beyond the headlines

200,000 people could see their credit scores rise because of this change

Source: Market Watch

The three major credit agencies, Equifax, Experian and TransUnion have made a change that could raise about 200,000 consumers' credit scores.

Making sense of the story:

- The agencies have started an initiative called the National Consumer Assistance Plan (NCAP), with a goal to make credit reports more accurate, and to make it easier for consumers to correct errors on their reports.

- The latest result of that initiative: Starting Sept. 15, the agencies started to remove some medical collections from consumers' credit reports. They will remove medical bills that have fallen into collections that are less than 180 days old and those that have been classified as "paid by insurance."

- They will also wait 180 days before reporting medical collections to allow time for insurance payments to be applied to the debt.

- Some 7 percent of consumers who have these removed will see a score increase of less than 20 points, said Tommy Lee, a principal scientist at FICO. But some could see increases that are more. Twenty points is a small increase, but for consumers who could use the boost to put them into a higher tier of credit — for example, "fair" to "good" credit categories — the rise could help.

- Debts the bureaus will remove could be of any dollar amount, Lee said.

- Fair Isaac Corporation (FICO), a company that creates a commonly used credit score, already made a similar change in the latest version of its score, FICO Score 9. FICO in that version developed a new system of differentiating unpaid medical collections from unpaid nonmedical collections, so it wouldn't be impacted at this time.

- Consumers who have medical collections that could qualify for removal from their reports should "be vigilant" when monitoring their reports, said Ethan Dornhelm, the vice president of scores and analytics for FICO. If those collections are not removed, consumers should contact the bureaus, he said.

Full story
http://www.marketwatch.com/story/200000-people-could-see-their-credit-scores-rise-because-of-this-change-2017-10-04?siteid=yhoof2&yptr=yahoo

In other news…

S.F. mayor wants to speed up approvals for housing construction

Source: KQED

San Francisco Mayor Ed Lee on Thursday called on city departments to cut by nearly half the time it takes to issue building permits to developers constructing housing projects. Lee said speeding up the production of housing would help add more stock to the market and help ease rising housing prices. He said people who work in the city are commuting too far because of the housing crisis.

In a directive issued Thursday, the mayor asked city department heads to reduce entitlement times and ensure that building permits, subdivision maps and other permits are approved quickly to get construction started as soon as possible. The mayor predicted that the new policy would lead to 5,000 new units built each year.

It's aimed at housing projects with as few as two units that have ground-floor parking or a bit of office space, but the main goal is to target large developments with at least 250 units, said Ken Rich, director of development for San Francisco, who helped write the new policy.

Full story
https://ww2.kqed.org/news/2017/09/29/s-f-mayor-wants-to-speed-up-approvals-for-housing-construction/

Homebuyers rush to riskier mortgages as home prices heat up

Source: CNBC

Home prices are heating up yet again, and that is sending more potential buyers looking for ways to afford a monthly mortgage payment. The number of adjustable-rate mortgage originations jumped just over 40 percent from the first quarter of this year to the second, according to analysis by Inside Mortgage Finance. ARMs offer lower interest rates than fixed-rate loans, and today's ARMs usually have a fixed period of at least five years. That means the rate can change after five years. Still ARMs are considered riskier than the classic 30-year fixed mortgage.

The average contract interest rate on 30-year-fixed mortgages with conforming balances was 4.11 percent last week, according to the Mortgage Bankers Association. Compare that with the rate on a five-year ARM, which was 3.38 percent. The rate on an adjustable-rate loan, by definition, will change after the fixed period, moving higher or lower, depending on the broader market rate.

ARM demand usually rises from the first quarter to the second quarter, because spring is the busiest season for homebuying, and it's when families dominate the market, searching for bigger, higher-priced homes. Still, the jump in ARMs in the spring of 2016 was 15 percent compared with this year's 40 percent jump. This makes the case that buyers this year are struggling with affordability and opting for a lower-rate product.

Full story
https://www.cnbc.com/2017/10/03/rising-heat-in-home-prices-makes-buyers-rush-to-riskier-mortgages.html

2.5 Million More People Potentially Exposed in Equifax Breach

Source: New York Times

Millions more people were affected by Equifax's data breach than the credit bureau initially estimated, Equifax said last week.

The company increased its estimate on the number of Americans whose personal information was potentially exposed to 145.5 million, some 2.5 million more than it had previously disclosed.

The additional accounts were found during a forensic review by Mandiant, a cybersecurity firm hired by Equifax to investigate the attack, according to a company statement.

Equifax has been reeling since its announcement last month that hackers exploited a vulnerability in its website software to access its systems and extract sensitive personal information of millions of consumers. The material that was stolen included names, Social Security numbers, birth dates, addresses and, in some instances, driver's license numbers.

Full story
https://mobile.nytimes.com/2017/10/02/business/equifax-breach.html?referer

Wells Fargo to refund borrowers who improperly paid mortgage fees

Source: Housing Wire

The plans to refund mortgage borrowers came out Tuesday as the U.S. Senate Committee on Banking, Housing and Urban Affairs grilled Wells Fargo CEO Tim Sloan over the its massive fake account scandal last year.

During the hearing, Sloan mentioned the plans to refund borrowers amid continued claims that Wells Fargo is committed to make things right.

More than a year ago, it came out that the company opened as many as 2 million credit card and bank accounts without authorization. The bank would later find the number was actually 3.5 million.

And after the account scandal broke, investigations into the bank uncovered damaging news against the company that went beyond the accounts, including mortgages.

Wells Fargo announced the details of the refund last week, saying it plans to reach out to all home lending customers who paid fees for mortgage rate lock extensions requested over the nearly four-year period.

Full story
https://www.housingwire.com/articles/41483-wells-fargo-to-refund-borrowers-who-improperly-paid-mortgage-fees

A new way to buy a home—with no money of your own

Source: CNBC

You can crowdfund your business, your charity, your product, your vacation — and now you can crowdfund your home.

CMG Financial, a mortgage lender, just launched HomeFundMe, the first online platform that allows borrowers to crowdfund the down payment on a home purchase without fees and with the backing of mortgage giants Fannie Mae and Freddie Mac.

The majority of millennials today may say they want to be homeowners, but that claim nearly always comes with the caveat ... if I can afford the down payment. High levels of student loan debt, high rent and underemployment during the recession have left the largest generation with little savings and diminished hopes of homeownership.

Until now, borrowers could receive down payment assistance from their close family members, employers, community nonprofits and their churches, all with significant documentation. This was so lenders could be sure they weren't borrowing the down payment, adding debt on top of the mortgage. Lenders also wanted to be sure borrowers were able to make the monthly mortgage payments.

Full story
https://www.cnbc.com/2017/10/05/a-new-way-to-buy-a-home-crowdfunding-the-down-payment.html

What you should know

- Mortgage applications to purchase a home and for refinancing barely budged last week, the Mortgage Bankers Association reported. Economists are blaming the stall in loan demand on rising interest rates and rising home prices.

- Total mortgage application for refinances and home purchases decreased 0.4 percent last week compared to the previous week on a seasonally adjusted basis, the MBA reported. Volume is now 24 percent lower than a year ago. Interest rates are also significantly higher than a year ago too.

- The higher interest rates are prompting fewer homeowners to have incentive to refinance. Refinance applications have now plunged 40 percent compared to a year ago.

- Mortgage applications to purchase a home did manage to move 1 percent higher for the week. They are nearly 5 percent higher than a year ago. However, home sales have been weakening for five of the past six months. Economists blame the shortage of homes for sale and higher prices for hampering buyer interest.

- The MBA reports the average 30-year fixed-rate mortgage rose to 4.12 percent last week, up from 4.11 percent the week prior.