



RAMS offers another USD 100m in Ginnie EBOs as prices drift higher

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Ginnie Mae early buyout loan supply is climbing as prices are now rising to levels that servicers can stomach, according to a broker and a loan sale advisor.

Supporting that assertion is another GN EBO pool of at least USD 100m in the market this week from broker-dealer RAMS Mortgage Capital, said Hal Hermelee, a senior managing director at the firm.

The EBOs are 100% backed by the Veteran's Administration, and closely follow another sale of about USD 120m in EBOs in the low 99s, a "strong" level and one not seen in recent trades, Hermelee said. Those loans were all backed by the Federal Housing Administration.

FHA-backed loans typically traded in the mid-90s in 1Q20 and before, Hermelee said.

Demand for residential mortgage loans has been climbing amid investor expectations that the housing market will be resilient in 2021, as it was last year when the COVID-19 pandemic dealt a blow to US employment. That speculation is also held by banks that are offering more attractive financing for the assets, and perhaps even term financing, as [reported](#).

Meantime, loans available to investors will eventually climb as borrowers reach the end of their government-sanctioned forbearance plans this year, according to Peter Barkey, the former Roosevelt Management partner who is raising USD 1bn for the opportunity, as [reported](#).

According to Hermelee and the loan advisor, Ginnie Mae servicers are warming to sales of loans out of securities as prices rise and because recapture and origination businesses are generating strong profits. Discount prices are one reason why EBOs haven't yet proliferated the market, in addition to changes in re-pooling rules.

Servicers "aren't going to sell USD 1bn in loans for a five-point hit," said one non-bank capital markets executive.

Chatter about big opportunities in EBOs faded over the latter half of 2020 because investors saw volumes weren't rising, and because those investors began to realize the complexities of collecting from the government, the executive said.

But the frequency of EBO sales and recent data suggest a possible turn in 2021.

The total CDR for non-bank servicers climbed to 5.4% in December from 4.9% in November, potentially indicating the non-banks had more cashflow available for EBO activity, according to data provider Recursion.

The CDR for top non-bank Ginnie Mae servicer Lakeview Loan Servicing jumped in December to 15.1% from 10.2% in November, Recursion data show. Lakeview's Ginnie Mae delinquencies of 90 days declined to 9.6% in December from more than 10% – more than seven times the rate before the pandemic slammed the US economy in March – other data from Recursion show.

by [Al Yoon](#)