

National Mortgage News

MONDAY, JULY 22, 2013 • Volume 37, No. 42

The Newsweekly for America's Mortgage Industry

Corker-Warner Bill Shows Some Consideration

STREET SMARTS

By Bonnie Sinnock

The authors of the Corker-Warner government-sponsored enterprise bill acknowledge that they have not drawn up everything needed to effectively reform Fannie Mae and Freddie Mac yet, but they have shown some consideration of the industry in what they have done so far.

"I think the market can help us get this right," Sen. Mark Warner, a Virginia Democrat, said during a discussion at a Bipartisan Policy Center event last week, where he credited a BPC research paper as a key influence in the creation of the bill.

He said among the things the creators of the bill have spent a lot of time thinking about has been ensuring community banks have equal access.

"We may not have it perfectly right," but the legislative effort

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Jamie Dimon said the company is looking at a potential reduction in profits that would be significant even if mortgage rates remain stable.

JPMorgan Outlook Worsens Fears About Mortgages

By Andy Peters

FORGET THE HUGE BOOST IN TRADING income. Set aside (for now) the legion of questions about new capital requirements.

The real news in JPMorgan Chase's second-quarter report was the weak outlook that it provided for traditional banking. Rising rates could cut the mortgage business by at least a third the rest of the year, and commercial loan growth was anemic. Credit cards offered a bright spot.

Above all, its results cast doubt on predictions that industrywide mortgage volume was going to fall by 20% this year compared with 2012, says Christopher Whalen, managing director and head of investment banking at Carrington Investment Services in Greenwich, Conn.

"JPMorgan numbers suggest that interest rates could account for an additional 10% to 20% drop in volumes," on top of the expected decline

in refinance volumes, Whalen says.

The headline numbers for JPMorgan were strong, as they often are.

Much of the 31% increase in JPMorgan's quarterly earnings, to \$6.5 billion, came from investment banking. Net income from corporate and investment banking rose 19% to \$2.8 billion, from a year earlier. That included a 38% rise in

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N.Y. Gets Its First Prefab Modular Multifamily Building

By John Hackett

A MULTIFAMILY BUILDING UNDER construction in a working-class Manhattan neighborhood promises to offer a new avenue to creating moderate-income housing in urban areas.

In a first-of-its-kind building project for New York, the 28-apartment, seven-story structure is being put together with modular units that are constructed off site. It's precise work, with the 56 modulars that make up this steel and concrete structure delivered by truck and then lifted by cranes and slowly and carefully set into place.

The modulars have been added at the rate of four a day, creating rental apartments that range in size from studios to three-bedrooms. The developers say the units will be priced to be affordable to those with moderate incomes. The work of stacking the modulars ended last week, completing the first part of this project in the neighborhood of Inwood in the upper tip of Manhattan. There now will be three months of finishing—called "zip up"—with the building scheduled to be ready for

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Wells Stays Upbeat as Rising Rates Cut into Refis

By Kevin Wack

WELLS FARGO—THE NATION'S TOP home lender—is predicting a sharp decline in mortgage originations this quarter, but CEO John Stumpf says he's not worried.

On a conference call with analysts, Stumpf made the case that shrinking refinancing activity—the result of a recent spike in interest rates—will be largely offset by improvements in the economy that will drive growth in other business lines.

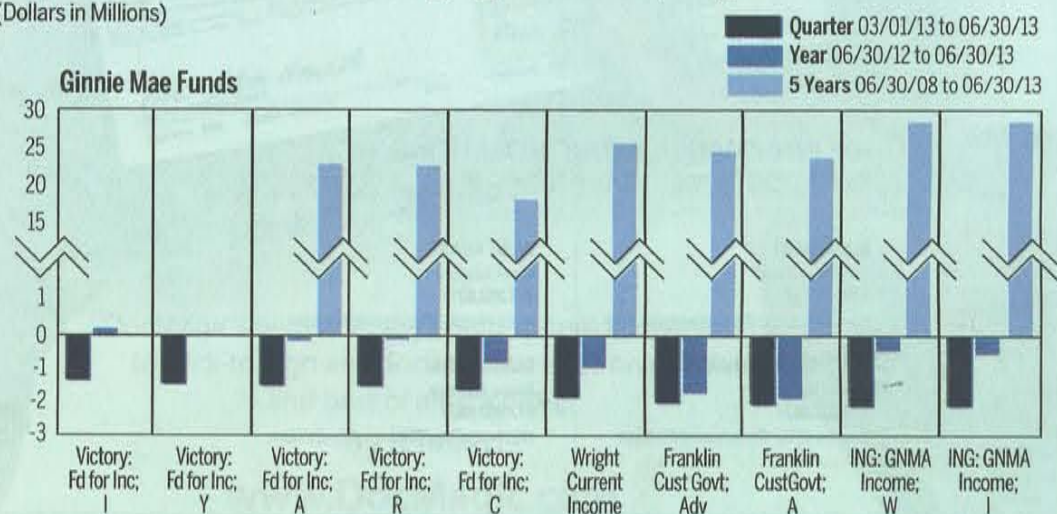
He said its loan servicing business, for example, is benefiting from an overall decline in loan defaults and delinquencies. He argued, too, that rising home prices will generate more sales of loans to home buyers and encourage consumers to take out more loans for cars and other products.

"As housing improves, people feel better," Stumpf told analysts during a conference call announcing the company's second-quarter earnings. "It improves confidence. People spend more."

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Top 10 Selected Mortgage Funds, 2Q 2013

(Dollars in Millions)



See additional data on page 18

Record Number Of Homeowners Seek Assistance

By Amilda Dymi

THE HOUSING MARKET RECOVERY OF late does not appear to have eased the financial problems many homeowners continue to face.

Second-quarter data from the MortgageKeeper Referral Services "Homeowner Needs Status Report" show the number of people requesting housing and credit counseling referral requests is the highest it has ever been recorded by MortgageKeeper.

In the second quarter homeowners received 311,367 referrals from MortgageKeeper, mounting to a total of 619,263 for the first half of 2013, up 51% compared to the same time period in 2012.

And the top five referral category list remained unchanged from 2012 with housing

Top 10 Selected Mortgage Funds, 2Q 2013

(Dollars in Millions, Except NAV)

GINNIE MAE FUNDS	LATEST NET ASSET VALUE	QUARTER 3/31/13	YEAR 6/30/12	5 YEARS 6/30/08	U.S. MORTGAGE FUNDS	LATEST NET ASSET VALUE	QUARTER 3/31/13	YEAR 6/30/12	5 YEARS 6/30/08
Victory:Fd for Inc:I	10.81	-1.37	0.24	N/A	WA Mtge Back Sec:I	11.13	2.18	7.98	43.87
Victory:Fd for Inc:Y	10.82	-1.47	N/A	N/A	WA Mtge Back Sec:1	11.10	2.06	7.81	43.59
Victory:Fd for Inc:A	10.82	-1.52	-0.12	23.11	WA Mtge Back Sec:A	11.09	2.00	7.56	42.01
Victory:Fd for Inc:R	10.83	-1.53	-0.07	22.88	WA Mtge Back Sec:C1	11.10	1.87	6.95	37.54
Victory:Fd for Inc:C	10.75	-1.64	-0.79	18.35	WA Mtge Back Sec:B	11.10	1.82	6.77	37.47
Wright Current Income	9.65	-1.87	-0.93	25.90	WA Mtge Back Sec:C	11.08	1.81	N/A	N/A
Franklin Cust:Govt:Adv	6.55	-2.04	-1.71	24.81	TCW:Short Term Bond:I	11.36	-0.17	1.18	N/A
Franklin Cust:Govt:A	6.53	-2.09	-1.88	23.98	JPMorgan:Mtge Secs:R6	10.91	-1.39	1.36	12.29
ING:GNMA Income:W	8.66	-2.14	-0.41	28.80	JPMorgan:Mtge Secs:Sel	10.9	-1.43	1.12	40.01
ING:GNMA Income:I	8.66	-2.14	-0.51	28.86	iShares:CMBS ETF	50.46	-1.51	3.39	38.90
Average/Total	11.18	-2.93	-2.06	25.89	Average/Total	11.57	1.95	0.20	27.40

Source: Lipper/Reuters.

and credit counseling related requests leading the way followed by utility assistance, employment resources, food and affordable rental housing.

Despite the fact that the worst of the

housing crisis seems to be behind us, said president of MortgageKeeper, Rochelle Nawrocki Gorey, "struggling homeowners and those leaving their homes to rent still need financial support and advice."

The MortgageKeeper platform connects consumers with local resources including servicers and housing counseling agencies, enabling more than 3,500 referrals a day in 160 markets throughout the United States. ♦

New York Gets Its First Prefab Modular Multifamily Building

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occupants in October.

Construction, including off-site assembly, will have taken 10 months—six months less than using traditional methods, say the developers.

Putting up housing this way is cheaper and faster and "can be an efficient way of supplying affordable housing in urban areas," says the lead architect in the project, Peter Gluck of the Gluck+ architectural firm in New York. The vacant lots that litter many areas of New York and other cities are difficult and expensive to build on using traditional construction methods, he says. The main reason for that, he says, is "that with buildings tightly packed together, there is little room for construction projects to maneuver," which drives up costs dramatically.

Putting up housing this way "can be an efficient way of supplying affordable housing in urban areas."

"If you are doing it the usual way, it's tons of work to construct something like the building we are doing in Inwood. It takes as much effort as building something 10 times as big. That's why in the old days in urban renewal projects, you knocked down the whole block, which destroyed neighborhoods," says Gluck. Putting up buildings with prefabricated concrete and steel modules creates housing without such massive dislocation, he says. "We can upgrade the housing infrastructure

in ways that enhance the environment and causes a minimum of disruption." The world is urbanizing, he says, and "this method of construction offers an efficient way to build housing in our cities."

In fact, says Gluck, "the city is gearing up for this type of construction by adapting their rules and specifications—the building codes—for off-site construction." Earlier this year, New York chose the winner of a competition to design micro living spaces for a 55-unit apartment building to be constructed on the East Side of Manhattan, using prefabricated moduls. Another modular residential building, this one with 363 units, is getting underway in downtown Brooklyn, as part of the Atlantic Yards development project.

The 45-foot-long moduls for the Inwood building were constructed in a hangar-sized plant in Pennsylvania. This off-site construction is key to improving quality control, scheduling and supervision, says Gluck. "Usually, when you put up a building you have a bunch of guys flailing away in all kinds of conditions, in the rain or the freezing cold. There're lots of decisions made on the fly too. In the plant where these moduls are made it's warm, and there's plenty of light. It's much easier to work and much easier for managers to check the work."

As regards funding these projects, he says banks may be wary of financing them because they are new, and "any bank hates to be the first one in. It's not the way they are used to doing business."

For the Inwood building, though, which is dubbed the Stack, the developers made it their business to put the banks in the picture. "It was a learning experience all around—for us, for the bankers," says Kim Frank, one of



The 45-foot-long moduls for the Inwood building located on the upper tip of Manhattan were constructed in a hangar-size plant in Pennsylvania.

the developers. "We took our lenders on a field trip to Pennsylvania to see the plant and meet the players and get everyone introduced to each other."

It was important, says Frank, to make the point with lenders that though the approach is different, at the end of the day the project results in a building as good as or better than one built the traditional way. "The building methodology is different, but the result is the same. You have a steel and concrete structure."

According to the other developer, Jeffrey Brown, "we discussed everything about the project with the bankers to get them comfortable with this new way of building. For one thing, moduls that are being built off

site are looked at as stored materials. The lender can't tour them exactly, as they would a building under construction the usual way. It's something to get used to."

One aspect of this type of project that will raise the comfort level of lenders, says Brown, "is that because there's a lot of focus on doing things in advance, there's much less done on the fly—and that makes for a better quality building and better scheduling."

Those involved in the project say it costs less to build this way. "If all the variables of efficiency in cost and time are fully realized, the savings could be as much as 15% to 20%," he says. "We see a bright future for modular projects." ♦