strongest areas in the United States can still be found in the Great Plains, including regions in North Dakota, Texas, South Dakota, Nebraska and Louisiana. Housing markets that continue to perform well and see improvement include regions in Washington, D.C., Hawaii and Alaska."

OCC reports just 48.3 percent of mods done since 2008 are current or paid off

The Office of the Comptroller of the Currency (OCC) released its latest *OCC Mortgage Metrics Report* for the fourth quarter, and it shows that servicers modified 2,395,565 mortgages from the start of 2008 through the end of the third quarter of 2011. Yet less than half, as of the end of the fourth quarter of last year—or just 48.3 percent—have remained current or were paid off.

Of those modifications, fully 17.4 percent were seriously delinquent, while almost 11 percent were in the process of foreclosure as of the fourth quarter. OCC reported that 6.1 percent had completed the foreclosure process. Another 8.5 percent were 30 to 59 days delinquent, according to the report.

In last year's final quarter, the number of Home Affordable Modification Program (HAMP) modifications decreased 21.6 percent from the prior quarter to 42,275. Other types of modifications decreased by 11.6 percent to 73,878, according to OCC.

However, servicers boosted the number of new trial-period plans in the fourth quarter. OCC reported that servicers implemented 210,179 new trial-period plans, which was a 34 percent increase from the third quarter. The bank regulator noted that the increase was partly a result of "certain servicers [converting] payment plan programs to trial-period plans."

National Fair Housing Alliance charges discrimination in REO maintenance and marketing

On April 4, the Washington, D.C.–based National Fair Housing Alliance (NFHA) released findings from an undercover investigation into potential disparities in the levels of maintenance and marketing done for real estate–owned (REO) properties in neighborhoods of color. The group's report based on the findings is titled *The Banks are Back, Our Neighborhoods Are Not: Discrimination in the Maintenance and Marketing of REO Properties.* The investigation involved evaluating more than 1,000 REO properties located in an around Atlanta; Baltimore; Dallas; Dayton, Ohio; Miami/Fort Lauderdale, Florida; Oakland/Richmond/Concord, California; Philadelphia; Phoenix; and Washington, D.C.

In its news release announcing the findings, the NFHA said the evaluations took into account 39 different aspects of maintenance and marketing of each property. The investigation found that overall REOs in communities of color "were 42 percent more likely to have more than 15 maintenance problems than properties in white neighborhoods."

Some of the findings the investigation revealed, according to NFHA, were: REO properties in communities of color were 82 percent more likely than REO properties in white communities to have broken or boarded-up windows; and REO properties in white neighborhoods were 32 percent more likely to be marketed with the proper signage (i.e., for-sale signs were posted)

Business Barometer

CHANGES IN HOME-BUILDER SENTIMENT

	Builder confidence in the market for newly built, single-family homes (Index scale: 0 to 100)
April 2012:	25
March 2012:	28
Change:	-3 points

SOURCE: **National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index** than African-American neighborhoods and 38 percent more likely than in Latino neighborhoods.

MBA study finds production profits fell in 4Q 2011

The Mortgage Bankers Association (MBA) reported average profit per loan dropped in the fourth quarter of 2011 to $1,093 for participants in its quarterly *Mortgage Bankers Performance Report.* That was down from average profit in the third quarter of $1,263 per loan.

Of the 300 companies in the study, 72 percent were independent mortgage companies, MBA said.

MBA also found the net cost to originate dropped modestly in its fourth-quarter findings. The per-loan net cost to originate was $3,324 in the fourth quarter, down slightly from the third quarter's $3,360.

The share of companies posting pre-tax net financial profits in last year's final quarter also dropped, going from 86 percent in the third quarter to 78 percent in the fourth.

The weaker performance came in spite of stronger origination volume in the fourth quarter, which was driven by heavier refinancing. MBA reported that average production volume for the study's participants was $313 million per company in the fourth quarter. That was up from $237 million per firm in the third quarter. The refinance share by dollar volume was 57 percent in the final quarter of 2011, up from 45 percent in the third quarter.

Ellie Mae reports origination data in inaugural monthly report

Based on what the company says is "more than 20 percent of all originations in the United States" that flow through the company's mortgage software and network, Ellie Mae Inc., Pleasanton, California, has launched a new monthly origination report to cover current trends in the home mortgage lending market. The first report for the month of February found the refinance share hit 67 percent, up from 64 percent in November 2011. That was also up from the 61 percent refi share the company noted on loans flowing through its system back in August 2011.

Ellie Mae's launch edition of its *Origination Insight Report* found 25 percent of loans flowing through its origination systems (Encompass360® and Ellie Mae Network™) in February were for Federal Housing Administration (FHA) loans. That was the same FHA share it saw in November 2011, but down from the 29 percent noted in August 2011.

The share of loans that were adjustable-rate mortgages (ARMs) slipped to 4.3 percent in February, down from 5.3 percent in November. The February ARM share was down notably from 8.3 percent recorded in August 2011, Ellie Mae said.

The new report found the share of loans that were for 15-year mortgages was 19.6 percent in February. That was essentially flat with the 19.7 percent in November.

Fannie Mae survey finds drop in those believing homeownership is safe investment

In Fannie Mae's latest quarterly *National Housing Survey,* released in late March, the number of respondents who said they perceive owning a home as a safe investment continued to trend downward. The latest survey results showed that the number of Americans surveyed who see owning a home as a safe investment reached "a low of 63 percent in the fourth quarter of 2011."

The results also showed "the margin of Americans believing homeownership has the highest investment potential has declined over the past several years," according to a Fannie Mae press release announcing the findings.

Also working against homeownership trends is the growing perception that the mortgage process is difficult to negotiate and overly complex.

"A point of concern for the industry is that some consumers find the mortgage-shopping process difficult to navigate," said Doug Duncan, Fannie Mae vice president and chief economist. He added, "If potential homeowners avoid the process because they believe it to be too complex, we will likely see a continued impact on homeownership rates."

Credit unions' mortgage share moves past 6.5 percent

Credit unions are becoming increasingly significant competitors in the home mortgage lending space as their share of the market has been steadily growing. According to the American Credit Union Mortgage Association (ACUMA), Las Vegas, the credit union share of home mortgage originations exceeded 6.5 percent as of year-end 2011, measured by dollar volume of originations.

That market share "is the highest level since we began tracking this data dating to the early 1990s," stated Bob McKay, ACUMA chairman of the board and the chief operating officer of Baxter Credit Union, Vernon Hills, Illinois. The source for the data is credit union call report data and mortgage market data from the Mortgage Bankers Association.

"Interest in credit union home loan lending has been on the rise for the last several years. Recent media attention and social media events like Bank Transfer Day brought even further attention to the great story taking place today for American families with credit unions," McKay said.

In a press release from ACUMA, some reasons identified for the gains in market share by credit unions included: consistent underwriting standards; maintaining a high level of trust with credit union members; and "the biggest reason of all—members finally realizing their credit union offers these products . . . ."

Las Vegas home sales hit six-year high

February was a good month for home sales in Las Vegas, according to data released by DataQuick, San Diego. The real estate data firm reported that the number of homes sold in the Las Vegas–Paradise, Nevada, metro area in February rose to its highest level in six years.

New-home sales hit a four-year high, and resale volume was its strongest since 2005, the company said. Median home prices in the Las Vegas area in February "edged up slightly from January," DataQuick reported.

During February, 4,240 new and resale houses and condos closed escrow in the metro area. That number of sales was up 5 percent from the month before and up 8.9 percent from a year ago.

An extra selling day in February this year helped the results just a little bit more. Even so, total February home sales were 11.5 percent higher than the average number of sales sold in that month since 1994. This year's resale activity during February was 52.7 percent higher than the average for that month in the data series.

HUD bars AmericaHomeKey from future FHA lending

The Department of Housing and Urban Development (HUD) announced on March 23 it was permanently barring AmericaHomeKey Inc. from any future participation in the Federal Housing Administration (FHA) program. HUD's Mortgagee Review Board (MRB) also voted to impose $268,000 in penalties against the Dallas-based lender for repeated and serious violations of FHA requirements.

In a press release, HUD said that the lender was guilty of "more than a dozen violations of FHA standards." The MRB found that the lender: 1) failed to adequately document the source and/or adequacy of borrowers' funds used for closing; 2) failed to correctly calculate or adequately document borrowers' income; 3) failed to verify the stability of borrowers' income; 4) failed to ensure borrowers are eligible for an FHA-insured mortgage; 5) failed to ensure the property met eligibility requirements; 6) failed to comply with HUD's property-flipping requirements; and 7) charged borrowers unallowable fees.

Shadow inventory hovering at six-month supply

Santa Ana, California–based CoreLogic reported in late March that the shadow inventory of distressed homes not yet listed for sale as of January 2012 was 1.6 million units—or a six-month supply. That was slightly under the eight-month supply or 1.8 million units that made up the shadow inventory one year ago in January 2011.

CoreLogic estimates the current stock of homes in the shadow inventory by calculating the number of distressed properties not currently listed for sale that are seriously delinquent, in foreclosure or in lenders' inventories of real estate–owned (REO) properties.

Mark Fleming, CoreLogic's chief economist, said, "Almost half of the shadow inventory is not yet in the foreclosure process." He added, "Shadow inventory also remains concentrated in states impacted by sharp price declines and states with long foreclosure timelines."

CoreLogic's data shows that of the 1.6 million properties in the shadow inventory, 800,000 are seriously delinquent, 410,000 are in some stage of foreclosure and 400,000 are already in REO status.

LPS home-price index updated to better reflect non-distressed market

In April 9, Jacksonville, Florida–based Lender Processing Services Inc. (LPS), announced it had updated the way it calculates its home-price index for sales concluded during January 2012. As a result, its measure of home-price changes now accounts more accurately for the impact of short sales on broader market prices. The index will also now incorporate broader geographic coverage because of the inclusion of Federal Housing Finance Agency (FHFA) home-price index (HPI) data, the company said.

"With proper accounting for short sales, we see two things. First, prices on normal (non-distressed) properties are doing a bit better than had been estimated before. The dramatic fall in prices after the bubble is actually closer to 26 percent, less than the 30 percent which we and others have previously reported," said Raj Dosaj, vice president of LPS Applied Analytics. He noted, "This is due to the fact that many of the short sales appear to be the same homes that saw overinflated values during the bubble."

The second conclusion LPS drew after making the revisions to its house-price index was that servicers were getting about the same price on both short sales and foreclosure sales in areas with high levels of distressed transactions.

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