



Foundations

CUsource, LLC Real Estate Newsletter June 2011

Volume 7 Issue 2

Out of State Loan Discontinuation

Due to requirements of the Safe Act, CUsource has learned that we must have staff licensed in each individual states for we which we are assisting in the mortgage process.

As a result, CUsource would have to be licensed (meeting course hours, testing and additional requirements) in potentially every state. Unfortunately, this would be cost prohibitive for our credit unions and CUsource. Effective immediately, CUsource will no longer process loans outside of Mon-

Early Check Overview

PHH implemented EarlyCheck on April 18, 2011. EarlyCheck is a data validation tool offered by Fannie Mae to help lenders identify potential issues that may make a loan unsaleable. It enables discrepancies to be identified early in the loan process allowing time to correct prior to the loan closing.

PHH began using EarlyCheck to ensure there are no data entry or eligibility issues that may cause a loan to become unsalable to Fannie Mae. While EarlyCheck can and will be run at several different points throughout the loan process, the earlier in the loan process it is run, the more likely deficiencies can be identified in time to address them with appropriate time to correct. PHH will run EarlyCheck for broker and non-delegated correspondents when the loan is delivered to PHH for underwriting and prior to approving the loan for closing. All correspondent loans will be run through EarlyCheck prior to funding.

PHH has piloted EarlyCheck since January 2011 on select loans. The overall impact of EarlyCheck has been minimal and as part of the pilot, PHH has been able to identify some trends in defects. Below are

the top faults which have been observed as part of the pilot process:

- ◆ Debt to income ratio exceeds PHH published guidelines.
- ◆ The LTV/CLTV data submitted through the AUS does not agree with the LTV/CLTV data in PHH operating systems. There is a discrepancy in the sales price, appraised value and/or loan amount.

The AUS engine either reflects the loan as a Cash Out or a No Cash Out transaction and PHH operating systems reflects a discrepancy.

- ◆ AUS case file ID entered is not correct (transposed or incorrect number) or the social security number associated with the case file ID does not match the social security number in PHH operating systems.

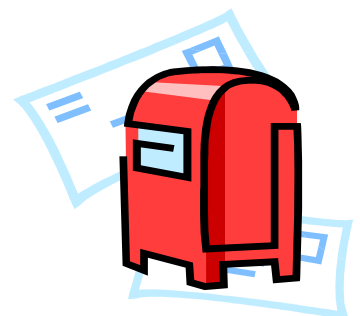
Please make sure your social security numbers are entered correctly when submitting loans and pulling credit. If a social security number is entered incorrectly, it will cause a new credit report to be pulled and a letter from social security administration will be required. PHH will no longer accept a processor cert for social security discrepancies.

Office Move Reminder

Just a reminder that our office has moved.

While our phone numbers and fax have stayed the same, we would like to request that you send all mail to:

**PO BOX 20617,
Billings, MT 59104**



Real Estate Loan Staff Training

**Hosted by: CUsource Sponsored by:
PHH Mortgage and Genworth Financial**

The training began at 8:30am with a lovely "meet and greet" breakfast of delicious pastries, juices, and coffee all provided by PHH. Twenty five loan officers and representatives from twelve credit unions across the state joined the CUsource staff for a day of training, May 10th, 2011.

Dan Eggen, CUsource Senior Real Estate Loan Process, kicked off the meeting with the introduction of our speakers: Adam Johnston, Chief Appraiser with Genworth Financial, Holly Rittenhouse, our Account Executive with PHH Mortgage, Cindy Gray Inside Account Executive PHH Mortgage, and online webinar speaker Alice Alvey, President, Consultant, and Instructor, for Mortgage U. Also present but not featured as speakers were Ken Reid and Connie Chasteen from Genworth.

Adam Johnston was our first speaker of the day. Adam manages a team of appraisers who provide appraisal support to all US Mortgage insurance functions. He was a fantastic speaker.

He went through several appraisals and pointed out some errors. He also showed us some pictures that were pretty funny too. His point was for us (lenders, credit unions, processors and underwriters) to remember that the appraiser is working for us. So if we don't understand something on the appraisal report, then we need to ask the appraiser to explain it, because if we cannot understand it (and we reside in the area), how is an underwriter somewhere else going to understand the report?

Ken Reid (Genworth) briefly discussed the economy and how it has affected the Real Estate industry with the up and down fluctuation over the past few years.

Connie Chasteen (Genworth) gave a very informative speech regarding '**Job Loss Protection**'. If your member has Mortgage Insurance with Genworth and they lose their job, they will make their house payment for 3 months, up to \$2000 a month. All your member has to do is sign a form.

Holly Rittenhouse and Cindy Gray from PHH Mortgage were great speakers blending important information with humorous antidotes.

They discussed the '**Lender Compensation**' changes for Tier 3 loans and how these changes affect the Good Faith Estimate. They went over in more thorough detail the new lock extension policy and funding expiration changes. Cindy talked about Earlycheck (noted on page one of the newsletter). This is a system used at PHH for Quality control to make sure the loan can be sold to Fannie Mae right away when they complete the initial review of the file. Cindy went through all of the current changes for FHA, VA, RD and Conventional loans. They had a Q&A session after discussing their key points and answered all the questions asked of them.

Our training broke around noon for lunch which was provided by Genworth. Excellent conversation was had by all. It was nice to have the opportunity to get to know the lenders and other representatives from the various Credit Unions that were able to make it to Billings for this training.

Alice Alvey was our last speaker of the day. She was not able to physically come to Billings but we had a very informative conference call and online Power-Point presentation with her in the afternoon. She talked about all of the changes in the mortgage industry. Including: the Frank Dodd Act, Risk Retention QRM, Safe Act and MILO Registration.

There are many changes in our industry that have already taken place and some that are still down the road, such as: **Risk Retention** and **QRM (Qualified Residential Mortgage)**. If QRM passes, ratios will decrease to 28/36, maximum LTV on a Purchase would be 80%, Rate/Term Refinances maximum LTV would be 75% and Cash out Refinances max LTV would be 70%. Members would have to have 20% down on a purchase. Comments for these items are due in by June 10, 2011.

Alice also talked about the Safe Act she emphasized that all credit unions needed a [written policy in place by 10/1/11](#). She encourages everyone to have this done as soon as possible.

It truly was an amazing training; informative, interesting, and fun. Freebies were given out by CUsource, PHH, and Genworth. For those of you who could not make it, we missed you.

Changes to PHH Lock and Extension Policy

Effective April 29, 2011, PHH make the following changes to their lock and extension policies for tier 6 loans.

The delivery date is the same as the lock expiration date. Closing packages need to be delivered in purchasable condition on or before the delivery expiration date. Loans that miss the delivery date will be extended at the appropriate cost on day of delivery.

The funding expiration date will now be 8 days after the delivery expiration date. All funding conditions should be received within 3 days of receipt of initial status form of missing items for funding.

| | Old Policy | New Policy |
|--------------------------|-----------------------------|--------------------------------|
| Delivery Expiration Date | Lock Exp + 10 calendar days | Lock Exp + 0 calendar days |
| Funding Expiration Date | Lock Exp + 15 Calendar days | Delivery Exp + 8 calendar days |

You will no longer need to extend lock expirations, only delivery expirations on Tier 6/7 loans. Delivery extension costs are changing to simplify the processing of extension requests and more accurately reflect market costs. The cost to extend a loan prior to expiration will be 2 basis points per calendar day regardless of current market conditions (being either better or worse). The calculation of 2 basis points will be based on the current expiration date and the requested expiration date.

For expired loans, PHH will compare the existing loan price plus the cost of 2 basis points per calendar day to the current market rates and apply worse case pricing (WCP). The calculation of 2 basis points will be based on the current expiration date and the requested expiration.

| | <u>Old Policy</u> | | <u>New Policy</u> | |
|----------------------------|--------------------------|--------------------|--------------------------|--------------------|
| | Market Better | Market Worse | Market Better | Market Worse |
| Prior to Expiration | No cost | 2 bps per day | 2 bps per day | 2 bps per day |
| Expired Loans | No cost | WCP: 2 bps per day | 2 bps per day | WCP: 2 bps per day |

Mortgagebot Training Update

Chandra Thronson, CUsource Real Estate Manager recently attended Mortgagebot annual user conference in Milwaukee. During the conference, Mortgagebot announced the signing of their 1000 customer!

During the conference Chandra also learned about the strategic roadmap and commitment Mortgagebot has made to completely redesigning their sites for more user friendly functionality and expect to have it released by year end. They also have several enhancements coming up in July and by end of year. One of those is the ability to copy an existing loan file, which has been frequently requested by the credit unions. Another nice feature will be a new layout on the application details screen with option of printing credit report from there, without having to go all the way into the application. Unfortunately the ability to support the RD guarantee fee is not slated until next year.

