



Briefing

Delinquencies down nearly 30 percent from peak

Jacksonville, Florida-based Lender Processing Services (LPS) released its latest *Mortgage Monitor* report on Dec. 1, and the numbers show delinquencies continue to fall while foreclosure inventories hit an all-time high at the end of October. LPS found that mortgage delinquencies were down nearly 30 percent from their January 2010 peak.

The average days delinquent for loans in foreclosure also hit a new high at 631 days since the last payment was received, according to LPS. The national foreclosure inventory reached a record 4.29 percent of all active loans at the end of October.

The non-judicial state foreclosure inventory percentages were less than half that of judicial states. Foreclosure sale rates in non-judicial states have been proceeding at four to five times that of judicial states, according to LPS.

The report found that the states with the highest percentage of non-current loans were: Florida, Mississippi, Nevada, New Jersey and Illinois. The states with the lowest percentage of non-current loans were North Dakota, Alaska, South Dakota, Wyoming and Montana.

Administration publishes servicer assessments for 10 largest servicers

The Obama administration on Dec. 7 released the November edition of its Housing Scorecard that included detailed assessments of the 10 largest mortgage servicers participating in the Making Home Affordable Program. For the third quarter of 2011, only JPMorgan Chase NA was found to be in need of sub-

stantial improvement under the program, according to a press release announcing the findings.

The release stated, "While JPMorgan Chase demonstrated some progress in areas reported for the third quarter, the servicer has a number of outstanding items from previous quarters that have not yet been addressed and play a critical part in their broader execution of the program. For these reasons, Treasury will withhold servicer incentives from JPMorgan Chase for the third consecutive quarter and will permanently reduce incentives owed to JPMorgan Chase unless the outstanding items are addressed before the next assessment."

MBA asks FHFA to retain current servicer compensation model

In a comment letter sent to the Federal Housing Finance Agency (FHFA), the Mortgage Bankers Association (MBA) urged the agency to keep the existing servicing compensation model as is and not adopt an alternative approach to pay servicers. The comment letter was sent in response to FHFA's *Alternative Mortgage Servicing Compensation Discussion Paper* that was published in September.

MBA President and Chief Executive Officer David Stevens wrote, "The world of residential mortgage servicing has undergone unprecedented stress over the course of the economic downturn." He added, "That being said, the current servicer compensation model is still the best approach, and making radical changes, like the proposed 'fee for service,' will have dramatic impacts not just on originators, servicers and investors, but also on borrowers in both the costs they pay to get a mortgage and the support they

receive from their servicers."

Should FHFA proceed with adopting changes, MBA recommended a "cash-reserve structure" that would defer part of the existing servicing fees as a cash reserve to cover servicing costs for catastrophic economic and extreme default situations. MBA developed a model for such an approach and proposed it to FHFA this summer.

Wells commits \$1.2 million in REOs and \$600,000 to rebuild local neighborhoods

To help economically hard-hit local neighborhoods, Wells Fargo Housing Foundation announced plans to partner with Rebuilding Together and donate up to \$1.2 million in real estate-owned (REO) properties along with \$600,000 in cash donations.

"This donation from Wells Fargo will make an important difference toward addressing housing challenges in several communities," said Gary Officer, president and chief executive officer of Rebuilding Together, based in Washington, D.C.

With this commitment, Wells Fargo will donate a total of eight REOs to Rebuilding Together affiliates in distressed markets including Phoenix, Las Vegas and Denver. Then, Rebuilding Together will repair the properties and sell them to low- and moderate-income and first-time homebuyers. The \$600,000 grant will support Rebuilding Together's work in distressed markets.

Bay Area home sales higher for fifth month in a row

The San Francisco Bay Area has seen a string of monthly gains in home-sales numbers com-

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pared with 2010; however, the median sales price fell again in November on a year-over-year basis. That was the news released by San Diego-based DataQuick on Dec. 14.

High-end sales remained sluggish in the region, partly explaining the drop in the median sales price, the company said.

The median price paid for all new and resale houses including condos that were sold in November was \$363,500. That was down 4.3 percent from \$380,000 in November 2010, but up 3.9 percent from October's median price of \$350,000.

DataQuick reported that 6,317 new and existing houses and condos sold in the nine-county Bay Area region in November 2011. That was up by 3.4 percent from the 6,111 sold in November of last year. However, the sales were down 2 percent from October 2011. The company noted that the decline from October to November was "smaller than normal." On average, sales volume during those two months historically has fallen by 7.7 percent.

AEI's Pinto points to signs of deterioration in FHA's financial condition

In the wake of the release of the latest actuarial report on the insurance fund that backs the Federal Housing Administration (FHA) mortgage program, a key credit analyst identified signs of ongoing deterioration in the outstanding FHA book of business. Ed Pinto, housing expert with the American Enterprise Institute (AEI), Washington, D.C., and former executive vice president and chief credit officer with Fannie Mae, in early December released a set of observations on the current state of the FHA insurance fund.

Pinto noted that FHA would need

another \$21 billion to meet its congressionally mandated capital cushion of 2 percent. He also highlighted the fact that the FHA increase in the 60-to-89-day delinquency rate is a leading indicator of future claims problems.

Pinto pointed out that at 9.05 percent, FHA's serious delinquency rate is now 0.8 percent higher than the 8.2 percent rate in June 2011. The June rate was used to prepare the recently released actuarial report, so the credit quality has worsened since the latest report was issued.

GAO report finds vacant properties grew by more than 50 percent from 2000 to 2010

The Government Accountability Office (GAO), Washington, D.C., released a report in early November based on an analysis of Census Bureau data that documents a sharp rise in vacant, non-seasonal, residential property in the United States. The report, titled *Vacant Properties: Growing Number Increases Communities' Costs and Challenges*, found that non-seasonal vacant properties have increased 51 percent nationally from nearly 7 million in 2000 to 10 million in April 2010. The GAO report found that 10 states saw increases of 70 percent or more in vacant property.

The report found that high foreclosure rates have contributed to the higher vacancies. Additional factors that may have fueled the trend were population declines in certain cities and high unemployment, the GAO said.

The report found that in 2010, the government-sponsored enterprises (GSEs) reimbursed servicers or vendors more than \$953 million for property maintenance costs. But some costs of maintaining vacant properties are falling on local governments because servicers do not have the obligation or the right to conduct maintenance until they assume ownership of the property on behalf of the loan owner after foreclosure. This vacuum from between the time that the borrower abandons the home and when it is legally foreclosed upon creates a gap during which property maintenance is not getting done, GAO noted.

Fannie Mae survey shows home-price expectations improve

Washington, D.C.-based Fannie Mae released its November *National Housing Survey* on Dec. 7, and it showed consumer sentiment lifting modestly out of the deep doldrums it has been in for

Business Barometer	
EXISTING-HOME SALES (SEASONALLY ADJUSTED)	
	No. Homes Sold
October 2011:	4.97 million
October 2010:	4.38 million
Year-Over-Year Change:	13.5%
SOURCE: National Association of Realtors® (NAR)	



many months. Notably, home-price expectations moved “from negative to positive territory for the first time in six months, with respondents expecting home prices to increase by 0.2 percent over the next year,” the survey found.

While that hardly seems like something to celebrate, any shift in market psychology at this point could be the start of something beneficial.

A press release announcing the findings noted, “Overall, trends demonstrate that consumers are in a ‘wait and see’ pattern as we move into 2012.”

The survey found that 22 percent of respondents expect home prices to increase over the next year. That is up 3 percentage points from October’s findings. Yet, 22 percent say they expect to see home prices drop in the coming year, which is down 1 percentage point from October’s survey findings. A clear majority—53 percent—said they believe prices will stay the same.

Negative equity share remains at 22 percent in third quarter

The share of home loans with negative equity stayed essentially flat in the third quarter of 2011, according to CoreLogic, Santa Ana, California. The data showed 10.7 million loans or 22.1 percent of residential properties carrying a mortgage were underwater. That was down just slightly from the 10.9 million properties or 22.5 percent in the second quarter.

“Although slightly down, negative equity remains very high and renders many borrowers vulnerable when negative economic shocks occur, such as job loss or illness. The nearly \$700 billion mortgage debt overhang has touched many

corners of the market, and this overhang is holding back the recovery of the housing market and broader economy,” said Mark Fleming, CoreLogic’s chief economist.

The concentration of underwater loan problems in five states was clearly evident in the third-quarter data. The top five states with the highest share of negative equity loans had an average negative equity ratio of 41.4 percent. The remaining states had a combined average negative equity ratio of just 17.6 percent, according to CoreLogic.

Nevada had the highest negative equity percentage with 58 percent of its home loans being underwater. Coming in second was Arizona, which had 47 percent of its mortgaged residential properties underwater. The third-highest negative equity share was in Florida (44 percent), followed by Michigan (35 percent) and Georgia (30 percent). California fell out of the top five states in the third-quarter listings for the first time since tracking began in 2009.

Clear Capital reports year-over-year price decline of 2.2 percent in November

Truckee, California-based Clear Capital released its *Home Data Index™ (HDI) Market Report* in early December that showed while year-over-year prices were still declining (-2.2 percent) in data through November 2011, quarterly declines were moderating. National home prices showed a slight 0.3 percent increase on a quarter-over-quarter basis in November. That was down slightly from the 0.6 percent quarterly increase reported in October.

The reported decline of 2.2 percent in national prices on a yearly basis marked the 14th straight

month of yearly price declines, the company said.

Alex Villacorta, director of research and analytics at Clear Capital, said, “The overall market stability in this month’s report gives me hope that housing markets are settling after a very turbulent two years.”

He added, “With only a 1 percent drop in national home prices since January and virtually no change in prices over the last six months, strong evidence suggests the big swings that many market participants are accustomed to could become a thing of the past.”

MBA finds production profits up in third quarter

The Mortgage Bankers Association released the findings from its *Third Quarter 2011 Mortgage Bankers Performance Report* on Dec. 8, and the results showed per-loan profits from residential originations were up dramatically from the second quarter. The new report found independent mortgage banks and subsidiaries made an average profit of \$1,263 on each home loan originated in the third quarter—up from \$575 per loan in the second quarter.

“Higher volume helped profitability as production costs were spread over a greater number of loans,” explained Marina Walsh, MBA’s associate vice president of industry analysis.

Walsh added, “Third-quarter production expenses dropped on a per-loan basis as volume rose, although expenses remained high by historical standards when compared to other quarters with similar volume.”

For the third-quarter report, a total of 311 companies reported production data—more than 72 percent of them were independent mortgage companies.

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