

MBA NewsLink®

MORTGAGE BANKERS ASSOCIATION®
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Housing starts fell by 11.9% in February and were down by 36.5% from one year ago.

(in units)



Source: Bureau of the Census.

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Top National News

New-Home Sales Fall to Low Last Seen in Early 1990s
New York Times (04/25/08); Grynbaum, Michael M.

The **Commerce Department** reports an **8.5 percent drop** in **new-home sales** to an annual pace of **526,000** in March, with



Quote Link

"Employers...believe offshoring is necessary to compete in a global economy...This does not mean the U.S. will see a reduction in employment levels, however. One in four employers who offshore said it has enabled them to create a greater number of better jobs here in the U.S."
--**Matt Ferguson**, CEO of **CareerBuilder.com**.

economists blaming the largest **job cuts** since the start of the year for the greater than expected decline. New-home sales have not seen such low levels since the 1990s housing recession, and the **11-month supply** of unsold new homes marks a **27-year high**. Regionally, new-home sales **slipped 19.4 percent** in the **Northeast**, **13 percent** in both the **West** and **Midwest** and **5 percent** in the **South**. During the year-over-year period ended in March, the **median new-home price plunged 13.3 percent to \$227,600**. Meanwhile, the Commerce Department **revised** its February sales report, noting a decrease of **5.3 percent** versus its original estimate of a 1.8 percent decline.

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Paulson to Lenders: Fix Has to Come From You

American Banker (04/25/08) P. 1; Hopkins, Cheyenne Treasury Secretary Henry Paulson recently held a **90-minute private meeting** with Treasury undersecretary of domestic finance **Robert Steel** and executives of **Washington Mutual Inc., Citigroup Inc., Bank of America Corp., JPMorgan Chase & Co., Wells Fargo & Co., Ocwen Financial Group, IndyMac Bancorp Inc.** and **Residential Capital LLC** to discuss ongoing deterioration in the housing market. Paulson encouraged the lenders to **develop a strategy** to assist borrowers whose **mortgage balances exceed their homes' value**, noting that it will take too long to pass foreclosure relief legislation. Additionally, he underscored the importance of **improving aggregate data** to gauge the success of loan modifications, requesting that lenders offer more specific data, meet with him individually on their progress and establish working groups to create best practices for modifications. Participants say **borrower psychology** and its impact on modifications was discussed, with lenders contending that write downs--not interest rate reductions--are more likely to keep borrowers out of foreclosure.

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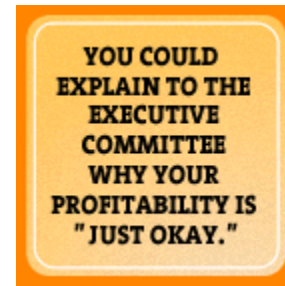
Inflation Concerns Drive 30-Year Mortgage to 6.30 Percent

Baltimore Sun (04/25/08)

Freddie Mac reports a **jump** in the **30-year fixed** mortgage rate to **6.03 percent** during the week ended **April 24** from 5.88 percent the prior week, marking the first time in six weeks that mortgage rates rose above 6 percent. The **15-year fixed** mortgage rate climbed during the same period, edging up to **5.62 percent** from 5.40 percent. The **five-year adjustable** mortgage rate increased to **5.68 percent** from 5.48 percent, while the **one-year adjustable rate** shot up to **5.28 percent** from 5.10 percent. Freddie Mac chief economist **Frank Nothaft** attributes the gains to heightened inflationary concerns.

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Commercial Swap Link

U.S. Dollar Swap Market
4/24/08

Swap Curve	Spread	Yield
2yr	88.13	3.26
3yr	89.00	3.52
4yr	87.70	3.74
5yr	82.25	3.91
6yr	83.00	4.07
7yr	80.99	4.19
10yr	64.80	4.47
30yr	37.50	4.92

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U.S. Treasury Link

U.S. Treasuries
4/24/08

Treasury Curve	Price	Yield
2yr	99.500	2.382
3yr	106.109	2.573
5yr	97.328	3.088
10yr	97.406	3.819
30yr	97.281	4.542

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Fannie, Freddie Get Relief on Affordable-Loan Quotas

Washington Post (04/25/08) P. D1; Hilzenrath, David S.

Fannie Mae and Freddie Mac recently informed HUD that **market conditions prevented** them from **achieving affordable housing quotas** for 2007, and the **agency agreed** with the government-sponsored enterprises (GSEs) and announced that they would **not be penalized**. As a result, Fannie Mae and Freddie Mac do not need to file plans indicating how the quotas will be met. Observers say HUD's decision showcases the government's willingness to accommodate the GSEs--a shift from its previous confrontational stance--in hopes that they will fuel a mortgage market rebound. Freddie Mac Chairman and CEO **Richard Syron** recently criticized the affordable housing quotas, insisting that they were responsible for the GSEs' investments in subprime mortgages. He noted, "It is not good public policy to have mission goals that encourage [Freddie Mac and Fannie Mae] to put people in homes that they end up losing."

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U.S. Agency Helps Prop Up Housing Market

Wall Street Journal (04/25/08) P. A4; Radnofsky, Louise; Crittenden, Michael R.

The **FHA** reports a **61 percent jump in lender incentives** paid from its **insurance fund** to prevent foreclosures to **\$158.6 million** in 2007 from 2003. The percentage of homeowners able to keep their homes as a result **rose above 60 percent** from about 30 percent in 2000. A proposal by **House Financial Services Committee** Chairman **Barney Frank, D-Mass.**, to **refinance up to \$300 billion** in problem mortgages through the FHA could cost **\$3 billion to \$6 billion**, though it remains to be seen whether lender incentives would be raised. By orchestrating workouts with lenders, the agency says it **saves \$2 billion** annually and safeguards entire neighborhoods, with FHA office of single-family asset management deputy director **Laurie Maggiano** noting that just **12 percent** of workouts are unsuccessful. For every FHA-backed loan that goes into foreclosure, the agency's insurance fund pays **\$98,740** on average to mortgage servicers; in contrast, it gave incentives of **\$136 to \$7,169** to lenders willing to modify loan terms.

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Bush Administration Opposes Democrats' Housing Rescue Plan

Associated Press (04/25/08); Davis, Julie Hirschfeld

HUD Deputy Secretary **Roy Bernardi** says the **Bush administration opposes** a proposal from **House Financial Services Committee** Chairman **Barney Frank, D-Mass.**, that would **ease FHA lending standards** to enable **\$300 billion** in mortgages to be **refinanced** through the agency. Bernardi says the plan is a "**bailout**" that poses significant risks for taxpayers, adding that a provision requiring lenders to write down a portion of the mortgages would restrict the number willing to participate in the program. In addition to the FHA legislation, Bernardi says a bill calling for **\$15 billion** to be given to states to **buy and rehabilitate foreclosed homes** also would be **vetoed** by **President Bush**.

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Residential Finance News

New Residential Sales Hit 16-Year Low

MBA (4/25/2008) Sorohan, Mike

So much for the spring home-buying season.

Sales of **new single-family homes** in March reached a **16-year low**, falling to a seasonally adjusted rate of just **526,000**, according to the **Bureau of the Census** and **HUD**. The figure represented an **8.5 percent** drop from the revised February rate of **575,000** and was **36.6 percent lower** than a year ago, when the rate was **830,000**. The last time sales were this low was **October 1991**.

The numbers for **prices** and **inventory** didn't fare better: hampered by rising inventory, the **median sales price** of new single-family homes **fell by 13.3 percent to \$227,600** from \$244,200, the highest single monthly drop since **July 1970**; the **average sales price fell to \$292,900** from \$302,900.

Inventory of new houses for sale, despite cutbacks by home builders, **rose to 468,000**, representing a supply of **11.0 months** at the current sales rate.

Sales fell in all regions of the country: by **19.4 percent** in the **Northeast**; **12.9 percent** in the **West**; **12.9 percent** in the **Midwest** and **4.6 percent** in the **South**.

The new home sales figures come on the heels of a **2 percent drop** in **existing home sales** reported earlier this week by the **National Association of Realtors**.

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Red Flags Rules Mandate Identity Risk Analysis, Management

MBA (4/25/2008) Palaparty, Vijay

Government issuance of **Identity Theft Red Flags Rules** requires all **financial institutions** and **creditors** to develop and implement an **identity theft prevention program**. The mandate presents an active opportunity for companies to assess risk areas and create a plan to combat risk.

Several government agencies including the **Federal Trade Commission** and the **Federal Deposit Insurance Corp.** jointly issued final rules and guidelines, **section 114** of the **Fair and Accurate Credit Transactions Act of 2003 (FACT Act)** and final rules implementing **section 315** of the FACT Act. Section 114 requires companies to detect, prevent and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, agencies are issuing guidelines to assist financial institutions and creditors to formulate and maintain a program that satisfies the requirements of the rules.

"Banks, mortgage lenders, brokers, pay day lenders—any financial institution or creditor is affected by this rule and each of these entities has to do a risk assessment of covered accounts," said **Sai Huda**, CEO of **ComplianceCoach**, San Diego. "They have to

determine the level of risk of identity theft and then identify corresponding red flags.”

The rules provide **five categories** of red flags that make up **26 types** of red flags. But the agencies also encourage companies to identify more red flags based on external red flag sources such as identity theft schemes.

“If you see red flag, then you have to do something about it,” Huda said. “You have to look for it, detect it and respond to it. Beyond identifying, a detection response mapping has to take place. This is not just a technical requirement; it’s an **affirmative obligation** to prevent identity theft for companies and their consumers.”

As part of the procedure, companies are required to train employees and also monitor changes in business and new risks, regularly updating the program. New products, accounts, lines of business and schemes all have to be accounted for in the system. The rules also require companies to conduct a **self audit** that is presented to the board. Federal or state regulators would also conduct an audit for compliance.

“The rules apply to **covered accounts**—accounts that are offered to personal, family or household purposes,” Huda said. “A **mortgage loan** is a good example. The general covered loan is a mortgage but there is a sleeper in the rule. Companies need to know if they have any other accounts that also have foreseeable chance of identity theft.”

For example, Huda said **commercial mortgage loans** might not qualify for companies that have non-consumer accounts. “But what if there were identity theft on commercial mortgage borrower accounts? As you see, there are risks and you need to bring them all into your coverage,” he said. “Eventually, the effort is all about risk management and leads to an overall coverage. It’s a broad rule that’s affirmative.”

ComplianceCoach offers a web-based tool, **CompliancePal**, targeted toward lenders to help them achieve compliance. The service provides a questionnaire for lenders to complete and the software produces an assessment. It includes the 26 red flags already included in the rules, but Huda said it will add 17 new red flags to the list this month. CompliancePal also provides training for employees in areas of risk management and identity theft.

“If a lender has a weak program, either external or internal identity theft could take place and result in negative publicity, loss of customers and high legal costs,” Huda said. “What we’re telling the industry is that complying with the rule is not a cost of doing business. It’s goodwill and revenue enhancement.”

The rules could be seen as yet another demand and some may treat it like another requirement; Huda saw the measure as highly beneficial. “It’s goodwill-building. When identity theft takes place, no one wins and most importantly, the consumer is damaged and angry and will certainly blame the lender or broker—the person who has the information.”

The rules could also contribute to eliminating **fraud** in the industry—weeding out bad actors who take advantage of unsuspecting borrowers. “Identity theft happens knowingly or unknowingly,” Huda said. “What the rules bring are **higher standards** and lenders will look at brokers for compliance and borrowers will look at both lenders and borrowers for compliance.”

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