Ensuring Strategies Are in Line with the Times
Together We Stand!

Residential Lending Industry
Your business philosophies and resources today will need to change as the market does and right now real estate professionals and their brokerages need a more efficient, accurate and cost-effective understanding plus a platform that accommodates the shift in the industry. It time to gear up for coming regulator changes that require you to follow certain protocols and remain compliant while generating more business.

As you know, I have dedicated my career to position myself to be on the frontline of the marketplace, bringing agents the most up-to-date and relevant information available in the housing industry.

In doing so, I have come to the realization that education is only part of the solution to the success of any business model moving forward. In the United States more than any other country owning a part of our country has always been the American Dream of homeownership which remains a core value to American families where your family can relax, spend quality time together and build lifelong memories.

Who will control and rule the home buying process in 2014?

- Dodd-Frank Wall Street Reform and Consumer Protection Act which was passed by Congress in 2010 will fundamentally alter how the U.S. mortgage industry functions. Rules take effect January 10, 2014. The Consumer Finance Protection Bureau (CFPB) continues to release amendments and clarifications to these rules. Each change required an update to the industry's mortgage systems, operations and staff. Mortgage companies know that they will be audited by regulators, so there is a new focus on transparency and record keeping. The paper trail.
- The Qualified Mortgage (QM) is a set of loan standards designed to reduce the number of mortgage defaults in the U.S. by requiring full documentation and income verification, and also by preventing certain high-risk mortgage features.
- Qualified Residential Mortgage (QRM) is a qualified residential mortgage is a home loan with a statistically lower risk of default, based on the underwriting guidelines and product features built into the loan. QRM loans are also exempt from the risk-retention. Requirements are designed to "help ensure that borrowers are offered and receive residential mortgage loans on terms that reasonably reflect their financial capacity" to repay the obligation.

Not much time to prepare. There's a concern that many lending institutions might stop offering mortgages out of concern that their lack of readiness creates too great a liability under the new framework. In addition, the new restrictions are intended to attract more private investment into the mortgage market. A mortgage provider must not make a loan unless they have made a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its terms. Private research firms estimate that from 10% to 50% of home buyers who qualify for mortgages under current standards will be shut out of the housing market when the stricter rules take effect on January 10, 2014. In addition, the new rules could potentially hurt jumbo loans as well as loans amounts of $100,000 or lower. Many lenders are questioning if they will lend outside the new QM parameters.

The New Rules at a Glance

While acknowledging that these coming rules affect our mortgage market that is sprawling and complex, it is valued at more than $10 trillion, making it the largest single consumer financial market in the world.

- To meet the definition of Qualified Mortgage: (A) the term must not exceed 30 years; (B) points and fees generally should not exceed 3%; (C) the loan should not have risky features such as negative amortization, interest-only and balloon payments (with exceptions for small portfolio lenders). These rules apply to conventional loans, loans insurance or guaranty by HUD, VA USDA or RHS.
- The borrower's total debt-to-income (DTI) ratio should not exceed 43%.
- No-documentation loans, interest only loans, negative amortization or balloon mortgages are removed
- The mortgage has to be 30 years or less, fixed-rate or adjustable rate mortgage.
- New servicing rule and originator compensation rule is intended to establish stronger protections for homeowners facing foreclosure, while the originator's compensation rule address practices that promote steering borrowers into risky or high-cost loans

To stay on top of your ever-increasing work, and be able to jump on exciting new opportunities, you need efficient and a cost-effective way to pick up specific skills, develop successful partnerships and the latest, most innovative practices. Today, I am excited to announce that I have developed a platform that fills this bill. So, what's so difference? I have expanded my mindset.

Instead of being transaction focused, my conclusion is that we need to look at our relationships with our buyers and sellers from a holistic approach. No longer can we be solely focused on terms like, purchase price, monthly payments, interest rates and closing cost. I believe that we need to elevate the discussion to be focused on:

- Ability-to-pay
- Total cost of ownership and cost of lifestyle
- Long term sustainable homeownership

My Top Priority Moving Forward

So how do we do this? Well, in the simples of terms…we give more value! Our approach includes building a team of industry professionals to work with your clients (buyers, sellers and property owners)… talking about CPAs, financial planners, insurance agents, specialized home inspectors, and energy raters. Going forward, our service will include free training, networking and updates with these subject matter experts, so your customers and clients will be in the best position to make the right real estate decisions. Our world is going to be different in 2014 and we need to surround ourselves with trusted advisors…I'm ready to help.

What's New for 2014 – Building a Culture of Quality
Although some have called into question the value of homeownership, we continue to believe that owning a home, when responsibly undertaken can produce powerful economic, social and civic benefits. According to the Urban Institute, the overall national homeownership rate is unlikely to fall below 60% at any time before 2030. While the national rate stands at 65% today more than four points off its record high of 69.2% in 2004, nearly two-thirds of American households still own their own homes. Owning a home today will be long term. The National Homebuilders Association predicts that homeowners will stay in their homes 10-13 years before selling.

Addressing Obligations
Key to homeownership strategy is the straightforward notion that mortgage borrowers must understand their obligations and be well positioned to fulfill them. And lenders must underwrite loans based on the borrower's ability to repay.

In numerous studies, found that mortgages performed well when well serviced and structured in a way that avoided risky features such as the stated income loans of the past. The lesson here is that solidly underwritten, fixed rate mortgages, when coupled with reasonable down payments, can responsibly open the door to homeownership for family with limited wealth. Another element is housing counseling and education, particularly for first-time homebuyers. The evidence is strong that counseling can help families successfully navigate a financial crisis and assist them in deciding whether they are prepared for the obligation of homeownership. Of course, we must develop a strategy for sustainable homeownership that provides options for households at all stages of life.

Are we ready for the balancing act to manage the buyer's needs and the lender's need? We will likely see state laws adopting QM-like ability-to-repay rules and ignoring any nuances that may result from the overlay of Qualified Residential Mortgage (QRM) rules. Today your knowledge of compliance is more important than your referral list.

Other Protections for Consumers

- Quality control in risk management –According to the new regulations, if a financial institution makes the slightest error, even if it's an unintended error just an oversight, there's no way a lender can defend itself in court against the borrower. Fannie Mae and Freddie Mac – 100 Quality - Zero Defects – All loan reviews will be conducted within 120 days of purchase.
- Borrower has private cause of action to recover damages equal to all finance changes and fees paid in the first 3 years of the loan plus legal fees. Borrower may assert a recoupment claim in foreclosure, even after statute of limitations expires.
- Flood-prone properties – Beginning 10/1/13, the shift to higher rates was mandated by a 2012 law that will scale back previous subsidies that will affect insurance risk ratings and pricing. This change may drive people out of their homes leaving the bank to hold it.
- Roof replacement by your insurance company will be based on a prorated amount based on the age of the home at the time of purchase.
- New institutional asset class – REO-to-lease
- Wall Street is creating a Rental Lending Home model to lend money to other landlords which may make it possible to sell bonds tied to the mortgages and increase potential returns. Colony is offering a five-year term with fixed interest rates between 6% - 7%

Together We Stand!
Although homes are currently more affordable than at any point in the last 15 years and mortgage rates are still near historic lows, homeownership rates are falling in every segment of the U.S. population. According to the Federal Reserve, single family homeowners lost nearly $7 trillion in aggregate value since the peak of the housing market in 2007.

To help address these issues, "Financial Wisdom" a collaborate of financial planners, appraisers, insurance planners, mortgage and personal bankers, builders, federal, state and local governments, attorneys and various trusted service providers have been organized with a goal of protecting and promoting sustainable homeownership to more than 3 million existing homeowners and aspiring home buyers across Georgia. Keep in mind that an interest rate increase and the 43% total DTI and additional tighten underwriting guidelines will affect future buyers. We must plan for homeownership in advance.

Our "together we stand" attitude will help attract home buyers and sellers connect with highly specialized providers for a one-stop-shop experience. The end results will contribute to making and maintaining "exceptional communities".

Joining Synovus Mortgage Corp. and combining unique strengths and proficiencies of other industry experts strengthens my collective ability to serve real estate professionals and community members. I will continue to focus on better partnerships with agencies at both the federal, state and local level. We know one thing for sure – we are not done yet with regulatory change. I am constantly monitoring changes as they emerge and will make sure you know what you need to know – in time! You've got to drop everything you are doing and get ready – now!

Financial Wisdom
The recent economic crisis has highlighted how essential it is that individuals and families have the information, education and tools that they need to make good financial decisions in an increasing complex U.S. and global financial system. Indeed, we have learned, the financial difficulties of individuals and families can dramatically affect the financial health of local communities and regional markets. The crisis has also illustrated that the financial well-being of individuals and families is fundamental to national financial stability and that a lack of financial literacy is one barrier that can lower standards of living and limit prosperity.

Vision
I believe that private sectors can and should work together to increase financial literacy and improve financial decision making, making sure all individual Americans and their families are aware of and have access to reliable, clear, timely, relevant and effective financial information, tools and resources as they pursue personal financial objective.

Financial Wisdom will address financial literacy and proposed calls to action in four areas deemed crucial to the promotion of financial education as we all work together to achieve our shared vision of financial well-being for all people in Georgia by:

- Building public awareness of available resources
- Providing effective financial education through many avenues
- Developing tailored, targeted materials and distribution strategies
- Tapping into effective partnerships of financial education providers and counselors
- Creating a network of information sharing opportunities
- Promote targeted messages about financial literacy to consumer and workplace initiatives

How can you participate in promoting financial success in Georgia?

- Embrace the "Financial Wisdom" strategy mission
- Join the my team
- Support and participate
- Provide leadership in the community where you live and serve

Thank you in advance for your commitment. You are the difference that will make the difference in your community!

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