

An Excerpt from Compass's July Monthly Market Review

Topic of the Month: The Principles of Coissue Delivery

Compass Analytics held a Webinar on Tuesday, July 15th entitled *The Principles of Coissue delivery*. Apparently, there is a lot of interest in better understanding the Coissue delivery process as the session was heavily attended so thought it would be beneficial to share a summary of the call. Other industry experts joined the Compass team to make the session a good overview of how today's contemporary Coissue works and what steps need to be taken to get started.

The Webinar focused on the two major players in the space that have consistently competitive pricing and use the program extensively with their Correspondents. Bill Petersohn, a representative from GMAC, was on the call and proved invaluable in describing some of the highlights of the GMAC 3D program. We also covered Chase's Coissue Express program and described some of the differences of the two respective programs, and how they are meaningful to today's pipeline hedger.

To summarize the programs, the GMAC 3D program allows mortgage bankers that are able to "potentially" commit 10 million a month to the 3D Coissue program so that they may use the 3D programs' significant specific advantages over other delivery methods as a part of their overall best execution strategy. Some of the 3D program highlights are:

- Most terms and products available under Correspondent's Master agreement are available, including Fixed, Conforming ARMs, Conforming Jumbo, and more.
- A Whole Loan released sale combined with the benefits of a Coissue relationship - client sells loans to GMAC while maintaining a direct relationship with Fannie Mae.
- Servicing Released Premiums (SRPs) Pricing Grid updated weekly.
- Complete Agency Master Credit, waivers, and guarantee fee.
- Full funding within 48 hours of loan submission.
- No set minimum commitment amount.
- Electronic delivery through Loan Delivery and a servicing data file sent directly to GMACB.
- Collateral-only delivery for funding.
- Operational efficiencies - loans under MBS are sold in bulk instead of individually.
- Separate settlement of loan level price adjustments/risk-based pricing adjustment and guarantee fees with Fannie Mae for MBS deliveries. Risk-based pricing adjustments are deducted from purchase proceeds for Whole Loan deliveries.
- No custodian fees incurred by customer for MBS delivery.
- No Funding Fees.
- S/S and A/A remittance types available for 3D Whole Loan sales, and S/S for MBS.

In comparison, Chase's Coissue Express program looks to be very similar to GMAC's, but there are a few differences some of which include:

- Chase is looking for commitment amounts of more than \$20 million per month with a contract in place for several months,
- The early funding program is handled by them, and not the GSE,
- SRP prices tend to be calculated in a more math intensive fashion with more grids, adjustors, and the like, and
- There are potential pair-off fees if the program's minimum commitment numbers aren't met.

The underlying message about contemporary Coissue is that it should be used to establish a valuable relationship with the Agencies if you, as a mortgage banker, don't have one already. It should also be used as another tool in your best execution arsenal to maximize the intrinsic value in your pipeline. The most effective ways to utilize Coissue is to maximize specified pools, deliver later into securities than you can for AOT, and to realize the advantages for warehouse liquidity if you need it. *—Brandon Case*