

MBA of Central Florida: What's On The Horizon?

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Overview

- “Uncharted waters”
- Three immediate issues
 - What will they do about the suspension of the FHA premium reduction?
 - Who will be selected to key housing policy positions?
 - Trump Administration: First 100 days?

FHA MIP Reduction Suspended

- FHA issues ML 2017-07
 - 25 basis point reduction “has been suspended indefinitely”
 - FHA will issue a “Mortgagee Letter at a later date should this policy change”
- Reaction has been mixed
 - Washington Post editorial agreed w/ suspension
 - Urban Institute did also
 - NAR has written letter pushing for reinstatement
- Suspension underscores importance of key housing positions

Who will be Administration's key housing players

- Treasury nominee – Steve Mnuchin
 - Very knowledgeable on housing issues
 - Reverse mortgages
 - Fannie Mae and Freddie Mac
 - Supported the extension of Mortgage Debt Forgiveness Act
- HUD Secretary – Ben Carson
 - “holistic approach” to housing
 - Look at healthcare, education, transportation & jobs
 - Supports deregulation
 - Noted lenders' concern about being sued
 - “Examine” premium reduction

Key Housing Players

- Key positions are:
 - Deputy Sec, FHA Commissioner & Ginnie Pres.
- Dr. Carson's focus – response to Senate
 - “will recruit bipartisan list of ... housing practitioners”
 - FHA: “housing finance practitioner”
 - Wanting “practitioners” sounds encouraging
- What will be their philosophy?
 - Business approach
 - Improve operation & efficiency of government programs
 - Conservative beliefs
 - Will they want to want to reduce FHA's role?

Role of Congress

- House Fin Serv Committee – Jeb Hensarling:
Reduce role of government
 - PATH Act: Privatize Fannie/Freddie & restrict FHA
 - Revised CHOICE Act: Reform CFPB
 - Stop supervisory reviews
- Senate Banking - more moderate approach
 - Senator Crapo, Chair - “consensus builder”
- What will be Trump Administration’s approach?
 - Views of housing officials will be key

Trump Administration: First 100 Days

- Continuing Resolution keeps the government operating until April 28th
- What will be priorities?
 - Tax reform
 - Regulatory relief
 - Infrastructure
 - Health care
 - Immigration
- Could there be any immediate steps in housing?

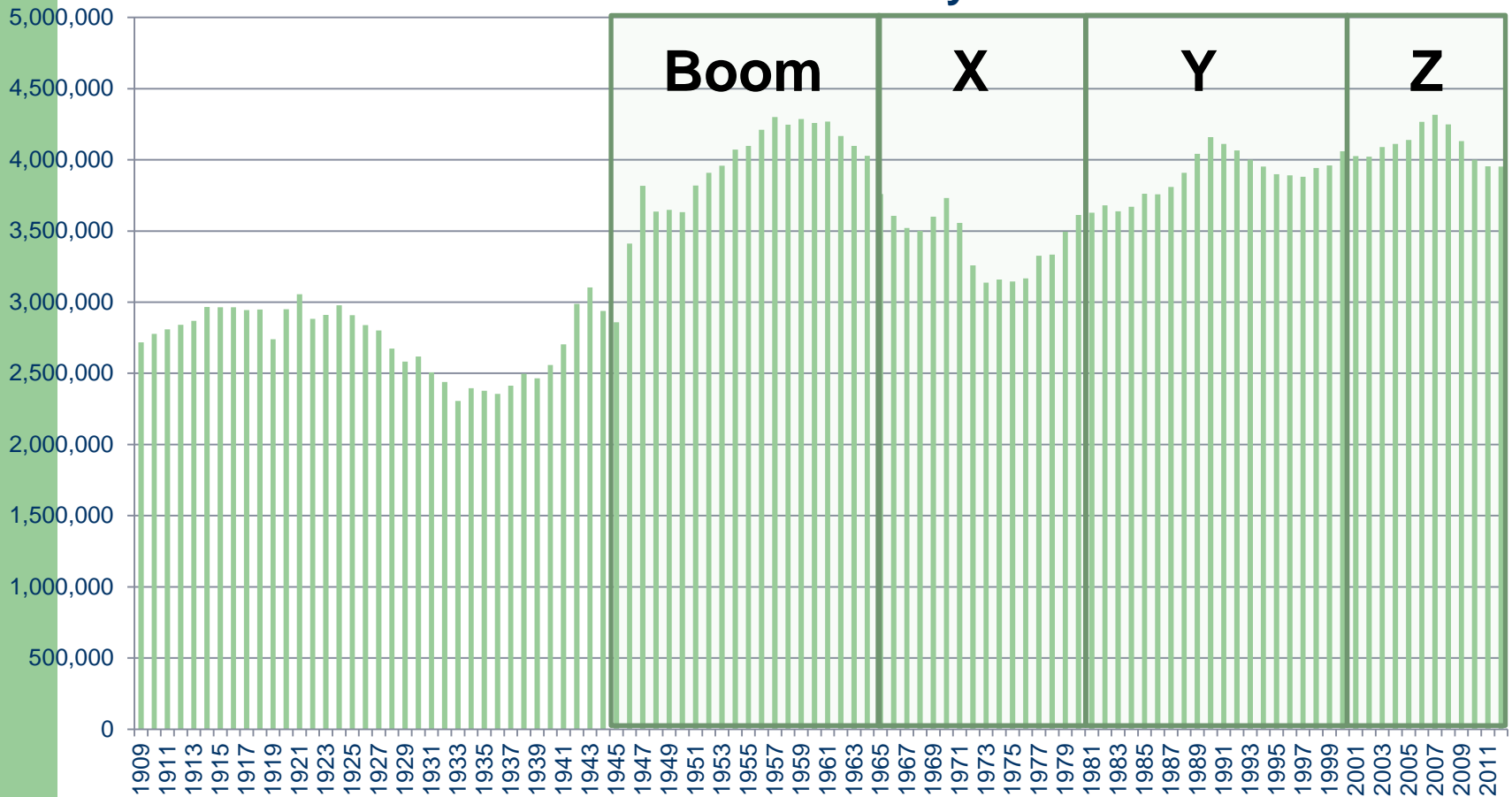
Macro-economic Factors

- Interest rates
 - How much higher will they go?
 - Concern about increased government spending & inflation
 - “Good News”
 - Fed will “err” on side of “moving slowly”
 - Importance of housing to over-all economy
- Encouraging demographic data
 - 1.1 - 1.3 million new households per year
 - Drives need for more housing/mortgages
 - Purchase mortgage data supports trend

ENCOURAGING DEMOGRAPHICS

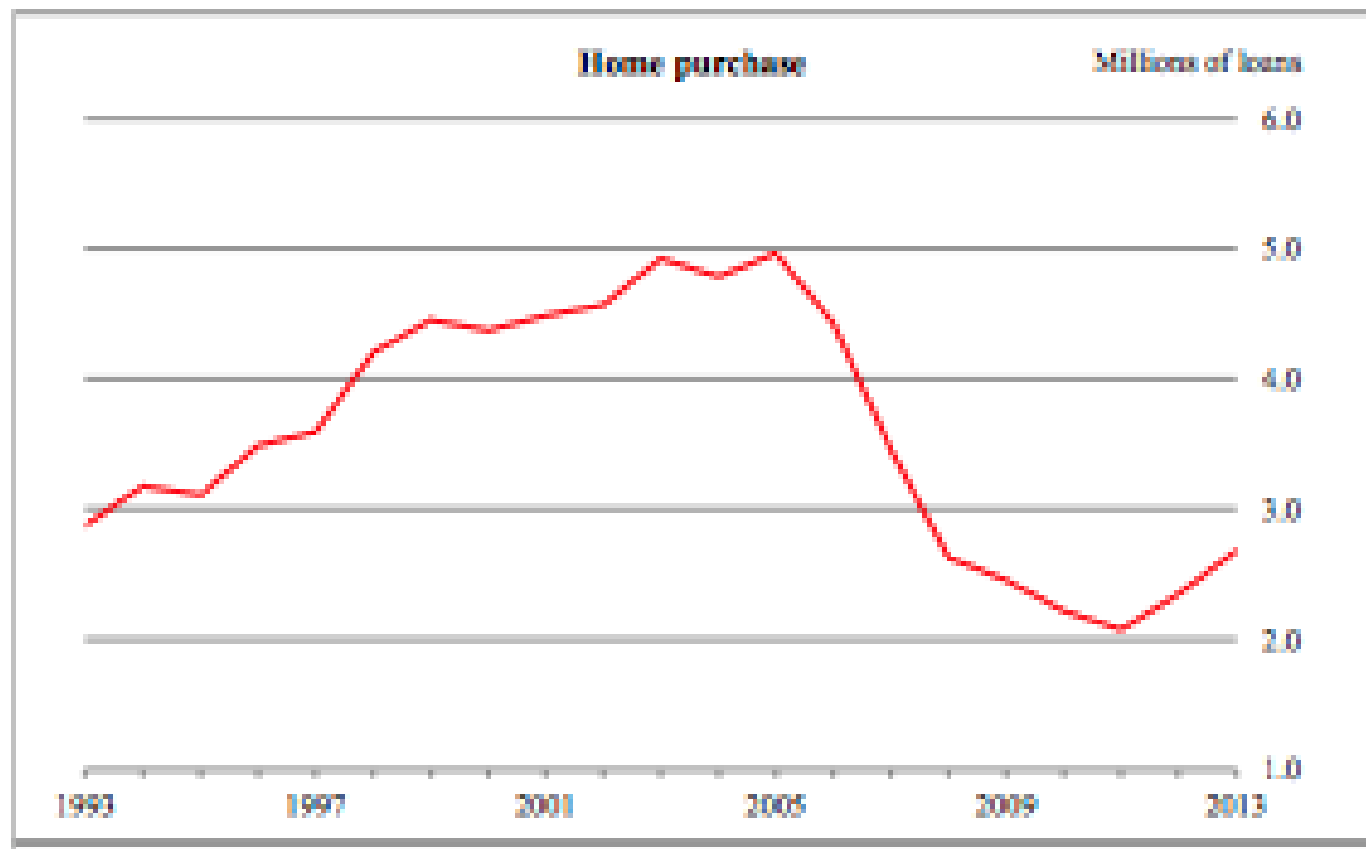
Population and Its Characteristics Define the Future

US Live Births by Year and Generation



US National Center for Health Statistics

HMDA Data Shows The Continuing “Access to Credit” Problem



Mortgage Issues in 2017

- Legislation from last year
- FHA
- CFPB
- Fannie Mae/Freddie Mac

Legislation (from 2016)

- Veterans Act (H.R. 3016) passed by voice vote
 - Removal of loan limits for maximum guaranty
- H.R. 2121
 - Transitional Licenses for bank loan originators
- Mortgage Insurance Deductibility
 - Will it be included in tax reform package?

FHA

- Waiting for new FHA Commissioner
 - Will it be business practitioner?
- Prospects for premium reduction
 - Two issues
 - Strength of the Fund – taxpayer risk
 - Capital doubled from \$17b to \$35 billion in FY 2016
 - Projected to increase another \$10 billion in '17
 - Concern about delinquencies unfounded
 - Role of government in housing
 - Worry that reduction will increase FHA's market share
- Which issue will drive the decision?

FHA Issues

- End of DOJ cases?
- IG Audit of HFA/DPA loans
 - IG “accepted” HUD’s decision of permitting premium pricing to fund downpayments in HFA loans
 - IG issued new report yesterday asking HUD to “reconsider” policy on “borrower financed” DPA
- Condominium proposed rule
 - Would reinstate “spot loan” called “single unit approval”
- New Loan Review System
 - Provide findings on FHA loan reviews in one place
 - Should be implemented in month or two

CFPB

- U.S. Court of Appeal's decision on CFPB request to rehear PHH case
 - Court asked for briefs by May 24th
- Regulations/Examinations
 - Exams are ongoing
- Enforcement
 - Prospect Mortgage case

PHH Case

- Background
 - CFPB added new policy test in PHH case:
 - Do MSAs have an adverse impact on consumer choice?
 - Did referrals increase after MSA implemented?
 - Increased penalties (i.e. return profits) - \$100 million
- U.S. Court of Appeals (three judge panel) refuted CFPB positions
 - CFPB Director's independence
 - Returned to HUD interpretation of RESPA
- Court's decision to rehear PHH case likely delays any decisions on CFPB

Regulations & Examinations

- Regulatory Relief: Ideal “Candidates”
 - Ability to fix TRID errors
 - Revise Ability to Repay rule
 - HMDA changes announced last October
 - Major changes take effect for 2018 data
- Mortgage exams will continue
 - Good news
 - No serious problems
 - Recent Supervisory Highlights
 - Minor disclosure issues

Enforcement Actions

- Prospect Mortgage Case: Key points
 - Basic Section 8 allegation - paying for referrals
 - CFPB: “Will hold both sides accountable”
 - “Two of more 100 brokers w/ improper arrangements”
 - Required “preapprovals”
 - Designated lender as “preferred lender”
 - Monitored “capture rate” on relationships
- Referral arrangements
 - Lead agreements, MSAs & desk rentals
 - Paid portion of broker’s fees on third-party websites

CFPB “Hot Buttons”

- Importance of Compliance Management
 - “You can only make one first impression”
 - Complaints & regulator referrals
 - Lender system for handling complaints is key
 - Regulators have broad definition of “complaint”
- Steering – discourage borrower shopping
 - Marketing services agreements/Co-marketing
 - Desk rentals
- Fair lending
 - Analysis of HMDA data & testing
- LO compensation

FHFA – Fannie Mae/Freddie Mac

- GSE Reform

- No “recap & release” according to Treasury Secretary Mnuchin
 - Don’t return Fannie & Freddie to pre-housing crisis status
- No change to conservatorship is likely this year
- Complex issue w/ significant ramifications for marketplace
 - Colin Powell’s admonition applies:
 - “Pottery Barn” - “You break it, you own it”

- Issues

- Impact of Day 1 Certainty

What does it all mean?

- Immediate steps will be “telling”
 - First 100/200 days
 - Housing appointees
- Positive Lending Environment
 - Hedge: Economy vs. Interest Rates
 - Strong demographic factors
 - Regulatory relief is likely
- Debate about role of government in housing will start
- Bottom line: 2017 should be “interesting” year
 - We are in “uncharted waters”