

# Direct Federal TARP Funding for Warehouse Line Lending a 'Frontline' Approach to the Mortgage Industry's Liquidity Issues

DENVER, Colo., Feb. 2 (SEND2PRESS NEWSWIRE) – Extending TARP funds to bolster mortgage warehouse line lending capacity will ease frontline liquidity challenges as lowering interest rates motivate solid, low risk borrowers to seek new or refinanced mortgages, and allows lenders to deliver high quality investment grade mortgages to the market, according to the blog ([titanlenderscorp.com/blog/](http://titanlenderscorp.com/blog/)) published by the founder and chief executive for Titan Lenders Corp., a U.S. outsource services provider to mortgage lenders.

The MBA this year saw a 75-percent reduction in the number of warehouse lending participants to their annual convention, with only a handful taking new applications. The disappearance of major market players, like Countrywide, First Collateral and Washington Mutual, only forebodes further constraints as other warehouse line lenders succumb to the credit availability malaise.

“Because our customers are lenders, our ear is to the ground for what is driving and what is restraining the stabilization of normal, conventional mortgage lending activity in many parts of the country,” said Mary Kladde, who founded the outsource services firm in 2007. “The decline in warehouse line lenders and overall shrinkage in the availability of bridge financing for even high FICO, 100-percent compliant FHA and conventional loans hinders an area of our economy where the rubber hits the road.”

“Warehouse line lending is the lifeblood for correspondent mortgage lenders still serving homebuyers and homeowners in this market,” she said.

It is essential that public policy shapers and advisors, and elected officials at the Federal and State governments, especially those that have access to Obama Administration economic teams and Treasury Department heads understand the function of warehouse line lending in the recovery not only of the mortgage sector, but for the many housing-dependent industries, Kladde added.

In her blog Kladde proposes that, under the direction of the FHFA or another regulatory body, the federal government earmark TARP funds to create a nationally subsidized Warehouse Line Provider.

“The idea is a simple one born of common sense. Correspondent mortgage lenders in good standing could immediately access the needed line extensions or obtain a new line to meet the demands of the market. Then, only high quality, thoroughly audited and compliant loans would be funded through these lines.

“The risk exposure is extremely limited, in that the line is a short-term extension of credit that will replenish itself every 15-30 days as loans are sold to the purchasing investor. Further, traditional warehouse lending fees and interest would be charged to the participating lenders for their use of the funds, thereby generating income for other economic stimulus programs.

“If a federally funded, closely regulated warehouse line becomes a pillar of the economic stimulus package, taxpayer money would immediately show a return on investment and potentially lessen the overall burden by producing revenue for the government,” Kladde writes.

Titan Lenders Corp. ([www.titanlenderscorp.com](http://www.titanlenderscorp.com)) is one of a specialized few providers of mortgage back office fulfillment services, a not-well-understood facet of mortgage lending that includes closing, funding, and post closing services. Community banks, credit unions, mortgage bankers and brokers use outsource providers strategically to minimize compliance risks in a time-sensitive error-averse environment. Fluctuations in mortgage lending volume also lead some lenders outsource their entire back office operation and secure predictable “per transaction” pricing rather than maintaining an inflexible static in house staff.

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News issued by: Titan Lenders Corp.



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Original Story ID: (4673) :: 2009-02-0202-005

Original Keywords: Titan Lenders Corp, Mary Kladde, TARP funds, nationally subsidized Warehouse Line Provider, blog, mortgage back office fulfillment services Titan Lenders Corp.