DS news

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Finding the Right Fit

A panel of experts explores the state of subservicing as we approach 2023: **how to find the right subservicing partner**, how the industry landscape is changing, and what critical considerations need to be top of mind.

What Property Owners Can Learn From E-Commerce Giants

"People like simple." Here's why it's critical to make it easier for renters to find what they're looking for.

Opportunity Amid Adversity

Here are four ways we can collectively drive innovation and change during these leaner times.

Managing 'Buy vs. Build'

The traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry's digital growth.

Uncovering Diamonds in the Rough

How will you refine talent during this tough 2022-23 mortgage cycle?


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Turning the Page on 2022

As we wrap up the year that was 2022 and enter 2023, we move onward with a sense of hope and renewed sense of confidence in the mortgage servicing space. As the pandemic overtook the industry and has let up slightly on its grip over the past 12 months, we endured unprecedented times and have come out the other side wiser, more educated, and ready to tackle any hurdles thrown our way.

As the landscape of the servicing space continues to evolve, a recent Five Star webinar dissected the challenges of managing a subservicer relationship, the evolution of the industry, what to look for in fees, and the pitfalls involved in transferring loans. In our December 2022 issue of *DS News*, Phil Britt, in his story "Finding the Right Fit," shares perspectives from Donny Atkins, Jr., Director of Servicing for The Money Store; Chris Sabbe, SVP of Sales for PHH Mortgage; and Seth Sprague, Director of Consulting Services for Richey May on the topics of delinquencies, foreclosures, and other servicing-facing issues.

Shifting gears a bit, Rachel Richardson, Content Manager for Rent., takes a deeper look at what can property owners can learn from e-commerce giants such as Amazon in her aptly titled article, "What Property Owners Can Learn From E-Commerce Giants." As much as technology has eased most of the way we do things today, as Richardson describes, the element of the human touch must be present. She highlights three critical factors in searching for a rental property tied to standard online shopping habits: customer service; availability and ease of access; and community engagement.

Many seek a fresh start to a new year, and this month, Wendy Lee, Chief Legal Officer at Sagent, brings us the article "Uncovering Diamonds in the Rough." Talent acquisition and talent retention is key no matter what time of the year, and Lee discusses how properly cultivating talent will make them an ideal employee for life.

Also this month, Jim Albertelli, CEO of Voxtur, discusses four ways to drive innovation and change during the industry's leaner times in his feature, "Opportunity Amid Adversity." As Albertelli states, "History has proven that times of turmoil are cauldrons for revolutionary thinking," its times of trouble that produce innovative and dynamic results as a result of new challenges faced by the industry.

In "Managing 'Buy vs. Build,'" Clarifire's Jane Mason explains why the traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry'sdigital growth, and how to break free of this view.

We at *DS News* would like to wish you and your family a very happy and healthy holiday season. We look forward to new beginnings in 2023, including a very special announcement in the coming weeks from *DS News* as well. Embrace change and relish in innovation as a new year brings new beginnings and the opportunity to get 2023 off on the right foot in a positive direction.

David Wharton
Editor-in-Chief

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Uncovering Diamonds in the Rough

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ZILLOW PREDICTS 2023 MIDWEST HOUSING BOOM

Zillow is already looking ahead to 2023 and has predicted that Midwestern markets surpass most of the nation as people look for new ways to overcome the affordable housing crisis.

However, Zillow predicts that the affordability crisis will stabilize in 2023 from pandemic-era highs.

Looking specifically at new construction, Zillow predicts that most new construction will be focused on rentals and further predicts that this should be accompanied by a jump in homeowners becoming first-time landlords.

"Americans finding ways to make payments on a roof over their heads is going to drive the market next year. Where costs are lower, we'll see healthier sales and inventory levels. If rent is less expensive than a new mortgage, we'll see increased demand for rentals—something builders and landlords understand," Zillow Chief Economist Skylar Olsen said. "Affordability is going to be the biggest factor in housing for 2023, but there's room for optimism on that front if mortgage rates recede."

Compared to every other major region, the Midwest has not seen prices soar to the extremes other regions have. Costs are still "within reason" compared to incomes in Missouri, Kansas, Iowa, Ohio, and smaller cities in Illinois which in turn will allow first-time home buyers to enter the market. Lower rents and home prices in these areas, as well as in some Pennsylvania, New York, and other Northeastern metros, make it easier to save up for a down payment. A typical mortgage payment in Topeka is $1,269, compared to $4,129 in Sacramento.

Zillow also addressed the new trend of buying homes with a friend or family member instead of a spouse. Eighteen percent of buyers purchased a home with someone other than a spouse in 2022, and that number is expected to go higher in 2023 as buyers turn to unconventional means to secure a home in today's market.

On the topic of affordability, Zillow said it will be the driving force pushing the housing market along in 2023, but there is a chance for it to stabilize—and just maybe—improve.

"Zillow expects national home values to remain relatively flat next year, and even fall in the markets most challenged by affordability issues. Mortgage rates are seeing some recent and encouraging progress downward as inflation and labor market tightness show some small signs of easing. If we've actually turned the corner on inflation, that should continue," Zillow said. "Rent growth should move closer to historical norms next year, as well. Annual growth came down quickly from a massive peak of 17.1% in February to 9.6% by October. Rents fell during the month of October, the first time in two years, signaling a return to regular seasonal patterns."

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS

TOP 10 CITIES IN WHICH TO RAISE FAMILIES

RANK	CITY
1.	PLANO, TEXAS
2.	VIRGINIA BEACH, VIRGINIA
3.	LINCOLN, NEBRASKA
4.	BOISE, IDAHO
5.	RALEIGH, NORTH CAROLINA
6.	ARLINGTON, VIRGINIA
7.	LEXINGTON, KENTUCKY
8.	CHESAPEAKE, VIRGINIA
9.	AUSTIN, TEXAS
10.	PLANO, TEXAS

BOTTOM 10 CITIES IN WHICH TO RAISE FAMILIES

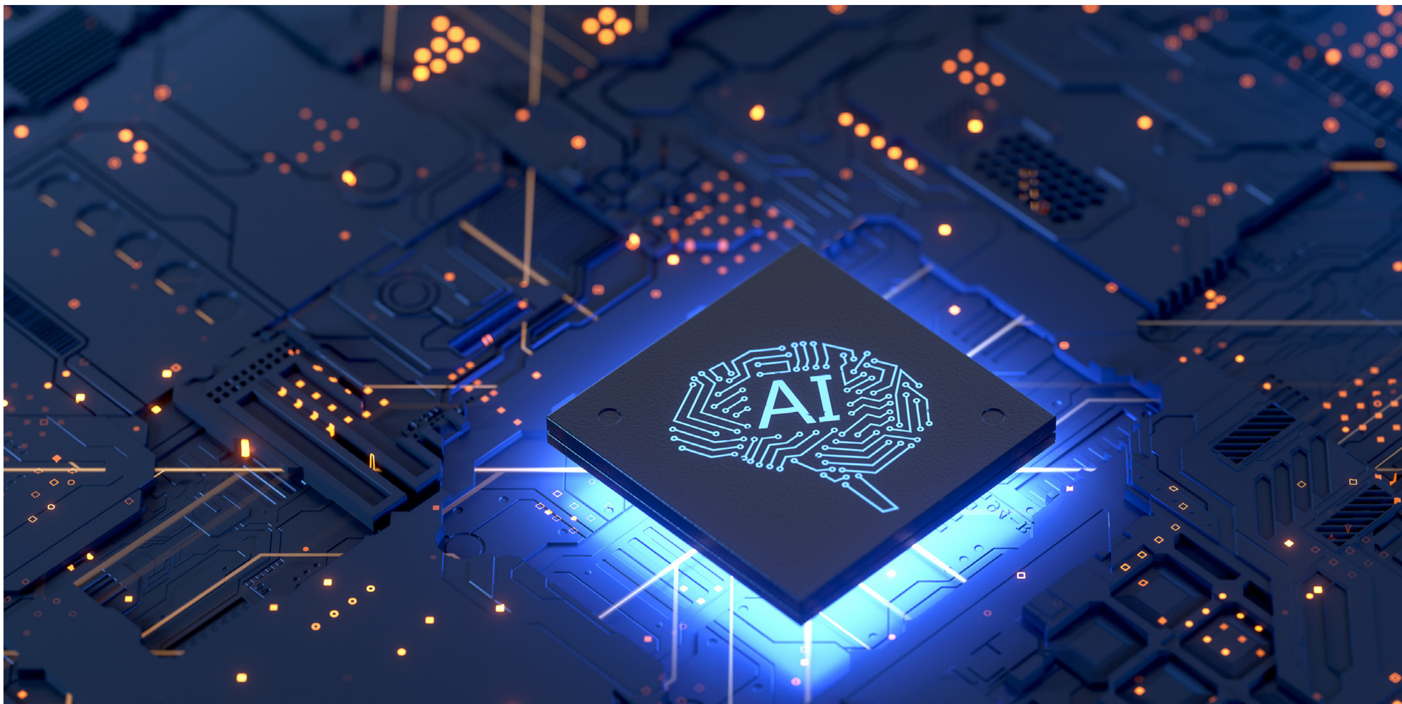
RANK	CITY
1.	PHILADELPHIA, PENNSYLVANIA
2.	DETROIT, MICHIGAN
3.	NORTH LAS VEGAS, NEVADA
4.	LOS ANGELES, CALIFORNIA
5.	CLEVELAND, OHIO
6.	SANTA ANA, CALIFORNIA
7.	OAKLAND, CALIFORNIA
8.	STOCKTON, CALIFORNIA
9.	ANAHEIM, CALIFORNIA
10.	MEMPHIS, TENNESSEE

Source: Storage Café, "Best Cities For Families With Children: Mid-Size Cities Top The Charts With Plano, TX, And Boise, ID, Getting Ahead In The Family-Friendly Hotspots Race"

Know THIS

Lenders issued $636.5 billion worth of mortgages in Q3 of 2022, down 46% annually, according to ATTOM's Q3 2022 U.S. Residential Property Mortgage Origination Report.

A new report from Redfin found that one-third fewer homes went under contract than was reported in October 2021, while mortgage contract activity fell 30% nationwide.



ARE AI, MACHINE LEARNING THE ANSWERS TO RISING HOME COSTS?

Analysis by the Joint Center for Housing Studies (JCHS) from Harvard University states digitalization cannot change the "long-discussed but not-yet realized" promise that offsite construction will reduce the cost of home building or improve its quality.

Instead, increased use of digital tools will only occur when entities adopt "platform thinking," according to the study's authors, Ivan Rupnik (Northeastern University), Ryan E. Smith (University of Arizona), and Tyler Schmetterer (MOD X LLC).

They describe platform thinking as systems that use modules to take advantage of the economies of scale associated with standardization but are flexible enough to respond to customers' needs and preferences.

JCHS' piece says this approach has allowed other industries to increase productivity and is also being used by offsite construction forms outside the United States, including Japan and Sweden.

"The international examples also underscore the importance of creating industrywide standards for modular and offsite construction," the study states.

An additional study, "Artificial Intelligence for All: Perspectives and Outlooks on the Role of Machine Learning in Architectural Design," notes developments in artificial intelligence and machine learning could speed up how housing is not only designed and built, but also reduce production costs.

"In particular, AI and ML make it possible to iterate design approaches more quickly, which, in turn, should reduce the time it takes to develop final plans for projects," the study claims.

Elizabeth Bowie Christoforetti, of the Harvard Graduate School of Design, said both papers show that "digital transformation in housing design and construction is a complex, but not insurmountable, socio-technical challenge."

A study by the National Association of Homebuilders (NAHB), published by Builder Online, said lumber's price volatility has caused the average price of new single-family homes to rise.

While prices have settled from their highs in the spring of 2021, when softwood lumber prices added approximately $36,000 to the price of an average new single-family home, softwood lumber prices are still contributing to price appreciation in both the single-family and multifamily sectors, according to the NAHB.

AMERICANS FEARFUL OF POTENTIAL HOUSING MARKET COLLAPSE

LendingTree's latest survey found that 41% of consumers are concerned about a housing crash over the next year.

Of those who believe a housing market crash is imminent, 74% of those believe the next downturn will be as bad or worse than the 2008 housing market collapse.

At 44%, millennials were most concerned over a potential housing crash. This is followed by Gen Xers at 43% with baby boomers being the least concerned at 35%.

Thirty-three percent believe inflation will be the biggest reason for a potential crash, 24% say high interest rates, and 16% believe the cause will be the lack of affordable housing.

Mortgage rates continue to be a concern for Americans, as 58% say this is a cause for concern moving forward. Additionally, 55% of Americans concerned over rising rates said they'll rise for another six to 18 months. Twenty-three percent said it could take two years before rates stop increasing.

"While I do think the housing market will continue to slow over the next 12 months and some people may end up underwater on their mortgages as a result, a major crash doesn't appear likely—at least not at the moment," LendingTree Senior Economist Jacob Channel said. "With that said, I do think that home prices will probably come down next year. As of now, 5% to 10% declines in many markets seem reasonable to me."

While many fear a housing crash is near, 25% of Americans do not believe a crash will happen next year. However, 22% of those respondents said the crash wouldn't come "that soon." They instead believe a housing market collapse could occur in the next two or three years.

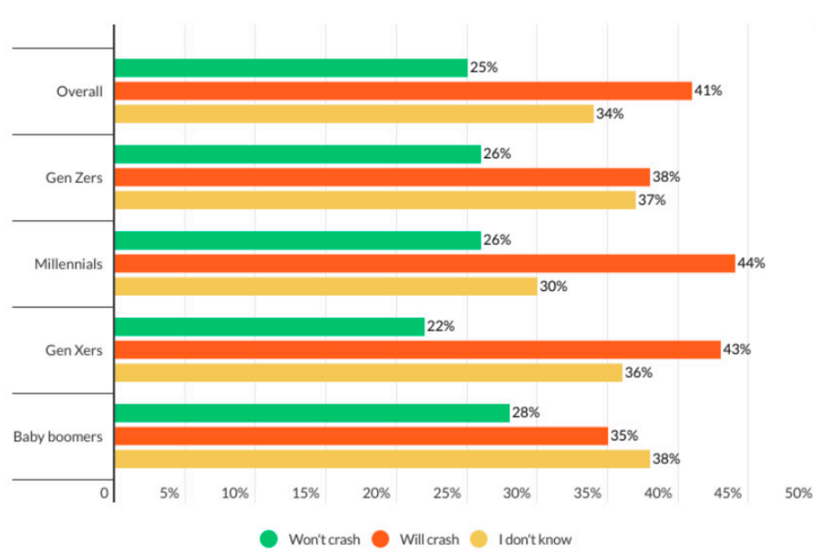
Homeowners and prospective homeowners received some good news regarding mortgage rates recently, as Freddie Mac reported the third-consecutive decline on December 1. The average 30-year fixed-rate mortgage came in at 6.49%—down from the prior week's rate of 6.58%.

At this time last year, the 30-year fixed-rate mortgage was 3.11%.

"Mortgage rates continued to drop this week as optimism grows around the prospect that the Federal Reserve will slow its pace of rate hikes," said Sam Khater, Freddie Mac's Chief Economist. "Even as rates decrease and house prices soften, economic uncertainty continues to limit homebuyer demand as we enter the last month of the year."

> **"The industry continues to struggle with a perfect storm of lower production volume and revenues and escalating production costs, which for the first time exceed $11,000 per loan."**
>
> *—Sam Khater, Freddie Mac's Chief Economist*

Whether consumers think the housing market will crash in the next year (by generation)



Source: LendingTree survey of 2,033 consumers conducted in October2022. Totals may not add to 100% due to rounding.

lendingtree

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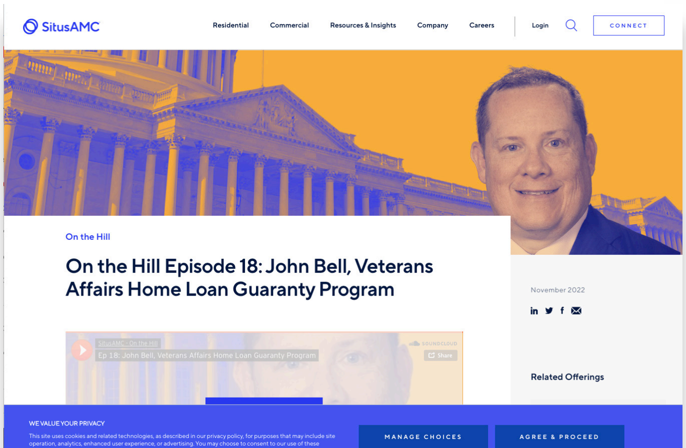


Podcast:

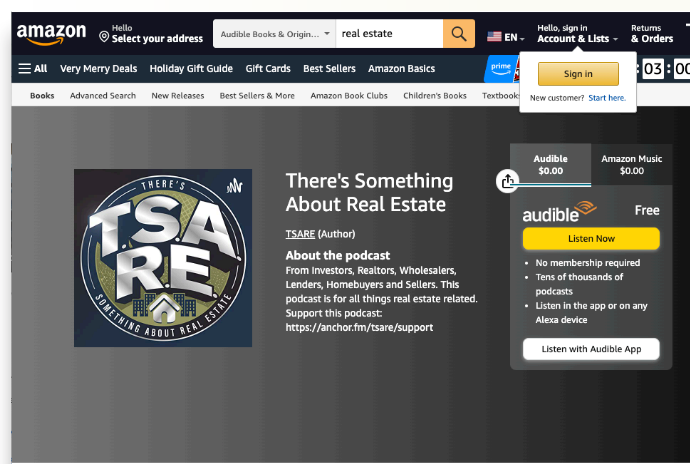
On The Hill

SitusAMC's Head of Industry Relations Tim Rood's pandemic-era podcast now has 18 feature-length podcasts under its belt, unpacking the latest changes and housing policies coming out of Washington D.C. and the implications they may have on real estate markets. Rood explores the latest news and gives real-time analysis with highly placed industry insiders such as FHA Commissioners, FHFA Directors, economists, and analysts to provide listeners with a clear, concise style of information that is applicable to the real world.

Amazon:

There's Something About Real Estate

From investors, realtors, wholesalers, Lenders, homebuyers and sellers, this weekly podcast is for all things real estate related. Approaching 80 episodes, recent topics include: flipping homes in a down market, rent control, live property evaluations, home appraisals, refinancing, and how to avoid mortgage audits.



Amazon:

The Real Estate Wire Podcast

This freshman audio or video podcast features a roundtable discussion between Dan Wheeler and Marcus Fields for real estate professionals covering current news, real estate strategies, and in-depth tools for managing and purchasing real estate. If you want to stay updated on the latest in real estate news to show off at the watercooler, learn about interest rates, CPI numbers, and the real-world impacts of inflation.

HOUSING RELOCATIONS NEAR ALL-TIME HIGHS

Continuing a trend that picked up three months ago, 24.1% of homebuyers are looking to move from one major metropolitan to another according to a new report from Redfin.

While this number is not the highest recorded by Redfin, it is only off 0.1% from that number of 24.2% which occurred in the third quarter of 2022. This number is also up from the 18% who wanted to move in 2019, well before the pandemic took hold of the markets.

As a whole, the housing market cooled significantly during the second half of 2022 when increasing mortgage rates—along with inflation and a stumbling economy—began to put big dents in the budgets of homeseekers and mostly eliminated the refinance market as a whole.

But people are still buying homes, and when they do, according to Redfin, they are moving in "unprecedented" numbers to new metropolitan areas seeking affordable areas to maximize cost savings in a 7% mortgage-rate environment.

According to Redfin, the average 30-year-fixed mortgage rate was 6.9% in October, up 3.83 percentage points from 3.07% one year earlier—the largest year-over-year increase during any month since 1981. That has caused monthly mortgage payments for homebuyers to roughly double from a year earlier. And while rates have come down slightly in November, they're still significantly higher than they were last year.

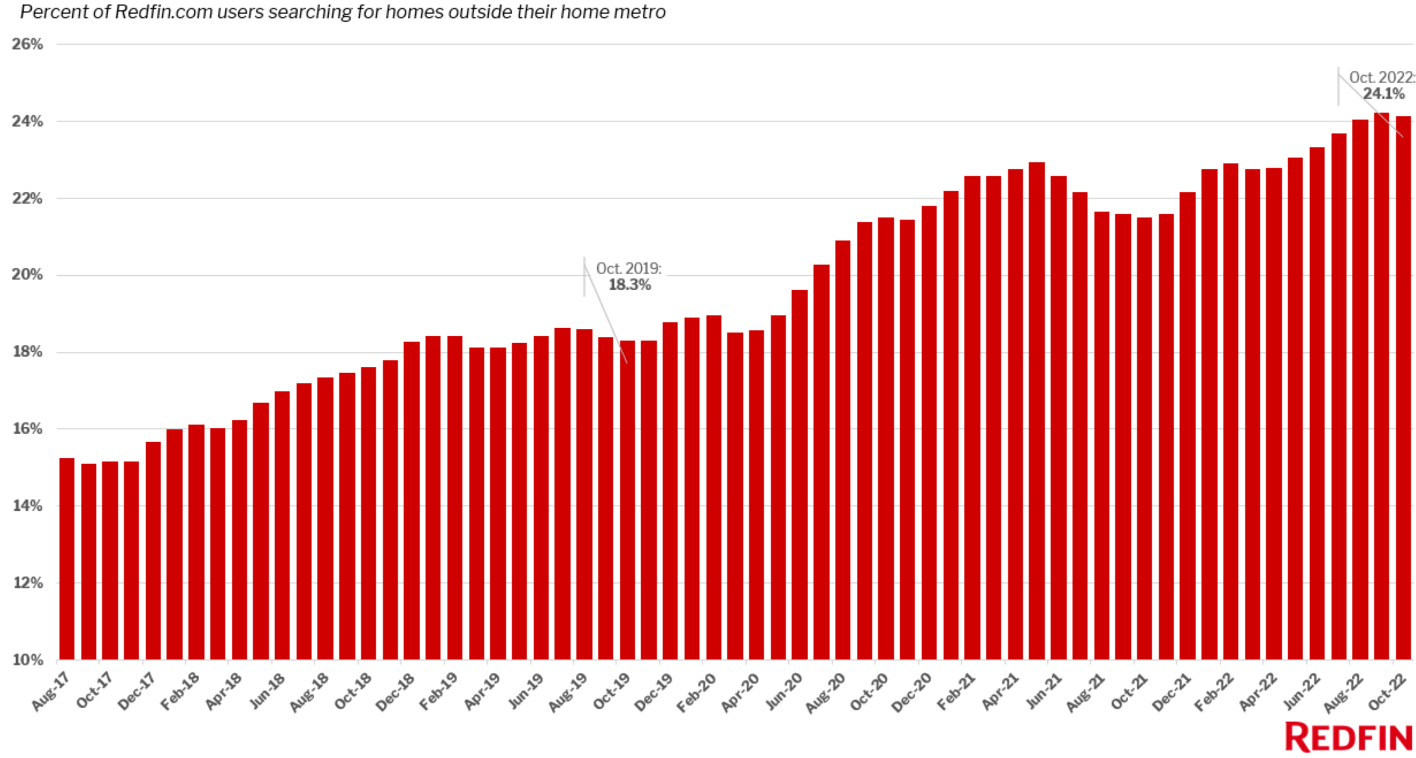
So where are buyers moving to? Mainly to the sunbelt, as the data shows; the top five most popular destinations monitored by Redfin include Sacramento, California (net inflow of 7,700); Las Vegas, Nevada (7,100); Miami, Florida (6,700); San Diego, California (6,500); and Tampa, Florida (5,600).

These locations are popular because of the lower costs of living and cheaper real estate helps homeseekers get more home for less money. In Las Vegas, for instance, the typical home cost $410,000 in October, roughly half the price of the typical home in Los Angeles ($823,000)—the most common origin for people moving there.

So where are people leaving for greener fields? The top-five metropolitan areas that saw loss were: San Francisco (net outflow of 35,800), Los Angeles (34,100), New York City (22,400), Washington, D.C. (18,100), and Boston (7,800).

1 in 4 Redfin.com Users Looked to Relocate in October, Near All-Time High

Percent of Redfin.com users searching for homes outside their home metro



ANALYZING Q3'S MOST AT-RISK HOUSING MARKETS

ATTOM has issued a Special Housing Risk Report spotlighting county-level housing markets around the nation that are more or less vulnerable to declines, based on home affordability, foreclosures, and other measures in Q3 of 2022.

ATTOM's report shows that New Jersey, Illinois, Delaware, and inland California continued to have the highest concentrations of the most at-risk markets in the country, with the biggest clusters in the New York City, Chicago, and Philadelphia areas. Southern and Midwestern states remain less exposed.

Q3 patterns—based on gaps in home affordability, underwater mortgages, foreclosures, and unemployment—revealed that New Jersey, Illinois, and California had 28 of the 50 counties most vulnerable to potential declines. That was roughly the same as the 27 more-at-risk markets that were in those states in Q2 of 2022. During a time when the broader market boom slowed considerably, those concentrations still dwarfed other parts of the country.

The 50 most at-risk included eight in and around New York City, seven in the Chicago metropolitan area, four in or near Philadelphia, and nine spread through northern, central, and southern California. The rest were clustered mainly in other parts of the East Coast, including all three counties in Delaware.

"As the prospect of a possible recession hangs over the U.S. economy, counties in three of the seven largest metropolitan areas—New York City, Chicago, and Philadelphia—are among the most vulnerable to a potential downturn in their housing markets," said Rick Sharga, EVP of Market Intelligence at ATTOM. "These counties and many more in Central California share a number of traits—poor affordability, relatively high unemployment and foreclosure rates, and homeowners who are underwater on their loans—which could spell trouble if the economy takes a turn for the worse."

» At the other end of the risk spectrum, the South, Midwest, and Western areas outside California had the highest concentration of markets considered least vulnerable to falling housing markets.

» Counties were considered more or less at-risk based on the percentage of homes facing possible foreclosure, mortgage balances that exceeded estimated property values, the percentage of average local wages required to pay for major homeownership expenses on median-priced single-family homes, and local unemployment rates. The conclusions were drawn from an analysis of the most recent home affordability, equity, and foreclosure reports prepared by ATTOM.

» The ongoing wide disparities in risk throughout the country remained in place at a time when the overall U.S. housing market had one of its weakest third-quarter performances in the past decade. Key measures for the period running from July through September of 2022 showed the national median home value decreasing by 3%, home-seller profits declining, foreclosures doubling, compared to the same period in 2021, and mortgage lending plummeting to its lowest level in three years.

» All of that happened as the 30-year fixed-rate mortgage (FRM) climbed close to 7%, inflation remained at a 40-year high, and the stock market fell. Each of those forces cut into what home buyers could afford.

» ATTOM's analysis found that 28 of the 50 U.S. counties considered most vulnerable in Q3 of 2022 to housing market troubles (from among 581 counties with enough data to be included in the report) were in the metropolitan areas around Chicago, New York City, and Philadelphia, as well as in California. California markets on the list remained mostly inland, away from the coast.

The 50 most at-risk counties included three in New York City (Kings, New York, and Richmond counties, which cover Brooklyn, Manhattan, and Staten Island), five in the New York City suburbs (Essex, Passaic, Sussex, and Union counties in New Jersey and Rockland County in New York) and seven in the Chicago metropolitan area (Cook, De Kalb, Kane, Kendall, Lake, McHenry, and Will counties, all in Illinois). The four in the Philadelphia metro area that were among the top 50 in the third quarter were Philadelphia County; Gloucester County, New Jersey; New Castle County, Delaware; and Cecil County, Maryland.

At least 7% of residential mortgages were underwater in Q3 of 2022

Nine California counties populated the top 50 list, including:

» Butte County (outside Sacramento)
» Humboldt County (Eureka)
» Shasta County (Redding)
» Madera County (outside Fresno)
» Merced County (outside Modesto)
» Stanislaus County (Modesto)
» Tulare County (outside Fresno)
» Kern County (Bakersfield)
» Riverside County (southern part of California)

Major homeownership costs (mortgage payments, property taxes, and insurance) on median-priced single-family homes consumed more than one-third of average local wages in 33 of the 50 counties that were most vulnerable to market problems in Q3 of 2022. The highest percentages in those markets were in:

» Kings County, New York (Brooklyn), (106.1% of average local wages needed for major ownership costs)
» Rockland County, New York (75.6% of average local wages needed for major ownership costs)
» Riverside County, California (63.8% of

average local wages needed for major ownership costs)
- Richmond County (Staten Island), New York (63.3% of average local wages needed for major ownership costs)
- New York County (Manhattan), New York (60.6% of average local wages needed for major ownership costs)

At least 7% of residential mortgages were underwater in Q3 of 2022 in 28 of the 50 most at-risk counties. Nationwide, 5.7% of mortgages fell into that category, with homeowners owing more on their mortgages than the estimated value of their properties. Those with the highest underwater rates among the 50 most at-risk counties were:

- Peoria County, Illinois (16.8% underwater)
- Tangipahoa Parish, Louisiana (outside New Orleans) (15.7% underwater)
- Saint Clair County, Illinois (outside St. Louis) (15.1% underwater)
- Kankakee County, Illinois (outside Chicago) (14.8% underwater)
- Philadelphia County, Pennsylvania (14.5% underwater)

More than one of every 1,000 residential properties faced a foreclosure action in Q3 of 2022 in 45 of the 50 most at-risk counties. Nationwide, one in 1,517 homes was in that position. (Foreclosure actions have risen since the expiration in July 2021 of a federal moratorium on lenders taking back properties from homeowners who fell behind on their mortgages during the early part of the coronavirus pandemic that hit in 2020. Roughly twice as many foreclosure cases were open in the third quarter of 2022 compared to the same period in 2021.) The highest foreclosure rates in the top 50 counties were in:

- De Kalb County, Illinois (outside Chicago) (one in 289 residential properties facing possible foreclosure)
- Peoria County, Illinois (one in 326 residential properties facing possible foreclosure)
- Sussex County, New Jersey (outside New York City) (one in 410 residential properties facing possible foreclosure)
- Cumberland County, New Jersey (one in 433 residential properties facing possible foreclosure)
- Will County, Illinois (one in 457 residential properties facing possible foreclosure)

PENDING HOME SALES DIP FOR FIFTH CONSECUTIVE MONTH

Pending home sales slid for the fifth consecutive month in October, according to the National Association of Realtors (NAR), down 4.6% from September 2022's reported findings, as three of four U.S. regions recorded month-over-month decreases, and all four regions recorded year-over-year declines in transactions.

NAR defines a pending home sale as a sale listed as pending when the contract has been signed, but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

NAR's Pending Home Sales Index (PHSI) sank 4.6% to 77.1 in October 2022, while year over year, pending transactions slipped by 37%. According to NAR, a PHSI reading of 100 is equal to the level of contract activity in 2001.

"October was a difficult month for home buyers as they faced 20-year-high mortgage rates," NAR Chief Economist Lawrence Yun said. "The West region, in particular, suffered from the combination of high interest rates and expensive home prices. Only the Midwest squeaked out a gain."

Freddie Mac reported on October 27 that the 30-year fixed-rate mortgage (FRM) surpassed the 7% mark when it averaged 7.08%.

"October was a tough month for home buyers, as mortgage rates hit the highest level in over two decades," First American Deputy Chief Economist Odeta Kushi said. "However, mortgage applications data thus far in November point to home buyers returning to the market as rates have recently slipped from their peaks in October."

Regionally, pending sales in three of the nation's four regions dropped off, as the Northeast PHSI sank 4.3% in October month-over-month to 68.7, a year-over-year fall of 29.5% from October 2021. The South PHSI dropped 6.4% to 90.6 in October, falling 38.2% from the prior year. The West Index slipped by 11.3% in October to 55.6, sinking 46.2% from October 2021. The only region showing PHSI gains in October was the Midwest which rose 3.3% to 83.5 in October, a decrease of 32.1% from one year ago.

The correlation between the dip in sales and affordability continues, as high rates, inflationary concerns, and high prices have forced many to reconsider a home purchase in the current market.

"Since October, mortgage rates have subsided, dropping half a percentage point from their recent peak of 7.08%," Realtor.com Economic Data Analyst Hannah Jones said. "Still, at the current, below-peak, rate of 6.58%, financing 80% of a median-priced home purchase would mean a monthly payment roughly $900 higher than just one year ago. This reprieve in mortgage rates may be short-lived depending on upcoming inflation data. The Fed remains committed to their 2% inflation target, meaning more rate hikes are likely, though the magnitude of the hikes will depend on incoming CPI data."

As the Federal Reserve continues to make adjustments to curb the nation's inflationary concerns, the ripple effects on the mortgage market have resulted in a dip in rates over the past few weeks and a rise in mortgage application volume. The Mortgage Bankers Association (MBA) reported that overall mortgage application volume was up 2.2% week over week, as Freddie Mac reported that the 30-year FRM dropped to 6.58%.

Jones added, "Typically, as the weather cools off from summer highs, so do home prices. In October, prices were down almost $25,000 from the summer's peak, though still up compared to last year. Buyers who are able to contend with higher rates may enjoy more inventory, more price reductions, and less competition for the remainder of the season. Homeowners hoping to sell before the year is up may have to exercise flexibility in negotiations to keep buyers interested."

Are there signs of life being pumped back into the housing market after several months of decline?

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gina.gallutia@thefivestar.com

REPORT: CONSUMER CREDIT HEALTH STABLE

According to a new report published by VantageScore, a joint venture of the three major credit bureaus, called CreditGauge covering the month of November 2022, found that consumer credit health across the country measured at a score of 697, which has been consistent over the last few months.

This isn't to say there are no cracks in the system. According to VantageScore, early data shows that some consumers are turning to credit cards to cover additional expenses due to inflation as delinquencies are rising in a few categories.

In turn, inflation also appears to be impacting consumer spending as average credit card utilization rates and balances increased on both a monthly and yearly basis.

Additional findings highlighted by VantageScore include:

Below pre-pandemic levels: Overall, delinquencies continue to be below pre-pandemic levels but have increased compared to twelve months ago.

Mortgage slowdown: Across the U.S., mortgage interest rates are near a two-decade high resulting in weak new mortgage activity. People appear to be staying put instead of moving.

Card balances increase: In October, consumers averaged $5,600 in credit card balances, as compared to $5,500 (up .8% mont over month) in credit balances in September and $4,900 in October 2021 (up 13.8% year over year). Rising interest rates and prices combined with strong consumer demand contributed to the rising balances.

Rising missed auto loan payments: Delinquencies on auto loans in the 30-59 days past due category improved when compared to September but continue to record the largest year-over-year increase versus 2021 (.48%) when compared to other product types.


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DELINQUENCIES, FORECLOSURES UP YEAR OVER YEAR BUT STILL NEAR RECORD LOWS

CoreLogic's Loan Performance Insights Report for September 2022 has found that 2.8% of all mortgages nationwide (approximately 1.4 million loans) were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 1.1 percentage point decrease compared to 3.9% in September 2021. The nation's overall delinquency rate dropped for the 18th straight month on an annual basis.

To gain a complete view of the mortgage market and loan performance health, CoreLogic examines all stages of delinquency. In September 2022, the U.S. delinquency and transition rates, and their year-over-year changes, were as follows:

» Early-Stage Delinquencies (30 to 59 days past due): 2%, up from 1.1% in September 2021.
» Adverse Delinquency (60 to 89 days past due): 4%, up from 0.3% in September 2021.
» Serious Delinquency (90 days or more past due, including loans in foreclosure): 2%, down from 2.4% in September 2021 and a high of 4.3% in August 2020.
» Foreclosure Inventory Rate (the share of mortgages in some stage of the foreclosure process): 3%, up from 0.2% in September 2021.
» Transition Rate (the share of mortgages that transitioned from current to 30 days past due): 6%, unchanged from September 2021.

Overall U.S. mortgage delinquencies again hovered near record lows in September, with every state and all but one metro in Illinois posting at least slight annual declines. However, with a potential recession and projected increase in the national unemployment rate looming, some uptick in delinquency rates could be expected in 2023. That said, 99% of homeowners with a mortgage have locked in rates below 6%. As a result, even if delinquency activity posts a minor increase, it is unlikely to cause the type of housing downturn seen during the Great Recession, when questionable underwriting practices allowed buyers to take out mortgages that exceeded their budgets.

"All stages of delinquency remained low in September," said Molly Boesel, Principal Economist at CoreLogic. "Early-stage, overall, and serious delinquencies were either at or below their pre-pandemic rates. Low unemployment, which has also returned to the level seen before the COVID-19 outbreak, is contributing to strong mortgage performance. However, if the U.S. enters a recession, increases in delinquency rates can be expected."

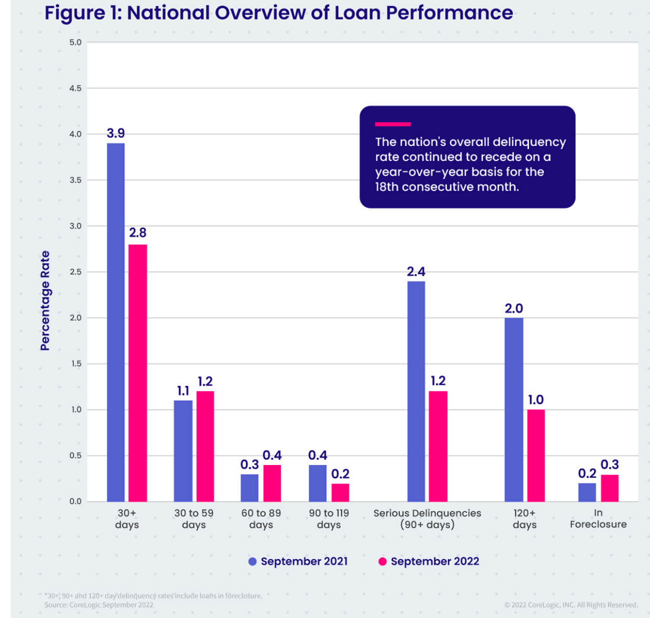
According to the U.S. Department of Labor (DOL), for the week ending November 19, the advance figure for seasonally adjusted initial unemployment claims was 240,000, an increase of 17,000 from the previous week's revised level. The advanced seasonally adjusted insured unemployment rate was 1.1% for the week ending November 12, an increase of 0.1 percentage point from the previous week's unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ending November 12 was 1,551,000, an increase of 48,000 from the previous week's revised level. The previous week's level was revised down by 4,000 from 1,507,000 to 1,503,000. The four-week moving average was 1,509,750, an increase of 28,250 from the previous week's unrevised average of 1,481,500.

In September, all states posted annual declines in overall delinquency rates. The states with the largest declines were Louisiana (down 2.9 percentage points); as well as Hawaii, Nevada, and New Jersey (all 1.8 percentage points). The remaining states, including the District of Columbia, registered annual delinquency rate drops between 1.7 percentage points and 0.3 percentage points.

All but one U.S. metro area posted at least a small annual decrease in overall delinquency rates, with only the Decatur, Illinois metro registering a 0.2 percentage point gain since September 2021.

All U.S. metro areas posted at least a small annual decrease in serious delinquency rates, with Odessa, Texas (down 4.1 percentage points); Laredo, Texas (down 3.2 percentage points); and Midland, Texas (down 2.9 percentage points), posting the largest decreases.

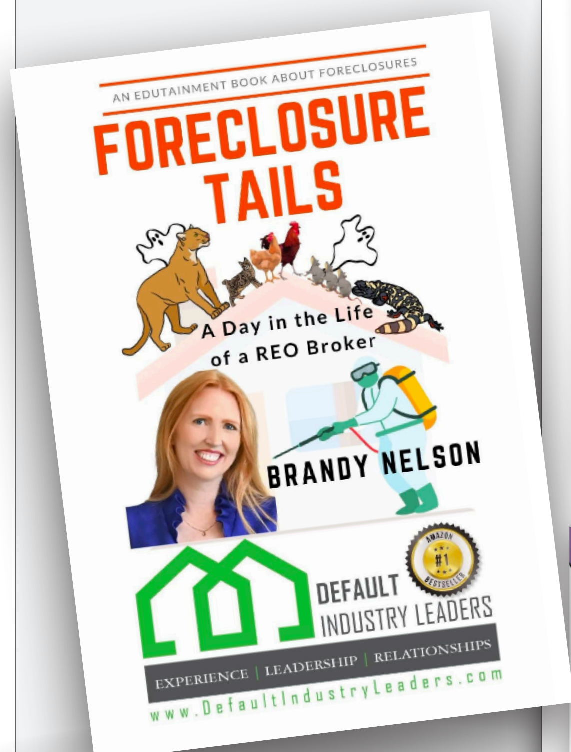
Figure 1: National Overview of Loan Performance



DS news

Good Reads

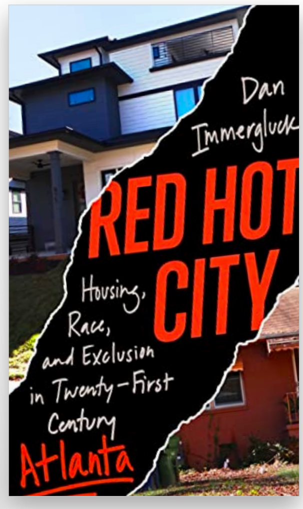
Expand your skills, gain insight, and get inspired with these top picks.



Real Estate Foreclosure Tails, A Day in the Life of a REO Broker: Educational Entertaining True Stories From Default Industry Real Estate Leaders

By Brandy Nelson

Since being licensed in 2005, author Brandy Nelson has had a stellar career highlighted by the fact she has successfully completed over 2,000 REO transactions in that time. Collecting some of her best stories, tricks, and tips into a bound edition with the help of a group of active REO brokers, she targets a broad audience to educate, entertain, and educate readers while answering general questions about the industry.



Red Hot City: Housing, Race, and Exclusion in Twenty-First-Century Atlanta

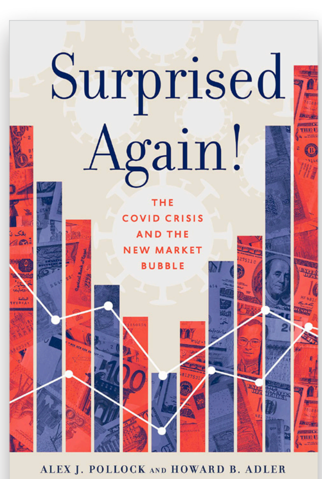
By Dan Immergluck

A Professor of Urban Studies at Georgia State University, Dan Immergluck explores how a growth-at-all-costs planning mentality and the accompanying policies in the Atlanta area have created a red-hot core of expansion, inequality, and political turmoil in one of the South's hottest markets. The rapid gentrification of the city on many different fronts has created its own unique problems, which the author explores at length by examining the city's past and future while also providing paths for future generations to take to make Atlanta a more equitable, livable city.

The Real Estate Agent's Ultimate Guide to Real-Estate Owned (REO): All About Working with Asset Management Companies and Servicers to List and Sell Bank-Owned Properties

By Orit Gadish

Overseeing a team of 25 dedicated REO agents and a successful track record of selling 1,400 commercial and residential properties throughout her career, author Orit Gadish gives readers an in-depth experience into every facet of REOs. Topics include pre-marketing activities, cash-for-keys, formal eviction processes, preparing the property for the market, valuations, listing agreements, marketing, sellers' addendums, offer management, and closing and settlements. The author, who also held a successful career as a ranking executive at Countrywide Financial, presided over new ventures and internet channel management, where she developed a highly structured and visualized process style that can be readily seen in her book.



Surprised Again! The COVID Crisis and the New Market Bubble

By Alex J. Pollock

Breaking down complex economic concepts and demystifying the roles that the Federal Reserve and the U.S. Treasury Department play in our economy comes easy for author Alex J. Pollock, who at the same time uses wisdom, wit, and insight into current market factors. According to Pollock, it seems that every 10 years or so, we are surprised by another financial crisis, with the most recent being triggered by the COVID-19 pandemic. Using insight gained while he was a senior official at the Treasury, he explains the reactions of the various government branches after the virus wreaked havoc on the economy, and how the surprising boom in the economy months later may be a bubble just waiting to burst.

TRACKING THE PROGRESS OF FORECLOSURE PROTECTIONS

A recent article in the *Washington Post* by Marissa J. Lang took a closer look at the disbursement of Homeowner Assistance Fund (HAF) monies in the Washington, D.C., area and if these funds are reaching their intended targets.

The purpose of the HAF was to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. Funds from the HAF were earmarked to be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes. The law prioritizes funds for homeowners who have experienced the greatest hardships, leveraging local and national income indicators to maximize the impact.

In Lang's article, "D.C. Homeowners Wait for Financial Aid as Foreclosure Notices Pile Up," she reports that as of November 1, the District of Columbia has assigned approximately $1.7 million of the $50 million the federal government gave the D.C. area for foreclosure relief.

The focus of the piece is on 52-year-old D.C. area, 30-year homeowner Sunya Musawwir, who was told by the D.C. government that her foreclosed home would be taken care of, including late penalties, fees, and whatever else it cost to bring her current on her mortgage.

HAF was set to provide a minimum of $50 million for each U.S. state, the District of Columbia, and Puerto Rico; $498 million for Tribes or Tribally designated housing entities and the Department of Hawaiian Home Lands; and $30 million for the territories of Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands impacted by the COVID-19 pandemic.

The story continues that Musawwir was among the initial group of D.C. area homeowners to apply to the HAF, having sent her application in December of 2021 seeking HAF assistance.

According to the *Washington Post* story, nearly 12 months after initially filing her application, Musawwir claims she has "not received a dime from the program, and the amount she owes the bank, meanwhile, has nearly doubled."

Government officials and caseworkers have blamed delays on mortgage servicers with requirements that, they said, have hampered the allocation of HAF relief. The foreclosure moratoria once in place to protect homeowners from pandemic-related harms have since expired.

The article notes that, according to the D.C. Department of Housing and Community Development, as of November 1, the District of Columbia has allocated just $1.7 million of the $50 million it received from the U.S. Department of the Treasury, and while more than 1,700 homeowners had applied for HAF assistance, less than 20% have received it. D.C. officials said that $38.9 million remains available for homeowner assistance and, unlike other programs that came with a hard use-it-or-lose-it deadline, the HAF will continue disbursing aid until it runs out.

Musawwir was told to stop making payments on her mortgages as she awaited the outcome of the HAF process.

In another case, a lifelong resident of the Brookland neighborhood of D.C. was just a few years away from paying off her mortgage when pandemic shutdowns caused her to lose her job. She applied in June, as soon as the program opened up to homeowners in all D.C. ZIP codes, and the article notes that nearly five months later, she is still waiting to hear whether she has been approved for HAF assistance.

ENCOURAGING LANDLORDS TO ACCEPT HOUSING CHOICE VOUCHERS

Under the Housing Choice Voucher program, the government pays the difference between the HUD-approved rent on a unit and 30% of the renter's household income, up to the HUD-prescribed area fair market rent (FMR). Voucher holders are very low–income families, with 63% earning less than $15,000 a year, 1 and 78% are extremely low–income families, earning below 30% of area median income (AMI).

Although 31% of all voucher recipients include wages as part of their total incomes, most recent data indicate this is true for 69% of all nonelderly, nondisabled households. Some 78% of voucher holders are female-headed households, including 32% living with children in their households.

Sixty-five percent of voucher holders are Black or Hispanic, versus 40% of the U.S. renter population; 25% of all voucher households include a family member with disabilities. Some 65% of voucher households occupy homes with zero to two bedrooms, which is consistent with data showing two-thirds of voucher households consist of one or two people, including 46% who live alone. Some 34% percent of voucher holders live in units containing three or more bedrooms, which is consistent with data showing one-third of voucher households consist of three or more people.

Despite recent increases in HCV funding, demand continues to far exceed the voucher supply. But even when families can access a voucher, many cannot find a suitable housing unit within the 90-day search period HUD generally allows, forcing them to return their unused voucher, which the housing authority then allocates to another wait-listed applicant. Many of these housing searches fail because landlords are unwilling to accept vouchers. HUD's most recent data indicates that 30% of voucher recipients return their unused vouchers because they cannot find a suitable unit, though this figure varies significantly across housing agencies and markets.

According to the most recent data, "9 out of 10 families successfully used their vouchers in about 12% of agencies, while at the other extreme only about half of families issued vouchers were successful in 15% of agencies." Recent rental price increases have likely exacerbated this issue, as local rents have often increased more than FMRs allow. Moreover, to get a rent increase approved, the landlord has to give the public housing authority a 60- or 90-day notice and get written permission from the housing authority before the rent change can go into effect. There is a regulatory risk as well, as some public housing authorities refuse to approve rent increases.

Several states, counties, and cities have enacted source of income laws that prohibit landlords from refusing to rent to voucher holders solely because of their source of income. Evidence of the effectiveness of these laws does show lower voucher denial rates in jurisdictions with these protections, but the evidence is mixed as to whether these rules lead to voucher holders accessing homes in areas with low poverty rates. The HCV program's success depends on landlords being willing to rent to voucher holders.

Landlord acceptance in turn determines where those units are located and whether the program can place more voucher holders outside areas of concentrated poverty. Even with source of income laws in effect, many landlords are still reluctant to rent to voucher holders. A recent HUD study indicates that the number of landlords participating in this program is declining. Cunningham and coauthors (2018) found that voucher denial rates were high but varied widely by jurisdiction.

In the five jurisdictions the researchers examined, they found denial rates were highest in Fort Worth (78%) and Los Angeles (76%) and only somewhat lower in Philadelphia (67%). Denial rates were substantially lower in Newark (31%) and Washington, DC (15%). In addition, across the five sites, another 9% to 15% of the landlords said vouchers were accepted under certain conditions or were unsure.

IMBS REPORT Q3 2022 LOSSES

Independent mortgage banks (IMBs) and mortgage subsidiaries of chartered banks reported a net loss of $624 on each loan they originated in Q3 of 2022, worse than the reported loss of $82 per loan in Q2 of 2022, according to the Mortgage Bankers Association's (MBA) newly released Quarterly Mortgage Bankers Performance Report.

"The average pre-tax net production income per loan reached its lowest level since the inception of MBA's report in 2008, which is sobering news given that the third quarter is historically the strongest quarter of the year," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "The industry continues to struggle with a perfect storm of lower production volume and revenues and escalating production costs, which for the first time exceed $11,000 per loan."

"Companies are responding to tough market conditions by reducing excess capacity, including staff," Walsh said. "The number of production employees per firm is down 7% from the previous quarter and 19% from one year ago. However, overall volume has dropped so swiftly that some companies are having difficulties adjusting staffing and other costs to match market conditions."

Walsh noted that mortgage servicing continues to be the silver lining in the current rate environment. With prepayments and delinquencies low, mortgage servicing has been the difference for many companies between profitable or not. Roughly one in two companies generated a profit in the third quarter; but without mortgage servicing operations, only one in four companies would have been profitable.

Walsh concluded, "October's report on slower inflation and the subsequent drop in mortgage rates could resuscitate purchase demand and ultimately provide some needed relief for the industry."

Key findings of MBA's Third-Quarter 2022 Quarterly Mortgage Bankers Performance Report include:

- The average pre-tax production *loss* was 20 basis points (bps) in the third quarter of 2022, down from an average net production loss of 5 bps in the second quarter of 2022, and down from a *gain* of 89 basis points one year ago. The only other quarters in the survey's history to record net production *losses* were: first quarter of 2014 (8 basis points), first quarter of 2018 (8 basis points), fourth quarter of 2018 (11 basis points); and the second quarter of 2022 (5 basis points). The average quarterly pre-tax production profit, from the third quarter of 2008 to the most recent quarter, is 52 basis points.
- Average production volume was $578 million per company in the third quarter, down from $705 million per company in the second quarter. The volume by count per company averaged 1,819 loans in the third quarter, down from 2,139 loans in the second quarter.
- Total production revenue (fee income, net secondary marketing income, and warehouse spread) decreased to 326 bps in the third quarter, down from 335 bps in the second quarter. On a per-loan basis, production revenues decreased to $10,392 per loan in the third quarter, down from $10,855 per loan in the second quarter.
- Net secondary marketing income decreased to 223 bps in the third quarter, down from 243 bps in the second quarter. On a per-loan basis, net secondary marketing income decreased to $7,165 per loan in the third quarter from $7,939 per loan in the second quarter.
- The purchase share of total originations, by dollar volume, increased to a study high of 86% in the third quarter from 81% in the second quarter. For the mortgage industry as a whole, MBA estimates the purchase share was at 81% in the third quarter of 2022.
- The average loan balance for first mortgages decreased to $335,940 in the third quarter, down from $337,130 in the second quarter.
- The average pull-through rate (loan closings to applications) increased to 77% in the third quarter, up from 75% in the second quarter.
- Total loan production expenses—commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations—increased to a study high of $11,016 per loan in the third quarter, up from $10,937 per loan in the second quarter of 2022. From the third quarter of 2008 to last quarter, loan production expenses have averaged $6,974 per loan.
- Personnel expenses averaged $7,325 per loan in the third quarter, down from $7,371 per loan in the second quarter.
- Productivity decreased to 1.5 loans originated per production employee per month in the third quarter from 1.7 loans per production employee per month in the second quarter. Production employees include sales, fulfillment, and production support functions.
- Servicing net financial income for the third quarter (without annualizing) was at $102 per loan, down from $133 per loan in the second quarter. Servicing operating income, which excludes MSR amortization, gains/loss in the valuation of servicing rights net of hedging gains/losses, and gains/losses on the bulk sale of MSRs, was $95 per loan in the third quarter, down from $97 per loan in the second quarter.
- Including all business lines (both production and servicing), 46% of the firms in the study posted pre-tax net financial profits in the third quarter, down from 57% in the second quarter.

> ***"The industry continues to struggle with a perfect storm of lower production volume and revenues and escalating production costs, which for the first time exceed $11,000 per loan."***
>
> *—**Marina Walsh**, CMB, MBA's VP of Industry Analysis*

GEN Z: ECONOMIC STATE MAKING IT HARDER TO SAVE

Like most Americans, Gen Z is looking to establish its financial footing amid record-high mortgage rates and nationwide inflation, as the economic environment poses new challenges in achieving its financial goals. This is according to new research published by Bank of America's Better Money Habits, exploring this generation's (ages 18 to 25) distinct approach to money—including their financial priorities, behaviors, and challenges.

With Gen Z being far more diverse than previous generations, new research also examines ways in which race, ethnicity, and gender may influence their financial priorities and challenges.

According to an estimated 73% of Gen Z, the current economic environment has made it more challenging to save. They reported feeling that inflation has made it harder to save for financial goals (59%) and paying down debt (43%) has created more financial stress (56%) within their lives.

Some 40% also said surging rents or home prices have made it challenging to afford day-to-day necessities. According to The Bank of America Institute, younger consumers are getting squeezed the most by higher rent inflation, with median rent payments up 16% year over year in July for Gen Z, compared to just 3% for baby boomers.

Currently, 75% of Gen Z are taking or considering steps to earn additional income including:

» Changing jobs (34%)
» Turning a passion into a source of income (31%)
» Taking on a second job (26%)
» Taking on a job they don't like (23%)

When it comes to success at work and in life, Gen Z is driven by the desire to achieve financial peace of mind (74%) and to comfortably afford the things they want.

"Gen Z is ambitious and enterprising, and taking positive actions as they join the workforce and make some of their first financial and career-driven decisions," said Christine Channels, Head of Community Banking and Consumer Governance at Bank of America. "Current economic and inflationary headwinds have created added challenges for many. Through our Better Money Habits platform, we're connecting these young adults to a wide range of resources and guidance designed to give them the skills, knowledge, and confidence to succeed financially."

Highlights:

» Gen Z's top three priorities for the year ahead include furthering their education (40%), advancing their career/salary (32%), and getting a new job (31%). These priorities are followed closely by saving for retirement (25%), traveling (24%), buying a car (22%), and building good credit (20%).
» Gen Z is more likely than other generations to cite the desire to comfortably afford material items (45%) as a motivator to achieving financial success (vs. 34% of millennials, 30% of Gen X, and 30% of baby boomers).
» More than half (56%) of Gen Z say discipline is a key trait to achieving financial success, with other important traits and characteristics being financial savvy (37%), organization (35%), motivation (34%), self-awareness (29%), frugality (20%) and confidence (20%).
» Today, two-thirds (66%) are actively saving for financial goals and, despite the current environment, 58% are optimistic about their financial futures.

Much of Gen Z has the financial basics down, though they struggle with more complex topics such as investing and debt.

» Gen Z feels equipped to handle basic financial tasks, including budgeting (71%), managing day-to-day expenses (70%), and building/managing credit (65%). However, preparedness levels decrease significantly when it comes to the future and more complex topics, including building an emergency fund (54%), saving for retirement (43%), and investing (29%).
» Nearly 40% have no investments, and of those, the top reasons for not investing include having no additional funds to spare (44%), not knowing where to start (31%), and feeling investing is too risky (23%).

The federal student loan freeze has brought some relief.

» Nearly half (47%) of Gen Z already carry some form of debt, including through credit cards and student loans.
» They have found that the federal student loan freeze has brought them some relief. Among those with student loans, 41% say the freeze allowed them to maintain their current standard of living, 23% say it allowed them to contribute more to their savings, and 21% say they've been able to continue paying down their loan without collecting interest.

Demographic Spotlights

Research also explored how race and gender may influence financial priorities and challenges, including the racial wealth gap. Reflecting on the last five years, about two-in-five Black/African American (41%) and Hispanic (42%) Gen Zers say some or significant progress has been made to close the racial wealth gap, while others in these groups say no progress has been made (both 30%).

Looking to the next five years, about half of Black/African American (47%) and Hispanic (54%) Gen Zers believe some or significant progress will be made to close the gap, while others say no progress will be made (28% and 24%, respectively). Additional findings include:

Black/African American Gen Z is paving the way toward financial independence and embracing a hustle culture, though barriers persist around debt and saving.

» Sixty percent of Black/African American Gen Z identify as mostly or fully financially independent—more so than their non-Black/African American peers (45%).
» Eighty percent are currently/considering taking routes to earn supplemental income—more so than their non-Black/African American peers—including taking on a second job (35% vs. 25%).
» They are three times as likely to prioritize starting or growing a business in the year ahead compared to non-Black/African

American Gen Z (15% vs. 5%).

- Black/African American Gen Z is nearly twice as likely to say they currently invest or are considering investing in cryptocurrencies than non-Black/African American Gen Z (22% vs. 12%).
- While Black/African American Gen Z is more likely to have debt than their counterparts (60% vs. 44%), this is down from 70% year over year.
- This community is more likely to cite taking on too much student loan and/or credit card debt as their biggest financial regret (30% vs. 17%).
- Forty percent contributed to their savings over the last year (vs. 56% of non-Black/African American Gen Z). However, two-thirds (67%) don't have enough emergency savings to cover three months of expenses—with one-third (32%) of all Black/African American Gen Z citing not having an emergency fund as their biggest financial regret.
- Gen Z women's financial literacy gaps and lack of investing, relative to men, may negatively impact their near and long-term financial wellness.
- Gen Z women and men feel equally equipped to build/maintain credit (64% vs. 66%) and stick to a budget (69% vs. 73%).
- However, Gen Z women feel less equipped to manage day-to-day expenses (63% vs. 76%) and to build an emergency fund (48% vs. 61%). Just 38% of Gen Z women have enough emergency savings to last three months, compared to 48% of Gen Z men.
- In terms of longer-term planning and investing, Gen Z women's financial knowledge has them feeling less equipped than Gen Z men to save for retirement (37% vs. 49%) and to invest (22% vs. 35%).
- Today, 41% of Gen Z women have not yet begun investing, compared to 34% of men, and are less likely to even be considering individual investments (36% vs. 47%) or retirement savings vehicles such as a 401(k) (39% vs. 46%).
- "We recognize the unique financial needs across diverse and historically underserved communities," Channels said. "The insights from this annual research help to inform how we tailor resources and guidance to empower the next generation as they embark on their financial journeys. Last year, for instance, we developed a Gen Z financial guide based on insights into the priorities, preferences, and challenges of this growing client segment."

BANNER YEAR FOR MOST EXPENSIVE ZIP CODES

Even as inflation and higher interest drag the economy across hot coals, that news hasn't made it to some of the most expensive ZIP codes to live in, as 86 of the top 100 most expensive ZIP codes saw median prices increase within their bounds.

All that being said, prices among these 100 ZIP codes did moderate compared to 2021 as median home prices increased by 25% or more in just 16 ZIP codes in 2022 compared to the 25 reported last year. Overall, 2022 median price changes ranged between +39% and -41%.

Despite this slower pace of growth, a record 128 ZIP codes posted the 100 highest median sale prices this year (the result of 22 ties). And they also reached new heights that might have been unimaginable just a few years ago. Among them were Atherton, California's $7.9 million median; the $2.9 million median in Paradise Valley, Arizona; and the $4.75 million median in Medina, Washington.

This information comes by way of a new study from PropertyShark, which tabulated this information using actual closed sales prices to reflect real market conditions and not listing prices.

Specifically, the five priciest ZIP codes in the country posted medians of $5 million or more, with a total of 14 ZIP codes surpassing the $4 million threshold. In fact, of the 128 ZIP codes that made the list, only 27 had medians below $2 million—and those, too, stayed above $1.7 million.

By the numbers, the top 10 most expensive ZIP codes were:

- **Atherton, California:** $7.9 million
- **Sagaponack, New York:** $5.75 million
- **Ross, California:** $5.5 million
- **Miami Beach, Florida:** $5.2 million
- **Beverly Hills, California:** $5.12 million
- **Medina, Washington:** $4.75 million
- **Santa Monica, California:** $4.4 million
- **Santa Barbara, California:** $4.3 million
- **Newport Beach, California:** $4.3 million
- **Rancho Santa Fe, California:** 4.27 million

FORBEARANCE VOLUME RISES FOR FIRST TIME IN 29 MONTHS

The Mortgage Bankers Association (MBA) reports that the total number of loans nationwide now in forbearance increased by just one basis point from 0.69% of mortgage servicers' portfolio volume in the prior month to 0.70% as of October 31, 2022. According to MBA's latest estimate, there are approximately 350,000 U.S. homeowners now in forbearance plans.

By investor type, the share of Fannie Mae and Freddie Mac (GSE) loans in forbearance increased just one basis point from 0.30% to 0.31%, while Ginnie Mae loans in forbearance increased eight basis points from 1.33% to 1.41%, and the forbearance share for portfolio loans and private-label securities (PLS) declined 11 basis points, from 1.14% to 1.03%.

"The overall share of loans in forbearance increased slightly in October, but it was a mixed bag by investor type. The forbearance rate for Ginnie Mae, Fannie Mae, and Freddie Mac loans increased, and there was a decline in portfolio and PLS loans in forbearance," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "Several factors were behind the first monthly increase in forbearances in 29 months, including the effects of Hurricane Ian in the Southeast, the diminishing number of loans bought out of Ginnie Mae pools and placed in portfolio, and the fact that new forbearance requests have closely matched forbearance exits for the past three months."

According to CoreLogic, estimates of the damage and loss totals from Hurricane Ian found total flood and wind losses came in at between $41 billion and $70 billion. This estimate includes wind loss, reevaluated insured and uninsured storm surge loss, and newly calculated inland flood loss for residential and commercial properties. Hurricane Ian is the costliest Florida storm since Hurricane Andrew made landfall in 1992.

MBA's Loan Monitoring Survey requests

"Florida, which was hit the hardest by Hurricane Ian, experienced a 49-basis-point drop in the share of loans that were current—the biggest decline of all states."

*—**Marina Walsh**, CMB, MBA's VP of Industry Analysis*

that servicers report all loans in forbearance regardless of the borrower's stated reason—whether pandemic-related, due to a natural disaster, or another cause.

"The overall share of loans that were current last month decreased 15 basis points to 95.70%, with 44 states reporting declines (not delinquent or in foreclosure)," Walsh added. "Florida, which was hit the hardest by Hurricane Ian, experienced a 49-basis-point drop in the share of loans that were current—the biggest decline of all states."

The share of current loans declined in 44 states compared to the previous month. Of these states, Florida posted the largest monthly decline, dropping 49 basis points to 95.35% in October from 95.84% the previous month.

By stage, 36.7% of total loans in forbearance were in the initial forbearance plan stage, while 50.9% were in a forbearance extension. The remaining 12.4% were forbearance re-entries, including re-entries with extensions.

Of the cumulative forbearance exits for the period from June 1, 2020, through October 31, 2022, at the time of forbearance exit:

- 29.6% resulted in a loan deferral/partial claim.
- 18.3% represented borrowers who continued to make their monthly payments during their forbearance period.
- 17.3% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
- 16.0% resulted in a loan modification or trial loan modification.
- 11.0% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
- 6.6% resulted in loans paid off through either a refinance or by selling the home.
- The remaining 1.2% resulted in repayment plans, short sales, deeds-in-lieu, or other reasons.

Regionally, the five states with the highest share of loans current as a percent of servicing portfolio included:

- Washington
- Idaho
- Colorado
- Utah
- Oregon

The five states reporting the lowest share of loans that were current as a percent of servicing portfolio included:

- Mississippi
- Louisiana
- New York
- West Virginia
- Indiana

SHARE OF DISTRESSED HOME SALES SHRINKS IN OCTOBER

The National Association of Realtors (NAR) reports that existing-home sales fell for the ninth consecutive month in October, as total existing-home sales—defined as completed transactions that include single-family homes, townhomes, condominiums, and co-ops—decreased 5.9% from September to a seasonally adjusted annual rate of 4.43 million in October. Year over year, sales dropped by 28.4% (down from 6.19 million in October 2021).

Distressed sales—foreclosures and short sales—represented 1% of sales in October, down from 2% in September and identical to October 2021.

"More potential homebuyers were squeezed out from qualifying for a mortgage in October as mortgage rates climbed higher," NAR Chief Economist Lawrence Yun said. "The impact is greater in expensive areas of the country and in markets that witnessed significant home price gains in recent years."

Overall housing inventory registered at the end of October was 1.22 million units, down 0.8% from both September and one year ago (1.23 million), while unsold inventory sits at a 3.3-month supply at the current sales pace, up from 3.1 months in September 2022 and 2.4 months in October 2021.

"Inventory levels are still tight, which is why some homes for sale are still receiving multiple offers," Yun said. "In October, 24% of homes received over the asking price. Conversely, homes sitting on the market for more than 120 days saw prices reduced by an average of 15.8%."

The median existing-home price for all housing types in October was $379,100, a gain of 6.6% from October 2021 ($355,700), as prices rose in all regions—marking 128 consecutive months of year-over-year increases.

According to NAR, properties typically remained on the market for 21 days in October, up from 19 days in September, and up from 18 days in October 2021. The report also found that 64% of homes sold in October 2022 were on the market for less than a month.

"A summer lull in mortgage rates, from mid-June until early August, followed by a sharp spike from August to late October likely accelerated purchasing timelines for some shoppers contributing to this month's slowdown," added Danielle Hale, Chief Economist at Realtor.com. "Others, who might have continued searching into the fall season, likely had their plans cut short as rising mortgage rates moved the affordability of buying a home out of reach. In the weeks ahead, we will see if the latest turn in mortgage rates, a drop to 6.61%, will motivate sidelined shoppers to reconsider buying in the near future. For many, the week-to-week volatility in mortgage rates alone, which in 2022 has been three times what was typical, may be a good reason to wait. With week-to-week changes in mortgage rates causing $100+ swings in monthly housing costs for a median-priced home, it's tough to know how to set and stick to a budget. If so, home sales are likely to remain at lower levels, and we'll see home price deceleration in the months ahead."

First-time buyers were responsible for 28% of sales in October, down from 29% in both September 2022 and October 2021. All-cash sales accounted for 26% of transactions in October, up from 22% in September and 24% in October 2021. Individual investors or second-home buyers, who make up many cash sales, purchased 16% of homes in October, up from 15% in September, but down from 17% in October 2021.

Realtor.com's Market Trends Report in October shows that the largest year-over-year median list price growth occurred in Milwaukee (+34.5%), Miami (+25.1%), and Kansas City (+21.4%). Phoenix reported the highest increase in the share of homes that had prices reduced compared to last year (+35.9 percentage points), followed by Austin (+31.2 percentage points) and Las Vegas (+24.4 percentage points).

Regionally, in October 2022 existing-home sales in the Northeast trailed off 6.6% from September to an annual rate of 570,000 in October, a decline of 23.0% from October 2021. The median price in the Northeast was $408,700, an increase of 8% from the previous year.

Existing-home sales in the Midwest fell 5.3% from the previous month to an annual rate of 1,080,000 in October, dropping 25.5% from the prior year. The median price in the Midwest was $274,500, up 5.9% from October 2021.

In the South, existing-home sales declined 4.8% in October 2022 from September to an annual rate of 1,980,000, a 27.2% decrease from this time last year. The median price in the South was $346,300, an increase of 8.0% from one year ago.

Existing-home sales in the West waned 9.1% from September to an annual rate of 800,000 in October, down 37.5% from one year ago. The median price in the West was $588,400, a 5.3% increase from October 2021.

"In October, the median home sales price remained higher than one year ago, but again, the pace of growth dipped," Hale commented. "The national median home sales price rose 6.6% to $379,100, below June's seasonal peak sales price but still $23,400 higher than this time last year. In a rising housing cost environment, affordable areas in the Midwest and Northeast are at an advantage. The Realtor.com October Hottest Markets Report shows that these lower-cost regions are home to real estate markets that remain relatively active, and while home sales declined in all four regions, the year-over-year drops were lowest in the Northeast (-23.0%) and Midwest (-25.5%) and considerably larger in the West (-37.5%)."

MORTGAGE DEFAULTS: WHAT WE LEARNED FROM 2007

A new white paper by Gopal "Sharath" Sharathchandra, the SVP of Financial Solutions for Ventera, entitled "How High Will Mortgage Defaults Go? Lessons from the 2007 Recession" forecasts the impact of the recent decline in home prices and the effects it might have on the mortgage market.

According to Sharathchandra, price declines are likely to mirror those seen in 2007, but across a larger cross-section of the country. Unlike 2007, when it was high home prices that made homes unaffordable, today it is both home prices and mortgage rates, which have recently eclipsed the 7% mark for the first time in over 20 years. The national nature of mortgage rates has contributed to a geographically broader increase in house prices and is now likely to make the decline in house prices similarly so.

"The post-2007 mortgage default data does not support the argument made by a number of economists that, even if house prices were to decline steeply, there is little likelihood of mortgage defaults being anything similar to the post-2007 experience because of stronger underwriting and better borrower financial conditions today," Sharathchandra said. "Rather, the data indicates that the biggest driver of mortgage defaults is falling house prices and the negative equity that results from it and that this, by far, outweighs the contribution of borrower and underwriting characteristics such as FICO scores or subprime status."

Data from Fannie Mae and Freddie Mac showed that even the low-risk portion of the prime mortgage portfolio contributed 40% of total credit losses with the overall prime portfolio contributing nearly 70%. Today's prime portfolio is arguably higher risk, due to higher loan-to-values, and has a greater volume of vulnerable borrowers than did the 2007 prime portfolio, raising the potential for even bigger losses today if a house price decline comparable to 2007 was to occur.

THE RISING COST OF MORTGAGE FRAUD

A new report from LexisNexis found fraud costs are rising for both U.S. and Canadian financial services firms. For every $1 lost to fraud now costs U.S. financial services firms $4.23, compared to $3.64 in 2020—a 16.2% increase. Canadian financial services firms saw fraud costs rise 19.6%, from $3.16 in 2020 to $3.78 in 2022.

Additionally, the report said the volume and cost of mortgage-related fraud are high for originators, servicers, and title/settlement firms. Most of that cost goes toward labor used for fraud detection, investigation, reporting, and recovery.

Depository originators have the highest cost, with every $1 of fraud costing them $5.34.

"It's clear that fraud has become more complex with various risks occurring simultaneously," said Chris Schnieper, Senior Director of Fraud and Identity Strategy for LexisNexis Risk Solutions. "To minimize fraud, organizations can no longer rely on manual processes or point solutions to reduce fraud, manual reviews, and costs. Firms using a multilayered solutions approach that integrates identity verification and authentication within the digital consumer experience can lower their cost and volume of successful fraud. This approach improves identity verification and fraud detection effectiveness and lowers friction for trusted consumers."

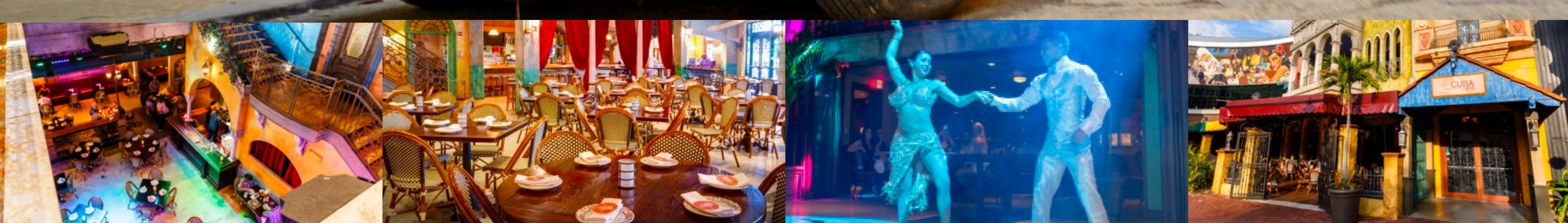
The report says fraudsters are targeting mobile channels, increasing bot attacks, and "buy now, pay later" scams are a growing concern for financial services and lending firms. The report continued, adding mobile channels now generate a "sizable" level of transaction volume and fraud costs.

"Banks and credit lenders are beginning to accept BNPL (buy now, pay later) as a digital payment method, which respondents indicated represents one-third of the overall average transaction volume," the report said.

While fraud costs have increased, CoreLogic reported that mortgage fraud risk declined in Q2 of 2022, falling 7.5% annually, according to its latest Mortgage Fraud Report.

CoreLogic reported that an estimated 0.76% of all mortgage applications contained fraud—approximately one in every 131 applications. For comparison, Q2 2021, that estimate was 0.83%, or approximately one in 120 applications.

Risks of Income and Property Fraud posted the largest year-over-year increases in Q2, 27.3% and 22.6%, respectively. The authors of the report were not surprised, considering that purchase loans now account for more mortgage transactions than refis and that the former are more susceptible to fraudulent activity.



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LENDERS/SERVICERS

PHH MORTGAGE ADDS NEW SVP OF DEFAULT SUBSERVICING

PHH Mortgage Corporation, a subsidiary of Ocwen Financial Corporation, and a nonbank mortgage servicer and originator, has announced that **Michael Keaton** has joined the company as SVP of Default Subservicing.

In this newly created, sales-focused role, Keaton will be responsible for leveraging the company's servicing capabilities and expertise to drive the growth of PHH's subperforming and nonperforming servicing through strategic subservicing opportunities. He will report directly to Scott Anderson, PHH's EVP and Chief Servicing Officer.

Keaton brings to PHH more than 30 years of sales and operational experience in mortgage servicing and subservicing. He joins PHH from Shellpoint Mortgage Servicing, where he most recently served as the company's Chief Servicing Officer. Prior to this role, Keaton held several executive-level roles in mortgage servicing and default loan administration at Resurgent Capital Services and Wendover Financial Services.

"We are very excited to have Keaton join our team. He brings a unique combination of executive leadership and extensive operational experience in default servicing with the skill set and industry credibility to drive business results," Anderson said. "With the continued downturn in the mortgage industry and broader recessionary environment, we believe our proven special servicing capabilities will create opportunities to support homeowners, clients, and investors through a challenging mortgage cycle."

Keaton most recently served as the Chief Servicing Officer at Shellpoint Mortgage Servicing, which he joined in 2014. At Shellpoint, he was responsible for all aspects of the loan servicing lifecycle for 1.7 million loans under management. Prior to joining Shellpoint, Keaton held several executive-level roles at Resurgent Capital Services between 2002 and 2014, including VP of Loan Servicing, SVP of Bankruptcy Servicing and EVP of Mortgage Servicing and Recovery.

He began his career at Wendover Financial Services, where he spent more than 10 years and finished his tenure as VP of Default Administration for the nation's largest servicer of subprime mortgage loans at that time.

CENLAR PROMOTES NAYDA MCKAIN TO VP, HR BUSINESS PARTNER, ADDS

Cenlar FSB, a mortgage loan subservicer and federally chartered wholesale bank, has promoted **Nayda McKain** to VP, Human Resources Business Partner, and has named Brian Browne VP of Cybersecurity.

McKain joined Cenlar in 2019 as Director, Senior Human Resources Business Partner, where she acted as a strategic partner and trusted advisor to the executive leadership team by delivering plans to drive organizational change, employee engagement, process improvements, and business continuity.

"Nayda's promotion is well deserved. She is a valuable member of the team and a transformational leader who continues to help Cenlar achieve business goals by providing guidance on employee relations, retention, recruitment, performance management, compensation, leadership and employee training," Cenlar VP of Human Resources Kimberly Matthews said.

Throughout her career, McKain has managed several business functions which not only include human resources but also, risk management operations, compliance, events management, facilities management, and financial planning. Prior to joining Cenlar, she was at Fannie Mae where she served as Chief of Staff for the Southeast and Northeast Regional Sales Division. She developed a strategic roadmap to align sales talent with enterprise goals and coached the leadership team on how to drive business strategies to achieve KPI objectives. She has also held positions at AIG Life Insurance Companies and Wells Fargo.

Cenlar also named Browne Vice President of Cybersecurity. As an information security leader, he brings 25-plus years of experience to the company. He has helped global companies manage information and cyber risk by developing enterprise-level security strategies, programs and operations.

VP of Cybersecurity is a new and critical leadership position within Cenlar's Corporate Security Office (CSO), where Browne will be a key contributor in developing the company's strategic cybersecurity vision, security architecture, and technology decisions.

"As a proven cybersecurity practitioner, Brian has the strategic mindset and deep technical expertise to help lead our cybersecurity efforts," Cenlar Chief Information Security Officer Jason Shockey said.

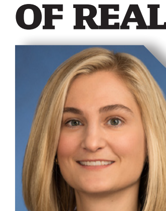
Prior to joining Cenlar, Browne was an Enterprise Information Security Architect at Dell Technologies, where he developed data security strategy and program roadmaps. He has also served in information security leadership roles at Bristol Myers Squibb and Grant Thornton, LLP.

"I am excited to be on the Cenlar team. My goal is to help mature our cybersecurity program through a threat-informed approach that prioritizes our cyber defense and security operations activities," Browne said.

Headquartered in Ewing, New Jersey, Cenlar currently employs more than 4,000, strategically located throughout the United States, who are dedicated to customer satisfaction and teamwork that drives client solutions that are unparalleled in quality, flexibility, and innovation.

SERVICE PROVIDERS

ANDREA GIFT ALLAN JOINS PRETIUM AS MANAGING DIRECTOR OF REAL ESTATE



Pretium has announced its plans to increase access to affordable single family rental housing, as **Andrea Gift Allan** has joined Pretium as Managing Director of Real Estate, to lead the firm's affordable housing investments across the United States. Allan will partner with internal and external stakeholders to develop and manage Pretium's affordable housing portfolio, in alignment with the firm's key business and social impact goals. This will include serving as a

> **"Andrea's decade plus of affordable housing investment experience will be an invaluable addition to the Pretium and Progress teams as we work with residents, investors, policymakers, lenders, developers, business leaders, and community organizations to achieve our ambitious goals."**
>
> *—Don Mullen, Founder and CEO of Pretium*

strategic advisor to Progress Residential's affordable housing team as they engage with residents, local housing authorities, and community partners to meet persistent and growing affordable housing demand in markets across the country.

"Increasing quality, affordable housing supply across our markets is a business imperative," said Don Mullen, Founder and CEO of Pretium. "Andrea's decade plus of affordable housing investment experience will be an invaluable addition to the Pretium and Progress teams as we work with residents, investors, policymakers, lenders, developers, business leaders, and community organizations to achieve our ambitious goals."

Allan brings more than 20 years of experience in asset and portfolio management, as well as expertise valuing and reporting on real estate investments and loans. She spent more than two decades at Goldman Sachs, where she most recently served as Managing Director and Chief Operating Officer of the Urban Investment Group within the Asset Management Division. In that role, she was responsible for developing and advancing the business' strategy to deliver community impact and drive strong risk-adjusted returns, while meeting evolving regulatory requirements. She also oversaw a broad real assets portfolio, which included mixed-use, affordable, and market rate multifamily, commercial, and community facility real estate assets.

"Andrea has a successful track record of building business infrastructure across asset classes to drive both revenue and community impact, and we are excited to welcome a leader of her caliber to our team," added Josh Pristaw, Co-Head of Real Estate at Pretium. "The residential housing landscape continues to grow and transform, and we look forward to benefiting from Andrea's fresh perspectives and insights as we lead the way."

INVESTMENT FIRM RICE PARK TAPS CHRIS BIXBY TO LEAD VENTURE CAPITAL STRATEGIES

Rice Park Capital Management LP, a Minneapolis-based investment firm, has named **Chris Bixby** Managing Director, Venture Capital Strategies.

In his new role, Bixby will focus on leading investments in early- to mid-stage technology companies in the proptech and real estate technology (RETech) sector. Ventures will be supported by Co-Chief Investment Officers Matt Kennedy and Craig Freel, who add to Rice Park's experience in the real estate sector.

"We believe Chris' strong business acumen, expertise, and likeminded approach to investing and partnering with investors, portfolio companies, and colleagues will further our growth trajectory," said Nicholas Smith, Managing Partner of Rice Park Capital Management. "Because of his skillset, we believe Chris offers high-level strategic insights. He digs deep into the day-to-day operations of a business to uncover potential opportunities for greater success."

Prior to joining Rice Park, Bixby was VP of Growth at Sezzle, a digital payments fintech, where he joined pre-IPO and focused on go-to-market roles in enterprise sales, strategic partnerships, and marketing. Before Sezzle, Bixby worked in brand management at General Mills and later founded Collaborate Brands where he advised early-stage businesses in strategy, growth, and fundraising.

Bixby began his career on Wall Street at Jefferies in Mergers & Acquisitions, and spent several years in middle-market private equity.

"I am super excited about the opportunity to join the team at Rice Park to continue to build out Ventures. Rice Park has a tremendous amount of experience in real estate, mortgage, and structured credit, and I believe that we have a unique opportunity to leverage those insights to be better early-stage investors," Bixby said. "I believe my previous experiences in private equity, at large corporations, and in high-growth startups will allow me to provide a hands-on approach to our investment process and portfolio."

KARA WARD JOINS FALCON CAPITAL ADVISORS

Falcon Capital Advisors, a business advisory firm providing strategic advice, technical expertise and engagement execution to financial institutions and government agencies, has announced that **Kara Ward** has joined the firm as General Counsel and Managing Director.

"Kara's role will be to focus on the intersection of consumer financial services innovation and government," said Armando Falcon, Chairman and CEO of Falcon Capital Advisors. "Her expertise perfectly aligns with sectors our firm is actively serving: the single-family mortgage market, Community Development Financial Institutions (CDFIs), small business lending, and federal grants/loan guarantee management. In addition, she has deep experience with distributed ledger technology (blockchain) and cryptocurrency. Kara will be a valuable addition to our growing consulting team as well as a key strategic counselor to our government, private sector, and digital transformation clients."

Ward brings more than 14 years of experience in banking, finance, housing, as well as deep knowledge of the legislative and regulatory process. She is especially well-versed in complex, cross-governmental matters with intricate legal, policy, and financing aspects. Ward's prior experience includes time as a Partner in an Am Law 50 law firm's public policy and regulation group, and an Attorney-Advisor at the Office of the General Counsel, Banking & Finance Division of the U.S. Department of the Treasury. She is also a Board Member at HomeFree USA, a housing counseling organization, and a Board Member of Women in Housing and Finance.

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TRACKING THE RELATIONSHIP BETWEEN EMPLOYMENT NUMBERS & FORECLOSURES

A new blog post by First American Economist Ksenia Potapov examines the balance between foreclosure and employment and questions whether or not the impact of a near-term recession on the labor market will cause a rise in foreclosures.

According to Potapov, early, proactive policies early in the pandemic both prevented mass foreclosures due to lockdowns and caused concerns of a wave of foreclosures after those protections ended. That wave of foreclosures never came to fruition, and, in fact, remains near historic lows.

Monetary policy tightening and interest rate hikes by the Federal Reserve to lower inflation back to a target of 2%, it is causing the housing market to "rapidly cool" and will more than likely be followed by a cooling labor market.

"Mentions of foreclosures invariably bring up memories of the Great Financial Crisis, but the housing market today is very different from a decade ago," Potapov said. "Nationally, household equity reached 70% in the second quarter of 2022, the highest level in over 35 years."

"At the same time, the labor market continues to show strength. The unemployment rate is near pre-pandemic lows, and the supply and demand imbalance persists, pushing up wage growth," Potapov continued. "However, the housing market has cooled considerably amid the affordability shock driven by rapidly rising mortgage rates, and signs of a labor market slowdown are emerging. Both trends threaten to increase the risk of foreclosures over the near term."

By all metrics, house price appreciation is slowing from peaks in all major metropolitan areas, while many have experienced nominal price declines overall.

Prices are poised to fall further as the hot sellers' market of 2021 and early 2022 turns in favor of buyers, which could chip away at some of the equity that homeowners have built up. Annual house price growth in August, according to the S&P Case Shiller House Price Index, was 13%, down from a peak of 20.8% in March 2022. Price growth will inevitably continue to decelerate to reflect the reality of higher mortgage rates.

It is obvious that the double-digit gains houses have appreciated over the past two years were not sustainable, especially because average home price appreciation is 3.6%. But even if home prices go south, it would take a considerable amount of time for these losses to eat away at all the equity that many homeowners have accumulated over the last few years. For example, for the average national homeowner who bought a home in July 2020, house prices would need to decline 27% to wipe out all their equity gains from appreciation.

"As for the labor market, the Federal Reserve is tightening monetary policy to cool demand and tame inflation, which is likely to lead to an increase in unemployment," Potapov said. "That increase, however, could be modest. Federal Reserve projections as of September 2022 expect the unemployment rate to peak at 4.4% in the fourth quarter of 2024, a rate like that of 2017. It would take a significant decline in equity and a strong spike in unemployment to trigger a wave of foreclosures, and that doesn't look likely in the near term."

According to Potapov, however, strong underlying market fundamentals are continuing to support the housing market due to high equity levels, which in turn protects borrowers in distress from entering foreclosure.

"Foreclosures in the third quarter of 2022 increased but remained below pre-pandemic levels. While we can expect the number to drift higher as the labor market slows and house prices fall from their peak, the result will likely be more of a foreclosure 'trickle' than a 'tsunami.'"

PREDICTION: TOP HOUSING MARKETS IN 2023

Affordability is a chief concern among buyers as interest rates continue to rise while outsized price tags have been sidelining buyers left and right.

According to Realtor.com, hope is to be had as there are still relative bargains to be had, as long as you're looking in the right place and their new report highlights some of the areas slated to see the strongest growth in the coming year. These markets are not only poised to see the strongest combined growth in home sales and listing prices in the coming year, but up to this point they have seen lower price increases, a relatively smaller affordability crunch than other markets across the United States.

The cities revealed to have the highest relative odds of outperforming the market are concentrated east of the Mississippi and are traditionally smaller-tier cities with strong local ties to manufacturing, healthcare, government, and education.

Home sales across the top 10 markets are forecasted to grow by 5.2% year over year in 2022, whereas the national homes sale projection is for declining sales (-14.1%). Additionally, average home prices in the top 10 are expected to increase by 7.3%—compared to 5.4% for the U.S. as a whole.

Due to a litany of reasons—many of which have to do with their inherently smaller size—these areas offer relatively affordable options because they did not see booms that the higher populated metropolitan areas saw. In the top 10 markets, about 23% of housing inventory is affordable at the median income level, compared to just 17% of affordable homes nationally. Better affordability offers some insulation from the impact of rising mortgage rates.

"As many households keep a close watch on their spending, we expect these top housing markets to be in relatively high demand," says Danielle Hale, Realtor.com's Chief Economist. "We've seen lower price increases, more general affordability, and more use of government-backed mortgage products for veterans, first-time, and minority buyers in these top markets, providing opportunities for all home buyers to stretch their homebuying dollars. Many of these areas flew under the radar in the pandemic frenzy and are now well-positioned to bubble up with solid job prospects without the big-city price tag."

While it's true that these cities saw growth over the past two years, the growth they saw last year was about 10.5% while the top-100 performing metropolitan areas saw a rate of 12.6%

Q3 HOME EQUITY GAINS SLOW

CoreLogic has released its latest Homeowner Equity Report (HER) covering the third quarter of 2022 finding that of homeowners with mortgages, roughly 63% of all properties saw their home equity increase by 15.8% year over year, or $34,300 per borrower.

This new equity represents a collective gain of $2.2 trillion. However, annual home equity gains began to slow in the third quarter coming down from $60,000 of annual growth in the second quarter. Slowing home prices also caused 43,000 properties to fall underwater during the third quarter.

As home price gains are projected to relax into single digits for the rest of 2022, then possibly move into negative territory by the spring of 2023, equity increases will likely decline accordingly in some parts of the country.

"At 43.6%, the average U.S. loan-to-value (LTV) ratio is only slightly higher than in the past two quarters and still significantly lower than the 71.3% LTV seen moving into the Great Recession in the first quarter of 2010," said Selma Hepp, Interim Lead of the Office of the Chief Economist at CoreLogic. "Therefore, today's homeowners are in a much better position to weather the current housing slowdown and a potential recession than they were 12 years ago."

"Weakening housing demand and the resulting decline in home prices since the spring's peak reduced annual home equity gains and pushed an additional number of properties underwater in the third quarter," Hepp said. "Nevertheless, while these negative impacts are concentrated in Western states such as California, homeowners with a mortgage there still average more than $580,000 in home equity."

According to CoreLogic, negative equity, also referred to as underwater or upside-down mortgages, applies to borrowers who owe more on their mortgages than their homes are currently worth. As of the third quarter of 2022, the quarterly and annual changes in negative equity were:

» Quarterly change: From the second quarter of 2022 to the third quarter of 2022, the total number of mortgaged homes in negative equity increased by 4% to 1.1 million homes or 1.9% of all mortgaged properties.

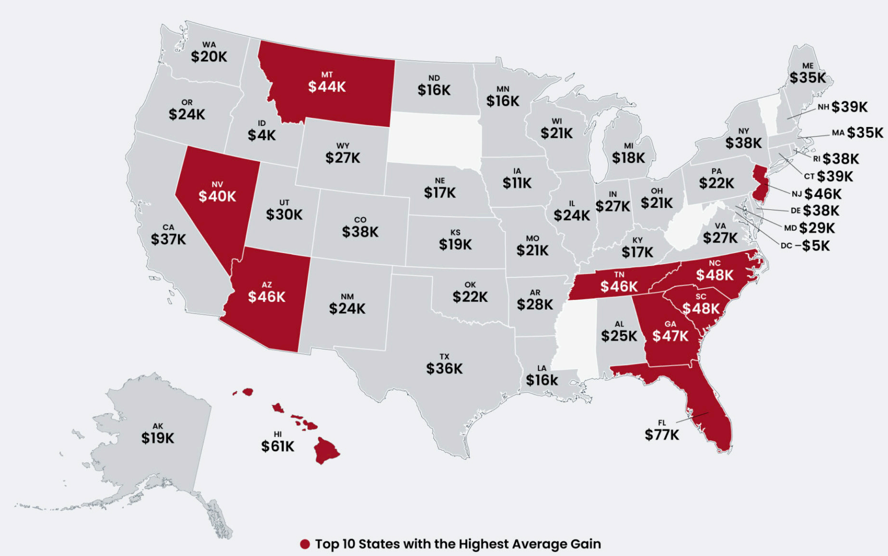
» Annual change: In the third quarter of 2021, 1.2 million homes, or 2.2% of all mortgaged properties, were in negative equity. This number declined by 9.8% in the third quarter of 2022, to 1.1 million homes or 1.9% of all mortgage properties.

Because home equity is affected by home price changes, borrowers with equity positions near (+/- 5%) the negative equity cutoff are most likely to move out of or into negative equity as prices change, respectively. Looking at Q3 2022's book of mortgages, if home prices increase by 5%, 127,000 homes would regain equity; if home prices decline by 5%, 172,000 properties would fall underwater.

"Weakening housing demand and the resulting decline in home prices since the spring's peak reduced annual home equity gains and pushed an additional number of properties underwater in the third quarter."

*—**Selma Hepp**, Interim Lead of the Office of the Chief Economist, CoreLogic*

Figure 1: Map of Average Year-Over-Year Equity Gain per Borrower



Mississippi, South Dakota, Vermont and West Virginia have insufficient equity data to report at this time.
*This data only includes properties with a mortgage. Non-mortgaged properties are, by definition, not included.
Source: CoreLogic Q3 2022

VA LOANS PREFERRED CHOICE OF ACTIVE-DUTY SERVICEMEMBERS

Living life on active duty in the armed forces can be a rough life. Changing orders requiring frequent relocation are a way of life for some assignments, as are living in barracks or other on-base housing for extended periods.

Those that can transition from active duty back to civilian life face some challenging aspects of that transition—namely housing: where to find it and how to finance it.

Knowing some of the challenges behind transitions to civilian careers, Freddie Mac has issued the results of a new survey from just under 2,000 active-duty servicemembers to understand the perceptions of active-duty military service members (and spouses) when it comes to home renting, ownerships, and financing (specifically VA loans). Other tracked information collected is their branch of service, gender, income, region, and urbanicity. The survey attempts to be representative of the armed forces as a whole.

At the outset, the largest finding the survey revealed is that 87% of active-duty servicemembers are aware of the benefits of VA loans. Furthermore, 90% who are currently renting plan to utilize a VA loan to buy a home in the future.

CITIES WHERE RENTING IS MORE ECONOMICAL THAN BUYING

Renting is a less-expensive option for most Americans. Location is likely to be a determining factor when deciding whether to sign a lease or a mortgage.

That's because cost is one of the biggest considerations, and that varies among cities. So the researchers at LendingTree, using U.S. Census data, compared the price of renting versus buying in 50 major metropolitan areas.

Taking what the team found into consideration, analyst Jacob Channel offers suggestions about spotting a potential homebuyer versus someone for whom renting might be the better option.

For any homeowner still paying off a mortgage, renting is likely cheaper than owning in each of the nation's 50 largest metros.

On average, the difference between median gross rent and median housing-related costs for homes with a mortgage is $564 a month.

Channel notes that this is lower nationwide than in 2019 when renters paid some $593 less monthly.

"A combination of factors, including record-low interest rates that offset rising home prices, likely contribute to this smaller gap," he notes.

In San Jose, California; New York; and San Francisco, the median monthly rent is about $1,262 less than the median monthly costs for a homeowner.

That is the widest cost gap the researchers found, and unlike most of the cities examined, the gap in those areas has widened since 2019, when the difference was $1,221.

The narrowest expense gap was found in Orlando, Florida; Phoenix; and Jacksonville, Florida. In those cities, it is still about $262 per month less to rent than to own, all housing costs considered, on average.

In a circumstance where the homebuyer does not have a current mortgage—say they have paid off the home, paid cash for the home, or are not a previous homeowner—San Jose, San Francisco, and San Diego show the widest gap, and Milwaukee, Cleveland, and Buffalo show the narrowest.

The article on LendingTree.com breaks down the full ranking. The LendingTree author points out that renting might be the better option for someone who doesn't plan on staying in one area for a long time or is looking for short-term savings.

Freddie Mac is focused on education and outreach through a VA Home Loans guide and a CreditSmart [certified] financial education program tailored specifically for members of the military and veterans.

He adds, "On the other hand, buying a home can be a valuable investment that turns out to be cheaper in the long term."

"The ability to find affordable housing in the current market is seen as a major challenge facing those transitioning from active duty," said Stacy Walker, Director, Housing & Community Outreach for Freddie Mac. "The great news is that there are outstanding housing benefits available to veterans and the majority of those who want to buy a home plan to use them."

"To aid that effort, Freddie Mac is focused on education and outreach through a VA Home Loans guide and a CreditSmart [certified] financial education program tailored specifically for members of the military and veterans."

In addition, Freddie Mac has partnered with the nonprofit Soldier On, which has committed itself to ending veteran homelessness and to better engage with veterans using financial materials and tailored outreach programs.

"The transition to civilian life can be a challenge," said David Ramirez, Home and Credit Financial Education Program Manager for Soldier On. "The CreditSmart curriculum is helping us create a culture of financial readiness that provides veterans with the tools they need to be successful in their civilian life."

Other key findings include:

» Homeownership rates among those surveyed are disproportionately high at 73%, compared with 65% for the general population (according to the U.S. Census Bureau).

» Of those surveyed, 92% are aware of VA Home Loans. 87% of active-duty respondents are aware of the benefit.

» Just 57% of current homeowners who responded to the poll are aware of the benefits of a VA Home Loan and have used it to buy a home in the past.

» Of those who currently rent, more than 8 in 10 who plan to purchase a home intend to use a VA Home Loan to do so. Nine in 10 active-duty respondents plan to use the benefit.

» Eighty percent of those who used a VA Home Loan had a favorable experience, citing the lack of a down payment and low closing costs as key features of the mortgage product.

MCS ESTABLISHES NETWORK OF SELF-PERFORMING SERVICE CENTERS

MCS, the national property services company founded in 1986, celebrated establishing a network of regional self-performing Service Centers—facilities with locally staffed project management and service tech teams—in seven markets in 2022 and announced plans to open 10 or more in 2023.

As a first in the property services industry, MCS will open a network of self-performing service centers to support all facets of the default mortgage, property preservation, commercial, and residential rental segments, leveraging its own dedicated project management teams and service crews across major U.S. markets to better serve its growing client base.

"Best-in-class customer service has been our competitive advantage for more than 35 years, and the establishment of MCS Service Centers across the country furthers our edge in providing excellent service across a large and growing volume of residential and commercial properties," said Craig Torrance, CEO of MCS. "Our Service Centers, in combination with our long-established national network of service providers, fortify our ability to deliver responsive and meticulous care to brighten and revitalize neighborhoods across the nation."

In 2022, MCS opened Service Centers in Phoenix; Dallas; Las Vegas; Orlando; and Columbus, Ohio, with additional Service Centers slated to open in Atlanta and Tucson, Arizona, before year's end. Markets on the MCS Service Center expansion roadmap include Houston, Tampa, Chicago, Salt Lake City, Denver, Indianapolis, Memphis, Nashville, Charlotte, Detroit, and other markets in Florida and Texas, while assessing opportunities in New York, New Jersey, and Connecticut.

Service Centers are staffed with a Market Director, Project Managers, Estimators, and Service Technicians to execute the field property services needs of the firm's clients across the mortgage, residential rental and commercial services lines of business. Additionally, MCS employs 12 of its own inspectors across Phoenix, Dallas, Columbus, Atlanta, Orlando, and Las Vegas with the ability to provide a variety of inspection services—including occupancy, property condition, disaster and loss draft inspections—across each respective state and nearby regions as needed.

MCS' hybrid service model combines an expansive network of local service partners with the company's own expertise and use of innovative technologies to ensure transparency, enhance quality control and code compliance, and maximize efficiencies, ultimately driving client satisfaction.

"Our network of Service Centers allows MCS to act as an extension of SFR owner/operators' team by providing 'boots-on-the-ground' services that might otherwise be challenging for investors to handle on their own," said Andrew Nolan, President, Commercial and Residential Rental Services, for MCS. "Our national platform gives us the advantage of scale with the important benefit of a local presence to perform or oversee work, while consolidated programs create efficiencies and enhance service delivery through aggregation and technology-driven processes."

Additionally, MCS' Service Centers and vendor networks provide a suite of offerings for commercial properties—from office parks and car washes to big box retailers and national/regional brands that demand brand consistency across multiple locations. The established processes, existing technology platforms, and accessibility to local trade professionals give commercial owner/operators a one-stop-shop for an efficient, tech-forward program providing services such as landscaping and snow removal as well as interior services such as electrical, plumbing, and routine repairs. MCS also offers its own software to manage vendor work orders which seamlessly interfaces with existing technology platforms.

"For property preservation, companies have typically provided maintenance and inspection services primarily through a third-party network of vendors and contractors," said Chad Mosely, President of Mortgage Services for MCS. "MCS is transforming the property preservation sector through our combined network of Service Centers and trusted local service partners to ensure vacant properties remain in good condition."

BLACK KNIGHT INTEGRATES SUREFIRE TO HELP SERVICERS IMPROVE RETENTION

Black Knight, Inc. has announced a new integration between its Servicing Digital and Surefire marketing automation solutions, allowing servicers using Servicing Digital to make valuable content available to homeowners directly within the application. This content works to enhance customer engagement and retention by educating customers on common servicing-related topics throughout their servicing journey.

Offered as a native app or responsive web design, Servicing Digital allows customers to easily access their loan- and home-related information, as well as perform self-service capabilities. Surefire is a mortgage-specific marketing automation and creative content solution that helps mortgage professionals win new customers and earn repeat business. Together, these tools can help servicers increase customer retention while significantly improving the customer experience.

"Communication is a leading factor in customer satisfaction, and Black Knight continues to prioritize the enhancement of self-service tools to give customers the digital capabilities they want," said Joe Nackashi, CEO of Black Knight. "Through this latest integration, servicers can proactively reach out to homeowners with content that's uniquely designed to educate them on common questions and to celebrate milestones. This can contribute to long-term retention by creating meaningful connections between servicers and their customers."

The first content release offers an educational video on escrow analysis, which is one of the most common, non-revenue-generating phone calls mortgage servicers receive. By proactively offering this information, servicers can reduce hold times and deliver a better customer experience. In the future, additional content will be available to address topics such as refinance offers and when it is appropriate to drop private mortgage insurance. Content will also be available that recognizes loan anniversaries, birthdays, and other significant consumer milestones.

"The addition of content from Surefire is another testament to Black Knight's dedication to investing in Servicing Digital," Nackashi said. "Our clients rely on us to continuously innovate our solutions, and we're committed to adding features and capabilities that help them better serve their customers."

From mergers and acquisitions to cutting-edge tech tools and solutions, here's the company news the industry is talking about this month.

NEWREZ AND SHELTER MORTGAGE PARTNER TO FORM CARNEGIE MORTGAGE PARTNERS

Newrez LLC, a national mortgage lending and servicing organization, has formed its newest joint venture mortgage company, Carnegie Mortgage Partners LLC, in partnership with Keller Williams Bergen County Partners.

"The alliance with Newrez, one of the country's top mortgage lenders and loan servicers, will empower Carnegie Mortgage Partners to elevate the customer experience in a monumental way," said Mike Blasius, future President of Carnegie Mortgage Partners. "Joining forces with Keller Williams Bergen County Partners brings so much growth potential, and I look forward to building a team to rapidly scale the business and bring that growth to fruition."

Specializing in residential purchase mortgage lending, Carnegie Mortgage Partners is headquartered in Oradell, New Jersey, and will focus on serving borrowers across the state.

"We are excited to partner with Newrez because their vision, and more importantly, their values fit nicely with our own," said Al Donohue, Operating Principal of Bergen County Partners. "We feel that bringing mortgage operations in-house will allow us to provide a one-stop-shop that will provide an enhanced experience for our agents and their clients."

The launch of Carnegie Mortgage Partners marks a meaningful milestone for Newrez, making its 20th joint venture partnership under the portfolio of Newrez Ventures LLC, formerly known as Shelter Mortgage, the Newrez business division focused on joint venture lending.

"Carnegie Mortgage Partners' unwavering commitment to continued growth and exceeding customer expectations aligns seamlessly with the Newrez way," said Randy Vanden Houten, SVP, Joint Venture & Retail Lending at Newrez. "We look forward to working with such a strong and experienced partner."

EXCELERAS UPDATE ENHANCES USER COLLABORATION

Exceleras, a provider of software solutions to accelerate property disposition, has released a software update for its DispoSolutions software that will increase the ability of users to collaborate and accelerate the property disposition process. The new functionality was released as part of the company's regular software improvement program, through which it regularly delivers increased value to its clients.

"We have long had the ability for users to send 'notes' or messages to each other in our system, but our latest release makes interaction much more powerful," said Tom Simon, Exceleras' CEO. "The new enhanced version allows users to reply to notes, forward notes, send notes to multiple recipients, find recipients quickly by partially typing in their name, and add an optional subject to the message. Through this new functionality, our platform fosters collaboration making it easier for teams to work together."

In the new "Conversational View," the notes functionality begins to feel more like a social network in that it organizes the notes into an expandable and collapsible hierarchy. This allows users to easily follow the thread of messages, starting with the original message at the top of the hierarchy, and then drill down to see each person's reply or whether they forwarded the message, and then all future commentary in the thread. Alternatively, they can collapse all but the notes important to them and their work.

Each reply to a message or forwarding of a message can include additional users, or can limit the users from the previous message, so that the conversation can branch out to include additional participants when needed, or contract to a smaller group when the topic takes a more focused turn. This keeps everyone connected and apprised during the process.

In addition to the notes functionality, the newest release also includes a new "Alerts" feature that can be used to update an entire team by placing notices on all of the major pages in the system, and regardless of what property a user is viewing, if something important occurs. Instead of driving users back to their own Action Lists, they can respond to the event immediately, without leaving their current page in the platform. Once the issue has been addressed, the user can easily return to where they were previously to continue their original work.

"New workflows our clients are using today are more fluid than they were in the past, and we needed to add functionality that would allow users to stay in touch with their teams and respond to important events without going back to the beginning of a specific workflow," said Phil Gore, Chief Architect for Exeleras. "By updating our platform to allow our users to operate their businesses in the ways that are most efficient for them, we are improving their experience, reducing the time it takes to complete their work, and thereby reducing their costs."

MCT LAUNCHES MARKETPLACE FOR CO-ISSUE LOAN SALES

Mortgage Capital Trading Inc. (MCT), a mortgage hedge advisory and secondary marketing software firm, has released BAMCO, a new marketplace for co-issue loan sales. Co-issue loan sales, also known as flow-based mortgage servicing rights (MSR) sales, are a three-way transaction involving the sale of loans to one of the agencies with a simultaneous sale of the MSRs to a separate third-party. BAMCO brings co-issue transactions directly into MCT's whole loan trading platform and improves price transparency by connecting unapproved sellers to live executions from potential buyers.

"BAMCO is the latest step toward realizing MCT's vision of every loan being priced to every investor, supporting true best execution for sellers and a more efficient market for borrowers," said Justin Grant, Senior Director, Head of Investor Services at MCT. "Historically, lenders have had far more whole loan outlets than co-issue outlets—we're seeking to change that with BAMCO."

BAMCO supports live, flow-based, loan-level MSR pricing, expanding execution options for sellers while creating new client acquisition opportunities for buyers. While co-issue executions via agency integrations have always been and will continue to be included in lenders' loan sale best execution analysis, BAMCO brings in a new section featuring direct co-issue pricing for both approved and unapproved buyers. Co-issue buyers have the choice to deliver standard grid-based co-issue pricing or loan-level bid tape co-issue pricing.

In recent years, both Fannie Mae and Freddie Mac have pushed the market for co-issue loan sales forward with new servicing exchanges. This has supported the growth of co-issue transactions to represent 16% of all loan sales by MCT's lender client base in 2022. BAMCO supports and expands upon the functionality provided by the agencies to facilitate live shadow pricing, more granular MSR bids, and expanded outlets over time. BAMCO serves agency sellers within the MCT hedge client base, particularly those not currently taking advantage of co-issue executions, while offering an opportunity for co-issue buyers to attract more sellers and provide more granular pricing.

BAMCO is a new set of executions within BAM Marketplace, the industry's largest loan exchange which serves MCT's three hundred mortgage lender clients. BAMCO is the latest in a series of groundbreaking innovations from MCT, from their original focus on best execution analysis to more recent rollouts such as electronic TBA trading and automation for Assignment-of-Trade (AOT) transactions.

"Given the advancement of BAMCO technology, MCT brings incredible selling efficiencies and pricing resources to the industry," said Chris King, SVP of Business Development at Mr. Cooper. "Mr. Cooper is excited to be a first adopter of BAMCO, and we look forward to working with our clients, MCT, and the agencies to further the expansion of co-issue sales."

GO MORTGAGE LAUNCHES NON-QM SINGLE CLOSE CONSTRUCTION LOAN

GO Mortgage, a nationwide, independent mortgage bank licensed in 36 states and the District of Columbia and a subsidiary of GO Companies, has launched a non-QM construction loan program designed to provide greater options and a smoother financing experience for self-employed borrowers and real estate investors seeking to build a home.

The new Non-QM Single Close Construction Loan can be used to finance up to 90% of a borrower's home construction for loans up to $2 million. The program is perfect for borrowers who do not qualify for new construction financing through standard income qualifications. Instead, a borrower's income can be qualified through 12 to 24 months of bank statements, or on a debt service credit ratio (DSCR) basis using the expected rents on an investment property. The program was designed to give more borrowers the green light to financing that fits their needs, while providing simplicity, speed, and flexibility, GO Mortgage CEO Michael Isaacs says.

"Too often, our loan officers were encountering clients who could afford to build, but do not qualify through conventional means or were discouraged by the complicated nature of construction lending," Isaacs said. "Our new program solves both of these issues, so that any self-employed borrower, business owner. or private investor can achieve their homebuilding goals and isn't left standing on the sidelines."

The Non-QM Single Close Construction Loan can be used for primary residences, second homes, or investment properties, including duplexes, non-warrantable condos, and manufactured housing. While the program offers the ability to put down as little as 10% toward new home costs, borrowers can also qualify 80% financing and pay no mortgage insurance with a minimum 680 FICO score. With a 720 score or higher, they can qualify for up to 85% LTV and pay no mortgage insurance.

During the construction phase, GO Mortgage will provide financing at an interest-only rate. After construction is complete, borrowers do not have to refinance their construction loan into a permanent loan and then encounter a second closing, which is typical of most construction loan products. The program allows a maximum build time of 24 months. Borrowers can lock their permanent loan rate within 60 days of the construction's completion.

GO Mortgage is an experienced home construction lender and one of the largest sellers of construction loans to Fannie Mae. The company handles the entire financing process in house, including builder approvals, inspection services, and funding draws, so the company can better control costs compared to lenders that outsource these processes.

"Our mantra is 'no loan left behind,'" Isaacs said. "It's demoralizing to miss any opportunity to help someone achieve their homeownership goals, so our job is to make sure we have every product under the sun that a client may need. And when borrowers can't find the financing they're looking for, we'll create it for them."

NETDIRECTOR RELEASES TEXT-EXTRACTION SERVICE FOR DEFAULT SERVICERS

NetDirector, a cloud-based integration platform for the default servicing industry, has crafted a new artificial intelligence (AI)-powered solution to address the complex text extraction needs of default servicing called A.I. Extract.

The new A.I. Extract service provides industry-leading results with unparalleled accuracy for extracting complex legal descriptions from flat files, images, PDFs, and more. By leveraging the power of machine learning, A.I. Extract can produce Optical Character Recognition (OCR) results that improve over time based on user approvals and corrections, saving valuable time and manual effort in data entry and review.

The new service also provides exceptional versatility, processing power, and accuracy. A.I. Extract can process documents and images via automated workflow to and from case management systems (CMS), which makes integration an easy choice for existing NetDirector clients. Files can also be loaded in bulk by folder or simply by copy-pasting an individual screenshot or image file while working side-by-side in a CMS. This flexible approach allows users to implement the Extraction Workbench at any point in their workflow and to begin using it immediately.

"The new A.I. Extract service has been incredibly valuable to us," said Rosanna Henry, Director of Compliance at Mackie Wolf Zientz & Mann, P.C. "We're thrilled with the accuracy and excited to have a tool that allows us to get simple or complex legal descriptions into our case management system with ease. It saves an enormous amount of time and effort far above and beyond any other current options and was extremely easy to get started with."

NetDirector has recently expanded A.I. Extract's functionality beyond legal descriptions, to include Loan Payment History data extraction. This data automation tool extracts and assembles the loan payment history information for the Mortgage Proof of Claim attachment, commonly called the 410a Worksheet, saving hours of manual effort in completing these documents. Additional applications of A.I. Extract (such as the P309) are currently in development. Industry veterans who were early adopters of the service have reported up to eight hours per loan history of manual ledgering and data manipulation that were eliminated with the help of A.I. Extract.

TAYLOR MORRISON UNVEILS NEW BUILD-TO-RENT BRAND OPERATION

As one of the first national homebuilders to venture into the build-to-rent market three years ago, Taylor Morrison is continuing its commitment to the space with an unveiling of its new brand name, Yardly. Specializing in cottage-style, for-rent homes with private backyard space, these communities inspire residents to live boundlessly.

"There is so much to be excited about in the emerging build-to-rent space, but above it all is the opportunity to serve more consumers—at each stage of life—by building a home that's just right for their lifestyle," Taylor Morrison Chairman and CEO Sheryl Palmer said. "With Yardly, we add renters to our lineup of consumers and offer them a unique alternative to traditional, vertically constructed apartments."

Yardly blends the best of single-family home and traditional apartment concepts by drawing upon Taylor Morrison's production-builder strengths and consumer-preference knowledge to create a diverse, niche housing product for the largely under-served consumer segment of renters.

These communities typically consist of single-story, one- and two-bedroom homes ranging from approximately 700- to 1,100-square feet and offer low-maintenance living and smart-home technology. But the true differentiator lies in the private backyards complete with doggy doors perfect for pets and outdoor living—serving as the inspiration for the brand name.

"Compared to multistory apartment complexes, our Yardly communities ensure you no longer need to walk your dog on a leash in pajamas each morning," Taylor Morrison's Build-to-Rent President Darin Rowe said. "No more carrying groceries up staircases, and no more noisy neighbors above or below you."

Taylor Morrison is currently sourcing build-to-rent land in nearly half of its operating markets, including Phoenix, Dallas, Austin, Houston, Orlando, Tampa, Sarasota, Jacksonville, Charlotte, and Raleigh. In total, the homebuilder is actively involved in developing approximately 15 projects in its collective markets with many other communities in review.

"As the inflationary environment and rising mortgage rates create a strain on some consumers' ability to buy, particularly first-time buyers without equity in an existing home, the opportunity to serve both the renter-by-choice demographic and those impacted by affordability challenges has only grown stronger," Palmer said.

SVN|SFR CAPITAL MANAGEMENT SIGNS MOU WITH SMARTRENT

SVN|SFR Capital Management, a private commercial real estate investment firm dedicated to the single-family Build-for-Rent (BFR) housing sector, has announced its partnership with property technology solutions provider, SmartRent. SmartRent's smart home solutions aim will assist SVN|SFR reduce costs and increase operational efficiencies within its dedicated rental communities while enhancing resident quality of life, safety, and retention.

"Smart home tech has become a critical piece in today's dedicated rental communities and the majority of renters are willing to pay an increased price for homes with integrated smart technology," said Jeff Cline, CEO of SVN|SFR Capital Management. "With SmartRent's daily operational process solutions, both SVN|SFR and single-family rental tenants will benefit through tenant technology automation and asset protection."

As the BFR housing market alternative remains hot within commercial real estate's (CRE's) investment asset segments, SVN|SFR plans to acquire and aggregate approximately 35,000 new construction BFR homes over the next five to seven years, depending on economic conditions and tenant demand, through an initial capital raise of $12 billion in equity and debt capital, for eventual disposition at stabilization as a large-scale institutional rental home portfolio.

"Today's operators and renters are looking for the modernization, optimization, and convenience that technologies bring, and we're pleased to partner with SVN|SFR to usher in the smart solutions era for their properties," said Lucas Haldeman, CEO of SmartRent. "Implementing SmartRent's hardware, software, and monitoring tools will further empower SVN|SFR's teams to focus on enhancing resident experience and satisfaction, all while boosting operational and financial efficiencies across communities."

SmartRent's suite of products and services promotes a convenient and modern living experience to residents. Supported smart hardware includes, but is not limited to, keyless locks, Ring doorbells, switches, dimmers, plugs, lightbulbs, thermostats, voice assistants, along with leak, motion and door sensors. Prospective residents/tenants can also enjoy the ease of self-guided tours and can select to add monitoring services to their residences via Ring devices for added security.

By: *Phil Britt*

FINDING THE RIGHT FIT

A panel of experts explores the state of subservicing as we approach 2023: how to find the right subservicing partner, how the industry landscape is changing, and what critical considerations need to be top of mind.

In a recent Five Star webinar on the state of subservicing heading into 2023, Donny Atkins, Jr., Director of Servicing for The Money Store; Chris Sabbe, SVP of Sales for PHH Mortgage; and Seth Sprague, Director of Consulting Services for Richey May, discussed the challenges of managing a subservicer relationship, recent industry changes, what to look for in fees, and the pitfalls involved in transferring loans. With the mortgage industry contracting and questions still standing over how the likely impending recession will impact delinquencies, foreclosures, and other servicing-facing issues, here's what Five Star's panel of experts had to say.

All of the panelists said they were generally satisfied with their subservicer partnerships. Atkins noted that, when it comes to ensuring that a lender is satisfied with a subservicer, the first step is for that entity to have a clear and full understanding of its own business. Part of this, Atkins noted, involves working to make sure you don't become a victim of the "sales cycle."

"A lot of people are going to say the right things and help you form an opinion of your business. My organization had to go through this process a little over a year ago, and the first thing I did was call industry experts and say: 'This is what I think my book looks like. These are what I think my needs are.' Have a good partner to help begin your search."

Atkins advised that lenders conduct their own research before seeking a subservicer. This means examining your organization's customer service levels, technological capabilities, etc., as well as how those aspects of business can best be leveraged. Then you can seek out a subservicer that understands and meshes well with your needs, rather than simply touting their own capabilities.

Atkins noted that The Money Store had entered a subservicing relationship with PHH Mortgage about a year ago, and he broke down some of the qualities that had convinced them that it was the right partnership for both entities. "One of the differentiators was [PHH] spent as much time with us talking about our pain points and understanding why we needed to make a change and coming up with what I felt like was a customized plan to address those pain points."

When it comes to having these conversations and doing this due diligence, Atkins noted that it's easy to get what seems like good answers to the questions being asked, but to build the best foundation for success, those claims and promises need to be backed up by clear data showcasing why a given partnership will truly benefit all involved.

By: *Phil Britt*

"No matter how detailed your vetting process is, there's always a learning curve [When you enter a new subservicing relationship], there's always a point of not knowing what you didn't know."

—**Donny Atkins**, Jr., Director of Servicing, The Money Store

MANAGING AND MAINTAINING A SUBSERVICER RELATIONSHIP

"No matter how detailed your vetting process is, there's always a learning curve," Atkins said. "[When you enter a new subservicing relationship], there's always a point of not knowing what you didn't know." This, Atkins cautioned, is one of the reasons that a culture fit between the partnering organizations is essential.

"Our past partner was failing on customer delivery," Atkins added, noting that this can damage both a company's image and its internal morale.

"We expect the white-glove touch," Atkins continued. "So when we made the switch, we made sure everything that was touching the customer had [that]."

Sprague recommended that lenders looking to forge a subservicing partnership should demand to see a live demo of how the subservicer actually works—not just, for example, a PowerPoint presentation.

"I can make really pretty PowerPoint presentations, but you want to make sure that the system is live and working," Sprague said.

In addition to a live demo, Sabbe recommended communicating with not only the people who are servicing the loans but also the people who will integrate the system. They are equally essential in ensuring a smooth transfer between lender and subservicer.

"If you can't get to that level, or your salesperson is unwilling to share that with you, those should be red flags," Sprague cautioned. He added that it's also important to have multiple contacts within the subservicing firm because the client manager may not always respond as quickly as needed.

'A SEISMIC SHIFT'

Looking over the industry shifts that have unfolded in recent years, Sabbe spotlighted the increasing role of subserving across the mortgage landscape.

"One out of every three loans in America is now being subserviced. If you take out the top 10 banks, which mostly do everything in-house, it's closer to one of every two loans being subserviced. That's a seismic shift, particularly in the last five years."

As the challenges facing the servicing of loans continue to evolve and shift, Sabbe noted that subservicers must keep pace, particularly in the areas of customer service and technology. Tech tools such as mobile apps, welcome videos, and investor portals can provide self-service options that subservicing stakeholders expect. Sabbe said that providing borrowers and homeowners with self-servicing options enables subservicers to save on costs, and, therefore, offer better pricing—a metric that could make all the difference when it comes time for lenders to choose between subservicers.

Sprague agreed: "Servicing has such a high fixed cost to it due to specialization, particularly when you start dealing with multiple investors (e.g., Ginnie Mae versus Fannie or Freddie). It's a whole different skillset that you potentially need." However, Sprague noted that "the risks of being wrong now are far different than they used to be."

The inherent risks involved may be a primary driving factor for some lenders to seek out a subservicer. Sabbe noted that PHH Mortgage has approximately 300 team members working in Risk and Compliance, the cost of which continues to increase.

"Taking undue risks at this time is just ill-advised," Sprague said, "and servicing is one of those things, particularly when you've got Ginnie Mae [loans] or you're dealing with natural disasters."

Whereas previously lenders would look at pricing alone, which was difficult due to complicated fee structures, now lenders look at total cost savings or revenue generation they can achieve by switching from in-house servicing or from one subservicer to another, Sabbe noted.

Sprague admitted that the pricing structure can be complex depending on a lender's needs. He compared it to a restaurant menu. One lender might want one thing on the menu, another will order sides (additional services), so the pricing will be different. There are many potential things to order.

One topic the panel delved into was what pitfalls might be involved when transferring loans. Some of the issues cited include potential customer impact, avoiding confusion around the timing of transfers—whether a scheduled balance transfer or a bulk transfer—as well as how RESPA requirements are managed. Communications and scheduling are crucial, Atkins said.

"Nothing is going to ever go perfect in a switch or a transfer. Have a mitigation, and you'll be okay."

Sprague cautioned that there might be some confusion due to changes in escrow balances when a transfer first occurs. He suggested that adding language such as, "Your escrow balances won't be available until X date" into customer letters could help calm borrowers' nerves and decrease the risk of worried phone calls. A personalized welcome letter or an intro video from the subservicer could also help stem some of the confusion, Sabbe added.

BEYOND THE PRICE CONSIDERATIONS

Sprague again stressed the need for a good culture fit when choosing a subservicer, but added that it's also important to closely examine the cost structures involved. What subservicers offer in the base price may be different, and there may be more data or there may be more free reports.

"The borrower is going to be there for a long time, so you want to make sure they have a good experience, Sprague said. "Whether it's prepaying or not prepaying, understanding that the subservicer is treating them as their own customer is critically important."

Sprague also suggested that lenders must understand what the subservicer can provide as far as "breaks on deboarding fees or boarding fees."

When things become difficult or could go wrong, you also want to make sure your subservicer has the right protocols and is always reactive to the market, Sprague added.

Sabbe suggested that lenders shouldn't just ask for a price but should instead ask for a *comparative price.* He also recommended asking questions such as "How do you manage your foreclosure attorneys? What are your timelines for traditional or nontraditional things? How quickly do you sell your RAL? At what value do you sell your RAL?" Making sure you have a handle on this information will provide a better high-level comparison between subservicer options than pricing alone.

"It has to be somebody that you can work with to help grow your business," Sabbe said.

Sprague said that subservicers provide value because they are more used to dealing with delinquencies than you may be from servicing in-house, as the subservicer may have a larger, national portfolio.

No one gets paid when a loan is delinquent, Sprague pointed out.

"The more current that you keep your portfolio, the more cash you're going to get," Sprague said.

HOW WILL FHFA/GINNIE MAE'S NON-BANK CAPITAL RULES IMPACT THE MSR MARKET?

Sprague noted that FHFA had released revised capital rules before the COVID-19 pandemic, but said these rules had been criticized by some as being overly "punitive." In January 2020, FHFA pulled those rules. Now FHFA has better aligned the rules, with several important differences on the Ginnie Mae side.

Sprague said that the rules involving tangible net worth and eligible liquidity were getting a lot of attention. "Entities with their Ginnie Mae servicing ticket are going to be under sort of new risk-based capital rules that are more bank-like," Sprague said.

Servicers with more than $50 billion of servicing need to be rated, which Sprague noted would add further costs.

"My personal opinion is that this could have some impact on the MSR values," Sprague added.

However, if regulators perceive that these capital rules are going to create undue problems in the marketplace for liquidity of servicing, they will adjust appropriately, Sprague suggested.

"Part of their stated mission is not to disrupt the market," said Sprague.

THE BIG PICTURE

Sabbe recommended that lenders challenge their subservicing and other partners, particularly when it comes to areas such as performance, cost, and responsiveness.

"Be forward-thinking," Sprague advised. "We're going to have escrow analysis starting here. Property values are up. Understand the impact of your borrower, on what escrow shortages look like. Make sure you get in front of that as you're sort of managing your mortgage business. Understanding where you might have escrow shortages that you're going to need to float for 12 months. Work with your subservicer and understand when those escrow analyses are done."

Sprague suggested keeping a close eye on production dating to April 2022 and beyond, pointing out that refinanced mortgages carry much higher interest rates now than they did a couple of years ago.

"Be a steward for servicing," Atkins said. "Don't get skipped over on that executive agenda, because we can make a difference to what's going on in this industry."

***Phil Britt** started covering mortgages and other financial services matters for a suburban Chicago newspaper in the mid-1980s before joining* Savings Institutions *magazine in 1992. When the publication moved its offices to Washington, D.C., in 1993, he started his own editorial services room and continued to cover mortgages, other financial services subjects, and technology for a variety of websites and publications.*

"I can make really pretty PowerPoint presentations, but you want to make sure that the system is live and working."

—**Seth Sprague**, Director of Consulting Services, Richey May

By: Rachel Richardson

WHAT PROPERTY OWNERS CAN LEARN FROM E-COMMERCE GIANTS

"People like simple." Here's why it's critical to make it easier for renters to find what they're looking for.

What can property owners learn from e-commerce giants like Amazon? Owners and operators can deliver an exceptional experience for the renter by following principles that have transformed the online shopping landscape. Rental hunting has three factors of success that are also critical in other types of online shopping: customer service, availability and ease of access, and community engagement.

"Everyone wants the Amazon experience online," shared Max Morales, Director of Marketing at Cornerstone Group. In a webinar on how to optimize marketing for a variety of properties, Morales shared a fundamental truth about modern living and leasing. "People like simple." Renters want to easily find and live in their ideal apartment. Much like successful e-commerce businesses, exceptional experiences in leasing require properties to make it easy for renters to find what they're looking for.

While this is simple in principle, it can be challenging to implement without clear guidelines. We'll get into each of these and how property technology comes into play.

REDUCE FRICTION IN THE LEASING PROCESS

"Customer obsession rather than competitor focus," is one of the four principles guiding Amazon's mission. This reveals why many of the company's most sophisticated tech innovations deliver convenience, personalization, and speed. Properties that champion the renter experience find out where there is friction in the renter journey. They then can use technology to remove the roadblocks and make leasing more effortless.

For property teams, the challenge is getting all the tools they manage to work together seamlessly. Single-point solutions have flooded the market to guide leasing teams through specific steps. However, the next phase involves operational efficiency. Seek out automated communications, integrated solutions, and FHA-compliant resources that are renter-centric.

AUTOMATE WHEN POSSIBLE, AND WITH INTENTION

Digital shopping allows us to take action, uninterrupted. Automated tour scheduling and email confirmations show renters that your property can swiftly lead them into the leasing process.

Ensure that your automated communications provide clear next steps for the renter and options to continue exploring in the meantime. For example, your follow-up email may include appointment date and time. But also providing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By: *Rachel Richardson*

The best way to fully understand the renter journey is by taking it. Test out the leasing process for yourself and with your team.

a virtual video of the apartment they will be touring or a link to the website for further details ties back to the whole experience and keeps them engaged.

Renters are also often under time constraints. Make responding easy with two-way email or text communications, simple rescheduling options, and clear directions for onsite tours.

ANTICIPATE COMMON RENTER QUESTIONS AND NEEDS

Exceptional digital experiences answer common questions that shoppers are trying to solve for. Your property can answer frequently asked questions from your renters in a variety of engaging ways—from property photos and maps to reviews. Here are a few ways to develop digital experiences with common questions in mind:

"What's the neighborhood like?"

Renters can quickly get a feel for your community if you have "places nearby" enabled on your listings. Photos and videos of events, partnerships with local vendors, and welcome kits with local recommendations also showcase your property location in a fun and experiential way.

"Can I trust that it will be this good once I start living there?"

Ratings, reviews, and social media are powerful word-of-mouth indicators of what it's like for residents of the community. Ensuring that they are available, recent, and responded to will help you build trust early and get ahead of renters' remorse down the line.

"Is this property pet friendly?"

Clear pet policies in listings and the website, fun photos of community pets, and other examples of your community (dog park photos, pet washing stations, etc.) are all ways to effortlessly address this.

"What shape is the apartment in?"

The key question most properties answer can inspire a variety of digital content. Think about how your 3D tours, videos, photos, floor plans, and other visual guides reflect the on-site experience.

WORK WITH NEW BROWSING BEHAVIORS WITHOUT WORKING AGAINST YOUR BUSY SCHEDULE

Touring schedules have changed post-pandemic. The rise in remote work has prompted many renters to research apartments on their own time—during what used to be off-hours.

In a panel at the 2022 Apartmentize conference entitled "What Do Post-Pandemic Renters Need? Data & Industry Expert Perspectives," speakers shared how this has impacted leasing schedules. In the past, days surrounding the weekend—Fridays, Saturdays, and Mondays—used to be the most popular times to tour. However, Tuesdays have recently become a popular tour day as workers make time to quickly explore a new property.

The digital evolution of leasing has also made late-night browsing easier. Instead of overextending leasing teams, properties use automated communication channels and support to fill in outside of office hours. To provide a high-quality renter experience, also ensure outside support teams understand your team's priorities and can interact with renters as an extension of your team. Virtual leasing solutions, text and email communication, web chat, and other digital messaging services can fulfill this need. Important to look for here are services that integrate with your PMS (property management system) or other platforms and FHA-compliant vendors.

CAN YOUR LEASING PROCESS PASS THE ULTIMATE TEST?

The best way to fully understand the renter journey is *by taking it*. Test out the leasing process for yourself and with your team. Fill out a lead form on your listings and property website to see firsthand what automated communications you receive. Test out booking, rescheduling, and canceling a tour to see how simple or difficult moving through each process is. Write down any questions that come up ("Where could I call the leasing team from this page?"), natural responses you had ("I want to see more but am not sure where to find the website"), and wish-list items for where you want to see improvement. Then, use your findings to make tweaks to the current process.

The renter experience is constantly evolving. With simplicity in mind, you can make adjustments or shift strategies according to a time that works for your team, your budget, and your current processes.

__Rachel Richardson__ is a Content Manager for Rent. a rental marketplace.

By: *Jim Albertelli*

OPPORTUNITY AMID ADVERSITY

Here are four ways we can collectively drive innovation and change during these leaner times.

History has proven that times of turmoil are cauldrons for revolutionary thinking. It's during the tough times, when the world as we once knew it shifts and our daily business slows, that people begin to search in earnest for a better way to do things.

Certainly, this lesson could be applied to the mortgage space, which has suffered in the post-COVID-19 era of soaring interest rates. Lenders have spent the past year navigating a choppy market, trying to figure out how to effectively scale back from the pandemic boom, and it's left them worse for the wear.

While many of my colleagues may lament the tough times, I embrace them because I see opportunity in the ashes. I know that adversity inspires innovation, and I know that the mortgage market desperately needs some of that right now.

For far too long, consumers have come second to the bottom line. But I believe that the industry can leverage technology to help more homeowners *and* enhance their profits. It comes down to using data and analytics to not only optimize the lending process, but also bring about real societal change. Here's how I think we can achieve this impressive double whammy.

1. OPTIMIZE YOUR TAX ANALYTICS

Lenders/servicers can use data and analytics to assist homeowners in the review and analysis of their property taxes. For instance, governments and municipalities offer various property tax credits for the benefit of homeowners, like veterans or those over the age of 55, but most lenders do not cull their portfolios to ensure that their customers are receiving the benefits they are entitled to that could save thousands of dollars.

Similar data analysis could be used to determine what borrowers in a lender/servicer's portfolio have homes that have been under-assessed, which could affect a borrower's ability to pay down the road and help lender/servicers get ahead of a potentially damaging situation. Or, it could be used to identify properties that have been over-assessed, meaning the borrower is paying more in taxes than they should and will therefore have less money available to pay their mortgage.

Applying these types of analytics to a portfolio can benefit the borrower by identifying meaningful savings, as well as the lender/servicer, who could use the information to take extra steps to ensure their borrowers' ability to repay. In effect, lender/servicers that commit to a property tax analysis are effectively reducing the cost of homeownership for their borrowers.

2. VALIDATE YOUR APPRAISALS

To put it simply: the mortgage industry needs better methods to ensure the fast, accurate, and unbiased delivery of appraisals. Not only do appraisals drag out the loan process, but the presence of bias has had serious societal consequences. It's time for this industry to recognize the problem and instigate real change.

Again, the answer lies with data and analytics. Using desktop appraisal review products that aggregate and analyze

By: *Jim Albertelli*

"Do we really need a global pandemic to tell us that we should be developing solutions to help homeowners? Mortgage servicers can pivot from reactive to proactive by leveraging data analytics for targeted homeowner relief."

supplemental data points, lender/servicers could validate the credibility of an original appraisal and flag any problematic appraisals for review. This two-step process could be implemented at a minimal cost and have a significant impact on the lending landscape.

The National Association of Realtors' recent 2022 Appraisal Survey found that a whopping 63% of appraisers are still "very uncomfortable" using desktop appraisals. Additionally, nearly one-third of the appraisers surveyed felt that the process of completing their appraisals is often delayed. Simple technological solutions could remedy these issues, and now is the time to implement them.

3. FUND TARGETED HOMEOWNER RELIEF

Mortgage servicers have access to meaningful data related to homeowner's property and financial status. What do they do with it? Not a whole lot.

Assessing this data to identify homeowners who could benefit from targeted relief programs could result in impactful change for borrowers. The pandemic brought this to light. However, even then, forbearance only became an option for homeowners when the Federal government mandated it. Only in the most dire time of need did the market develop products and create packages aimed at helping ailing homeowners.

Do we really need a global pandemic to tell us that we should be developing solutions to help homeowners? Mortgage servicers can pivot from reactive to proactive by leveraging data analytics for targeted homeowner relief.

4. AUTOMATE DUE DILIGENCE

Do originators want to automate due diligence? Chances are, they do. Do they know how? The answer is a resounding no. The answer lies in finding a capable counterparty. The right counterparty can act as an insurance policy against forced buybacks. For minimal cost, third-party due diligence providers can cover even the most complicated issues (e.g. RESPA).

This not only shifts the risk, but it also makes selling to investors much more efficient, which drives down the cost of origination and results in better execution for the investor. It's a win for everyone.

And to prove it, Voxtur is all in. We recently acquired Blue Water Financial Technologies, a provider of asset valuation, MSR distribution, MSR hedging, and digital solutions to MSR investors and mortgage lenders. Fusing Blue Water's digital asset capabilities with Voxtur's data repository and analytic solutions, we are creating a powerful and sophisticated new platform to streamline mortgage trading. This allows Voxtur to provide dynamic and agile data analytic solutions to the mortgage industry, so that we're all prepared the next time history repeats itself.

***Jim Albertelli** is CEO of Voxtur. As CEO, he is responsible for the company's overall vision and direction. With over 25 years of experience in the real estate and technology sectors, Albertelli has developed multiple technology platforms that support real estate investors and servicers. To further support the needs of his institutional clients, Albertelli created and built a national title, escrow, and closing company. Albertelli is also the founder of ALAW, a legal services provider to the financial services and mortgage banking industries. Albertelli is a member of the Florida Bar, the State Bar of Georgia, and the United States Supreme Court Bar and serves on the Board of Advisors for Emory University School of Transactional Law.*

By: *Jane Mason*

MANAGING 'BUY VS. BUILD'

The traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry's digital growth.

There's little question that servicers need good technology if they hope to continually streamline their processes, meet their customers' digital demands, and drive seamless servicing that creates powerful results. However, the traditional mindset that servicers either need to buy technology or build it themselves has handcuffed the industry's digital growth.

While there's logic behind both strategies, each can create siloed outcomes adding to higher costs and perpetuating this either/or approach. It is why so many organizations continue to struggle to improve overall efficiency. Yet, there is a more innovative path to choose that involves leadership, vision, and modern technology, in which servicers can have it all.

THE PITFALLS OF DIY

It's not as if servicers *can't* build their own technology. Any company with enough money can hire software developers and IT professionals and get them to build whatever they want. However, building technology is a major investment of time and resources that rarely goes the way servicers think it will. The fact is that servicers were never intended to be technology developers, which is why so many DIY efforts end up going astray.

For example, most attempts to build technology in-house are done reactively and are focused on managing or limiting the impact of an isolated issue. Such efforts could be as minor as creating a last-minute spreadsheet to building out a complete point solution that solves a current, short-term problem. Because these efforts are done reactively and rarely protect data integrity—often reusing critical data that produce error prone outputs—they not only fail to deliver real improvement but often create additional obstacles and costs. In fact, at the MBA Annual Convention in Nashville last month, someone privately admitted they had lost $50 million on their own technology initiatives, which are now being rebalanced with new vision from the company's leadership.

Of course, I understand the urge some servicers have to build their own technology or buy technology that has to be built out. They might buy off-the-shelf software, but the bulk of off-the-shelf mortgage servicing software has failed to evolve with changing borrower expectations and a shifting marketplace that includes new regulatory requirements, pandemic-related challenges, and volatile interest rates. Newer technology can also be equally problematic. Some of the newer fintech products that have entered the market are not yet proven and were built by companies that lack industry knowledge all making the buy rather costly.

On the other side, building your own technology or building workflows from scratch with a software vendor uses up a servicer's precious resources on areas that are not their core business. It places too much responsibility and pressure on a servicer's staff, which leads to burnout when people are forced to constantly


SEO

By: *Jane Mason*

come up with fixes and workarounds just to get things done on a day-to-day basis. A servicer's software partners need to understand the business and have experience in consistently innovating through market trends.

A servicer's internal teams and outsourced developers may not be fully up to speed on what technologies are already available. Even if they are, the best technologies are not necessarily agreed upon by all parties involved. The teams and developers also may not know how to be inclusive of the customer journey or how to use seamless integration APIs that make mortgage servicing boundaryless. They may not have the capabilities to use what works from a proven process library, or the ability to add, change, and manage processes on their own without their software partner's help.

The impact of such activities isn't lost resources or dollars and cents—although it can contribute to higher costs. The bigger problem is that when productivity slows and your staff are continually being drained of energy because they are too focused on creating and fixing inadequate technologies, it ultimately shows up in poor customer service, leading to reputational harm and possibly enforcement actions. All negatively influencing the bottom line.

Despite the challenges, there is a better way to manage the build-buy relationship.

HOW TO HAVE IT ALL

Regardless of what options they choose, ultimately, a servicer's technology should provide real-time access to borrower information, enhance workflows, and utilize automation wherever possible. It should also create transparency and visibility into servicing processes to enable constant process improvement and drive compliance.

Fortunately, technology already exists that has these capabilities and more, including preset workflows and 24/7 borrower digital access to critical information, workflows, and responsiveness. Even better, servicers can leverage this technology to accelerate their strategic initiatives while retaining full operational control by tailoring it to fit the needs of their business.

However, servicers first need to evolve past their "buy versus build" ways of thinking about technology and embrace a buy and build approach. That's because it's completely possible to buy pre-built technology and strategically enhance and customize it in order to better service loans more digitally, cost-effectively and efficiently, regardless of where borrowers are in the loan lifecycle or the evolving mortgage ecosystem.

With this approach, servicers can easily and readily change processes and workflows as new market challenges emerge, such as the ability to bulk process forbearance requests or provide instant relief to homeowners who have been impacted by a recent hurricane, wildfire, or another natural disaster. This is made possible through cloud-based software delivery that allows a servicer's analysts or processors to access, configure, and manage workflows no matter where they are located or what device they use. Servicers could also take the full SaaS approach and have their process expert software partner make these changes for them.

The end result of this approach is more innovative, progressive, efficient, and seamless servicing that produces the highest level of returns. Keep in mind that originators are trying to optimize their costs and retain customers too, particularly in today's increasingly difficult market. They obviously favor servicing partners that incorporate proven, process-driven technology that enhances the borrowers' experience.

Simply put, there is no better way to achieve this level of innovation than buying technology that is already proven and building upon as necessary, based on ever-evolving industry scenarios.

NO TIME TO WASTE

Regardless of what path you choose when implementing technology, this is no time to make costly mistakes. Servicers can have both pre-built proven processes, robust features, integrations, smart data integrity, and the ability for their teams to build new workflows that they need from easy-to-use interfaces. But they ought to act soon.

Servicers spent the past decade heroically navigating historic levels of mortgage defaults, soaring refi volumes, requests for assistance from an endless procession of natural disasters and a pandemic, and a relentless wave of new complexities to their businesses. With an increase in borrower defaults coming in the months and year ahead—as more Americans grapple with rising prices and an economy on the verge of recession—it's not going to get any easier.

As the landscape shifts, servicing costs can only rise from here on out, and the impact will be much more severe for companies that fail to take a proactive approach to their technology.

However, that proactivity should not go as far as taking on the entire burden of building and maintaining technologies on one's own. Such a burden is simply too great and too risky in today's rapidly changing environment. Instead, servicers should be spending their resources carefully by leveraging innovation that brings all parties into a cohesive, connected, and proven way of doing business.

Imagine providing today's increasingly impatient consumer with any request they need at any time, through any device, within a personalized user-friendly online portal, while lowering costs and improving customer retention. These things are already possible. To achieve them, servicers first need to embrace a buy-and-build approach, and the best time to start is now.

***Jane Mason** is CEO and Founder of Clarifire and the original architect behind CLARIFIRE, an application that brings all parties within mortgage servicing operations together onto one secure platform. She is a recognized leader in technology solutions for the financial services and mortgage industries. With over 15 years' experience in financial services technology, Mason started her career in business operations, quickly becoming an executive of an international law firm. As an entrepreneur and innovator, Mason has received numerous awards and accolades for her service in local business and the national mortgage stage.*

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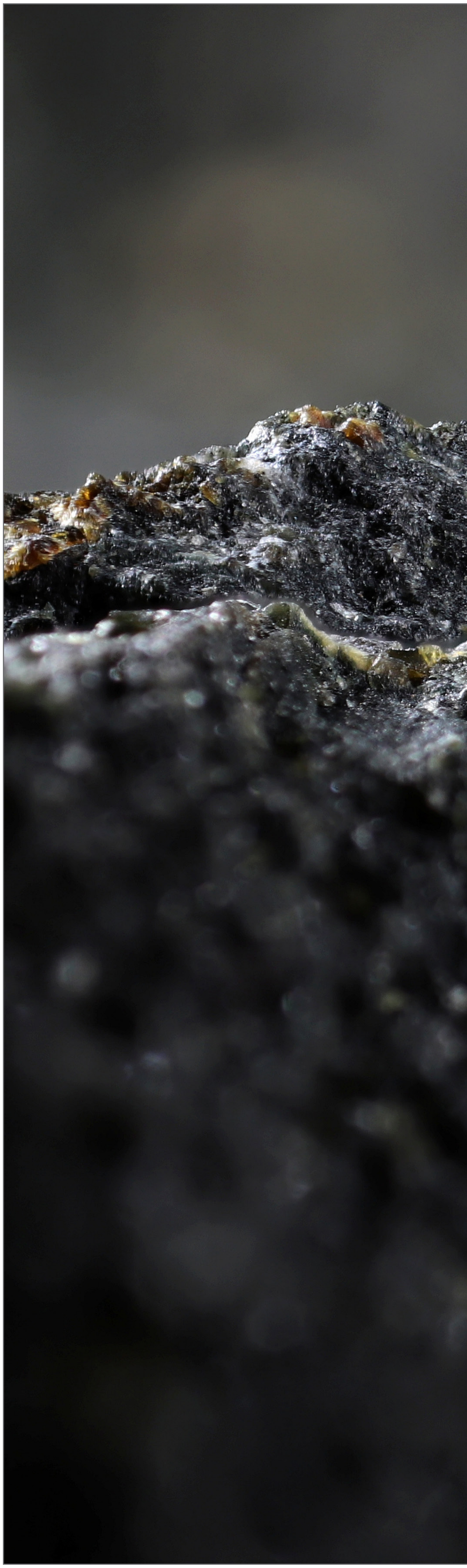
By: *Wendy Lee*

UNCOVERING DIAMONDS IN THE ROUGH

How will you refine talent during this tough 2022-23 mortgage cycle?



As the mortgage industry goes through this sharp tightening cycle in 2022-23, we must look deeper than shock-and-awe headlines about headcount reductions and lender/bank strain. Our industry will still fund around $2 trillion in new loans this year, and there is still $12 trillion in outstanding mortgage balances. So we're still serving millions of consumers every day, and doing so when they need it most. This is critical work being done by seasoned pros who care deeply about the consumers we all serve.

And as M&A activity ramps up, lenders, servicers, and fintechs can and will make smart deals to shore up talent and tech stacks. These dealmakers look at "Who's getting laid off now?" headlines as opportunistic moments to answer questions like: "How can we refine talent to advance our strategy?" Based on my experience in multiple market cycles, I have some ideas about where that conversation should go.

GOT TALENT? TWO APPROACHES TO DEVELOPING HUMANS IN THIS MARKET

Mortgage-industry insiders might say this sector is too nuanced for outsiders, but new people are always needed to drive innovation, and here's why—from two different angles.

First, we should remain open to the tech-disruption narrative that says outsiders bring fresh perspectives. It's easy to question the relevance of, say, a retail e-commerce tech pro coming into mortgage.

However, they've participated in complete innovation cycles in their world that we haven't fully seen yet in ours. Retail innovation happened faster (and actually set the tone) for consumers who now expect to manage their entire lives from a smartphone.

We haven't come as far in originations and servicing because innovation took longer to take root in our highly regulated world. But from where I sit at Sagent, where we're now leading consumer-first modernization in servicing, our industry needs tech talent that has already led a few rounds of consumer-first innovation.

It's also a net win for us to bring in these seasoned technologists, train them on mortgage technical issues, and mold them into the fintech professionals we need.

Which is where the second approach comes in: we must do the same thing with early-career talent.

By: **Wendy Lee**

Whether those are folks from other industries or younger team members already in the mortgage space, it's up to all of us to groom the next generation of mortgage experts.

As a mentor to many who are earlier in their careers, I tell them a tough cycle like today is better to learn in. This 'trial by fire' approach is especially true in mortgage servicing, which gets even more technical during down cycles.

Default management is full of nuances across forbearances, loan modifications, and judicial vs. non-judicial foreclosures. This is granular work that involves consumers, banks, lenders, servicers investors, regulators, lawyers, title companies, appraisers, and—of course—a whole ecosystem of fintech software solutions.

Whether those are folks from other industries or younger team members already in the mortgage space, it's up to all of us to groom the next generation of mortgage experts.

I've said it before (and insiders know it well): this isn't an industry that's taught in universities. It's taught in the trenches.

LESSONS FROM MY OWN CAREER PATH

This is why I've made mentoring others such a high priority. I spent most of my two-decade mortgage career at law firms representing lenders on issues pertaining to foreclosures, bankruptcies, and property-related litigation. This included managing scale foreclosure operations during the fallout from the global financial crisis.

At the same time, I watched the tech disruption revolutionizing other industries, saw what it did to the people and companies who weren't prepared, and didn't want that to happen to me or this industry.

So I dove into digital transformation and the role of technology in making things better for mortgage operators, consumers, and investors.

It was very organic, and definitely a learn-in-the-trenches moment.

The same approach led to my current career chapter as Chief Legal Officer for Sagent. I had been observing the innovation progress in mortgage originations and noticed Sagent's laser-focus on bringing that same progress to mortgage servicing where lenders manage and grow lifetime relationships with homeowners.

The rest was good old-fashioned hustle to network and find a way to this next opportunity.

IS YOUR MORTGAGE RESUME RELEVANT FOR THE FINTECH ERA?

Only now, almost a year into this job, am I asking myself whether it was more the mortgage or the fintech expertise that got me here.

My answer (at least for now) skews toward mortgage expertise. I was able to pick up on the fintech part because, as noted before, I have maintained a long-term lens on the impact of technology in mortgage.

For me, there's an additional aspect which is my extracurricular curiosity and exposure to the world of tech startups. Watching innovation in other spaces gave me context: how a startup unfolds as a founder conceives an idea, obtains funding, deploys said funding into constructing said idea, and then redefines the status quo into a better experience for users, customers, and industries.

Regardless, you can see from my example how exploring your own skill set, curiosity, and long-term interests can help you find or fine-tune your path.

So let me boil this all down to two pieces of advice:

1. **Be confident.** Don't ever think you don't have the right experience. Markets, policymaking, mortgage operations, and the fintech software that powers it all are always evolving in real-time. Experience is gained daily.
2. **Be brave.** Don't fear that this market cycle will send you packing. If your head is in the game and you're ready to solve complex problems, a tough market cycle could just be your best growth chapter.

This applies exponentially as the servicing innovation era converges with the latest market cycle. Opportunities abound for those always working to keep their mortgage resumes fit for the fintech era.

__Wendy Lee__, EVP, Chief Legal Officer at Sagent, has been engaged as a legal executive in mortgage servicing and technology for more than 20 years. As both a front-line lawyer and executive leader, she helped grow and shape the culture, internal governance, and customer experience in law firm life. Lee also has in-house experience, being part of founding teams for a few technology startups and an in-house counsel at a publicly traded bank engaging with servicing operations.

Government

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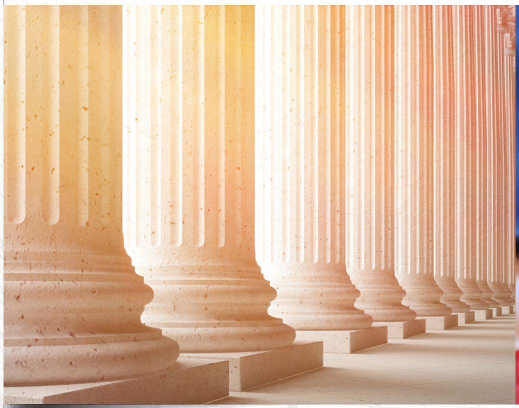


HUD: SERVICE COORDINATOR PROGRAM FUNDING WILL 'INCREASE STABILITY IN HOUSING'

The U.S. Department of Housing & Urban Development (HUD) has announced it would award $30 million in funds to 111 organizations—including public housing agencies, tribally designated Indian housing entities, resident associations, and nonprofit organizations—for the hiring and maintenance of service coordinators. Officials say these grants will help to create more affordable housing for Americans and better conditions in communities.

HUD service coordinators assess the needs of residents of conventional public housing or Indian housing and coordinate available resources in the areas they serve.

The goal of service coordinators, according to HUD, is "to make progress towards economic and housing goals by removing educational, professional, and health-related barriers."

The latest round of funding, known as the ROSS-SC awards, will support the creation of 135 service coordinator positions across the country and will also increase salary limits for existing service coordinators. Other tweaks to HUD's service coordinator program include making direct services an eligible expense when there are service provider gaps. The awards and program changes, according to HUD Secretary Marcia L. Fudge, "can increase stability in housing, health, and personal finance."

Secretary Fudge explained that HUD service coordinators "encourage a holistic approach" to providing for the needs of public housing residents.

"These service coordinators will play an important role in supporting residents, particularly the growing demographic of the disabled and elderly, as they gain greater independence within their communities," Fudge said.

For elderly or disabled public housing residents, these services can also include the ability to age in place or remain living independently for as long as possible, according to HUD.

Housing agencies in Arkansas, Alabama, Colorado, Florida, Georgia, and Illinois received funds during this round of ROSS-SC awards. A full list of program awardees can be found at HUD.gov.

DEFAULT RISK ON GSE ACQUISITIONS RISING

According to Millman, Inc., the default risk on government-sponsored enterprise (GSE) acquisitions—purchased by either Fannie Mae or Freddie Mac—increased to 3.54% in Q3 2022.

This is up from Q2's 3.02%. The results of the Millman survey report forecast that 3.54% of all loans originated in Q3 2022 will become delinquent (180 days or more) over their lifetimes.

Millman reported that rising interest rates during the quarter had a large impact on the mortgage market, with mortgage originations falling 62% annually. Refinance activity is a cause for most of the decline, as refinances are down 87% year over year.

"With interest rates rising, fewer homeowners are refinancing for a more favorable rate or length-of-loan compared to the year prior," said Jonathan Glowacki, a Principal at Milliman and author of the MMDI. "Instead, most refinance activity is for cash-out loans, which are typically associated with higher borrower risk. That, plus increasing economic risk associated with an expected slowdown in home price growth, are contributing to the increased mortgage default risk we're seeing."

New data reports homeowners are falling behind more frequently, as Black Knight found delinquencies rose in October 2022. The national rate rose 4.5% to 2.91%, up 12 basis points from September, which was mostly driven by a 9.4% rise in 30-day delinquencies. Loans that were 60 days past due were up 2.9% in October while mortgages 90 days past due saw continued improvement over the last few months dropping 1.5%.

Florida led the nation in the 19,000-loan jump in early delinquencies, indicating early numbers of homeowners who stopped paying their mortgages due to damage or destruction from Hurricane Ian.

FHA ISSUES FORWARD AND REVERSE LOAN LIMITS FOR 2023

The Federal Housing Administration (FHA) has announced new loan limits for calendar year 2023 for its Single-Family Title II forward and Home Equity Conversion Mortgage (HECM) insurance programs. Loan limits for most of the country will increase in the coming year due to house price appreciation during the first half of 2022, which is factored into the calculations the FHA uses to determine the limits each year.

"The loan limits announced today reflect steep increases in home prices throughout much of the country and will ensure continued access to FHA-insured mortgage financing despite those increases," Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon said.

The new forward mortgage loan limits are effective for FHA case numbers assigned on or after January 1, 2023:

Note that mortgage limits for the special exception areas of Alaska, Hawaii, Guam, and the U.S. Virgin Islands are adjusted by the FHA to account for the high costs of construction in those areas.

The maximum loan limits for FHA forward mortgages will rise in 3,222 counties, while in just 12 U.S. counties, FHA's loan limits will remain unchanged. By statute, the median home price for a Metropolitan Statistical Area (MSA) is based on the county within the MSA that has the highest median price.

The HECM/reverse mortgage maximum claim amount will increase from $970,800 in calendar year 2022 to $1,089,300, effective for FHA case numbers assigned on or after January 1, 2023. This maximum claim amount applies to all areas, including the special exception areas of Alaska, Hawaii, Guam, and the U.S. Virgin Islands.

The FHA is required by the National Housing Act (NHA), as amended by the Housing and Economic Recovery Act of 2008 (HERA), to set single-family forward mortgage loan limits at 115% of area median house prices for a particular jurisdiction, subject to a specified floor and a ceiling. In accordance with the NHA, FHA calculates forward mortgage limits by MSA and county.

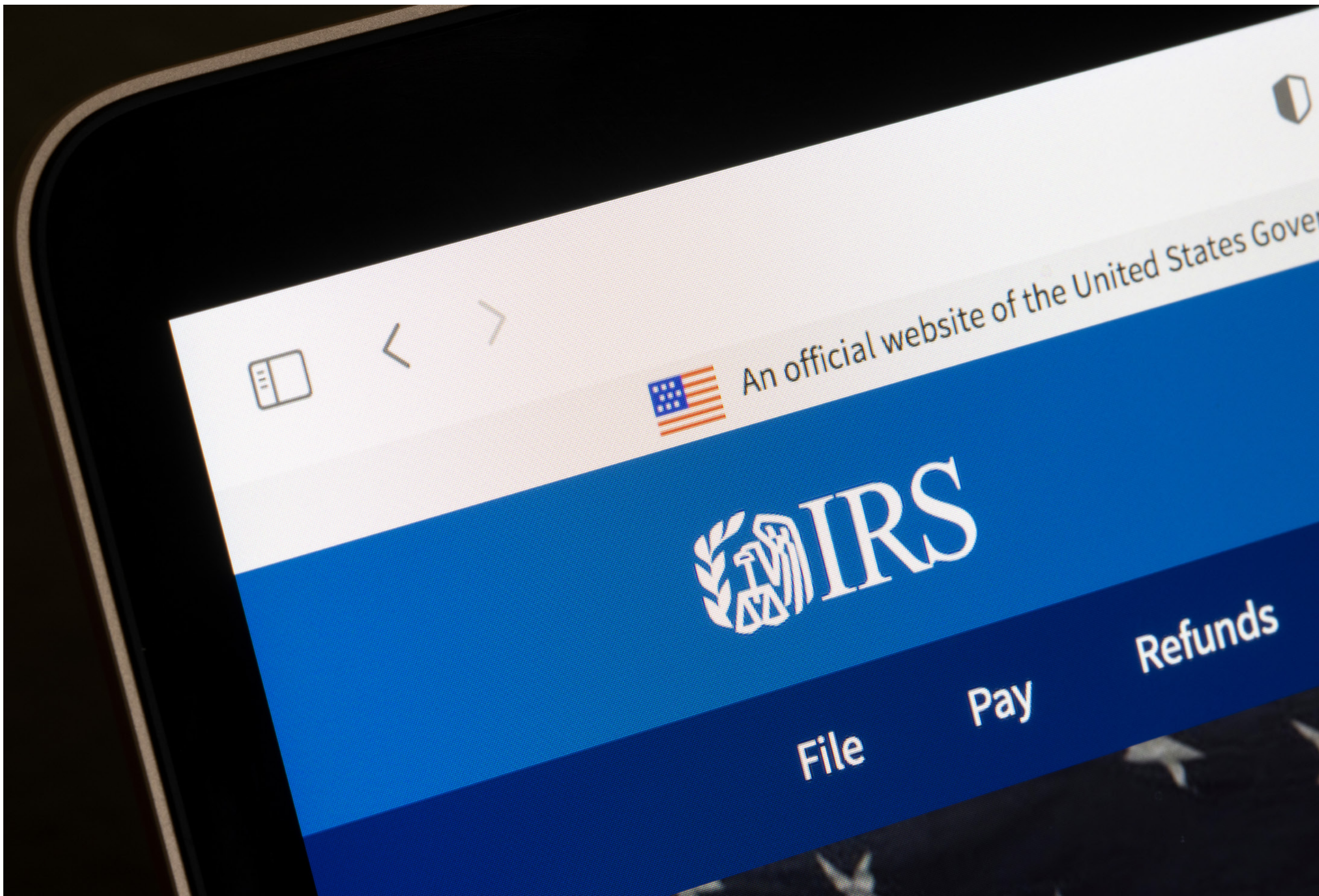
The NHA requires FHA to establish its floor and ceiling loan limits based on the national conforming loan limit set by the Federal Housing Finance Agency (FHFA) for conventional mortgages owned or guaranteed by the government-sponsored enterprises (GSEs)—Fannie Mae and Freddie Mac.

The national conforming loan limit for 2023 for a one-unit property is $726,200. FHA's 2023 minimum national loan limit floor of $472,030 for a one-unit property is set at 65% of the national conforming loan limit. This floor applies to those areas where 115% of the median home price is less than the floor limit. Any area where the loan limit exceeds this floor is considered a "High-Cost Area." In these High-Cost Areas, the FHA establishes varying loan limits above the floor based on the respective median home prices in each area.

The NHA requires the FHA to set its maximum loan limit ceiling for high-cost areas at $1,089,300, which is 150% of the national conforming loan limit. Forward mortgage limits for the special exception areas of Alaska, Hawaii, Guam, and the U.S. Virgin Islands are adjusted further by FHA to account for the high costs of construction in those regions.

Additionally, the FHA-insured HECM maximum claim amount is calculated at 150% of the Freddie Mac national conforming limit of $726,200. FHA's current HECM regulations do not allow the HECM limit to vary by MSA or county; instead, the single HECM limit applies to all HECMs regardless of where in the United States the property is located.

Property Size	Low-Cost Area "Floor"	High-Cost Area "Ceiling"	Alaska, Hawaii, Guam, and U.S. Virgin Islands "Ceiling"[1]
One-Unit	$472,030	$1,089,300	$1,633,950
Two-Units	$604,400	$1,394,775	$2,092,150
Three-Units	$730,525	$1,685,850	$2,528,775
Four-Units	$907,900	$2,095,200	$3,142,800



FHFA ANNOUNCES REVISED DEEMED-ISSUANCE RATIO FOR 2023

The Federal Housing Finance Agency (FHFA) has announced the deemed-issuance ratio for the 2023 calendar year in accordance with Internal Revenue Service (IRS) guidelines on the trading of the Uniform Mortgage-Backed Security (UMBS). The deemed-issuance ratio will be utilized for diversification reporting on the bonds delivered to the purchaser until the bonds have been disposed of, regardless of the issuing government-sponsored enterprise (GSE) on the underlying bonds.

The FHFA announces this ratio annually at least three weeks prior to the affected calendar year.

The IRS Revenue Procedure 2018-54 provides that the ratio may be rounded as long as the rounded ratio is further from 50/50 than the actual observed data. Therefore, the deemed-issuance ratio for the 2023 calendar year is 53% Fannie Mae and 47% Freddie Mac.

The IRS procedure provides guidance on Section 817(h) of the Internal Revenue Code diversification requirements for variable annuity, endowment, and life insurance contracts. The IRS has provided a deemed-issuance ratio to allocate issuer exposure for TBA trades between the Enterprises. Compliance with these requirements is impacted by the implementation of and trading in UMBS.

Revenue Procedure 2018-54 calls for FHFA to determine a deemed-issuance ratio for each calendar year based on the ratio of TBA-eligible securities issued by Fannie Mae and Freddie Mac during the 24-month period ending October 31 of the preceding year.

Revenue Procedure 2018-54 provides guidance and procedural rules for taxpayers that hold investments in one or more segregated asset accounts on which variable contracts are based. The guidance and rules allow these taxpayers to elect to treat certain mortgage-backed securities as having deemed issuers for purposes of the diversification requirements of Section 817(h) of the IRS.

COMPTROLLER OF CURRENCY OPENS NEW FINTECH OFFICE

Fintech seems to be the next area of exploration for the Office of the Comptroller of the Currency as it has announced it is establishing a new Office of Financial Technology. The move will bolster the agency's expertise and ability to adapt to a rapidly changing banking landscape.

In addition, the Office of Financial Technology will build onto existing work carried out by the Office of Innovation which was established in 2016 to coordinate agency efforts to support innovative, yet responsible, finance.

"Financial technology is changing rapidly and bank-fintech partnerships are likely to continue growing in number and complexity. To ensure that the federal banking system is safe, sound, and fair today and well into the future, we need to have a deep understanding of financial technology and the financial technology landscape," said Michael J. Hsu, the Acting Comptroller of the Currency. "The establishment of this office will enable us to be more agile and to promote responsible innovation consistent with our mission."

Following the typical office structure, the Office of Financial Technology will be led by a Chief Financial Technology Officer, who will be a Deputy Comptroller reporting to the Senior Deputy Comptroller for Bank Supervision Policy. The office will provide strategic leadership, vision, and perspective for the OCC's financial technology activities and related supervision.

FHFA ANNOUNCES CONFORMING LOAN LIMITS FOR 2023

The Federal Housing Finance Agency (FHFA) has announced the conforming loan limit values (CLLs) for mortgages to be acquired by the government-sponsored enterprises (GSEs)—Fannie Mae and Freddie Mac—in 2023. In most of the United States, the 2023 CLL value for one-unit properties will be $726,200, an increase of $79,000 from $647,200 in 2022.

The Housing and Economic Recovery Act (HERA) requires that the baseline CLL for the GSEs be adjusted annually to reflect the change in the average U.S. home price.

The FHFA also published its Q3 2022 FHFA House Price Index (FHFA HPI) report, which includes statistics for the increase in the average U.S. home value over the last four quarters. U.S. house prices rose 12.4% from Q3 of 2021 to Q3 of 2022, according to the FHFA HPI. House prices were up just 0.1% compared to Q2 of 2022. FHFA's seasonally adjusted monthly index for September was up 0.1% from August. Therefore, the baseline CLL in 2023 will increase by the same percentage.

"House prices were flat for Q3, but continued to remain above levels from a year ago," said William Doerner, Ph.D., Supervisory Economist in FHFA's Division of Research and Statistics. "The rate of U.S. house price growth has substantially decelerated. This deceleration is widespread with about one-third of all states and metropolitan statistical areas registering annual growth below 10%."

The FHFA reports that in areas where 115% of the local median home value exceeds the baseline conforming loan limit, the applicable loan limit will be higher than the baseline loan limit. HERA establishes the high-cost area limit in those areas as a multiple of the area median home value while setting the ceiling at 150% of the baseline limit. Median home values generally increased in high-cost areas in 2022, which increased their CLL. The new ceiling loan limit for one-unit properties will be $1,089,300, which is 150% of $726,200.

Special statutory provisions establish different loan limits for Alaska, Hawaii, Guam, and the U.S. Virgin Islands, and in these areas, the baseline loan limit will be $1,089,300 for one-unit properties.

GSES EXECUTED NEARLY 25K IN FORECLOSURE PREVENTION ACTIONS IN AUGUST

The Federal Housing Finance Agency (FHFA) has issued its latest Foreclosure Prevention, Refinance, and Federal Property Manager's Report, covering the month of August 2022, which found that combined, Fannie Mae and Freddie Mac completed 24,603 foreclosure prevention actions in August, bringing the total number of actions to 6,639,479 since the start of the conservatorships in September of 2008. Approximately 39% of these foreclosure prevention actions have resulted in permanent loan modifications.

The FHFA reported that there were 9,090 permanent loan modifications in August, bringing the total to 2,601,031 since the conservatorship of the government-sponsored enterprises (GSEs) began in September 2008.

The total number of loans in forbearance plans continued to trend downward from its peak in May 2020 but remained elevated through August 2022 compared to pre-pandemic levels. As of August 31, 2022, there were 80,494 loans in forbearance, representing approximately 0.26% of the GSE's single-family conventional book of business, down from 84,385 or 0.27% at the end of July. Approximately 6% of these loans have been in forbearance for more than 12 months.

Nearly 58% of the loan modifications reported in August 2022 include "Reduce Rate" and "Extend-Term." Modifications with principal forbearance accounted for 11% of all loan modifications during the month. The number of borrowers who received payment deferrals after completing a COVID-19-related forbearance plan rose 2% from 10,631 reported in July to 10,856 in August.

Forbearance plans that were initiated in August increased from 13,453 in July to 14,664 in August 2022. The total number of loans in forbearance decreased from 84,385 at the end of July to 80,494 at the end of August, representing approximately 0.26% of the total loans serviced, and 16% of the total delinquent loans.

Also in August, the 30- to 59-day delinquency rate decreased to 0.76%, while the serious delinquency rate declined to 0.71% at the end of August. Third-party and foreclosure sales decreased slightly to 1,165 while foreclosure starts increased by 15% to 6,248 in August 2022.

Completed Foreclosure Prevention Actions

Since the first full quarter in conservatorship (4Q08), combined completed foreclosure prevention actions total 6,639,479. Approximately 39 percent of these actions are permanent loan modifications.

	2019	2020	2021	YTD Aug-22	Conservatorship to Date[1]
Home Retention Actions					
Repayment Plans	25,106	23,881	11,534	7,892	1,005,272
Forbearance Plans	14,895	675,194	206,908	47,556	1,199,039
Charge-offs-in-lieu	1,493	954	976	353	20,117
Payment Deferral		426,557	492,076	121,129	1,039,762
HomeSaver Advance *(Fannie)*	-	-	-	-	70,178
Loan Modifications[2]	75,961	50,884	62,411	97,654	2,601,031
Total	**117,455**	**1,177,470**	**773,905**	**274,584**	**5,935,399**
Nonforeclosure - Home Forfeiture Actions					
Short Sales	4,053	2,936	1,585	453	605,961
Deeds-in-lieu	1,622	881	535	164	98,119
Total	**5,675**	**3,817**	**2,120**	**617**	**704,080**
Total Foreclosure Prevention Actions	**123,130**	**1,181,287**	**776,025**	**275,201**	**6,639,479**

[1] Since the first full quarter in conservatorship (4Q08).
[2] Includes HAMP permanent modifications.

Source: FHFA (Fannie Mae and Freddie Mac)

CFPB ADDRESSES CONSUMER REPORTING COMPANIES' INVESTIGATION PRACTICES

The Consumer Financial Protection Bureau (CFPB) issued a circular to affirm that neither consumer reporting companies nor information furnishers can skirt dispute investigation requirements. The circular outlines how federal and state consumer protection enforcers, including regulators and attorneys general, can bring claims against companies that fail to investigate and resolve consumer report disputes.

The CFPB has found that consumer reporting companies and some furnishers have failed to conduct reasonable investigations of consumer disputes and to spend the time necessary to get to the bottom of inaccuracies. These failures can affect, among other things, people's eligibility for loans and interest rates, insurance, and rental housing and employment.

"One wrong piece of information on a person's credit report can have destructive consequences that follow a consumer for years," CFPB Director Rohit Chopra said. "Companies that fail to properly address consumer disputes in accordance with the law may face serious consequences."

When people identify inaccurate information on their consumer reports, they can dispute it with the consumer reporting company. However, that important right is dependent on consumer reporting companies and furnishers conducting complete investigations. The CFPB's supervisory exams suggest that consumer reporting companies do not always live up to their investigatory responsibilities. In some cases, the CFPB found consumer reporting companies ignored the results of their investigations and simply deleted disputed tradelines instead of correcting inaccurate information. Consumer complaints received by the CFPB highlight similar problems. Inaccurate information and failures to investigate are the two most common consumer-reporting complaints received by the CFPB.

Consumer reporting companies are required to investigate all disputes that are not frivolous or irrelevant. Consumer reporting companies and furnishers may be liable under the Fair Credit Reporting Act if they fail to investigate relevant disputes, and claims can be pursued by both state and federal consumer protection enforcers and regulators. Specific responsibilities for the investigations include:

» **Consumer reporting companies must promptly provide to the furnisher all relevant information regarding a person's dispute:** After a person disputes the accuracy or completeness of information in their file, the consumer reporting company must notify the entity that originally furnished the information within five business days. In addition, the consumer reporting company must give the furnisher all relevant information provided by the individual.

» **Consumer reporting companies and furnishers may not limit a person's dispute rights:** Consumer reporting companies and furnishers must reasonably investigate disputes received directly from individuals. For furnishers, they must reasonably investigate all indirect disputes received from consumer reporting companies. These requirements remain in place even if a person does not include or use the entity's preferred format, intake forms, or documentation.

HUD EXPANDS FLOOD INSURANCE OPTIONS FOR HOMEOWNERS

The U.S. Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), has announced that effective December 21, 2022, it will allow homeowners with FHA-insured mortgage financing to obtain flood insurance policies that conform to FHA requirements from private insurance providers. The change was announced through a final rule published in the *Federal Register* and in a companion Mortgagee Letter that provides implementation guidance for FHA-approved lenders.

FHA requires that insured mortgages for properties in Federal Emergency Management Agency (FEMA)-designated Special Flood Hazard Areas (SFHAs) have flood insurance. Previously, only flood insurance obtained through the National Flood Insurance Program (NFIP) was permissible for FHA-insured mortgages, which limited choices for consumers.

MBA's President and CEO Bob Broeksmit, CMB, has issued a statement on HUD's final rule on the acceptance of private flood insurance for FHA-insured mortgages.

"MBA applauds HUD's decision to permit lenders to accept private flood insurance policies, a move for which we have long advocated and that will give FHA borrowers who need flood insurance more choices and potentially better coverage at a lower cost," Broeksmit said. "The increasing threat of flood damage in many areas poses a significant risk to both homeowners and the FHA program. Accepting private flood insurance shifts some of the risk to the private market, ultimately helping to protect FHA's Mutual Mortgage Insurance Fund. MBA will continue to work with HUD on improvements to housing policies and regulations that benefit borrowers while maintaining the safety and soundness of the FHA program."

"Although the final rule is a win for FHA borrowers, there is some concern that the lack of complete alignment with federal flood insurance requirements may lead to the rejection of some flood policies on FHA loans that are acceptable for other federally backed loans," Broeksmit said.

"Today, HUD is increasing the flood insurance choices available to individuals and families with FHA-insured loans in areas that FEMA has designated to be at special risk for flooding," HUD Secretary Marcia L. Fudge said. "Flood insurance is required to ensure families and individuals are prepared if disaster strikes. Increasing consumer options for this important protection is one way we are building more resilient communities in the face of climate change."

"We know borrowers face affordability challenges right now, yet a flood can be devastating to a family who is not properly insured," Federal Housing Commissioner Julia Gordon said. "The choice to select a private flood insurance option may enable some borrowers to obtain policies that are less expensive or provide enhanced coverage."

As part of its implementation, as of December 21, 2022, FHA will require lenders to provide detailed flood insurance coverage information when electronically submitting mortgages for FHA insurance on properties in SFHAs. This data collection is an objective included in HUD's Climate Action Plan and will allow FHA to capture and analyze flood insurance information on mortgages in its portfolio at a more granular level than has been possible previously.

Ensuring that borrowers are protected against flood risk is a key component of HUD's Climate Action Plan. In 2021, HUD released its Climate Action Plan in response to President Biden's Executive Order on Tackling the Climate Crisis at Home and Abroad. HUD has been implementing this broad approach to the climate crisis that reduces climate pollution; increases resilience to the impacts of climate change; protects public health; delivers environmental justice; and spurs well-paying union jobs and economic growth. The action further guides the integration of climate resilience and environmental justice into HUD's core programs and policies.

FANNIE MAE: HOUSING MARKET DOWNTURN IN 2023, IMPROVEMENT IN 2024

As 2022 draws to a close, Fannie Mae has released an outlook that extends into 2024.

This release was highlighted in Fannie Mae's Research and Insights Blog which overall is still predicting a downturn of 0.6% in 2023 and is now predicting improvement moving into 2024.

For its first take on 2024, Fannie Mae is projecting total sales of 5.25 million housing units, up 18.6% from 2023's forecast, as they expect a "pullback" in mortgage rates amid a broader economic recovery while new home sales will help ongoing inventory levels.

Fannie Mae also left their forecasts for the remainder of 2022 and all of 2023 unchanged; 2022 is expected to see 5.67 million housing units sold by the end of the year, while 2023 is expected to see 4.42 million units sold. They further predict that home sales will hit the bottom of the trough during the second quarter of 2023—at a selling pace of 4.27 million annualized units—as the full effects of higher mortgage rates and the projected recession take hold.

Given this information, Fannie Mae did increase 2022 home sales volume to increase to \$2.34 trillion, while they lowered 2023's expectations to \$1.71 trillion from \$1.74 trillion.

"Pending sales, which lead closings on average by 30-45 days, also fell 10.2% in September, and purchase mortgage applications trended downward over the past month according to the Mortgage Bankers Association," Fannie Mae said. "Together, these point to further existing home sales declines over the remaining months of 2022. We forecast total existing home sales will be 5.03 million in 2022 and 3.90 million in 2023 before rebounding in 2024 to a pace of 4.60 million."

While GDP returned to positive territory in the third quarter of 2022, continued volatility in international trade has had an "outsized effect on the topline GDP numbers this year."

Looking at inflation, the most recent numbers indicate that inflation may have peaked as the Consumer Price Index's inflation report in October came in under Fannie Mae's predictions.

"While monthly inflation data can be volatile, as has been the case recently, there are signs in this report that inflationary pressures may be easing broadly," Fannie Mae wrote. "We have long predicted that core goods prices would eventually drag on CPI as supply chain pressures eased and demand for goods declined, something which appears to have finally materialized in this report. Especially of note was a 2.4% decline in used auto prices. Further, core services inflation got some relief from falling healthcare prices, stemming from the lagged effect of how the BLS calculates health insurance costs. Both of these trends are likely to continue."

CFPB CALLS OUT SERVICERS FOR VIOLATIONS OF THE FAIR CREDIT REPORTING ACT

The Consumer Financial Protection Bureau (CFPB) has released its Fall 2022 new Supervisory Highlights report on legal violations identified during the CFPB's supervisory examinations in the first half of 2022. The report details key findings across consumer financial products and services, including how consumer reporting companies and data furnishers continued to violate the Fair Credit Reporting Act (FCRA) by failing to promptly address, and update incorrect information on credit reports.

Prominent in the CFPB's report are instances where mortgage servicers charged impermissible fees when homeowners went to make their mortgage payments.

"The CFPB's supervision efforts limit the spread of potentially unlawful practices and consumer harm," CFPB Director Rohit Chopra said. "The CFPB's examination program continues to identify problematic practices and stop them before they spread."

Highlighted in the report was the CFPB's examination of mortgage servicers in violation of federal law by charging sizable phone payment fees—even though consumers were not made aware of these pay-by-phone penalties. During calls with borrowers, customer service representatives did not disclose the existence or cost of fees for paying over the phone, yet the borrowers were charged fees anyway. Following these findings, the CFPB required the servicers to reimburse all borrowers who paid phone payment fees when those fees were not properly disclosed. In some cases, servicers charged consumers $15 fees for making payments by phone with customer service representatives.

The CFPB has been focusing on the practice of charging "pay-to-pay" junk fees. Earlier this year, a CFPB advisory opinion affirmed that federal consumer financial protection law often prohibits companies considered debt collectors under the Fair Debt Collection Practices Act from charging "convenience fees" to pay down a balance.

CFPB examiners also found that mortgage servicers unfairly charged some consumers fees while they were in CARES Act forbearances or failed to maintain policies and procedures reasonably designed to properly evaluate loss mitigation options. Section 4022 of the CARES Act prohibits a mortgage servicer from imposing "fees, penalties, or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract" on consumers receiving a CARES Act forbearance.

CFPB examiners also found that one or more of the nationwide consumer reporting companies failed to report to the CFPB the outcome of their reviews of complaints about inaccuracies on consumers' credit reports. In response to these findings, consumer-reporting companies changed their policies, procedures, and practices to be more transparent in handling such complaints. Additionally, CFPB examiners found violations of the accuracy obligations of the FCRA by furnishers, including finding that auto loan furnishers were reporting inaccurate information about consumer loans despite knowing that the information was inaccurate. In response to these findings, furnishers corrected the inaccurate information for affected consumers and made it easier for consumers to submit disputes directly to the furnishers.

CFPB examiners identified legal violations related to add-on product charges, loan modifications, double billing, electronic devices that interfere with driving, and debt collection tactics. In several examinations, examiners focused on junk fees. For example, examiners reviewed servicers' handling of add-on product charges where individuals had paid the full amount for certain add-on products as a lump sum at loan origination and made payments on these add-on products throughout the loan term. Examiners identified instances where borrowers paid off their loans early, but servicers engaged in an unfair practice by failing to provide refunds for unearned fees related to the add-on products. The borrowers were entitled to refunds of the related unearned fees because, upon early payoff, the loan and the add-on products terminated and no longer offered any possible benefit.

CFPB examiners have conducted assessments to evaluate how financial institutions handled pandemic relief benefits deposited into consumer accounts. They identified policies and procedures that may have resulted in people losing their pandemic relief benefits due to garnishments or setoff practices. In response to these findings, the CFPB directed the institutions to issue refunds and make process changes to ensure they comply with applicable state and territorial protections regarding garnishments and setoff practices.

Certain CFPB examinations also focused on mortgage servicers' actions as homeowners experienced financial distress related to the COVID-19 pandemic. CFPB examiners identified violations regarding failure to timely provide homeowners with CARES Act forbearances. Examiners also found that servicers unfairly charged some individuals fees, while they were in CARES Act forbearances, as well as failed to maintain policies and procedures reasonably designed to properly evaluate homeowners' loss mitigation options when CARES Act forbearances expired.

FANNIE MAE SECURITIES TO FEATURE NEW SOCIAL DISCLOSURES

Fannie Mae is now attaching two new social disclosures to their single-family mortgage-backed securities (MBS), called the Social Criteria Share (SCS) and the Social Density Score (SDS), which are designed to respond to investor feedback and aims to provide MBS investors with insights on socially oriented lending activities while helping individual consumers preserve their confidentiality.

Going forward, Fannie Mae will issue SCS and SDS disclosures at the issuing point starting December 2. To help with historical analysis, Fannie Mae is also providing charts containing common visualizations of prepayment activity.

"We're excited to release the new social disclosures after receiving positive feedback on the proposal over the last several months," said Devang Doshi, SVP of Single-Family Capital Markets at Fannie Mae. "This is a significant step forward in terms of providing insights for market participants while working to protect borrower privacy, and we remain committed to continued engagement with the investor community for further developments in socially conscious investments."

While these pool-level disclosures may support investors in determining which pools may meet their socially minded investment criteria, Fannie Mae is not labeling any pools as Single-Family Social Bonds. Fannie Mae will consider feedback from investors, second-party opinion providers, and other market participants to determine how to approach potential labeled issuance.

REPORT HIGHLIGHTS THE FHA'S ROLE IN AFFORDABLE FINANCING

As required by law, the Federal Housing Administration (FHA) has provided to congress and the public its annual report on the financial status of its Mutual Mortgage Insurance Fund (MMI Fund). The MMI Fund is used to operate the FHA Single Family mortgage insurance programs under the color of the National Housing Act.

The intent of the report is to show the FHA's significant role in supporting affordable financing for first-time homebuyers and people of color while also continuing to keep people in their homes who are experiencing residual COVID-19 effects. The report also gives updates on the FHA's work to support increased housing supply and affordability while reducing barriers to fair and equitable homeownership.

FHA's achievements in fiscal year 2022 are supported by a strong MMI Fund, as demonstrated by the Fund's capital ratio of 11.11% as of September 30, 2022.

"I'm so proud of FHA's work to make homeownership possible for our nation's underserved households and communities," said Julia R. Gordon, Federal Housing Commissioner. "Behind the bottom-line numbers are some two million individuals and families who were able to achieve homeownership or stay in their homes through hard times thanks to assistance from FHA."

All-in-all, the FHA has helped more than one million homeowners who were behind on their mortgages to obtain a forbearance or recovery option during the pandemic. In 2022, FHA reduced the number of serious delinquencies—mortgages 90 or more days past due—by almost half, ending with a serious delinquency rate of 4.77% on September 30, 2022. This number had reached more than 11% during the height of the COVID-19 crisis.

The FHA also highlighted its work to reduce barriers to homeownership and increase the housing supply and affordability. This was helped through new FHA policies allowing the use of rental history as a factor in FHA first-time homebuyer mortgage underwriting assessments, revised procedures to deal with any applicant employment gaps, and program modifications to FHA's property disposition programs to provide priority purchase opportunities for owner-occupant buyers.

Other key facts from the report as highlighted by the FHA include:

As in past years, in fiscal year 2022, FHA again led the industry in its support of first-time homeownership:

» The overwhelming majority of FHA insurance endorsements, some 84% of its total forward purchase mortgage endorsements (678,675 mortgages), were for mortgages made to first-time homebuyers in fiscal year 2022.
» The share of FHA's fiscal year 2022 total purchase mortgage endorsements on mortgages for first-time homebuyers was 37 percentage points higher than that of other participants in the U.S. housing market.

Supporting homeownership for communities of color is a core element of FHA's mission and a significant part of FHA's business:

» In fiscal year 2022, FHA provided an insurance endorsement on mortgages for 284,807 self-identified individuals and families of color, 29% of its total forward mortgage insurance endorsements.
» FHA served three times as many Black borrowers by share of its total forward mortgage insurance endorsements than the rest of the market, and two times as many Hispanic borrowers by share than the rest of the market, according to 2021 Home Mortgage Disclosure Act (HMDA) data, the latest such data available.

FHA's ongoing focus on helping borrowers struggling financially because of COVID-19 yielded substantial results in fiscal year 2022:

» From the start of the pandemic through September 30, 2022, more than one million borrowers with FHA-insured mortgages took advantage of loss mitigation home retention options or were in the process of obtaining loss mitigation through their mortgage servicer.
» More than 566,000 homeowners received a COVID-19 Recovery Standalone Partial Claim through their mortgage servicer throughout fiscal year 2022. The Standalone Partial Claim allows borrowers to place missed mortgage payments in a no-interest subordinate lien they do not need to repay until they sell the property or refinance their first mortgage.
» FHA's other loss mitigation home retention options have helped almost 445,000 borrowers to regain their financial footing and avoid foreclosure over the course of fiscal year 2022.
» As of September 30, 2022, FHA's serious delinquency rate, the percentage of mortgages 90 or more days delinquent, was 4.77%. This is a decrease of four percentage points in just one year and a reduction of more than seven percentage points from the peak of 11.90% experienced in November 2020.

The strong performance of the MMI Fund in fiscal year 2022 positions FHA well to pursue new opportunities through its programs:

» The overall Capital Ratio of the Fund increased by three percentage points over the previous fiscal year, ending at 11.11% as of September 30, 2022.
» FHA's forward mortgage portfolio achieved a stand-alone capital ratio of 10.47% as of September 30, 2022, a 2.48 percentage point increase over fiscal year 2021.
» The FHA Home Equity Conversion Mortgage (HECM) portfolio's stand-alone capital ratio stood at 22.77% as of September 30, 2022, a 16.69 percentage point increase from fiscal year 2021, due in part to the permanent allocation to the HECM portfolio of $1.7 billion in appropriated funds received by FHA in fiscal year 2013.
» The MMI Fund has $147.7 billion in MMI Capital, a $41.2 billion increase from fiscal year 2021.

MBA's President and CEO Bob Broeksmit, CMB, issued the following statement after the FHA released its annual report to Congress:

"Today's report reflects a very healthy FHA program, with continued strengthening of the FHA Mutual Mortgage Insurance Fund, lower delinquency levels, and fewer borrowers in pandemic-related forbearance."

"Thanks to prudent risk management over the past several years by HUD and FHA lenders, the Fund's capital reserve ratio is more than five times the statutory minimum reserve ratio and is well positioned to withstand an economic slowdown. We commend HUD and mortgage servicers for their ongoing work together during the pandemic to help homeowners successfully exit forbearance programs and stay in their homes."

"Given FHA's healthy financial position, MBA continues to believe that HUD should make FHA loans more affordable by reducing mortgage insurance premiums as soon as budgetary opportunities allow. This move would help offset the impact of higher mortgage rates and improve the purchasing power for many prospective first-time homebuyers, minority buyers, and those with low and moderate incomes."

"With further slowing in the housing market expected in the months ahead, MBA will work with HUD and FHA leadership to ensure FHA can safely and sustainably perform its countercyclical role in the market, particularly for first-time homebuyers and underserved communities."

> ***"Today's report reflects a very healthy FHA program, with continued strengthening of the FHA Mutual Mortgage Insurance Fund, lower delinquency levels, and fewer borrowers in pandemic-related forbearance."***
>
> *—**Bob Broeksmit**, President and CEO, MBA*

REP. WATERS ADDRESSES HUD'S HOUSING ASSISTANCE PAYMENTS

Congresswoman and Chairwoman of the House Financial Services Committee Maxine Waters has expressed concern over the U.S. Department of Housing & Urban Development's (HUD) draft solicitation for Housing Assistance Payments (HAP) Contract Support Services.

In a letter to HUD Secretary Marcia L. Fudge, Rep. Waters voiced concern over the negative impact the draft solicitation could have on mission-driven Performance Based Contract Administrators (PBCAs), like LA LOMOD Corporation (LA LOMOD).

Her letter also asks Fudge to ensure the final solicitation prioritizes the needs of HUD-assisted residents.

"Under HUD's current draft solicitation for HAP Contract Support Services, mission-driven entities, such as Housing Finance Agencies (HFAs) and Public Housing Authorities (PHAs), including LA LOMOD, would be at a disadvantage and potentially precluded from bidding to remain PBCAs. For instance, HFAs that provide financing to PBRA properties for construction or rehabilitation are expressly prohibited from serving as PBCAs under the draft solicitation," said Rep. Waters in her letter. "The federally assisted stock of affordable housing is aging and now is not the time to reduce the number of PBCAs, which may diminish the quality of oversight and response to tenants' needs."

Rep. Waters added that PBCAs are "critical" in assisting HUD in its oversight of the Project-Based Section 8 (PBRA) program, including processing contract renewals, conducting property inspections, providing tenant complaint intake, and managing ongoing subsidy payments to owners.

"Given the sensitive nature of the responsibilities of PBCAs, it is important to ensure the participation of mission-driven entities that often reinvest contract funds into affordable housing preservation and development as well as supportive services," Rep. Waters said.

Housing affordability nationwide is still front and center as 2022 ends. A new study from LendingTree found home values grew by more than 10 percentage points, on average, than incomes across the nation's 50 states.

On average, LendingTree reported that median home values increased by 17.36% from 2019 through 2021, while median household incomes grew by an average of 6%—a difference of 11.36 percentage points.

HUD EXPANDS CLIMATE-FRIENDLY INCENTIVE OFFERINGS

The U.S. Department of Housing & Urban Development (HUD) has updated guidance on the use and eligibility of the Rate Reduction Incentive (RRI), a climate-friendly incentive program available to Public Housing Agencies (PHAs) that encourages them to reduce their utility rates beyond what is already required by statute and/or regulation.

The program directly supports HUD's Climate Action Plan which sets forth goals to create climate resiliency, reduce greenhouse emissions, and pursue environmental justice in housing. The RRI helps HUD move towards those goals since energy efficiency solutions made possible through the program reduce a PHAs carbon footprint, promote long-term sustainability, and can improve the lives of residents.

"This updated guidance will help to create more sustainable communities, including by offering increased support for residents," HUD Secretary Marcia L. Fudge said. "HUD will continue to advance our Climate Action Plan with steps like these—which provide cost savings, benefit hard-working Americans, and looks out for our planet for future generations."

The updates and changes to the guidance provide clarification on the approval process, additional supplemental direction, and changes to policy. The overarching goal is to provide a more comprehensive understanding of the RRI and serve as a reference guide that offers clear and consistent information. Policy-wise, the changes make it possible for a PHA to retain either 50% or 100% of their savings, depending upon the type of contract entered, and in a multiyear contract, the number of documents and the process of administering eligibility requirements is reduced.

Actions that PHAs can take that are allowed under the program include:

» PHAs can negotiate special rates with a utility company that are specific to the housing agency (this can be for a contract term of up to five years).

» PHAs can participate in the purchasing of power through a third-party supplier which can result in savings through invoice credits or a fixed utility rate.

» PHAs can work with utility providers who offer reduced rates for those who make efficiency upgrades to things like boilers, windows, or toilets.

PHAs can take advantage of renewable energy sources, like on-site or community solar development. Here are a few examples that have been executed to date nationwide:

» Developers in Rhode Island have developed a solar production facility by aggregating the power needs of nine housing authorities that are members of the Public Housing Association of Rhode Island (PHARI). The solar arrays will provide more than 20 million kilowatt hours of electricity to authorities in Providence, North Providence, Newport, Cranston, Smithfield, Warwick, Warren, Bristol, and Lincoln. This renewable solar energy will offset an estimated 29 million kilowatt hours per year that these housing authorities use annually.

» Albany Housing Authority (New York) can participate in a Community Solar Project that is producing 3.7 million kilowatt hours of annual solar production. They will receive solar credits through this program from their utility provider. They also can benefit from the RRI program to retain a portion of the savings.

» Ithaca Housing Authority (New York) can participate in a Community Solar Project and receive a benefit through the RRI program to retain a portion of the savings.

GINNIE MAE ISSUES REPORT ON VA LOAN HEALTH AND LIQUIDITY

Ginnie Mae has issued its first comprehensive report on the secondary mortgage market liquidity of mortgages that are U.S. Department of Veterans Affairs (VA)-guaranteed and pooled by issuers into Ginnie Mae mortgage-backed securities (MBS). The report is in accordance with an Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 requirement and was delivered to Congress last month.

"Ginnie Mae and the U.S. Department of Veterans Affairs have built a robust, resilient, and effective program to support homeownership for veterans and active duty servicemembers," Ginnie Mae President Alanna McCargo said. "The VA liquidity report provides an in-depth look at the health and liquidity of the program over time, which is crucial to ensuring the mortgage benefit that our military has earned is available through all economic cycles."

The Ginnie Mae MBS program is designed to provide liquidity and stability to support homeownership for veterans and active-duty personnel, particularly first-time homeowners. In Fiscal Year 2022, Ginnie Mae VA-backed MBS-guaranteed mortgages helped more than 204,000 veteran and active-duty households become first-time homebuyers. Driven by the program's success over the years, more than 727,000 first-time homeowners are in the Ginnie Mae portfolio, and the overall VA share of MBS issuance has experienced significant growth.

According to the report, McCargo recommends the following actions:

» Establishment of a formalized Ginnie Mae/VA working group to discuss market conditions and program issues.
» Establishment of a task force including Ginnie Mae, the VA, and the Consumer Financial Protection Bureau (CFPB) to monitor and discuss business practices relating to VA lending.
» Implementation of memoranda of understanding to facilitate information-sharing within these groups.

"VA appreciates Ginnie Mae's efforts to review the liquidity of the VA Home Loan program," said John Bell III, Executive Director, Loan Guaranty Service, VA. "VA will continue to work with GNMA to ensure VA home loans remain the product of choice for veterans in meeting their homebuying and refinancing needs."

FANNIE MAE CONSUMER POLL PREDICTS HOUSING MARKET ACTIVITY SLOWDOWN

Optimism about purchasing a home rose for the first time in nine months, according to the latest Fannie Mae Home Purchase Sentiment Index (HPSI), yet buyer outlook remains relatively grim, and homeowners who locked in lower mortgage rates might not be keen to sell.

With the month-over-month 0.6 point increase in November, to 57.3, sentiment remains just above an all-time low set on last month's index and is significantly lower than its level at this time last year. Year over year, the full index is down 17.4 points.

Elevated mortgage rates continue to constrain affordability, analysts say, and 62% of respondents expect mortgage rates to continue rising over the next year, compared to only 10% who expect rates to decline.

Fannie Mae SVP and Chief Economist Doug Duncan says his team is "unsurprised" that both consumer homebuying and home-selling sentiment are significantly lower than they were last year, considering mortgage rates have more than doubled and home prices remain elevated.

"Following eight months of consecutive declines, the HPSI did tick up slightly in November but is essentially unchanged since hitting its all-time low last month," he explained. Consumers' expectations about mortgage rates, Duncan says, "will contribute to a further slowing of home sales in the coming months, as both homebuyers and home-sellers have reason for apprehension."

Duncan says he expects mortgage demand to "continue to be curtailed by affordability constraints, while homeowners with significantly lower-than-current mortgage rates may be discouraged from listing their property and potentially taking on a new, much higher mortgage rate."

The HPSI survey measures six components:

» Good/Bad Time to Buy
» Good/Bad Time to Sell
» Home Price Expectations
» Mortgage Rate Expectations
» Job Loss Concerns, and Household Income

Four of the index's six components increased modestly month over month, including those associated with homebuying and home-selling conditions; however, both remain well below year-ago levels, having declined on net 28 and 38 points, respectively.

As for job and income concerns, the net share of those who say they are not concerned about losing their job decreased 13 percentage points month over month.

The percentage of respondents who say their household income is significantly higher than it was a year ago is unchanged month over month.

The HPSI reflects consumers' current views and forward-looking expectations of housing market conditions and is used along with existing data to inform housing-related analysis and decision-making, according to Fannie Mae.

FORECLOSURES HAVE LIKELY PEAKED FOR 2022

Foreclosure activity nationwide is up 57%, and completions of foreclosure went up 98% in November compared to November 2021, when filings were just starting to increase in the aftermath of COVID-19-related moratoriums, according to ATTOM, curators of real estate data.

Foreclosure initiations are not as plentiful as they were this time in 2019 before the pandemic-related bans were implemented.

"Foreclosure starts in November nearly doubled from last year's numbers, but are still just above 80% of pre-pandemic levels," according to Rick Sharga, EVP of Market Intelligence at ATTOM.

He predicts that "we may continue to see below-normal foreclosure activity, since unemployment rates are still very low, and mortgage delinquency rates are lower than historical averages."

Foreclosure filings, affecting a total of 30,677 U.S. residential properties in November (that is one in every 4,580 housing units) are down 5% from October.

Sharga says the U.S. may be at or near the peak level for foreclosure activity for 2022.

"While foreclosure starts and foreclosure completions both increased compared to last year's artificially low levels, they declined from last month, and lenders often put a moratorium on foreclosures during the holiday season," he explained.

By state, Illinois, Delaware, and New Jersey reported the highest overall foreclosure activity in November. By city, Cleveland, Ohio; Chicago; Riverside, California; and Philadelphia experienced the most.

As for completed foreclosures or REOs, lenders repossessed 3,770 U.S. properties in November. That is down 9% from last month but up 64% from last year.

Illinois, New York, Pennsylvania, Michigan, and Ohio reported the most completed foreclosure/bank repossessions in November. Major cities with the most completed foreclosures were Chicago, New York City, Philadelphia, Detroit, and Houston.

As for foreclosure starts, nationwide, lenders initiated the foreclosure process on 20,686 U.S. properties in November, down 5% from last month but up 98% from a year ago.

California, Texas, and Florida reported the most foreclosure initiations in the nation. Cities with the most starts included New York City, Chicago, Houston, Miami, and Los Angeles.

ATTOM collects data from more than 3,000 counties nationwide, accounting for more than 99% of the U.S. population.

UNDERSERVED BORROWERS TO GET LEG UP FROM FANNIE MAE

The Government Sponsored Entity Fannie Mae has announced new process and technology innovations to its automated underwriting system which is designed to expand eligibility and further simplify the borrowing process for borrowers without a traditional credit score.

According to Fannie Mae, these enhancements will help historically underserved borrowers access to credit and further support the company's commitment to serving renters and homeowners in an equitable and sustainable way.

Millions of people in the U.S. are credit invisible, with Black and Hispanic people disproportionately represented. Close to 15% of Black and Hispanic people are credit invisible—compared to 9% of their white and Asian counterparts, according to the Consumer Financial Protection Bureau (CFPB). These imbalances reinforce racial disparities in access to credit and quality affordable housing among consumers.

Fannie Mae's preliminary research has shown that assessing a borrower's cash flow activity through bank statement data can make more predictive risk assessments, especially for consumers with no or limited credit history.

"We believe consumers should benefit from their responsible money management habits and a steady stream of income when buying a home, even if they don't have an established credit history," said Malloy Evans, EVP and Head of Single-Family Business at Fannie Mae. "Traditional lending practices make it hard for borrowers with no credit score to access credit, so we've taken steps that may help them responsibly qualify for a home loan using data that provides a more holistic view of how they manage their money."

Starting mid-December of this year, another wave of enhancements in Desktop Underwriter, Fannie Mae's automated underwriting system, will deliver new benefits to borrowers with no credit score and the lenders who serve them. The new enhancements will:

- Update the eligibility criteria for loans where no borrower has a credit score to align with Fannie Mae's standard Selling Guide requirements, which may help more borrowers qualify for a home loan
- Enable an evaluation of a borrower's monthly cash flow over a 12-month period to potentially enhance their credit risk assessment
- Simplify the mortgage process by automating the current Selling Guide policy requirement to document nontraditional sources of credit

ANALYSIS: GSE REPORT ON SINGLE-FAMILY GUARANTEE FEES

According to the Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency (FHFA) has released its annual report on single-family guarantee fees charged by the government-sponsored entities (GSEs) Fannie Mae and Freddie Mac.

These guarantee fees are intended to cover credit risk and administrative/operational costs associated with acquiring single-family loans from lenders. In particular, the report provides an analysis of product type, risk class, and lender delivery volume which provides a comparison to the prior year; it is required to contain an analysis of the average guarantee fees and a breakdown by product type, risk class, and seller size along with a recommendation to raise or lower fees in the future.

The report discusses the guarantee fees charged in 2021 and provides a four-year perspective with the data back to 2018. Significant findings in the report indicate:

For all loan products combined, the average single-family guarantee fee increased by 2 basis points to 56 basis points in 2021. The upfront portion of the guarantee fee, which is based on the credit risk attributes (loan purpose, loan-to-value ratio, and credit score), increased by 2 basis points to 13 basis points on average in 2021.

The average guarantee fee in 2021 on 30-year fixed-rate loans rose by 1 basis point to 59 basis points, while the average guarantee fee on 15-year fixed-rate loans rose by 6 basis points to 42 basis points. Fifteen-year loans were disproportionally affected by the adverse market refinance fee because 15-year loans were more likely to be refinance loans. This fee was eliminated on August 1, 2021.

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INVESTOR HOME SALES SLIDE IN Q3

With rising rates, instability in home prices, and overall economic uncertainty, an increasing number of investors held back from purchasing homes in the third quarter of 2022.

According to Redfin, investor home purchases fell 30.2% year over year nationwide in Q3 of 2022—marking the largest decline since the Great Recession aside from the Q2 of 2020, when investor activity plummeted due to the onset of the pandemic. The dip in investor home purchases outpaced a 27.4% drop in overall home purchases nationwide in Q3.

From Q2 to Q3, investor home purchases slumped 26.1%, the largest quarterly decline on record except for the start of the pandemic—compared to a 17.4% quarterly drop in overall home purchases.

Investors purchased $42.4 billion worth of homes in Q3, down 26.3% from $57.6 billion one year earlier, and down 30.5% from $61 billion one quarter earlier. Redfin reported the typical home that investors purchased cost $451,975, up 6.4% year over year, but down 4.3% from Q2 of 2022.

"It's unlikely that investors will return to the market in a big way anytime soon. Home prices would need to fall significantly for that to happen," Redfin Senior Economist Sheharyar Bokhari said. "This means that regular buyers who are still in the market are no longer facing fierce competition from hordes of cash-rich investors like they were last year."

Investors lost their market share for the second consecutive quarter, as they decelerated on purchases. They bought roughly 65,000 homes in the metros tracked by Redfin in Q3, or 17.5% of all homes that were purchased—that total was down from 19.5% in Q2 and 18.2% year over year, but still up slightly from roughly 15% pre-pandemic.

In Phoenix, Q3 investor home purchases slumped 49.4% year over year, the largest decline among the 40 metros Redfin analyzed. Phoenix was followed by Portland, Oregon (-47.4%); Las Vegas (-44.8%); Sacramento, California (-43.2%); and Atlanta (-42.2%). Rounding out the top 10 were Charlotte, North Carolina; Miami; Denver; San Diego; and Riverside, California.

Many of the metros where investor purchases declined significantly were areas that soared in popularity during the pandemic. Phoenix, Las Vegas, Sacramento, Miami, and San Diego consistently ranked on Redfin's list of top migration destinations, which is based on net inflow or how many more Redfin.com users were looking to move into a metro than out.

"The housing markets that investors are backing out of fastest are those that rose rapidly during the pandemic and are now falling rapidly," Bokhari said. "That volatility creates a lot of uncertainty, which raises the risk of investors losing money."

Investor home purchases only increased in five of the metros Redfin analyzed, rising 46.4% year over year in Philadelphia, 11.2% in New York; 8% in Baltimore; 5% in Cleveland; and less than 1% in Newark, New Jersey. Baltimore and Newark were among the markets holding up best as the overall market slows, along with other relatively affordable places on the East Coast and in the Midwest.

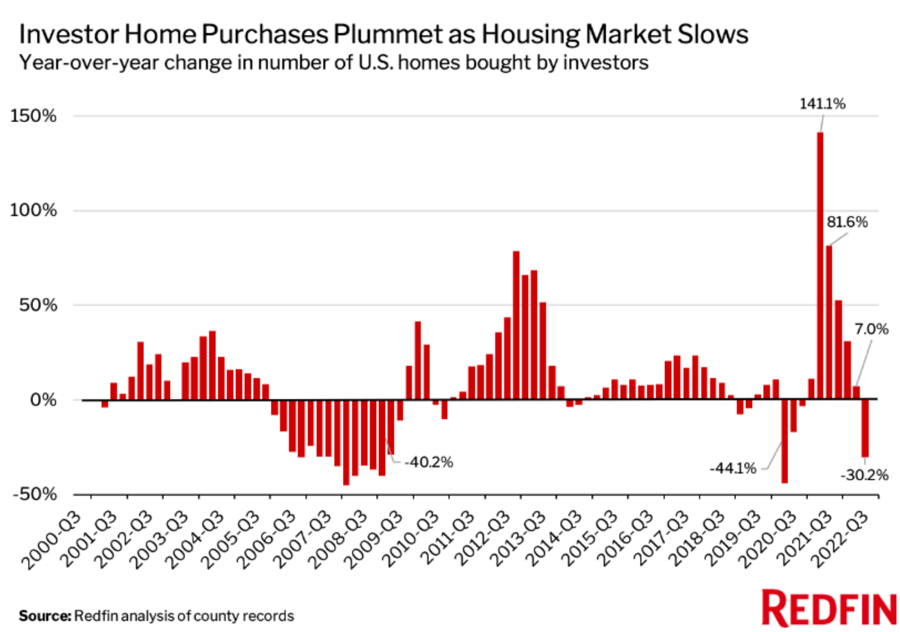
Investors lost market share in 14 of the 40 markets Redfin analyzed, as many of those markets were places where investor purchases dropped significantly.

In Charlotte, North Carolina, investors bought 25.2% of the homes purchased in Q3, down from 32.3% a year earlier. That 7.1-percentage-point drop was the largest decline among the metros in Redfin's analysis. Charlotte was followed by Phoenix (25.8% vs. 31.9%; -6.1 percentage points), Atlanta (27.6% vs. 33.1%; -5.5 percentage points), Portland (10.7% vs. 14%; -3.3 percentage points), and Sacramento (16.4% vs. 19.2%; -2.8 percentage points).

Conversely, investors gained the most market share in Philadelphia, where they bought 17.2% of the homes purchased in Q3, up from 13.4% a year earlier (+3.8 percentage points). Philly was followed by New York (14.9% vs. 12.2%; +2.7 percentage points); Nassau County, New York (12.4% vs. 9.8%; +2.6 percentage points); Anaheim, California (21.4% vs. 18.8%; +2.6 percentage points); and Baltimore (14.7% vs. 12.4%; +2.3 percentage points).

While investor market share is highest in Jacksonville, investors bought 31.9% fewer properties than they did a year earlier. Many investors are looking to offload properties, according to Heather Kruayai, local Redfin Agent.

"Almost all of my listings right now are people looking to sell investment properties or second homes," Kruayai said. "They want to get rid of them now while they still have some value because they're scared there's going to be another big crash."



FREDDIE MAC REPORTS IMPACT OF SINGLE-FAMILY GREEN MBS ISSUANCE

Freddie Mac has released its Green MBS Impact Report for 2021, providing transparency under the enterprise's Single-Family Green Bond Framework. In addition to reporting the impact of the Single-Family Green MBS Program's 2021 issuance, the report provides an overview of Freddie Mac's Corporate Environmental, Social, and Governance (ESG) focus areas, and Single-Family Green Bond Framework.

According to the report, 2021 Freddie Mac Single-Family Green MBS Issuance totaled $617 million of bonds, backed by 2,454 Freddie Mac GreenCHOICE Mortgage refinance loans. At least a portion of proceeds from each refinanced mortgage paid off the existing debt that had been used to finance the purchase and installation of solar panels as a renewable energy source. Prior to MBS issuance, Freddie Mac confirmed the presence of a renewable energy source installed on the properties securing each of the mortgages included in the issuance.

"Freddie Mac's sustainability focus strengthens our commitment to our mission and helps us drive long-term value for our stakeholders while making a difference in our communities," said Freddie Mac's Mark Hanson, SVP, Securitization. "This first Single-Family Impact Report covers the inaugural year of Green Mortgage-Backed Security issuance. But instead of a summary and conclusion, this report is just the beginning of our journey. We intend to innovate in this space and foster a market for these loans."

To calculate the metrics described in the report, Freddie Mac developed a methodology in coordination with Earth Advantage Inc., a 501(c)(3) nonprofit working to create an informed and humane residential real estate marketplace.

Based on the methodology, Freddie Mac estimates that its 2021 Single-Family Green MBS issuance:

» Netted enough energy to power 1,877 homes;
» Avoided greenhouse gas emissions the equivalent of taking 2,433 cars off the road for a year; and
» Saved an average of $1,027 in annual utility costs for each homeowner with a GreenCHOICE Mortgage included in a 2021 Freddie Mac Single-Family Green MBS.

HUD EXAMINES INSTITUTIONAL INVESTOR IMPACT ON HOUSING MARKET

The U.S. Department of Housing & Urban Development (HUD) Office of Policy Development & Research (PD&R) recently held its quarterly meeting to discuss the issues around institutional investors and their impact on housing markets nationwide.

The virtual event "Institutional Investors in Housing," featured a panel of experts sharing research and data, highlighting what communities have done to preserve affordable housing nationwide.

"Institutional investors have access to resources that make them impossible to compete with. This is especially true for minority first-time homebuyers, who already face institutional barriers," HUD Secretary Marcia L. Fudge said. "HUD has taken steps to ensure that our defaulted assets will land in the hands of nonprofits or individual owners, but this is a much bigger problem that will take everyone coming together to figure out how to sustain housing that people can afford."

Since the start of the pandemic, the housing market has witnessed an increase in activity by large investors who often oversee more than 1,000 properties in their portfolios. According to HUD, this activity has produced a strain on the already limited prospects of first-time homebuyers and has deepened the gaps in racial wealth and homeownership.

"This PD&R Quarterly will profile the impact of institutional investors in the housing market and provide examples of how various levels of governments, along with nonprofits, can drive housing supply to owner-occupants and mission-driven entities," said Solomon Greene, PD&R's Principal Deputy Assistant Secretary.

Speakers on hand for the event sharing their insight included:

» Sarah Brundage, Senior Advisor for Housing Supply and Infrastructure in the Office of the Secretary at HUD
» Laura Brunner, President and CEO of The Port
» Laurie Goodman, Institute Fellow and Founder of the Housing Finance Policy Center at the Urban Institute
» Bruce Katz, Co-Founder and Inaugural Director of the Nowak Metro Finance Lab
» Mayor Bianca Motley Broom, City of College Park, Georgia
» Elora Lee Raymond, Urban Planner and Assistant Professor in the School of City and Regional College of Design at Georgia Tech
» Esther Sullivan, Associate Professor of Sociology at the University of Colorado Denver
» Elin Zurbrigg, Deputy Director, Mi Casa Inc.

Brundage previously served as General Deputy Assistant Secretary for the Office of Congressional and Intergovernmental Relations at HUD. Before joining HUD, Sarah was the Senior Policy Director at Enterprise Community Partners, leading the national organization's tax and fair housing policy and advocacy.

Sarah co-led the national ACTION Campaign to strengthen and increase the Low-Income Housing Tax Credit. Sarah also previously led Enterprise's state and local policy in California, where she managed the state fair housing taskforce and the successful implementation of California Opportunity Maps. Sarah previously contributed to research with Color of Law author Richard Rothstein, the Haas Institute for a Fair and Inclusive Society, and the Terner Center for Housing Innovation and worked for the National Low Income Housing Coalition.

As President and CEO of The Port, Brunner directs a public, mission-focused, quasi-governmental agency dedicated to expanding prosperity by repositioning real estate and creating value from land assets in a way that benefits everyone in Hamilton County, Ohio. Since her appointment in 2011, Laura has leveraged her background in commercial real estate and public accounting to lead The Port in strengthening its platform to improve regional economic, social, and environmental conditions and foster greater economic mobility. Laura works closely with The Port's Board of Directors delivering on a three-pronged revitalization approach that guides its work—a public finance practice that drives development; a holistic neighborhood strategy that restores property to productive use and raises quality of life; and an urban Industrial revitalization initiative designed to create development-ready sites that support next-generation manufacturing to attract high paying jobs to our region.

Goodman is an Institute Fellow and Founder of the Housing Finance Policy Center at the Urban Institute. The Center provides policymakers with data-driven analyses of housing finance policy issues that they can depend on for relevance, accuracy, and independence. Before joining Urban, Goodman spent 30 years as an analyst and research department manager at several Wall Street firms. From 2008-2013, she was a Senior Managing Director at Amherst Securities Group LP, a boutique broker-dealer specializing in securitized products, where her strategy effort became known for its analysis of housing policy issues. From 1993-2008, Goodman was Head of Global Fixed-Income Research and Manager of U.S. Securitized Products Research at UBS and predecessor firms, which were ranked first by institutional investors for 11 straight years. Before that, she held research and portfolio management positions at several Wall Street firms. She began her career as a Senior Economist at the Federal Reserve Bank of New York. Goodman was inducted into the Fixed Income Analysts Hall of Fame in 2009.

As Co-Founder and Inaugural Director of the Nowak Metro Finance Lab, Katz regularly advises global, national, state, regional, and municipal leaders on public reforms and private innovations that advance the well-being of metropolitan areas and their countries. Katz is the co-author of *The New Localism: How Cities Can Thrive in the Age of Populism* (Brookings Institution Press, 2018) and *The Metropolitan Revolution: How Cities and Metros are Fixing Our Broken Politics and Fragile Economy* (Brookings Institution Press, 2013). Both books focus on the rise of cities and city networks as the world's leading problem solvers. Katz was the inaugural Centennial Scholar at the Brookings Institution from January 2016 to March 2018, where he focused on the challenges and opportunities of global urbanization. Before assuming this role, Katz was a VP at the Brookings Institution and founding Director of the Brookings Metropolitan Policy Program. Before joining Brookings, Katz served as Chief of Staff to HUD Secretary Henry Cisneros and was the Senior Counsel and then Staff Director for the U.S. Senate Subcommittee on Housing and Urban Affairs. After the 2008 presidential election, Bruce co-led the housing and urban transition team for the Obama administration and served as a Senior Advisor to HUD Secretary Shaun Donovan, for the first 100 days of the Administration.

Broom was sworn in as the 27th Mayor of College Park, Georgia, in January 2020. She is the first woman and the first person of color to serve as mayor of College Park. A native of Cleveland, Ohio, she has lived in College Park since 2008. Under Mayor Motley Broom's leadership, College Park has continued to thrive. Mayor Motley Broom has championed new housing developments in areas of the city plagued by a generation of disinvestment. Those efforts have paid off through projects such as South Park Cottages (a tiny home community) and Somersby (a mixed-use/mixed-income development adjacent to North Clayton Middle School). The Diamond @ College Park, a partnership with the College Park First United Methodist Church, recently broke ground near the College Park MARTA station, which will bring an arts campus and additional residents to a vibrant part of the city.

Dr. Raymond is interested in the financialization of housing and property in land, displacement and dispossession through housing systems, housing and disasters, housing justice, race, segregation, and the transnational Pacific Islander community. Dr. Raymond has explored widening housing wealth inequality following the real estate and financial crises of the 2000s, and the relationship between the financialization of rental housing and eviction-led displacement. She has studied the effect of the foreclosure and affordability crises on Pacific Islander communities in Los Angeles, as well as the financialization of customary land in Samoa. Dr. Raymond has ongoing projects on housing, displacement and disasters, including work on eviction and migration following disasters.

Sullivan's research focuses on poverty, environmental inequality, legal regulation, and the built environment, with a special interest in housing and residential mobility. Her book *Manufactured Insecurity: Mobile Home Parks and Americans' Tenuous Right to Place* won the 2019 Robert Park Award. The book examines the sociolegal, geospatial, and market forces that intersect to create housing insecurity for an entire class of low-income residents in U.S. manufactured home parks. She continues to publish on various aspects of housing insecurity as it relates to manufactured housing. Her work on this topic has appeared in American Sociological Review, Urban Studies, Housing Policy Debate, Qualitative Sociology, Journal of the American Planning Association, and elsewhere. Her research has been covered in the *New Yorker*, the *New York Times*, the *Washington Post*, and *TIME*.

Zurbrigg holds a master's degree in Community Planning from the University of Maryland, with an emphasis on equitable development and preserving diversity through maintaining affordable housing in gentrifying neighborhoods. Zurbrigg has worked in the affordable housing and community development field for more than 22 years and volunteered as an advocate for affordable housing and community-based arts and education. She chaired the Finance Committee on the DC Council's Limited Equity Coop Taskforce and served on the Board of Directors for the Coalition for Nonprofit Housing and Economic Development (CNHED) for more than 15 years. She currently co-chairs CNHED Tenant Purchase Working Group, which focuses on building support for affordable co-ops.

SFR MARKET REMAINS AT MORE THAN TWICE PRE-PANDEMIC GROWTH RATE

CoreLogic's latest Single-Family Rent Index (SFRI), which analyzes single-family rent (SFR) price changes nationally and across major metropolitan areas, has found consistent evidence of an SFR market cooldown following nearly two years of above-trend rental price hikes.

SFR growth in September 2022 slowed for the fifth consecutive month to 10.2% from a high of 13.9% in April 2022. Additionally, rent growth in September was slightly below that of September 2021. The rent increase slowdown comes as inflation has increasingly stretched the pocketbooks of tenants.

"Annual single-family rent growth decelerated for the fifth consecutive month in September, but remained at more than twice the pre-pandemic growth rate," said Molly Boesel, Principal Economist at CoreLogic. "High mortgage interest rates may be causing potential homebuyers to hit pause and remain renters, keeping pressure on rent prices. However, the monthly rent change was negative in September, resuming the typical seasonal pattern for the first time since 2019, which could signal the beginning of rent price growth normalization."

In determining the SFRI, CoreLogic examined four tiers of rental prices. National single-family rent growth across the four tiers, and the year-over-year changes, were as follows:

» Lower-priced (75% or less than the regional median): 12.1%, up from 8.5% in September 2021
» Lower-middle priced (75% to 100% of the regional median): 11.3%, up from 9.4% in September 2021
» Higher-middle priced (100% to 125% of the regional median): 10.7%, up from 10.6% in September 2021
» Higher-priced (125% or more than the regional median): 8.9%, down from 11.1% in September 2021

Of the 20 metro areas examined by CoreLogic, Miami posted the highest year-over-year increase in SFR in September 2022 at 20.1%. Orlando, Florida, recorded the second-highest gain at 18.3%, while Boston ranked third at 10.6%. St. Louis posted the lowest annual rent price gain at 5.2%. While rent growth in many fast-growing metros has decelerated compared to last September, the return to offices, colleges, and cities is driving rent growth higher in other metros where rent growth was lagging, such as Boston, New York, Chicago, and Philadelphia.

According to CoreLogic, the SFR market accounts for half of the rental housing stock, yet unlike the multifamily market, which has many different sources of rent data, there is minimal quality adjusted SFR transaction data. CoreLogic constructed its SFRI for close to 100 metropolitan areas—including 47 metros with four value tiers—and a national composite index. The SFRI analyzes data across four price tiers: lower-priced, which represents rentals with prices 75% or below the regional median; lower-middle, 75% to 100% of the regional median; higher-middle, 100%-125% of the regional median; and higher-priced, 125% or more above the regional median.

Differences in rent growth by property type emerged after COVID-19 took hold, as renters sought standalone properties in lower-density areas. This trend drove an uptick in rent growth for detached rentals in 2021, while the gains for attached rentals were more moderate during this time.

"As single-family rent prices continued growing at a rapid pace, preferences for attached rentals began to emerge in early 2022, and by summer, had higher increases than detached properties. Attached single-family rental prices grew by 10.7% year over year in September compared to the 9.3% increase for detached rentals," Boesel added. "However, detached rental price growth is still outpacing that of attached homes on a two-year basis, a respective 22.6% increase compared with 19.6%."

Property Preservation

Updates and news impacting the property preservation sector, from market breakdowns to the impact of natural disasters.



NATURAL DISASTER IMPACTS ON CONSUMER BEHAVIOR AND HOME PRICES

A recent examination of data by Realtor.com took a closer look at the impact of flooding and wildfire risk and the risk of these natural disasters and their impact on consumer behavior and home prices.

Realtor.com's report found that the cumulative price growth of low-risk homes consistently outperformed the rate of high-risk homes, suggesting that flood risks are reflected in housing prices. The divergence in growth rate was more prominent in more risk-prone areas. Low-risk homes in Florida, North Carolina, and South Carolina counties outpaced high-risk homes

While the cumulative price growth of low-risk homes consistently outpaced the rate of high-risk homes in the second quarter of 2022, affordability concerns pushed up the demand for endangered homes—a pattern found to be more pronounced in California.

Realtor.com reported that the price gap per square foot between California low-risk and high-risk homes narrowed from a high of 10.5% to 8.7%, suggesting that homebuyers lose the suburbs' affordability and face higher wildfire risks by purchasing homes in risk-prone areas.

Realtor.com analyzed median sale prices per square foot for homes with different flood factors designated by First Street Foundation in 271 counties across 41 states between the first quarter of 2016 and the second quarter of 2022. For the survey, a low-risk home was defined as a property with a flood factor ranging between one and four, and a high-risk home as a property with a flood factor rate between five and 10. Luxury homes were excluded from the findings, defined as those having sale prices within the top 10% in their respective quarter, to account for the sometimes very different real estate market trends for these types of homes.

Cumulative price growth for low-risk homes between Q1 of 2016 and Q2 of 2022 consistently outpaced the rate among high-risk homes, suggesting that flood risks are reflected in housing prices. By the second quarter of 2022, the cumulative price growth of low-risk homes across all counties was 72%, 1.5 percentage points higher than the rate of high-risk homes. During the last flood-related disaster season (Q3 of 2021), the growth rate gap between low-risk and high-risk homes was 1.7 percentage points.

It may not be surprising that the high-risk homes with the slowest price appreciation clustered in counties from Florida, Texas, Georgia, New Jersey, and North Carolina. However, there is sometimes diversity in the price growth trends within a state. For example, high-risk homes in Walton County, Florida, saw the slowest cumulative price growth compared to safer homes (58 percentage points less). However, in Pasco County, Florida, high-risk homes outpaced low-risk homes by 39 percentage points cumulatively. In New Jersey, Cape May County and Camden County have seen high-risk homes appreciate 36 and 29 percentage points less over these six years. In contrast, high-risk homes in Essex County and Monmouth County saw sale prices grow by 56 and 43 percentage points more over this period.

In terms of Florida, although commonly a destination for those migrating from elsewhere, the impacts of storms like the recent Hurricane Ian can be far-reaching. When Hurricane Ian made landfall, it became the costliest Florida storm since Hurricane Andrew hit the Sunshine State in 1992. CoreLogic estimates the damage and loss totals from Hurricane Ian—including total flood and wind losses—between $41 billion and $70 billion. This total includes wind loss, re-evaluated insured and uninsured storm surge loss, and newly calculated inland flood loss for residential and commercial properties.

Further, Redfin found that pending home sales fell 58% year over year in the Cape Coral metro area during the four weeks ending October 16 in the aftermath of Hurricane Ian. That total is near twice the nationwide decline of 32%. Pending home sales also slumped in the nearby Naples (-52%) and North Port (-51%) metro areas over that same timespan. Other Florida metros were impacted by the storm, as sales fell 47% in Miami, 46% in Jacksonville, and 43% in West Palm Beach, while sales were down more than 40% in the Deltona, Tampa, and Orlando metros.

The divergence in growth rate between low-risk and high-risk homes correlates with homebuyers' risk awareness. In other words, when shopping in more risk-prone regions, homebuyers' desire to live in safer homes can expand the price growth gap between the two types of homes. For example, the Eastern Coastal regions of the U.S. are hit most by flood-related disasters. As a result, the cumulative growth rate gap between the low-risk and high-risk homes in these counties is wider than counties from other parts of the country over time, reflecting homebuyers' stronger demands for safer homes in endangered areas. For example, during the last flood-related disaster season, the growth rate gap between high-risk and low-risk homes was 2.8 percentage points in the Eastern Coastal counties, whereas the gap was 0.9 percentage points in other counties.

Over the past decade, Florida (24 times), North Carolina (16 times), and South Carolina (13 times) are the top three states along the Eastern Coast having the highest number of flood-related federally declared disasters. They are also among the states suffering the highest damage costs.

According to the NOAA National Centers for Environmental Information (NCEI), the U.S. has sustained 338 weather and climate disasters since 1980, where overall damages/costs reached or exceeded $1 billion (including CPI adjustment to 2022). The total cost of these 338 events exceeds $2.295 trillion. Florida alone had more than $51 billion in damage caused by flood-related disasters during the past 10 years, North Carolina sustained more than $22 billion, and South Carolina suffered a total loss of more than $4 billion. As a result, the growing gaps between low-risk and high-risk homes in counties within these states are wider than average. During the last flood-related disaster season, the gap between low-risk and high-risk homes was 3.6 percentage points in Florida, 3.2 percentage points in North Carolina, and 5.6 percentage points in South Carolina (vs. 1.7 percentage points in all counties).

For the study, Realtor.com analyzed residential sales in 41 states from Q1 2016 through Q2 2022. Luxury homes, defined as those with a sale price in the top 10% of a county in that quarter, were excluded from this analysis, to control for the sometimes very different real estate market trends for these types of homes. Properties were then categorized according to their Flood Factor Rating, and the scores were consolidated into low-risk and high-risk categories. Counties with too few sales within a given category and a given quarter were also excluded from the analysis, with 271 counties remaining.

RENTAL RELIEF: RENTS GROW AT SLOWEST PACE IN 18 MONTHS

National rent growth slowed to 4.7% annually in October—its slowest pace in 18 months—with average rents hitting $1,734, according to Realtor.com's October Rental Report.

Despite the reprieve for rentals, it may be short-lived, but Realtor.com's 2022 Fall Landlord and Renter Survey found tenants are struggling with affordability and many are planning rent increases over the next year.

"With soaring inflation and recession fears a huge concern for many consumers, finding affordable housing remains a priority for families. Our data indicates that we are finally starting to see a bit of relief from the double-digit pace of rent growth that we experienced during the height of the pandemic," said Danielle Hale, Chief Economist at Realtor.com. "While it's still a bit early to say that we're officially on a downward trajectory for rent prices, the data shows a promising return toward normal seasonal slowdowns and suggests that the astronomical price gains of the past several years may be behind us."

According to the report, the median rent in the top 50 U.S. metros in October was $1,734, which is down $25 month over month and $47 from its July peak.

October is the third consecutive month of single-digit growth and the ninth consecutive month of slowing. However, the pace of growth was still nearly 1.5 times faster than it was in March 2020 before the pandemic hit.

While lower rents are a welcome sight, affordability is still a concern. The report states that 69.5% of those surveyed who experienced an increase are considering moving for more affordable rent, which is up from 66.2% in July.

"While it's encouraging to see smaller price increases, it's important to understand that many renters have already absorbed large increases in their monthly rental costs over the past several years, which is impacting their ability to save," said Ryan Coon, VP of Rentals at Realtor.com. "High inflation and the cost of upkeep and repairs are hitting landlords, who have had to raise rents to cover their higher cost of owning the properties and making it unlikely that they'll be open to negotiating with new tenants."

Realtor.com reported just 32.3% of renters are considering purchasing a home in the next year—down from 34.6% in July. The most common reason is not having enough savings for a down payment (44.4%) and fear they would not qualify for a mortgage (19.6%).

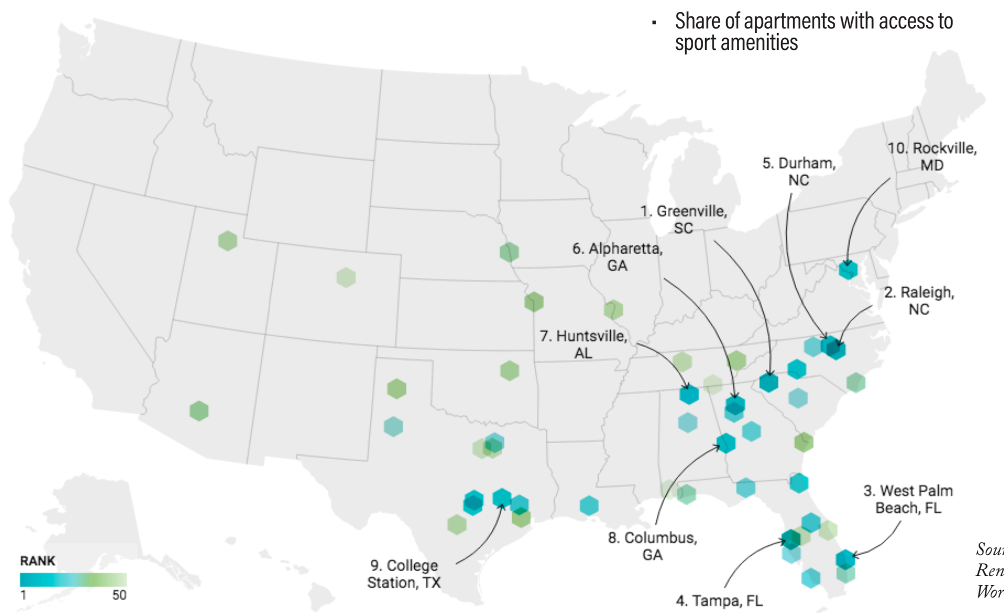
THE BEST REGIONS FOR WORKING FROM HOME

With remote work migration on the rise, a study from RentCafe uncovered the most desirable cities to move to across the nation if you work remotely. In particular, cities in the nation's Southeast—led by Greenville, South Carolina; Raleigh, North Carolina; and West Palm Beach, Florida proved to be the best locations for working remotely this year by offering the best mix of features, affordability and remote work-readiness.

A recent Upwork study also noted that 4.9 million Americans have already relocated due to remote work and almost 19 million more are predicted to do so in the near future.

RentCafe analyzed and weighted 19 relevant metrics for 150 cities, using proprietary and external data, such as cost of living, apartments with short-term leases, rental demand, number of high-quality apartments, short-term rentals, rental rates, coworking spaces, percentage of remote workers, internet speed, and much more. The final city ranking is determined by the combined score in all 19 metrics.

TOP 50 CITIES WHERE REMOTE WORKERS GET THE BEST VALUE FOR THEIR MONEY



1. GREENVILLE, SOUTH CAROLINA

Ranking best in:

- Share of new apartments
- Cost of living
- Share of short-term rentals

2. RALEIGH, NORTH CAROLINA

Ranking best in:

- Share of high-end apartments
- Share of apartments with internet access
- Share of remote workers

3. WEST PALM BEACH, FLORIDA

Ranking best in:

- Average download speed
- Days with good air quality
- Share of short-term rentals

4. TAMPA, FLORIDA

Ranking best in:

- Rental demand
- Share of remote workers
- Share of apartments with access to sport amenities

5. DURHAM, NORTH CAROLINA

Ranking best in:

- Share of short-term rentals
- Share of high-end apartments
- Rental demand

6. ALPHARETTA, GEORGIA

Ranking best in:

- Share of high-end apartments
- Share of remote workers
- Average square footage

7. HUNTSVILLE, ALABAMA

Ranking best in:

- Rental demand
- Cost of living
- Average daily rate

8. COLUMBUS, GEORGIA

Ranking best in:

- Average square footage
- Average download speed
- Share of short-term rentals

9. COLLEGE STATION, TEXAS

Ranking best in:

- Short-term rentals occupancy rate
- Share of renters
- Share of apartments with access to sport amenities

10. ROCKVILLE, MARYLAND

Ranking best in:

- Average download speed
- Share of apartments with internet access
- Share of remote workers

Source: RentCafe, "Remote Workers Are the Happiest Renting in the Southeast – The Most Desirable Cities for Working from Home Are in the Carolinas"