Mortgage Finance

Texas Capital Bank

Is Your Company Leaving Cash on the Table?

Explore Our Early Buyout Strategy

The mortgage industry is fast-moving and complex, keeping mortgage lenders on their toes in both good times and bad. As rates move up, competition becomes fierce, encouraging leaders to focus on the top line. But it can be just as important to focus on expenses to avoid leaking profits where you least expect it. That's why it makes sense to take a close look at your servicing portfolio for opportunities to increase revenue and minimize expenses.

Minimize Interest Loss on Delinquent FHA Loans

Thanks to the FHA loan program, the American dream of homeownership has become a reality for millions. But when an FHA borrower can't make their payments, you're responsible for making interest payments, thus impacting your cash flow.

Fortunately, there's a way to reduce the amount of interest you pay. An FHA loan can be purchased out of a Ginnie Mae pool once it has reached the 90-day delinquency mark. In many cases, you can then finance the loan at a lower rate than the Ginnie Mae coupon rate. This can be done using a special credit facility known as a Ginnie Mae early buyout (EBO) facility.

With an EBO facility, you'll have the funds available to buy the loan out of the pool, minimizing the impact on liquidity in the near term, while saving interest expense in the long term.

Impact of 1% Savings in Pass-Through Rate
Loan Amount: $200,000

Foreclosure Term	Savings
12 months	$2,000
18 months	$3,000
24 months	$4,000

The above example demonstrates the savings generated on just one FHA loan. We can review your most recent Ginnie Mae (FHA) MSR data to estimate your savings based on your current portfolio.

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Realize Income from Reinstated Loans

Now that you've lessened some of the expenses associated with delinquent loans, you should also consider additional revenue opportunities. As part of your business, you regularly work with borrowers to bring their loans current, a process known as reinstatement. For loans that reach the 90-day delinquency mark, it's estimated that 30% to 60% of these loans will re-perform. Loans that are purchased out of a pool can then be re-securitized once they are brought current, allowing you to recognize a gain on sale at the time of re-securitization. For example:

A $200,000 delinquent loan was bought out of a Ginnie Mae pool and was subsequently brought current. It is now eligible for re-securitization. Assuming an average premium of 4.0%, the gain on sale would be $8,000. ***$200,000 x 4.0% = $8,000***

You're already realizing reinstatement gains on the loans you bring current via modification. But what about loans that are brought current on repayment plans or simply through your collection efforts? We can help you realize reinstatement gain on sale on these loans as well. Plus, any rate of interest that the borrower pays above the Texas Capital Bank pass-through rate on reinstatement, through modification or otherwise, is yours to keep.

Reduce Ginnie Mae Delinquency Rates

Most mortgage lenders understand the importance of maintaining good relations with Ginnie Mae by staying within delinquency guidelines, but it's not always as easy as it may seem. Selling a part of your portfolio, a shift in your release or retain strategies, a portfolio acquisition, a natural disaster, and even trending economic conditions can significantly impact portfolio metrics. Repurchasing delinquent loans through the Texas Capital Bank EBO program provides immediate improvement to your DQ3+, DQP and other Ginnie Mae delinquency measurements.

Learn More

Understanding your options in managing your servicing portfolio can make all the difference in your bottom line. Speak with the mortgage industry experts at Texas Capital Bank to see if an EBO facility is right for you.

CONTACT US

Speak with your Texas Capital Bank representative to help you decide if an EBO facility is right for you.