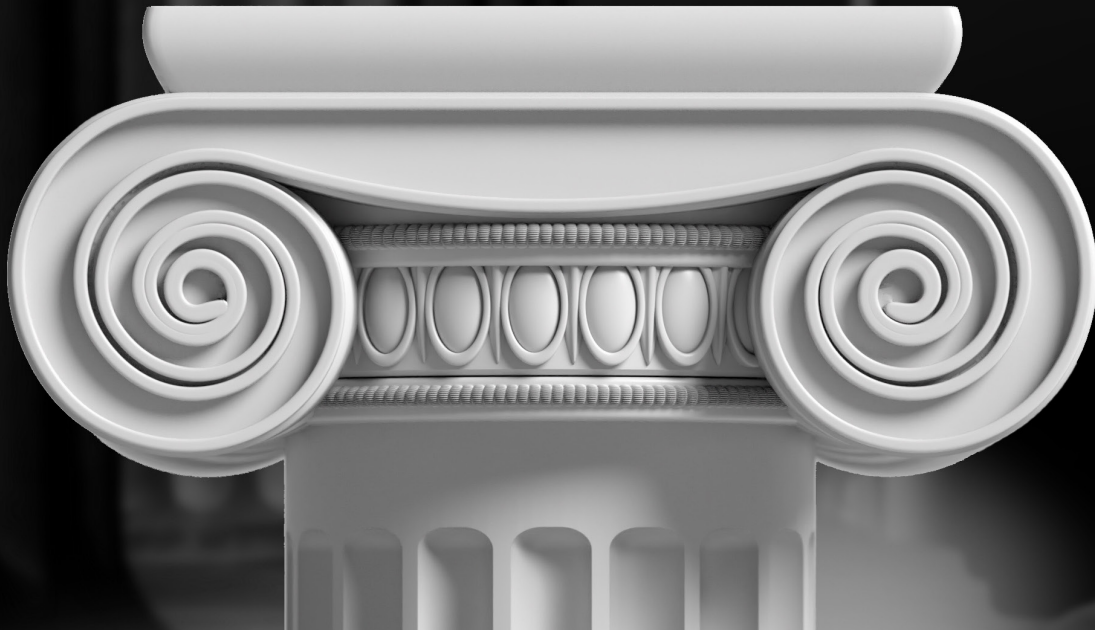


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THE 2023 BLACK BOOK

ANNUAL DIRECTORY
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Profiles in Legal Excellence

As we have for many years before, *DS News* is once again using the early months of the year to shine on a critical aspect of the default servicing industry: the legal professionals who help drive interactions between mortgage servicers and struggling borrowers. This February 2023 edition of *DS News* includes several returning staples of our annual Legal Editions, as well as a few new surprises.

First up, we're excited to present an array of feature articles penned by member attorneys from Five Star's Legal League 100. The Legal League is a premier professional association of financial services law firms in the United States and a leading force for industry standards, market research, and policy change. This year's Legal League contributors delve into a broad spectrum of hot legal topics, including digital mortgages, contested foreclosure appeals, challenges involving deceased borrowers, and more. Check out these articles for legal insights from representatives of Gilbert Garcia Group, P.A.; Hladik, Onorato & Federman, LLP; McCalla Raymer Leibert Pierce, LLC; McCarthy & Holthus, LLP; Robertson, Anschutz, Schneid, Crane & Partners, PLLC; and Schneiderman & Sherman, P.C.

Next up, *DS News* presents this year's installment of the Black Book—our annual directory of financial services law firms. This section includes photo and text profiles of some of the industry's finest, arranged by state for ease of searching.

Also returning this year are *DS News*' Women of Law profiles. These short profiles spotlight some of the talents, tenacity, and subject-matter expertise of several prominent women working within the legal side of the default servicing industry. Take a moment to get to know some of the team members who may be providing invaluable services to the mortgage servicing sector in 2023.

Finally, this section closes out with several profiles of the default legal sector's "Rising Stars." These recognize up-and-coming talents who are making a name for themselves and setting themselves apart through excellence and achievement.

You'll find all of this and more in the February 2023 edition of *DS News*.



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David Wharton

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INFLATION SLOWS IN GENERAL, YET HOTSPOTS REMAIN

Inflation in 2023 continues to sting but in some cases has shown signs of slowing in recent numbers likely due to factors mitigated by the Federal Reserve rate hikes.

As reported by WalletHub, inflation was still a “whopping” 6.5% in December 2022, to close out the year.

In addition, they said high inflation is driven by a variety of factors, including the ever-present COVID-19, the war in Ukraine, and ongoing labor shortages.

“The government is hoping to continue to rein in inflation with additional aggressive interest rate hikes this year,” said Adam McCann, a WalletHub Financial Writer. “But exactly how much of an effect that will have remains to be seen.”

The top-5 cities where inflation was rising the most were Miami, 9.9%; Tampa, Florida, 9.6%; Dallas/Fort Worth, 8.4%; Riverside, California, 7.5%; and Seattle, 8.4%.

When asked specifically about inflation, Robert Wyllie, Assistant Professor of Political Science at Ashland University said, “What now looks like peak inflation, the 9.1% CPI we saw in June, was initially driven by higher prices in the goods sector, for example, the

jump in prices of new and used cars. Demand rotated away from services and into commodities during the pandemic lockdowns, which is why so many economists one year ago thought higher goods prices represented transitory inflation, which would disappear once services reopened and supply-chain bottlenecks cleared.”

Wyllie continued: “Now, however, the service sector is also contributing to still-high and clearly persistent inflation. Excess savings, probably exacerbated by the third-round stimulus checks from the end of 2021, contributes to this, as well as other factors like higher energy costs.”

When asked about what can be done to slow the rapidly increasing price gains, he said, “There is no single cause of inflation and no single solution. In October, the Fed

estimated that American households still had \$1.7 trillion in excess savings. Consumer demand ought to fall as this excess savings is spent, and with it, the inflation rate should fall as well. The Fed has signaled another round or two of interest rate hikes, after mid-December’s 0.50% increase, which is probably around the corner in the new year.”

“The government is hoping to continue to rein in inflation with additional aggressive interest rate hikes this year.”

—Adam McCann,
Financial Writer, WalletHub

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS

WHERE RENTS DECLINED THE MOST IN 14 MAJOR METROS

RANK	CITY	PERCENTAGE
1.	MINNEAPOLIS, MN	(-8.5%)
2.	OKLAHOMA CITY, OK	(-6.4%)
3.	PHOENIX, AZ	(-5.0%)
4.	HOUSTON, TX	(-4.6%)
5.	MILWAUKEE, WI	(-4.1%)
6.	CHICAGO, IL	(-3.6%)
7.	BALTIMORE, MD	(-2.1%)
8.	AUSTIN, TX	(-2.0%)
9.	BIRMINGHAM, AL	(-1.8%)
10.	LOS ANGELES, CA	(-1.5%)

WHERE RENTS DECLINED THE LEAST IN 14 MAJOR METROS

RANK	CITY	PERCENTAGE
1.	SALT LAKE CITY, UT	(29.8%)
2.	RALEIGH, NC	(24.0%)
3.	INDIANAPOLIS, IN	(16.3%)
4.	CLEVELAND, OH	(14.6%)
5.	NASHVILLE, TN	(11.7%)
6.	CHARLOTTE, NC	(10.6%)
7.	BUFFALO, NY	(9.6%)
8.	KANSAS CITY, MO	(9.4%)
9.	COLUMBUS, OH	(7.7%)
10.	ST. LOUIS, MO	(7.4%)

Source: Redfin, “Rental Market Tracker: Rent Growth Slowed for Seventh Straight Month in December”

Know THIS



According to a new report from RE/MAX, new listings recorded 2022’s largest month-to-month decline of 25.2% and finished 15.1% lower than a year ago, as homes sold in December were on the market for an average of 47 days.



The median existing-home price for all housing types increased in December according to the National Association of Realtors, as sales sagged 34.0% year over year, down from 6.09 million in December 2021.

U.S. MORTGAGE PERFORMANCE REMAINED STRONG IN LATE 2022

CoreLogic has released its monthly Loan Performance Insights Report for November 2022, showing that for November, 2.9% of all mortgages in the United States were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 0.7 percentage point decrease compared to 3.6% in November 2021.

To gain a complete view of the mortgage market and loan performance health, CoreLogic examines all stages of delinquency. In November 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): 1.4%, up from 1.2% in November 2021.
- **Adverse Delinquency** (60 to 89 days past due): 0.4%, up from 0.3% in November 2021.
- **Serious Delinquency** (90 days or more past due, including loans in foreclosure): 1.2%, down from 2% in November 2021 and a high of 4.3% in August 2020.
- **Foreclosure Inventory Rate** (the share of mortgages in some stage of the foreclosure process): 0.3%, up from 0.2% in November 2021.
- **Transition Rate** (the share of mortgages that transitioned from current to 30 days past due): 0.7%, up from November 2021.

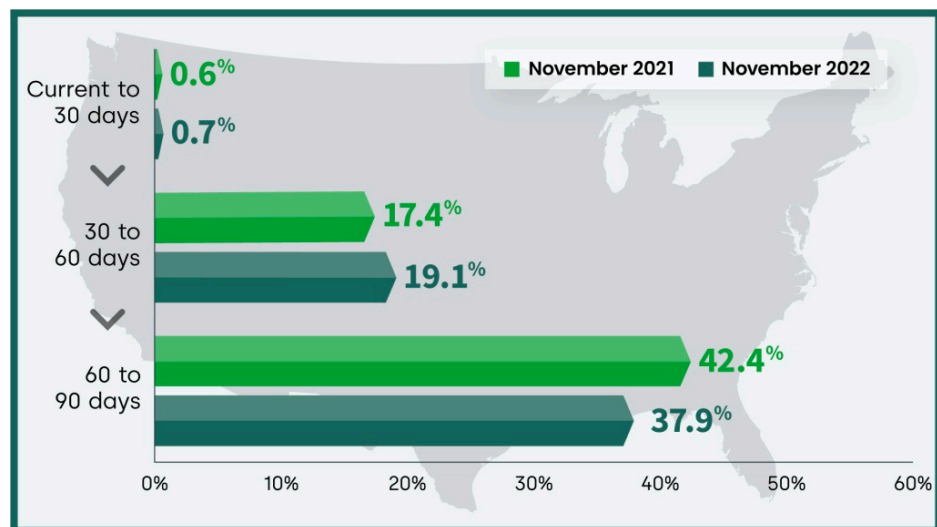
Overall mortgage delinquency and foreclosure rates remained near record lows in November 2022, 2.9% and 0.3%, respectively. While national mortgage delinquencies declined for the 20th straight month on an

annual basis, 18 U.S. metro areas saw at least slight increases in late borrower payments, up from six in October and one in September. Despite that uptick and slowing home price growth in recent months, most owners are in good shape due to healthy amounts of equity. CoreLogic's latest Home Equity Report shows that U.S. homeowners with a mortgage saw their equity increase by 15.8% year over year in the third quarter of 2022, for an average gain of \$34,300 per borrower.

"Most homeowners are well positioned to weather a shallow recession," said Molly Boesel, Principal Economist at CoreLogic. "More than a decade of home price increases has given homeowners record amounts of equity, which protects them from foreclosure should they fall behind on their mortgage payments."

STATE AND METRO TAKEAWAYS:

- In November, all states posted annual declines in overall delinquency rates. The states and districts with the largest declines were Louisiana (down 1.9 percentage points), Alaska (down 1.6 percentage points), and the District of Columbia and Hawaii (both down 1.3 percentage points). The remaining states' annual delinquency rates dropped between 0.1 percentage points and 1.2 percentage points.
- In November, 18 U.S. metro areas posted an increase in overall delinquency rates. The top three areas for mortgage delinquency gains year over year were Cape Coral-Fort Myers, Florida (up 3.1 percentage points); Punta Gorda, Florida (up 2.9 percentage points); and Bloomsburg-Berwick, Pennsylvania (up 0.6 percentage points).
- All but one U.S. metro area posted at least a small annual decrease in serious delinquency rates, with Houma-Thibodaux, Louisiana (down 4.2 percentage points); Odessa, Texas (down 3 percentage points); and New Orleans and Hammond, Louisiana (both down 2.9 percentage points) posting the largest declines. The only U.S. metro to see an increase in serious delinquencies was Bloomsburg-Berwick, Pennsylvania.



THE 2023 FIVE STAR LINEUP

Learn all the details about Five Star's 2023 events lineup at TheFiveStar.com/conferences.



February 21

Havana Nights

Orlando, FL

Each year, Five Star Institute hosts an elite social reception at Cuba Libre in Orlando, FL where mortgage servicing professionals, attorneys, and service providers convene for a night of valuable networking. Join power players across the country and make connections that will benefit your business.



April 11

Government Forum

Washington, D.C.

Officials making critical decisions on the direction of the housing economy are working together with the mortgage industry to ensure that sensible regulations are in place to protect the industry and the customers that it serves. With representation from the CFPB, HUD, FHFA, Fannie Mae, Freddie Mac, Ginnie Mae, and others, Five Star Government Forum is a landmark annual event where leaders in mortgage servicing and the federal government engage in open dialogue about the industry's most pressing issues.



May 1 & 2

Legal League Spring Servicer Summit

Dallas, TX

Open to all Legal League 100 members, associate members, mortgage servicing professionals, and government representatives, the semi-annual Servicer Summits are the setting for the nation's elite financial services law firms to discuss default policies, procedures, and emerging issues with leading mortgage servicing executives. While the Fall Summit takes place in conjunction with the Five Star Conference, the Spring Summit is a standalone event. Join us for a day of education, networking, and engaging discussions about the pressing issues that impact financial services law firms.



September 17-19

The Five Star Conference & Expo

Dallas, TX

Five Star Conference and Expo is the premier mortgage conference that attracts leading subject matter experts, legions of exhibitors, and thousands of professionals representing mortgage servicers, lenders, federal government agencies, financial services law firms, service providers, investors, and real estate organizations from across the nation. It's more than a conference; it is a community of likeminded professionals working towards the common goal of a stronger mortgage industry.

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Podcast:

Get Creative

This weekly podcast, which just reached the milestone of 100 episodes, focuses on creative financing in today's economy. Join host Pace Morby and discover proven strategies and gain expert knowledge and advice to help you bring your clients additional value while leveling up your business. Featuring a new guest every week, topics range from "What Do Buyers Want?" and "Preparing Yourself for 2023," to Q&As and feedback from real-life people who used Morby's methods and advice to succeed in the real world. If you want to make real money in real estate, this podcast can help you build from the bottom up on how to get started, how to secure financing, and even how to find a joint venture that benefits both parties.

Podcast:

Where's My Money?

Join freshman podcast host Jason Rash as he helps you search for the path to financial freedom. But if even the thought of another spreadsheet causes a convulsion, you have landed in the right place.

According to Rash, you need to eliminate the mindset of trying not to lose and instead foster a mindset of playing to win. Episode titles include: "The Five Sacred Truths About Wealth Building," "Your Next Five Financial Moves," "Is Cash Really King," and "Six Financial Skills & Habits You Need to Master Before Investing in Real Estate." Tune in to learn the secrets that are personally used to go from minimum wage to multi-millions in earnings.



Podcast:

Women Rocking Real Estate Podcast

Specifically geared toward women in the real estate space, host Jen Percival helps women in all walks of life start, grow, and scale a relational business without using outdated tactics. If you're looking for advice on how to grow your business in a way that feels more authentic and natural, join Jennifer as she digs into the mindset, habits and modern marketing strategies that will help you get the results you deserve. This mid-length podcast features episodes that teach how to become a better listing agent, myths about working in real estate, strategies to stay motivated and move forward, and a four-part series on systems and tools for realtors to scale their unique business.



REPORT: YOY PENDING SALES DOWN 30% NATIONALLY

According to the latest Pending Home Sales Index (PHSI) released by the National Association of Realtors, pending home sales increased 2.5% nationally, breaking a six-month streak of worsening numbers that began in May 2022.

The index now stands at 76.9 points as of December 2022. Year-over-year, pending transactions dropped by 33.8%. An index number of 100 was benchmarked to home sales when the report was created in 2001.

"This recent low point in home sales activity is likely over," said Lawrence Yun, NAR's Chief Economist. "Mortgage rates are the dominant factor driving home sales, and recent declines in rates are clearly helping to stabilize the market."

Of the four major geographical regions of the country, the West reported the largest growth of the group at 6.4% in December to an index of 58.6 but overall decreased by 37.5% year-over-year.

The South saw the second-highest growth at 6.1% to an index of 94.1 but dropped year-over-year by 34.5%.

However, the PHSI dropped in the other two regions of the country.

In the Northeast, the PHSI dropped 6.5% from December to an index of 64.7%, a decline of 32.5% over December 2021.

The Midwest index shrank by the least—or 0.3%—to an index of 77.6, a decline of 30.1% year-over-year.

"The new normal for mortgage rates will likely be in the 5.5% to 6.5% range," Yun added. "Job gains will steadily become important in driving local home-sales markets. The South, in particular, is set to outperform the rest of the country, thanks primarily to better job market conditions in this part of the country compared to other regions."

The PHSI is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is 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.

Realtor.com Economic Data Analyst Hannah Jones responded to the report, saying:

"December's contract signings reflected the housing market's ongoing struggle with affordability, as ample housing demand remained frozen by high prices and mortgage rates. Though mortgage rates fell as low as 6.27% in December, down 0.8 percentage points from November's high, home prices remained elevated, up 8.4% compared to the previous year."

"To the delight of many, mortgage rates have continued to fall, dropping to levels not seen since September, offering buyers the opportunity to dip a toe back into the market. Even with December's retreat though, mortgage rates remained more than three percentage points higher than the previous year, which means that the mortgage payment for a median-priced home was \$730 higher than in December 2021. As a result, many buyers stuck to the sidelines, waiting for conditions to improve."

"Though the market is still tipped in sellers' favor, many homeowners have reconsidered their plans to sell as fewer buyers competing means less potential upside," Jones concluded. "The ongoing lack of affordability has curbed buyer activity this winter, but lower interest rates and the coming spring homebuying season promise more opportunities for buyers and sellers alike."

First American Deputy Chief Economist Odeta Kushi also commented on the report.

"December 2022 pending-home sales improved for the first time since May 2022, in-

creasing 2.5% from November but remaining 34% lower compared with one year ago," Kushi said. "Pending-home sales are a forward-looking indicator of home sales based on contract signings."

"We now have multiple leading housing indicators that are pointing to modestly higher sales activity," Kushi continued. "Mortgage applications have been trending higher alongside lower mortgage rates, pending-home sales are up, and home builder confidence increased in January."

"Interested buyers are out there. From a financial perspective, the decision to buy a home comes down to a payment-to-paycheck calculation, and lower mortgage rates may help to reduce the mortgage payment while higher incomes can increase one's monthly paycheck."

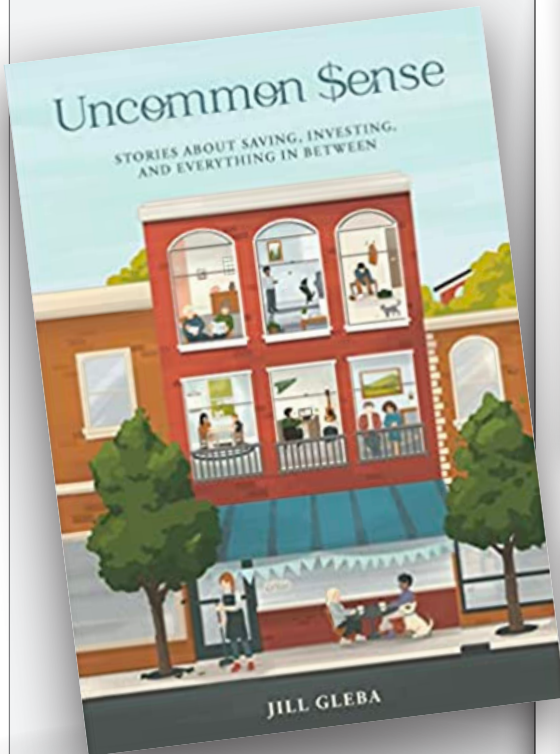
"Lower mortgage rates and a still strong labor market have helped to stabilize the housing market," Kushi concluded. "The market suffered a deep freeze in the winter months of 2022 but, if these dynamics persist, there is reason to believe that it will begin to thaw as the spring home-buying season approaches."

Bright MLS Chief Economist Dr. Lisa Sturtevant had the following comments on today's Pending Home Sales data:

"There was a modest uptick in new pending sales in December, rising 2.5% compared to November. December's pending data suggests that the housing market may have bottomed out," Sturtevant said. "Buyer activity pulled back late last year as mortgage rates hit 20-year highs. But rates have fallen, and today's report is another sign that buyers are back."

"Mortgage applications jumped last week as rates fell to their lowest level since September. Both home showings and new contract activity has increased in many local markets with some agents reporting a return to bidding wars and multiple offers."

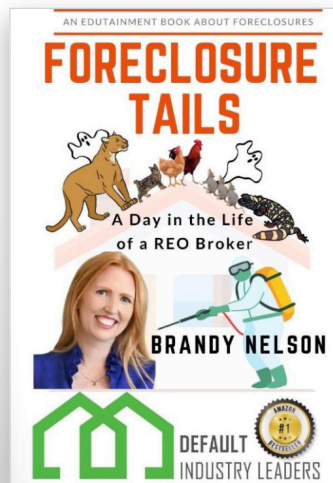
"Predictions of a housing market collapse are way off base. There are many prospective buyers who have come to accept the "new normal" of 6% mortgage rates and are tired of sitting out the opportunity to buy a home," Sturtevant concluded. "So, while the 2023 housing market will be slower than the market during 2021 or even the first half of 2022, there could be an unexpected first-quarter surge in buyer activity if rates stabilize or even come down further in the coming weeks."



Uncommon Sense: Stories About Saving, Investing, and Everything In Between

By Jill Gleba

A rationally written guide for “normal” people, author Jill Gelba uses fictional vignettes to teach the reader more about personal finances. The stories teach readers about money from youth to retirement, from how to invest, to choosing a career, all using stories written in an engaging and conversational style to teach the tangible steps necessary to create their desired financial future. Gelba created these stories from pieces of her life, from making her first investment at 12 years old with her paper route earnings, to her current job as owner of an independent financial management firm for the last 35 years.



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

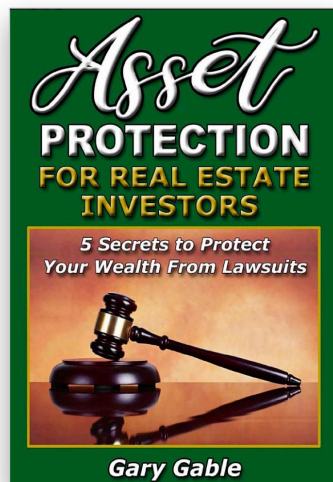
As the leader of Brandy Nelson Associates, Nelson is a top-producing broker for Windermere Homes & Estates, having completed over 2000 transactions since 2005. In her spare time, she has put together a book of short stories about a day in the life of an REO and foreclosure broker. With chapter titles “Hurry Up and Wait” and “Someone Has to Clean Up this Mess,” the fun yet educational chapters try to teach their readers in an engaging way from problems experienced by the authors in the default real estate space.



I Am My Brand: How to Build Your Brand Without Apology

By Kubi Springer

Geared toward women, this book provides achievable techniques and tools for women to build their personal brand. Author Kubi Springer provides a toolkit for readers by creating a tapestry of advice and storytelling that ultimately teaches entrepreneurs, freelancers, and executives alike how to brand themselves for success. This book focuses on the challenges women face creating a brand across multiple cultures and the paths they take to overcome them. The author’s expertise in this area supports readers on their own journey to building a brand in every field imaginable while finding self-empowerment in both work and life.



Asset Protection for Real Estate Investors: 5 Secrets to Protect Your Wealth From Lawsuits

By Gary Gable

When you take possession of a property through a sale or foreclosure, you get a deed, but you also take on the legal liability of that property—insurance can protect you, but what kind and how much should you carry? Author Gary Gable teaches the ins and outs of basic business principles of different business entity types, the usefulness of trusts, how to protect yourself from frivolous lawsuits, and how your personal pride can leave you open and vulnerable to even the smallest torts. A great concise, yet detailed, read on asset protection for any business owner, this is for those looking to start a business so you can put best practices first.



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HOUSING MARKET BEGINS TO RECOVER FROM NOVEMBER LOW

The housing market has begun to recover after hitting a low point in the second week of November, according to a new report from Redfin. The number of Redfin customers requesting tours has improved 17 percentage points from November, and the number of people contacting Redfin agents to start the homebuying process has improved 13 points. Compared with a year ago, home tours and service requests are down 23% and 27%, but that's an improvement from November, when both were down 40%.

This is already translating into more home sales. Redfin agents report that bidding wars are back in some markets, including Seattle, central Florida, and Richmond, Virginia. Homebuyer demand remains down from its early 2022 highs, but the market has shifted into a new phase and well-priced listings are selling quickly.

HOMEBUYERS RETURN AS POWER DYNAMICS SHIFT TOWARD THEIR FAVOR

Homebuyers have begun to acclimate to 6% mortgage rates, which may feel like a relief after watching affordability erode as rates surpassed 7% in the fall.

"I've seen more homes go under contract this month than in the entire fourth quarter. Listings that were stagnant in November and December are suddenly getting one to two offers," said San Jose, California Redfin agent Angela Langone. "I'm getting texts and emails from prospective buyers now that the new year is in full swing, and the holidays are behind us. Mortgage rates aren't stopping people as much as they were at the end of 2022 now that they're down from their peak and sellers are more willing to negotiate. Some buyers are having luck winning a home for under asking price, especially if it has been on the market for several weeks, but those days may be numbered."

Mortgage applications are up 28% from early November as the average 30-year-fixed

mortgage rate has declined to 6.15% from its November peak of 7.08%—the largest 10-week decline since 2009. That has sent the typical homebuyer's mortgage payment down 10% (about \$180) since fall. Pending home sales rose 3% in December from November on a seasonally-adjusted basis—the first month-over-month increase in 14 months.

BIDDING WARS ARE BACK IN SOME MARKETS

While demand is coming back in some parts of the country, homes that are eliciting bidding wars tend to be affordable, suburban, single-family, move-in ready, and priced competitively. Preliminary data on the share of Redfin agents' offers facing bidding wars points to small upticks in the Seattle and Tampa markets this month.

"Bidding wars are back in Seattle," said local Redfin real estate agent Shoshana Godwin. "One of our Issaquah listings got 12 offers and is under contract for \$155,000 over the \$1.4 million list price. The buyer

waived every contingency, handed over \$300,000 of earnest money, and is letting the seller stay for free for two months after closing. Another home in Seattle's popular Ballard neighborhood was recently delisted after sitting on the market for over three months. The seller relisted it last week and it went pending in under a day."

Eric Auciello, Redfin's team manager in Tampa, has seen three modest single-family homes priced around \$300,000 wind up in bidding wars in central Florida this month, with 16, 17, and 23 competing offers.

"Homes that are in desirable school districts, priced well, and in good condition are going off the market within days or even hours," said Richmond Redfin agent Blake Edwards. "Anything under \$400,000 will sell within the weekend. Even the \$1 million houses that are in great condition are selling within days. It really is property specific right now."

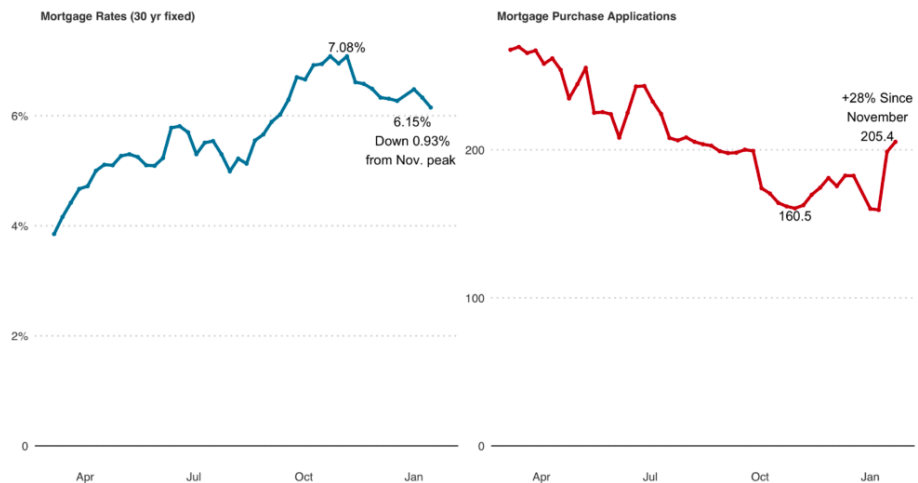
THE MARKET FOR CONDOS AND EXPENSIVE HOMES LAGS BEHIND

Condos and higher-priced homes are still a struggle to sell. Redfin agents report that sellers of expensive homes and condos are offering buyers incentives to close deals.

"The condo market in Washington, D.C. has been hit hard," said local Redfin agent Marshall Carey. "Condo sellers are searching

Tide Shift

Homebuying Demand Began to Recover As Mortgage Rates Fell at Their Fastest Pace Since 2009



© TaylorAMarr
Sources: Freddie Mac, PMMS; Mortgage Bankers Association, Seasonally Adjusted Purchase Index;

for ways to incentivize buyers. One of my buyers recently purchased a condo, and we got the seller to give them 3% of the list price back in cash. My buyer used 2% of that to buy down their mortgage rate.”

“There’s a ton of demand for affordable suburban homes, but the super high end isn’t in demand,” said Chicago Redfin agent Dan Close. “Property taxes are very expensive here, so buying a \$2 million home isn’t practical for most people.”

SELLERS HAVE BEEN SLOWER TO RETURN THAN BUYERS

Even though homebuyer demand is improving, the main factor driving bidding wars is low inventory. Would-be sellers are more sensitive to elevated rates because 85% of mortgage holders have a rate far below today’s level of roughly 6%. This “lock-in” effect and still-high rental prices are motivating many potential move-up buyers to become landlords instead of home sellers.

The measure of people contacting Redfin agents to sell their home has improved slightly; it’s up 10 percentage points from the November trough. But there hasn’t yet been a significant boost in listings nationwide. New listings fell 18% year over year during the four weeks ending January 22. That’s the smallest decrease in almost three months, but much steeper than the 8% decline a year earlier.

Redfin agents have observed in their conversations with homeowners that there’s fear around listing at a time when home-price growth has been shrinking and buyers are regaining power.

“Sellers are jumping on the first viable offer because they’ve heard from the media, friends, and family that the housing market is slowing,” Edwards said. “It all feels very urgent. We prioritize educating sellers in real-time, so they understand how the market dynamics are shifting, with more buyers now coming back.”

The market will likely see more sellers return as homebuyer demand increases and price growth stabilizes—especially given that there’s pent-up supply from sellers who delisted their homes in the fall when the market was slowing.

NEW-TO-CREDIT CONSUMERS MAY BE BETTER RISK THAN PREVIOUSLY THOUGHT

First-time credit users, also known as new-to-credit (NTC) consumers, are just as much of a risk as consumers with an established credit history—if not a little better—according to new data from the credit bureau, TransUnion.

A global study, entitled “Empowering Credit Inclusion: A Deeper Perspective on New-to-Credit Consumers,” provides reassuring hard data to lenders in both the established and developing credit markets so they can extend additional credit products to these consumers without a corresponding rise in delinquency rates.

Covering not only the U.S., but Brazil, Canada, Colombia, Dominican Republic, Hong Kong, India, the Philippines, and South Africa, the study focused on subjects who had no prior credit history with the bureau when they opened their first-ever line of credit and continued examining their behaviors and performances for the following two years.

“A particular focus around the topic of financial inclusion is credit inclusion—the ability of consumers to access traditional lending products, such as credit cards, mortgages, and personal loans. These products serve as a means to financial mobility for consumers and can be a gateway to a better quality of life, enabling homeownership, business formation, and wealth creation,” said Charlie Wise, co-author of the study and Head of Global Research at TransUnion. “The more consumers who can participate in credit markets in a region, the greater the opportunities for broad economic inclusion. The data from our study demonstrate that new-to-credit consumers are often good risks who are hungry for credit and will show loyalty to those financial institutions that offer them their first credit accounts.”

In the U.S. alone, 5.8 million consumers opened their first-ever line of credit in 2021, made up largely of the Gen Z generation at

59%, followed by millennials at 21%, Gen X at 12%, followed by 7% of baby boomers. The study found overall that these consumers were generally good risks when compared to a counterpart with an established file.

The study also found that the most common type of credit line NTC consumers took out was a credit card, not only in the U.S. but in other countries as well.

“In nearly every region, depending on risk tier or time period of origination, instances occurred in which NTC borrowers had lower delinquency rates on newly opened credit cards than established borrowers,” said the study. “In the U.S., on subsequent credit card originations after opening their first account, NTC consumers had slightly higher delinquency rates than credit-served consumers in the same near prime and prime score ranges, though the differences are small enough to make the NTC segment a potentially attractive segment for lenders looking for profitable growth.”

Further, the study found that new and unforeseen expenses were the primary driver for opening a line of credit. A majority of NTC consumers across all regions, with the exception of India, reported receiving a credit product at the first institution where they applied—without needing to go to multiple lenders. In the U.S., 54% of NTC borrowers reported receiving a credit product from the first institution where they applied.

“It’s clear that new-to-credit borrowers around the globe and in the United States will play a large role in the growth of many lenders’ books of business,” said Michele Raneri, co-author of the study and Head of U.S. Research at TransUnion. “Banks, credit unions, and other financial institutions who use alternative data while providing products, channels, and a positive onboarding process, will likely be the ones who succeed in building loyalty with this segment of the population.”

STUDY FINDS RENTING MORE AFFORDABLE THAN STARTER HOMES



For homebuyers nationwide hoping to make the transition to first-time buying in 2023, renting is projected to offer more affordable options in the months ahead, according to the Realtor.com Monthly Rental Report for December. On average across the 50 largest U.S. metros in December, a typical renter faced a 41.4% (\$792) lower monthly payment than a starter homeowner.

The markets with the largest monthly savings for renters, ranked by the percent difference between monthly mortgage payments and asking rents, include:

1. Austin, Texas (121.3% or \$2,013)
2. San Francisco, California (97.0% or \$2,855)
3. Seattle, Washington (86.1% or \$1,772)
4. San Jose, California (83.0% or \$2,621)
5. San Diego, California (77.2% or \$2,085)
6. Los Angeles (74.9% or \$2,150)
7. Boston, Massachusetts (73.1% or \$2,097)

8. Portland, Oregon (71.2% or \$1,246)
9. Phoenix (70.1% or \$1,116)
10. Sacramento, California (67.7% or \$1,241)

“Despite the fact that renting will likely be cheaper than buying in 2023, rental affordability will remain a key issue throughout the year. We expect rents will keep hitting new highs, driven by factors including still-low vacancy rates, lagging new construction, and demand from would-be first-time buyers,” said Realtor.com Chief Economist Danielle Hale.

In December, renters faced lower monthly costs than first-time buyers, on average across the 50 largest U.S. metros and in the vast majority (45) of these markets. Additionally, the gap between the cost of renting and buying a similar-sized home widened significantly compared to December 2021. While this was partly attributed to the slowdown in rent growth seen over the past year,

December trends indicate that the increase in relative rental affordability was primarily driven by skyrocketing mortgage rates.

KEY FINDINGS:

- In December, the U.S. median rental price, \$1,712, was \$792 lower than a typical monthly starter home payment. Just 12 months ago, the difference was -\$174.
- The widening gap between rents and first-time buying costs is largely attributed to higher starter homeownership monthly costs (\$2,504), which grew 37.4% year-over-year in December – more than 10 times faster than rents (+3.2%) during the same period. Furthermore, despite the slowdown in year-over-year rent growth seen in recent months, typical asking rents ended the year up an average of 11.6% year-over-year.
- Renting was more affordable than first-time buying in 45 of the 50 largest markets in December, up from 30 markets at the same time last year. In the top 10 metros that favored renting over first-time buying (see table below), monthly starter homeownership costs were an average of 82.2% (+\$1,920) higher than rents.
- Just five markets favored starter homeownership over renting in December, in terms of offering lower monthly costs; these were: Memphis, Tennessee (-32.7%); Pittsburgh (-24.1%); Birmingham, Alabama (-23.5%); St. Louis, Missouri (-6.9%); and Baltimore, Maryland (-3.7%).

“For prospective first-time buyers, the key consideration when figuring out whether to buy or rent is how long you plan to live in your next home. If you’re looking for flexibility to move in the shorter term, renting may be your best bet, and still offer opportunities to save if you’re able to compromise on factors like proximity to the downtown area. Whereas buying could be the better option if you’re planning to stay put for at least five years. Market conditions will play a role, but ultimately the timing comes down to your personal situation, and tools like the Realtor.com Rent vs. Buy Calculator can help you organize and make sense of the many considerations.”

2022 HOME SALE PROFITS TOP 50%

According to ATTOM Data's year-end 2022 Home Sales Report, the average home seller earned a real profit on their sale to the tune of \$112,000, up 21% from 2021 and 78% from two years ago.

This news comes despite the recent recession in the housing market that started in the second half of 2022—in fact, profits rose from 2021 to 2022 in 98% of major housing markets.

This figure represents the highest level of home seller profit since 2008.

The average \$112,000 of profit earned by each seller also represents a 51.4% return on investment compared to the buyer's initial purchase price, a number that is up 44.6% from last year and 32.8% in 2020.

"It seems pretty likely that home seller profits peaked for this cycle in 2022," said Rick Sharga, EVP of Market Intelligence at ATTOM. "Median prices have declined on a monthly basis since mortgage rates doubled between January and October and are likely to decline further in many markets across the country in 2023, reducing profitability for home sellers."

Both raw profits and return on investment have improved nationwide for 11 straight years, shooting up again in 2022 as the national median home price increased 10% to \$330,000—another annual record.

In addition, the median home price increased 10% throughout 2022, hitting another all-time high of \$330,000. The full-year median home-price appreciation in 2022 fell below the 17.6% recorded in 2021. Still, the increase in national median value remains at levels not seen since 2012.

Profit margins on typical home sales improved from 2021 to 2022 in 141 of the 157 metro areas with sufficient data to analyze (90%). That happened as the 10% jump in sale prices nationwide in 2022 surpassed the 5% increases recent sellers had been paying when they originally bought their homes.

Raw profits on median-priced home sales in 2022 topped \$100,000 in 79, or 50%, of

the 157 metro areas with sufficient data to analyze.

Another statistic monitored by ATTOM found that sellers who sold their homes during the fourth quarter of 2022 had owned their homes for an average of 5.85 years, down from 6.05 years during the same period in 2021. The latest figure represented the third-shortest average home-seller tenure since 2012. Average seller tenures were down year-over-year by 72%.

According to ATTOM, nationwide, all-cash purchases accounted for 36.1%, or one of every three single-family home and condo sales in 2022. The latest percentage—the highest since 2013—was up from 34.4% in 2021 and 22.7% in 2020, although still off the 38.5% peaks in 2011 and 2012.

"Cash buyers—many, but not all of whom are investors—are in a position of competitive advantage in today's higher interest rate environment and will continue to account for a higher-than-usual share of market at least until mortgage rates dip back down a bit," Sharga noted. "With affordability a problem for many buyers—especially first-time buyers—it wouldn't be a surprise to see the percentage of cash purchases actually increase in 2023."

Foreclosure sales to lenders accounted for just 1.2%, or 1 in 87 single-family home sales in 2022—the lowest level since at least 2005. The 2022 figure was down from 1.5% of sales, or 1 in 68, in 2021 and 3.6%, or 1 in 28, in 2020.

Institutional investors nationwide accounted for 6.5%, or 1 in 15 single-family home and condo sales in 2022 in the U.S. The latest figure was down from 8.1% in 2021 but was still more than twice the 2.9% level in 2020.

The final bit of data on the report found that nationwide, buyers using Federal Housing Administration (FHA) loans accounted for 7.5%, or 1 in 13 single-family home and condo purchases in 2022. That was down from 8.3% in 2021 and 11.8% in 2020, to the lowest point since 2007.

SUN BELT CITIES RANKED MOST POPULAR RELOCATION DESTINATIONS

According to a new Redfin report, a record one-quarter (24.6%) of Redfin users looked to move to a different metro area in Q4 as remote work allowed the few Americans buying homes to seek out less expensive areas amid an ongoing housing affordability crunch. That's up from 22.1% a year earlier and around 18% before the pandemic.

The people who are buying homes are relocating at an unprecedented rate because elevated mortgage rates, still-high home prices, and economic uncertainty are driving many of them—especially remote workers—to more affordable areas.

Meanwhile, those same factors also caused the overall pool of homebuyers to shrink, with pending home sales down more than 30% from a year ago at the end of 2022. Many homeowners are also reluctant to move because they don't want to give up their relatively low mortgage rate. Eight of the top 10 migration destinations in Q4 all had fewer homebuyers looking to move in than a year earlier.

Sacramento and Las Vegas, the most popular destinations, both had net inflows of around 5,500, down from roughly 6,500 a year earlier. Phoenix, the fifth most popular destination, had a net inflow of about 4,000 in Q4, down from more than 8,000. Net inflow is the number of people looking to move into a metro minus the number of people looking to leave.

"Phoenix is typically a huge vacation-home market, but I've seen a big decline in people purchasing second homes and investment properties lately. There are still out-of-towners buying homes and moving here full time, though that has also slowed down over the last several months as mortgage rates have risen," said local Redfin agent Heather Mahmood-Corley. "Still, the cost of living in Phoenix is low compared to places like the Bay Area, Seattle, Denver, and parts of the East Coast, where many out-of-town-

Continued

Continued from previous page

ers are coming from. I helped one client buy a home in Washington State in 2016, and it has doubled in value. She sold that home last year and used the proceeds to buy a much bigger, nicer house in Phoenix.”

SUN BELT CITIES ARE THE MOST POPULAR DESTINATIONS FOR RELOCATORS

After Sacramento and Las Vegas, Miami was the most popular migration destination in Q4. It’s followed by Tampa and Phoenix. Popularity is determined by net inflow.

Although home prices have soared in popular destinations like Las Vegas and Phoenix since the start of the pandemic as remote workers have moved in, they’re still far more affordable than places like the Bay Area or New York.

The typical home in eight of the 10 most popular destinations is less expensive than the typical home in the most common origin. For example, Sacramento’s \$540,000 median sale price is significantly cheaper than \$1.4 million in San Francisco, the top origin of out-of-towners coming to Sacramento. (Cape Coral, Florida and North Port-Sarasota, Florida, with Chicago as the top origin, are the exceptions). Warm weather is also attractive to relocators; all 10 of the top destinations are known for their sunny climates, and five are in Florida.

HOMEBUYERS ARE LEAVING EXPENSIVE COASTAL JOB CENTERS

More homebuyers looked to leave San Francisco than any other metro in Q4, followed by Los Angeles and New York. The ranking of places homebuyers are moving away from is determined by net outflow, a measure of how many more people are looking to leave a metro than move in.

Washington, D.C. and Chicago round out the top five, followed by several other large northern job centers. Those are typically the places homebuyers looked to leave, as they tend to be expensive.

Fewer homebuyers are leaving most of those places than there were a year earlier, reflecting the slow housing market. The net outflow from seven of the top 10 metros was smaller in the fourth quarter than a year earlier.

HOUSING MARKET POTENTIAL DROPS 17% YOY

Closing out 2022’s housing market potential data, the year ended on a two-month upswing, increasing 3% over November. Despite this increase, housing market potential remained down 17% compared with year-end data from December 2021.

This news comes by way of Mark Fleming, the Chief Economist for First American Financial Corporation and Leader of the Decision Sciences team, who overall found that the 17% drop in potential from 2021 is the equivalent of 1,065,000 sales that did not happen.

“The steep annual decline in market potential was largely a result of higher mortgage rates, which prevent both buyers and sellers from jumping into the market,” Fleming said. “While rates remain significantly higher compared with one year ago, they have retreated for two consecutive months, improving affordability. However, although lower mortgage rates have helped improve affordability, housing supply remains limited, and you can’t buy what’s not for sale.”

Compared to November 2022, the average 30-year fixed rate mortgage dropped 0.5%, boosting home-buying power by \$16,000, equivalent to an increase of 87,000 home sales. Year-over-year, home-buying power is down \$141,000 based on current figures.

Mortgage applications, which are a leading indicator of home sales, have also increased over the last two months as mortgage rates have softened.

“From a financial perspective, the deci-

sion to buy a home comes down to a payment-to-paycheck calculation, and lower rates may help to reduce the mortgage payment while higher incomes can increase one’s monthly paycheck,” Fleming said.

The market’s limiting reagent seems to be inventory, which is still down historically, and buyers’ fear of not finding something to buy. As of the third quarter of 2022, 93% of outstanding mortgages have a rate at or below 6%, leaving existing homeowners in a position where it would cost more to borrow the same amount of money they owe on their current mortgage, preventing them from listing their home for sale and adding supply to the market.

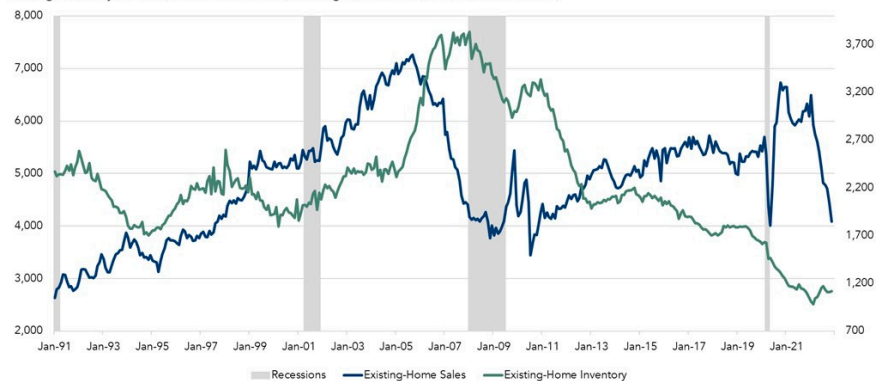
As a result of these dynamics, the average length of time that homeowners remain in their homes reached a historic high of 10.62 years in December, reducing housing market potential by 9,600 sales compared to the previous month.

“While existing-home inventory remains limited, the silver lining for home buyers is that new-home inventory is on the rise, and a new home at the right price is a pretty good substitute,” said Fleming. “The National Association of Home Builders reported that nearly two-thirds of builders were offering incentives, including mortgage rate buydowns, paying points for buyers and price reductions, which could entice potential home buyers.”

The good news is that new-home inventory is on the rise, as is usual to see in the spring season, which will continue to prop up sales numbers.

Sales Down, Inventory Low

Existing Inventory for Sale (RHS, Thousands, SA), Existing-Home Sales (LHS, Thousands, SAAR)



Source: NAR, First American Calculations, Nov. 2022

INSURANCE COMPANIES EXPECTED TO INCREASE RISK TOLERANCES



According to global insurance asset management firm Conning, insurance companies are expected to increase their risk tolerance and grow portfolio allocations to private assets amid their concerns about higher market volatility and inflation.

This information comes by way of Conning's new survey of U.S. life and property and casualty insurers, incorporating data from the 2022 calendar year and surveying 303 insurance industry professionals in investment and operational roles in both public and private companies.

Overall, the survey's findings suggested that risk management and sustainability continue to grow in importance and complexity among insurers. Most respondents acknowledged they face a learning curve when it comes to their risk-management and ESG investments and processes.

INVESTMENT PERFORMANCE A TOP BUSINESS CONCERN

Investment return was one of the top two overall business concerns among respondents in 2022, on par with cybersecurity. When asked what their investment focus would be in 2023, nearly two-thirds (64%) of respondents said they expect an increase in risk tolerance.

"U.S. insurers expect to increase their tolerance for risk even as market volatility remains elevated and higher quality assets are finally offering more compelling yields," said Woody Bradford, CEO and Chair of the

Board, Conning. "However, we believe many insurers, especially smaller and mid-sized firms, may discover they can take more investment risk without necessarily constraining their liquidity needs."

INVESTMENT PRIORITIES IN 2023

Despite the general economy's current performance, the trend of increasing private asset allocations is not likely to abate. Over the next two years, 83% of insurers surveyed expect to allocate 10% or more of their assets to private assets, up from 61% today.

This continues a trend in which life companies grew their allocations in private assets from 29.6% in 2018 to 34.5% at the end of 2021; P&C companies grew from 9.5% in 2018 to 11% in 2021. Survey responses that showed an expected increase into 2023 and 2024 were consistent across industry types and firm sizes of respondents. However, survey respondents did indicate their concerns with adequately managing liquidity, sourcing private assets, and getting management/board approvals.

Of these firms, about 25% of them expect to invest more than 25% of their portfolio of private assets. One in three said their firm will likely make its first allocations to private assets in the next two years.

When asked to identify what systems and departments they will invest in to manage these new investments, respondents prioritized investment risk management systems, strategic

asset allocation capabilities, and new data and analytics systems to identify future risks.

Sixty-three percent of those who expect to increase their investment risk tolerance said they intend to improve their management and measurement of investment risk. Insurers who anticipate decreasing their investment risk tolerance listed cost reduction or finding efficiencies as their leading investment goals.

"With increasing complexity in their portfolios, it is not surprising insurers need new tools to close the gaps in their risk and analytical capabilities," said Matthew Reilly, Managing Director, Institutional Solutions at Conning. "When implementing new strategies or new risks, insurers are keen to understand the varied risks and the impact they have across the enterprise."

ESG PRINCIPLES REMAIN A FOCUS FOR INSURANCE INVESTMENTS

Consistent with their responses in Conning's 2021 survey, 85% of insurers still plan to adhere to ESG standards in their portfolios. Despite this, 78% agreed that the implementation of ESG in the investment process requires significant resources, including staff effort, reporting, and technology. Eighty-one percent of respondents said they plan to increase analytics in areas such as climate and ESG.

Respondents also highlighted how insurers are increasingly demanding ESG compliance among partners. In 2022, 51% of respondents said they require vendors to meet ESG standards (versus 37% in 2021) and 47% said vendors must report on ESG standards (versus 36% in 2021).

"Insurers' commitment to ESG has consistently increased over the years in terms of both operational risk and investment management," said Scott Hawkins, Managing Director and Head of Insurance Research at Conning. "While they are aware of a possible recession and its impact, insurers have not let go of the need to develop ways to incorporate ESG standards across their operations and portfolios."

GOVERNMENT

HUD SWEARS IN ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS



Dr. Kimberly A. McClain has been sworn in as the U.S. Department of Housing & Urban Development's (HUD) Assistant Secretary for Congressional and Intergovernmental Relations. She was confirmed by the U.S. Senate on December 19, 2022.

"I'm delighted to welcome Dr. Kimberly McClain as HUD's Assistant Secretary for the Office of Congressional and Intergovernmental Relations," said HUD Secretary Marcia L. Fudge, who administered the oath of office to Assistant Secretary McClain during a ceremony at HUD's headquarters. "An Air Force veteran and skillful public servant, Dr. McClain's experience in government affairs, international relations, and policy development will prove invaluable to our team at HUD. From building relationships in Congress to forging bonds across intergovernmental partners, her leadership will be critical to HUD's goal to create affordable, inclusive, and resilient communities across America."

As Assistant Secretary for Congressional and Intergovernmental Relations, Dr. McClain will serve as principal advisor to HUD's Secretary, Deputy Secretary, and senior staff with respect to legislative affairs, Congressional relations, and policy matters impacting federal, state, and local governments, and public and private interest groups.

Assistant Secretary McClain most recently served in the Biden-Harris administration as Deputy Assistant Secretary for Congressional and Legislative Affairs at the U.S. Department of Veterans Affairs (VA). She is a retired U.S. Air Force Officer with more than 25 years of experience, including leading congressional strategy for the Air Force, specializing in political affairs for the Joint Staff, and working in policy development at the U.S. Department of Defense. She earned her Ph.D. in international business from Northcentral University, an M.S. in

human relations and international business from Amberton University, and her B.A. in psychology from the University of Texas at Arlington.

"It's my true honor to serve in the Biden-Harris administration as HUD's Assistant Secretary for Congressional and Intergovernmental Relations," HUD Assistant Secretary McClain said. "I have seen first-hand the positive impact of access to affordable housing and economic mobility, and I'm ecstatic to help equip, grow, and develop the Office of Congressional and Intergovernmental Relations as to build this team's relationships among key stakeholders on the Hill and across government. I thank Secretary Fudge for this opportunity and look forward to leading as I have in public service, and as an Air Force Officer: Integrity First, Service Before Self, and Excellence in All I Do."

LENDERS/SERVICERS

AAMC HIRES DANYA SAWYER AS CHIEF OPERATING OFFICER OF ALTERNATIVE LENDING GROUP



Altisource Asset Management Corporation has named **Danya Sawyer** Chief Operating Officer of its Alternative Lending Group (ALG).

"We expect that Danya will make an immediate positive impact," Altisource Asset Management CEO Jason Kopcak said. "She has deep and broad experience in real estate, mortgage, ABS, banking and broker dealer businesses. Her strategic approach to solution design will add value for our investors and clients, and her leadership style will complement our growing team of seasoned professionals."

As COO, Sawyer will build and oversee operations across all product lines to support ALG's growing market share. Sawyer will lead the company in helping real estate investors and developers by providing a more modern, equitable, and helpful path to capital than traditional lenders.

Sawyer brings more than 20 years of successful strategic leadership within Operations, Capital Markets, Product Management, and

Compliance across multiple origination channels. Sawyer most recently served as SVP, Client Solutions at Consolidated Analytics, overseeing originator assessments and enterprisewide due diligence on behalf of institutional investors offering warehouse financing solutions, whole loan acquisitions, and securitization options within agency, non-agency, non-QM, and business purpose lending.

Sawyer built her career at Countrywide, initially operating in various pricing and operational roles before developing a de novo broker to banker channel. After growing that channel to a run rate of more than \$1 billion in monthly production, she was promoted to various senior management positions at Countrywide/Bank of America. Sawyer earned her degree in international economics from UC Berkeley, where she was selected as an NCAA Academic All-American.

"I am excited to join Jason and the experienced team at ALG," Sawyer said. "The potential to differentiate ALG as an institutional lender within the private lending space affords our company incredible opportunity for growth amidst various market conditions."

SERVICE PROVIDERS

NEW WESTERN EXPANDS WITH NEW ST. LOUIS OFFICE



New Western, a national private source of fix-and-flip residential investment properties, announced the opening of its third Missouri office, in St. Louis, to be led

by **Drew Murphy**, who will serve as General Manager of the St. Louis office. Murphy is responsible for building the St. Louis team and office, from the ground up. In addition to the team's plans to revitalize \$405 million worth of homes in the area, Murphy will also plan to double the office's headcount over the next year.

"Our team has been looking to solidify our presence in Missouri since the launch of our Kansas City Office," said Kurt Carlton, Co-Founder and President of New Western. "With nearly 730,000 aged properties in the St. Louis metropolitan area built before 2004, the area offers significant potential for investors looking

to rehabilitate and resell homes. New Western's ability to identify distressed properties and return them to market at affordable prices makes us well positioned to become valuable resources to local real estate brokers."

In addition to the city's aging housing supply, St. Louis has experienced a 30% year-over-year decrease in the number of homes sold, making the area ripe for activity such as New Western's, which buys a new property every 13 minutes nationwide.

"We have seen an influx of young people moving to the Midwest from coastal states in search of their first home," Murphy said. "St. Louis is anchored by several large corporations with great job opportunities, making it a prime market for investors and sellers to add much-needed inventory at affordable prices. I look forward to building the New Western team in St. Louis and working with local investors and brokers to bring new opportunities to the market."

St. Louis is the 51st office opening for the real estate marketplace offering exclusive opportunities to investors looking to rehab houses. Since 2008, New Western has bought and sold more than \$15 billion worth of residential real estate by leveraging data and local market insight to stock its marketplace with exclusive investment properties.

EXCELERAS ADDS TO ITS CLIENT SUCCESS TEAM



Exceleras, a provider of software solutions that drive the right actions at the right time to accelerate property disposition, has announced the hiring of **Jeannette**

McWay as Customer Success Manager, serving new clients on the company's advanced asset management and disposition platform.

"The addition of these new roles and experienced talent is a testament to our confidence in the future of our company," said Tom Simon, Exceleras' CEO. "This is a direct result of increased interest in our newly re-architected platform. As we grow, we want to make certain that our client partners have the support they need to realize the full benefits we've built into our platform. Jeannette and Kelli will help us achieve that goal."

McWay was formerly REO/Property

"We have seen an influx of young people moving to the Midwest from coastal states in search of their first home. St. Louis is anchored by several large corporations with great job opportunities, making it a prime market for investors and sellers to add much-needed inventory at affordable prices."

—Drew Murphy

General Manager of the St. Louis office, New Western

Preservation Asset Manager for First United Bank. Prior to that, she served as Servicing Program Manager, Asset Manager, Production Support Manager, and Outsourcing Sales Manager with several different organizations in default servicing. She started her career at HomeComings/GMAC where she held several positions over her 14-year career, including Senior Asset Manager, REO Sales Team Manager, and ultimately REO Network Disposition Sales Manager, before she was recruited by Fannie Mae. She focused most of her career on REO Operations through liquidation and brings to the table process-oriented focus and strong customer service-related skills.

"This was the perfect time for this opportunity to find me," McWay said. "I look forward to helping our new and existing clients get the most out of what this team has built."

Also joining Exceleras is Kelli Kysela as Manager of Customer Success. Kysela was formerly AVP and Loan Servicing Manager for First Fidelity Bank. Before that, she served as Principal Quality Systems Analyst for Conduent Business Services, Manager of Customer Relations & Vendor Performance for Loan Depot, and Customer Service Manager for Willow Bend Mortgage. She also handled vendor management, quality control, and was an internal auditor for Willow Bend. During her career, she has been involved in all aspects of Loan Servicing (boarding loans, service releasing loans, foreclosure, REO, cash processing, payoff & lien release, investor reporting &

remitting, bank & general ledger reconciliations, modifications, subordinations, charge-offs, credit reporting & disputes, system testing).

"I'm very pleased to be part of this team," Kysela said. "I have been part of a number of really great teams, and it has taught me what to look for in a new opportunity. What I'm seeing in the team at Exceleras has convinced me that this was the right move."

CHASE PATTILLO TO LEAD MOSAIC'S BUILD-TO-RENT OPS IN FLORIDA



Mosaic, an institutional-grade general contractor, has announced its expansion into Florida and the appointment of **Chase Pattillo** as Regional Director of

Operations.

Mosaic's operations will be based in Tampa and serve new build-to-rent communities throughout Florida, including Orlando and Jacksonville. Pattillo was most recently Director of Florida Land Acquisitions at DR Horton's multifamily subsidiary, DHI Communities, and previously Managing Director of CBRE's Tampa Office. Mosaic's entrance to Florida spans their construction operations to 11 markets across the nation.

Florida represents an extraordinary growth opportunity for Mosaic because of the state's strong demand for rental housing. Build-to-

rent has become well-recognized as a growth sector by developers, capital providers, and municipalities in the state, and they are looking for sophisticated, experienced partners to make the most of build-to-rent's (BTR) potential. Mosaic's focus on BTR construction will bring needed expertise to local developers and a new general contractor partner for trades looking to enter a growing asset class.

"Mosaic's process allows us to bring our collective BTR learnings, and what we're seeing in real-time on current job sites to these new markets, while keeping our construction operations executing at a very high level. Our focus upon entering new markets is to build alignment with local trade partners and project stakeholders, before commencing projects with an experienced and capable team ready to execute," said Ray Gonzalez, EVP of Operations for Mosaic. "This approach allows us and our developer partners to scale into new markets, for them, without changing their GC operations every time."

As Mosaic's Regional Director of Operations in Tampa, Pattillo will be responsible for regional business development, trade partner network management, and oversight of all construction processes for new build-to-rent communities.

"Mosaic's expertise, experience with large, institutional projects, and the company's strong pipeline of projects impressed me right away, as did their reputation for excellence," Pattillo said. "Mosaic's process exemplifies a true understanding of how a GC can work best with trades, enabling them to bid, schedule, and build more predictably. This is a great opportunity for area trades adversely impacted by the slowdown in the for-sale market looking to enter a rapidly growing asset class. I look forward to leveraging local expertise in Florida to build with a national general contractor."

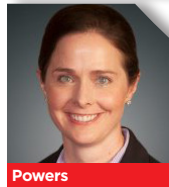
Pattillo's extensive background in multifamily development and commercial real estate includes work as Tampa's Managing Director at CBRE, a global leader in commercial real estate services and investments, where he oversaw all aspects of the company's advisory and operations businesses that included brokerage, investment sales, property management, finance, and project management services.

LEGAL PROVIDERS

MCCALLA RAYMER LEIBERT PIERCE EXPANDS OWNERSHIP, EVICTIONS MANAGEMENT TEAMS



Gonzales



Powers

McCalla Raymer Leibert Pierce LLP (MRLP) has announced that **Michael Gonzales**, Managing Partner of West Coast Litigation and Foreclosure, has been named Member and Owner at the firm. MRLP has also promoted **A. Drew Powers** to the role of Managing Partner of the firm's National Evictions Team.

Gonzales joined MRLP in 2017 and is based in the firm's Long Beach, California, office. Gonzales focuses his practice primarily on the representation of secured creditors, equity holders, and investors in state and federal court litigation, evictions, and nonjudicial foreclosures in California and Nevada. Prior to joining the firm, Gonzales started his career in-house at a major servicer before entering private practice, giving him a unique perspective on client needs.

"I am incredibly honored and grateful to join the ownership team at MRLP," Gonzales said. "Since opening the original California office in 2011, my team and I have worked extremely hard to provide best in class service to our clients, while maintaining the highest standards of excellence in work product. I am very thankful for the recognition and inspired to work even harder to achieve our collective goals and enjoy the journeys with such wonderful people."

Powers started at MRLP in 2011 as an Associate and has been a Partner at the firm since 2015. She has extensive knowledge of residential real estate law, with a special focus on creditors' rights, as well as Georgia foreclosure and eviction law. Powers is an authority on the Georgia and Alabama eviction and foreclosure processes. In addition to this, she has also handled a wide range of ancillary matters related to the representation of lenders and government sponsored entities, including but not limited to excess proceeds, third-party sales, tax sale issues,

post-sale eviction litigation, sale rescissions, compliance issues, FDCPA and RESPA disputes, bankruptcy matters, and title clearance issues. Her broad range of experience enables her to deliver the firm's clients significant expertise and first-rate customer service.

"I am thrilled and honored to be named Managing Partner of the Evictions and National Evictions Management Group," Powers added. "That's where I began my career at MRLP nearly 12 years ago, so in a way, I feel like I'm going back to my roots! The team is dynamic, dedicated and driven, and I look forward to enhancing and growing the practice. I'm so very excited to be ringing in the New Year with this next chapter in my career at the firm I love so dearly."

Established in 1982, MRLP is a provider of legal services to the financial services and mortgage banking industries, with offices in in the states of Alabama, California, Connecticut, Florida, Georgia, Illinois, Kentucky, Mississippi, Nevada, New Jersey, New York, Ohio, Oregon, Texas, and Washington.

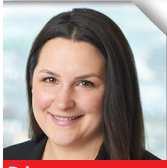
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—A. Drew Powers
Managing Partner, National Evictions Team
McCalla Raymer Leibert Pierce LLP

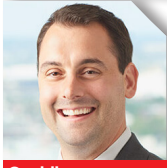
HINCKLEY ALLEN ELEVATES SEVEN ATTORNEYS TO PARTNER



Addesa



Briggs



Goulding



Krupa



McQuilkin



Shwartz



Wang

The law firm of Hinckley Allen has elevated seven attorneys to the role of Partner, including **Christopher M. Addesa, Alexandra Gordon Briggs, Richard A. Goulding, Meaghan L. Krupa, Scott A. McQuilkin, Jared L. Shwartz, and Jessica Y. Wang.**

“Congratulations to our newest partners. We are incredibly proud of this diverse group of talented and experienced attorneys. They are committed to Hinckley Allen’s core values: excellent client service, high quality legal work, professionalism and collaboration,” said Patrick A. Rogers, Managing Partner at Hinckley Allen. “These Hinckley Allen partners are trusted advisors who care deeply about our clients and consistently produce outstanding results for them.”

Addesa practices in the firm’s Real Estate Group, concentrating his practice in commercial lending and commercial real estate. He represents national and regional lenders in all aspects of commercial finance transactions. Chris also represents commercial developers in large scale commercial acquisition and construction projects including financing of the projects. Chris is skilled in all aspects of commercial

and residential real estate matters ranging from acquisitions and dispositions, negotiation and documentation of purchase and sale agreements, property management and development

agreements, and other transactional closing documents.

Briggs concentrates her practice on construction, commercial litigation, and insurance. Alexandra represents clients on matters ranging from construction and construction-related claims on public and private projects to complex Consumer Protection Act cases, including those arising out of allegations of unfair and deceptive acts under G.L. c. 93A and R.S.A. 358-A. She also consults with clients as to available insurance coverage to cover losses in all industries.

Goulding specializes in aviation and commercial, and real estate finance. Rick serves as legal advisor to large financial institutions that provide trustee and agency services in secured and unsecured financing transactions. Rick also represents companies in all stages of their corporate life cycle and advises clients on matters ranging from pre-incorporation planning to everyday corporate governance and operational questions to structuring and negotiating commercial transactions to strategic expansion, sophisticated financings, and exit transactions.

Krupa is a member of the firm’s Corporate & Business Group. Meaghan has represented businesses in a variety of corporate, capital market and commercial transactions, including mergers and acquisitions and venture capital investments. Meaghan routinely advises clients on a range of corporate, regulatory, contractual and governance matters and is also a member of the firm’s Cybersecurity, Privacy & Data Protection Group.

McQuilkin practices in the firm’s

Construction and Public Contracts Group. Scott represents owners, developers, contractors, and subcontractors. Scott’s experience includes negotiating and drafting design and construction contracts, advising clients as to issues arising during construction projects, analyzing permitting and zoning issues, and successfully litigating all types of construction disputes, including public bid protests, payment disputes, defective work claims, termination claims, and insurance coverage claims.

Shwartz practices in the firm’s Corporate & Business Group. Jared advises businesses on various matters, including governance, entity choice and formation, mergers and acquisitions, contract and financing negotiations, and related matters. He is also a member of the firm’s healthcare industry group, counseling healthcare systems, senior living operators, physicians and physician groups, dental practices, and veterinary clinics on transactional and regulatory matters.

Wang is a member of Hinckley Allen’s Real Estate Group. Jessica’s practice focuses on commercial real estate finance and development. She represents banks and other lending institutions in syndicated and bilateral real estate loans, locally and nationally. She has broad experience negotiating and closing acquisition, construction, permanent and mezzanine loans for a variety of real estate assets, including multifamily housing, hotel, retail, office, data center and industrial properties. She also advises real estate developers in the financing, acquisition, and leasing of complex real estate projects.

“Congratulations to our newest partners. We are incredibly proud of this diverse group of talented and experienced attorneys. They are committed to Hinckley Allen’s core values: excellent client service, high quality legal work, professionalism and collaboration.”

—Patrick A. Rogers
Managing Partner at Hinckley Allen



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ORANGEGRID CONNECTS VENDORS THROUGH ITS NEW GRIDSOURCE OPTION

OrangeGrid, a provider of mortgage servicing software, has announced it has released a new environment, GridSource, that connects all vendor types to its default suite of products included in their mortgage servicing platform.

GridSource simplifies vendor management processes, offers additional oversight of vendor's task load to ensure they are completing assigned tasks on schedule, and provides easy access to archived data and documents submitted by vendors in a single environment. Due to OrangeGrid's

unique architecture, there is no limit to the vendor types that can be added. The current list of vendor types already includes property preservation and inspection companies, valuation providers, law firms, real estate brokers, and title companies.

Vendors have their own logins where they can review open tasks and outstanding items via workflow queues. Becoming a GridSource vendor is on an invite-only basis based on client requirements, but once a part of the OrangeGrid vendor marketplace, they can be easily

added to other existing client processes.

"GridSource offers mortgage servicers greater insight and control in the way they manage their relationships with vendors, which provides enhanced collaboration and coordination of activities with each other," said Todd Mabraten, CEO and Founder of OrangeGrid. "Our customers create operational foundations via OrangeGrid's product suite and are seeing even more data centralization and process optimization by bringing in their vendors."



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Find out more by calling 727.403.5900 or emailing hello@hellosolutions.com



RISKSPAN'S EDGE PLATFORM ADDS GSE SOCIAL INDEX DATA

RiskSpan has announced the incorporation of Fannie Mae's and Freddie Mac's Single-Family Social Index data into its award-winning Edge Platform.

Fannie Mae and Freddie Mac (the GSEs) rolled out their social index disclosures in November 2022. Consisting of two measures, the Social Criteria Score and the Social Density Score, the Social Index discloses the share of loans in a given pool that are made to low-income, minority, and first-time homebuyers, as well as mortgages on homes in low-income areas, minority tracts, high-needs rural areas, and desig-

nated disaster areas. Manufactured housing loans also contribute to the score.

Rather than classifying each individual bond as "social" or "not social," the new Agency data available on the Edge Platform assigns every pool two fully transparent scores—one indicating the percentage of loans in a pool that satisfy any of the defined social criteria, the other reflecting how many criteria a pool's average loan satisfies.

Taken together, these enable Agency traders and investors to view and understand each pool along a full continuum of the social index, as opposed to simply assigning a binary social des-

ignation. Because borrowers behave differently at various places along this continuum, traders and investors fine-tune their analytics in ways never before possible to isolate pools with potentially slower prepayment speeds in a way that transcends what has traditionally been available using so-called "Spec. Pool" stories alone.

This new functionality is the latest in a series of enhancements that further the Edge Platform's objective of providing frictionless insight to Agency MBS traders and investors, knocking down barriers to efficient, clear, and data-driven valuation and risk assessment.



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CERTIFID PARTNERS ADVANCES MEASURES ON VACANT PROPERTY FRAUD

CertifID Inc., a provider of wire fraud protection, has collaborated with federal law enforcement to issue an advisory on the latest wire fraud threat to real estate businesses and consumers. In recent months, an alarming increase in incidents have been reported to the company involving the listing and sale of vacant land and properties that are free of mortgage liens. These scams involve bad actors posing as owners of these vacant lots or properties.

This recent trend is just the latest in an ever-evolving landscape of scams focused on the real estate industry. Leading tactics that cyber criminals have leveraged to perpetrate these frauds include Business Email Compromise (BEC). The FBI 2022 Congressional Report on BEC and Real Estate Wire Fraud cites BEC as the leading source of victim loss reported to their Internet Crime Complaint Center (IC3), totaling \$2.4 billion in 2021.

According to the National Association of Realtors (NAR), home sales continued to fall for the 10th month consecutively in November. As a result, cybercrime rings have turned to new tactics to make up for the lower housing market transaction volume that they can target. Here's

how these new vacant property scams work:

- Public records are searched to identify real estate that is free of mortgage or other liens. These often include vacant lots or rental properties. The identity of the landowner is also obtained through this public records search.
- Posing as the property owner, the scammer contacts a real estate agent to list the property for sale. All communications are through email and digital means, and not in person.
- The listing price of the property is typically below current market value, to generate immediate interest in the property.
- The scammer quickly accepts the offer, with preference for cash sales.
- At the time of closing, the scammer refuses to sign documents in person and requests a remote notary signing. The scammer impersonates the notary and returns falsified documents to the title company or closing attorney involved in the transaction.
- The title company or closing attorney transfers the closing proceeds to the scammer. The fraud is typically not discovered

until the time of recording of transferring documents with the applicable county.

Federal law enforcement has been fielding a sharp increase in victim reports on this type of vacant land fraud. The U.S. Secret Service issued an advisory describing how these scams work and what to look for.

“This recent trend involving seller impersonation is particularly concerning, as the real property owner is typically not aware nor in a position to prevent the fraud, until it is too late,” said Thomas W. Cronkright II, Executive Chairman, CertifID. “Unfortunately, it’s just the latest evolution of wire fraud that affects title companies, law firms, lenders, Realtors, and home buyers and sellers. Our company has received hundreds of cases and helped recover over \$52 million for victims in the last two years alone, by partnering with the U.S. Secret Service.”

CertifID safeguards billions of dollars every month from fraud with advanced software, insurance, and proven recovery services. Trusted by title companies, law firms, lenders, real estate agents, and home buyers and sellers—CertifID provides further peace of mind with up to \$1 million in direct coverage on every wire it protects.



ZESTYAI PARTNERS WITH BLACK KNIGHT

ZestyAI, a provider of climate and property risk analytics solutions powered by artificial intelligence (AI), has announced an agreement with software, data, and analytics provider Black Knight that will make ZestyAI's property risk analytics platform, Z-PROPERTY, available to its mortgage, real estate, and capital markets clients to provide timely property-condition reports and risk insights.

ZestyAI's Z-PROPERTY platform uses computer vision and machine learning to extract insights from aerial and satellite imagery for more than 150 million residential and commercial properties. ZestyAI maintains a digital twin of every property in North America that is constantly updated as changes in property condition,

and upgrades impact each property's evolving value and risk.

"We're always looking to deliver even more powerful data and insights for our customers, and ZestyAI's property analytics platform immediately stood out," said Julian Grey, EVP, Mortgage & Capital Markets Product Management, Black Knight Data & Analytics. "Investors and creditors will now have instant access to detailed property condition data much earlier in the origination cycle. Offering ZestyAI's roof condition assessment and other insights is a huge win for our customers."

Z-PROPERTY data gives Black Knight clients a huge advantage in assessing property condition. ZestyAI's technology looks at features,

such as roof condition, from each individual property, providing property-specific insights that will give Black Knight's clients an easy and cost-effective way to augment their assessment of property value and risk throughout the entire mortgage life cycle.

"Black Knight is the leading provider of rich data and analytics for the mortgage and real estate industries where real-time data and decisions are the new normal," said Attila Toth, Founder and CEO of ZestyAI. "We're proud to provide Black Knight's clients with our unique property insights to further improve speed and accuracy during every step of the home acquisition and financing process."



THE 2023 **LEGAL INDUSTRY UPDATE**

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2023'S WOMEN OF LAW

WHY CHAPTER 13 BANKRUPTCY SHOULD BE BACK ON THE RADAR

For almost 100 years, loan modifications have been utilized in the United States to adjust mortgage loans of individuals struggling to make their payments by: reducing interest rates, reducing their ongoing monthly mortgage payment, or even reducing principal balances. Modification programs began during the Great Depression in the 1930s at the state level and transformed over the years into federal policy during the subprime mortgage crisis in the early 2000s.

Forbearance agreements raced onto the scene during the COVID-19 pandemic. Borrowers quickly found themselves in an unexpected financial situation with the future uncertain. Along with forbearance agreements, there was more help as mortgage interest rates fell to record lows in 2020 and 2021 during the pandemic. Swift actions by the Federal Reserve pushed mortgage rates below 3% and helped to keep them there. Low interest rates coupled with a housing market boom gave hope that the housing market would survive and even flourish during the pandemic.

The narrative changed in 2022. With

inflation skyrocketing, mortgage interest rates have surged to their highest levels since 2002¹.

This has created a new difficulty, with millions of Americans still recovering from the fallout of the pandemic and needing assistance with their loans. The challenge becomes, how can a borrower in distress be offered a loan modification that can modify the loan to a payment that the borrower can afford when high interest rates may cause the payment to go up?

Typically, the answer to help a borrower stay

in their home and avoid foreclosure was to add the delinquent payments to the loan amount, extend the term, and adjust the interest rate on the mortgage to the current market rate. But because today's interest rates are rising, a loan modification may no longer be the pathway to home retention. Loan modifications are particularly attractive for borrowers when interest rates are low, because the borrower can often obtain a lower monthly payment. However, when interest rates are higher, a loan modification may not be the answer the borrower is hoping for. Due to servicer and federal guidelines, some lenders are not able to approve modifications if the principal and interest payment is increased beyond a certain amount. Higher interest rates and amortizing the loan to account for the past-due balance may cause that payment to increase too much, thereby eliminating the option of a loan modification.

Before the financial crisis in 2008–2009, most borrowers faced with foreclosure would opt to file a Chapter 13 Bankruptcy case. A Chapter

¹ As of 12/29/2022 the national average for a 30-year mortgage loan is 6.42% according to <https://www.freddiemac.com/pmms>



As lenders and servicers begin to navigate this new era in loss mitigation and default servicing, new and creative ideas will emerge to help borrowers at risk of losing their homes.

13 bankruptcy would provide the borrower with an automatic stay² that prevented the foreclosure from moving forward while the borrower proposed a repayment plan that would allow for the past due payments to be cured over time at 0% interest³ and to continue to make ongoing payments on the mortgage. Christopher Jones, a bankruptcy attorney with Acclaim Legal Services, with offices in the Metro Detroit area, said, "Prior to 2008, Chapter 13 bankruptcy often presented the most realistic and beneficial opportunity for a borrower facing foreclosure to avoid the foreclosure and cure the default on the mortgage." After the financial crisis, many mortgage lenders and investors began offering loan modifications to distressed borrowers while interest rates fell.

While not all loan modifications were the same, many of them would bring the loan current, lower the interest rate or provide for a fixed rate on adjustable-rate loans, and extend the term of the loan. The net effect for most borrowers would be a current loan with a lower payment and a lower interest rate, but for a longer term. For a borrower trying to save a home from foreclosure, the resulting loan modification processes offered a different path from filing bankruptcy. This has remained true, as interest rates have remained relatively low until recent actions designed to combat inflation began to reverse this trend.

In economic climates like we are experiencing now, Jones says a borrower faced with capitalizing the arrears and obtaining an interest at 7% or more, or double their current rate, may find "a Chapter 13 is a much more attractive alternative." Jones explains, "the borrower can preserve the existing (and likely low) interest rate and cure the arrears at 0% interest over the term of the bankruptcy plan along with resolving other outstanding debt." A Chapter 13 bankruptcy is not an easy task and can be an onerous process, but the benefit of getting the mortgage back on track may be worth it for a borrower trying to save their home.

Jones often analyzes the option of a loan modification vs. a Chapter 13 bankruptcy with his clients. "The starting point of my analysis is short-term affordability of each option. The second part of my analysis is the long-term financial implications of each option." The interest rate is a crucial component of the analysis. Per Jones,

"I'm seeing this more and more often with rising interest rates ... and more borrowers are opting for Chapter 13 bankruptcy vs. the loan modification as a result. The increased interest rates under proposed loan modifications are affecting the short-term affordability and long-term net cost associated with the mortgage, making Chapter 13 the more attractive option."

As lenders and servicers begin to navigate this new era in loss mitigation and default servicing, new and creative ideas will emerge to help borrowers at risk of losing their homes. But in the meantime, a Chapter 13 bankruptcy, if feasible, is a good alternative to stop the foreclosure and allow the borrowers to buy time and propose a repayment plan on their delinquent mortgage payments while retaining their locked-in low interest rate.



Laura M. Hawley is a Senior Compliance Attorney at Schneiderman & Sherman, P.C. specializing in foreclosure, compliance issues, creditor's rights, and litigation. Hawley is

licensed in Michigan and Illinois as well as the Eastern and Western Districts of Michigan, Northern District of Illinois, and the District of Colorado. She received her undergraduate degree from the University of North Florida in 2003 and graduated from Michigan State University College of Law in 2006. She has spoken on several panels over the years regarding her knowledge of creditor's rights, bankruptcy, and loss mitigation.



Michael P. Hogan is the Managing Attorney of the Bankruptcy Department at Schneiderman & Sherman, P.C. and practices in the areas of bankruptcy, creditor's rights, and

commercial litigation. A graduate of Michigan State University College of Law, Hogan was twice elected by his peers to serve on the Board of Directors for the Consumer Bankruptcy Association of the Eastern District of Michigan. He has been a speaker for the Consumer Bankruptcy Association's Steven W. Rhodes Consumer Bankruptcy Conference, the American Bankruptcy Institute's Central States Seminar, ICLE's Bankruptcy Reform Act: One Year Later, and the National Bar Association Annual Conference.

² 11 U.S.C. 362 ³ 11 U.S.C. 1325



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CONNECTICUT SUPREME COURT ADDRESSES STANDING IN FORECLOSURES

Servicers and their counsel have a definitive ruling from the Connecticut Supreme Court that the mere possession of an original note, which is not endorsed to the foreclosing plaintiff, does not automatically confer standing in a mortgage foreclosure (*Bank of NY Mellon v. Tope*, 2022 Conn. Lexis 329). In this case, the note was endorsed to JP Morgan Chase Bank, as Trustee. The suit was filed in the name of Bank of NY Mellon as Trustee in 2014.

The trial court had entered a Judgment of Foreclosure by Sale, and the date was extended multiple times, in part due to equity in the property. The last sale date set by the trial court was October 21, 2017. The borrower had previously filed a series of Motions to Dismiss, claiming a lack of standing, that were denied by the trial court. Undeterred, the borrower then filed a Motion to Open the Judgment shortly before the sale date, again claiming a lack of standing based on the status of the note. The trial court denied the Motion to Open, without conducting an evidentiary hearing. The borrower then filed an appeal of the denial of the Motion to Open. The Connecticut Appellate Court affirmed the trial court, holding that the borrower's standing challenge was an impermissible collateral attack on the Judgment of Foreclosure by Sale¹ [*Bank of New York Mellon v. Tope*, 202 Conn. App. 540 (2021)]. The borrower then filed a Petition for Certification to the Connecticut Supreme Court, which was granted. [*Bank of NY Mellon v. Tope*, 2021 Conn. Lexis 287 (2021)]. The two issues preserved for review were (1) whether the borrower's standing challenge was a collateral attack on the trial court's judgment and (2) if the answer to the first certified question is no, did the trial court properly deny the Motion to Open?

In the Supreme Court, the lender's counsel essentially claimed that the trial court lacked jurisdiction to open the Judgment of Foreclosure by Sale, when more than four months had passed since the date of the judgment (CGS 52-212a). The Connecticut Supreme Court rejected this argument, noting that a court retains jurisdiction to modify a judgment until the foreclosure sale has been approved.² No such approval had occurred in this case.

The lender's counsel then argued that the trial court judgment could be affirmed, because the plaintiff had proven standing to foreclose. The Connecticut Supreme Court reversed and remanded to the trial court for the lender to prove it had the right to enforce the note at an evidentiary hearing. The lender's counsel argued that the affidavit of debt filed in the trial court established that the plaintiff was the holder of the note, based on possession. The court distinguished that argument by noting that a "holder" under the UCC is a party in possession of a bearer paper note. Alternatively, a party that is the entity to whom a note is specifically endorsed—and that has physical possession of the note—is also a holder under the UCC [CGS 42a-1-201 (b)(21)]. The plaintiff in *Tope* did not meet either definition. The Supreme Court reversed the trial court, which had denied the borrower's Motion to Open the Judgment, and ordered that an evidentiary hearing be scheduled to address the plaintiff's right to enforce the note.

A lender faced with this challenge has the additional burden of the consumer fee shifting statute in Connecticut, CGS 42-150bb. That statute allows a consumer to recover legal fees when

the consumer has successfully defended an action based on a contract, which allows for the recovery of legal fees. Certainly, a lender may seek to withdraw its suit to avoid the burden and expense of a contested evidentiary hearing but would likely face a claim for legal fees by the borrower under CGS 42-150bb.

In Connecticut, it is good practice to have an original note endorsed either as "bearer paper" or to the specific party enforcing the note. As set forth in *Tope*, it can avoid substantial litigation over a period of years.



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has represented banks, mortgage companies, and servicers in lender liability, business torts, mortgage fraud, title insurance, and consumer-related claims under truth in lending, fair credit reporting, and fair debt collection matters through trial and appeal in Connecticut and Federal Courts. Milne specializes in complex litigation, defense of consumers under FDICPA, TILA, FCRA, and other consumer statutes, as well as appeals in state and federal court. In addition to this, Milne has been recognized as a Connecticut Super Lawyer[®] involving business and creditor's rights litigation from 2011–2019 and the Top 100 High Stakes Litigator's for Connecticut. In addition, Milne is an author of Connecticut Foreclosures, *Caron Milne & Barsom*, a treatise routinely cited by the trial and appellate courts in Connecticut.

¹ In Connecticut, the original loan documents are presented to the Court at the time of a judgment hearing.

² The Connecticut Supreme Court also cited Connecticut Foreclosures, D. Caron & G. Milne (4th Ed., 2004).



2023 TRENDS: DIGITAL MORTGAGES, SERVICING, AND DEFAULT SERVICING

Like the Starbucks or Chick-fil-A app, the process of applying for a mortgage continues to advance to a similar application. Between 2020 and 2022, with an increase in home buying due to low interest rates, originations were projected to be more than \$2.5 trillion, adjusted down in 2023 to \$1.98 trillion, which is 35-40% higher than average annual originations between 2010 and 2019.¹

Post-COVID-19 pandemic surveys of consumers show that about 60% of purchase and refinance borrowers prefer an online mortgage application process with an emphasis on speed. Satisfaction levels drop by 15% if the application decision takes more than 10 days.² Beginning with post-financial crisis compliance spending fueled by Dodd-Frank CFPB requirements, technology investments have shifted to improving the borrower experience. Not only do customers prefer a streamlined process, but also technology can also be used to meet regulatory standards such as fair lending. It also keeps loan approval processes as short as possible.³

The latest technologies include artificial intelligence and machine learning coupled with user-focused tools such as:

- Application forms that automatically populate key information like name, address, and Social Security number
- Upload features for documents like tax returns, bank statements, and income documentation

- Verification tools that check income and employment with credit agencies in seconds
- Online instructions, frequently asked questions, digital chat boxes, and 24-hour call centers

The improved digital application process speeds up the experience with fewer mistakes. One Freddie Mac study showed that mortgage lenders who incorporate digital mortgage technology reduce the average processing time by 63%.⁴

CLOSING, POST-CLOSING, AND SERVICING

In addition, after the application is approved, digital systems enable lenders, with the encouragement and support of Freddie Mac and Fannie Mae, to automate appraisal and title ordering, agent communication, and underwriting, as well as transition to post-closing requirements once the closing—possibly also held via a virtual, digital venue—is completed. The use of technology and digital platforms continues into servicing, which includes default servicing, of loans. Digital loan servicing systems generate reports, track repayments, calculate interest and fees, and, more importantly, provide the end-user borrower with the ability to manage and track their loan and request assistance. These systems include the

ability to facilitate servicing transfers, incorporate e-notarization and e-signatures, and with artificial intelligence (AI) programming, help predict economic factors that might impact loan performance, and in turn allow lenders, servicers, and investors to better prepare for defaults and loss mitigation.⁵

STANDARD BEARERS: IMPROVING CLIENT EXPERIENCE AND REDUCING COSTS

Research team Forbes Insights, in conjunction with Freddie Mac, studied the development and growth of digital mortgages, with a subtitle of “An Industry Race Toward the One-Hour Clear to Close.” One lender, United Wholesale Mortgage (UWM), stands out in the digital mortgage space, providing an entirely online experience, including electronic signing and digital documentation with payroll providers, and even FaceTime closings in certain states. Contrasted with the industry average of 40–42 days to close, UWM averages under 16 days to close and aims to meet a 10-day average to close.⁶

Pulte Mortgage, a lender working with their own construction company and focusing on new construction, stands out as an early adopter of

¹ <https://nationalmortgageprofessional.com/news/mba-revises-originations-forecast-downward-2023>

² Id

³ <https://www.granthornton.com/insights/articles/banking/2022/how-tech-turns-the-mortgage-mire-into-opportunity#>

⁴ https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/mortgage-cycle-time-benchmark-study.pdf

⁵ <https://www.granthornton.com/insights/articles/banking/2022/how-tech-turns-the-mortgage-mire-into-opportunity#>

⁶ https://sf.freddiemac.com/content/_assets/resources/pdf/other/freddie-mac-future-of-lending.pdf



technology to improve customer experience and reduce costs. In 1995, Pulte began centralizing operations and standardizing core mortgage processes using a digital workflow vertically integrated system that coordinates functions between construction, loan services, and affiliate closing services (title and insurance). About 95% of Pulte customers opt to complete the application process online and then use dashboards provided to them to track progress. Estimates for cost savings range between 10–51%.

DIGITAL PLATFORM DEFAULT SERVICING: A WORK IN PROGRESS

While demand for new loans and refinances is the lowest in 22 years, loan servicing volumes are near pre-pandemic levels as borrowers have been exiting forbearance programs, and foreclosure proceedings are up 132%.⁷ Default servicing costs are almost 10 times more expensive than

the cost of servicing a performing loan, and thus default servicing could benefit from the efficiencies found in digital systems. Capital investment is reflecting more and more commitment to digital innovation in the servicing, especially default serving industries, where legacy systems, spreadsheets, and manual interaction is still the norm. Many servicing processes are slow, manual, fragmented, and ripe for disruption.

One trend to facilitate the use of digital technology in servicing appears to be growth in subservicers using digital platforms because lenders and investors often lack internal servicing capacity and prefer to outsource servicing while retaining mortgage servicing rights. Also, outsourcing servicing to subservicers shifts regulatory compliance requirements to subservicers, as well as allows servicers to avoid investment in technology, given the capital required for servicing. In the past two to three years, subservicers using digital technology and artificial intelligence have increased efficiency

in the default space while improving borrower experience and strengthening compliance.⁸ Much more work is needed, as the focus thus far appears to have been on originations and closings, with less focus on backend operations, including servicing and default servicing. It bears repeating: improved use of digital technology in default servicing is ripe for disruption. Think about solutions offered on Amazon and Overstock apps.



As Managing Partner of Gilbert Garcia Group, P.A., Michelle Garcia Gilbert handles a wide variety of legal matters for the firm and has substantial litigation experience

in both default and non-default cases, including jury and non-jury trials, motion practice, and appellate oral argument, throughout the state of Florida. She has managed the firm's expansion into probate, estate planning, business transactional, and corporate law. She practiced real estate and business law since 1989, specializing in default servicing legal work, including litigated foreclosures, real estate closings, evictions, and commercial litigation.

⁷ https://sf.freddiemac.com/content/_assets/resources/pdf/other/freddie-mac-future-of-lending.pdf; <https://www.worldpropertyjournal.com/real-estate-news/united-states/irvine/real-estate-news-2022-home-foreclosure-data-attom-q1-2022-us-foreclosure-market-report-rick-sharga-bank-foreclosure-filing-data-for-2022-13077.php>

⁸ <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/five-trends-reshaping-the-us-home-mortgage-industry>

A REVIEW OF CONTESTED FORECLOSURE APPEALS IN PENNSYLVANIA

As we move into 2023, questions abound about what foreclosure volumes will look like in 2023. In Pennsylvania, the volume of foreclosures increased in 2022 over 2021, and the number of contested foreclosure cases likewise also increased. However, the number of cases decided on appeal by the Superior Court of Pennsylvania in foreclosure matters has continued to decline since the time of COVID-19. This article examines several legal issues decided on the appellate level, as well as an outlook for the new year as to what issues are likely to make their way to the appellate courts in 2023.

In Pennsylvania, mortgage foreclosure appeals in 2022 declined from 2021. In 2022, there were only 15 opinions issued by the Superior Court of Pennsylvania about mortgage foreclosure issues, and of the 15 opinions, only two were deemed “precedential.” This stands in contrast to pre-COVID-19, when the appellate court routinely issued between 30-40 foreclosure opinions per year. Between September and December of 2022, zero appellate opinions were issued by the Superior Court relating to foreclosures.

Amongst the issues that continued to arise in 2022, contested foreclosures are standard defenses related to standing or issues on motion for summary judgment, where there are allegations that questions of fact exist. This article touches on a few other issues of note.

There has been continuing discussion in various cases on the effect of a prior open mortgage

foreclosure under the same mortgage. Based upon this developing area of case law, a lender must ensure that any prior open foreclosure cases on the docket are dismissed prior to initiation of a new case, as a trial court may hold that it lacks the jurisdiction to hear the new case.

There was a key case relating to collection of claimed sale costs by a Sheriff from an executing creditor before the Sheriff would issue the deed to the lender. The Sheriff collected these funds in error, and the funds should not have been paid out by the Sheriff to the junior third-party creditor, the Commonwealth of Pennsylvania. This case dealt with the ability of the bank (the executing creditor) to recover those funds that were erroneously paid over to the state. In *Bank of New York Mellon v. Cabrera*, 412 EDA 2021 (Pa. Super. 2022), decided April 5, 2022, the appellate court ruled that the trial court in the foreclosure lacked the subject-matter jurisdiction over the bank’s attempt to recoup the funds.

A significant published case was related to a reverse mortgage and the applicability of various FHA regulations and loss mitigation options. The case known as *Bank of America v. Scott*, 2022 Pa. Super. 39 (2022), was decided on March 3, 2022, and it dealt with some significant issues in trial practice related to trial motions in *limine*, as well as the overall effect of the federal regulations that guide FHA reverse mortgages.

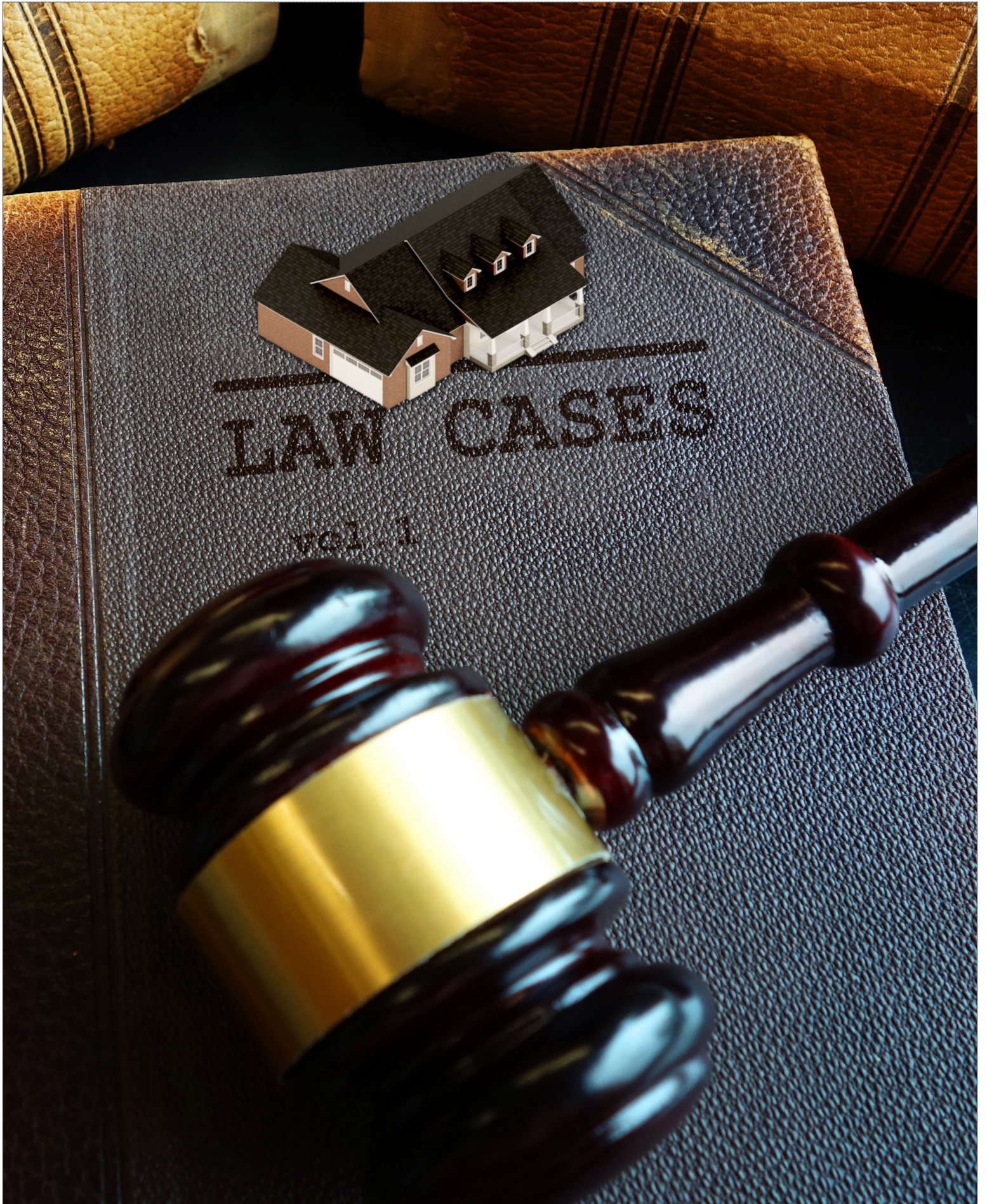
While the foreclosure volume in 2022 is still

below that of the pre-COVID-19 level, it appears that the level will continue to rise in 2023, though not yet achieve the pre-COVID-19 level. With more foreclosures, there is a likelihood of more contested matters and more appeals. It would appear that there should be more decisions rendered by the appellate courts affecting mortgage foreclosures in 2023. Issues that are expected to arise relate to: further evidentiary issues, business record issues, continual standing issues, and a further discussion of the effects of prior open foreclosures. Cases may focus on the effects of federal regulation and loss mitigation requirements prior to the initiation of foreclosure cases.



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ADDRESSING THE PARADOX OF DECEASED BORROWERS

Texas is viewed in mortgage servicing circles as having one of the fastest foreclosure processes in the country. In most cases, that's accurate. For the vast majority of nonjudicial foreclosures, the entire process can be completed within 60-90 days. Compared to the year or more that is often required in some states, the Texas foreclosure process is downright quick. However, when a borrower passes away before the underlying mortgage obligation has been satisfied, servicers often find themselves unable to foreclose or otherwise enforce their contractual rights for months, and in some cases, years. When we talk to default servicing clients, it's not uncommon to hear that "we don't have too many issues in Texas ... except for deceased borrower foreclosures." That perception is certainly a reality for many servicers and is rooted in a few nuanced principles and a body of case law that has developed over the past century.

There are a couple undisputed legal principles that create a paradox for servicers when a borrower has passed away. The first principle is that debt is not inherited. Upon an individual's death, outstanding debts of the deceased are not inherited by the heirs. The debt becomes part of the deceased individual's "estate." The estate comes into existence at the moment of death, regardless of any further legal action taken, and includes all the decedent's property. Any obligations that the deceased had in the moment before death immediately become obligations of the estate ... but not obligations of the heirs.

The second principle is that the beneficial

interest in estate property immediately passes to the heirs at the moment of death. When a person dies, the beneficial interest in all of decedent's property passes immediately to: (1) the decedent's heirs, if there is no will (intestate)¹, or (2) the devisees named in a valid will of the decedent (testate)². An heir or "distributee"³ is any person who is entitled to receive a distribution from the estate, whether under the statutes of descent and distribution or a lawful will. The heirs or distributees may become vested with legal title to the property through a probate administration.

Together, these two principles define the paradox: mortgage debt is not inherited by the heirs, but the heirs are immediately vested with a beneficial interest in the real property encumbered by that mortgage debt. Stated differently, the heirs inherited real property subject to a mortgage debt they do not owe. Yet, the security interest in the real property remains unaffected. It is through administration of the decedent's estate that the paradox can be reconciled (by satisfying the mortgage obligation and passing clear, legal title to the heirs).

In addition, the Texas Estates Code provides for a four-year period within which the heirs may reconcile the paradox.⁴ Specifically, the code provides that any "interested person" may file an application to commence an administration at any point before the fourth anniversary of an individual's death.⁵ This allows the heirs or distributees a four-year window from the date of death to initiate an administration, acquire

legal title to the estate property and satisfy any obligations of the estate.

Because of this legal framework, foreclosure of real property when a borrower has passed away isn't necessarily a *legal* problem for the servicer. It is a *practical* problem. For more than 100 years, Texas courts have consistently held that a properly conducted nonjudicial foreclosure within four years of a borrower's death is a perfectly legitimate sale⁶. It is sufficient to pass legal title to the foreclosure sale purchaser. The power of sale contained within a deed of trust is not suspended merely by virtue of the death of the borrower. However, there's a catch. The Texas Supreme Court has made it crystal clear that if a nonjudicial foreclosure sale takes place within the four-year period, that sale will be voided at the request of a dependent administrator should an administration be timely commenced.⁷

That is the practical problem for the servicer whose borrower has recently passed away. The servicer is perfectly within its legal rights to complete a nonjudicial foreclosure; title conveyed at foreclosure sale is not void. However, it is voidable should an interested party choose to contest it. And because title acquired through a nonjudicial foreclosure sale is voidable within four years of the borrower's death, the servicer is effectively unable to liquidate the REO asset. Prospective purchasers are disinclined to purchase real estate knowing that the conveyance could potentially be unwound, and title insurance companies are unwilling to assume the risk that no heirs will



It is the scenario where the borrower has passed away within the last four years, and the heirs have taken no action, that creates the greatest obstacle to servicers attempting to enforce their security interests.

step up and initiate a dependent administration.

Now, the death of a borrower doesn't always automatically mean that the servicer's enforcement remedies are obstructed for four years. For example, if the borrower passes away after the foreclosure sale, the validity of the sale will not be affected by the subsequent death of the borrower.⁸ Alternatively, if more than four years have elapsed since the borrower's death with no administration having been commenced, the foreclosure sale is not subject to challenge on the grounds that the borrower is deceased.⁹

Other scenarios that frequently arise include those in which the heirs have initiated an independent or a dependent administration before the servicer contemplates its enforcement remedies. In the case of a pending independent administration, the nonjudicial foreclosure remedy is still available to the servicer, albeit with additional notice requirements and prescribed timeframes to allow the independent administrator an opportunity to liquidate the asset.¹⁰ In the case of a pending dependent administration, the Estates Code outlines a formal and well-defined process for the servicer to establish its claim, and to seek foreclosure of its lien.¹¹

It is the scenario where the borrower has passed away within the last four years, and the heirs have taken no action, that creates the greatest obstacle to servicers attempting to enforce their security interests. This is the scenario where in the paradox of the beneficial interest passing to the heirs, who have no obligation to satisfy the underlying mortgage debt, can limit the servicer's practical options. That isn't to say that there are no options. There are. But the nature of the options available is very fact-specific and will be dictated largely by the particular circumstances of any given case.

When a borrower passes away in Texas, a servicer is presented with a variety of scenarios that may be as complex as they are unique. The paradox inherent in Texas probate law creates challenges and issues for servicers that must be analyzed for each deceased borrower matter based upon its own unique circumstances. There are a multitude of legal and procedural questions that arise beginning on the date of a borrower's death and may remain unanswered well after the borrower's death. When the situation arises, a servicer is not limited solely to waiting out a four-year period for probate. There can be a path

forward—however, a servicer should proceed cautiously. It would be prudent to consult an attorney in Texas, and a servicer would be well advised to seek guidance from a probate specialist that can investigate and evaluate the status of the estate and provide options and alternatives that best align with your objectives.



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practices. Patton has a BBA in finance from Texas Tech University and is a graduate of SMU School of Law. His practice is focused on creditor's rights, having represented financial institutions in litigation, bankruptcy, and default enforcement matters for more than 20 years. Patton is licensed to practice law in the states of Texas, Mississippi, and Arkansas.

1 Tex. Est. Code §§ 201.001 – 201.003

2 Tex. Est. Code § 101.001(a)

3 Tex. Est. Code § 22.010

4 Tex. Est. Code § 301.002

5 Tex. Est. Code § 301.051

6 Wiener v. Zweib, 147 S.W. 867 (Tex. 1912)

7 Pearce v. Stokes, 291 S.W.2d 309, 310–11 (Tex. 1956)

8 Smith v. San Antonio Joint Stock Land Bank, 130 S.W.2d 1070 (Tex. Civ. App.—Eastland 1939, writ ref'd)

9 Pearce v. Stokes, 291 S.W.2d 309, 310–11 (Tex. 1956)

10 Tex. Est. Code § 403.054

11 Tex. Est. Code §§ 355.051 – 355.066 and Tex. Est. Code §§ 355.155 – 355.160

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EXPERT INSIGHTS: LEGAL LEAGUE'S STEPHEN HLADIK AND KENT MCPHAIL

Stephen M. Hladik (Partner, Hladik, Onorato & Federman, LLP; Chair, Legal League 100) and Kent McPhail (Managing Partner, McPhail Sanchez, LLC) are both default servicing attorneys, each with more than 30 years of experience in the industry. They recently spoke with DS News to discuss their insights into the housing market, which they also cover on their podcast, *What the M*. Hladik and McPhail's show is emerging as one of the best ways for those in the default industry to learn more about, and navigate, the market.

Hladik and McPhail launched the bi-weekly podcast in September 2022, with the goal of providing listeners with up-to-the-minute information on servicer and default issues, as well as discussing mortgage foreclosure rates, trends and other nationwide foreclosure statistics. *What the M* also takes a deep-dive into the economics impacting foreclosure regulations, explores recent industry-related court decisions, and more. On each episode, Hladik and McPhail interview a guest who has unique insight into a particular area of the mortgage industry—past guests have included high-level executives from several of the nation's largest mortgage loan servicers, a statistician, and the Executive Director of the VA's Home Loan Program. The depth of each guest's knowledge about their specific area of the industry enables Hladik and McPhail to provide

their audience with a deep dive into that area—all of which coalesce, for consistent listeners, into a complete picture of where the industry currently stands.

WHAT WAS THE MOTIVATION BEHIND LAUNCHING *WHAT THE M*?

Hladik: I am a podcast listener, enjoying a wide variety of shows. One of the real reasons behind why the *What the M* podcast started was when I spent hours searching for any kind of podcast out there that talked specifically about the mortgage default servicing industry. There are many podcasts that discuss mortgage originations, real estate, and investment. But there was nothing that focused on mortgage servicing issues, default issues, mortgage foreclosure rates, economics

impacting foreclosures, rules impacting foreclosures, and court cases impacting foreclosures. So I thought, well, since there is not anything like that out there, why don't we start our own podcast? And Kent was more than willing and able, and he brought the technological know-how to help us put that idea into action.

McPhail: Steve and I were sitting at the Five Star Conference and he started talking about wanting to do a podcast, which I thought was a great idea. From there it just kind of took off. Steve was definitely the driving force and I was happy to be asked to be on the team. Steve is an extremely intelligent and knowledgeable individual and it is a joy to work with him on this project. With Steve being from the northeast and me being from the deep south, I believe we have a good yin and yang thing going on. It's been going great so far. We've had some amazing guests with many more planned, and quite frankly, we are having a blast.

Hladik: From where we started and where we are already at, I am astounded by the number of people that listen to the podcast. I am amazed by how far the podcast reaches. A lot of that is a credit to the quality of the guests, as Kent mentioned. We have had some very high-profile, excellent people explaining different avenues of economics impacting mortgages.



WHAT TYPE OF EDUCATION AND INSIGHTS ARE YOU PROVIDING FOR YOUR LISTENERS?

McPhail: While we strive to make the podcast accessible to all, *What the M* is intended primarily to provide information, education, and insights to individuals who work in any facet of the default servicing industry. When planning an episode, we decide on a different theme or industry-related topic that we believe will provide value for our listeners. After we decide on our theme, Steve and I then reach out to industry leaders who we know will offer invaluable insight on the topic. We've been incredibly fortunate that so many people have been generous enough with their time to say "yes" when we ask them to appear

on the podcast.

We try to dig into wide-ranging, novel topics. One episode I was eager to produce focused solely on the attorney-client relationship between law firms and mortgage servicers. I had personally never heard that relationship discussed in-depth in media before, and I definitely believe that attorneys and servicers can benefit greatly from that dialogue. Another episode focused on the incredible charitable work done by one of the nation's largest servicers.

Of course, given the nature of our industry, several of our episodes have been very fact- and statistic-driven. But the information listeners can gain from these episodes are invaluable and, due to the personalities and character of our guests, can

be quite captivating. Recently, we interviewed John Bell, Director of the loan guaranty program for the Veterans Benefits Administration. On our latest episode, we interviewed Rick Sharga, EVP of Market Intelligence for Attom Data Solutions. The breadth and depth of both guests' knowledge of the current state of the industry, as well as its future, cannot be overstated. I learn so much from each guest.

Hladik: John Bell was a fantastic guest. Learning about how much he has helped grow and enhance the VA portfolio was fantastic. As Kent mentioned, just like our listeners, we are also learning on every episode. We are listening to the guests and learning from their experiences. I have always enjoyed the educational aspect of my job,

whether that's giving presentations or keeping clients informed of new issues coming down the pike. This podcast goes hand in hand with that, as we get to educate the listeners on some truly fascinating topics, while learning from the guests as well. That's a win-win for us.

Kent and I are having a great time with the podcast, and we want to continue to grow the audience. We want to make sure that we provide guests, topics, and issues that are of interest to listeners. We invite everyone to reach out through social media or email us. Let us know things you would like to hear about. In addition to our guest interviews, we added a segment where we discuss hot legal topics within the industry- anything from a state-specific foreclosure bill that just passed in New York from a national court decision dealing with the CFPB. If it is relevant to the industry, we want our listeners to know about it. The podcast is a fantastic way to provide vital information to our listeners as quickly as possible.

McPhail: I agree with that completely, Steve. The podcast format provides such an easy and direct way to communicate information. It's wonderful to be able to provide up-to-the-minute updates to our listeners. Steve and I can record an episode in the morning and have it up by the afternoon so that our listeners never miss an important development within the industry.

WOULD PEOPLE OUTSIDE THE INDUSTRY, SUCH AS POTENTIAL HOMEBUYERS, FIND USEFUL INFORMATION IN THE PODCAST TOO?

Hladik: I think, particularly from the economic side, some of what we talk about is very industry-specific, which can come with a lot of industry nomenclature. However, we strive to be conscious of that and explain things as clearly as possible, using terms that are accessible to any listener. In addition to providing information that we think will benefit industry insiders, we endeavor to also give a 20,000-foot view, and be mindful of what concerns homeowners and potential homebuyers might have. I would encourage anyone to give the podcast a listen. We've been fortunate enough to talk to some amazing people and I'm wowed by their level of competence and intelligence. And as for the podcast itself, I think that we're getting exponentially better as we go.

McPhail: Again, I agree, Steve. While the podcast is directed at the default industry, individual consumers and potential homebuyers will find extensive information that could assist them with their immediate and long-term financial planning. I would again reference the episode with Rick Sharga. While we are all "reading tea leaves," trying to figure out what happens next, Rick spoke at length about expectations for the economy as a whole and about the industry specifically. This sort of micro and macro-economic information is extremely valuable to industry professionals and non-industry consumers.

CHANGING TOPICS, HOW IS YOUR INVOLVEMENT WITH THE LEGAL LEAGUE BENEFITING YOUR ORGANIZATIONS?

Hladik: We have been a member of Legal League for a number of years now, and we've truly benefited from and enjoyed our membership. For me, it's not just the live interactions at the conferences, but again, I enjoy the educational component. The webinars we have been putting on are becoming hugely successful with both servicers and clients. Our quarterly publications, which contain all the latest information on new case law and regulations, also give firms a place where they can promote their achievements from the past year. We get top-level speakers from within the industry and the government who provide educational benefits to servicers and clients. As a Legal League member, you also get exposure on the internet. So that's a long answer to your short question! There are numerous benefits to membership and we plan to continue setting the bar very high. We want to be the best trade industry organization for law firms within the default servicing industry, and what we want to do is grow and be a leader in this industry. We want quality membership. We want everyone to be involved. We want to have as many law firms involved in participating as possible at our events. We want to be able to have the best educational opportunities for servicing clients and members. We've even started a certification process where employees can come in and receive education taught by members, and receive an industry certification. So, a lot is going on with the League and we intend to grow it even further.

McPhail: I think Steve hit it out of the park with that assessment. From my standpoint, it was a great opportunity to get further plugged

into meeting great people within the industry. I would not know Stephen Hladik but for my involvement with Legal League, and making those professional connections is where I see the greatest value for me and my firm.

AS ATTORNEYS, WHAT MAJOR CHANGES DO YOU SEE HAPPENING WITHIN THE INDUSTRY, YOUR ORGANIZATIONS, AND THE ECONOMY?

Hladik: That's a complex question. Everybody in the industry, including my law firm, is trying to predict what is going to happen in the future. With COVID, there was extensive regulatory involvement, and from that involvement we saw very positive loss mitigation programs that saved a lot of people from going into foreclosure. It was absolutely the right thing to do. The government took good, aggressive steps to keep people in their homes. But change is a constant, and rising interest rates and inflation will create wholly separate economic issues that are going to impact 2023 and beyond.

McPhail: With regard to the industry and the economy, what everyone is trying to figure out- including my firm and Steve's firm- is what the aftermath from COVID and the current economic upheaval are going to look like. You've got interest rates going up, at the same time, inflation continues to climb and you're starting to see some property values slipping in certain markets. Prior to and during COVID, home values were climbing, which provided homeowners with record amounts of equity in their homes. These factors made loss mitigation opportunities far easier for servicers and regulators to craft, and far easier for homeowners to obtain. Now, with rates rising and values slipping, loss mitigation is becoming a much more difficult path. How do you modify a loan to assist a homeowner where the rate is a fixed 3%, but current rates are hovering around 6%? It's just difficult to make that math work. Honestly, from my perspective, I don't believe there's been a point in the history of this country where we've had a convergence of factors like the ones that currently face us.

With regard to my firm and how we've faced these unprecedented factors, our goal throughout COVID, and now in the current slow market, was and remains to be a stronger firm coming out than we were going in. We implemented

new technologies to improve our processes and broke down every task in every department of the firm to see where we could improve. By focusing intently on these goals, and by virtue of the fact that our firm is diversified in our creditor practice, including representation of the auto industry and a recovery department, we have not only thrived but have grown over the last three years.

Hladik: I agree with Kent that our circumstances- as an industry and a country- are unprecedented. There have been three main areas of change since COVID that I have observed, and all three are still continuing to evolve. First, there are daily regulatory changes, for example, changes related to fair debt or to credit reporting. Those changes inevitably affect how we process cases. Second, we continually have to deal with new technological issues and challenges. Technology has changed drastically from three years ago, and with benefits also come costs. There are now an incredible amount of cybersecurity challenges and costs that law firms face. Finally, we also have to handle novel human resource issues. COVID had a lot of impact on that. Because right now, for any potential job candidate that comes in to interview, the first question they usually ask is, "Can I work remotely?" The remote work issue is something that barely existed three years ago and now all industries are currently having to deal with it. But because we are handling highly sensitive attorney-client privileged documents, it is hard to have an entire team remote in the legal field. Law firms need people physically present within their offices to put signatures on pleadings and send mail to the courts. So that's a challenge that all of us within the legal industry are now facing. While our firm is always interviewing, looking for top talent, we are cognizant of the fact that we have to adapt to the times, too.

Our firm has adapted. We have evolved. We worked intently on keeping our technology up-to-date. Like Kent's firm, we focused a lot on our processes during COVID, and we continue to do so now to make our operations more efficient. We constantly evaluate our case management systems and are as technologically efficient as possible.

McPhail: The remote work issue is a huge one. If you went back three years ago and an auditor learned that 50% of your staff was remote,

that would have been a very quick trip to a major audit finding. Now, post-COVID, there are many services that are almost 100% remote in terms of their employees, and remote workers are the norm. This has been a dramatic but necessary paradigm shift. Like Steve said, trying to keep up with those changes can create challenges, but at my firm we are always up for a good challenge.

WHAT DIRECTION DO YOU SEE THE ECONOMY AND THE HOUSING MARKET MOVING IN THE MONTHS TO COME?

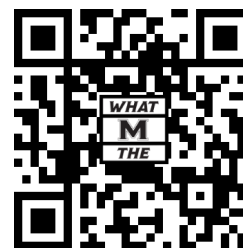
Hladik: You see reports in today's news on inflation, and while the news is good, the news is not necessarily great. This means the level of price increases is not increasing as fast as it used to. Prices are still going up. With interest rates, the Fed is no doubt going to continue to take further action to raise interest rates higher. And all of that is impacting people, credit cards, car loans, and it's certainly impacting new mortgage origination. People are going to see the ripple effects within the economy with inflation and higher interest rates.

McPhail: I absolutely agree. Steve and I have both worked extensively in the default servicing industry for several decades and have seen busts and booms. Given that the FED continues to raise rates, and are indicating they will continue to do so until inflation is curbed, I believe a recession is inevitable. Although the unemployment rate has remained steady, in order to fight rising costs, companies will have to cut overhead and, because payroll is typically a company's largest expense, layoffs are inevitable. As these layoffs filter through the economy, they will ultimately result in increased defaults and foreclosures. That being said, I do not see foreclosures beginning to return to pre-pandemic levels until late 2023 or early 2024. If that changes, we will let you all know about it right away on *What the M*.

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We ask everybody in the podcast, if you could go back and sit down with a 20-year-old version of yourself, what advice would you give them? And with that question, we get these amazingly interesting answers.

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HOW AI WILL ENHANCE THE MORTGAGE SERVICING INDUSTRY

Artificial Intelligence (AI) will one day touch every single industry and level of our lives. The interaction and dependence on AI will be so natural that we will have to stop and think what life would be like without it. It will be cheap, accessible, and widely circulated. There will be different levels of sophistication for AI models, ranging from simple and primitive (“if this, then perform this action”) to highly complex, individualized free-thinking, self-replicating automatons. This article presents a brief, historical perspective on the evolution of AI over the last several decades, the introduction and development of AI in our financial industry, and, finally, a word of caution.

A LOOK BACK AT FINANCE AND AI

While AI continues to become part of the conversation, and to greater levels of degree, this was not always the case. It was around the 1980s when AI began to gain prominence in the finance world. The model created (Expert System) was used to predict market trends and provide customized financial plans; this kicked off the acceptance of AI in finance, which was primarily used in financial analysis, market analysis, current

cy exchange, and bank management. The 1990s introduced fraud detection and advanced levels of transaction reviews. The early 2000s introduced the assistance in underwriting decisions on the credit application of corporate loans. The 2010s used the model to enable smaller enterprises to conduct professional data security analysis as a result of capital constraints.

Until this time, AI revolved around analyzing a massive amount of numerical data, hence the perfect fit for the finance industry. However, it was not until Natural Language Processing (NLP) arrived around mid-2015 as a method to enhance the AI model with text. No longer would AI dependence be limited to numeric or quantifiable data alone. Instead, a massive amount of text would now be involved with improved models. According to NVIDIA, one of the world’s leading AI programming and chip manufacturers, there are even more advanced models such as BERT (Bidirectional Encoder Representations From Transformers) which can understand words in context. For example, it could tell a difference between a city’s riverbank and the River City Bank.

HOW AI WORKS

Simply put, AI is a process of prediction and errors of prediction. It requires big data technology and a series of highly complex algorithms using linear algebra, probability, and statistics. The AI engineer would use programming languages like Python, R, Java, or C++ to build the AI model.

One type of AI model is “Inference and Train.” You tell the model there is a cat in a picture and to find the cat. The model, having access to all information via the internet, will compare billions of data points within milliseconds, logging the many, many errors in trying to find the answer until eventual success. That’s inference. Training is the process of giving it an input and having the expected output. AI engineers now can also use what’s called backpropagation, which takes the errors and divides up those across layers to back calculate the correct answer to more precisely provide a more accurate output response. Thus, when you put a new thing in, it gives you a better answer.

While some companies (and banks) with the capital may invest in their own departments to



create basic AI, it will be challenging to compete with chip manufacturers and big tech on building the sophisticated models that will significantly enhance (presumably) life as we know it. I would not recommend they invest to do so; I think it would be an expensive endeavor that would be outdated the moment it went into production. Instead, an AI collaborative should be created for each industry (finance, medicine, law, engineering, etc.) so that expert engineers would have access to industry experts at large, not an individual company with its own biases and goals.

THE NEW FRONTIER

Currently, AI is wildly expensive, complicated, and being discovered in a “Wild West”-like theater. Our world’s greatest minds are speaking with AI and facilitating the development into base models for future use. Once the base models are built, businesses will only need to input 15 or 20 fundamental principles into the AI model to provide reliable outputs. Companies may already be working toward those fundamental principles. However, these will most likely be aggregated and consolidated by the industry to identify the best principles to use. This approach will establish the use of AI best practices to an industry, which will impact a number of important KPIs.

Here are some examples I thought of in about five minutes of how AI could enhance our servicing industry (imagine an entire team over months):

- **Internal Compliance and Audit:** What is our confidence internally for full compliance with 2016 Mortgage Servicing Rules? What steps are recommended to obtain compliance?
- **Operations:** What would you recommend we have the team focus on for the next hour to maximize productivity? What are some habits of the team that are inefficient and contribute to waste?
- **Cybersecurity Protection:** What is a loophole in our security system and what is the solution to addressing this?
- **On-Demand Training:** What is the proper way to complete Task 24 in the training manual, and what am I doing wrong?
- **Legal:** What is the most common issue we see with New York foreclosures during the legal process after service is perfected? What is the most successful response to that issue?

I was speaking with a few other leaders in

the mortgage industry, specifically around AI and machine learning, and I noticed a commonality: this is an area all are thinking about right now. Mike Merritt, SVP of Customer Care and Mortgage Default Servicing at BOK Financial, in a discussion on this topic pointed out how quickly these technologies are gaining ground in society, with apps like Alexa and Siri becoming more functional every day.

Merritt went on to say that “[t]he mortgage industry could be ripe for a technology revolution over the next decade” and went on to provide a roadmap to several significant enhancements through the implementation of AI and Machine Learning:

“[AI] could improve how we communicate with our customers by allowing the industry to offer more self-service options, better chatbot options to help more customers, give agents more information to handle calls, and allow agents to spend more time with customers on the complicated matters where their expertise can make the biggest difference ... these technologies could help better manage the documents that the industry runs on in both originations and servicing ... identify, index, and gather key data points from documents to help mortgage lenders be more efficient with their staff. Finally, these technologies could help meet compliance needs. Voice analytics can help monitor every call interaction, not just a small sample. OCR with machine learning and AI can review data points, documents, letters, and notes against compliance standards to increase the scope of review across the full servicing and origination organization.”

I could not agree more, and these benefits are groundbreaking operational improvements for employees and consumers. We are probably a little less than 10 years out from this being very real to us all. The model could be an application on your phone, or on a desktop, and responses provided real-time and recorded for auditing purposes just like an email.

EXERCISING CAUTION

The benefits of AI are apparent: the efficiency and speed; error reduction; accurate storytelling capability; cost reduction. While the shortage of AI and machine learning scientists will slow the production of the latest and greatest model, we have a more pressing concern. There is a lack of safety and regulation as AI is developed, nationally and internationally. To wit, having the potential for a higher intelligence than humans is a very real possibility, and an open discussion needs to come to the front at every level.

The discovery of nuclear fusion and the atom bomb significantly changed human interaction; it took a Cold War and the agreed mutual destruction of the human race to be the stop-gap that balances nuclear technology with our flourishing. AI’s entire purpose is to make human-like decisions. Depending on the sophistication of the model, it will take on a mind of itself and make autonomous decisions. Whether these decisions are aligned with human flourishing is yet to be proven. I believe the reader agrees when I say, that is a very big question to ask and answer prior to releasing to the general public.

I will leave you with this real, AI-generated quote based on the persona of Elon Musk:

“I’m increasingly inclined to think that there should be some regulatory oversight, maybe at the national and international level, just to make sure that we don’t do something very foolish. I mean, with artificial intelligence, we’re summoning the demon.”

And you can take that to the bank.



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Chilton is an experienced financial services attorney who has served on numerous financial

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Adam Bennett, David Demers, Andy Cooke, John Johnson

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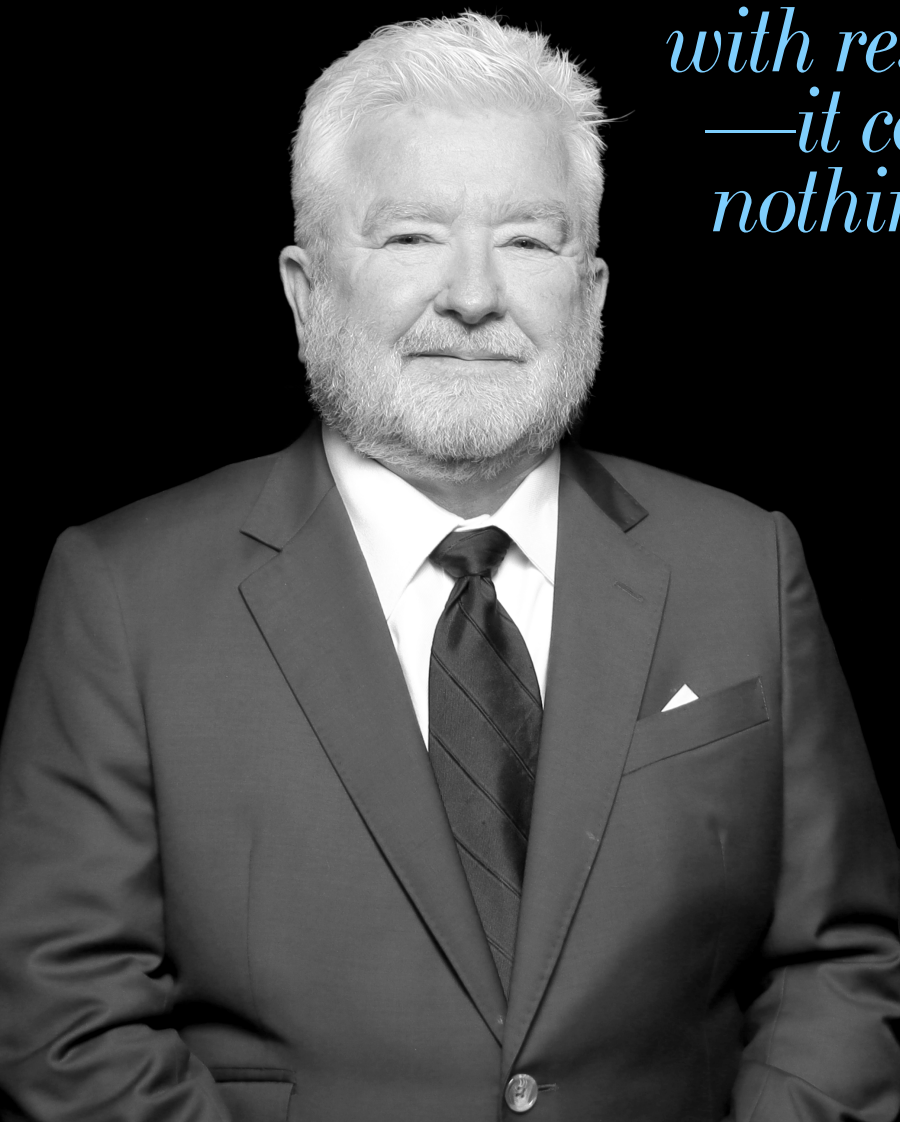
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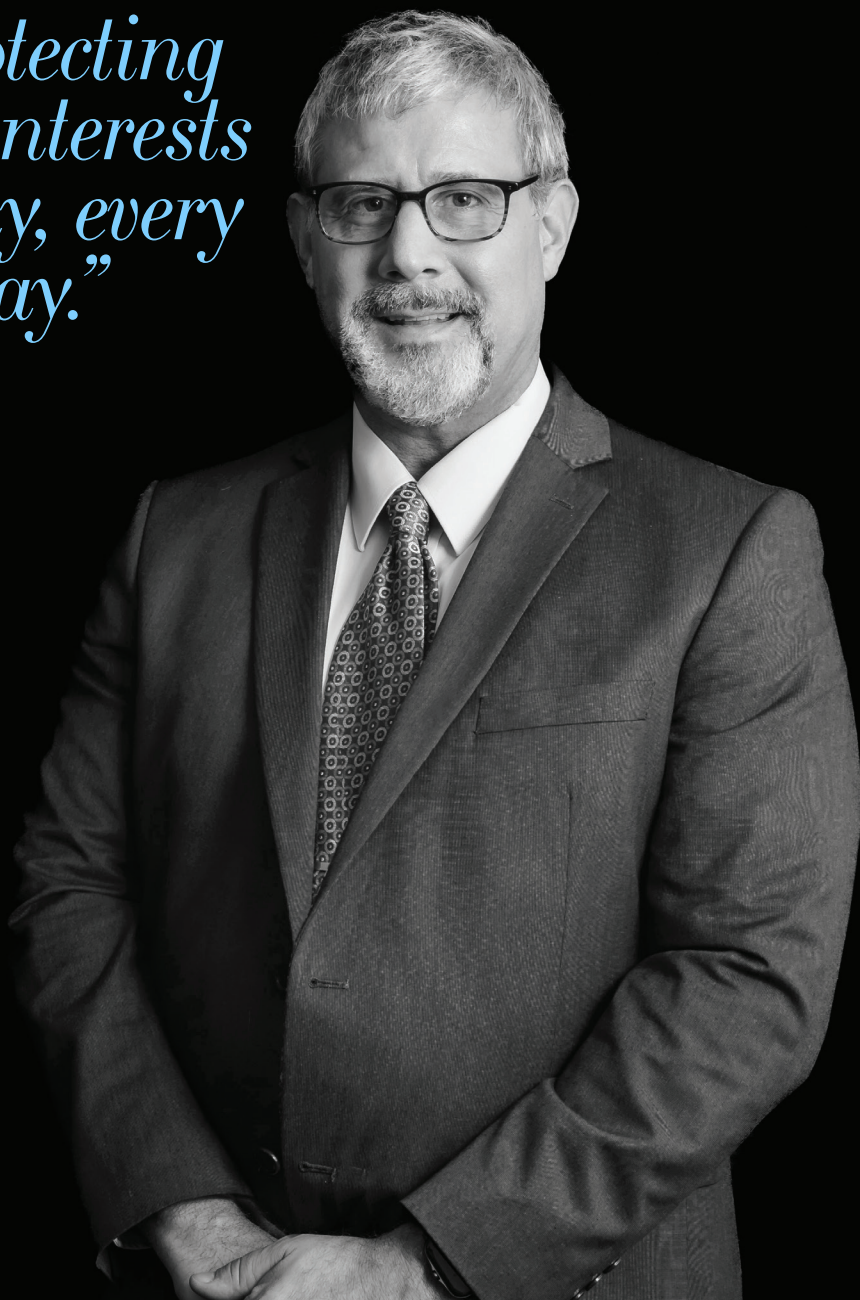
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WEBSITE: McCarthyHolthus.com

SERVICES: At McCarthy & Holthus, we're extremely proud of our reputation for providing high-quality legal advice across our jurisdictions. Our goal is to always provide excellent customer service stemming from our accessibility, responsiveness, and open lines of communication. We strive to provide the highest level of legal offerings to the mortgage default and financial services industry in the areas of foreclosure, bankruptcy, eviction, compliance, litigation, title work, replevin, and many more. Let us know how we can be of service.

COLORADO

THE BDF LAW GROUP

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CONTACT: Robert Forster

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WEBSITE: BDFGroup.com

SERVICES: The BDF Law Group provides a full range of legal services to creditors on residential and commercial real estate mortgage loans. Operating in Texas, California, Colorado, Georgia, Arizona, and Nevada, the firm is on the creative edge of innovation while maintaining the bedrock principles of integrity, accountability, and service in representation of its clients with the highest degree of character and expertise.

DELAWARE

STERN & EISENBERG

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SERVICES: Stern & Eisenberg is dedicated to professional advocacy and legal services for our clients, partners, and community with determination, integrity, and intensity. As a full-service law firm, Stern & Eisenberg provides legal representation in a variety of matters focusing on real estate and business law, general and mortgage default litigation, estate planning and administration, as well as real estate closings, both REO and retail, throughout the firm's larger footprint. S&E is full-service creditors rights' default services in New York, Pennsylvania, New Jersey, Delaware, and West Virginia. The firm also provides real estate-owned (REO) and title closings in those states plus Maryland, Virginia, Alabama, and the District of Columbia. Our firm continually invests in the education of our teams, our clients, and our industry knowledge to advocacy and innovation across our multistate footprint. We are committed to our team approach in bringing seamless experiences while achieving optimal outcomes.

FLORIDA

ALAW

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SERVICES: ALAW is a leading provider of legal services to the financial services and mortgage banking industries. Founded in 1997, the firm's expanding practice covers a full range of services, including creditors' rights issues, national bankruptcy and eviction, title, escrow and closing, consumer collections, complex litigation, appellate, regulatory compliance, and commercial transactions. For more than 20 years, ALAW has demonstrated a commitment to superior performance by providing efficient and effective legal representation to the nation's largest financial institutions. With a focus on the future and a strategic foundation of experienced people, streamlined processes, and best-in-class technology, ALAW is positioned to remain an industry leader for years to come.

FLORIDA

**DIAZ ANSELMO &
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SERVICES: Diaz Anselmo & Associates P.A. is a certified minority-owned Martindale Hubbell Preeminent A-V rated firm and has provided legal services to the banking and mortgage industry, with an emphasis on Judicial State practice, for over 30 years. The firm practices in Florida, Illinois, Indiana, Wisconsin, Ohio, and Kentucky, concentrating on creditors' rights, foreclosure, bankruptcy, litigation, and real estate transactions.

FLORIDA

GILBERT GARCIA GROUP, P.A.

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WEBSITE: GilbertGroupLaw.com, SapphireTitleEscrow.com
SERVICES: Gilbert Garcia Group, P.A., a certified woman- and minority owned business, operates throughout Florida with attorneys who have nearly 100 combined years of experience in default servicing and general civil legal work. Michelle Garcia Gilbert, Esq., Managing Partner, with over 30 years of industry experience, manages the firm with a hands-on style. Gilbert Garcia Group, P.A., exhibits the highest competencies with the highest efficiencies, using refined business processes and cutting-edge technology to provide legal services to its niche industries: a high-touch, tech-savvy, industry-compliant real estate practice with emphasis on foreclosure, bankruptcy, evictions, litigation, loss mitigation, title resolution, and REO closings, plus probate, estate planning, guardianship, intellectual property, and corporate law. The firm is associated with a standalone title and escrow company, Sapphire Title & Escrow Company, which launched in March 2015.

FLORIDA

ORLANS PC

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SERVICES: Orlans PC is a women-owned law firm concentrating its practice in end-to-end credit default-related legal services. Since 1998, our experienced attorneys and paralegals have innovated legal services creating a core-values driven organization with unparalleled technology. Our award-winning teams have a reputation for successfully resolving troubled loans and assets for our clients on a timely and cost-effective basis. We serve more than 100 clients, including Fortune 500 financial institutions, auto and credit card finance companies, mortgage loan servicers, investors and state and federal government agencies. The firm proudly represents clients in the following states: DC, DE, FL, MA, MD, MI, NH, PA, RI and VA.

FLORIDA

VAN NESS LAW FIRM, PLLC

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SERVICES: Real estate and corporate practice law firm primarily serving the default mortgage industry, prosecuting foreclosures, evictions, creditor-side bankruptcy representation, title actions, litigation, appeals, and commercial collections. We are one of the older firms now, having been founded in 2004, and one of the only black-owned firms in our industry. We have been Fannie Mae retained and were recognized as the best firm of the year two of four years pre-pandemic with a large servicing client, which is especially great being one of the few single-state firms in that network and the only one in Florida.

GEORGIA

ALAW

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IDAHO

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SERVICES: At McCarthy & Holthus, we're extremely proud of our reputation for providing high-quality legal advice across our jurisdictions. Our goal is to always provide excellent customer service stemming from our accessibility, responsiveness, and open lines of communication. We strive to provide the highest level of legal offerings to the mortgage default and financial services industry in the areas of foreclosure, bankruptcy, eviction, compliance, litigation, title work, replevin, and many more. Let us know how we can be of service.

ILLINOIS

POTESTIVO & ASSOCIATES, P.C.

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SERVICES: Potestivo & Associates, P.C., provides superior legal solutions to the real estate finance and credit industry. With full-service operations in Rochester, Michigan, and Chicago, Illinois, the firm handles all aspects of default servicing, including foreclosure, bankruptcy, landlord and tenant, title resolution, loss mitigation, REO, and commercial and residential litigation work.

INDIANA

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WEBSITE: CDGAttorneys.com
SERVICES: Cooke Demers, LLC is committed to integrity, premier customer service, and client success. We provide outside counsel legal services in matters involving foreclosure, replevin, and bankruptcy in addition to the litigation that emanates from the industry. TILA, FDICPA, RESPA, FCRA, and TCPA. Cooke Demers has over 20 years of experience with mortgage default related litigation on GSE loans. We have been centrally located in Columbus, Ohio, for 30 years and are licensed to practice in state and federal courts in Indiana, Ohio, and Pennsylvania. Along with Legal League 100, we are also long-term members of the MBA, ACA, and DRI.

IOWA

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SERVICES: AV-rated and a proud member of the USFN, Petosa Law LLP has been a premier default servicing and creditors' rights law firm in Iowa for more than 50 years. The firm provides representation in various practice areas, including residential and commercial foreclosure, bankruptcy, eviction, and real estate throughout Iowa.

IOWA

WALENTINE O'TOOLE, LLP

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SERVICES: Valentine O'Toole, LLP is a creditors' rights, banking, real estate, business, and litigation law firm. Established in 1985 with offices in Nebraska, Iowa, and South Dakota, our attorneys are leaders in the industry, providing clients with superior and cost-effective legal representation. We handle all types of GSE and non-GSE loans, including residential, agricultural, and commercial. Our expertise covers all areas of lending/regulatory matters from origination to default (standard/complex loan originations, compliance, foreclosure, loss mitigation, title issues, bankruptcy, eviction/REO, claims, litigation, and closings). We offer client-focused solutions, understanding that effectiveness, timeliness, and responsiveness are critical for our and our clients' success.

LOUISIANA

DEAN MORRIS, LLC

1505 N. 19th St.
Monroe, LA 71201
CONTACT: Julie Helmer
PHONE: 318.388.1440
SERVICES: Dean Morris, LLC is a law firm dedicated to providing high-quality, timely, and courteous legal services to the real estate finance industry throughout Louisiana and Mississippi. The firm specializes in conducting residential default procedures and enforcement of creditors' rights for mortgage lenders, related bankruptcy proceedings, and related litigation, representation, and defense in regulatory and consumer issues.

MASSACHUSETTS

ALAW

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SERVICES: ALAW is a leading provider of legal services to the financial services and mortgage banking industries. Founded in 1997, the firm's expanding practice covers a full range of services, including creditors' rights issues, national bankruptcy and eviction, title, escrow and closing, consumer collections, complex litigation, appellate, regulatory compliance, and commercial transactions. For more than 20 years, ALAW has demonstrated a commitment to superior performance by providing efficient and effective legal representation to the nation's largest financial institutions. With a focus on the future and a strategic foundation of experienced people, streamlined processes, and best-in-class technology, ALAW is positioned to remain an industry leader for years to come.

MICHIGAN

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SERVICES: Potestivo & Associates, P.C., provides superior legal solutions to the real estate finance and credit industry. With full-service operations in Rochester, Michigan, and Chicago, Illinois, the firm handles all aspects of default servicing, including foreclosure, bankruptcy, landlord and tenant, title resolution, loss mitigation, REO, and commercial and residential litigation work.

MICHIGAN

SCHNEIDERMAN & SHERMAN, P.C.

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SERVICES: Schneiderman & Sherman, PC, provides clients with access to the most creative, cost-effective solutions for their various mortgage default legal needs. The firm has a long history specializing in foreclosure, bankruptcy, mediation, loss mitigation, eviction, mortgage-related litigation, and REO closings throughout the state of Michigan. As a member of the Legal League, the firm is dedicated to the interests of its clients, industry, and community and continues to establish best practices throughout the firm as new challenges to the industry arise.

MISSISSIPPI

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NEBRASKA

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WEBSITE: ELindquistLaw.com
SERVICES: Eric H. Lindquist, PC, LLO, is the preeminent provider of legal services to the default servicing industry in Nebraska. Eric H. Lindquist has been involved with USFN virtually since it began. The firm, approved by all government-sponsored entities, provides the highest level of service in foreclosure, bankruptcy, eviction, litigation, REO, title issues, and loss mitigation. It strives for client satisfaction by reducing its clients' losses through efficient timeline management and aggressive use of loss mitigation alternatives.

NEBRASKA

VALENTINE O'TOOLE, LLP

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SERVICES: Valentine O'Toole, LLP is a creditors' rights, banking, real estate, business, and litigation law firm. Established in 1985 with offices in Nebraska, Iowa, and South Dakota, our attorneys are leaders in the industry, providing clients with superior and cost-effective legal representation. We handle all types of GSE and non-GSE loans, including residential, agricultural, and commercial. Our expertise covers all areas of lending/regulatory matters from origination to default (standard/complex loan originations, compliance, foreclosure, loss mitigation, title issues, bankruptcy, eviction/REO, claims, litigation, and closings). We offer client-focused solutions, understanding that effectiveness, timeliness, and responsiveness are critical for our and our clients' success.

**NEVADA
ALAW**

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NEVADA

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NEW JERSEY

**MARGOLIN, WEINREB &
NIERER, LLP**

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SERVICES: Margolin, Weinreb & Nierer, LLP provides legal services in the areas of foreclosure, federal foreclosure, bankruptcy, evictions, REO closings, litigation, loss mitigation, deeds-in-lieu, and title litigation. As a boutique firm, Margolin, Weinreb & Nierer, LLP has a different posture than larger firms. We pride ourselves on direct client communication and focus on being proactive and forward-thinking.

NEW JERSEY

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SERVICES: Stern & Eisenberg is dedicated to professional advocacy and legal services for our clients, partners, and community with determination, integrity, and intensity. As a full-service law firm, Stern & Eisenberg provides legal representation in a variety of matters focusing on real estate and business law, general and mortgage default litigation, estate planning and administration, as well as real estate closings, both REO and retail, throughout the firm's larger footprint. S&E is full-service creditors rights' default services in New York, Pennsylvania, New Jersey, Delaware, and West Virginia. The firm also provides real estate-owned (REO) and title closings in those states plus Maryland, Virginia, Alabama, and the District of Columbia. Our firm continually invests in the education of our teams, our clients, and our industry knowledge to advocacy and innovation across our multi-state footprint. We are committed to our team approach in bringing seamless experiences while achieving optimal outcomes.

NEW MEXICO

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LLP**

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SERVICES: At McCarthy & Holthus, we're extremely proud of our reputation for providing high-quality legal advice across our jurisdictions. Our goal is to always provide excellent customer service stemming from our accessibility, responsiveness, and open lines of communication. We strive to provide the highest level of legal offerings to the mortgage default and financial services industry in the areas of foreclosure, bankruptcy, eviction, compliance, litigation, title work, replevin, and many more. Let us know how we can be of service.

NEW YORK

**MARGOLIN, WEINREB &
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SERVICES: Margolin, Weinreb & Nierer, LLP provides legal services in the areas of foreclosure, federal foreclosure, bankruptcy, evictions, REO closings, litigation, loss mitigation, deeds-in-lieu, and title litigation. As a boutique firm, Margolin, Weinreb & Nierer, LLP has a different posture than larger firms. We pride ourselves on direct client communication and focus on being proactive and forward-thinking.

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SERVICES: Stern & Eisenberg is dedicated to professional advocacy and legal services for our clients, partners, and community with determination, integrity, and intensity. As a full-service law firm, Stern & Eisenberg provides legal representation in a variety of matters focusing on real estate and business law, general and mortgage default litigation, estate planning and administration, as well as real estate closings, both REO and retail, throughout the firm's larger footprint. S&E is full-service creditors rights' default services in New York, Pennsylvania, New Jersey, Delaware, and West Virginia. The firm also provides real estate-owned (REO) and title closings in those states plus Maryland, Virginia, Alabama, and the District of Columbia. Our firm continually invests in the education of our teams, our clients, and our industry knowledge to advocacy and innovation across our multi-state footprint. We are committed to our team approach in bringing seamless experiences while achieving optimal outcomes.

NORTH CAROLINA
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OKLAHOMA
THE MORTGAGE LAW FIRM

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SERVICES: The Mortgage Law Firm (TMLF) is an industry-leading multistate law firm offering GSE-compliant, default-related services to investors, mortgage servicers, lenders, and other related entities. The firm's practice offers exceptional end-to-end legal representation in six states across the United States including Arizona, California, Hawaii, Oklahoma, Oregon, and Washington. The firm has over a decade of experience, and its main practice includes foreclosure, bankruptcy, eviction, litigation, loss mitigation, title curative, and more.

OKLAHOMA
BAER TIMBERLAKE, P.C.

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SERVICES: Since 1968, Baer Timberlake, P.C., (BT) has specialized in real estate, corporate matters, mortgages, contracts, curative title actions, and title insurance underwriting issues. The firm's clientele predominantly includes banks, mortgage lenders, and servicers, providing both plaintiff work and defense against counterclaims. Baer Timberlake retains extensive experience in the foreclosure of commercial loans and residential loans, including conventional, Fannie Mae, Freddie Mac, FHA, and VA real estate mortgages. The firm is well-versed in loss mitigation, commercial loan packaging, and loan closings.

OREGON
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PENNSYLVANIA
**HLADIK, ONORATO &
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SERVICES: Our firm provides complete default services, including foreclosure, bankruptcy, eviction, REO, title and related litigation, and defense litigation. At Hladik, Onorato & Federman, LLP, we value quality, timely, and effective advocacy for our clients. Our long track record of effective trial and defense work on behalf of our industry partners evidences our legal strengths. We are guided by a simple mission in all work that we do: strive to be the best at what we do. That overarching theme guides our principles for training staff and attorneys, maintaining stringent control standards, and seeking out the best technology to make our work more efficient.

PENNSYLVANIA
ORLANS PC

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SERVICES: Orlans PC is a women-owned law firm concentrating its practice in end-to-end credit default-related legal services. Since 1998, our experienced attorneys and paralegals have innovated legal services creating a core-values driven organization with unparalleled technology. Our award-winning teams have a reputation for successfully resolving troubled loans and assets for our clients on a timely and cost-effective basis. We serve more than 100 clients, including Fortune 500 financial institutions, auto and credit card finance companies, mortgage loan servicers, investors and state and federal government agencies. The firm proudly represents clients in the following states: DC, DE, FL, MA, MD, MI, NH, PA, RI and VA.

PENNSYLVANIA
**RICHARD M. SQUIRE &
ASSOCIATES, LLC**

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WEBSITE: SquireLaw.com
SERVICES: Richard M. Squire & Associates, LLC is a boutique law firm that handles all areas of creditors' rights, real estate matters, litigation, and constitutional issues in all federal districts and all county courts of Pennsylvania and New Jersey.

PENNSYLVANIA
STERN & EISENBERG

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WEBSITE: SternEisenberg.com
SERVICES: Stern & Eisenberg is dedicated to professional advocacy and legal services for our clients, partners, and community with determination, integrity, and intensity. As a full-service law firm, Stern & Eisenberg provides legal representation in a variety of matters focusing on real estate and business law, general and mortgage default litigation, estate planning and administration, as well as real estate closings, both REO and retail, throughout the firm's larger footprint. S&E is full-service creditors rights' default services in New York, Pennsylvania, New Jersey, Delaware, and West Virginia. The firm also provides real estate-owned (REO) and title closings in those states plus Maryland, Virginia, Alabama, and the District of Columbia. Our firm continually invests in the education of our teams, our clients, and our industry knowledge to advocacy and innovation across our multistate footprint. We are committed to our team approach in bringing seamless experiences while achieving optimal outcomes.

SOUTH CAROLINA
ALAW

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SERVICES: ALAW is a leading provider of legal services to the financial services and mortgage banking industries. Founded in 1997, the firm's expanding practice covers a full range of services, including creditors' rights issues, national bankruptcy and eviction, title, escrow and closing, consumer collections, complex litigation, appellate, regulatory compliance, and commercial transactions. For more than 20 years, ALAW has demonstrated a commitment to superior performance by providing efficient and effective legal representation to the nation's largest financial institutions. With a focus on the future and a strategic foundation of experienced people, streamlined processes, and best-in-class technology, ALAW is positioned to remain an industry leader for years to come.

SOUTH CAROLINA
**BELL CARRINGTON
PRICE & GREGG, LLC**

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SERVICES: We practice in the Carolinas, Georgia, Tennessee, and Alabama, handling bankruptcy, creditors' rights, deed-in-lieu, eviction, foreclosure, general litigation, loan workouts, loss mitigation, real estate, REO, replevins, tax, and title.

TENNESSEE

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TEXAS

ALAW

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TEXAS

MARINOSCI LAW
GROUP

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Suite 725

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CBaxter@MLG-DefaultLaw.com

WEBSITE: MLG-DefaultLaw.com

SERVICES: The Marinosci Law Group's (MLG) complete list of services includes foreclosure, bankruptcy, eviction, and litigation. MLG practices in Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Massachusetts, Mississippi, Missouri, Montana, New Hampshire, North Dakota, Oklahoma, Rhode Island, South Dakota, Tennessee, Texas, Wisconsin, and Wyoming. MLG has distinguished itself by consistently providing competent advice and effective legal representation. Our 21-state footprint makes us easier to vendor manage without the high fees and impersonal service generally associated with larger firms.

TEXAS

MCCARTHY HOLTHUS,
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SERVICES: At McCarthy & Holthus, we're extremely proud of our reputation for providing high-quality legal advice across our jurisdictions. Our goal is to always provide excellent customer service stemming from our accessibility, responsiveness, and open lines of communication. We strive to provide the highest level of legal offerings to the mortgage default and financial services industry in the areas of foreclosure, bankruptcy, eviction, compliance, litigation, title work, replevin, and many more. Let us know how we can be of service.

TEXAS

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SERVICES: The BDF Law Group provides a full range of legal services to creditors on residential and commercial real estate mortgage loans. Operating in Texas, California, Colorado, Georgia, Arizona, and Nevada, the firm is on the creative edge of innovation while maintaining the bedrock principles of integrity, accountability, and service in representation of its clients with the highest degree of character and expertise.

WASHINGTON

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SERVICES: At McCarthy & Holthus, we're extremely proud of our reputation for providing high-quality legal advice across our jurisdictions. Our goal is to always provide excellent customer service stemming from our accessibility, responsiveness, and open lines of communication. We strive to provide the highest level of legal offerings to the mortgage default and financial services industry in the areas of foreclosure, bankruptcy, eviction, compliance, litigation, title work, replevin, and many more. Let us know how we can be of service.

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SERVICES: Stern & Eisenberg is dedicated to professional advocacy and legal services for our clients, partners, and community with determination, integrity, and intensity. As a full-service law firm, Stern & Eisenberg provides legal representation in a variety of matters focusing on real estate and business law, general and mortgage default litigation, estate planning and administration, as well as real estate closings, both REO and retail, throughout the firm's larger footprint. S&E is full-service creditors rights' default services in New York, Pennsylvania, New Jersey, Delaware, and West Virginia. The firm also provides real estate-owned (REO) and title closings in those states plus Maryland, Virginia, Alabama, and the District of Columbia. Our firm continually invests in the education of our teams, our clients, and our industry knowledge to advocacy and innovation across our multistate footprint. We are committed to our team approach in bringing seamless experiences while achieving optimal outcomes.



DS NEWS

LEISHA DELGADO

**Founder and CEO, Default Servicing,
Hello Solutions**

Leisha.Delgado@HelloSolutions.com

As the Founder and CEO of a woman- and minority-owned small business, and a survivor of stage-3 breast cancer, Leisha Delgado understands what it takes to overcome long odds and succeed. “In a market with limited foreclosure activity, competition for business among law firms that specialize in default servicing has become fierce,” Delgado said. “I created Hello Solutions to make it easier for servicers to find high-quality default servicing legal support across the country, while giving law firms a competitive advantage—a way to get more business without having to dedicate senior partners to sales.” While building the Hello Solutions Network, Delgado has focused on adding law firms with expertise in the states they cover, a commitment to working within half of Fannie Mae’s allowable foreclosure timelines, and a dedication to providing personal service directly from the firms’ senior partners. Delgado believes that the key to helping servicers and investors effectively manage their default servicing legal challenges lies in the partnerships that she helps build between them and the attorney firms in the Hello Solutions Network. “Our firms are big enough to handle any default servicing needs a client might have,” Delgado said, “but small enough to remain nimble and have a senior partner personally involved with the client’s business.”



DS NEWS

CATHERINE DI LORENZO, ESQ.

**Managing Delaware Attorney,
Stern & Eisenberg**

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302.731.7200, Ext. 4109

Catherine Di Lorenzo, Esq., brings her wide-ranging Managing Attorney oversight to Stern & Eisenberg and leads all aspects of the Delaware operations. Catherine has an extensive legal background with over 20 years of wide-ranging experience in criminal law, litigation, and all aspects of default servicing, litigation, family law, estate planning, general civil litigation, and guardianships. Catherine’s number-one priority is partnering with clients to achieve dynamic communications and processes, enhancing client efficiencies. Catherine is always striving to provide unparalleled service for her clients and thrives on improving efficiencies by implementing better filing systems, case tracking tools, and conflict management tools. Catherine is licensed to practice law in Delaware and attended Widener University Law School.



DS NEWS

GINA DAYA

VP of Operations, Hello Solutions

Gina Daya joined Hello Solutions as the VP of Operations in March 2022, the latest step in a career in the default servicing industry that began over a decade ago. In her role, Gina oversees the company’s day-to-day operations and assists with strategic development and growth. Gina’s experience working for both mortgage servicers and law firms in the default serving industry make her ideally suited for her role at Hello Solutions, which was created to make it easier for servicers to find high-quality default servicing legal support across the country, while giving law firms that specialize in creditors’ rights a way to get more business without having to dedicate senior partners to sales. Having worked on both sides of the default process, Gina has a keen understanding of the pain points between servicers, investors, and law firms. With this first-hand knowledge she can pivot between clients of Hello and servicers looking to fill a need. A finalist for the Rising Star Category for the 2019 Five Star Women in Housing Awards, Gina previously worked for AHP Servicing, where she was VP of Foreclosure and Bankruptcy, and Fay Servicing, where she was AVP of Foreclosure. She also worked for several law firms specializing in foreclosure and bankruptcy, including representing the Kluever Law Group as its Director of Client Relations.



CAMILLE R. HAWK

Partner/Attorney, Walentine O’Toole, LLP

Camille Hawk, one of the region’s leading creditors’ rights attorneys, offers financial institutions first-rate representation in the areas of real estate, lending law, and default services, including lending regulations, bankruptcy, title issues, foreclosure, loss mitigation, litigation, closings, eviction, and collections. She is licensed in Nebraska and Iowa and has over 28 years’ experience working with creditors. Camille has been published regionally and nationwide. She has presented seminars for NBI, Lorman, State Bar Associations, and other industry organizations. Some of her presentation topics include triaging files after moratorium holds, foreclosure gap seminars, ongoing CFPB changes, agricultural lending, and foreclosure pitfalls. She also has helped draft and pass several pieces of creditors’ rights legislation related to manufactured homes, lines of credit, HOA and COA statutes, lien releases, Trustees’ powers, and post-foreclosure funds disbursement requirements. Believing it is important to give back, Camille is active in professional organizations and serves on various community boards. She is the current Chair of the NSBA Education committee, the current Vice Chair of the NSBA Bankruptcy section and the NSBA Bank Attorneys section, a past Chair of the Bank Attorneys section, and a NSBA House of Delegates member.



KATIE JO “KJ” KEELING

Managing Partner, Default Services, McCarthy Holthus, LLP

AREA OF LAW: Mortgage Banking and Real Property Law
NUMBER OF YEARS PRACTICING LAW: 15

Katie Jo Keeling told *DS News*, “I chose to study law to learn to think about the world and its rules from a different perspective, and I consider my legal education as a skill set and a way of thinking, more so than an occupation. I am a business person with a background in the law, and make it my goal to only provide legal advice that can be practically applied and easily understood.” She enjoys seeing members of her team move up within the organization and helping them find challenges, camaraderie, and fulfillment in their careers. She is often the only woman in meetings and is looked to for a unique perspective. “Being different is an advantage in my book—diversity is important to have within any team, and I am fortunate to be at a firm that operates as a meritocracy.” She often has the opportunity to use her knowledge and experience to improve operations. “In such a cyclical industry,” she said, “I have learned to embrace changes in market conditions, laws, and the regulatory environment.” A career highlight for Katie Jo was achieving a 5.0/5.0 Martindale-Hubbell AV rating, meaning that she has earned the respect of her clients, colleagues, and legal community.



BROOKE E. SANCHEZ

Partner, Managing Bankruptcy Attorney, McPhail Sanchez, LLC

AREA OF LAW: Bankruptcy
NUMBER OF YEARS PRACTICING LAW: 16

Brooke E. Sanchez is a Partner and Managing Bankruptcy Attorney with McPhail Sanchez LLC. Sanchez’s firm embraces the principles of dedication, excellence, and integrity, with a deep commitment to treating everyone with respect. Coming from a background representing debtors and homeowners, it was important to Sanchez to continue her career at a firm that shared her values. Representing creditors in bankruptcy cases is her main area of focus at the firm. Sanchez personally represents creditors in defense of adversary proceedings, and she is extremely proud of several recent exceptional outcomes she achieved for her clients in those proceedings. Sanchez credits these wins, in part, to being flexible and adapting to her clients’ needs—a trait she believes is critical for legal professionals to succeed in today’s climate. Adapting is something Sanchez has excelled at throughout her career, sometimes by necessity. As a female attorney, she has faced more challenges than her male counterparts, but she ultimately found a way to use them to her advantage. Sanchez notes that gender bias in the legal industry’s “boy’s club” is undeniable—she is commonly mistaken for a paralegal, or underestimated in general. However, she has turned this underestimation into a strength, remaining motivated and pushing herself harder than her male colleagues.



THUY FRAZIER

**Foreclosure Oversight Attorney—Texas,
McCarthy & Holthus, LLP**

AREA OF LAW:
Creditor's Rights

NUMBER OF YEARS PRACTICING LAW: 10

Thuy Frazier said the most fulfilling part of her job is when she assists not only her institutional clients, but also their customer matters that may seem adversarial in nature, all to find an amicable resolution for all parties involved. Specifically in default servicing matters, a mutually beneficial resolution can be a challenge to reach, but she finds it most rewarding when she can facilitate that result. She said she chose to study law because she wanted to teach in the form of counseling clients, judges, and other practitioners about matters that they may be unaware of or have not fully assessed. She said that as a young attorney it can be difficult to have your legal opinion heard above others, however, she has found opportunities to present value with jurisdictional and subject-matter expertise. Frazier also maintains professional rapport with opposing counsel maintaining a reasonable middle ground that will ensure the best outcome for both sides. She believes legal professionals need to stay informed and aware of actions proposed and taken at the federal, state, and local level that will impact the mortgage servicing industry. She said it makes her proud knowing clients value her expertise and legal opinion.



DAVID ADAM FRIEDMAN

Partner, Van Ness Law Firm, PLC

AREA OF LAW:
Consumer Financial Services Litigation

NUMBER OF YEARS PRACTICING LAW: 12

David Adam Friedman is a Partner with Van Ness Law Firm with more than 12 years of experience in law, providing support to the mortgage servicing industry through Legal League's Special Initiatives Working Group, which he said has been tremendously valuable. As a younger trial attorney, his biggest challenge is making a notable first impression in the courtroom in order to be taken seriously from the outset. He found that being the most prepared attorney in the courtroom made it rather simple to act with confidence, overcome that initial preconception, and earn the respect of the judiciary and your peers. In an ever-changing market, it can be challenging to incorporate changes to established industry standards, and that it's important to stay engaged so that clients understand and implement changes in order to manage risk and liabilities. Friedman believes it is critical that legal partners are committed to constant communication in order to put them in the best position to create favorable law. As Litigation Partner at the Van Ness Law Firm, all contested litigation runs through his department where he takes responsibility in ensuring that associates and tremendous staff are up to date with all changes in law so that he can continue to serve clients efficiently and successfully.



TIFFANY B. SMITH

Partner, McPhail Sanchez, LLC

AREA OF LAW:
Commercial Litigation

NUMBER OF YEARS PRACTICING LAW: 13

Tiffany Smith is a Partner with McPhail Sanchez, with 13 years of experience in law, specializing in isolating specific issues clients face and finding innovative solutions. With legal issues facing the default servicing industry being ever-changing, she said that, as an attorney, her job is to constantly be prepared to adapt and update her strategies to better serve clients' needs. She chose to study law so that she could use her position as an attorney to represent her clients to the best of her ability. She said the challenge of figuring out the puzzle of each new issue and attacking it head-on is what makes the practice of law enjoyable and exciting. Each new legal question provides her with the opportunity to find a new strategy that might be better than the last, and thus provide even better service to her clients. Smith was recently chosen to be a member of the Alabama State Bar's 2022-2023 Leadership Forum. As the industry moves forward in a post-COVID-19 environment, she said mortgage professionals' challenges are driven by an uncertain economic outlook with rising interest rates, inflation, supply shortage in the home market, and home values beginning to slip. Smith believes it is incumbent upon default servicing attorneys to keep up with regulatory changes, legislative changes and significant legal opinions that affect servicers and their investors.



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HUD SEEKS TO EXPAND HOUSING COUNSELING TO TRIBAL AREAS

The U.S. Department of Housing and Urban Development's (HUD) Office of Housing Counseling has published a proposed rule in the Federal Register outlining housing counselor certification requirements for housing counseling conducted in connection with the Indian Housing Block Grant (IHBG) and the Indian Community Development Block Grant (ICDBG) programs. When final, HUD expects that the rule will help expand the number of certified housing counselors serving Tribal communities.

HUD intends to conduct additional Tribal consultations before issuing a final rule in the future.

"This proposed rule is important to strengthening the participation of Tribes and Tribal organizations in HUD's housing counseling program," said Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon. "Having counselors who understand the unique needs of those residing in Tribal communities will help increase access to homeownership for Tribes whose members have long been underserved by the mortgage market."

The Dodd-Frank Act in 2010 required that

all housing counseling conducted under HUD programs be carried out by HUD-certified housing counselors. HUD delayed the applicability of this certification requirement to HUD's Native American Housing Programs so that it could conduct consultation with Tribal leaders. This consultation was to ensure that the unique needs and conditions of Tribal Nations were considered in HUD's execution of its certification responsibilities under the Dodd-Frank statute.

The proposed rule was developed following multiple Tribal consultation and listening sessions where Tribes provided input and feedback on HUD's existing housing counselor certification requirements and the ways in which they should be tailored to meet Tribal needs.

"It is thanks to the outstanding partnership with HUD's Office of Native American Programs and the strong engagement by Tribal representatives during the consultation sessions that we have arrived at a set of proposals to more fully integrate the unique needs of Tribal entities into our housing counseling certification and approval processes," said HUD Deputy Assis-

tant Secretary for Housing Counseling David Berenbaum.

Through the proposed rule, HUD will:

- Adjust certain components of HUD's current housing counselor certification exam specifically for Tribes, including adjustments for distinctions in fair housing laws pertaining to Tribes and the unique status of trust land;
- Recommend additional training for counselors who become certified to provide housing counseling for the IHBG and ICDBG programs;
- Modify study materials for housing counselor certification examinations to account for tailored content specific to Tribes; and
- Require that housing counseling that is funded with or provided in connection with IHBG or ICDBG funds is performed by individuals who are HUD certified.

Public comments on the proposed rule are open through March 27, 2023, via the submission methods outlined in the Federal Register.

FHA EXPANDS, EXTENDS COVID-19 MITIGATION PROGRAMS

If you have a Federal Housing Administration (FHA) insured mortgage and you are falling behind on payments in this post-pandemic era, there are still options to avoid default.

On January 30, the FHA announced that it is “expanding and enhancing” its set of loss mitigation options developed during the pandemic—the enhancements extend FHA’s highly effective COVID-19 loss mitigation options to all eligible borrowers who fall behind on their mortgage payments, regardless of the cause of their delinquency.

For servicers, the update now allows them to use the full 30% of the FHA’s partial claim option, rather than the previous 25% to help maximize the number of borrowers who are eligible to keep their homes.

While servicers can extend these new options immediately, all servicers must implement these changes by April 30 of this year.

“We are committed to ensuring that no FHA borrower experiences foreclosure unnecessarily,” said Assistant Secretary for Housing and Federal Housing Commissioner. “FHA’s COVID-19 forbearances and streamlined COVID-19 loss mitigation options have successfully helped millions of struggling borrowers in the last two fiscal years alone. Our action today lets us capitalize on what we have learned through the pandemic to continue helping borrowers avoid foreclosure, regardless of the nature of their hardship.”

As highlighted by the Department of Housing and Urban Development (HUD), the specific changes for all FHA-insured Single Family Title II mortgages are:

- Extend temporary COVID-19 Recovery loss mitigation options to all eligible borrowers, including non-occupant borrowers, regardless of the nature of their hardship. Servicers must assess all borrowers who are in default or who are at risk of defaulting (imminent default) using FHA’s

COVID-19 Recovery loss mitigation “waterfall” of options.

- Update the Partial Claim components of both FHA’s COVID-19 Recovery Standalone Partial Claim and the COVID-19 Recovery Modification by raising the maximum partial claim amount from 25 percent of the mortgage’s unpaid principal balance to the maximum 30 percent allowed by statute. This increase will help more borrowers who cannot return to making their current mortgage payments to reduce their mortgage balance to a level that permits them to achieve a target payment reduction of at least 25 percent despite today’s higher interest rates.
- Extend the availability of FHA’s COVID-19 Recovery loss mitigation options for 18 months past the April 30, 2023, mandatory effective date for servicers. The temporary COVID-19 Recovery options were previously scheduled to expire at the official end of the COVID-19 National Emergency. This change removes the uncertainties associated with the timing of the end of the National Emergency.
- Expand the definition of imminent default to include borrowers who qualified for or used the U.S. Department of the Treasury’s Homeowner Assistance Funds (HAF). With this change, servicers will be able to offer loss mitigation options to borrowers who qualified for or used HAF funds and may no longer technically be delinquent but require further assistance to avoid redefault.
- Provide incentive payments to servicers for the successful completion of COVID-19 Recovery options. Incentive payments are part of FHA’s

standard loss mitigation options but are not currently available to servicers for COVID-19 Recovery options. These incentives will help to compensate servicers for the cost and effort of assisting borrowers with COVID-19 Recovery loss mitigation options.

In addition, to simplify loss mitigation options on the servicer side the FHA is temporarily suspending the use of its FHA-Home Affordable Modification (FHA-HAMP) options concurrent with this Mortgagee Letter.

As a whole, the FHA COVID-19 loss mitigation programs have been wildly successful; more than one million borrowers have benefited from these loss prevention programs, allowing them to reduce their payments and avoid foreclosure.

FHA’s loss mitigation work has significantly reduced FHA’s serious delinquency rate—those mortgages where the borrower is 90 or more days past due on their mortgage payments—to 4.79% as of November 30, 2022. In November 2021, FHA’s serious delinquency rate was 7.83%, and at its highest point in November 2020, this rate was 11.90%.

Option	Number Completed FY 2021	Number Completed FY 2022	Number Completed FY 2023 (As of 11/30/22)	Total
Advance Loan Modifications (ALM)	1,287	32,660	998	34,945
COVID-19 Recovery Standalone Partial Claim	312,527	246,118	31,838	590,483
COVID-19 Recovery Modifications Standalone	94	147,950	11,085	159,129
Modifications (No Partial Claim)	98,313	49,227	739	148,279
FHA-HAMP Modifications	61,581	46,026	3,306	110,913
Total	790,487	680,154	69,087	1,043,749

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BIDEN ADMINISTRATION TAKES ACTION TO PROMOTE RENTERS, AFFORDABILITY

In order to further the principle of fair housing, the Biden-Harris Administration has announced new actions to increase fairness in the rental market.

In addition, the Administration released in tandem a blueprint for a “Renters Bill of Rights” which lays out a set of principles to drive action by all levels of government and the private sector to strengthen tenant protections to encourage rental affordability.

Key actions highlighted by the White House include:

- The Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB), both independent agencies, announced they will collect information to identify practices that unfairly prevent applicants and tenants from accessing or staying in housing in order to inform enforcement and policy actions under each agency’s jurisdiction. This is the first time the FTC has issued a request for information exploring unfair practices in the rental market. The two agencies will seek information on a broad range of practices that affect the rental market, including the creation and use of tenant background checks, the use of algorithms in tenant screenings, the provision of adverse action notices by landlords and property management companies, and how an applicant’s source of income factors into housing decisions.
- The CFPB announced it will issue guidance and coordinate enforcement efforts with the FTC to ensure accurate information in the credit reporting system and to hold background check companies accountable for having unreasonable procedures.
- The Federal Housing Finance Agency (FHFA), an independent agency, an-



nounced it will launch a new public process to examine proposed actions promoting renter protections and limits on egregious rent increases for future investments. FHFA will maintain transparency throughout the process and provide periodic updates, including one within 6 months, to interested stakeholders. As announced in November, the FHFA will also increase affordability in the multifamily rental market by establishing requirements that encourage the financing of multifamily loans that guarantee affordable housing. In 2022, Freddie Mac and Fannie Mae purchased a combined \$142 billion in multifamily loans supporting over one million units. If the same activity holds in 2023, this would mean an investment in approximately 700,000 affordable units.

- A U.S. Department of Justice workshop will

inform potential guidance updates around anti-competitive information sharing, including in rental markets.

- The U.S. Department of Housing and Urban Development will publish a notice of proposed rulemaking that would require public housing authorities and owners of project-based rental assistance properties to provide at least 30 days advanced notice before terminating a lease due to nonpayment of rent.
- The Administration will hold quarterly meetings with a broad, diverse, and varying group of tenants and tenant advocates to ensure they continue to have a seat at the table and can share ambitious ideas to strengthen tenant protections.

The Renters Bill of Rights aims to give basic, key protections every renter deserves:

- Safe, quality, accessible, and affordable housing.
- Clear and fair leases that have defined rental terms, rights, and responsibilities.
- Education, enforcement, and enhancements of renters’ rights to protect renters from unlawful discrimination and exclusion.
- The right to organize and bring grievances to landlords and property managers.
- Eviction prevention, diversion, and relief to ensure a fair, legal process is followed.

Over a third of the American population—44 million households—rent their homes. Before the pandemic, well over two million eviction filings and roughly 900,000 evictions occurred annually—disproportionately affecting Black women and their children. Since then, rental housing has become less affordable with some landlords taking advantage of market



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conditions to pursue egregious rent increases. These announcements recognize there are responsible housing providers—large and small, national and local—willing to treat renters fairly, but it also holds accountable those who exploit market realities at the cost of renters' housing access and stability.

After the announcement, the National Multifamily Housing Council (NMHC) released a statement on the news:

"The NMHC has worked in good faith with the Administration on its Resident-Centered Housing Challenge and is pleased to join that challenge. While they have rejected calls for failed policies such as national rent control, we are disappointed they are pursuing potentially duplicative and onerous regulations that are already appropriately addressed under state and local law. These efforts will do nothing to address the nation's housing shortage and could discourage much-needed investments in housing. We continue to urge the Administration to prioritize enacting the Housing Supply Action Plan they issued in May. The best renter protection is an abundant supply of housing."

MBA's President and CEO Bob Broek-smit, CMB, released the following statement on the Biden Administration's action items announcement today on rental tenant protections and affordability:

"MBA shares the Biden administration's commitment to fair and equitable rental housing opportunity and appreciates its willingness to work with us and other industry stakeholders to help tenants.

"We echo the Administration's concern on the inflationary pressures and persistent affordability challenges that are impacting households throughout the country, especially renters and those with low and moderate incomes.

"Increasing the supply of affordable rental housing is the best way to solve the ongoing affordability crisis, and MBA is committed to working with the Administration, Congress, and other policymakers on safe and sound policies at the federal and state level that encourages development and keep financing and construction costs in check.

"We will examine the Administration's actions in greater detail and participate in a constructive and collaborative approach to help tenants and increase safe and affordable multifamily housing.

HUD INVESTS \$5.5 MILLION IN HISPANIC-SERVING INSTITUTIONS

The U.S. Department of Housing and Urban Development (HUD) will make available \$5.5 million for Hispanic Serving Institutions (HSIs) to establish research Centers of Excellence (COEs) to conduct housing and community development research.

This funding opportunity will help strengthen capacity and invest in innovative and actionable research to address issues regarding housing, economic development, and the built environment for underserved communities.

"Hispanic institutions of higher learning often serve as leaders within their communities, driving priorities and economic development," said HUD Secretary Marcia L. Fudge. "At HUD, we are proud to partner with Hispanic Serving Institutions (HSIs) to continue to develop strong communities, build affordable housing, create job opportunities, revitalize neighborhoods, and promote homeownership. The funding availability we've announced today will strengthen efforts for these institutions to expand opportunities for underserved communities and promote equitable community development."

The grants will be used to provide HSIs with funding to research topics specified in HUD's 2022–2026 Learning Agenda. Some example topics include:

- Equity in the rental and housing markets
- Tenant protections
- Connecting underserved communities to economic opportunities
- Quality education

- Disaster resiliency and recovery
- Affordable transportation
- Healthcare
- Essential services, and many other subjects that could spur innovative thinking to the many issues surrounding equitable housing and community development

"HSIs across the country already serve as opportunity accelerators for students and anchors for their communities," said Solomon Greene, Principal Deputy Assistant Secretary of HUD's Office of Policy Development and Research. "These grants can help build their capacity to research and address some of the most pressing housing and community development issues in the communities surrounding HSIs. The research and evidence-based insights they develop will also be valuable to federal, state, and local governments, as we work together to address our nation's housing and community development challenges."

This investment builds on \$10.10 million made available in FY21 and FY22 to Historically Black Colleges and Universities (HBCUs) to establish or bolster existing Centers of Excellence (COE) that conduct housing and community development research at their institutions. Through academic programs, research projects, and thought leadership, the COE will help leaders across all levels of government as well as the business and civic sectors address critical issues that impact the social and economic well-being of the families and individuals who reside in underserved urban and rural communities.

APPRAISAL SUBCOMMITTEE MEETS TO ADDRESS VALUATION BIAS

The Appraisal Subcommittee (ASC) recently held its first-ever public hearing on appraisal bias, bringing together federal agencies, experts from across the mortgage lending and appraisal industries, researchers, and consumers to work toward the fair and accurate valuation of homes for all Americans.

“As the Federal agency charged with oversight of the appraisal regulatory system, we have grown increasingly concerned about the stories of bias that have circulated in the national media in the past several years, as well as recent studies on the topic,” said ASC’s Executive Director Jim Park said at the Hearing. “The ASC is also very concerned about the lack of diversity among appraisers and the excessive barriers to entry that likely deter entry into the profession, particularly for people of color.”

Established by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the ASC oversees the real estate appraisal regulatory framework for federally related transactions. The ASC is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC). The mission of the ASC is to provide federal oversight of state appraiser and appraisal management company (AMC) regulatory programs, and a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies in their roles to protect federal financial and public policy interests in real estate appraisals utilized in federally related transactions.

The Hearing featured witness testimony from Dr. Junia Howell of the University of Illinois Chicago; homeowners Tenisha Tate-Austin and Paul Austin; Michael Fratantoni, Chief Economist, SVP of Research and Industry Technology of the Mortgage Bankers Association (MBA); and Craig Steinley, President of the Appraisal Institute. Witnesses reflected on their professional and personal experiences with appraisal bias and provided suggestions to the assembled panel on how to best address this complex and multifaceted issue.

U.S. Department of Housing & Urban Development (HUD) Secretary Marcia L. Fudge delivered opening remarks. Secretary Fudge

noted that the overarching goal of the continued work on appraisal bias remains to establish the kind of change that can help “all families, in all neighborhoods, have a better chance at building generational wealth.”

Representatives from all seven agencies comprising the ASC Board asked questions of the witnesses with a focus on the consumer experience, the barriers to entry in the appraisal profession, and the impact on the market.

“Bias in real estate appraisal can be unintentional. To mitigate bias, appraisers should be aware of the potential for bias and base opinions on rigorous analysis and research,” said Steinley in his testimony. “Best practice relies on multiple data sources and techniques to enhance credibility of the opinion of value. As we look for solutions, education and awareness on valuation bias and fair housing by appraisers, appraisal reviewers, and those interacting with appraisals is universal-

“No one should have to hide who they are to obtain a credible appraisal that is independent, non-biased, and performed in a competent manner.”

— Jim Park, Executive Director, ASC

“It won’t be easy—and nothing worthwhile ever is—but by working together, I’m hopeful we’ll find solutions to these longstanding problems,” Park said. “No one should have to hide who they are to obtain a credible appraisal that is independent, non-biased, and performed in a competent manner.”

On behalf of the Appraisal Institute, Steinley offered three suggestions in his testimony to combat appraisal bias:

- Reconsideration of value/reconsideration of appraisal results
- Automated valuation models (AVMs)
- A focus on competency

ly accepted as the most direct way to confront and address the challenges of valuation bias.”

Fratantoni added, “MBA supports increasing appraiser accountability while maintaining appraiser independence. MBA would support having state regulators strengthen their oversight roles by holding appraisers accountable for the quality of the property valuations and any findings of bias. Moreover, MBA would support efforts to bring more independent oversight for appraisers. Finally, MBA supports the objectives of VA’s recent efforts to augment their oversight of appraisers, and we look forward to working with VA to improve and implement these changes.”



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HUD HOUSES MORE THAN 100,000 FAMILIES THROUGH 'HOUSE AMERICA' INITIATIVE



The U.S. Department of Housing and Urban Development (HUD) Secretary Marcia L. Fudge has announced that states, municipalities, and tribes who joined House America have housed more than 100,000 households experiencing homelessness and added over 40,000 affordable housing units into development. HUD organized leaders from 105 communities across 31 states and territories and the District of Columbia to join House America and provided technical assistance to reach these goals. Launched in September 2021 by Secretary Fudge in partnership with the U.S. Interagency Council on Homelessness (USICH), House America is an all-hands-on-deck effort to address the nation's homelessness crisis.

"Everyone deserves a safe, stable place to call home. Through House America, I'm proud to see that communities have stepped up to get people off the streets and into homes," said Secretary Fudge. "The Biden-Harris Administration is deploying a Housing First approach, using American Rescue Plan funding and other

resources to help individuals find a place to call home. We will continue to work to house America until we end homelessness as we know it."

House America encouraged communities to deploy a historic level of federal resources to address homelessness. In particular, House America's 105 communities received a boost of funding through the American Rescue Plan Act to expand permanent housing opportunities—including more than 20,000 Emergency Housing Vouchers and over \$1.5 billion HOME-ARP from HUD, as well as over \$65 billion in State and Local Fiscal Recovery Funds from the U.S. Department of the Treasury—that sparked renewed momentum and greater deployment of available resources, including CARES Act and annual appropriations, to create permanent housing solutions.

Secretary Fudge created the national partnership to engage local, tribal, and state leaders across the country to set and achieve specific goals to rehouse people experiencing homelessness and create more permanent affordable and supportive housing. She challenged state

and local leaders to collectively place at least 100,000 households experiencing homelessness into permanent housing and add at least 20,000 new units of deeply affordable and supportive housing into their development pipelines by December 2022.

In the last two years, the Biden-Harris Administration has made unprecedented efforts to end homelessness, which include the White House Housing Supply Action Plan that aims to close the housing supply gap in five years; and the American Rescue Plan Act that President Biden signed to deliver one of the largest investments in ending homelessness in U.S. history.

In addition to addressing homelessness overall, ending Veteran homelessness is a top priority of the U.S. Department of Veterans Affairs and the Biden-Harris Administration. In late December, USICH released All In: The Federal Strategic Plan to Prevent and End Homelessness, which set forth President Biden's ambitious goal to reduce all homelessness by 25% by 2025. As a part of that effort, the VA, which closely partners with HUD in the fight to end homelessness, announced today that it permanently housed more than 40,000 formerly homeless veterans in 2022—exceeding VA's 2022 goal by 6.3%. In 2022, VA, HUD, and USICH announced that actions taken by the Biden-Harris Administration had reduced veteran homelessness by 11% since 2020—the largest decrease in veteran homelessness in five years.

Throughout the end of January, Biden-Harris Administration officials are participating in Point-in-Time counts across the country to count sheltered and unsheltered people experiencing homelessness to better understand the local needs, measure trends in homelessness, hear from the community and more accurately target funding and resources.

GSEs UPDATE SINGLE-FAMILY PRICING FRAMEWORK

The Federal Housing Finance Agency (FHFA) has announced further changes to Fannie Mae's and Freddie Mac's single-family pricing framework by introducing redesigned and recalibrated upfront fee matrices for purchase, rate-term refinance, and cash-out refinance loans.

"These changes to upfront fees will strengthen the safety and soundness of the Enterprises by enhancing their ability to improve their capital position over time," said FHFA Director Sandra L. Thompson. "By locking in the upfront fee eliminations announced last October, FHFA is taking another step to ensure that the Enterprises advance their mission of facilitating equitable and sustainable access to homeownership."

The priorities outlined in the 2022 and 2023 Scorecards for the GSEs include developing a pricing framework to maintain support for single-family purchase borrowers limited by wealth or income, while also ensuring a level playing field for large and small sellers, fostering capital accumulation, and achieving commercially viable returns on capital.

"FHFA's holistic review of the GSEs' up-front pricing framework has led to extensive reworking of the grids, and it will take some time to assess the full impact on borrowers and the market," noted Robert D. Broeksmit, CMB, President and CEO of the Mortgage Bankers Association (MBA). "Our initial review indicates that the new framework results in a modest net increase in overall pricing, which is a concern given ongoing affordability challenges and the higher interest rate environment."

The updated pricing changes broadly

impact purchase and rate-term refinance loans and build on upfront fee changes announced by FHFA in January and October 2022, which have been integrated into the new grids. The new fee matrices consist of three base grids by loan purpose for purchase, rate-term refinance, and cash-out refinance loans—recalibrated to new credit score and loan-to-value ratio categories—along with associated loan attributes for each.

"With the peak homebuying season coinciding with these changes, FHFA should consider additional program changes to improve affordability, including raising the area median income threshold for the GSEs' low down payment products," added Broeksmit. "This move would expand eligibility for borrowers who can meet the monthly obligation of a mortgage payment but do not have significant savings to make a large down payment."

The updated fees will take effect for deliveries and acquisitions beginning May 1, 2023, to minimize the potential for market or pipeline disruption.

"Overall, FHFA's review of upfront pricing in the conventional mortgage market will have a positive impact and result in savings and cost reductions for many low-down-payment borrowers served by private mortgage insurance," said the U.S. Mortgage Insurers (USMI) in a statement. "USMI applauds FHFA and Director Thompson for taking a measured and prudent approach to identifying areas where upfront costs could be adjusted, and for many reduced while maintaining a commitment to strong risk management."

HUD MAKES NEARLY \$570M AVAILABLE FOR HOUSING-RELATED HAZARDS

The U.S. Department of Housing & Urban Development (HUD) has announced two historic Notices of Funding Opportunities (NOFOs) that will make homes healthier and safer for low-income families. With this investment, since 1993, HUD has made more than \$2.7 billion available to protect children, families, and individuals from exposure to lead and other hazards in their homes.

"Everyone in this country deserves to feel safe and healthy in their homes," said HUD Secretary Marcia L. Fudge. "We are proud to continue fulfilling commitments made under the Biden-Harris Administration's Lead Pipe and Paint Action Plan, including the new funding opportunities we have announced today. These efforts will protect children, babies, and families from lead exposure, which can be detrimental at even low levels, and other home health hazards."

The first NOFO provides more than \$403 million in grants to state and local governments for improving health and safety in privately-owned older (pre-1978) homes of low-income families under HUD's Lead Hazard Reduction Grant Program—one of the largest health and safety investments to date for privately-owned housing. These funds will allow for evaluating and mitigating threats from lead-based paint hazards, with almost \$10 million from HUD's Healthy Homes Supplemental funding supporting grantees' controlling additional housing-related health and safety hazards in those homes.

The second funding notice provides \$165 million in grants to Public Housing Agencies (PHAs) for improving health and safety in public housing. The grants represent the combination of the Housing-related Hazards Capital Fund and the Lead-Based Paint Capital Fund (HRHLBP) Programs and are the largest health and safety grant investment to date for public housing. This funding is available for evaluating and mitigating threats to public housing residents, such as lead-based paint, carbon monoxide, mold, radon, fire, and asbestos. This newly combined grant program (HRHLBP) has the added benefits of greater efficiency and timeliness for the PHAs and their public housing residents.

State and local governments have until March 14, 2023, to apply for the \$403 million Lead Hazard Reduction NOFO; PHAs have until April 13, 2023, to apply for the \$165 million HRHLBP NOFO, both, through Grants.gov. HUD encourages eligible applicants to apply and has made this funding available earlier in the fiscal year with more time for applicants to apply in order to facilitate a diverse set of applications.



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SERIOUS DELINQUENCY RATES FOR FHA/VA LOANS REMAIN ABOVE PRE-PANDEMIC LEVELS



While the housing market and mortgage industry continue to seesaw their way throughout the economy, the nation's overall mortgage delinquency rates have improved significantly over the last year, according to the latest CoreLogic Loan Performance Insights Report. New data showed the serious delinquency rate for October 2022 declined one percentage point from 12 months prior to 1.2%. Compared to the peak serious delinquency rate for mortgages in August 2020, the rate in October was down three percentage points, which was mostly driven by strong labor market conditions since the U.S. economy reopened. While serious delinquencies for all types of mortgages have declined over the past two years, it is important to look at the trends by loan type as some loans are more sensitive to changes in a macroeconomic environment.

As of October 2022, the serious delinquency rates for Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and conventional loans were 4.6%, 2.5%, and 0.8%, respectively. The serious delinquency rate decreased for all loan types in October 2022 compared with a year prior when COVID-related delinquencies spiked.

In October, the year-over-year serious delinquency rate for FHA loans fell 3.2 percentage points, for VA loans, it dropped 1.9 percentage points, and for conventional loans, the rate decreased 0.7 percentage points.

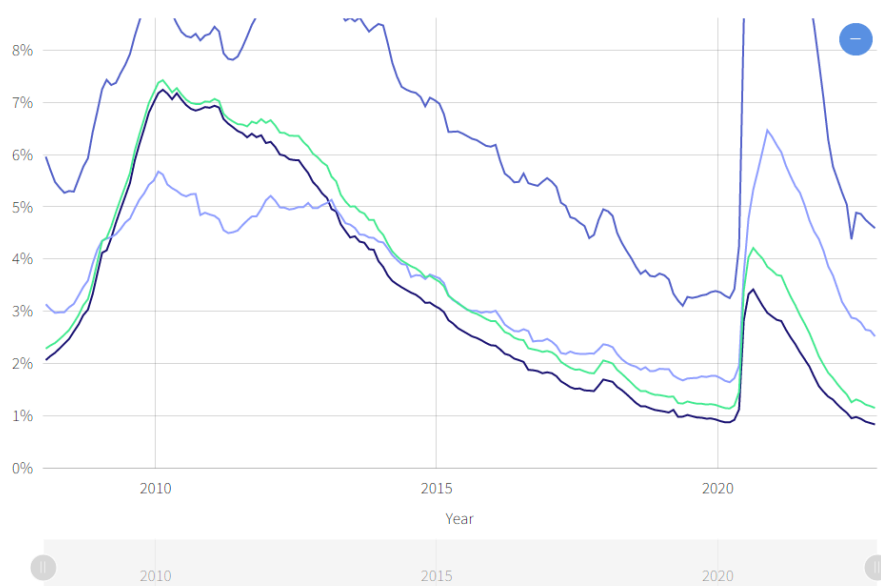
CoreLogic data shows the serious delinquency rate for FHA loans was about five times higher than the serious delinquency rate for conventional loans. To note, serious delinquency rates for FHA loans have historically been higher compared to other mortgage types.

The serious delinquency rates for overall and

conventional were lower for October 2022 than before the pandemic. However, the serious delinquency rates for FHA and VA are still slightly higher than the pre-pandemic level. The serious delinquency rate for FHA and VA loans in November 2020 reached a high that surpassed even the peak seen post-Great Recession.

Homeowners with FHA loans are more likely to be low-to-moderate income workers, and the pandemic had a more adverse impact on those homeowners as compared to those with conventional loans. Also, an increase in recent years in refinance activity among FHA borrowers who were now able to obtain conventional financing has led to a transfer of a large number of current FHA loans into the conventional servicing book, leaving higher-risk FHA loans outstanding. As an example, FHA to conventional refinances accounted for about 11% of all refinances in 2022 compared with just 2% in 2012 and 8% in 2019.

Figure 1: Serious Delinquency Rate for All Mortgage Loan Types Down from One Year Ago



FANNIE MAE CHALLENGE PROMOTES RACIAL EQUITY IN HOUSING

Fannie Mae has announced the selection of five organizations to receive deliverable-based contracts under the Sustainable Communities Innovation Challenge, a nationwide competition to help advance racial equity in housing. Through the Innovation Challenge 2022 (IC22), the company sought innovative, scalable proposals to remove barriers that currently prevent many households, including Black households, from purchasing or renting a home.

The Innovation Challenge is part of Fannie Mae's Sustainable Communities Partnership and Innovation initiative, which focuses on developing collaborative, cross-sector approaches to advancing sustainable communities and generating solutions for the nation's most pressing housing issues. Fannie Mae solicited proposals that specifically address the insufficient supply of quality affordable housing options, insufficient funds for upfront and unexpected housing costs, and consumer credit challenges, including low credit scores and credit invisibility.

"A history of discriminatory housing policies and practices has created profound inequities in the housing system that persist to this day. The Innovation Challenge is one example of Fannie Mae's commitment to address those inequities and knock down the barriers that consumers, particularly Black consumers, face throughout the housing journey," said Maria Evans, VP of Community Impact, Fannie Mae. "The proposals we selected provide thoughtful, tangible, scalable solutions to the most salient housing problems people face in the U.S. We are excited to work with these organizations and to support their innovative projects."

IC22 Contract Awardees:

- **ReBUILD Metro** is a Baltimore-based nonprofit that works with community members to revitalize neighborhoods block by block and help prepare Black residents for first-time homeownership. Their Fannie Mae contract supports the Johnston Square: A Blueprint for Baltimore project, which will stabilize, restore, and reoccupy

scattered-site abandoned and dilapidated properties; and begin the work to convert long-vacant lots into new units of affordable rental housing, street-level retail, and a four-acre community park; and rehab abandoned properties into mixed-use development and green space.

- **Southside Community Development & Housing Corporation (SCDHC)** is a non-profit housing developer in the Richmond Metro Area. SCDHC creates viable, thriving, and sustainable communities across Central Virginia by providing residential and commercial development, homeownership and financial counseling and coaching, employment services, and supportive programs to low-income families. Their Fannie Mae contract advances their

ownership Center to create and deploy a down payment assistance product that will help Black households to become homeowners. Twin Cities Habitat for Humanity will engage three Community Development Financial Institutions to administer the program and up to 10 regional mortgage lenders to pair the product with their affordable mortgages.

- **The Community Builders** is a mission-driven real estate development corporation transforming communities with affordable rentals and properties for purchase across the Northeast, Midwest, and Mid-Atlantic regions. Their Fannie Mae contract supports the From Our Doors to Yours project, which will deploy an economic empowerment package to build and repair

"A history of discriminatory housing policies and practices has created profound inequities in the housing system that persist to this day."

—**Maria Evans**, VP of Community Impact, Fannie Mae

SCDHC Emporia Pathways Project, which includes the construction of affordable housing. The project is part of a three- to five-year construction pipeline that will include rental housing and homeownership opportunities as well as rental and pre-purchase counseling, foreclosure prevention services, workforce development training, and a range of financial capability services.

- **Twin Cities Habitat for Humanity** brings people together to create, preserve, and promote affordable homeownership and advance racial equity in housing by connecting families with their communities through neighborhood revitalization projects. Their Fannie Mae contract will support Advancing Homeownership in the Twin Cities, a partnership with the Minnesota Home-

credit through on-time rental payments. It will leverage affordable rentals in Chicago, Detroit, and Richmond. Onsite community life coaches will connect residents with relevant resources while providing Family Self Sufficiency Services to build savings through earned income.

- **Module**, a prefab housing company based in Pittsburgh, started with the goal of making good home design more accessible and a mission to support customers' health and well-being in well-designed, energy-efficient, highly functional homes that will last 100 years. In partnership with Enterprise Community Partners, Module will demonstrate the feasibility of locally owned modular construction micro-factories to complete energy-efficient affordable hous-



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ing in urban communities of color. Their Fannie Mae contract will support their Last Mile Network project, setting the stage to expand the modular micro-factory concept to Prince George's County, Maryland, and Richmond, Virginia. Each facility will train new entrants in the construction trades, securing good-paying jobs while creating affordable housing and enabling Black homeowners and renters to build wealth.

RENEWABLE ENERGY GOALS WILL DEFINE FUTURE OF HOUSING POLICY

The Biden-Harris Administration has released a new U.S. National Blueprint for decarbonizing transportation to attain their goal of cutting all greenhouse gas emissions by 2050 for transportation.

The blueprint was jointly developed by the Department of Housing and Urban Development, the Department of Energy, and the Environmental Protection Agency. This is another continued effort by the administration to address changing climates and develop alternative energy independence.

Representing the agency, HUD Secretary Marcia Fudge said the blueprint is the first deliverable milestone of a memorandum signed by the individual agencies last year. Following the blueprint will be more detailed decarbonization action plans—and how they relate to the future of housing—that can be acted upon by all levels of government.

“The people HUD serves deserve clean, affordable transportation options,” said U.S. Housing and Urban Development Secretary Marcia Fudge. “HUD is proud to join our federal partners at Energy, DOT, and EPA to ensure that clean transportation investments are made equitably and include communities and households that have been most harmed by environmental injustice. We look forward to working together to better align transportation, housing, and community development investments in these and other communities across the country.”

The transportation sector—which includes all modes of travel through land, air, and sea to move people and goods—accounts for a third of all domestic greenhouse gas emissions, negatively affecting the health and well-being of millions of Americans, particularly those in disadvantaged communities. Transportation costs are the second largest annual household expense in our country and for the poorest Americans, the financial burden of transportation is disproportionately and unsustainably high.

A well-planned transition to a decarbonized transportation system can address these and other inequities and provide equitable, affordable, and accessible options for moving people and goods. Further developing and deploying clean-energy technologies such as electric vehicles and hydrogen and sustainable fuels, while also building out the supporting infrastructure for clean transportation, will create good-paying jobs in all segments of the transportation sector while strengthening America's energy independence.

FANNIE MAE: HOUSING MARKET MAY BE MORE VULNERABLE THAN PROJECTED

According to a new Fannie Mae housing report, single-family housing was an unintended beneficiary of the pandemic and its associated policy response. Data found that during the pandemic, mortgage rates reached historically low levels, with the average 30-year fixed mortgage rate hovering around 3% through the end of 2021. Despite a low inventory-to-sales ratio during this period by historical standards, as well as rising home prices, both home sales and purchase mortgage originations reached record highs in 2021.

Anecdotal and analytical evidence suggests that the pandemic prompted people to move from smaller housing units in high-density city centers to larger homes in lower-density areas, and this was particularly true of first-time homebuyers. Our researchers studied this phenomenon, and our survey findings illustrate the primacy of financial considerations over the benefits of physical space and location in influencing

homebuying behavior during the pandemic.

Overall, the rise in home sales was fueled by both first-time homebuyers and move-up buyers. In fact, demand was so strong that the median number of days that homes were on the market shortened from 74 in 2017 to 46 in 2021. We are now in a different phase of the economic and housing cycle. From the end of 2021 through September 2022, mortgage rates increased from 3% to over 7%. This rapid rate increase contributed to the pace of total home sales declining from an annualized pace of over 7 million units in January 2022 to approximately 5 million units in October 2022.

The latest Fannie Mae forecast doesn't expect the annualized pace of total home sales to exceed five million units again until 2024. One outstanding question from the pandemic-related boom in home sales regards what actually drove purchase demand to increase so substantially. Were buyers motivated more by physical space or financial considerations, or was it a combination of both? In 2021, Fannie Mae conducted two survey studies among consumers who purchased a home for primary residence during the pandemic. The responses in those surveys help to explain why home sales declined in 2022 and continue to inform our outlook for the years ahead.

Fannie Mae conducted a telephone survey in Q1 of 2021 among homeowners in Fannie Mae's Single-Family Guaranty Book of Business with primary-residence purchase mortgage loans originated in 2020. Respondents were asked if they accelerated their home purchase due to the COVID-19 pandemic or because of low interest rates. Some 56% of respondents said the pandemic itself neither accelerated nor slowed their home purchase timeline.

Among first-time homebuyers, nearly 30% said it accelerated their home purchase decision, compared to only 13% of repeat homebuyers (often described as move-up buyers). In contrast, the impact of low interest rates on home purchase timing was much stronger than the impact of the pandemic, especially among first-time homebuyers. Some 48% of homebuyers said they accelerated their home purchase because of low interest rates, compared to 21% saying they did so because of the pandemic. Among first-time homebuyers, 53% said they navigated the homebuying process faster because of low interest rates, compared to 29% saying they did so because of the pandemic.

RENT PRICE GROWTH DROPS FOR SEVENTH CONSECUTIVE MONTH

CoreLogic has released its latest Single-Family Rent Index (SFRI), showing single-family rental price increases dropped to 7.5% year-over-year in November, with all four tracked price tiers posting lower gains than a year earlier.

November marked the seventh consecutive month of annual deceleration, and while Florida metro areas continued to post the nation's highest rental cost gains, other Sun Belt cities such as Phoenix and Las Vegas, which formerly showed the highest rent increases, are now at the bottom of the list. CoreLogic expects that rental price growth, along with home price appreciation, will continue to level off during the first part of 2023.

“An increase in single-family rental inventory is cooling price growth rapidly,” said Molly Boesel, Principal Economist at CoreLogic. “November’s annual U.S. rent growth was the slowest since May 2021 and two of the previously hottest markets—Phoenix and Las Vegas—posted the lowest gains among major

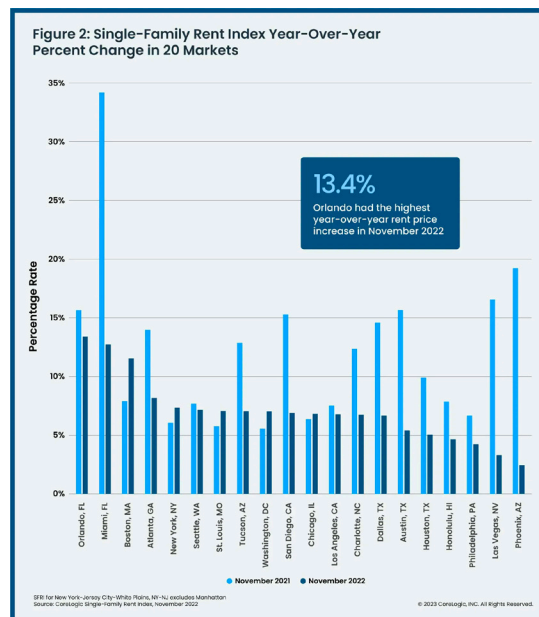
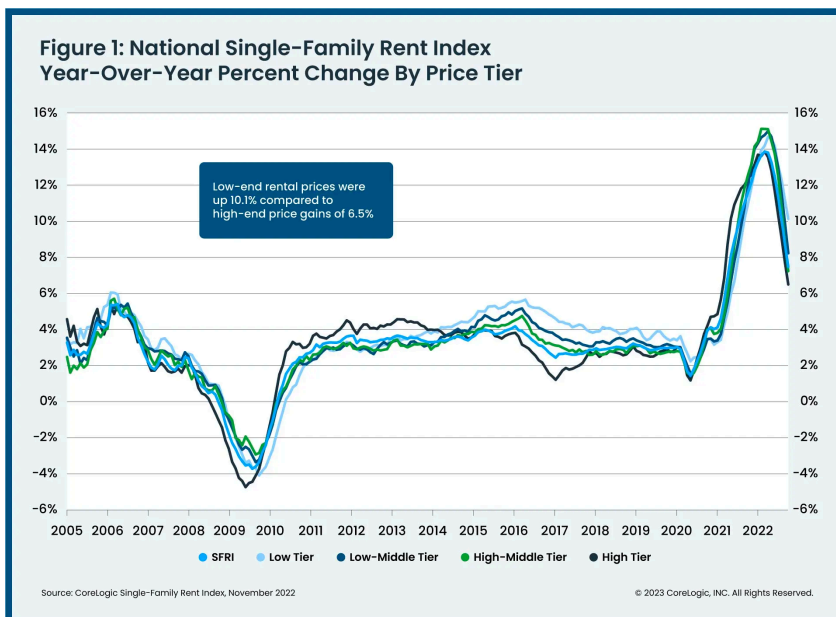
metro areas. Looking forward, rent growth should continue to moderate and better balance market conditions.”

To gain a detailed view of single-family rental prices, CoreLogic examines 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): 10.1%, down from 10.9% in November 2021
- **Lower-middle priced** (75% to 100% of the regional median): 8.2%, down from 11.9% in November 2021
- **Higher-middle priced** (100% to 125% of the regional median): 7.2%, down from 12.5% in November 2021
- **Higher-priced** (125% or more than the regional median): 6.5%, down from 12.3% in November 2021

Of the 20 metro areas shown in Table 1, Orlando, Florida posted the highest year-over-year increase in single-family rents in November 2022, at 13.4%. Miami recorded the second-highest gain at 12.7%, while Boston ranked third at 11.5%. Phoenix saw the lowest annual rent price gain at 2.4%.

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. As single-family rent prices continued growing rapidly, preferences for attached rentals began to emerge in early 2022, and by summer, they had higher increases than detached properties. Attached single-family rental prices grew 8% year over year in November compared to the 6.5% increase for detached rentals.





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TEXAS TORNADOES CAUSE NEARLY \$4.6B IN PROPERTY DAMAGE

According to CoreLogic, hail, straight-line winds, and tornadoes from a strong low-pressure system damaged approximately 18,600 single- and multifamily residential properties across the Gulf Coast area of Harris County, Texas on January 24, 2023, with a combined reconstruction value (RCV) of \$4.6 billion.

An Enhanced Fujita Scale (EF Scale) tornado with a rating of three destroyed homes, and disrupted operations at petrochemical facilities outside of Houston, Texas, as the area was hit with wind gusts in the 136 to 165 miles-per-hour range. The tornado's path extended over 18 miles, and the maximum width of the storm was 1,000 yards.

The National Weather Service Storm Prediction Center drew the Harris County storm a Level 3 out of 5 "enhanced" risk of severe weather on its maps, signifying the potential for a disruptive and dangerous event.

The Enhanced Fujita Scale or EF Scale is

used to assign a tornado a 'rating' based on estimated wind speeds and related damage. The EF Scale was revised from the original Fujita Scale to reflect better examinations of tornado damage surveys, to align wind speeds more closely with associated storm damage. The new scale has to do with how most structures are designed.

Not all properties within the tornado footprint suffered damage, and a damaged structure may not have suffered 100% loss up to the full reconstruction value. The number of damaged properties will be a subset of the total 18,600 homes.

The damage survey reports a near-continuous path of destruction across portions of the county, including the cities of Houston, Pasadena, Deer Park, and Baytown. The survey reported damage at EF-2 levels (wind gusts in the 111 to 135 miles-per-hour range) for an apartment complex in southeast Houston, several homes in Pasadena, and a church in Deer Park. Addition-

al damage to several single-family residences and mobile homes was reported, and no injuries or fatalities were reported.

The National Oceanic and Atmospheric Administration (NOAA) Storm Prediction Center (SPC) confirmed EF-0 to EF-3 level tornado damage in Harris County.

Harris County, Texas is home to a number of large industrial facilities, including petrochemical refineries, manufacturing plants, and shipping operations. Companies such as Shell, Exxon Mobile and TotalEnergies operate in Harris County. Shell and Petróleos Mexicanos (Pemex) reported operational upsets due to the severe weather outbreak on January 24. Other companies such as Exxon Mobil and TotalEnergies sent personnel home before the outbreak and avoided any operational disruptions, damage, or injuries. Delays in operations could have material downstream effects.

FITCH REPORT: NEW REO INVENTORY ON THE RISE

With a recession looming, mortgage servicers have not stopped working with struggling homeowners in the post-COVID-19 era to avoid defaults where possible. However, as post-moratorium data begins to flow in, Fitch Ratings reports that new REO inventory—properties in the 1- to 179-day category—have increased by 14.5%, reflecting the uptick in active foreclosure filings in 4Q22.

"While loan portfolio delinquencies for Fitch-rated bank and non-bank servicers were stable for the third consecutive quarter, the impact of four consecutive quarters of new foreclosure filings post-moratoria is now being

felt in new REO volume," said Fitch Director Richard Koch.

Bankruptcy and foreclosure filings and 60-90+ day delinquencies showed no significant change quarter over quarter for bank servicers, while non-bank servicers reported a 1% increase in new foreclosure filings.

On the topic of loan modifications, banks and non-bank servicers reported a small decrease in loan mods quarter over quarter to 31% from 35% and 17% from 20%, respectively. Active forbearance plans for banks and non-banks reflected an increase quarter over quarter to 37% from 35% and 42% from 40%, respectively.

"The increase in forbearance applications may be attributable to the CARES Act extension through 1Q23," Fitch said. "Other exit strategies, such as short sales, deferments and deed-in-lieu of foreclosure account for 29% of monthly loss mitigation workout volume for non-bank servicers, an increase of 7% from the previous quarter while bank servicers reported it unchanged at 2%."

Among other data reported by Fitch, bank servicers reported a decrease in full-time employees for the third quarter with an average reduction of 10.5% from the last quarter while non-bank servicers upstaffed by about 5% on average from the previous quarter.

MARKET REPORT: CHARLOTTE IS THE PLACE TO BE IN '23

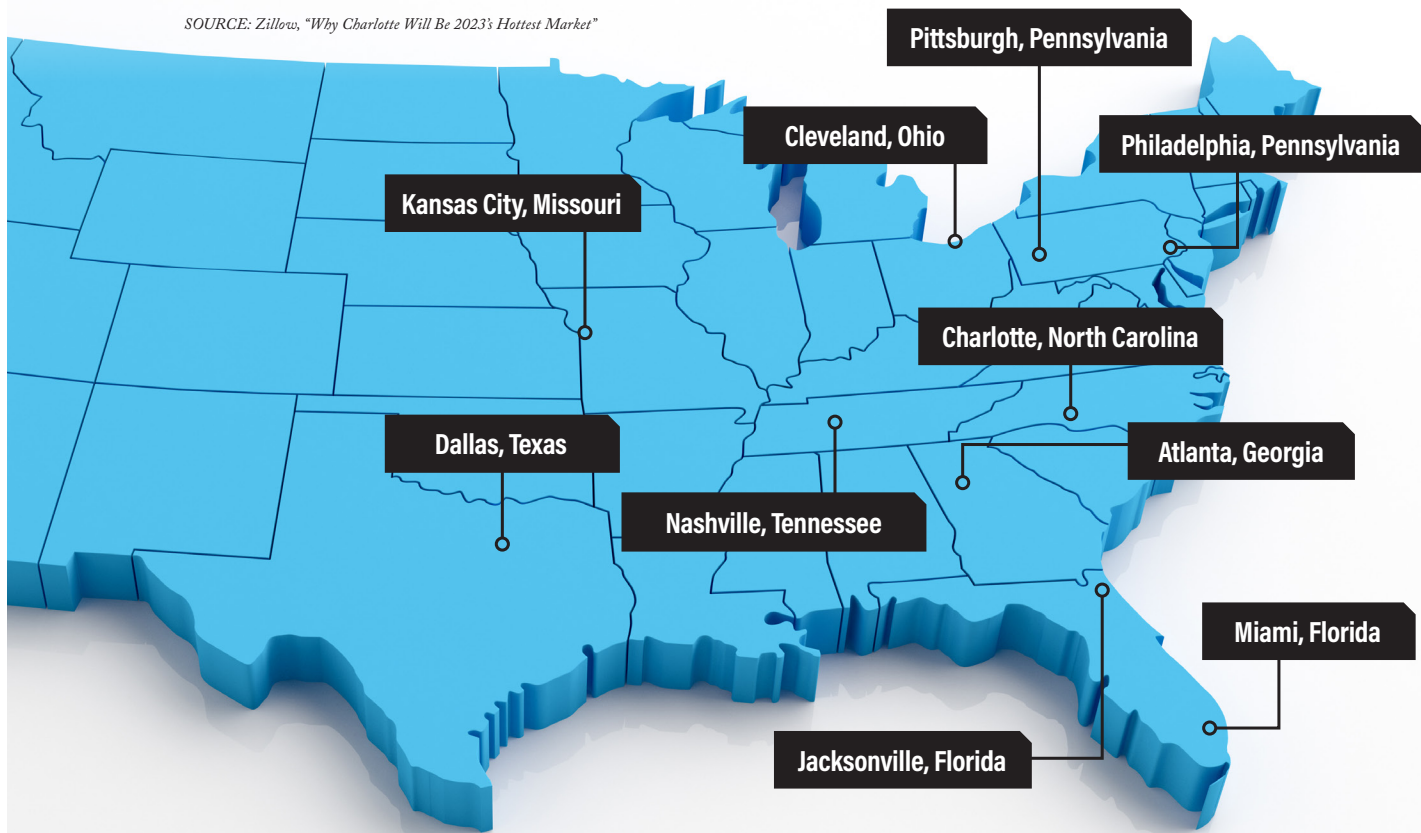
As named by Zillow, Charlotte, North Carolina, will be the hottest market across the country in 2023, followed hotly by Cleveland, Pittsburgh, Dallas, and Nashville.

"This year's hottest markets will feel much chillier than they did a year ago," said Anushna Prakash, economic data analyst at Zillow. "The desire to move hasn't changed, but both buyers and sellers are frozen in place by higher mortgage rates, slowing the housing market to a crawl."

"Markets that offer relative affordability and room to grow are poised to stand out, especially given the prevalence of remote work," Prakash continued. "The good news for buyers is that monthly housing costs have stopped climbing. Home shoppers who can overcome affordability hurdles will find a more comfortable market this year, with more time to consider options and less chance of a bidding war, even if they're shopping in one of the hottest markets."

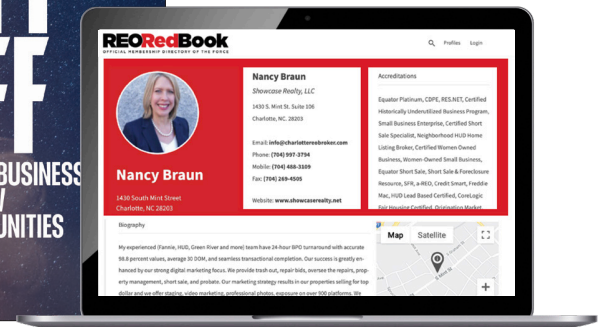
Hottest Real Estate Markets of 2023

SOURCE: Zillow, "Why Charlotte Will Be 2023's Hottest Market"



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