

MBA NewsLink



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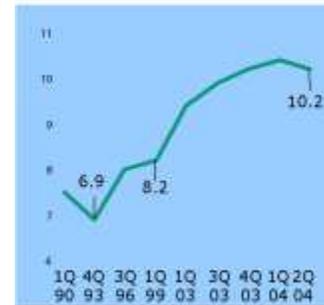
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Stat Link

The nation's rental vacancy rate fell slightly in the second quarter, the Commerce Department said.

Percent



Source: U.S. Department of Commerce



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Top National News

Fannie Mae's Board Briefed on Troubles

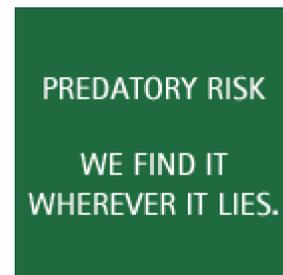
Washington Post (09/21/04) P. E1; Hilzenrath, David S.

The Office of Federal Housing Enterprise Oversight (OFHEO) presented the findings of its investigation into Fannie Mae's accounting practices to the government-sponsored enterprise's board of directors on Sept. 20. Though the report has yet to be released to the public, sources say the agency is particularly concerned with transactions that allowed Fannie Mae to smooth its earnings to meet analyst expectations and preserve its stock price. However, it is still uncertain whether an earnings restatement will be ordered.

Quote Link

"There is just so much of it out there, and there's so much volume, and the banks are holding so many of these loans, that we just want to make sure we're working with the industry to get in front of the problem."

--FBI Assistant Director Chris Swecker on the Bureau's efforts to combat fraud committed against mortgage companies.



OFHEO is also concerned about Fannie Mae's use of derivatives and so-called "cookie jar" reserves, or earnings that are set aside and used to beef up less-than-favorable results.

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After He Steps Down, Who Will Step Up?

Washington Post (09/21/04) P. E1; Henderson, Nell

Alan Greenspan intends to step down as chairman of the Federal Reserve in late January 2006 when his Fed board term expires, and he publicly acknowledged his plans for the first time during a recent Capitol Hill hearing. As a result, the next president of the United States will get to choose a new chairman for the central bank. Fed insiders say Harvard economist Martin Feldstein, 64, who served as chairman of the White House Council of Economic Advisers during the Reagan administration, and Columbia Business School Dean R. Glenn Hubbard, 46, CEA chair in the first year of the current Bush administration, are the likely candidates for President George W. Bush. Meanwhile, Citigroup executive committee chairman Robert Rubin, 66, who served as Treasury secretary in the Clinton administration, and Harvard President Lawrence Summers, 49, who worked closely with Rubin at the Treasury, are the top candidates for Sen. John Kerry, D-Mass.

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As Fed Ponders Another Rate Rise, Bonds Aren't Moving as Expected

Wall Street Journal (09/21/04) P. A1; Lucchetti, Aaron

Traders are speculating that the yield on the 10-year Treasury note will fall below 4 percent for the first time since April Fools' Day after the benchmark for all long-term rates, including home mortgages, fell to 4.06 percent Monday, compared with 4.87 percent in mid-June. The bond market generally believes that softness remains in the economy, and the decline in bond yields suggests that lenders need to lower rates to get borrowers and other consumers to spend. By Election Day, consumers could feel as if they have more money to spend, and a new boom in refinancings could emerge, considering many mortgages are pegged to the Treasury market. Meanwhile, the Fed on Tuesday is expected to raise interest rates a quarter of a percentage point to 1.75 percent.

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Fed Reckoning

Wall Street Journal (09/21/04) P. C1; Lahart, Justin

Investors and analysts are almost certain that the Federal Reserve will hike the short-term interest rate for the third time this year when it meets on Sept. 21. They are anxiously awaiting the statement made by central bank officials afterward. Many hope that steady economic growth and low inflation mean the Federal Reserve will slowly raise rates during the coming months to allow the markets to

Commercial Swap Link

U.S. Dollar Swap Market
COB 9/20/04

Swap Curve	Sprd	Yld
2yr	36.25	2.76
3yr	43.75	3.13
4yr	45.00	3.42
5yr	41.75	3.66
6yr	47.00	3.87
7yr	49.25	4.05
10yr	42.00	4.45
30yr	33.50	5.18

Bear, Stearns & Co., Inc.

U.S. Treasury Link

U.S. Treasuries—COB 09/20/04

Tsy Curve	Price	Yld
2yr	99-29	2.416
3yr	100-2+	2.716
5yr	100-15+	3.264
10yr	101-18	4.054
30yr	107-17	4.866

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adjust, but others believe the central bank will continue to drive up rates to return to a more neutral level. "The central issue is whether the Fed feels comfortable enough that the growth picture is on solid enough footing to continue the adjustment process," remarks JP Morgan economist Bruce Kasman.

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Local Business: Freddie Mac

Washington Post (09/21/04) P. E2

Freddie Mac has announced the nominees to its board of directors, who will come up for vote at the government-sponsored enterprise's yearly shareholders meeting in early November. The nominees include former J.P. Morgan Chase CEO Geoffrey Boisi, former USB Warburg senior adviser Barbara Alexander, Lazard Freres Co-Chairman William Lewis, and Freddie Mac COO Eugene McQuade.

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Mortgage Rates Low Despite Fed

Jackson Sun (Tenn.) (09/21/04) ; Hunter, Ned B.

Though many analysts believe the Federal Reserve will boost the federal-funds rate by another quarter-point at its Sept. 21 meeting, they do not expect the rate hike to impact the housing market. According to University of Tennessee Martin finance and banking professor Mahmoud Haddad, the federal-funds rate does not affect mortgage rates as much as unemployment and inflation rates. Central bank officials pushed up the federal-funds rate twice in recent months, but mortgage rates have yet to rise in response. The 30-year mortgage rate fell 24 percent from 7.7 percent in August 1971 to an average 5.87 percent in August 2004.

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Citi in Low-Income Lending Pact With Acorn

American Banker (09/21/04) P. 18; Rieker, Matthias

Facing scrutiny overseas for inadequate money-laundering safeguards and a bond trade that hit the European bond market hard, Citigroup Inc. is hoping to bolster its reputation in the U.S. by joining forces with the Association of Community Organizations for Reform Now (ACORN). The community advocacy group has criticized Citigroup's lending practices in the past, and the bank has shelled out a combined total of \$310 million to settle cases with the Federal Trade Commission and the Federal Reserve regarding unscrupulous transactions at its CitiFinancial division. The Citigroup-ACORN partnership aims to boost homeownership rates among immigrants and low- to moderate-income families through mortgages and financial education programs. Citigroup, not yet revealing how much money has been set aside for the initiative, will offer Access savings accounts to ACORN members.

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Residential Finance News

MBA Releases State-by-State Market Summary Reports

MBA (9/21/2004) Cevarr, Mike

The **Mortgage Bankers Association** has released two new **Mortgage Market Summary** reports that highlight state-level originations. The first report, **2003 Mortgage Originations by State**, details the number and dollar volume of mortgage originations (overall, purchase and refinance) by state. The second report, **2003 Prime and Subprime Mortgage Originations by State**, further breaks out these categories by prime and subprime originations.

According to the *Mortgage Originations by State* report, lenders originated nearly 3.39 million loans in California during 2003, including 15.9 percent of U.S. originations based on number but 24.0 percent of U.S. originations based on dollar volume. With 1.18 million originations, Florida had the second highest number of overall originations followed by Texas (967,000 originations), Illinois (948,000 originations) and Michigan (829,000 originations).

Among subprime originations, as shown in the *Prime and Subprime Mortgage Originations by State* report, the order of the top five states changes slightly: California (443,000 originations, 22.6 percent of total U.S. subprime market), Florida (150,000 originations, 7.7 percent), Texas (132,000 originations, 6.7 percent) and New York (85,000, 4.4 percent).

The Mortgage Market Summary reports are based on mortgage lending transactions at more than 8,100 financial institutions covered by the **Home Mortgage Disclosure Act** (HMDA) in metropolitan statistical areas throughout the nation. Covering more than 34 million loans, the HMDA data provide the most comprehensive source of mortgage originations.

To view the report list and download an order form, visit the MBA Web site, www.mortgagebankers.org/marketdata/dataondmd.html). For further information, please call (202) 557-2818 (Monday-Friday, 9:00 a.m. - 5:00 p.m., EDT). ([Back To Top](#))

People in the News

MBA (9/21/2004) Besaw, Susan

Freddie Mac, McLean, Va., announced four new candidates for its board of directors, to be voted on as part of a slate of 13 directors at its annual meeting on November 4. The board nominated:

- **Barbara Alexander**, an independent consultant who was a senior advisor to **UBS Warburg LLC** and its predecessor firms from October 1999 to January, and was managing director of the North American construction and furnishings group in the corporate finance department of UBS from 1992 to October 1999;
- **Geoffrey Boisi**, retired vice chairman and co-chief executive officer of **JP Morgan Chase and Co.** Boisi held that position and was a member of the executive committee and management committee from 2000 to May 2002. From 1993 to 2000, he was the founding chairman and senior partner of the **Beacon Group**, a private investment, mergers and acquisitions and strategic advisory firm.
- **William Lewis Jr.**, managing director and co-chairman of investment banking at **Lazard Frères & Co. LLC**, a position he has held since April. From 1978 to 1980, and from 1982 to April, Lewis held various positions at **Morgan Stanley**, most recently serving as managing director and co-head of the global banking department.
- **Eugene McQuade**, president and COO of Freddie Mac. McQuade was appointed to his current position with the company on September 1. Prior to joining Freddie Mac, he served as president of **Bank of America Corp.**, and previously served as president and

COO of **FleetBoston Financial Corp.**, which merged with Bank of America on April 1.

Kevin Jarnot, technology managing director at **DebtX**, Boston, has been appointed to a key committee of the **Mortgage Bankers Association's Mortgage Industry Standards Maintenance Organization (MISMO)**. He will serve as co-chair of the MISMO Commercial Architecture Workgroup, which oversees the development and proposed maintenance to all Commercial MISMO specifications.



Michael Hodges

Michael Hodges has joined **FirstPoint Mortgage Resources**, Greensboro, N.C., as regional account sales executive. He will service banks and mortgage companies in the multi-state southeastern territory. Hodges has more than 20 years sales and client relations experience, including work with mortgage lenders, banks and credit unions.

Daniel Deaton has been promoted within **CTX Mortgage Co.**, Dallas, to executive vice president—national retail production. He will lead CTX's nationwide retail branch network, consisting of nearly 140 offices. Deaton has been with the company since 1997. **John**

Karaszewski will succeed Deaton in leading the Southeast retail region; he was formerly eastern division president at **Old Kent Mortgage**.

Linda Howard has been promoted within **Prudential Tri-State Consortium**, Pleasanton, Calif., to president of the company's Network Services Division for **Prudential California Realty, Prudential Nevada Realty, Prudential Texas Properties** and **Prudential Texas Realty**. She will be responsible for the overall delivery of relocation, corporate services, REO, Internet lead generation and affinity marketing.

Mark Wintner has joined **Holliday Fenoglio Fowler, L.P.**, Los Angeles, as director of its Los Angeles office. He will concentrate on debt placement in the Southern California market. Before joining HFF, Wintner was a vice president at **George Smith Partners**.

Andres Figueroa has joined **Arbor Commercial Mortgage, LLC**, Uniondale, N.Y., as director. He has more than eight years experience and will be responsible for originating loans under Arbor's Fannie Mae, Conduit and FHA loan programs as well as bridge, mezzanine and structured finance transactions throughout the West.

Peter Dewes has joined **Marcus & Millichap Capital Corp.**, Ft. Lauderdale, Fla., as senior loan officer of the firm's Ft. Lauderdale office. He joined MMCC in September 2004 and is responsible for originating and closing commercial real estate loans in the Ft. Lauderdale office. Dewes was most recently a senior loan officer for **Washington Mutual Bank Commercial Lending**.

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Commercial/Multifamily Finance News

DealMaker of the Day

MBA (9/21/2004) McAfee, Jamie

Red Mortgage Capital Inc., Columbus, Ohio, provided FHA Section 223(f) financing for **Homes for America Holdings Inc.** (HFA) on an existing, affordable housing

apartment complex in Dallas, **Hidden Valley Townhome Apartments**.

The complex includes 63 two-story apartment buildings containing 252 two- and three-bedroom units. Originally built in 1971 on 15.8 acres in the Oak Cliff submarket, the property was refinanced in 1998 with low-income housing tax credit equity and a high interest rate loan. HFA invested over \$2.6 million into the property for extensive interior and exterior renovations and deferred maintenance improvements.

Red Mortgage Capital processed the refinance application through HUD's Fort Worth office to provide a 30-year non-recourse, fully-amortizing, permanent financing pursuant to FHA's Section 223(f) mortgage insurance program. The \$8,704,000 FHA insured loan commitment funded through the sale of taxable GNMA mortgage-backed securities (MBS) sold by investment banking affiliate, **Red Capital Markets Inc.**

"Securing FHA financing was the ideal way for the borrower to significantly lower the interest rate and reduce the property's debt service," said **David Schmidt**, director of Red Mortgage Capital Inc. "The new loan from HUD will assist Home for America in providing quality affordable housing at Hidden Valley for many years."
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MBA News

CampusMBA's Emerging Markets Seminar Sept. 27-28

MBA (9/21/2004) Sabol, Krista

Did you know that the U.S. Hispanic population is projected to create more than \$100 billion in mortgages over the next five years? Developing a successful business strategy for this growing emerging market requires in-depth knowledge of the unique traditions and diverse character of this multi-ethnic group.

Did you know that spending on advertising to Hispanics has reached record levels over the past three years despite a general decrease in national advertising budgets over the same period? Even traditional American institutions such as the **National Football League** have identified Hispanic as a key element of what NFL Commissioner, **Paul Tagliabue**, calls the NFL Family.

Attend **CampusMBA's Emerging Markets** seminar on **September 27-28** in **Dallas** to learn about the culture, values, and concerns of the Hispanic American community. This is a special educational symposium designed to give lending industry executives key information on the demographic, economic, and linguistic aspects of the growing Hispanic homebuyer consumer base. If you are a professional currently working in emerging markets, community outreach or development, affordable housing, or industrial relations, or if you desire to enter into this market, this program is for you.

Attendees of this seminar will:

- Gain a **better understanding** of key demographics, economics, linguistics, and non-traditional needs of the Hispanic homebuyer
- Learn how to **take advantage** of the business opportunities in this growing emerging market
- Gain **in-depth knowledge** of the culture, values, and concerns of Hispanic Americans which is essential to developing a winning business strategy

This symposium, presented in partnership with **The Latino Homeownership Association**, will give banking executives a profile of the cultural and economic realities of Hispanic American homebuyers. Speakers include

- **Gary Acosta**, president of the **National Association of Hispanic Real Estate**

Professionals;

- **Henry Cisneros**, Former HUD Secretary, four-term mayor of San Antonio, and former president of Univision;
- **Doug Duncan**, senior vice president of research and business development and chief economist with the **Mortgage Bankers Association**; and
- **Manuel Mirabal**, chairman of the **Latino Homeownership Association**; immediate past chair of the National Hispanic Leadership Agenda; former administrator of the New York State Department of Housing & Community Renewal; former commissioner of the New York City Housing & Planning Development; and president of the National Puerto Rican Coalition.

For a full list of speakers and bios, go to

<http://www.campusmba.org/index.cfm?STRING=content.cfm?section=624>)

Attendees will receive the following:

- **MBA's Emerging Markets Survey Results**—In 2004, MBA's **Residential Education Committee** surveyed nearly 100 mortgage organizations about how they deal with training and the new emerging markets. The results are interesting and will be distributed.
- **Foreign Identity Cards**—The **National Hispanic Leadership Agenda** is issuing a report (coming September) dealing with issues related to banking and foreigners use of these cards.
- **El Sueno de su Casa: The Homeownership Potential of Mexican-Heritage Families Report** from the **Tomas Rivera Policy Institute**—This new report is based on a survey of 1,400 families of Mexican origin in Los Angeles, Houston and Atlanta. It provides an unprecedented look at the home owning ambitions, neighborhood preferences, and barriers facing America's newest and fastest growing community.

Check-in will take place between 8:00-9:00 a.m. on September 27th. The seminar will run from 9:00 a.m. to 5:00 p.m. on September 27th, and from 9:00 a.m.-noon on September 28th. Registration is \$795 for MBA Members and \$994 for Nonmembers. To register or to obtain more information, visit www.campusmba.org and click on Emerging Markets under Classroom-Based Courses, or call (800) 348-8653.

The link to the registration page is

http://shop.mortgagebankers.org/details2.cfm?product_code=E2401708&category=conf
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Spotlight: Residential

MBA Welcomes FBI Action on Mortgage Fraud

MBA (9/21/2004) Soroan, Mike

The **Federal Bureau of Investigation's** announcement last week that it would step up enforcement of mortgage fraud proved welcome news to the **Mortgage Bankers Association**, which has long asserted that mortgage fraud schemes have cost the real estate finance industry billions of dollars.

"The Mortgage Bankers Association applauds the FBI for its efforts to bring criminal charges against individuals who are engaged in fraud schemes that target our nation's financial institutions—including mortgage bankers," said MBA Chairman **Rob Couch, CMB**. "Our lenders have seen an increase in the number and variety of fraudulent schemes over the last several years committed against them. It has cost the mortgage banking industry and other financial service providers billions of dollars."

The FBI announced action against 205 individuals as part of "**Operation Continued**

Action," an initiative begun in August that, according to **Chris Swecker**, assistant director in the bureau's **Criminal Investigative Division**, "reflects the FBI's mission and effort to identify, target, disrupt and dismantle criminal organizations and individual operations engaged in fraud schemes that target our nation's financial institutions."

Operation Continued Action targets fraud schemes to include mortgage and loan fraud, insider fraud, financial institution failure investigations, identity theft, check fraud and check kiting. It is engaged in 37 states and more than 5,000 cases involving 47 FBI field offices.

Couch noted that the focus of the FBI operation is on individuals who commit mortgage fraud, and not "predatory" lending issues.

"These are organized groups and individuals who are committing fraud against lenders and others. Through our **Fraud Task Force**, our members have actively been working with the FBI to expose these criminals and bring them to justice," Couch said. "We will continue to report to and work with the FBI and other law enforcement agencies where we believe fraud has been committed. Let this be a serious warning to those who would break laws for personal gain."

Swecker said since its inception in August, Operation Continued Action investigators have identified more than 245 subjects in 158 investigations. More than 151 indictments and complaints have been filed to date. These charges have thus far led to more than 144 arrests, convictions, sentences and millions of dollars in forfeiture and restitution.

Among the cases:

- The bureau's **Charlotte, N.C.** division filed charges on September 16 against six individuals with bank fraud for their roles in a multi-million dollar scheme. In November 2002, an FBI undercover operation began with a cooperating witness to introduce undercover FBI agents into seven organizations involved in a multi-million mortgage fraud ring. Investigation led to the identification of fraudulent loans which exposed financial institutions and mortgage companies to potential losses of \$130 million.
- In a case dubbed "**REO Flipwagon**," the FBI initiated an undercover operation in December 2003 to address the "massive" amount of mortgage fraud in the **Jacksonville** area. On September 16, as a result of this investigation, seven search warrants were executed and two arrests were made. Mortgage broker **J.R. Parker**, and closing attorney **Dale Beardsley**, were arrested, via complaint, charging them with bank fraud for their role in this alleged scheme.
- The FBI's **Kansas City** division filed charges August 16 against three persons for their alleged role in a mortgage fraud ring which used straw purchasers to purchase property which was then foreclosed upon. This scenario was repeated nearly 300 times, resulting in losses in excess of \$15 million. The alleged leader of this organization, Brent Barber, was arrested by agents of the FBI, **Internal Revenue Service** and **HUD**.
- The bureau's **Salt Lake City** division on September 13 charged obtained guilty pleas from two tellers at the **Bank of Ephraim**, Ephraim, Utah, in a \$5 million embezzlement scheme over a 20-year period that contributed to the bank's failure.

Swecker said that mortgage fraud has potential to become a "national epidemic."

"There is just so much of it out there, and there's so much volume, and the banks are holding so many of these loans, that we just want to make sure we're working with the industry to get in front of the problem," Swecker said.

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