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NVAR Finance Summit
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Subject matters…

- Impacts to the mortgage process after digesting TRID
- Appraisal Industry and its future prospects
- Trend toward credit loosening and the return of non-QM products
- The CFPB and the regulatory landscape

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Impacts to the mortgage process after digesting TRID

- Overall loan processing time still between 30 and 45 days.
- Predicted delays in closings no longer the case as lenders have figured out how to get required disclosures out in time.
- Consumers are being given more thorough disclosures, with far greater protections than ever before.
- Pricing being offered to consumers seems to have been impacted very little, even considering the enormous compliance and expense burden absorbed by lenders.
- Consumers are actually paying less as closing cost changes that are outside the basis of what was initially disclosed, cannot be passed on.

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Appraisal Industry and its future prospects

- The aggregate number of active appraisers has fallen ever since Appraisal Independence Rules have taken effect;
  - Length of apprenticeships too burdensome before an appraiser can sign his own work.
  - Benefits to mentoring appraisers outweighed by the potential liability of omissions and inaccuracies.
- Fannie Mae's Collateral Underwriter and appraisal waivers now being granted based on aggregated data through Day 1 Certainty initiative.
  - Appraisal waiver granted if CU gives risk score of 2.5 or below (scale goes up to 5).
- HUD' s rollout of the Electronic Appraisal Delivery Database.
  - Stage set with standardization to aggregate property data.
- Appraisal Management Company's ("AMC's") dominate the landscape raising costs to consumers and lowering the fees paid to the appraisers themselves.
  - This is a direct result of Appraiser Independence rules.
- Very few new appraisers entering the industry as a result of all this, which will impact appraiser ranks dramatically over the next 10 years.

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Trend toward credit loosening and the return of non-QM products

- "Quality Mortgage" standards dominate overall lending trends.
  - The are inclusive of the "Ability To Repay" requirements, which counteract the idea of rebuttable presumption.
  - Quality Mortgages cannot be interest only and if the loan does not have "safe harbor" provided by an automated approval engine tied to agency lending, then the ratio cannot exceed 43%.
- Banks now beginning to see the light of day with asset-backed securities pools beginning to sell (for high quality pools), so there is a trend toward program and guideline expansion amongst second, third and fourth tier lenders.
- Lowering credit standards ultimately raises defaults and the cycle of default re-emerges.
- No concern over government insured mortgages which remain well documented and more stringent than other forms of lending. FHA standards can be the loosest.

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The CFPB and the regulatory landscape

- CFPB enforcement has been wide-ranging. Everything from Consumer Complaints, Redlining, RESPA violations, UDAAP, Reg. Z, Fair Lending, has reinterpreted section 8 in many recent mortgage-related enforcement actions (re: MSAs and other arrangements)
  - Developing new interpretations of statutes has been more efficient for the CFPB than notice-and-comment rulemaking (due to time constraints)
  - Recent CFPB actions reflect new section 8(c)(2) interpretation that poses heightened risk for MSAs and similar arrangements for lenders and Realtors
  - Recent findings in the court of appeals upheld CFPB's leadership structure was unconstitutional (single executive agency without presidential supervision.
- Current administration seeking to minimize impacts of CFPB (and Dodd-Frank) on businesses, but housing does not dominate their agenda. FHFA remains central to reform initiatives.
- Lenders cautiously optimistic that over-zealous enforcement actions will abate.

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