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Wells Fargo pulls out of correspondent lending

By Maria Volkova January 10, 2023, 7:19 p.m. EST 2 Min Read

Wells Fargo's strategic plans for "a more focused home lending business" include an exit from corresponding lending and a reduction to its servicing portfolio.

The depository noted in communication published Tuesday that both measures will help to "reduce risk in the mortgage business by reducing its size and narrowing its focus."

The announcement confirms plans for a mortgage pullback that was first discussed in a Bloomberg report in August. Some industry stakeholders noted that Wells Fargo's exit would further decrease competition in the correspondent channel.

A company spokesperson declined to give a timetable for winding down its correspondent lending channel or reducing its servicing portfolio.

The bank's correspondent channel was heading on a downward trajectory last year. In the first half of 2022, Wells Fargo originated $28.3 billion in the correspondent channel, down 6.2% from $34.5 billion for the same period in 2021.

Even so, industry stakeholders, such as Scott Olson, executive director of the Community Home Lenders of America, expressed disappointment with Wells Fargo's exit.

"CHLA is deeply disappointed that Wells Fargo is pulling out of the correspondent loan business — pulling out of buying even government agency loans with little or no risk," he said in a written statement.

"This action makes it all the more imperative that federal agency mortgage programs — FHA, Ginnie Mae, Fannie Mae and Freddie Mac — don't pull in at the same time on authority for direct lending access for IMBs, which is critical to maintaining access to credit for underserved and other borrowers."

Instead the bank will turn its attention to "serving bank customers, as well as individuals and families in minority communities."

One such initiative is broadening its Special Purpose Credit Program. The bank's SPCP, which initially included a $150 million investment to refinance loans for minority homeowners, will now include purchase loans.

"This $150 million investment will reduce the costs for individuals in underserved communities looking to refinance or buy a home, helping more Black and Hispanic families achieve homeownership," the company said in a statement.

Additionally, the company plans to invest $100 million to advance racial equity in homeownership byway of "strategic partnerships" with nonprofits, such as the National Urban League, UnidosUS and others, Kristy Fercho, head of Home Lending, said in a written statement.

"We also will hire additional mortgage consultants in communities of color," Fercho said.