

MORTGAGE LENDING UPDATE

By David Griffin

Past President of Mortgage Bankers Association of Middle Georgia

Think Big, Work Small

Here is a portion of what I thought was a great interview in the just released March issue of "The Niche Report" (thenichereport.com) with Brian Stevens and Frank Garay of "Think Big Work Small" (thinkbigworksmall.com). I recommend that you check out each website. You should especially watch this video: <http://www.thinkbigworksmall.com/mypage/archive/1/32275>

TNR: "Tell us your opinion on the drivers of the economic downturn...was it the fault of greedy real estate professionals and Wall Street, the lack of government oversight or homebuyers that should have known better?"

Brian Stevens: "Looking at it from my perspective, progressive and aggressive loans that were delivered to lenders for consumers' consumption is the primary driving force. Prior to Y2K you had qualifying ratios of 27/38 on very few fixed or conservative adjustable products. Once we figured we could use credit scores to determine a borrower's "likelihood" to make his mortgage payment, the flood gates of bad loans and lax underwriting began to open. We started at fixed rate conservative underwriting to 100% neg am stated income stated asset loans with a 580 credit score. This artificially spiked property values which lead to the compounding problem of "cash-out refi's" on artificial equity. Sure, borrowers should have known better, but buying a house became a "money making enterprise" and not a place to lay your head. The truth of the matter is most borrowers knew what they were getting into but didn't care because everyone and their mother told them their house was going to continue gaining equity. Look, there's enough blame to go around for what took place. To hold one single group, i.e. the mortgage brokers or appraisers, is just too easy and wrong."

TNR: "Do you think the new and upcoming regulations are helping matters? Give us your opinion on HVCC, the Safe Act, Red Flags and the new GFE and HUD-1 (RESPA regulations)?"

Brian Stevens: "Absolutely not. Everything the government has done costs the borrower more money and takes more time. Honestly, I can't think of one thing the government has done that makes sense. HVCC has led to shoddy appraisals at a reduced fee to the appraiser and an inflated cost to the borrower. SAFE ACT.....Do I really need to be tested on 100 plus industry acronyms? How does that help anything?! New GFE... you can't get 3 industry professionals to agree on it, how is the consumer going to figure it out? Not to mention the 3 page document doesn't accurately reflect the transaction. If we go back to pre Y2K and enforce those regs, we'd be fine."

TNR: "If TBWS had the power of the Feds, what changes would you enact regarding the mortgage and real estate industries? What are the biggest opportunities here?"

Brian Stevens: "Just as I said. We would go back to a reasonable set of products with reasonable underwriting. Most importantly, we would enforce the laws of the land. If you're doing bad things, you lose your license. Further, I'd let these foreclosures go through and get to the recovery part of our economy."

TNR: "In your opinion, what is the Federal Government doing right and not doing right in terms of industry regulation?"

Brian Stevens: "If I had to pick one thing and this is a long shot, the national regulation with the SAFE act may be a good idea. The government is in a precarious position because something had to be done and I know hind sight is 20/20. I just would have liked to see them involve industry professionals in their decision making. Do you remember when all this was going down with Sec. of Treasury Tim Geithner? It came to light that he didn't have a staff. He was so busy lending his hand in historical monetary change that he didn't have time to hire a staff. It's that type of "shooting from the hip" that's exacerbated our problems."

Frank Garay: "What really bothers me is that our elected officials are so influenced by lobbyist money that they won't go after the real offenders. Let's face it; mortgage brokers only sold what they were given. If we were never given bad products they would have never been sold. The real problem was that fact that the rating agencies were in bed with Wall Street. Rating agencies wanted to rate high in order to make money, the investors and bankers wanted the highest rating possible, throw in a lack of regulation and you get a disaster. Attacking the mortgage broker in this mess is like attacking the caboose of the train rather than attacking the engine - the rating agencies."

David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983 and is a member of the Mortgage Bankers Association of Georgia, mbag.org. For an archive of past articles visit mbag.org/ML_Update.htm.(02/24/2010)