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A Message from Ted Rood:

"Trended Credit Data is supposed to boost thousands of borrowers financing options. Will it? Maybe not so much."

Trended Credit Data: Hope or Hype?

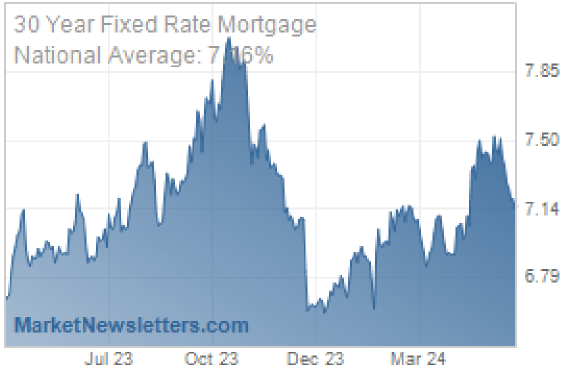
Fannie Mae's Desktop Underwriter (DU) Version 10.1 kicks in June 25th, and has several changes that will **significantly** impact borrowers' loan approvals. One of the biggest changes is the rollout of Trended Credit Data (TCD). TCD has been touted as boosting mortgage availability for responsible borrowers and lessening future mortgage defaults. To discuss TCD's ability to do that, we must first understand what it is, what it does, and just as importantly, what it doesn't do!

TCD Will: Show 24 months of payment amounts on revolving accounts, rather than simply reflecting statement balances, minimum required payments, and payment histories. For instance, a borrower might charge $4000 monthly on a revolving account, but pay the balance in full. Current credit reports merely show the balance/minimum payment required when the statement was generated. TCD will show those, but adds the actual amounts paid monthly. The logic is that borrowers making only the minimum payments on revolving accounts are higher default risks than those paying their full balances monthly.

TCD Won't: Change borrowers' credit scores! While Fannie Mae's analytics predicts borrowers paying their full balances monthly ("full payers") will be 60% less likely to have mortgage delinquencies, TCD will not impact credit scores. The "classic credit score models" currently used adjust scores due to "proportion of balances to credit limits" (borrowers with maxed out credit cards scores are reduced). Despite "full payers" projected default risks being far lower than "minimum payers", both will continue to be scored identically! Fannie's loan level pricing adjustments (LLPAs) are significant costs added to most loans, ostensibly to reflect risk factors such as scores and equity. Unfortunately for "full payers", their loan pricing will not improve as a result of TCD.

TCD Will: Improve "full payers" odds of being approved through Desktop Underwriter. DU 10.0 includes trended credit data into borrowers' risk assessment, so a marginal "full payer" borrower who wasn't approved by DU before, might be on loans started after June 25th.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.16%	+0.01	0.00
15 Yr. Fixed	6.64%	+0.01	0.00
30 Yr. FHA	6.62%	+0.01	0.00
30 Yr. Jumbo	7.40%	+0.01	0.00
5/1 ARM	7.33%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/10

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

		Value	Change
Builder Confidence	Mar	51	+6.25%

TCD Won't: Help marginal borrowers whose credit scores are below Fannie Mae's required minimum (620). While TCD may boost a 621 score, "full payers" loan approval odds, it won't for a 619 "full payer" whose scores don't meet Fannie's minimum requirement.

TCD Will: Theoretically hurt cash challenged borrowers who make the minimum payments while carrying high balances on revolving accounts. Under current DU risk assessment, they might be approved, but TCD's addition of their actual payment amounts could change those findings.

TCD Won't: Impact FHA, VA, or Freddie Mac loan approvals. Fannie Mae is the only loan guarantor using TCD to gauge risk, for now. It will be interesting to see if lenders choose Freddie Mac more for "minimum payers" loans, versus Fannie for "full payers".

It's likely TCD will evolve; for instance only Transunion and Equifax will include TCD on their credit reports, a curious situation since all three bureaus now assess borrowers' TCD. As bureaus and lenders evaluate TCD's reliability, it would be logical to factor it into borrowers' credit scores, further rewarding low risk "full payers" versus higher risk "minimum payers".

At any rate, lessening default risk and boosting responsible borrowers' approval rates are both laudable goals. Let's hope TCD data is as predictive as hoped, it helps responsible borrowers obtain mortgages, and foreclosures/delinquencies drop dramatically!

Responsive service, experienced expertise

I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood