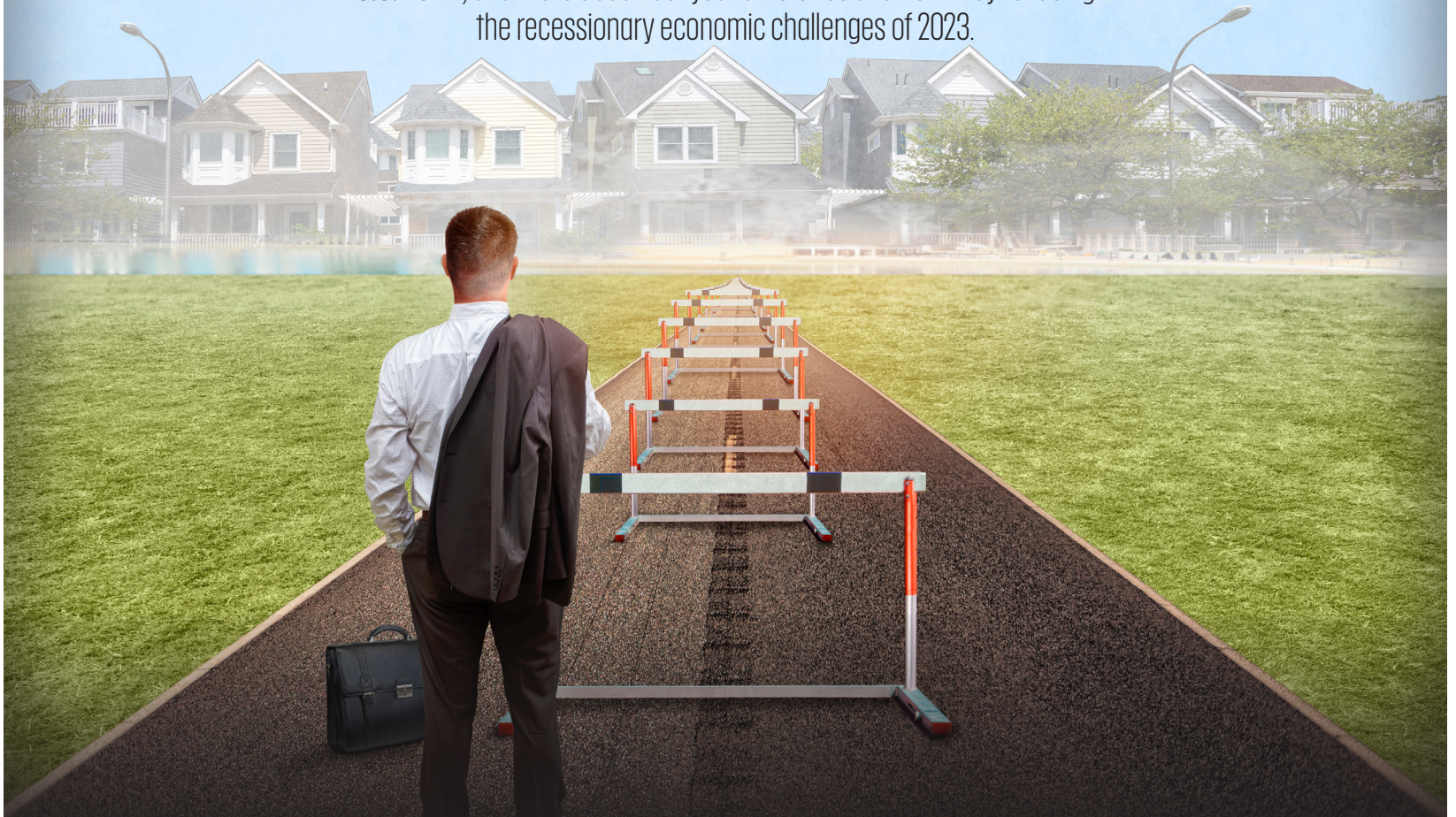


# DS NEWS

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## THE HURDLES AHEAD

DS News speaks with representatives of **Chase Home Lending, Fannie Mae, U.S. Bank**, and more about last year's victories and how they're facing the recessionary economic challenges of 2023.



### Did You Ever Wonder What It Takes to Enjoin a Foreclosure Sale?

Here's what lenders/servicers should know about TROs and Injunctions.

### Don't Wait for Regulations

Mortgage servicers need to embrace non-English language support now.

### The Tools and the Talent

Tech-savvy technicians are critical when it comes to prepping foreclosed homes.

### What Kind of Service Can You Expect?

Quality mortgage servicing is critical as the housing market shifts.

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## **BIG REVEAL COMING SOON—STAY TUNED!**

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Mortgage Banking & Default Servicing News.

# Stepping Up to the Plate

The year 2023 is beginning with a number of hurdles and obstacles to surmount on the path to success. A market that has swung up and down to start the year is cause for concern as the industry seeks its balancing point.

This month, we spoke with reps from Chase Home Lending, Fannie Mae, U.S. Bank, and more about last year's victories and how they're facing the challenges presented by 2023. In "Steering Into the Headwinds," we hear from Samantha Manfer, Chief Business Development and Brand Officer for Planet Home Lending; Michael Merritt, SVP, Customer Care and Mortgage Default Servicing for BOK Financial; Candace Russell, VP-Post Sale for Carrington Mortgage Services; Erik Schmitt, Managing Director, Origination Division for Chase Home Lending; Douglas Whittemore, Head of Default Servicing for U.S. Bank; and Jake Williamson, SVP, Single-Family Collateral Risk Management for Fannie Mae, as they share how to surmount issues they may face, and what can lead them to success.

Adel Issa, SVP, Customer Contact and Loss Mitigation for Carrington Mortgage Services brings us a number of ways to enhance servicer customer service in a down market in his January 2023 submission, "What Kind of Service Can You Expect?"

On the legal front, T. Robert Finlay, Founding Partner of Wright, Finlay & Zak, discusses Temporary Restraining Orders (TROs) in the foreclosure process in his detailed piece, "Did You Ever Wonder What It Takes to Enjoin a Foreclosure Sale?" Drawing upon his years of legal experience, Finlay discusses cases and instances where TROs are granted during litigation and how it impacts individual cases.

Travis McGee, ThermoGrid Product Manager for ECI Software Solutions, discusses how field services professionals can properly implement technology when preparing a foreclosed home for sale in his article, "The Tools and the Talent." McGee stresses the importance of never overlooking often neglected details such as plumbing, HVAC, and electrical systems to ensure that won't be stuck with a money pit when buying these properties.

Also this month, Matthew Perez, VP of Mortgage Servicer Product Development for FICS (Financial Industry Computer Systems), discusses an important emerging market segment, Limited English Proficiency (LEP) borrowers, in his article, "Don't Wait for Regulations." By keeping ahead of the regulatory curve, mortgage professionals can embrace this market and provide the resources to the LEP market, a segment projected by the National Association of Hispanic Real Estate Professionals (NAHREP) to purchase 70% of new homes between 2020-2040.

You get all this and much more in this month's issue of *DS News*. As always, we strive to keep ahead of market trends to provide the tips and expertise to overcome any market downturns or twists that may lie in the road ahead. Thank you again for making us your trusted source for the industry's latest news and happenings.



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Editor-in-Chief

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# DS Journal

Compiled by the DS News Staff

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## HOUSING MARKET TO SHOW RESILIENCE IN 2023

CoreLogic has released its latest Home Price Index (HPI) and HPI Forecast, as year-over-year home price growth ended its 21-month streak of double-digit momentum in November 2022, posting an 8.6% gain, the lowest rate of appreciation in exactly two years.

While 16 states nationwide bucked the national trend and saw annual double-digit increases, appreciation is decelerating in many popular housing markets across the country.

Regionally, Southeastern states still led the country for price growth in November but also saw some of the most pronounced cooling. Similarly, relatively more expensive Western areas also posted substantial combined declines in recent months since spring's peak.

"Although home price growth has been slowing rapidly and will continue to do so in 2023, strong gains in the first half of last year suggest that total 2022 appreciation was only slightly lower than that recorded in 2021," said Selma Hepp, Executive, Deputy Chief Economist at CoreLogic. "However, 2023 will present its own challenges, as consumers remain wary of both the housing market and the overall economic outlook."

Nationwide, the recent price deceleration pushed November home values 2.5% below

the spring 2022 peak. In 2023, home values will likely move even further from that high point, as CoreLogic expects price growth to begin recording negative year-over-year readings in the second quarter.

"And while the recent decline in mortgage rates may bode well for the housing market," Hepp added. "Potential homebuyers are grappling with the idea of buying amid possible further price declines and a continued inventory shortage. Nevertheless, with slowly improving affordability and a more optimistic economic outlook than previously believed, the housing market could show resilience in 2023."

In November, annual appreciation of attached properties (8.8%) was 0.3 percentage points higher than that of detached properties (8.5%).

By metro region, Miami posted the highest year-over-year home price increase of the country's 20 largest areas in November, at 21.3%, while Tampa, Florida, retained the number two spot at 17.3%. Florida and South Carolina recorded the highest annual home price gains, 18% and 13.9%, respectively. Georgia posted the third-highest growth, with a 13.6% year-over-year increase. Washington, D.C., ranked last for appreciation at 1.2%.

## Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS



TOP 10 METROS HOMEBUYERS ARE LOOKING TO MOVE INTO:

- | RANK | CITY                         |
|------|------------------------------|
| 1.   | SACRAMENTO, CALIFORNIA       |
| 2.   | LAS VEGAS                    |
| 3.   | MIAMI                        |
| 4.   | TAMPA, FLORIDA               |
| 5.   | SAN DIEGO, CALIFORNIA        |
| 6.   | PHOENIX                      |
| 7.   | CAPE CORAL, FLORIDA          |
| 8.   | NORTH PORT-SARASOTA, FLORIDA |
| 9.   | DALLAS                       |
| 10.  | ORLANDO, FLORIDA             |



TOP 10 METROS HOMEBUYERS ARE LEAVING:

- | RANK | CITY                  |
|------|-----------------------|
| 1.   | SAN FRANCISCO         |
| 2.   | LOS ANGELES           |
| 3.   | NEW YORK              |
| 4.   | WASHINGTON, D.C.      |
| 5.   | CHICAGO               |
| 6.   | BOSTON                |
| 7.   | DETROIT               |
| 8.   | DENVER                |
| 9.   | HARTFORD, CONNECTICUT |
| 10.  | SEATTLE               |

Source: Redfin, "Homebuyers Are Flooding to the Sun Belt, Attracted to Relatively Affordable Home Prices"

## Know THIS



According to CoreLogic's latest Single-Family Rent Index, rent prices nationwide were up by 8.8% year over year in October, marking the lowest rate of growth recorded since June 2021.



Median rent climbed 7.4% in November on a yearly basis to \$2,007, its smallest increase in 15 months, according to Redfin's Rental Market Tracker Report.

# 2023 HOUSING AND ECONOMIC PREDICTIONS



The year 2022 was full of financial hurdles for many, with economic uncertainty and a volatile housing market, resulting in many homebuyers and homeowners struggling to purchase a home or keep up with monthly mortgage payments. The positives worth celebrating in 2022 included the nation's robust job market and the continued recovery from the COVID-19 pandemic. Meanwhile, there were significant negatives, from rampant inflation to rapidly rising interest rates.

A study from LendingTree revealed experts now predict that the mixed nature of 2022 will likely persist into 2023, with some economic prospects likely to improve, while others could worsen.

Here are the LendingTree predictions for the state of housing, jobs, and the economy in 2023:

**Average interest rates on 30-year fixed mortgages will be between 5.5% and 6.5% when 2023 ends.**

Given mortgage rates' volatility in 2022, it's impossible to say with total certainty where they'll land when 2023 ends. After peaking at 7.08% in the second week of November, the average rate for 30-year fixed mortgages fell to 6.42% by the end of December, owing to good inflation news.

If inflation news remains good, rates over the coming year will likely stabilize near where they were at the end of 2022, or even continue to fall. That said, borrowers shouldn't expect rates to fall to anywhere near their record 2021 lows, or even as low as at the start of 2022, when the average rates for 30-year fixed mortgages were 2.65% and 3.22%, respectively.

**Home prices will fall between 5% and 10% nationally year over year.**

Home prices won't necessarily fall everywhere, but a combination of relatively high rates and weak homebuyer demand will likely push down prices nationwide in 2023.

While a 5% to 10% drop may seem steep, declines this year are unlikely to wipe out the home price gains many houses saw over the past few years. For example, according to the S&P/Case-Shiller U.S. National Home Price Index, home prices increased by 11.33% from January 2020 to January 2021 and 19.25% from January 2021 to January 2022. Though home price growth has since decelerated, prices rose by 10.65% year over year in September 2022.

Owing to these gains, price drops of 5% to 10% would still leave the housing market much pricier than before the pandemic.

**The unemployment rate will rise above 4%.**

Over the coming months, businesses will likely continue layoffs and other cost-cutting measures that'll push unemployment above its current 3.7% level (as of November 2022). Rising unemployment may seem scary—especially since it means some people will lose their jobs—but the jobless rate rising to 4.5% or 5% would still be relatively low historically.

**Year-over-year inflation growth will fall to between 3% and 4%.**

Diminished demand resulting from the Federal Reserve's rate policies, higher unemployment, and improvements to global supply chains should help bring down inflation as the year progresses.

While inflation appears poised to remain above the Fed's ongoing target of 2% growth this year, consumers should feel relief compared to what they saw in 2022. Last year, the year-over-year growth in the personal consumption expenditures (PCE) index each month was commonly more than 6%. (The Fed's preferred measure of inflation is the PCE index.)

**The federal funds target rate will end up around 5%.**

The current federal funds target rate is 4.25% to 4.50%, and we'll likely see a few

more rate hikes over the coming months.

However, assuming inflation shows sustained moderation, the Fed will likely stop raising its target rate before too long.

Importantly, this doesn't mean the Fed will cut rates—just that they'll stop announcing new hikes.

**Potential Economic Upsides in 2023**

- Even if it does cool, the housing market likely won't crash like in 2008. While the housing market looks to be softening as buyer demand dissipates, it still doesn't seem as though we're likely to see a 2008-style crash in 2023—even if 41% of Americans expect a crash this year. Owing to how strong many of the housing market's fundamentals have remained—like borrowers' ability to make their payments on time—the housing market (even in the face of high inflation) doesn't appear at serious risk of a total meltdown.
- Home price growth will moderate, and even come down in some areas. Though declines in home prices are often seen as more of a negative than a positive, declines this year may not be all bad news. This is especially true for buyers who may be struggling to keep up with persistently high prices. For those worried about price declines, it's worth noting that because home values have increased so much over the past few years, current homeowners will likely be able to hold onto most of the home equity they've built, even if prices come down.
- Inflation will likely come down. Inflation remained persistently high through 2022, much to the dismay of economic policymakers and consumers alike. There does seem to be some evidence that inflation has just about peaked and could soon start slowing down more significantly—at least in the U.S. Even though inflation will likely remain somewhat elevated in 2023, it shouldn't be as bad as in 2022.
- Supply chains should improve. In 2023, supply chain issues are poised to get better, especially as major manufacturing nations

like China reduce pandemic-related restrictions. This doesn't mean supply chains will return to how they were before the pandemic, but it suggests that transporting raw materials and goods will be less of a challenge in many instances.

- Interest rate growth should moderate. The Fed will likely continue to hike rates over the coming months. But if inflation starts to wane, we could see an end to the aggressive rate-hike policies implemented through much of 2022. While this doesn't necessarily mean rates will come down—barring a major recession, the Fed is unlikely to start reducing rates even if they stop hiking them—it will nonetheless be good news for those struggling to keep up with rising rates. Of course, rates could come down on some products not directly tied to the federal funds rate, like mortgages.

#### Potential Economic Downsides in 2023

- A recession could be on the horizon. Owing to various factors from a softening labor market to the Fed's aggressive rate strategy, a recession hitting sometime in 2023 or early 2024 is a real possibility. However, a recession isn't the end of the world. If one does hit, it'll likely be mild.
- The housing market will remain prohibitively expensive for many. Even though home prices seem like they're going to come down in 2023, or—at the very least—stop rising, that doesn't mean housing will become affordable for everyone. Especially for lower-income borrowers, the housing market will likely remain a tough nut to crack for quite some time.
- Home sellers could face challenges. In 2020, 2021, and even earlier parts of 2022, sellers enjoyed a significant amount of leeway in the market. This trend already started to reverse in the latter half of 2022 and will likely continue into 2023. While this could be seen as good news for some buyers, it'll likely be less than ideal for sellers who may find their homes are taking longer to sell and need to make more concessions to buyers than they'd prefer.
- The labor market will soften. Though unemployment remains low, there are signs the labor market is softening. As the year continues, though, it's likely that more people will be laid off and the unemployment rate will increase.

# CHECKING IN WITH MORTGAGE PERFORMANCE

Black Knight's "first look" at November 2022 mortgage performance statistics revealed that prepayment activity dropped 15.6% to a rate of 0.4%, the lowest rate recorded in the history of the report.

Overall, the national delinquency rate rose 3.5% from October 2022 to a rate of 3.01%, mainly driven by a 31,000-file increase (or 3.9%) in 30-day delinquencies and a 25,000-file rise in 60-day delinquencies.

Looking specifically at Florida, the delinquency rate rose another 18 basis points in the month to 3.60% as the impact of Hurricane Ian on homeowners' ability to make mortgage payments continues.

Foreclosure proceedings began on 4.3% of serious delinquencies, up from October, but 44% less than the rate seen in the years leading up to the COVID-19 pandemic. Active foreclosure inventory rose 5.3%, though 2022 volumes remain subdued after the record lows of 2021 due to widespread moratoriums and forbearance protections.

By the numbers:

Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure): 3.01%

- Month-over-month change: 3.46%
- Year-over-year change: -16.18%

Total U.S. foreclosure pre-sale inventory rate: 0.37%

- Month-over-month change: 5.29%
- Year-over-year change: 46.60%
- Total U.S. foreclosure starts: 23,400
- Month-over-month change: 19.39%
- Year-over-year change: 532.43%
- Monthly prepayment rate (SMM): 0.40%
- Month-over-month change: -15.57%
- Year-over-year change: -77.26%
- Foreclosure sales as % of 90+: 0.55%

• Month-over-month change: -6.73%
- Year-over-year change: 109.66%
- Number of properties that are 30 or more days past due, but not in foreclosure: 1,612,000

- Month-over-month change: 55,000
- Year-over-year change: -294,000

Number of properties that are 90 or more days past due, but not in foreclosure: 550,000

- Month-over-month change: -1,000
- Year-over-year change: -476,000

Number of properties in foreclosure pre-sale inventory: 196,000

- Month-over-month change: 10,000
- Year-over-year change: 64,000

Number of properties that are 30 or more days past due or in foreclosure: 1,808,000

- Month-over-month change: 65,000
- Year-over-year change: -231,000

Top five states by noncurrent percentage:

- Mississippi: 6.70%
- Louisiana: 6.08%
- Oklahoma: 5.03 %
- Alabama: 4.76 %
- West Virginia: 4.66 %

Bottom five states by noncurrent percentage:

- Oregon: 2.06 %
- Colorado: 1.98 %
- California: 1.90 %
- Idaho: 1.79 %
- Washington: 1.69 %

Top five states by 90+ days delinquent percentage:

- Mississippi: 2.32%
- Louisiana: 1.90%
- Alabama: 1.62%
- Arkansas: 1.53%
- Oklahoma: 1.50%

Top five states by six-month change in noncurrent percentage:

- Alaska: -20.97%
- Hawaii: -8.34%
- New York: -6.90%
- New Hampshire: 1.28%
- Maine: 3.04%

Bottom five States by six-month change in noncurrent percentage:

- Florida: 24.63%
- Arizona: 21.03%
- Wyoming: 16.96%
- Iowa: 15.97%
- South Dakota: 15.58%



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Having eclipsed the 300-episode mark in 2022, Jen Du Plessis (a coach, international speaker, and author) brings a fresh perspective—and a new topic—every week. *Mortgage Lending Mastery* features guests from across the industry, with recent episode topics including how to stay organized in the mortgage industry, motivating and building great relationships, virtual tours in a changing market, building your referral base, and learning the ins and outs of house hacking.

Podcast:

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The goal of the *Mortgage Impact Podcast* is to connect you to prominent and influential mortgage professionals in every walk of life. Relax with host Jake Fehling as he invites guest contributors to join him for fast-paced, educational, and engaging discussions designed to equip and empower listeners so they can make an impact on their personal journeys through the mortgage industry. Recent topics include mortgage-backed securities marketing, how to add value to your portfolio, refinances, and conversions.

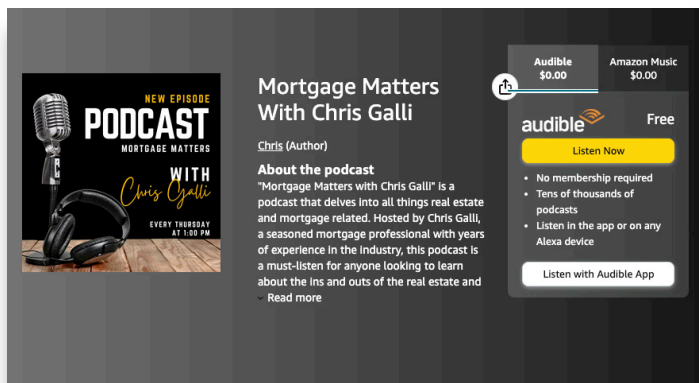


The *Mortgage Impact Podcast* connects you to influential mortgage professionals making a difference in marketing, branding, technology, strategy and leadership. Join host Jake Fehling and his contributors and guests for fast-paced, engaging episodes that will equip and power you to make an impact in the mortgage industry.

Episodes

New to Old ▲

- 00:22:07 **Barry Habib on deck: Post election**  
1264  
Play Podcast | November 25, 2020
- 00:15:44 **On Deck with Megan Anderson: MBS Marketing**  
442  
Play Podcast | November 11, 2020
- 00:26:19 **Barry Habib on deck: MBS for newbies**  
473  
Play Podcast | October 28, 2020



**Mortgage Matters With Chris Galli**

Chris (Author)

**About the podcast**

"Mortgage Matters with Chris Galli" is a podcast that delves into all things real estate and mortgage related. Hosted by Chris Galli, a seasoned mortgage professional with years of experience in the industry, this podcast is a must-listen for anyone looking to learn about the ins and outs of the real estate and mortgage industry.

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Host Chirs Galli debuted his freshman podcast in 2022. *Mortgage Matters* takes a deep dive into all things real estate related. A seasoned professional himself, Galli delves into his career successes to create a must-listen podcast for anyone looking to learn the intricacies of the real estate and mortgage sectors. From purchasing your first property to refinancing, Galli offers valuable insights and practical advice for all listeners for everyone, no matter your experience level or portfolio size.



## HOUSING GAINS HAVE SLOWED SIGNIFICANTLY SINCE Q2 2022

CoreLogic, a global property information, analytics, and data-enabled solutions provider, has released its major U.S. housing trends wrap-up for 2022.

Year over year, CoreLogic reported that home price growth increased for the 130th straight month in November, but gains have slowed significantly since the spring. Still, most homeowners were in positive-equity territory throughout the first three quarters of the year, and mortgage delinquencies and foreclosure rates remain near historic lows.

“The wild ride known as the U.S. housing market slowed dramatically in the fall of 2022, as mortgage rates surged and home prices remained high,” said Molly Boesel, Principal Economist at CoreLogic. “Home sales started strong in early 2022 but took a nosedive later in the year. On the plus side, generous amounts of home equity will protect many borrowers from experiencing the type of foreclosure activity seen during the Great Recession.”

CoreLogic cited the following as major market trends found in 2022:

### Home Price Growth Declined Significantly Between Spring and Fall

According to CoreLogic’s monthly Home Price Index data, U.S. year-over-year home price growth reached 20.1% in April 2022, the highest level recorded in more than two decades. However, appreciation has tapered off every month since, falling to 8.6% in November.

Sun Belt states led the nation for annual home price gains for most of the year, notably Florida, which posted the highest gain in the country from February to November. This trend partially reflects Americans migrating from more expensive areas in the West to more affordable areas of the country. However, price growth in Southern states has followed the national trend and slowed in recent months.

The year’s spike in interest rates is the primary factor in moderating home price growth, with Freddie Mac data putting 30-year fixed-rate mortgages at 3.22% in early January, compared with a yearly high of 7.08% in mid-November. Despite the slowdown, a shortage of available homes for sale, strong mortgage

underwriting standards, and an unemployment rate that has returned to pre-pandemic levels are keeping the housing market relatively healthy, making a major downturn unlikely.

### Home Equity Growth Remains Strong Despite a Cooling Market

Strong home price growth in 2022 led to robust home equity gains across the country for nearly two-thirds of American homeowners with a mortgage.

CoreLogic’s quarterly Home Equity Report shows that in the first quarter of 2022, borrowers gained a collective \$3.8 trillion in home equity since Q1 of 2021, a 32.2% increase. During that period, U.S. homeowners with a mortgage gained an average of \$64,000.

However, since home price growth is the primary driver of equity growth, increases slowed as prices cooled. In Q3 2022, homeowners gained a total of \$2.2 trillion in equity than during the same quarter in 2021, an increase of 15.8%, averaging \$34,300 per borrower.

### Mortgage Performance Is Healthier Than Ever

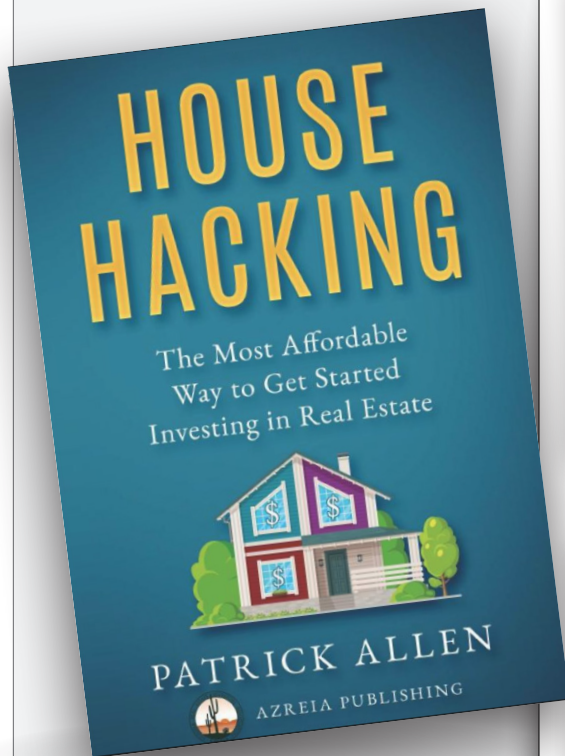
For the first 10 months of 2022, the number of homeowners with a mortgage who were at least 30 days late on their payments hovered between 3.4% and 2.7%, with the latest data reporting a 2.8% overall delinquency rate in October. On an annual basis, mortgage delinquencies dropped for the 19th consecutive month in October.

Foreclosure rates remained near record lows throughout most of 2022, bottoming out at 0.2% in February and remaining at 0.3% through October. The fact that 99% of borrowers have lower mortgage rates locked in than current rates helps prevent most homeowners from making late payments or defaulting on them altogether.

### Rent Price Growth Trends Follow Home Price Patterns

Like home price gains, U.S. rental prices relaxed in 2022, reaching single digits in October for the first time since June 2021.

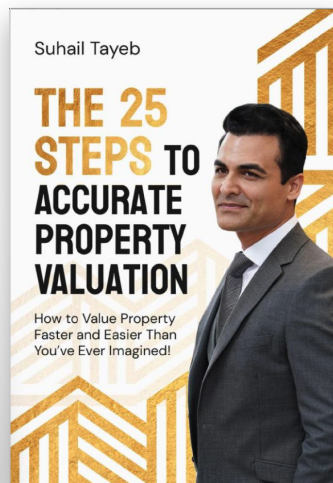
CoreLogic’s monthly Single-Family Rent Index shows that year-over-year rent growth slowed to 8.8% in October, down from 13.9% in the spring of 2022. Florida cities led the nation for annual rent increases for much of the year, with Miami and Orlando holding the top two spots, respectively, since January.



## House Hacking: The Most Affordable Way to Get Started Investing in Real Estate

By Patrick Allen

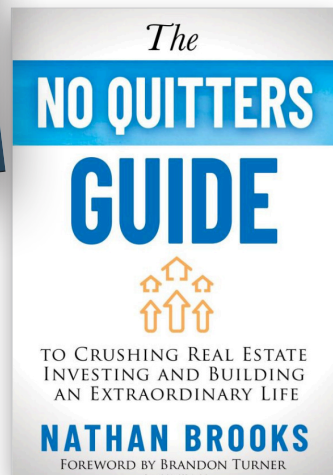
According to author Patrick Allen, one should not pay for their mortgage, but rather “hack it.” Learning from experienced real estate investors, Allen explains why “house hacking” is the easiest and most affordable way to get some skin in the real estate market. The author’s guidelines lay out suggestions for how to save thousands in monthly costs, earn equity, gain property management experience, find new tax benefits, and even possibly earn a monthly cash flow in order to reach financial goals. This book’s intent is to show readers that, out of all the real estate strategies out there, hacking may be the most “tried-and-true” way to start investing.



## The 25 Steps to Accurate Property Valuation: How to Value Property Faster and Easier Than You've Ever Imagined!

By Suhail Tayeb

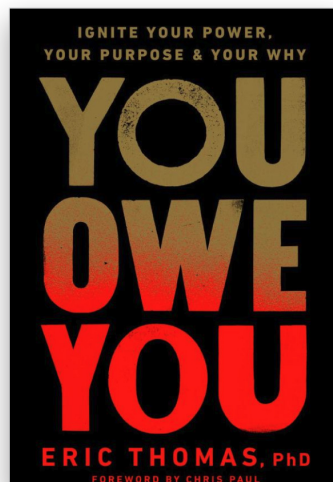
A new book by Suhail Tayeb aims to demystify the home valuation process for investors and agents alike, giving you more power in the negotiation process and avoiding the trap of overvaluing or undervaluing a property. If you are an investor who is not seeing a return on investment from improvements, a listing agent who is trying to gain more foot traffic in their listings, an agent who keeps getting outbid, or a buyer or seller who is looking for peace of mind that they are not overpaying or underpaying on a property, the author will guide you through his 25 steps that will help repel costly—and possibly embarrassing—mistakes.



## The No Quitters Guide to Crushing Real Estate Investing and Building an Extraordinary Life

By Nathan Brooks

Filled with novel tools, anecdotal stories, and insights, this book features author Nathan Brooks using his extensive real estate knowledge to show readers how to implement his money-making real estate investment strategies to cultivate financial security. Faced with bankruptcy in 2008, Brooks made an astounding recovery, amassing a highly profitable, fast-growing, eight-figure portfolio. Here, he has laid out his path to success for others to replicate. This book is not just another real estate resource but also a challenge issued to readers, inviting them to dig deep to answer the question of what they want in their lives. From there, Brooks attempts to reveal how real estate investing can help achieve those ends.



## You Owe You: Ignite Your Power, Your Purpose, and Your Why

By Eric Thomas, PhD

Need a wake-up call? If you feel like others are passing you by and success is always just out of reach, Eric Thomas has authored a book full of urgent messages that will get you to stop waiting for success to find you and instead for you to go and find success for yourself. Faced with a series of challenges early in life, Thomas was able to break free from poverty and homelessness, as well as the victim mentality, and successfully “rewrite” his life. Thomas shares his secrets to success and explains how they could help readers find themselves and reach new heights of success.

# SHARE OF ENERGY-EFFICIENT HOMES RISING NATIONWIDE

Homeowners and homebuyers alike are beginning to understand and appreciate the value an energy-efficient home provides in terms of savings on heating and cooling, as analysis from Porch looks into exactly where in the country such homes are being built.

## Key Findings

- There are over 2.4 million homes and apartments certified with the Energy Star label in the United States
- Over 120,000 such homes were built in 2022, 9% of the total number of new housing units built, up from 7% in 2021
- Arizona leads the way in energy-efficient construction with some 42% of all newly built homes earning the Energy Star certification
- Among metros, Kalamazoo-Portage, Michigan, has the highest percentage of green homes (39% of all new housing units built)
- In five states (Maine, Iowa, Kansas, Nebraska, and Wisconsin) the share of housing units certified as energy efficient is under 1%
- Seattle, Chicago, and Cape Coral, Florida, had the lowest share of energy-efficient new homes (all under 1%)

One way to measure this efficiency is to look at the government's Energy Star certification for housing. According to EnergyStar.gov, homes that receive this certificate are built with high-quality insulation and HVAC systems, have minimal drafts and pollution, and deliver durability, comfort, and even resale value.

With that in mind, Porch looked at eco-conscious home building in the U.S., see how it changed in recent years, and identify which states and metropolitan areas are leading the way in building green homes.

## Gradual Growth: Share of Energy-Efficient Homes Is Rising Slowly

Over 124,000 homes built in 2022 received the Energy Star label as being outstanding in terms of energy efficiency, just 1% more than were built and achieved certification the year before. That said, these efficiency-optimized homes now account for a larger share of all

new homes built in the United States. Almost one in 10 (9%) new homes built in 2022 got the Energy Star certification, compared to 7% in 2021.

## Raising The Bar, Arizona: Grand Canyon State Leads in Green Construction

One state that stands out in terms of how many of its newly built homes are certified as energy-efficient is Arizona. Here, 42% of newly built homes in 2022 got an Energy Star label—a percentage far higher than in any other state.

Maryland is in second place, where roughly a third (34%) of housing units built this year received the efficiency distinction.

New Hampshire (20%) and Nevada (19%) are two other states where about one in five new homes is energy conscious.

While some states appear to be prioritizing energy efficiency in their residential construction, others appear to be trailing behind. In five states, the share of newly built residential units in 2022 that received an Energy Star label is below 1%.

These states are Maine (0.9%), and the four Midwestern states of Iowa (0.9%), Kansas (0.8%), Nebraska (0.5%), and Wisconsin (0.2%).

## Michigan Metro Tops Green Home Construction Ranking

Looking at metropolitan areas in the United States, a handful of them have the share of newly built homes that were certified as energy-efficient is approaching 40% in 2022.

Kalamazoo-Portage, Michigan, tops the ranking with 39% of new homes built in 2022 getting an Energy Star label. Echoing the state-level findings, Baltimore-Columbia-Towson, Maryland, is in second place in the metro rankings, with 37% of its new housing stock recognized for energy efficiency.

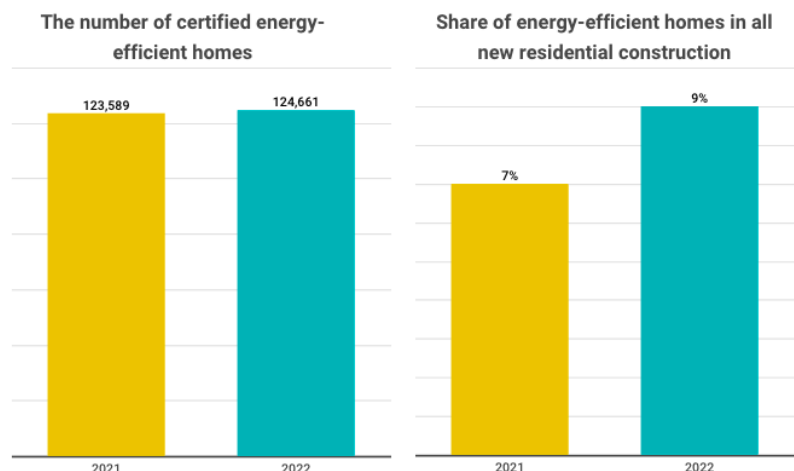
Two of Arizona's largest metros—Tucson, Arizona (35%) and Phoenix-Mesa-Scottsdale, Arizona (34%)—aren't too far off the top in terms of building energy efficiency in 2022.

By contrast, there are some metropolitan areas where the construction of energy-efficient homes isn't registering very high in the overall number of housing units built.

The percentage of homes built in 2022 receiving an Energy Star label for efficiency is the lowest in Cape Coral-Fort Myers, Florida (0.4%). In metro areas of Seattle-Tacoma-Bellevue, Washington (0.8%), and Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin (0.9%), that share is just under 1%.

Curiously enough, four of the six metros with the lowest percentage of energy-efficient homes in new construction are in Florida. Besides Cape Coral-Fort Myers, Florida, they are North Port-Sarasota-Bradenton, Florida; Deltona-Daytona Beach-Ormond Beach, Florida; and Crestview-Fort Walton Beach-Destin, Florida (all ≈1.6%).

## Gradual Growth: Efficient Homes Are on the Rise





# PENDING HOME SALES, CONTRACT SIGNINGS SLIDE IN NOVEMBER

While home prices are on the decline, pending home sales slid for the sixth consecutive month in November, according to the National Association of Realtors. All four U.S. regions recorded month-over-month decreases, and all four regions saw year-over-year declines in transactions.

“Pending home sales recorded the second-lowest monthly reading in 20 years as interest rates, which climbed at one of the fastest paces on record this year, drastically cut into the number of contract signings to buy a home,” NAR Chief Economist Lawrence Yun said. “Falling home sales and construction have hurt broader economic activity. With mortgage rates falling throughout December, home-buying activity should inevitably rebound in the coming months and help economic growth.”

The Pending Home Sales Index (PHSI)—a forward-looking indicator of home sales based on contract signings—fell 4.0% to 73.9 in November. Year over year, pending transactions dropped by 37.8%.

“Contract signings for existing homes highlight that housing markets have entered a winter freeze, alongside drastic temperature drops across much of the country, with a 4.0% slide in November, to the lowest level since April 2020, at the peak of the pandemic quarantines,” Realtor.com Senior Economist George Ratiu said. “The monthly decline was propelled by drops in all regions, but especially in the Northeast and Midwest. Pending home sales were a noticeable 37.8% below year-ago levels, with double-digit declines in all regions of the country.”

## Pending Home Sales Regional Breakdown

The Northeast PHSI slipped 7.9% from last month to 63.3, a drop of 34.9% from November 2021. The Midwest index decreased 6.6% to 77.8 in November, a fall of 31.6% from one year ago.

“The Midwest region—with relatively affordable home prices—has held up better, while the unaffordable West region suffered the largest decline in activity,” Yun said.

The South PHSI retracted 2.3% to 88.5 in November, fading 38.5% from the prior year. The West index dropped by 0.9% in November to 55.1, retreating 45.7% from November 2021.

“With prices for existing homes still elevated—even with the 10.4% decline from June’s peak—and mortgage rates above 6.0%, homebuyers are finding much of today’s real estate landscape inaccessible,” Ratiu said. “Mortgage rates pulled back from November’s highs, but are likely to close the year above 6.0%, keeping a lid on purchase budgets given that the monthly mortgage payment for a median-priced home is \$780 higher than it was last year. In turn, homes for sale are spending almost two months on the market, nearly double the time they did in early summer.”

# RETURNING TO A MORE BALANCED MARKET?

According to a new report from RE/MAX, November through February is a four-month stretch during which home sales usually bottom out during a given year. Seasonality was just one factor contributing to November's 12% drop in home sales from October in the report's 53 tracked metro areas, with fluctuating interest rates and ongoing economic uncertainty weighing heavily on the market.

"We've been seeing a return to a more balanced market, where not just sellers are in the driver's seat. Sellers and buyers are each able to negotiate, with neither having a built-in upper hand," said Nick Bailey, RE/MAX President and CEO. "This is especially good news for long-suffering buyers, who are still dealing with affordability issues. Buyers welcome having more choice as there are more homes on the market, and they are taking longer to sell. More good news for buyers: prices are flattening and actually decreasing in some markets. Things may bounce around a bit longer, especially into the first half of 2023, but it seems like the market is shaking off the last vestiges of the 2021 overheating. Balance seems to be returning—as it usually does."

"After several years of what can only be considered abnormal selling and buying seasons, it seems the nine Bay Area counties are starting to experience a more normalized market," said RE/MAX Gold Manager and Realtor Angelo Gallo, who is based in Cupertino, California. "Yes, inventory levels have increased, and sales are down, but we must ask ourselves, 'Compared to what?' We are now seeing the market return to pre-pandemic levels. That's not a bad thing. Balance has returned to the Bay Area real estate market, and this is healthy for all consumers."

New listings tumbled 21.4% from October—reaching their lowest point of the year—as home sellers saw the Median Sales Price drop to \$394,000. That was 1.3% less than in October though still 3.7% higher than in November 2021. The average Close-to-List Price Ratio in November was 98%, meaning that homes sold, on average, for 2% less than the asking price. The ratio was 101% a year ago and flat compared to October 2022.

Other notable metrics include:

- Homes sold in November were on the market for an average of 39 days. That was four more days than in October and a full week more than in November 2021.
- November's 2.5 months' supply of inventory was up from 2.3 in October and more than double the 1.2 of one year ago.
- Though the fourth-highest year-to-date total, November's 2.5 months' supply of inventory was down 5.9% from October following month-to-month inventory increases of 3.9% in September and 2.9% in October.

Highlights and local market metrics for November include:

## New Listings

Of the 53 metro areas surveyed in November 2022, the number of newly listed homes was down 21.4% compared to October 2022, and down 14.3% compared to November 2021. The markets with the biggest decrease in year-over-year new listings percentage were:

- Phoenix at -33.4%
- Portland at -32.3%
- San Francisco at -29.8%

Leading the year-over-year new listings percentage increase were:

- Washington, D.C., at +25.7%
- Baltimore, Maryland, at +24.7%
- Dover, Delaware, at +15.7%

## Closed Transactions

Of the 53 metro areas surveyed in November 2022, the overall number of home sales was down 12.0% compared to October 2022, and down 37.0% compared to November 2021. The markets with the biggest decrease in year-over-year sales percentage were Bozeman, Montana, at -55.1%; Las Vegas at -53.6%; and Salt Lake City, Utah, at -50.2%. No metro area had a year-over-year sales percentage increase in November.

## Median Sales Price

In November 2022, the median of all 53 metro area sales prices was \$394,000, down 1.3% compared to October 2022, and up 3.7%

from November 2021. The markets with the biggest year-over-year decrease in median sales price were Des Moines, Iowa, at -4.2%; San Francisco at -1.7%; and Pittsburgh at -1.0%. Five metro areas increased year over year by double-digit percentages, led by Fayetteville, Arkansas, at +19.6%; Omaha, Nebraska, at +12.2%; and Orlando, Florida, at +11.6%.

## Close-to-List Price Ratio

In November 2022, the average close-to-list price ratio of all 53 metro areas in the report was 98%, flat compared to October 2022, and down from 101% compared to November 2021. The close-to-list price ratio is calculated by the average value of the sales price divided by the list price for each transaction. When the number is above 100%, the home closes for more than the list price. If it's less than 100%, the home sold for less than the list price. The metro areas with the lowest close-to-list price ratio were a tie between Coeur d'Alene, Idaho, and Miami at 95%. The highest close-to-list price ratios were Burlington, Vermont, at 102%, followed by a four-way tie between Hartford, Connecticut; Manchester, New Hampshire; Richmond, Virginia; and Trenton, New Jersey, at 101%.

## Days on Market

The average days on market for homes sold in November 2022 was 39, up four days from the average in October 2022, and up seven days from the average in November 2021. The metro areas with the lowest days on market were Baltimore, Maryland, and Dover, Delaware, tied at 15, followed by Philadelphia at 17. The highest days on market averages were in Fayetteville, Arkansas, at 72, Seattle at 62, and Bozeman, Montana, at 59. Days on market is the number of days between when a home is first listed in an MLS and a sales contract is signed.

## Months' Supply of Inventory

The number of homes for sale in November 2022 was down 5.9% from October 2022 and up 48.7% from November 2021. Based on the rate of home sales in November 2022, the months' supply of inventory increased to 2.5 compared to 2.3 in October 2022 and increased compared to 1.2 in November 2021. In November 2022, the markets with the lowest months' supply of inventory were Manchester, New Hampshire at 1.0, followed by a tie between Albuquerque, New Mexico, and Trenton, New Jersey at 1.1.

# INVENTORY OF UNSOLD EXISTING HOMES RETREATS

Existing-home sales declined for the tenth month in a row in November, according to the National Association of Realtors (NAR). All four major U.S. regions recorded month-over-month and year-over-year declines.

Total existing-home sales—completed transactions that include single-family homes, townhomes, condominiums, and co-ops—waned 7.7% from October to a seasonally adjusted annual rate of 4.09 million in November. Year over year, sales dwindled by 35.4% (down from 6.33 million in November 2021).

“In essence, the residential real estate market was frozen in November, resembling the sales activity seen during the COVID-19 economic lockdowns in 2020,” NAR Chief Economist Lawrence Yun said. “The principal factor was the rapid increase in mortgage rates, which hurt housing affordability and reduced incentives for homeowners to list their homes. Plus, available housing inventory remains near historic lows.”

## Key Highlights

- Existing-home sales fell for the tenth consecutive month to a seasonally adjusted annual rate of 4.09 million. Sales slipped 7.7% from October and 35.4% from the previous year.
- The median existing-home sales price rose to \$370,700, an increase of 3.5% from one year ago.
- The inventory of unsold existing homes retreated for the fourth straight month to 1.14 million at the end of November, or the equivalent of 3.3 months’ supply at the current monthly sales pace.

Total housing inventory registered at the end of November was 1.14 million units, which was down 6.6% from October, but up 2.7% from one year ago (1.11 million). Unsold inventory sits at a 3.3-month supply at the current sales pace, which was identical to October, but up from 2.1 months in November 2021.

The median existing-home price for all housing types in November was \$370,700, an increase of 3.5% from November 2021

(\$358,200), as prices rose in all regions. This marks 129 consecutive months of year-over-year increases, the longest-running streak on record.

Properties typically remained on the market for 24 days in November, up from 21 days in October and 18 days in November 2021. Sixty-one percent of homes sold in November 2022 were on the market for less than a month.

First-time buyers were responsible for 28% of sales in November, which was unchanged from October, but up from 26% in November 2021. NAR’s 2022 Profile of Home Buyers and Sellers—released last month—found that the annual share of first-time buyers was 26%, the lowest since NAR began tracking the data.

All-cash sales accounted for 26% of transactions in November—identical to October and up from 24% in November 2021.

Individual investors or second-home buyers, who make up many cash sales, purchased 14% of homes in November, down from 16% in October and 15% in November 2021.

Distressed sales—foreclosures and short sales—represented 2% of sales in November, virtually unchanged from last month and one year ago.

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.31% as of December 15. That’s down from 6.33% last week, but up from 3.12% one year ago.

“The market may be thawing since mortgage rates have fallen for five straight weeks,” Yun added. “The average monthly mortgage payment is now almost \$200 less than it was several weeks ago when interest rates reached their peak for this year.”

Realtor.com’s Market Trends Report in November shows that the largest year-over-year median list price growth occurred in Milwaukee (+38.1%), Memphis (+26.9%), and Miami (+24.8%). Phoenix reported the highest increase in the share of homes that had prices reduced compared to last year (+28.4 percentage points), followed by Austin (+23.8 percentage points) and Denver (+21.0 percent-

age points).

## Single-Family and Condo/Co-op Sales

Single-family home sales declined to a seasonally adjusted annual rate of 3.65 million in November, down 7.6% from 3.95 million in October and 35.2% from one year ago. The median existing single-family home price was \$376,700 in November, up 3.2% from November 2021.

Existing condominium and co-op sales were recorded at a seasonally adjusted annual rate of 440,000 units in November, down 8.3% from October and 37.1% from the previous year. The median existing condo price was \$321,600 in November, an annual increase of 5.8%.

“For most of this year, prospective home buyers have faced the dual challenges of elevated mortgage rates and limited housing inventory,” said NAR President Kenny Parcell, a Realtor from Spanish Fork, Utah, and broker-owner of Equity Real Estate Utah. “Consumers can rely on Realtors to provide informed guidance on changing market conditions and trusted expertise throughout all steps of the home buying process.”

## Regional Breakdown

Existing-home sales in the Northeast decreased 7.0% from October to an annual rate of 530,000 in November, down 28.4% from November 2021. The median price in the Northeast was \$394,700, an increase of 3.5% from the prior year.

Existing-home sales in the Midwest retreated 5.6% from the previous month to an annual rate of 1.02 million in November, falling 30.6% from one year ago. The median price in the Midwest was \$268,600, up 3.9% from November 2021.

In the South, existing-home sales dwindled 7.1% in November from October to an annual rate of 1.84 million, a 35.0% decrease from the previous year. The median price in the South was \$340,100, an increase of 4.4% from this time last year.

Existing-home sales in the West fell 12.5% from October to an annual rate of 700,000 in November, down 45.7% from one year ago. The median price in the West was \$569,800, a 2.0% increase from November 2021.

“The West region experienced the largest decline in home sales and the smallest increase in home prices compared to the other regions of the country,” Yun said.



## WF TO PAY \$3.7B IN FINES AND RESTITUTION

The Consumer Financial Protection Bureau (CFPB) has reached a final agreement with Wells Fargo, which has been ordered to pay \$3.7 billion for the widespread and systemic abuse of customers through misapplied loan payments, wrongfully seized homes and vehicles, adding extraneous fees or incorrectly applying interest rates which resulted in losses for over 16 million consumer accounts.

The total judgment amount consists of a \$1.7 billion civil fine and \$2 billion to consumers hurt by Wells Fargo. The fine will go to the CFPB's Civil Penalty Fund, where it will be used to provide relief to victims of consumer financial law violations. Of the \$2 billion in restitution, \$1.3 billion will go toward auto lending accounts, \$500 million to deposit accounts, and \$200 million to mortgage accounts.

"Wells Fargo's rinse-repeat cycle of violating the law has harmed millions of American families," CFPB Director Rohit Chopra said. "The CFPB is ordering Wells Fargo to refund billions of dollars to consumers across the country. This is an important initial step for accountability and long-term reform of this repeat offender."

The CFPB's specific findings include that

Wells Fargo:

- **Unlawfully repossessed vehicles and bungled borrower accounts:** Wells Fargo had systematic failures in its servicing of automobile loans that resulted in \$1.3 billion in harm across more than 11 million accounts. The bank incorrectly applied borrowers' payments, improperly charged fees and interest, and wrongfully repossessed borrowers' vehicles. In addition, the bank failed to ensure that borrowers received a refund for certain fees on add-on products when a loan ended early.
- **Improperly denied mortgage modifications:** During at least a seven-year period, the bank improperly denied thousands of mortgage loan modifications, which in some cases led to Wells Fargo customers losing their homes to wrongful foreclosures. The bank was aware of the problem for years before it ultimately addressed the issue.
- **Illegally charged surprise overdraft fees:** For years, Wells Fargo unfairly charged surprise overdraft fees—fees charged even though consumers had enough money in their account to cover the transaction at the time the bank authorized it—on debit

card transactions and ATM withdrawals. As early as 2015, the CFPB, as well as other federal regulators, including the Federal Reserve, began cautioning financial institutions against this practice, known as authorized positive fees.

- **Unlawfully froze consumer accounts and misrepresented fee waivers:** The bank froze more than 1 million consumer accounts based on a faulty automated filter's determination that there may have been a fraudulent deposit, even when it could have taken other actions that would have not harmed customers. Customers affected by these account freezes were unable to access any of their money in accounts at the bank for an average of at least two weeks. The bank also made deceptive claims as to the availability of waivers for a monthly service fee.

The agreement also forces Wells Fargo to immediately stop charging surprise overdraft fees and ensure that the unused portion of GAP insurance contracts is refunded to the borrower when a loan is paid off or otherwise terminates prematurely.

The CFPB also calls Wells Fargo a "repeat offender" as they have been the subject of multiple enforcement actions in the past for other violations including faulty student loan servicing, mortgage kickbacks, fake accounts, and harmful auto loan practices.

In a prepared statement issued after the deal was announced, Wells Fargo said that current leadership has made "significant progress to transform Wells Fargo."

"As we have said before, we and our regulators have identified a series of unacceptable practices that we have been working systematically to change and provide customer remediation where warranted. This far-reaching agreement is an important milestone in our work to transform the operating practices at Wells Fargo and to put these issues behind us," said Charlie Scharf, Wells Fargo's CEO. "Our top priority is to continue to build a risk and control infrastructure that reflects the size and complexity of Wells Fargo and run the company in a more controlled, disciplined way."

"We have made significant progress over the last three years and are a different company today," Scharf said. "We remain committed to doing the right thing for our customers and working closely with our regulators and others to deal appropriately with any issue that arises."

## SURVEY EXAMINES RISK, COMPLIANCE CONCERNS

According to the 10th annual Wolters Kluwer Regulatory & Risk Management Indicator survey, keeping pace with the volume, scope, and breadth of regulatory changes tops the list of key concerns facing U.S. banks, credit unions, and other lenders. This finding marks the second consecutive year in which an institution's ability to manage regulatory change in an effective and compliant manner was viewed as the chief challenge for institutions of all asset sizes.

"Unquestionably, this year's survey findings point to the critical role that a robust regulatory change management program—particularly one featuring an up-to-date regulatory library—plays in helping ensure compliance and addressing risk across a lending organization," said Timothy R. Burniston, Senior Advisor for Regulatory Strategy with Wolters Kluwer Compliance Solutions.

The Indicator takes the pulse of the U.S. banking industry by measuring trend information on regulatory and risk concerns, realized and anticipated regulatory impacts on institutions, and the level of banks' current risk management efforts. The survey's data inputs generate a regulatory and risk management "pain index."

Wolters Kluwer Compliance Solutions conducted the Indicator from July 27 to September 9, 2022, and from 328 respondents generated a Main Score of 94, a decline from the 2021 score but a result closer to pre-pandemic scores. This year's decline was driven largely by a significant drop in the dollar amount of regulatory penalties and fines and the number of associated enforcement actions compared to 2021. The Main Score is based on several factors, including the number of new federal regulations, the number of enforcement actions, and the dollar amount of fines imposed on banks and credit unions over the past 12 months, together with survey respondents' input.

When asked about the overall compliance and risk areas demanding their focus, respondents identified the ability to manage risk across all lines of business as their top concern (59%), closely followed by the ability to maintain compliance with changing regula-

tions (58%), ability to keep track of regulations (55%), and ability to demonstrate compliance to regulators (54%), all factors that were up by several points over last year's survey.

Concern over new regulations also jumped considerably, from a score of 67 in 2021 to 114, a 47-point increase. Banks are anxiously awaiting a final rule on Community Reinvestment Act (CRA) modernization. Also on the horizon is the release of final rules on small business lending data collection implementing

Against the backdrop of technology's increasing incorporation into banking practices and the rise of fintech, respondents also cited concerns about the continuing prevalence of manual processes and use of spreadsheets "sometimes or often" (85%), versus only 9% who indicated they rarely used manual processes.

The survey asked about lenders' use of digital technologies to support their businesses. Nearly three-quarters of respondents indicated they have made some progress with digitizing their lending capabilities, although only 28% indicated their institutions have made significant progress or are fully digitized.

"Clearly, the banking industry increasingly

***"Clearly, the banking industry increasingly recognizes the upsides in employing and more fully leveraging digital processes and automation, particularly given their impact in reducing or eliminating time-consuming and less accurate manual processes from their everyday workflows."***

— Steven Meirink, EVP and General Manager, Wolters Kluwer Compliance Solutions

Section 1071 of the Dodd-Frank Act, which are expected to have a significant impact and be issued no later than March 31, 2023.

Sixty-eight percent of respondents are "Very Concerned" or "Somewhat Concerned" about the anticipated small business lending data collection rule and their institutions' ability to manage those requirements. Next on this list of compliance concerns are Bank Secrecy Act and Anti-Money Laundering (BSA/AML) rules (63%); fair lending laws (63%); Beneficial Ownership, UDAAP rules, and CECL (Current Expected Credit Losses) requirements (all tied at 62%). CRA modernization (58%) and state regulatory rules (57%) closed out the list.

recognizes the upsides in employing and more fully leveraging digital processes and automation, particularly given their impact in reducing or eliminating time-consuming and less accurate manual processes from their everyday workflows," said Steven Meirink, EVP and General Manager, Wolters Kluwer Compliance Solutions. "Ultimately, embracing digital transformation can help improve the customer experience, foster inclusivity, and allow lenders to more effectively compete."

Looking forward to 2023, the top risk management priorities identified include cybersecurity (72%), compliance and credit risk (both at 51%), followed by operational risk and third-party risk—27% and 16%, respectively.



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# WILL PROJECTED PRICE DECLINES DRIVE PANDEMIC HOMEBUYERS UNDERWATER?

According to a new report from Redfin, recent homebuyers in certain cities, such as Sacramento and Phoenix, are at higher risk of falling underwater on their mortgages, while Florida homeowners are at even lower risk.

New data found just 3.4% of U.S. homeowners who bought in the last two years would be underwater on their mortgage if home values were to fall 4% by the end of 2023.

The typical home bought over the last two years will have gained \$27,000 in value, even with prices falling 4% next year as Redfin economists predict. Prices would need to fall by double digits in 2023—a highly unlikely scenario—for the typical pandemic home purchase to lose value.

If home prices fall 8% in 2023—more than the expected drop—still just 6.3% of new homeowners would be underwater. Prices would need to fall about 12% for the share of underwater homeowners to reach double digits.

This is according to a Redfin analysis of county sale records for homes purchased from January 2021 through September 2022. For the analysis, we projected home values declining 4% from November 2022 to December 2023, with a home considered “underwater” if we expect the homeowner to owe more on their mortgage-loan balance than the home is worth by the end of next year. We also considered a few other price-decline scenarios.

Homeowners who bought from January 2021 through September 2022 are likely to have low fixed mortgage payments and good enough credit to meet tight lending standards. And even though they haven't owned their home for long, those new homeowners are likely to have already earned plentiful equity because prices skyrocketed so much during the pandemic and because they were likely to have made big down payments. That's especially true for those who bought in 2021 when mortgage rates sat at record-low 3% levels all year and home prices had yet to peak. Someone who

bought a \$400,000 home with a 3% rate would have a monthly payment of just under \$2,000; for the sake of comparison, the monthly payment would be \$2,500 with a 6% rate.

Consider a homeowner who purchased their home in January 2021 for the then-median U.S. sale price of \$329,000. Because of the pandemic homebuying frenzy, their home value has already increased by about 20% to just under \$400,000. Prices falling about 4% to \$380,000 by the end of next year still leaves them with about \$50,000 in home-price appreciation without accounting for the mortgage payments they have made in the last two years.

Homeowners who bought before 2021 are even less likely to sink underwater with next year's anticipated price declines, partly because they have built up more equity and partly because many of them refinanced when rates were at an all-time low.

**A foreclosure crisis is unlikely, but middle-class homeowners may lose a substantial chunk of wealth with declining home values.**

“Even with anticipated price declines, next year's housing downturn won't come anywhere close to the foreclosure crisis we saw during the Great Recession in most parts of the country,” Redfin Senior Economist Sheharyar Bokhari said. “Recent homebuyers have enough equity—both because they're likely to have made relatively large down payments with a low rate and because values rose so much so fast—that most aren't at risk of owing more than their house is worth. Even if a homeowner is at risk of falling behind on their mortgage payments next year—say they lose their job and inflation has claimed a big chunk of their savings—having equity means they could sell instead of face foreclosure. It's also worth noting that not many Americans are expected to lose jobs next year, as even if the U.S. does enter a recession it's expected to be mild.”

Even though a foreclosure crisis is highly

unlikely, middle-class homeowners do stand to lose a substantial chunk of their wealth if home values fall, as a big share of their assets tends to be in real estate. The typical American earning the median income holds about 38% of their wealth in real estate, versus about 27% to 30% for higher earners. The share of wealth held in real estate has also increased more during the pandemic for middle-class homeowners than higher earners, rising about four percentage points for middle-class households and two to three percentage points for higher earners. However, the loss would be temporary and only on paper for homeowners who don't sell soon, as home values are likely to increase once rates come down and the economy recovers.

**Homeowners in popular pandemic destinations and expensive West Coast cities are at higher risk of falling underwater.**

Some parts of the United States, including pandemic boomtowns and tech hot spots, are at higher risk of homeowners falling underwater. Just over 9% of recent Sacramento homebuyers would be underwater with a 4% price drop, the highest share of the metros in this analysis.

“Home prices have dropped quickly and substantially after skyrocketing during the pandemic. It has been a shock to the system for homeowners and sellers, though they're getting used to the new reality,” Sacramento Redfin agent Alison Williams said. “In a way, a correction like this was inevitable; prices can't keep going up by double digits forever. And the silver lining is that people who have been hoping to buy their first home but were priced out may be able to enter the market when prices—and hopefully rates—come down next year.”

The typical Sacramento home bought in the last two years would lose roughly \$17,000 in value with a 4% price decline next year, one of just five metros in this analysis where homes would lose value at that size drop. The others are all tech towns, mostly in the Bay Area: San Francisco, San Jose, Oakland, and Seattle.

In terms of risk of falling underwater, after Sacramento comes Phoenix, where 7.3% of recent buyers would fall underwater with a 4% price decline. Next, come Virginia Beach (7.3%), Oakland (6.6%), and Seattle (6.4%).

Phoenix homeowners are at relatively high risk of falling underwater for similar reasons as those in Sacramento. They're both among the

top 10 destinations for relocating homebuyers, a major factor in prices shooting up about 30% in both metros from January 2021 to their May 2022 peak. They're two of just a few metros where prices have started falling year over year.

Virginia Beach homeowners are likely to have less-than-average equity because so many buyers there use 0% down VA loans.

Homeowners in Oakland and Seattle are at risk because prices there are likely to fall faster than in the rest of the country. They're both among the fastest-cooling markets in the United States, partly because would-be buyers are feeling the sting of high rates and high prices as layoffs hit the tech industry and tech stocks stumble.

It's also worth noting that prices in pandemic boomtowns and tech towns are likely to fall more than the national average, which means a higher share of homeowners would fall underwater. With an 8% decline, 14.4% of new Sacramento homeowners would be underwater. It's 10.4% in Phoenix, 13.4% in Virginia Beach, 11.1% in Oakland, and 10.1% in Seattle.

### Homeowners in many parts of Florida are even less likely to fall underwater.

Florida homeowners are least likely to fall underwater on their mortgage payments. With a 4% home-price drop in 2023, less than 0.5% of homeowners who bought in the last two years in Miami, Fort Lauderdale, or West Palm Beach would be underwater. Those are the only U.S. metros of the places included in this analysis where nearly zero homeowners would be underwater.

Even if home prices were to drop 12% in 2023, the typical new homeowner in those three metros would gain value.

"Recent homebuyers in parts of Florida are sitting pretty because home prices there have risen even more dramatically than they have in the rest of the country and they haven't come close to falling," Bokhari said. "In fact, prices in Miami, Fort Lauderdale, and West Palm Beach are still up by double digits from a year ago. Values in Florida are resilient because there's still a fair amount of demand from remote workers and retirees who are relocating from more expensive areas."

# BANKS FEEL PRESSURE OF CHANGING INDUSTRIES

Due to changing regulatory demands, greater transparency rules, accessibility, and competition, banks are feeling pressured to develop a new digital revolution according to the Global Association of Risk Professionals (GARP) and SAS' newest risk technology study.

The study, which gathered information from 300 banking sector risk practitioners, revealed that Credit Risk Transformation (CRT) is one of the top priorities for banks in the race to give them a competitive edge.

According to GARP and SAS, other top priorities of banks include:

- **Essential evolution.** 79% of credit risk pros placed medium to high priority on CRT compared to other organizational transformations within banking.
- **Top speed, top priority.** More than half (55%) anticipate their institution will complete their transformations within two years—an accelerated pace the report describes as "...surprising for traditionally pragmatic and cautious banks when pursuing projects core to their business."
- **Faster, smarter decisions.** Almost three-quarters (72%) identified optimizing credit decisioning as their main CRT business objective.

"When it comes to accomplishing credit risk transformation, there seems to be an element of rebuilding the plane in flight," said Troy Haines, SVP and Head of Risk Research and Quantitative Solutions at SAS. "Risk practitioners know that digitalization requires a rich understanding of advanced analytics and how to integrate them into existing operations, but successful realization can take time. That traditionally ROI-focused banks are working

to achieve credit risk transformation at break-neck speed as a vital business objective shows how critical credit risk measurement and active credit portfolio management are to financial institutions' survival."

According to the study, 52% of professionals predict a "Phygital" landscape for banking (or one with both real-life and virtual options for consumers). Yet-to-be-developed analytics, machine learning, and automation will be paramount to the future of banking, providing data and lessons on which these new systems will run. The top three areas banks should address first were:

- Advanced analytics, including artificial intelligence and machine learning (48%)
- Automation and streamlining of processes (47%)
- Better customer data management (45%)

"It's clear that banks have made significant progress in their CRT efforts," said Christopher Donohue, Managing Director of the GARP Benchmarking Initiative. "However, we've found there is still much work to be done regarding the integration of AI and machine learning, the improvement of customer data management, and the optimization of credit decision-making."

"Understanding and effectively applying advanced analytics is essential to banks realizing the full potential of credit risk transformations," said Zeynep Salman, Head of Risk Decisioning for EMEA at SAS. "As risk practitioners advance their organizational transformations, the technologies that present as stumbling blocks now will become building blocks to a faster, smarter, and more accessible future for banks and consumers."



## STUDY: PEOPLE OF COLOR LESS LIKELY TO OWN THEIR HOMES

According to the Joint Center for Housing Studies at Harvard University, in the past two years, a growing number of for-profit and nonprofit lenders have created special purpose credit programs (SPCPs) that aim to address some of the longstanding policies and practices that have impeded homeownership by Black, Indigenous, and People of Color (BIPOC) households.

The programs attempt to address large racial and ethnic differences in homeownership rates. Across the United States, 47% of households headed by people of color owned their home compared to 72% of white households, according to Center tabulations of the U.S. Census Bureau's American Community Survey 5-Year estimates for 2015–2019.

Racial homeownership gaps are even more pronounced in the six New England states,

the geographic focus of the research, which was funded by the Federal Home Loan Bank of Boston. Just 38% of households headed by people of color owned their homes in the region compared with 72% of white households. These gaps are present in all six New England States and are widest for Black and Hispanic households.

**People of Color are far less likely to own their homes than white households in the United States overall.**

Several factors have contributed to these differences. Due to a history of exclusion and predatory financial practices along racial lines, households of color tend to have lower savings and are less likely to benefit from intergenerational transfers of wealth than white households. Discrimination has also resulted in households of color often having lower credit

ratings than otherwise similar white households. And when potential homeowners of color do secure a mortgage, they often receive higher interest rates than white borrowers who have the same (or even less) income.

While the Fair Housing Act has prohibited explicit discrimination in housing since 1968, the passage of the Equal Credit Opportunity Act (ECOA) in 1974 expressly allowed for the creation of credit products that serve “an economically disadvantaged class of persons.” By permitting nonprofit and for-profit lenders to extend credit on favorable terms to customers identified by a shared characteristic, ECOA created an opportunity for lenders to specifically address documented disparities in lending. However, until recently, few lenders have tried to use SPCPs to address racial inequities in homeownership.

To better understand the variety of approaches that organizations are taking with their SPCPs, 18 practitioners were interviewed who are responsible for 12 programs across the country, including five SPCPs. This research revealed several key decision points that entities have to make when creating an SPCP. These include the following:

### Objectives

The SPCPs examined share similar ambitions, though their main objectives often differ. Initiatives like the Champlain Housing Trust's Homeownership Equity Program emphasize expanding access to homeownership, especially for BIPOC households, while others, like the LISC San Diego Black Homebuyers Program, prioritize generating wealth in BIPOC communities, using homeownership as a tool toward that end. Another common objective is to create housing stability in BIPOC communities, which programs like the Chase Homebuyer Grant and Wells Fargo's SPCP prioritize. While these objectives often overlap, each program's priority informs its structure to a large extent.

### Eligibility

One of the primary debates in designing an SPCP is whether it should be place- or people-based. Place-based programs use geography to designate potential customers. For example, the Chase Homebuyer Grant is offered to anyone buying a primary residence in one of 6,700 majority-Black census tracts. This approach emphasizes supporting existing BIPOC communities. However, critics note that such programs could subsidize homebuy-

ers who are not economically disadvantaged, which could eventually displace lower-income households.

Historically, concerns about violating the Fair Housing Act made many lenders wary of people-based programs that use identifying characteristics, such as race/ethnicity, to determine eligibility. However, regulators, like the Office of the Comptroller of the Currency (OCC), have indicated that SPCPs can use this approach, which has led to a growing number of people-based programs. For example, the LISC San Diego Black Homebuyers Program offers a down payment assistance grant to Black first-time homebuyers in San Diego County who earn less than 120% of the area's median income. In a similar vein, the Homeownership Council of America's (HCA) National Down Payment Assistance Programs serve BIPOC first-time homebuyers earning up to 140% of AMI, as well as low-to-moderate income first-time homebuyers earning up to 80% of AMI, across the country.

### Assistance

Many SPCPs provide down payment assistance, either as a low-interest loan or as a grant. However, the amount of assistance varies considerably. At the lower end, the Chase Homebuyer Grant program offers a \$5,000 grant that can be used as part of a down payment or to reduce closing costs. At the upper end, the LISC San Diego Black Homebuyers Program offers a \$40,000 grant.

(Recipients can also receive an additional \$9,000 grant from Union Bank, the program's partner lending institution.)

Other approaches include offering lower interest rates or loosening underwriting guidelines. Wells Fargo's SPCP is structured as a refinancing program in which all Black borrowers with an FHA mortgage in the Wells Fargo servicing portfolio qualify for a reduced interest rate (which was 3.75% in July 2022). TD Bank's SPCP is a special mortgage product that uses broader debt-to-income and loan-to-value metrics for customers in qualifying majority Black/Hispanic census tracts, as well as a \$5,000 lender credit that can be put toward a down payment.

### Terms

Entities offering SPCPs not only must decide whether down payment assistance funds are being offered as a loan or a grant, but also whether the loan is forgivable. Some programs, for example, try to recycle funds and serve families in the future by providing low- or no-interest down payment assistance loans that must be repaid when the home is sold. Alternatively, the Champlain Housing Trust Homeownership Equity Program offers first-generation BIPOC homebuyers up to \$25,000 in down payment assistance as a zero-interest loan that is fully forgiven after three years. This helps ensure that borrowers do not immediately flip their homes while also allowing them to accumulate wealth they can access when they sell their home or

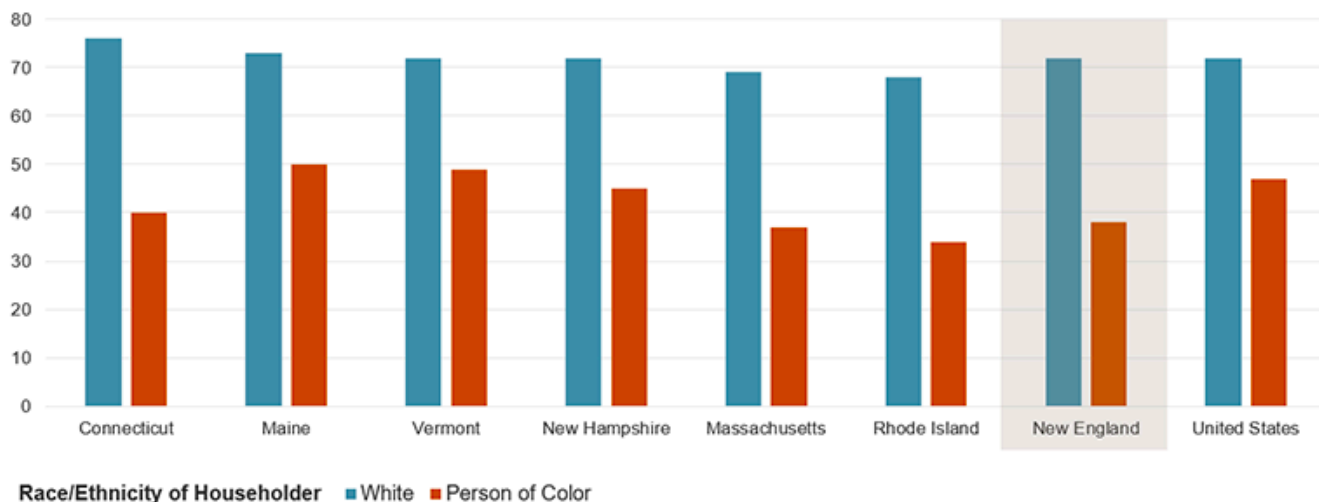
pass it on to an heir.

Other programs—such as the San Diego Black Homebuyers Program, the Chase Homebuyer Grant, and the credit component of TD Bank's program—provide down payment assistance as a grant that has few if any additional requirements related to them. The rationale is that homebuyers who benefit from family gifts for down payments do not have to repay those funds and do not have to abide by required periods of residency in the home, so program participants should be similarly unrestricted.

Entities developing SPCPs have to consider several other important factors, including how they reach potential recipients (who may distrust lenders) and whether programs should include more fine-grained eligibility requirements to ensure they reach the desired households. (For a good overview of these and other issues, see the SPCP Toolkit provided by the Mortgage Bankers Association and the National Fair Housing Alliance in partnership with HCA.)

As entities grapple with these questions, many have forged successful partnerships with community-based organizations to help conceptualize, implement, and evaluate these programs. As more SPCPs are launched and more households use them, evaluating their effectiveness will be an important part of developing initiatives that can help narrow longstanding racial homeownership gaps.

Homeownership Rate (Percent)



## GOVERNMENT

FREDDIE MAC  
MULTIFAMILY NAMES  
TWO SVPS

Freddie Mac Multifamily has named two SVP roles, as **Steve Johnson** will serve as Head of Production & Sales—a position he has served in on an interim basis since May—and **William Buskirk** will become COO, responsible for asset management, loan administration and servicing, counterparty risk management, marketing and

communications, business strategy and board reporting, and business insights. Buskirk previously served as CFO for the Multifamily Division. Johnson and Buskirk will report to Kevin Palmer, who was named Freddie Mac's Head of Multifamily in May.

"It is my privilege to announce Steve Johnson as our Head of Production & Sales and Bill Buskirk as our Chief Operating Officer," Palmer said. "These two leaders bring a combined 42 years' experience at Freddie Mac during which they have helped our segment grow to become a powerhouse leader in multifamily. They have strengthened our business and helped navigate through dynamic and challenging markets. They come to work each day intent on meeting our mission. Steve and Bill finalize our Multifamily senior management team, setting us up for a great year in 2023 and success in the years ahead."

Johnson is a 22-year veteran of Freddie Mac. Prior to leading Multifamily's Production & Sales team, he served as VP of Small Balance Lending (SBL) and Targeted Affordable Housing (TAH). Johnson stood up Freddie Mac's SBL initiative, helping establish an efficient execution for 5- to 50-unit properties, which provide a significant amount of the nation's workforce housing. Johnson also oversaw substantial growth in Multifamily's TAH business, including a substantial expansion of all four of its segments, including immediates, forwards, structured transactions and LIHTC equity investments. As interim head of Production & Sales, he has led the sourcing,

originating, and structuring of all Multifamily loan products.

Buskirk has served as Multifamily CFO for nearly 13 years and has been with Freddie Mac since 2002. As CFO, he was instrumental in informing the strategic direction of the Multifamily business, with responsibilities ranging from financial and business reporting and accounting to budgeting and forecasting. Buskirk has long served as a key advisor to the segment's leadership, providing support for pricing approaches, capital allocations and earnings optimization while supporting Freddie Mac's affordable housing mission. Buskirk began his career at Arthur Andersen.

HUD ESTABLISHES  
TRIBAL  
INTERGOVERNMENTAL  
ADVISORY COMMITTEE

The U.S. Department of Housing & Urban Development (HUD) has announced the members of the first-ever Tribal Intergovernmental Advisory Committee (TIAC). HUD Secretary Marcia L. Fudge is launching the Committee to strengthen the nation-to-nation relationship between HUD and Tribal communities, coordinate policy across all HUD programs, and advise on the housing priorities of the American Indian and Alaska Native peoples. The function of TIAC is not to replace Tribal consultation, but rather serve as a tool to supplement it.



Leading the TIAC will be **Gary Batton**, Chief, Choctaw Nation of Oklahoma, Durant,



Oklahoma; **Scott Herman**, Chairman, Rosebud Sioux Tribe, Rosebud, South Dakota; **Marshall Pierite**, Chairman, Tunica-Biloxi Tribe of Louisiana, Marksville, Louisiana; and **Darren Brinegar**, Tribal Legislator, Ho-Chunk Nation, Black River Falls, Wisconsin.



Announced during Native American

Heritage Month and preceding the 2022 White House Tribal Nations Summit, the TIAC is born out of a 2021 Presidential memorandum that directed all federal agencies to take actions to strengthen their policies and practices on Tribal consultation. That same year, HUD Secretary Fudge announced her intention to establish the first HUD Tribal advisory committee. Public comment was taken into consideration regarding both the structure of the committee and the nomination of its members. HUD's goal in selecting the committee members was to reflect appropriate representation across the federally recognized tribes. Several HUD representatives will serve on the committee as well.

"With the creation of the first-ever Tribal Intergovernmental Advisory Committee, HUD continues to answer the President's call to strengthen our relationships with our Tribal partners," HUD Secretary Marcia Fudge said, "As we commemorate Native American Heritage Month, I'm proud to move forward alongside this new Committee with such esteemed members, who will help us to address the unique concerns of Indian Country."

Additional TIAC members include Glenn Ellis, Jr., Council Member, Makah Indian Tribe, Neah Bay, Washington; Tina Glory-Jordan, Secretary of State, Cherokee Nation, Tahlequah, Oklahoma (at-large); Denise Harvey, Council Member, Confederated Tribes of Grand Ronde, Grand Ronde, Oregon; Victoria Hobbs, Legislative Council Representative, Tohono O'odham Nation, Sells, Arizona; Patricia MacDonald, Council President, Healy Lake Village, Fairbanks, Alaska; Jacqueline Pata, First VP, Central Council of Tlingit and Haida Indian Tribes of Alaska, Juneau, Alaska; Bridgett Sorenson, Board of Director, Sault Ste. Marie Tribe of Chippewa Indians, Kincheloe, Michigan; Lee Spoonhunter, Council Member, Northern Arapaho Tribe of Wyoming, Fort Washakie, Wyoming; Arch Super, Council Member, Karuk Tribe, Happy Camp, California; Teri Nutter, Elected Official, Gulkana Village, Gakona, Alaska; and Tyler Yellow Boy, Council Member, Oglala Sioux Tribe, Oglala, South Dakota.

"During Native American Heritage Month, we celebrate the many contributions of American Indians and the influence they have had on our country," HUD Deputy Secretary Adrienne Todman said. "I'm thrilled to work hand-in-hand with our new Tribal Intergovernmental Advisory Committee in creating increased opportunities for Tribes and Tribal communities."

## LENDERS/SERVICERS

### SWBC NAMES SEROT CHIEF MARKETING OFFICER



SWBC has named **Debbie Serot** Chief Marketing and Revenue Officer, where she will oversee all aspects of marketing, including brand awareness, demand

generation, and product marketing. She will also be responsible for go-to-market strategies to drive enterprise revenue growth.

“Debbie is a seasoned marketing executive and innovative growth strategist,” said Gary Dudley, SWBC’s President and Co-Founder. “Her proven ability to increase awareness and drive demand will be of incredible value to the products and services we offer.”

Serot brings more than 30 years of marketing experience to the company. Prior to joining SWBC, she was SVP of Marketing and Communications for Vericast (f/k/a Harland Clarke Holdings) where she spearheaded brand transformation and growth initiatives that focused on enabling client success.

Before that, Serot served in leadership roles with Hemisfair Park Area Redevelopment Corporation, Rackspace Hosting, USAA, AT&T, and the San Antonio Spurs, developing brand and marketing strategies that increased value across various business segments.

“Debbie brings a depth of knowledge and experience gained from prior leadership positions,” said Charlie Amato, SWBC’s Chairman and Co-Founder. “We are thrilled to have her join the SWBC team in this very critical role, as we continually adapt to changes in the industry.”

Serot serves on the United Way of San Antonio and Bexar County’s Women United Advisory Council, as a Guardian Advisor and Founding Member of Girls Inc., as a Board Member and VP of Ticktockers–National Charity League, Mariposa Chapter, and as a member of the Forbes Communication Council. She is also an alumna of Leadership San Antonio.

“I am immensely excited to join SWBC, a leader for over 46 years in the financial services industry,” Serot said. “I look forward to working with the dedicated and talented team to continue delivering top-quality financial solutions that help businesses and individuals protect and grow their assets, build capital, and plan for their future.”

### SHARESTATES PROMOTES THREE TO NEW ROLES



Sharestates, a fintech platform designed to accelerate the redevelopment and rehabilitation of communities, has announced three promotions to strengthen its senior management team, including **Stephan Leccese** to President & COO; **Stephanie Balducci** to VP Lending Operations; and **Jason Redding** to Sr. Director of Loan Origination.



These recent promotions come after a broader expansion of the executive team and Board of Directors at Sharestates over the past

year, which established oversight and added experienced leadership in key areas of the company. The recent additions included: Rayman Mathoda (former CEO of Xome, Co-CEO of Genesis Capital) as Independent Board Member; Tina DelDonna as CFO; Amy Doshi as General Counsel; and Jeremy Moretti as Chief Human Resource Officer.

“The last two years of growth and rebuilding have been the most rewarding in the company’s history,” Sharestates Co-Founder and CEO Allen Shayanfekr said. “When Radni Davoodi, Ray Valderrama, and I co-founded Sharestates, I was only 24-years-old. As a young CEO, I didn’t fully appreciate how an organization could benefit from having the right leadership team complemented by sound organizational design. At that time, I focused my attention on making sure we would establish Sharestates as a leader in the private lending market. Looking back, welcoming the advice, guidance, and experience of others could have put us on a path to even greater success, with fewer bumps along the way. I appreciate Stephan’s [Leccese] ability to help the company define and then navigate this new growth path. His ability to attract and develop a strong and competent leadership team has provided the needed structure for Sharestates to accomplish its long-term goals.”

Sharestates doubled its loan origination

volume in 2021 and continues to expect strong growth for 2022, despite recent market volatility. Sharestates loan performance continues to improve post-pandemic.

“The past two years have been a whirlwind of activity and excitement,” Leccese added. “I am humbled to see so many competent and accomplished executives believing in and joining Sharestates to help execute our growth strategy. I am confident in their respective abilities and appreciate the continued support from the co-founders as the business continues to transition. I am excited about the next phase of growth. With our expanded line of credit and a renewed focus on operational excellence, I believe Sharestates is positioned to continue its success.”

## SERVICE PROVIDERS

### VOXTUR ADDS NICHOLAS SMITH TO ITS BOARD OF DIRECTORS



Voxtur, a North American technology company creating a more transparent and accessible real estate lending ecosystem, has appointed **Nick Smith** of Rice Park Capital

Management LP, to the company’s Board of Directors, effective immediately. Smith’s appointment follows the resignation of Mark Volosov from his role as a Director of the company.

“Nick brings nearly 25 years of experience and expertise within the mortgage finance industry to Voxtur, and we are thrilled to have him join the Board,” said Gary Yeoman, Voxtur’s Executive Chairman. “He has a successful track record of achievements, and we are confident that he will make valuable contributions to the growth and success of the company.”

Smith is the Founder and CEO of Rice Park Capital, a private investment firm which invests broadly in the residential and commercial real estate finance, equity, and services sectors. Before founding Rice Park Capital in 2019, from 2015–2018, Smith served in a variety of executive roles on behalf of the Blackstone Group, including CIO of Blackstone’s private residential mortgage REIT, Co-Founder, and CIO of Finance of America Companies, a Blackstone portfolio company, and President of Incenter, a wholly-owned subsidiary of FOA. In these roles, Smith oversaw a broad-based and coordinated platform of direct mortgage

asset investing and portfolio management, mortgage and specialty finance lending, and tech-enabled mortgage and specialty finance services.

Prior to Blackstone, Smith served as Managing Director of Two Harbors Investment Corporation from 2012-2015, where he built and led the investment platform for mortgage servicing rights (MSRs) and residential whole loans. From 2004-2012, Smith served in a variety of roles for Green Tree Investment Management (GTIM), including CIO, where he was responsible for the residential mortgage investment platform of Green Tree Holdings, GTIM's parent company, and its affiliate, Green Tree Servicing, and approximately \$1.5 billion in private funds managed by GTIM.

Smith also worked at GMAC ResCap (formerly GMAC-RFC) from 1998-2004 where he held roles on the mortgage trading desk and in corporate development. Smith has served on a variety of boards for private companies and charitable organizations throughout his career. He currently sits on the boards of Asset Based Lending and Brass Ring Capital.

"Voxtur is an innovative company with a platform that delivers products that have the potential to improve home ownership access and reduce borrowing costs by digitizing the home buying and mortgage experience from beginning to end," Smith said. "I am excited to join the board and alongside my fellow board members, help support the Company as it pursues its ambitious growth objectives."

## JENNIFER KENNELLY NAMED MCT'S SENIOR DIRECTOR OF INVESTOR SERVICES



Mortgage Capital Trading, Inc. (MCT), a provider of mortgage risk management providing pipeline hedging, best execution loan sales, and centralized lock desk services,

has announced that **Jennifer Kennelly** has been appointed as the new Senior Director of MCT's quickly expanding Investor Services team. Jennifer will leverage her unique background to grow MCT's Bid Auction Manager (BAM) Marketplace, an open mortgage loan exchange where buyers can bid regardless of approval status, and sellers receive automated live pricing from every buyer on the platform.

Kennelly's 25 years of experience in diverse roles within the mortgage industry, including Freddie Mac, Compass Analytics, and LoanCare, will help grow MCT's extensive network of buyers and sellers. Having worked through various market conditions since the late 1990s, she is highly familiar with market volatility, industry disruptors, technology advancements, and evolving innovation that will prove helpful in today's current market environment.

At MCT, Kennelly joins the Investor Services group to help investors expand their reach with sellers in a more efficient way than what has been traditionally possible, while eliminating barriers to entry and optimizing execution options.

"We're extremely excited to have Jennifer join our Investor Services team and bring her skills to the table to continue the growth of BAM Marketplace," said Justin Grant, Senior Director, Head of Investor Services at MCT. "Already the only exchange of its kind, we have a great vision of what we know BAM Marketplace can be for buyers and sellers in the secondary market and Jennifer is uniquely qualified in bringing that to fruition."

MCT initially launched the BAM Marketplace in 2020 to support sellers during the pandemic.

Founded in 2001, MCT has grown from a boutique mortgage pipeline hedging firm into a provider of fully integrated capital markets services and technology. MCT offers an array of services and software covering mortgage pipeline hedging, best execution loan sales, outsourced lock desk solutions, MSR portfolio valuations, business intelligence analytics, and capital markets software platform called MCTlive! Headquartered in San Diego, MCT also has offices in Philadelphia, Healdsburg, and San Antonio.

## JOSH PRISTAW NAMED HEAD OF PRETIUM'S REAL ESTATE PLATFORM



Pretium, a specialized investment firm with approximately \$50 billion in assets under management, has announced that Senior Managing Director and Co-Head of Real Estate, **Dana Hamilton**, is retiring from the firm. **Josh Pristaw**, Senior Managing Director and Co-Head of Real Estate, will lead Pretium's real estate platform moving forward,



including investing in and managing the single-family rental funds and separately managed accounts. Hamilton will stay on as a Senior Advisor into 2023 in order to ensure a smooth transition.

"Dana's leadership in the institutionalization of single-family rentals cannot be overstated, nor can her role in helping Pretium's platform become the owner of the most single-family rental homes in America," said Don Mullen, Founder and CEO of Pretium. "Today, we manage investments in nearly 100,000 homes valued at more than \$33 billion and have some of the best institutional investors in the world as partners in our funds."

Hamilton joined Pretium in 2017 with nearly 25 years of experience in building successful real estate operating companies in the United States and Europe. She worked with Archstone for nearly 20 years, where most recently she was President, Europe, responsible for building Archstone's non-U.S. operating and investment platform. Prior to that role, she was EVP, in charge of national (U.S.) multifamily operations.

"When Don asked me to join Pretium in 2017, our goal was to establish Progress Residential as a leading single-family residential platform in the U.S.," Hamilton said. "With tremendous support from the Pretium and Progress Residential teams, I'm proud to say we have done that and much more. Part of Pretium's competitive advantage is the depth of talent we have across the SFR platform. Josh and the real estate team are poised to take the platform to the next level with an unparalleled strategy that delivers positive returns for Pretium's stakeholders and the communities in which they invest."

Pretium was founded in 2012 to capitalize on secular investment and lending opportunities arising as a result of structural changes, disruptions, and inefficiencies within the economy. Pretium has built an integrated analytical and operational ecosystem within the U.S. housing, residential credit, and corporate credit markets and believes that its insight and experience within these markets create a strategic advantage over other investment managers. Pretium's platform has approximately \$50 billion of assets and employs more than 4,000 people across 30 offices, including Dubai, London, Seoul, and Sydney.

"I'm looking forward to building on the strong foundation that Dana has put in place and the success we have achieved together," Pristaw said. "Our team will continue to prioritize housing choice and investments in our communities as we lead the way in single-family rental housing."

# SAVE THE DATE

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# FANNIE MAE ANNOUNCES REPLACEMENT RATES FOR LEGACY LIBOR PRODUCTS

Fannie Mae has announced the replacement indices for the legacy LIBOR loans and securities for which Fannie Mae is responsible for selecting the replacement index. The replacement indices, outlined below, are the benchmark replacements recommended by the Federal Reserve Board, and are based on the Secured Overnight Financing Rate (SOFR). The transition to these replacement indices will occur the day after June 30, 2023, the last date on which the Intercontinental Exchange, Inc. (ICE) Benchmark Administration Limited will publish a representative rate for all remaining tenors of USD LIBOR.

This announcement follows the Federal Reserve Board's publication of the final rule pursuant to the Adjustable Interest Rate (LIBOR) Act of 2021. Under that Act, the Federal Reserve Board is the regulator required to select the benchmark replacement for legacy USD LIBOR contracts that are governed by U.S. law.

"Our announcement today represents a key milestone necessary to prepare the mortgage market for the cessation of LIBOR," said Bob Ives,

Chief Investment Officer for Fannie Mae. "It has always been our goal to support an orderly and successful transition from LIBOR in coordination with the Federal Housing Finance Agency, the Alternative Reference Rates Committee, and other mortgage market participants and we will continue to work toward that goal."

The replacement index, as specified in the final rule, for each legacy LIBOR product is as follows:

- Fannie Mae's Single-Family Adjustable-Rate Mortgages (ARMs) and related mortgage-backed securities will be replaced by Relevant tenor of CME Term SOFR + applicable Tenor Spread Adjustment (Transition Tenor Spread Adjustment during the first year)
- Fannie Mae's Multifamily ARMs and related mortgage-backed securities will be replaced by the 30-day Average SOFR + Tenor Spread Adjustment
- Fannie Mae's Single-Family and Multifamily Credit Risk Transfer (CRT) securities will

be replaced by the 30-day Average SOFR + Tenor Spread Adjustment

- Fannie Mae's Single-Family and Multifamily Collateralized Mortgage Obligations (CMOs) will be replaced by the 30-day Average SOFR + Tenor Spread Adjustment
- Fannie Mae's Derivatives generally use the benchmark replacements identified in the 2020 fallbacks protocol published by the International Swaps and Derivatives Association (ISDA)
- "The announcement of replacement rates for their LIBOR-indexed products today by Fannie Mae and Freddie Mac represents one of the closing milestones in the transition to more robust reference rates to replace LIBOR," said Federal Housing Finance Agency (FHFA) Director Sandra L. Thompson. "FHFA and its regulated entities have worked closely with the Alternative Reference Rates Committee and the Official Sector to ensure a transparent and smooth transition."



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## STEWART ACQUIRES BCHH

Stewart Information Services Corporation has announced the acquisition of BCHH, a provider of solutions and expertise to individual and institutional investors and lenders.

“We’re very excited to welcome BCHH to the Stewart family. They have a unique specialty in the bulk transaction space that complements our existing Lender Services businesses, and their existing relationships with Investor and Lender customers alike make them a perfect partner as we continue to grow our portfolio of service offerings,” said Fred Eppinger, Stewart’s CEO. “By continually building our existing capabilities, while adding new and differentiated ones, we’re able to better service our customers and position ourselves as a service provider of choice.”

Established in 2007, BCHH offers solutions

to both lending institutions and government entities for real estate title and closing transactions through a network of suppliers with more than 60 years of industry experience. BCHH is a provider of real estate title and closing services, specializing in individual MLS transactions, SFR/BTR, multi-state/multi-property bulk acquisitions and dispositions, and securitizations.

“Since the beginning, our sole focus has been providing the very best customer service available in the industry. We have been a partner of Stewart’s for years, and we see the same determination and dedication toward the customer experience, which made joining the Stewart family a natural fit and a win for all,” said Charles Marino, President and Co-Founder of BCHH. “The title industry is constantly changing and by joining

Stewart, it allows us to stay ahead of the curve and offer our customers enhanced products and services. We’re looking forward to building upon our existing customer relationships, while also bringing additional value-added services to the Stewart family.”

Stewart is a global real estate services company, offering products and services through its direct operations network of Stewart Trusted Providers and family of companies.

“This acquisition also further emphasizes our commitment to investing in our business even during turbulent market conditions,” added Eppinger. “As we continue to build the Premier Title Services Provider, we’re looking forward to a bright future with BCHH joining us on the journey.”



## ONE MILLION-PLUS CENLAR CUSTOMERS GO PAPERLESS

Cenlar FSB, a mortgage loan subservicer and federally-chartered wholesale bank, has announced that the company has reached a milestone of more than one million homeowners who have elected to “go paperless.” Cenlar’s subscription base of homeowners grew nearly 40% since January 2022 after the company kicked off its paperless billing campaign.

“We do everything we can to ensure that a homeowner’s experience is as personalized, frictionless and proactive as possible. Paperless is part of efforts to offer a convenient and easy way for homeowners to manage their mortgage,” said Denise Flannery, Cenlar’s VP of Marketing and

Corporate Communications. “Consumers taking action to go paperless demonstrates the strong level of trust and engagement they have with their financial institution.”

The company recognized that many homeowners were seeking a seamless way to communicate with their servicer, and a digital environment can help pave the way for an array of consumer self-service capabilities.

In March 2022, Cenlar began promotional initiatives including a paperless and autopay awareness campaign, as well as emails sent directly to new homeowners as part of its welcome campaign. The biggest leap in new paperless

subscribers began when the company placed a pop-up box on the homeowner websites, alerting homeowners to sign up for paperless billing in virtually one click.

In 2023, Cenlar plans to educate its clients’ homeowners about the self-service tools at their disposal, through avenues like the homeowner websites, emails, the Interactive Voice Response (IVR), and chatbots with the hope that even more will take advantage of the programs available to them.

Headquartered in Ewing, New Jersey, Cenlar FSB currently services loans in 50 states and its U.S. territories, with nearly 4,000 employees, strategically located throughout the nation.



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## EXCELERAS RECEIVES FIRST SOC 2 CERTIFICATION

Exceleras, a provider of software solutions to accelerate property disposition, has announced that the company has received its first American Institute of Certified Public Accountants (AIC-PA) Service Organization Control 2 (SOC 2) Type 2 Report. SOC 2 is a compliance standard for service organizations that replaced SAS 70 in 2011 and is the result of an audit by a third-party audit firm.

“Going through this complex process was all about demonstrating to our existing and future clients that we will invest as required to earn and keep their trust,” said Tom Simon, Exceleras’ CEO. “Our SOC 2 certification sent our technologists and our team back through every aspect of our software platform and our business. It was

time-consuming work that required us to focus not only on how we have built and now deliver our industry-leading tools, but how we run our entire organization.”

SOC 2 was designed to focus on the criteria by which organizations should manage customer data. The certification requires auditors to find evidence of five trust service principles: security, privacy, confidentiality, processing integrity and availability. Through these criteria, the reports attest to the trustworthiness of services offered by an enterprise.

“I’m very proud of how we work together as a team to deliver this achievement,” Simon added. “Compliance is not about an audit or an event, it’s a way of doing business. We believe the certification process has made us a better organization.”

Simon says that the new SOC 2 compliance reports show that Exceleras understands the importance of cybersecurity and is committed to managing client data effectively.

“Over the years, Exceleras has clearly demonstrated to our clients that our software can meet their ever-changing needs,” said Aljumaat Amilhasan, CIO and Chief Compliance Officer at Exceleras. “Now, with an independent third-party SOC 2 audit and report, we can provide even more evidence that our software and services are secure, reliable, and always available. Their confidential data and mission critical processes are strongly protected against a wide range of threats, allowing them to keep their focus on delivering value to their clients.”



## TMC EMERGING TECHNOLOGY FUND LP INVESTS IN WILLOW SERVICING

The Mortgage Collaborative (TMC), a cooperative network serving the mortgage industry, has announced that the TMC Emerging Technology Fund LP participated in a \$6 million seed round for Willow Servicing. The round was led by Thomvest Ventures, with participation from Global Asset Capital, Webb Investment Network, and Zigg Capital.

Willow Servicing was founded in 2021 with the vision of modernizing the core technology that orchestrates the collection of \$18 trillion of U.S. mortgage debt. Willow's cloud-based mortgage servicing platform automates routine servicing tasks and compliance, allowing small and large servicers to efficiently service loans in-house.

"Partnering with TMC gives us direct access to a broad network of lenders who can provide

guidance on the changing dynamics within the mortgage industry and invaluable feedback on our product roadmap and offering," said Laura Cain, CEO of Willow Servicing. "We are eager to continue building out our platform and automate the most error-prone and difficult tasks facing mortgage lenders and servicers. The additional funding will allow us to continue investing in our customers and solving their pain points."

Since launching its platform in Q1 2022, Willow has serviced more than \$750 million in loans. While initially designed to manage interim servicing, Willow has quickly expanded to support additional loan types and processes, from HELOCs and construction loans to appraisal fees and payoffs.

Feliks Viner, VP of Secondary Markets at First World Mortgage and Tech Fund Council

Member, said, "Willow Servicing's platform has been a perfect solution for our interim servicing needs. The entire process, from initial onboarding to managing daily workflow, has been seamless with real-time support and a user-friendly website. Willow has allowed us to effortlessly automate our interim servicing process and provide our customers with timely notifications and simple payment options. We are thrilled for our continued partnership with Willow Servicing."

Based in San Diego, TMC was founded in 2013 and serves as one of the nation's largest independent mortgage cooperative networks. TMC is focused on creating an environment of collaboration and innovation for small- to mid-sized mortgage lenders nationwide to reduce cost, increase profitability, and better serve the consumer base.



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## SUPERIOR LOAN SERVICING PARTNERS WITH MATIC

Superior Loan Servicing, a provider of loan servicing solutions for the private lending industry, has announced a partnership with Matic Insurance Services. Under the partnership, Matic's insurance marketplace of over 40 A-rated carriers will be integrated into Superior Loan Servicing's offerings. Through the partnership, Matic will deploy various insurance products, from home, auto, and pet insurance, across Superior Loan Servicing's servicing portfolio, offering competitive rates and personalized coverage to their clients.

"We are excited to collaborate with Matic to provide innovative and customized solutions to our clients that will help them potentially save

money, manage risk, and simplify the process of getting insurance," said Scott Hacker, COO of Superior Loan Servicing. "By leveraging Matic's proprietary matching technology and ability to insure in all 50 states, we hope to provide lasting value and accessibility to our customers and their borrowers that directly impact their bottom line."

Superior Loan Servicing currently works with more than 3,000 private lenders, brokers, hedge funds, and institutions, and manages more than \$3 billion in private loans, by integrating operational excellence and innovative technological solutions that simplify the loan servicing process.

Established in 2014, Matic has more than

40 A-rated home and auto carriers, as well as distribution partners in industries ranging from mortgage origination and servicing to banking, real estate, personal finance, and more.

"As servicing organizations look to provide additional value to their borrowers, we're seeing more companies offer complementary solutions for the entire homeownership journey—and Matic was built to integrate with the loan servicing lifecycle," said Ben Madick, CEO and Co-Founder of Matic. "We're thrilled that Superior Loan Servicing chose Matic to provide digital-first insurance solutions that help borrowers find lower rates or better coverage from our nationwide network of carriers."



## 3D TOURS OF SFR PROPERTIES ON THE RISE

PlanOmatic, a provider of photography, floor plans, and 3D tours to the single-family rental (SFR) industry, has announced the results of its 3D Tour study conducted in partnership with ResiHome, a division of RESICAP, and a property management company. The joint study measured the impact of 3D tours, specifically lead generation, for SFR property marketing across ResiHome's Atlanta and Dallas portfolios.

The study revealed the following:

- Leads per property increased when a 3D tour was used as part of the listing. In Atlanta, leads increased by 48% when a 3D tour was used, and in Dallas, leads were 23% higher when a 3D tour was present.
- Days on the market until the first application was submitted were 36% lower in Atlanta for property listings with a Zillow 3D tour.

- Atlanta properties with a 3D tour resulted in a slightly higher percentage of applications versus listings with only photos and a floor plan.

"Our goal is to make it easy for people to find quality single-family rental homes in great neighborhoods, and property listings with 3D Tours help do this by enhancing the search process and providing residents with a virtual walkthrough experience of the home," said Greg Higgins, Director of Marketing at RESICAP. "PlanOmatic's study revealed that property listings featuring a 3D Tour increase both leads and applications and having a 3D Tour as part of our property marketing efforts are crucial to elevating our residents' home renting experience."

For the study, PlanOmatic tracked 161 properties across two markets: Atlanta and Dallas. PlanOmatic created a test group in each market

by adding a Zillow 3D tour on the property listings in addition to the existing floor plan and photos and compared that to a control group (the other half) that featured only the floor plan and photos.

"As the SFR market continues to become even more competitive, property owners, investors and management firms are taking advantage of 3D Tours to attract and capture the interest of consumers online, resulting in more leads and faster leasing activity," said Kori Covrigaru, Founder and CEO of PlanOmatic. "The results from our study with ResiHome show firsthand how leveraging 3D tour technology can increase and speed up property leads and applications."

PlanOmatic has reported a 260% increase in its 3D tour offerings between January 1-November 30, 2021, and January 1-November 30, 2022.



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## SINGLESOURCE LAUNCHES NEW ATTORNEY OPINION LETTER

SingleSource Property Solutions, a provider of property services, has launched the SingleSource Attorney Conclusion of Title (ACT), a standardized attorney opinion letter that will save mortgage borrowers and lenders significant costs, while providing comparable coverage to a more costly title insurance policy.

Although the concept of using legal opinions to confirm the marketability of title has been around for as long as property transfers have been documented, ACT is a new iteration that makes these opinions scalable, affordable, and widely available—and GSE-approved. Under the authority of the Supreme Court of the state where the property is located, attorneys who issue an ACT will be protected by a comprehensive liability wrapper—enabling SingleSource to provide comparable coverage as a title insurance policy at a much lower cost to the consumer.

“Lenders and consumers finally have a new option when it comes to title insurance,” Sin-

gleSource Property Solutions COO Ed Austin said. “ACT applies the strength of a legal opinion to abstracted title evidence. As a nationwide title company, SingleSource is thrilled to offer an alternative that provides major cost and time savings for consumers nationwide.”

The SingleSource ACT is being offered through a collaboration with Voxtur, a technology company dedicated to creating a more transparent and accessible real estate lending ecosystem.

“We’re excited to collaborate with SingleSource on its ACT offering,” said Jim Albertelli, Voxtur CEO. “This is an opportunity for us to lower the cost of purchasing a home, and to make home ownership a reality for more Americans.”

Generating an ACT starts with a data-driven decision report followed by a preliminary opinion. Once the closing is complete the final ACT is issued and delivered to the lender and borrower. Available through a direct integration with the originator’s loan origination system, the Single-

Source ACT works with existing settlement processes and can be produced in the same amount of time as a traditional title policy.

ACTs are available on loans up to \$1 million, and each ACT is backed by a Mortgage Service Providers Errors & Omissions (E&O) insurance policy issued by carriers that are A-rated by AM Best. The policies cover the full value of the loan for the life of the loan and are fully transferrable in the secondary market. Both SingleSource and law firms issuing ACTs are covered by the policies as service providers, with the lender named as a third-party beneficiary.

“We have had a great relationship with SingleSource over the years providing a number of warranty products,” said Chris Mallon, EVP of Group 9 Insurance Solutions, an E&O policy provider based in Pennsylvania. “We are excited to expand our partnership to provide this new and innovative offering to the industry.”

# THE HURDLES AHEAD

DS News speaks with representatives of Chase Home Lending, Fannie Mae, U.S. Bank, and more about last year's victories and how they're facing the recessionary economic challenges of 2023.

As the restfulness of the holidays slips into the rearview mirror and the mortgage industry returns to face the turmoil, surprises, and victories of a new year. While the housing landscape is, for the most part, no longer under the ponderous shadow of a global health crisis, there are plenty of challenges to be navigated. The Fed's ongoing efforts to combat inflation have driven interest rates to highs not seen in years, flipping the homebuying frenzy of last year on its head even as many companies are forced to adjust their workforces in the shadow of a possible looming recession.

If the past decade has taught us anything, it's that even the wisest among us don't possess a crystal ball capable of prognosticating what the months ahead will bring. But all that said, the final days of a waning year and the first days of a new one are traditionally times to pause and reflect; to celebrate victories won, internalize the lessons of goals not achieved, and formulate a plan to move forward. In that spirit, for our January edition, DS News spoke with a cross-section

of industry executives (including Five Star's Editorial Advisory Board) about their 2022 victories and biggest 2023 challenges—and how they're working to surmount them.

Read on for insights from representatives of **BOK Financial, Carrington Mortgage Services, Chase Home Lending, Fairway Independent Mortgage Servicing, Fannie Mae, Planet Home Lending,** and **U.S. Bank.**



## Samantha Manfer

Chief Business Development and Brand Officer, Planet Home Lending

**What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?**

**Challenge #1** - As we head into a recessionary economy, delinquency and default rates may rise for non-QM, Debt Service Coverage Ratio (DSCR), and residential transition loans (RTL or fix-and-flip). Each non-QM, DSCR, and RTL investor must create loss mitigation policies and workflows.

**Solution #1** - To maximize asset values, investors need strong subservicing and servicing partners experienced in default management,



**“To create a mortgage company built to last, you must have a sustainable business model that can withstand market fluctuations.”**

—Samantha Manfer, Chief Business Development and Brand Officer, Planet Home Lending

loss mitigation, and risk reduction. These should encompass everything from special forbearance to loan modifications and other default resolution options aimed at avoiding costly foreclosures. The end goal is to limit losses and optimize portfolios by employing proactive strategies for reducing default and foreclosure risk among this subset of potentially higher-risk borrowers—objectives that grow more critical during recessions.

**Challenge #2** - Strong residential transition loans (fix-and-flip) origination, servicing, and asset management become critical during periods when property values stagnate or decline. When real estate markets are rising, flippers who experience cost overruns and project delays can often recoup those extra, unexpected costs. In a declining market, unanticipated costs and home price depreciation can leave flippers underwater.

**Solution #2** - Hands-on, proven experience in RTL and renovation servicing can help protect portfolios in changing markets. The ability to have experts step in and complete RTL projects when borrowers default or walk away has been an advantage to our clients this past year. Planet Management Group’s high-touch asset managers have decades of advisory experience. The deep bench of data-driven, discerning professionals with robust asset class experience ensured clients’ RTL and renovation portfolios were optimized at every stage.

**What are the victories from 2022 that you’re most proud of yourself and your team for accomplishing? What were the keys to success that enabled you to succeed in these areas?**

To create a mortgage company built to last, you must have a sustainable business model that can withstand market fluctuations. Planet Financial Group’s wins in 2022 came about because we made strategic decisions and investments that make us better able to sustain difficult market conditions than single-channel companies focused on the short term.

**Win #1** - Planet Home Lending earned Fannie Mae’s 2021 Servicer Total Achievement and Rewards™ (STAR™) Program recognition, which acknowledges mortgage servicers for their effective, standardized processes that help drive their performance and operational success. We earned dual accolades in General Servicing and Solution Delivery, an accomplishment shared

with only 10 of our peers across the industry.

**Win #2** - Planet Home Lending acquired certain assets of the correspondent division of Home Point Financial Corporation (Home-point), a \$96 billion Ann Arbor, Michigan-based originator. The transaction more than doubled the company’s client base, bolstered the balance sheet, and created growth during a period when correspondent volumes were dropping industrywide.

**Win #3** - Compliance reviews are a hidden win for most companies, including Planet. Unless there’s a finding resulting in a fine, you rarely hear about compliance reviews. Planet has a relentless, extraordinary cultural commitment to compliance. We choose the right partners and employees, do business the right way, and say “no” even when it’s hard to do so.

**Win #4** - The Planet Home Lending servicing portfolio grew to \$72 billion at year-end 2022, up 44% over the year. Planet now serves more than a quarter million customers.



**Michael Merritt**

SVP, Customer Care and Mortgage Default Servicing, BOK Financial

**What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?**

Continuing to adapt to how to interact with customers using formats they prefer. We will focus on looking at new technology and platforms to better reach customers. We will also look holistically at all our training programs to refresh those and improve our customer-facing agents.

Next year could have more negative economic headwinds that will again stretch mortgage servicers’ capacity. COVID-19 made all of us more flexible and better at using resources in new ways to handle spikes in volumes. Even with historic volumes, we continued to deliver top-notch customer service and are focused on maintaining that high level of service going forward.

Default volumes are likely to increase in 2023. We may start to see more delays in the courts due

to high volumes. We are focused on the strong relationships we have built with our critical vendors to help identify bottlenecks and solutions to avoid long delays.

With inflation concerns still present, rates will likely continue to rise. This impact will continue to put pressure on originations and begin to impact servicers more and more. We are working with investors and industry groups to proactively look at new solutions and options to meet customers' needs.

***What are the victories from 2022 that you're most proud of yourself and your team for accomplishing? What were the keys to success that enabled you to succeed in these areas?***

The year started with headwinds in loss mitigation and foreclosure areas as the COVID-19 impact was still being felt and the foreclosure moratoriums expired in January. Our teams were able to handle these historically high volumes and remain focused on getting customers to a positive resolution.

Throughout the year, the loss mitigation pipeline has shifted to more complete packet reviews. This process has required a different conversation with the customer upfront and more work throughout the process. The team pivoted and handled the change in workflow without missing a beat.

The last few years have involved more change from regulators and investors than I have seen in my career. I am so proud of how we effectively handled the changes and didn't have any slippage in our performance day to day.



**Candace Russell**

VP-Post Sale, Carrington Mortgage Services

***What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?***

The real estate market and mortgage industry will continue to be challenged by the impact of rising interest rates. We expect the industry will begin to reckon with the consequences of a potential economic slowdown on the industry and customers. In 2023, firms will need to be agile and continually adapt to a changing market in order to be successful.

***What are the victories from 2022 that you're most proud of yourself and your team for accomplishing? What were the keys to success that enabled you to succeed in these areas?***

The continued growth of the Carrington Mortgage Services servicing portfolio. CMS currently serves more than 650,000 borrowers. Carrington continues to offer new products for brokers and consumers. These include ProcessIQ, where brokers have the option of having Carrington process the loan as part of its underwriting; second-lien loans for Carrington borrowers; and assumable mortgages. 2022 Carrington Charitable Foundation (CCF) successes include a successful close to Carrington House after building 28 homes for catastrophically wounded veterans. In 2022, CCF also introduced the Gold Star Family Housing Initiative. The Carrington Companies and CCF can make a huge difference in the lives of struggling Gold Star families by giving them a place to forever call home, relieved of the economic burden of a mortgage. In 2022, CCF assisted the families of U.S. Navy Lieutenant (SEAL) Mike McGreevy and U.S. Navy Special Operations Chief Petty Officer (SEAL) David Fegyo—both of whom made the ultimate sacrifice while serving their country. There will be more Gold Star Family Housing Initiative families in 2023.

**“In 2023, firms will need to be agile and continually adapt to a changing market in order to be successful.”**

—Candace Russell, VP-Post Sale, Carrington Mortgage Services



### Erik Schmitt

Managing Director, Origination Division,  
Chase Home Lending {Editorial Advisory  
Board member}

#### What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?

Three of the top industry challenges that Chase's Home Lending team will work to tackle in 2023 are:

- Driving financial inclusion: Due to industrywide challenges with expanding access to sustainable credit and driving financial inclusion, Chase will continue to work with various investors, guarantors, regulators, industry participants, and stakeholders to propose solutions. We are also actively engaged in industrywide efforts led by OCC (Project REACH), MBA, SFA, and HPC to find new and innovative solutions.
- Improving loss mitigation toolkit: We are looking to ensure Chase and other servicers can provide industrywide solutions to assist distressed customers in a higher interest rate environment. Chase is working with trades (MBA/HPC/SFA), investors, guarantors, peer servicers, and regulators to propose solutions to help distressed customers achieve meaningful payment relief and avoid foreclosure.
- Making it simple to do business with Chase: We are focused on making it simple and seamless for customers to obtain a mortgage from Chase and for our advisors to deliver a remarkable experience. Chase is investing in our people, technology, products, and policies to continuously improve the customer and employee experience.

#### What are the victories from 2022 that you're most proud of yourself and your team for accomplishing? What were the keys to success that enabled you to succeed in these areas?

Chase Home Lending is proud of several key 2022 accomplishments that were achieved

through working together as a team across the various disciplines within our business:

- High customer satisfaction achieved through relentlessly focusing on improving customer experience
  - » JD Power Mortgage Originators Survey—No. 2 overall
  - » JD Power Mortgage Servicers Survey—No. 5 overall
- Making advancements in our digital platform including Chase MyHome, which won a Banking Tech Award for Best Use of IT in Lending.
- Continue to support and promote financial inclusion and make homebuying easier for all Americans through our Community and Affordable initiatives such as:
  - » *Beginner to Buyer* podcast named one of the 10 Best Personal Finance Podcasts of 2022 by *U.S. News & World Report*.
  - » Leveraging ECOA's Special Purpose Credit Program to provide \$5,000 homebuyer eligible in more than 10,000 census tracts—up from 6,700 earlier this year.



### Douglas Whitemore

Head of Default Servicing, U.S. Bank  
(Editorial Advisory Board member)

#### What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?

- **Macroeconomic Environment:** Anytime we have a volatile and uncertain macroeconomic environment, it presents many complex challenges for mortgage servicers. Servicers need to balance costs/expenses, impact on customers, regulatory requirements, and servicing SLAs defined by investors, among many other items in their staffing and delinquency forecasts. 2023 may be one of the more uncertain markets we have seen in a long time with headwinds, tailwinds, and crosswinds all blowing at the same time. We will have more factors to consider that may, in the end, offset, or they

could generate multiyear market and housing volatility that servicers will need to navigate.

- **Unemployment:** This is always top-of-mind for servicers and is a key driver in forecasting delinquencies. However, this may be more of a regional issue than nationwide one as we move forward. We have recently seen big tech make announcements of layoffs, and more than likely will see more as the tech sector compresses to align more with a post-pandemic world that sees more people travel, return to the office, and reduce spending. As most companies try to avoid layoffs during the holiday season, Q1 2023 may be the first read we get on what corporations have planned to address earnings and revenue pressures. While we are cautiously optimistic some markets that are experiencing continued labor shortages may be able to digest increased layoffs, others may not have that capacity, leading to regional spikes in defaults.
- **Inflation:** Inflation continues to be a global issue impacting supply chains, goods, and services everywhere while wage growth has not kept up at the same pace. Even if unemployment remains stable and low, persistent and prolonged inflation can eat away at household savings, further pressuring delinquencies and affordability. This is not only due to higher costs for consumer goods; taxes and insurance (escrow payments) can also increase, putting more pressure on affordability.
- **Interest Rates:** A rising and volatile rate environment puts pressure on more than the demand side of autos, housing, and cost credit. The trickle-down impact on corporate earnings, household balance sheets, and equities can all directly impact a customer's ability to repay mortgage debt. Even more important is the impact on government-insured mortgages and their loss mitigation programs. This primarily would be loans sold into GNMA trusts backed by FHA, VA, and USDA. As rates rise above the customers' existing note rates, it can limit a servicer's ability to assist customers with payment relief as the overall mechanics, waterfalls, and economics can be prohibitive to do so without putting some lenders at material risk of liquidity. The industry, in cooperation with the Housing Policy Council, continues to press for solutions, but meanwhile, each servicer will need to devise their own tools and tolerances within HUD guidelines to maximize their

ability to assist customers with payment relief.

- **Asset Prices:** Home and auto values will continue to play a very important role in this cycle. Homeowners are sitting on a record amount of equity this time when compared to the housing crisis of 2008. This enables most homeowners to exit, sell for a gain, and use the proceeds to downsize or find alternative housing. The risk here is, with elevated rates and slowing demand, any major wave of homes hitting the market could put immediate pressure on home values. Once again, this should be more of a regional issue, but with such a lack of demand, it's something that could rapidly shift if a region were to experience a severe spike in unemployment. The hedge we have today is an equal void of sellers: those sitting on a low, 30-year fixed rate will be more than likely to remain in their home for a longer duration, keeping supply in balance. Monitoring regional unemployment rates will be key.
- **Geopolitics:** The main driver here is the cost of energy, oil, and supply chains. If we see stabilization in China and Ukraine, this could be a massive tailwind for consumers as it should lead to a drop in energy prices and ultimately offer support to the equities markets, bolstering household balance sheets and consumer sentiment. As crazy as it may sound, we could see a direct benefit in consumer delinquencies as a byproduct of stabilization in these regions.
- **Corporate Earnings:** Q1 and Q2 earnings will be heavily watched as corporations lay out the guidance for the year. Why is this so important? These earnings will give insight into layoffs, wage growth, consumer spending, delinquency trends, and other critical data points that will influence market volatility, interest rates, and asset prices.

All of the above are part of the complex environment that will ultimately lead to what has been commonly referred to as a post-pandemic "soft" or "hard" landing. All servicers can do is build into their plans what data points will they ascribe the most weight to trigger a certain plan or aspect of it. How will you address with customers a sustained, high-rate environment with government-backed loans? How will servicers communicate and educate a customer on the importance of acting swiftly to preserve and protect their credit and equity? What are servicers doing to remove as much friction and

simplify their processes for customers to gain assistance? What digital, DIY, and DIT capabilities are servicers driving to improve and implement? How can servicers increase customer engagement even when the only solution may be the customer selling and transitioning to a more affordable long-term housing solution?

We at USB have plans in place to tackle the above, most of which I am not at liberty to discuss in a public forum. However, I think we can accomplish as much as an industry when we share the questions and challenges we should all have on our radar. I believe that can be just as effective when we take our common problems, concerns, and questions to the industry trade groups such as Five Star to bring us together and discuss ideas.

One thing is for certain: if you're a default leader and you're not thinking about the above items and establishing plans for several scenarios, you will be caught off guard in 2023.



**Jake Williamson**

SVP, Single-Family Collateral Risk Management, Fannie Mae (Editorial Advisory Board Member)

**What are the biggest challenges you are trying to solve for in 2023? How are you working to surmount those challenges?**

It's been more than 50 years since President Lyndon B. Johnson signed the Fair Housing Act, yet the vast gap in homeownership rates between Black and white people remains. In June 2022, Fannie Mae released its Equitable Housing Finance Plan, which outlines a range of specific actions Fannie Mae is taking over the next three years to knock down barriers faced by Black homeowners and renters throughout their housing journey. Just one piece of a much larger and evolving strategy for Fannie Mae, the plan addresses inequalities in the housing finance system and extends the wealth-building benefits of homeownership, including in areas related to home valuations.

**“I think we can accomplish as much as an industry when we share the questions and challenges we should all have on our radar.”**

—**Douglas Whittlemore**, Head of Default Servicing, U.S. Bank (Editorial Advisory Board member)

As part of the Plan, Fannie Mae is taking steps to support a more equitable valuation process and reduce the potential for appraisal bias through data analysis, quality control, monitoring trends, industry engagements, and technology. In addition, we are continuing to work with industry partners to expand the Appraiser Diversity Initiative (ADI), which is designed to attract new entrants to the residential appraisal field, overcome barriers to entry (such as education, training, and experience requirements), and foster diversity in the appraisal workforce. In 2022, the ADI provided 330 scholarships and will continue to grow that number in the coming years.

Especially with high interest rates and changing economic and housing market conditions, homeowners experiencing temporary financial hardship will need assistance to manage through that uncertainty and stay in their homes. Through mortgage forbearance and loan modification/payment deferral plans, we will maintain our loss mitigation options for servicers and borrowers in order to manage delinquent mortgage loans and avoid foreclosure. We will also continue to provide access to Fannie Mae's Disaster Response Network™, which offers homeowners personalized support navigating the mortgage assistance or natural disaster recovery process.

In addition, given the market uncertainty and an expected modest recession, proactive risk management will be key. Maintaining loan quality and strong risk management as the cycle continues downward and interest rates remain high will be a top priority for 2023. Through strong partnerships with our lenders, our shared commitment to loan quality, risk oversight, and quality control delivers certainty to both lenders and Fannie Mae during the origination and underwriting process, while ensuring that new homeowners are placed in a mortgage that supports sustainable homeownership.

**What are the victories from 2022 that you're most proud of yourself and your team for accomplishing? What were the keys to success that enabled you to succeed in these areas?**

The journey to modernize the valuation process had some notable wins in 2022. Fannie Mae has been working with mortgage lenders, appraisers, and industry technology providers for several years to test digital innovation and

alternative ways of conducting appraisals. And we made significant progress on our appraisal modernization journey, especially as new technological capabilities and process innovation have allowed the industry to manage collateral risks with more dynamic and targeted solutions. Desktop and hybrid appraisals allow appraisers to be more productive—they do not have to schedule appointments or visit properties but can still access comprehensive property information to confidently fulfill valuation requests, helping to alleviate capacity constraints.

We also relaunched the value acceptance + property data pilot for eligible properties this year, also known as inspection-based appraisal waivers. With these alternative valuation approaches, we're seeing a shorter appraisal process and the potential for reducing borrower costs. Also, on many loan transactions, we can offer a value acceptance (appraisal waiver) through our automated underwriting system, most often for home refinances or some purchases with a large down payment, because we are confident that the estimated property value submitted by the lender is consistent with expectations in the current market. Based on a Fannie Mae analysis of loan delivery data from January 2020 through October 2022, we estimate that value acceptance on loans sold to us saved mortgage borrowers more than \$2.1 billion. These changes are just a few examples of how we're continuing to create efficiency and value for appraisal professionals, consumers, and the mortgage industry.

Fannie Mae's efforts to eradicate appraisal bias also continue to show progress. We are committed to an efficient, effective, and equitable home valuation process and are working with the industry to continue to identify root causes and drive meaningful change related to appraisal bias through appraisal modernization, research, and analysis, fostering diversity in the appraiser workforce, and Appraiser Quality Monitoring (AQM). In February 2022, Fannie Mae produced a robust paper on the frequency and severity of appraisal bias and shared valuable insights on root causes and potential solutions. Additionally, we scanned 14 million appraisals from 2019 and 2020 to determine the extent of appraisers using problematic words and language specifically prohibited in Fannie Mae's Selling Guide, and then, through our AQM process, shared feedback letters with appraisers who had a high frequency

of findings. We conducted our second round of text scanning on appraisals last year, and nearly 80% of the appraisers who previously received an education letter did not have a new finding. We also have a state referral process for egregious appraisal bias findings. In addition, we implemented an undervaluation risk flag in Collateral Underwriter® to help lenders and our internal reviewers identify appraisals with a high risk of potential undervaluation or bias early in the process.

With a national housing supply crisis and shortage of affordable housing options, we've doubled down on our efforts to repair and preserve our real estate-owned (REO) single-family homes and put them back in the hands of owner-occupants—and, in many cases, into the hands of first-time homebuyers. We renovate REO homes by completing a wide range of repairs, including cosmetic upgrades; necessary plumbing, electric, and HVAC repairs; and addressing any environmental or health issues, such as lead-based paint. We are seeing incredible results and benefits from this work. In March 2022, 95% of repaired properties in our REO portfolio were sold to owner-occupant buyers. In 2023, we will continue to build on our repair strategy to help create affordable and sustainable homeownership opportunities, which contributes to community stabilization and improves the nation's housing supply.



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# DID YOU EVER WONDER WHAT IT TAKES TO ENJOIN A FORECLOSURE SALE?

Here's what lenders/servicers should know about TROs and Injunctions.

With inflation on the rise and the economy slowing, foreclosures are unfortunately likely to increase. With more foreclosures, there will likely be a rise in borrowers' suing at the last minute to stop the foreclosure. In fact, our firm has already started to see a substantial uptick in requests for the court to issue a Temporary Restraining Order (TRO) to stop an impending foreclosure sale. Since the requirements to obtain a TRO differ in every state, this article will help loan servicers and investors (collectively, "lenders") understand the varying TRO processes.

TROs are rarely issued in judicial foreclosure states because the court is already involved and controls the foreclosure process. Nonjudicial foreclosures, on the other hand, do not involve the court system. As a result, borrowers trying to stop the foreclosure sale must file a *separate lawsuit* and then ask the court to enjoin the foreclosure. In some instances, like in California, the borrower can file suit on Monday and get a TRO hearing on Tuesday. This gives lenders very little time to hire counsel, let alone substantively oppose the request for a TRO.

Understanding the TRO process is essential to defeating a TRO or limiting its impact. Below

is an explanation of the TRO process in some of the key nonjudicial states out west.

## CALIFORNIA

**Basic Requirements:** To obtain a TRO enjoining a foreclosure sale in California, borrowers (or junior lienholder) must:

- Establish the:
  - » Likelihood of success on the merits;
  - » Possibility of irreparable harm if the relief not granted;
  - » Balance of hardships in their favor;
- Give oral or written notice to the lender or foreclosing trustee by 10:00 a.m. on the day before the TRO hearing.

- Practice Tip—Leaving a message for the SPOC or the foreclosing trustee is often sufficient notice. This simple (and short) way of giving notice severely limits the time in which a lender can hire counsel and oppose the TRO. Adding to the lender's challenge is that most foreclosure firms are not truly litigation firms, i.e., they may not be equipped to handle the TRO or the related new lawsuit.

**What happens if the TRO is granted?** By definition, a TRO is temporary and, generally, only enjoins the foreclosure for 20-25 days. The TRO will set a date for an Order to Show Cause as to why the Preliminary Injunction (OSC re PI), along with a deadline to file a written opposition to the OSC re PI. *This is the big hearing and where the Lender should definitely bring in its legal department and a litigation firm.* If a PI is granted, it will enjoin the foreclosure sale for the duration of the litigation, which could be 1-2 years. Moreover, a granted PI disincentivizes borrowers from discussing settlement or exploring loss mitigation. Borrowers know that they have tons of time. On the other hand, if the lender prevails at the OSC re PI, the TRO will



be dissolved, and the foreclosure can proceed, which often brings borrowers to the table to settle the litigation.

The same factors cited above are required to obtain a PI. Generally, the lender's opposition will focus on the borrower's claims, arguing that the borrower is not likely to prevail on the merits of the claims. As a back-up argument, lenders generally request a sizable bond as a condition of the PI. In many instances, the court will require that the borrower post a bond equal to the reinstatement amount and/or ongoing monthly payments. If the borrower cannot post the bond or make the monthly payments, the PI will dissolve.

Note—if the TRO is granted for violations of California's Homeowner Bill of Rights, the borrower is also entitled to recover the attorneys' fees costs incurred in obtaining the TRO.

Note—While the notice requirements are different in Federal Court, the standard and PI processes are similar.

#### GENERAL TIPS FOR HANDLING TROS:

As explained later in greater detail, the standard to obtain a TRO is substantially similar in most of the Western U.S., as well as the process to oppose the PI hearing. Below are some general tips to assist in handling TROs in most non-judicial foreclosure states:

- Develop an internal process to expedite getting notice of a TRO from the SPOC or foreclosure trustee to the lender's legal team (or other decision maker) to immediately retain legal counsel to oppose the TRO.
- If appropriate, have counsel immediately see if borrowers' counsel will agree to take the TRO off calendar in exchange for a short postponement of the foreclosure sale.
- If the TRO is granted, stop the foreclosure sale and, if lender has not already, retain appropriate counsel to oppose the PI request.
- Work with litigation counsel to immediately settle the matter or oppose the PI request.
- If the PI is granted, counsel should continue to look for opportunities to dissolve the PI throughout the litigation. Dissolving the PI will often bring the plaintiff/borrower back to the table to modify their loan and resolve the litigation.

#### NEVADA

**Basic Requirements:** Governed by NRC 65, NRS 33.010, and case law, a borrower must:

- Establish the:

- » Likelihood of success on merits.
- » Irreparable injury will result.
- » Provide notice is given.
- Note—Notice is not required *if immediate irreparable injury, loss, or damage will result before Notice can be given and contains an affidavit of the attorney re notice and to this effect.*

**What if the TRO is Granted:** If the TRO is granted without notice, a motion for preliminary injunction shall be set within 15 days in state court and 10 days in federal court. If the TRO was granted with notice, the court has greater flexibility in setting the PI hearing. In either event, the TRO will specify the hearing and opposition dates. Like in California, a PI, if granted, will enjoin the foreclosure for the duration of the lawsuit, potentially 1-2 years. The PI is the lender's opportunity to file a written opposition and argue against the issuance of a PI.

#### ARIZONA

**Basic Requirements:** Like in California and Nevada, Arizona requires that borrowers:

- Establish:
  - » A strong likelihood of success on the merits;
  - » The possibility of irreparable injury if the requested relief is not granted;
  - » A balance of hardships in their favor; and
  - » Public policy favoring a grant of the injunction.
- Notice to the Lender or foreclosure trustee. However, notice is not required if: (a) borrowers provide an affidavit or verified complaint with specific facts that clearly show that immediate and irreparable injury, loss, or damage will result before the adverse party can be heard in opposition; and (b) the borrowers' attorney certifies in writing any efforts made to give notice and the reasons why it should not be required.

**What Happens if the TRO is Granted:** As with any TRO, the foreclosure process must stop. Fortunately, in Arizona, the TRO may not exceed 14 days. While a short TRO is generally good, it also shortens the time period for the Lender to hire counsel and file a written opposition. Again, the best opposition will generally involve showing the court that the borrower is not likely to prevail on the claims in the complaint. If that fails, a lender should push for a bond to protect it from damage caused by the issuance of the PI.

#### HAWAII

##### Basic Requirements:

In Hawaii, the borrowers must also establish the following:

- Likelihood of success on the merits;
- Balance of irreparable damage favors the issuance of a temporary injunction; and
- public interest supports granting an injunction.
- These factors are fluid and the more the balance of irreparable damage favors issuance of the injunction, the less the party seeking the injunction has to show the likelihood of success on the merits.

A TRO may be granted without written or oral notice if (1) it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the borrower before the adverse party or that party's attorney can be heard in opposition, and (2) the borrower's attorney certifies to the court in writing the efforts, if any, which have been made to give the notice and the reasons supporting the claim that notice should not be required.

**What Happens if the TRO is Granted:** As with any TRO, the foreclosure process must stop. However, in HI, a TRO may not exceed 10 days (unless extended) and the matter will be set for a hearing on motion for preliminary injunction. The court also has discretion to impose a bond as a condition for TRO or a preliminary injunction, so the lender should push for a bond to protect it from damage caused by the issuance of the PI.

#### OREGON

**Basic Requirements:** Oregon follows the federal 9th Circuit standards for a TRO rather than having its own standard.

In considering whether to grant a TRO, the court will consider whether:

1. the moving party will suffer irreparable injury if the injunction is not granted;
2. the moving party will probably prevail on the merits;
3. in balancing the equities, the adverse party will not be harmed more than the moving party will be helped; and
4. granting the injunction is in the public interest.

##### What Happens if the TRO is Granted:

A court may grant a TRO without notice if the application clearly shows from affidavits or dec-

larations that **immediate and irreparable injury**, loss, or damage **will result** to the applicant before the adverse party can be heard in opposition, *and* the applicant submits an affidavit setting forth the efforts, if any, which have been made to provide notice to the opposing party.

Unless extended by the court, the TRO will automatically expire after 10 days. During that time, the court will hold a PI hearing. This gives lenders a very short window to hire counsel and oppose the PI.

**UTAH**

The plaintiff/borrower must demonstrate all four elements to successfully request a TRO or PI:

1. a substantial likelihood of prevailing on the merits;
2. irreparable harm unless the injunction is issued;
3. that the threatened injury outweighs the harm that the preliminary injunction may cause the opposing party; and
4. that the injunction, if issued, will not adversely affect the public interest.

**What Happens if the TRO is Granted:** The PI hearing must be set at the earliest available opportunity. Lenders are able to file a written opposition and appear at a hearing to oppose the PI request.

**WASHINGTON**

**Basic Requirements:** Generally, a party seeking preliminary injunctive relief must establish:

1. a clear legal or equitable right;
2. a well-grounded fear of immediate invasion of that right; and
3. that the acts complained of either have or will result in actual and substantial injury.

“In deciding whether a party has a clear legal or equitable right, the court examines the likelihood that the moving party will prevail on the merits.” Washington Civile Rule 65 provides that no TRO or preliminary injunction shall be issued without security provided, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined.

When enjoining a trustee’s sale under the Deed of Trust Act, 5 days’ notice to only the trustee is required. Otherwise, generally, a TRO can be issued without notice for up to 14 days to allow proper notice to the adverse parties for a

hearing on a preliminary injunction.

**What Happens if the TRO is Granted:** If the TRO was granted without notice, the issuing court must define the injury and state why it is irreparable and why the order was granted without notice, and that the TRO shall expire within 14 days unless good cause is shown for longer or the adverse party consents to longer. If extended, the reason for the extension will be put on the record. The motion for the preliminary injunction must be set for hearing ASAP and takes precedence. If the party who obtained the TRO doesn’t bring the motion for the preliminary injunction, the TRO is automatically dissolved. If enjoined under the Deed of Trust Act (DTA), the borrower is generally required to pay the amount of the monthly payments into the court registry every 30 days.

If the injunction is dissolved because the injunction was improperly obtained or ultimately unwarranted, then the funds paid into the registry must be released to the lender upon motion.

Applications to restrain a trustee’s sale in Washington are often joined with claims for damages under Washington’s Consumer Protection Act, which provides damages awards and attorneys’ fees to plaintiffs who show that a defendant has committed an unfair or deceptive act. If the applicant prevails in showing that the foreclosure was wrongfully commenced in violation of the DTA, Lenders may also end up on the hook for damages and attorneys’ fees incurred in seeking the injunction.

**SOUTH DAKOTA**

In South Dakota, if a borrower defaults on their mortgage payments, the lender may foreclose using a judicial or nonjudicial method. The nonjudicial foreclosure process is pretty straightforward: i.e., the lender serves the borrower a notice of sale at least 21 days before the sale date and publishes the notice in a newspaper once a week for four weeks. S.D.C.L., 21-48-6.1, 21-48-6. However, if a lender starts a nonjudicial foreclosure, a borrower can easily enjoin it and force the lender to foreclosure judicially by applying for such relief with the court. S.D.C.L., 21-48-9.

**NEW MEXICO**

**Basic Requirements:** To obtain a TRO, the borrower must show that:

- He/she will suffer irreparable injury unless the injunction is granted;
- The threatened injury outweighs any damage

the injunction might cause the lender;

- Issuance of the injunction will not be adverse to the public’s interest; and
- There is a substantial likelihood [movant] will prevail on the merits.

A TRO may be granted without written or oral notice if it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss or damage will result to the borrower before the lender can be heard in opposition.

**What Happens if the TRO is Granted:**

As with any TRO, the foreclosure process must stop. However, in NM, the TRO may not exceed 10 days (unless extended), and the matter will be set for a hearing on motion for PI. The court must impose a bond as a condition for TRO or a preliminary injunction but has discretion as to the amount, so the lender should push for a bond to protect it from damage caused by the issuance of the PI.

If have any questions about this topic, please feel free to contact Robert Finlay at RFinlay@WrightLegal.net.



*T. Robert Finlay is one of the three founding partners of Wright, Finlay & Zak. Since 1994, Finlay has focused his legal career on consumer finance and mortgage-related*

*litigation, compliance, and regulatory matters. Finlay is at the forefront of the mortgage banking industry, handling all aspects of the ever-changing default servicing and mortgage banking litigation arena. Finlay is the General Counsel for the California Mortgage Association, advising on a variety of legal and compliance issues. Finlay is also an active member and participant in the Western Bankers Association, California Mortgage Bankers Association, MBA, and United Trustees Association.*

# DON'T WAIT FOR REGULATIONS

Mortgage servicers need to embrace non-English-language support now.

The United States is becoming increasingly multilingual. The U.S. Census Bureau estimates that in 2019, more than 67 million people spoke a language other than English at home, a 52% increase from 2000. Non-native speakers are also making up an increasingly significant proportion of homebuyers. According to the National Association of Hispanic Real Estate Professionals (NAHREP), in 2021 the Hispanic homeownership rate increased (for the seventh consecutive year) to 48.4%. NAHREP expects 70% of new homes sold between 2020-2040 to be purchased by Latino families.

To accommodate borrowers with Limited English Proficiency (LEP), mortgage servicers must build in processes to ensure fair and equal customer service throughout the life of the loan. Additionally, regulatory and legal pressure is building to ensure that LEP borrowers have equal access to customer support and default servicing options. Servicers should be familiar with the state laws, Consumer Financial Protection Bureau (CFPB) guidelines, and any new federal legislation related to language access for LEP borrowers.

As mortgage servicers prepare for 2023, they must evaluate and improve their resources to better assist LEP borrowers.

## THE LEGAL FRAMEWORK FOR LEP SERVICING

Federal lawmakers have not passed any laws that specifically mandate the provision of

non-English-language services to LEP borrowers during the mortgage servicing process. However, Congress has begun working on a bill that would establish language translation requirements for mortgage applications and servicing.

While no action had been taken on the bill as of December 2022, the CFPB encourages servicers to provide greater language access for LEP borrowers. The Bureau made its position clear with its "Statement Regarding the Provision of Financial Products and Services to Consumers with Limited English Proficiency."

In its statement, the CFPB said, "The Bureau encourages financial institutions to better serve LEP consumers while ensuring compliance with relevant Federal, State, and other legal requirements," including fair lending laws. The CFPB and courts have been more active in enforcing fairness and equality for LEP consumers.

The State Mortgage Regulators of 48 states entered into a settlement with PHH Mortgage Corporation regarding allegations of deficiencies in servicing, foreclosure, loan modification, and other loss mitigation processes. Under the settlement, PHH was required to develop/implement policies and procedures related to borrowers with LEP, to provide translation services, and, when evaluating borrowers for loss mitigation options, to accept hardship letters and state and federal government forms in non-English languages.

## EVALUATE CURRENT SERVICING OPTIONS AND RESOURCES FOR LEP CONSUMERS

To improve support for LEP borrowers, mortgage servicers should start by reviewing The Equal Credit Opportunity Act (ECOA) Baseline Review Module 4: Fair Lending Risks Related to Mortgage Servicing.

The Servicing Options for Consumers with Limited English Proficiency (LEP) section includes these (and other) key questions:

- Does the entity offer servicing options for borrowers with limited English proficiency (LEP)? Are such options offered through live customer service? Through translated documents? Please note the languages offered and servicing options provided.
- Does the entity capture and track borrowers' indicated preferences to receive services in languages other than English? If so, please describe.



- If customer service personnel are available to provide assistance in languages other than English, are they dedicated customer service personnel (as opposed to personnel who have other roles but are available to translate on an as-needed basis)?  
“No” answers indicate room for improvement.

**TAKE ADVANTAGE OF EXISTING LANGUAGE RESOURCES**

Fortunately, servicers do not have to create their own documents and educational material. There are many language resources for mortgage servicers and borrowers available through the Mortgage Translations clearinghouse and the Consumer Financial Protection Bureau website. Understanding the complicated mortgage process is challenging for many borrowers—even without a language barrier. LEP borrowers must be able to understand escrow (a concept that doesn't translate well) and, if relevant, forbearance

repayment options and how to avoid foreclosure. Servicers should provide interpretation services and translated documents to help LEP borrowers navigate these processes.

LEP borrowers appreciate being able to speak with knowledgeable people who can explain the complicated mortgage process in their native tongue. The government expects mortgage professionals to help LEP borrowers successfully navigate the complicated mortgage process.

Fortunately, mortgage servicing software can and should play a role in assisting LEP borrowers. Servicers should use mortgage servicing software that, at a minimum, allows them to indicate borrowers' preferred language. This helps servicers direct borrowers to the right staff who can quickly and easily assist them. The language preference indicator can also alert customer support or collections staff that a borrower may need translated documents or an interpreter.

Servicers should not wait for the CFPB or Congress to mandate support for LEP consumers. Servicers should evaluate their LEP servicing practices and language access resources and improve them if needed. Doing so will help them comply with CFPB guidelines and future laws, improve customer service, and build a strong customer base of diverse borrowers.



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*in mortgage origination, residential mortgage servicing, and commercial mortgage servicing software for mortgage lenders, housing agencies, banks, and credit unions.*

# THE TOOLS AND THE TALENT

Tech-savvy technicians are critical when it comes to prepping foreclosed homes.

The real estate market remains in a state of limbo, as market challenges such as inflation and high mortgage rates continue to impact housing affordability. As a result, the number of foreclosures across the United States has risen 143% from a year ago, according to a recent report from ATTOM Data Solutions.

Due to the high housing demand and the increasing number of foreclosed homes available for purchase in the market, buyers are purchasing these properties and prepping the homes for new owners at a fast rate. However, there are several moving parts when it comes to prepping abandoned, foreclosed homes, and buyers need to consider all interior issues that may have been neglected, like the plumbing, HVAC, and electrical systems. So, how can these buyers ensure they won't be stuck with a money pit when buying these homes?

To ensure efficiency, smart spending, and staying on schedule, field service businesses have been turning to cloud-based software solutions to manage projects more effectively. Working with a field service professional that leverages these types of tools, such as a cloud-based business management solution, will be a game changer when managing what could potentially be a rather difficult, expensive project.

## WHY YOU SHOULD TURN TO THE TECH-SAVVY TECHNICIAN

It's no secret that buying and prepping foreclosed homes has its challenges, especially in the current market with numerous external disruptions like inflation and material shortages. By leveraging

a cloud-based business management software, professionals can manage all critical field service functionality—including scheduling, dispatching, invoicing, client history, and inventory management—into a single solution that helps tackle the unique challenges contractors, HVAC technicians, field service providers, and plumbers face throughout their daily operations. For field service professionals using these types of tools, it allows them to better navigate or avoid market disruptions like inflation and material shortages.

## HANDLING RENOVATIONS AND REPAIRS

Foreclosed homes that have been left unkempt and abandoned typically require renovations and repairs, especially surrounding the plumbing, HVAC, and electrical systems. For contractors and technicians who use a business management solution, it links together all areas of business, providing them with insight and access to real-time visibility to make informed decisions quickly. For example, with smart dispatching, field service professionals can increase productivity by ensuring the right technician is with the right job and has all the information needed to complete the job in one trip. This allows for renovations and repairs to easily be scheduled and completed in a timely

manner—ultimately saving money by ensuring the project stays on schedule.

## DEALING WITH UNEXPECTED COSTS AND EXPENSES

Hidden costs are likely to arise with any major project, but especially when flipping foreclosed homes. The bottom line is that field service professionals who use cloud-based business management software can be more efficient and accurate, which in turn helps to keep overall costs down. For example, proper project costing leads to better project estimating, management decisions, and timely financial reporting. When field service providers are better managing the macroeconomic factors, such as increased equipment costs, it prevents the need for additional money to be spent elsewhere, while making sure the process is still being done correctly.

Furthermore, field services professionals who leverage innovative technology solutions have an advantage when prepping unkempt, abandoned properties by having the ability to better navigate the challenges foreclosed homes present, along with the ongoing market disruptions. For foreclosed home buyers executing the prepping process, it is essential to have field service professionals that use a cloud-based business management software to ensure these projects run smoothly and deadlines are met.



*Travis McGee is the ThermoGrid Product Manager at ECI Software Solutions.*



# WHAT KIND OF SERVICE CAN YOU EXPECT?

Quality mortgage servicing is critical as the housing market shifts.

This past spring, as the Federal Reserve began raising short-term interest rates, the housing market began to see the effects reflected in mortgage rates. In the week of May 12, according to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage was 5.3%, up 2.36% from the same week in 2021. Rates were also up 2.22% on 15-year fixed-rate mortgages, to 4.48%, while 5/1-year adjusted-rate mortgages had the lowest rate at 3.98% (up 1.39% from 2021). These increases can mean hundreds of dollars more in mortgage payments each month, stretching consumers' abilities to get a needed refinance or to purchase a new home. Although the previous norm of interest rates hovering around 3% was historically quite low, the higher rates coincide with a housing market that is already struggling with record-low inventory and record-high home prices, as well as dealing with the lingering economic effects of the COVID-19 pandemic.

In this environment, the role of the mortgage servicer is becoming increasingly important, as servicers and their customers are likely to be together for longer as sales slow and refinances drop off. Mortgage servicing is central to many unique homeownership dynamics, and servicers need to have the tools, technology, and financial stability that will be necessary to handle their customers' needs in any economic environment.

## CRACK OPEN THE TOOLBOX

There are many reasons why a homeowner may be in forbearance with their mortgage servicer, but certainly, a significant number of consumers went into forbearance because of issues caused by the pandemic. The CARES Act allowed home-

owners with a federally-backed loan to obtain up to 12 months of forbearance, and federal investors and insurers enabled servicers to offer longer periods of forbearance in certain circumstances. Many of these forbearances are now coming to an end, but some homeowners still are struggling and are just now asking for assistance, even though many pandemic-related programs are currently set to expire in 2023. With interest rates moving higher, refinancing into a lower-rate mortgage may not be a viable option to help these consumers, so servicers must be able to use a variety of tools made available by investors and insurers to work with such borrowers.

Luckily for both servicers and the larger market, this doesn't seem to be a replay of the issues

that the market saw in 2008. Today's borrowers had to go through a more rigorous loan qualification process, and, in addition, home values remain high, meaning there is very likely still equity in the property. However, although many loan modifications in the past provided customers with a lower interest rate to help make the loan more affordable, many homeowners might not see a benefit with a modification currently. Although a lower payment through modification may not be possible, servicers can use different methods to bring customers current, including taking them back out to a 360-month or 480-month amortization on the modification.

The tools available to the servicer will vary based on the type of loan, however. With government-backed loans, there is a prescribed regimen for servicers to follow, but some servicers may have a bit more flexibility in their options for non-governmental loans, depending on the value of the property and the investor backing the loans.

One of the simplest and yet most valuable tools to find in a servicer is customer service. Can a borrower pick up the phone and talk with an actual person? Can they get their questions answered in a thorough manner and receive helpful information about their account? There are a lot of options available to homeowners and servicers alike, from loan modifications to cash-out refinances, and the choices alone—let alone the financial difficulties—can often be overwhelming.



# As the market continues to shift, it is becoming increasingly important for servicers to shift with it.

## THE RIGHT TECH FOR THE TIME

Of course, not everyone wants to talk directly to a person or can call during specific hours. Some borrowers may just want to do some research into their options and the realities of their financial situation before talking with a servicer. Many servicing companies provide a variety of online options for homeowners to explore before acting. Some servicers even created websites during the pandemic that allowed borrowers to see customized workouts that were specific to their situation—not just generalized scenarios.

Although technology is often touted as a differentiator, it can make a significant difference for borrowers and lenders. Some servicers offer borrowers the ability to look up how much their home is worth, as well as how much they currently owe. The technology extends further so the consumer can see payment information broken down into what is due each month, principal, interest, and how much is in escrow, allowing borrowers to have a better understanding not only of their financial situation but also of what is involved in their mortgage. Making more data available to borrowers keeps them engaged and informed and can help them become better long-term clients for everyone involved in the housing industry, including mortgage brokers, lenders, and servicers.

In addition to consumer-facing technology, servicers also need the right operational and technological tools to get their work done efficiently and expertly. Some servicers have advanced systems that allow them to track complaints or concerns expressed by borrowers. This not only allows for better customer service, as servicers can better track issues to their resolutions, but it also allows for the company to more readily take note of trends from consumers, prompting changes in workflow and policies where needed.

As the market continues to shift, it is becoming increasingly important for servicers to shift with it. With rising rates in this newfound environment, servicers are becoming ever more critical to homeowners and lenders alike. With the right technology and the right staff, servicers can offer the tools that homeowners need to stay in their homes, as well as provide the best options for lenders to maintain their investments.

## STABLE SERVICE

Although there are numerous servicers currently working in the mortgage industry today, they vary greatly in the actual services they provide.

Some are merely the go-between for borrowers and lenders, while others are aligned directly with the lending company. There are advantages and disadvantages to these scenarios, but lenders that directly service their loans do offer a few distinct advantages to borrowers and the market overall.

Servicers that are part of the same umbrella company as the lender can offer continuity to the consumer. Instead of going through the process of acquiring a mortgage or refinance from one company and then being immediately handed off to another separate company, borrowers can stay with the company they already know, one that offers a multitude of benefits, including the simple ease of having the same account number and knowing where and when exactly to send a payment.

As the housing market continues to feel the effects of rising interest rates, the role of the servicer in the mortgage process will become increasingly important. With high home prices, low inventory, and higher interest rates combined with the lingering effects of the COVID-19 pandemic, it is likely that servicers will be working with borrowers for years to come to overcome the financial difficulties that many face. Servicers that have a wide variety of resources for borrowers at their disposal, as well as avenues with which to interact with those borrowers will be critical to keeping more satisfied customers, as well as enabling more lenders to be satisfied with the quality of their portfolio. Partnering with lenders with in-house servicing and strong technological tools can help everyone involved in the housing market to provide the best experience possible for borrowers.



*Adel Issa is SVP, Customer Contact and Loss Mitigation, for Carrington Mortgage Services. He joined Carrington in 2009 and managed the Special Servicing and Short*

*Sale departments. In 2012, Issa assumed the additional role of VP, Loss Mitigation. In 2018, he was offered the role of VP, Retail Lending, to lead the Portfolio Retention Center in Anaheim, California. Issa assumed his current role in March 2021. He possesses more than 28 years of experience in the lending and servicing sectors. Issa is a proud graduate of California State University Long Beach with a Bachelor of Science degree in business management.*

# Government

*From HUD to the GSEs and CFPB, learn the latest news and updates affecting the regulatory landscape.*





# FANNIE MAE: MARKETS MAY NOT RECOVER UNTIL 2024

Fannie Mae's Economic & Strategic Research Group (ESR) now forecasts recession conditions taking a hold of the market during Q1 2023, even after forecasting better fourth-quarter numbers due to strong GDP and personal consumption numbers.

All-in-all, the ESR predicts the economy will slow negative 0.5% and return to positive growth in 2024, at a rate of 2.2%.

As weekly mortgage rates pull back amid a lower mortgage forecast, the latest data made Fannie Mae readjust their home sales forecast upwards and now expects the market to see 5.72 million units, up from a previously forecast 5.67 million units. Sales numbers in 2023 are predicted to be 4.57 million units and the market should bear 5.24 million units in 2024.

Origination numbers for the three years from 2022-2024 are forecast to be \$2.35 trillion in 2022, \$1.70 trillion in 2023, and \$2.11 trillion in 2024.

It's a given fact that inflation is slowing due to the actions of the Federal Reserve as the latest CPI decelerated again from 7.7% to 7.1%.

"The Fed has been consistent in its stated desire to loosen labor market conditions and thus slow nominal wage growth," the ESR said. "Therefore, as long as the labor market remains strong and wage growth remains higher than what is consistent with a 2% inflation target, we believe the Fed will continue with restrictive monetary policy, further slowing the economy."

Existing home sales continued to decline in October, falling to 4.43 million units, or 28.4% below the numbers seen a year ago.

"While we continue to expect existing sales to trend lower in coming months, the sharp pullback in mortgage rates over the past month has led to an upward revision in our sales outlook over the next year," the ESR said. "We have upgraded 2023 existing sales to an estimated 4.00 million units from 3.90

million units while also bumping up our Q4 2022 expectation."

Despite all this, affordability remains highly stressed going into the new year. According to Fannie Mae, the share of median household income needed to purchase a median-priced existing home at the current mortgage rate remains among the highest of all time. This limits home purchases and suggests that there are homebuyers on the sidelines waiting to act as soon as rates drop.

Still, the ESR has upgraded their new home sales forecast for 2022-2023 due to new data showing stronger numbers than expected due to an expected lower mortgage rate outlook.

Recent decline in mortgage rates coincides with a rise in purchase mortgage applications





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## OCC: OVERALL MORTGAGE PERFORMANCE IMPROVED IN Q3 2022

The Office of the Comptroller of the Currency (OCC) reported that the performance of first-lien mortgages in the federal banking system improved during Q3 2022.

The OCC Mortgage Metrics Report, Third Quarter 2022 showed that 97.2% of mortgages included in the report were current and performing at the end of the quarter, compared to 95.6% a year earlier.

This latest report from the OCC presents performance data for the third quarter of 2022 for loans that the reporting banks own or service for others as a fee-based business. The data collected reflects a portion of first-lien residential mortgages in the country. The characteristics of the loans included here may differ from the overall population. The loans included are not a statistically representative, random sample. The report excludes junior liens, home equity lines of credit, and home equity conversion mortgages (reverse mortgages).

For loans in forbearance covered by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, reporting banks are following guidance from the U.S. Department of Housing and Urban Development (HUD), Federal Housing Finance Administration (FHFA), and the respective government agencies and government-sponsored entities for the calculation and reporting of delinquency and credit bureau reporting.

The percentage of seriously delinquent mortgages, defined as mortgages 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due, was 1.3% in Q3 of 2022, compared to 1.5% in the prior quarter, and 3.1% year over year.

Nationwide, mortgage servicers initiated 9,835 new foreclosures in Q3 2022, a decrease from the prior quarter, but a higher volume than a year earlier. The new foreclosure volume in Q3

2022 was lower than pre-COVID-19 pandemic foreclosure volumes.

Mortgage servicers completed 16,160 modifications during Q3 2022, a 42.5% decrease from the previous quarter. Of the 16,160 modifications completed during Q3, 11,696 (72.4%) reduced the loan's pre-modification monthly payment, and 15,037 (93.1%) were "combination modifications"—modifications that included multiple actions impacting the affordability and sustainability of the loan, such as an interest rate reduction and a term extension.

The first-lien mortgages included in the OCC's Quarterly Report comprise 22% of all residential mortgage debt outstanding in the United States or approximately 12 million loans totaling \$2.7 trillion in principal balances.

The OCC's Mortgage Metrics Report is published quarterly to promote a broader understanding of mortgage portfolio performance and modification activity in the federal banking system, support supervision of regulated institutions, and fulfill Section 104 of the Helping Families Save Their Homes Act of 2009 (codified at 12 USC 1715z-25), as amended by section 1493(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

# BIDEN-HARRIS ADMIN SETS AMBITIOUS GOALS TO COMBAT HOMELESSNESS



The U.S. Department of Housing and Urban Development (HUD) has released its 2022 Annual Homeless Assessment Report (AHAR) Part 1 to Congress. The report found 582,462 people were experiencing homelessness on a single night in January 2022. COVID-19 and its economic impacts could have led to significant increases in homelessness. However, investments, partnerships, and government agency outreach resulted in only a .3% increase in the number of people experiencing homelessness from 2020-2022.

The Biden-Harris administration intends to not only stop but reverse the post-2016 trend of rising homelessness and reduce it by 25% by 2025, as stated in All In, The Federal Strategic Plan to Prevent and End Homelessness, which was released by the U.S. Interagency Council on Homelessness. Compared with 2020, homelessness among people in shelters declined by 1.6%, while homelessness among people in unsheltered settings increased by 3.4%.

All In was built from the ground up and shaped by public input from more than 500 people who have experienced homelessness as well as leaders, providers, advocates, developers, and other partners from more than 600 commu-

nities, tribes, and territories. The plan is based on more than 1,500 online comments and more than 80 listening sessions that told USICH the federal government needs to:

- Urgently address the basic needs of people in crisis;
- Expand the supply of and access to affordable housing and high-quality support;
- Build better systems to prevent people from losing their homes in the first place;
- Collaborate across sectors, systems, and jurisdictions;
- Rely on data and evidence that show what works; and
- Include people who have experienced homelessness in the policymaking process to dismantle systems that create disparities.

President Biden encourages state and local governments to use All In, which was developed by the U.S. Interagency Council on Homelessness (USICH), as a blueprint for creating their own plans to prevent and end homelessness and setting their own ambitious goals for 2025.

“My plan offers a roadmap for not only getting people into housing but also ensuring that they have access to the support, services, and income that allow them to thrive,” President

Biden said. “It is a plan that is grounded in the best evidence and aims to improve equity and strengthen collaboration at all levels.”

The rate of overall homelessness is due in large part to a robust federal response that prevented evictions through Emergency Rental Assistance distributed to more than three million households, expanded resources for vulnerable families through the Child Tax Credit, and provided other financial transfers through stimulus.

Homelessness among certain sub-populations decreased. The number of veterans experiencing homelessness decreased by 11%, contributing to a 55% decrease since 2010. The number of families with children experiencing homelessness declined by 6% between 2020-2022, marking a total decline of 36% since 2010. The number of people under the age of 25 who experienced homelessness on their own as “unaccompanied youth” also declined by 12%.

“HUD and everyone in the Biden-Harris Administration is committed to ensuring every person has a safe, stable place to call home. Data shows that homelessness remains a national crisis, but it also shows that the historic investments this Administration has made to address this issue, can work,” U.S. HUD Secretary Marcia L. Fudge said. “The Biden-Harris Administration is working to significantly reduce homelessness across the country and combat the racial and ethnic disparities resulting from systemic racism.”

While the overall number of people experiencing homelessness in 2022 increased slightly compared with 2020, it rose significantly for individuals, people with disabilities who experience long-term homelessness, and people in unsheltered settings. Single individuals not part of family households continue to represent the largest group of people experiencing homelessness. Homelessness among single individuals increased by 3.1%. The number of chronically homeless individuals (individuals with disabilities experiencing homelessness for long periods) increased by 16% between 2020 and 2022.

People who identify as Black, African American, or African, as well as indigenous people (including Native Americans and Pacific Islanders) continue to be overrepresented among



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those experiencing homelessness.

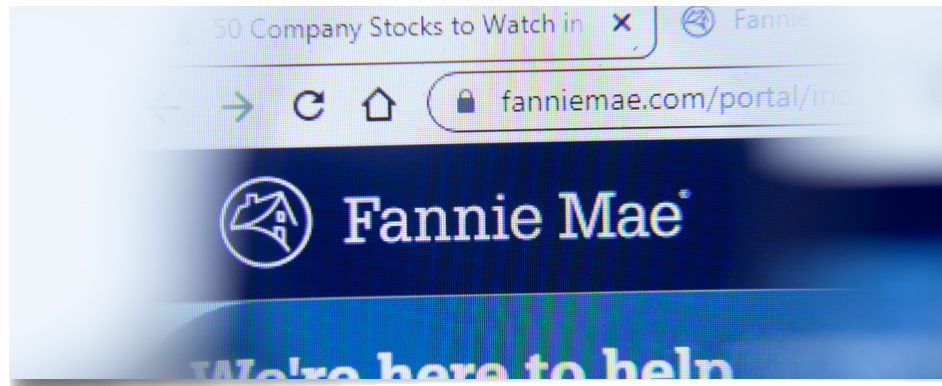
The AHAR data reflects a single-night snapshot of homelessness in America in early 2022 and the first complete single-night count of people experiencing homelessness since the arrival of the COVID-19 pandemic. It shows that overall homelessness remained relatively unchanged despite the economic challenges created by the COVID-19 pandemic.

These results, however, do not reflect the full impact of the Biden-Harris administration's American Rescue Plan and HUD's House America initiative, which largely took place during the calendar year 2022. For instance, the majority of HUD's Emergency Housing Voucher program lease-ups took place during 2022. Also, in 2022, HUD released a first-of-its-kind Initiative to Address Unsheltered and Rural Homelessness, which HUD plans to award in early 2023.

The release of the plan coincides with the week of Homeless Person's Memorial Day, which commemorates the people who have lost their lives while living without a home. People who experience homelessness die nearly 30 years earlier than the average American and at the average age that Americans died in 1900. All In responds to homelessness like a life-and-death crisis rooted in housing and health problems—not a crime for the justice system to solve.

While homelessness is deadly, it is also preventable. The pandemic proved the power of prevention: the Biden-Harris administration's response to COVID-19—including emergency rental assistance for people at risk of eviction and direct cash assistance for most Americans—prevented millions from losing their homes and kept evictions at pre-pandemic levels. All In aims to further fix systems and failed policies to prevent homelessness, or the risk of it, long before it happens.

HUD releases the AHAR to Congress in two parts. Part 1 provides Point-in-Time (PIT) estimates, offering a snapshot of homelessness on a single night. The one-night counts are conducted during the last 10 days of January each year, with extensions approved on a case-by-case basis. The PIT counts also provide an estimate of the number of people experiencing homelessness within particular homeless populations such as individuals with chronic patterns of homelessness and veterans experiencing homelessness.



## FANNIE MAE ANNOUNCES REPLACEMENT RATES FOR LEGACY LIBOR PRODUCTS

Fannie Mae has announced the replacement indices for the legacy LIBOR loans and securities for which Fannie Mae is responsible for selecting the replacement index. The replacement indices are the benchmark replacements recommended by the Federal Reserve Board and are based on the Secured Overnight Financing Rate (SOFR). The transition to these replacement indices will occur the day after June 30, 2023, the last date on which the Intercontinental Exchange, Inc. (ICE) Benchmark Administration Limited will publish a representative rate for all remaining tenors of USD LIBOR.

This announcement follows the Federal Reserve Board's publication of the final rule pursuant to the Adjustable Interest Rate (LIBOR) Act of 2021. Under that Act, the Federal Reserve Board is the regulator required to select the benchmark replacement for legacy USD LIBOR contracts that are governed by U.S. law.

"Our announcement today represents a key milestone necessary to prepare the mortgage market for the cessation of LIBOR," said Bob Ives, Chief Investment Officer for Fannie Mae. "It has always been our goal to support an orderly and successful transition from LIBOR in coordination with the Federal Housing Finance Agency, the Alternative Reference Rates Committee, and other mortgage market participants, and we will continue to work toward that goal."

The replacement index, as specified in the final rule, for each legacy LIBOR product is as follows:

- Fannie Mae's Single-Family Adjustable-Rate

Mortgages (ARMs) and related mortgage-backed securities will be replaced by Relevant tenor of CME Term SOFR + applicable Tenor Spread Adjustment (Transition Tenor Spread Adjustment during the first year)

- Fannie Mae's Multifamily ARM's and related mortgage-backed securities will be replaced by the 30-day Average SOFR + Tenor Spread Adjustment
- Fannie Mae's Single-Family and Multifamily Credit Risk Transfer (CRT) securities will be replaced by the 30-day Average SOFR + Tenor Spread Adjustment
- Fannie Mae's Single-Family and Multifamily Collateralized Mortgage Obligations (CMOs) will be replaced by the 30-day Average SOFR + Tenor Spread Adjustment
- Fannie Mae's Derivatives generally use the benchmark replacements identified in the 2020 fallbacks protocol published by the International Swaps and Derivatives Association (ISDA)

"The announcement of replacement rates for their LIBOR-indexed products today by Fannie Mae and Freddie Mac represents one of the closing milestones in the transition to more robust reference rates to replace LIBOR," Federal Housing Finance Agency (FHFA) Director Sandra L. Thompson said. "FHFA and its regulated entities have worked closely with the Alternative Reference Rates Committee and the Official Sector to ensure a transparent and smooth transition."

# CFPB ISSUES LATEST INSIGHTS REPORT

The Consumer Financial Protection Bureau (CFPB) has released an annual report that details improvements and deficiencies in the nationwide consumer reporting companies' responses to consumer complaints transmitted by the CFPB. The report includes considerations for the nationwide consumer reporting companies to improve compliance with consumer financial protection laws and, more broadly, to serve consumers better.

"TransUnion, Equifax, and Experian routinely top the list of complaints submitted by consumers," CFPB Director Rohit Chopra said. "We will be exploring new rules to ensure that they are following the law, rather than cutting corners to fuel their profit model."

The Fair Credit Reporting Act requires the CFPB to submit an annual report about complaints submitted by consumers regarding the nationwide consumer reporting companies: Equifax, Experian, and TransUnion. Today's report is based on the 488,000 consumer complaints the CFPB transmitted to Equifax, Experian, and TransUnion from October 2021 through September 2022. The findings follow last year's report that detailed failures by the nationwide companies when responding to consumer complaints submitted to the CFPB. Equifax, Experian, and TransUnion have since acted to remedy some of the issues identified in last year's report. Specifically, the CFPB found Equifax, Experian, and TransUnion have:

- **Changed how they respond to complaints:** Equifax, Experian, and TransUnion's use of problematic response types described in last year's report has declined. Most complaints

now receive more substantive responses.

- **Provided more tailored complaint responses:** Across all three companies, most responses now describe the outcomes of consumers' complaints. In September 2022, the nationwide companies provided a tailored response to more than 50% of complaints that were closed with an explanation or relief.
- **Reported greater rates of relief in response to complaints:** In 2022, TransUnion reported providing relief in most complaints. Experian reported providing relief in nearly half of complaints. Equifax reported that it did not provide relief, but its written complaint responses suggest that its rates of relief are comparable to the other two companies.

The CFPB has highlighted other consumer reporting problems and has reminded consumer reporting companies of their obligations to consumers under the Fair Credit Reporting Act. For example, an earlier report revealed how nationwide consumer reporting companies had often allowed their processes to be used to coerce individuals to pay medical bills they may not even owe. The CFPB also issued straightforward guidance on permissible purposes for accessing consumer reports, identifying and eliminating false and junk data, and resolving consumer disputes.

Additionally, the CFPB has taken action against consumer reporting companies when they have broken the law, as well as affirmed the ability of states to police credit reporting markets.

The CFPB expects the three nationwide

consumer reporting companies to continue improving how they serve consumers. To that end, the CFPB recommends that Equifax, Experian, and TransUnion:

- **Consider consumer burden when implementing automated processes:** When companies consider introducing automated processes that will affect their customers, particularly those that relate to a legal right, they should consider the consumer burden, especially whether a change will require consumers to do more work to exercise their legal rights.
- **Recognize that technology is also improving for consumers:** Advances in communications technologies mean consumers do not necessarily need to write complaints on their own. Instead, communications technologies may ease the writing burden. Such innovations, including ones that can generate letters for consumers, may create similar-sounding complaints that are, in fact, from unique individuals with independent concerns. The assumption that similar-sounding letters are from third parties will increasingly be wrong.
- **Consider how to transition the market from control and surveillance to consumer participation:** One potential reason there are so many reported inaccuracies in consumer reporting data is that consumers are several degrees removed from their own data. Enabling increased consumer participation on the data side of consumer reporting has the potential to create a fairer market with added benefits for consumers, consumer reporting companies, and lenders.



# HUD SWEARS IN ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

Dr. Kimberly A. McClain was 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 firsthand 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 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.'"



*HUD Secretary Marcia L. Fudge swears in Dr. Kimberly A. McClain as the Department's new Assistant Secretary for Congressional and Intergovernmental Relations at HUD's headquarters*



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# HUD AWARDS \$9M-PLUS FOR THE JOBS PLUS PROGRAM

The U.S. Department of Housing & Urban Development (HUD) recently awarded more than \$9 million to four Public Housing Agencies (PHAs) to help families increase their earned income and improve their economic mobility through the Jobs Plus program.

Jobs Plus grants support work readiness and connect public housing residents with employment, education, and financial empowerment services—part of an evidence-based model proven to help public housing residents find and keep jobs. The Jobs Plus initiative also supports HUD's Bridging the Wealth Gap agenda, which pursues economic justice and asset building for renters.

"HUD is committed to lifting individuals and families up by focusing on the multifaceted issues around poverty," HUD Secretary Marcia L. Fudge said. "Through training, employment, and financial and community support, we are setting people up to be successful for the long term. As we all know, upward mobility is crucial

to a better quality of life and that's what makes the Jobs Plus program so powerful. We are giving families what they need to be completely self-sufficient in every way."

The Jobs Plus program combines traditional employment, training, and job placement services with a rent incentive and a place-based investment in building community support for work. The program requires PHAs to partner locally with Department of Labor Workforce Development Boards and American Jobs Centers. Additionally, Jobs Plus grantees are required to demonstrate a 25% match from community partners, providing wrap-around supportive services to improve employment and earnings outcomes. Cross-agency partnerships are essential to changing the economic prospects of public housing residents. The Jobs Plus program's place-based model helps residents support each other through the process, cultivating a culture of work and enhancing economic resiliency.

Though the fundamentals of the program have not changed with this year's funding cycle, the program has seen some welcome changes. Many of the changes bring further clarification to key components of the program, but they also include the allowance of PHAs to meet eligibility with smaller populations of workable adults than before. Program changes now also require that applicants meet with program leadership to discuss implementation, feasibility, and impact.

The following four PHAs will be receiving funding from HUD:

- The Housing Authority of the City of East St. Louis in East St. Louis, Illinois, will receive \$2,299,999
- Brunswick Housing Authority in Brunswick, Georgia, will receive \$2,999,060
- Housing Authority of the City and County of Denver in Denver will receive \$1,600,000
- Housing Authority of the City of Oakland in Oakland, California, will receive \$2,300,000



# GSES ISSUE REPORT ON NON-PERFORMING LOANS

The Federal Housing Finance Agency (FHFA) has released the latest report on the sale of non-performing loans (NPLs) by Fannie Mae and Freddie Mac (the GSEs). The Enterprise Non-Performing Loan Sales Report includes sales information about NPLs sold through June 30, 2022. Borrower outcomes reflect NPLs sold through December 31, 2021.

The FHFA reports that the sale of NPLs reduces the number of delinquent loans in the GSEs' portfolios and transfers credit risk to the private sector. FHFA and the GSEs impose requirements on NPL buyers designed to achieve more favorable outcomes for borrowers than foreclosure.

The report shows that the GSEs sold 155,034 NPLs with a total unpaid principal balance (UPB) of \$28.7 billion from program inception in 2014 through June 30, 2022.

The loans included in the NPL sales had an average delinquency of 2.8 years and an average current market-to-market loan-to-value (LTV) ratio of 86% (not including capitalized arrearages).

NPL Sales highlights include:

- The average delinquency for pools sold ranged

from 1.1 years to 6.2 years.

- Fannie Mae has sold 104,467 loans with an aggregate UPB of \$19 billion, an average delinquency of 2.8 years, and an average LTV of 84%.
- Freddie Mac has sold 50,567 loans with an aggregate UPB of \$9.7 billion, an average delinquency of 2.7 years, and an average LTV of 90%.
- NPLs in New Jersey, New York, and Florida represent 41% of the NPLs sold.

Borrower outcome highlights include:

- The borrower outcomes in the Report are based on 152,251 NPLs that were settled by December 31, 2021, and reported as of June 30, 2022.
- Compared to a benchmark of similarly delinquent GSE NPLs that were not sold, foreclosures avoided for sold NPLs were higher than the benchmark.
- NPLs on homes occupied by borrowers had the highest rate of foreclosure avoidance outcomes (41.1% foreclosure avoided versus 17% for vacant properties).
- NPLs on vacant homes had a much higher rate of foreclosure, more than double

the foreclosure rate of borrower-occupied properties (73.9% foreclosure versus 27.6% for borrower-occupied properties). Foreclosures on vacant homes typically improve neighborhood stability and reduce blight as the homes are sold or rented to new occupants.

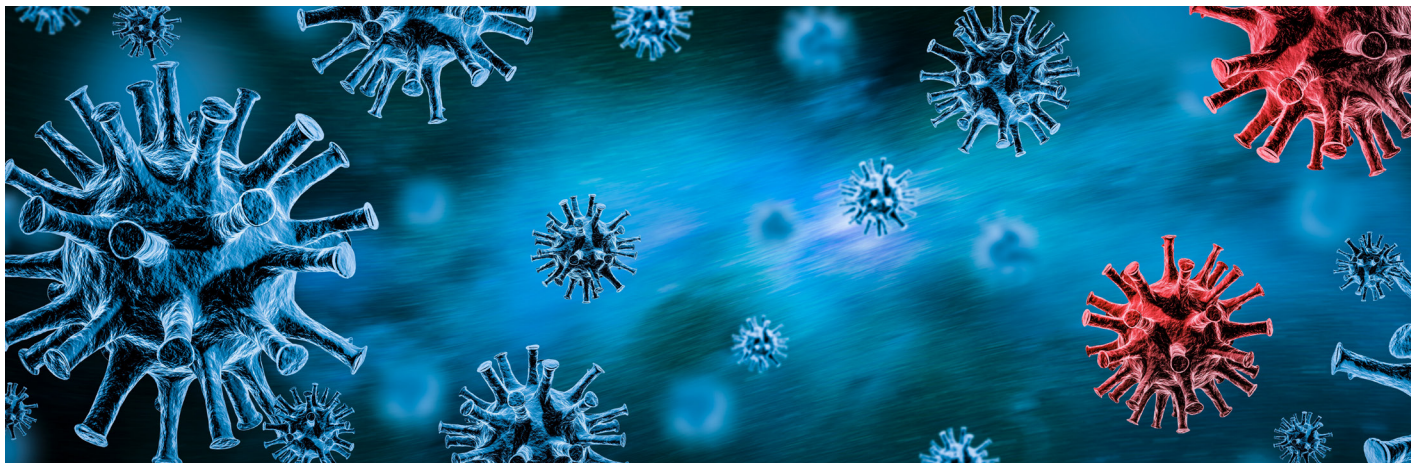
- The average UPB of NPLs sold was \$185,317.

Fannie Mae offers and sells NPLs through a National Pool Offering (NAT), and Freddie Mac offers and sells NPLs through a Standard Pool Offering (SPO). These Pools are generally large and geographically diverse, although some may be geographically concentrated.

Each GSE also offers Pools structured to attract diverse participation by nonprofits, small investors, and minority- and women-owned businesses. Fannie Mae refers to these pools as Community Impact Pools (CIPs), and Freddie Mac refers to these pools as Extended Timeline Pool Offerings (EXPOs). CIPs and EXPOs are smaller-sized pools and are typically geographically concentrated. The timeline between the transaction announcement and the bid due date is approximately two weeks longer than the typical marketing period, providing smaller investors more time to secure funds to participate in the NPL sale.



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# CFPB STUDY FINDS NATIONWIDE FINANCIAL HEALTH WEAKENED POST-PANDEMIC

The Consumer Financial Protection Bureau (CFPB) has released a new Making Ends Meet report covering the financial health of American households. Since 2019, the annual Making Ends Meet consumer surveys showed improvement in financial health during the first few years of the COVID-19 pandemic, due in part to a tight labor market, reductions in consumer spending, and access to pandemic-related relief programs.

However, new data from early 2022 revealed a decline in several key measures, as well as a rapid deterioration in financial health for Hispanic consumers, consumers under the age of 40, and low-income renters. In addition, while unemployment remains low, more than 37% of households were unable to cover expenses for longer than one month if they lost their main source of income.

The 2022 survey was mailed to a sample of consumers in January, with responses collected between January and March. Utilizing data collected from the survey, as well as from the CFPB's Consumer Credit Panel, this report focused on several measures of consumer financial health, including:

- The CFPB's financial well-being score, which serves as a comprehensive measure of overall subjective financial well-being
- Whether households had difficulty paying bills and expenses in the previous year
- How long households could cover expenses if the main source of income was lost

Many consumers are not financially prepared for a disruption to their main source of income, even as unemployment remains low, according to report findings. Nearly 37% of households report that they could not cover expenses for longer than one month, even with accessing savings, borrowing money, selling assets, or seeking help from family and friends. The report also finds that, in 2022, 1 in 8 households also experienced lost income from unemployment or reduction in work hours, and roughly one-third of households experienced a major unexpected expense, including vehicle repair, unexpected medical expense, or a household repair.

The report discusses how consumers also faced frequent income uncertainties, as income variability increased sharply from 2021 to 2022.

The increase was particularly large for Hispanic consumers and consumers under age 40. Also, while racial and ethnic groups applied for credit at similar rates, Black and Hispanic consumers were more likely to be turned down or not receive as much credit as they requested. Black and Hispanic consumers were also much less likely to apply for credit in the first place because they believed they would be turned down.

Among renters, 31% missed at least one rental payment in the previous year and approximately 8% were not current on their rent as of February 2022. Yet only 6% of renters had received rent payment or flexibility since the pandemic began.

Nearly 18% of student loan borrowers have annual incomes under \$125,000 and loan balances under \$10,000. Under the Department of Education's proposal for student debt relief, currently on hold due to pending litigation, borrowers with federal student loans who meet these criteria would have their entire student debt balance forgiven.



## FHFA FINALIZES GSE RULE ON NEW PRODUCTS

Due to Freddie Mac and Fannie Mae's status as government-sponsored enterprises, the Federal Housing Finance Agency (FHFA) has announced a new rule to protect the public and maintain high standards of financial safety and soundness.

According to an announcement from the FHFA, the GSEs will have to provide advance notice to the agency—and receive approval—before offering any new products or services. The final rule defines what categories of activities would be considered “new,” and the FHFA will determine if such new products or services rise to the level of needing public comment.

The rule also establishes a public disclosure requirement, requiring the FHFA to publish its de-

terminations on requested new activities or services.

“The final rule clarifies how FHFA will conduct assessments of new activities and products proposed by the Enterprises,” said Director Sandra L. Thompson. “Enterprise activities can have significant effects on the mortgage market, consumers, and industry stakeholders, and today's rule further refines FHFA's process to ensure activities continue to serve the Enterprises' mission while maintaining high standards of safety and soundness.”

The final rule implements Section 1321 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by Section 1123 of the Housing and Economic Recovery Act of 2008.

## FHFA PUBLISHES Q3 FORECLOSURE PREVENTION AND REFINANCE REPORT

The Federal Housing Finance Agency (FHFA) released its Q3 2022 Foreclosure Prevention and Refinance Report, which shows that Fannie Mae and Freddie Mac completed 69,362 foreclosure prevention actions during the quarter. This raised the total number of homeowners who have been helped to 6,660,364 since the start of conservatorships in September 2008.

The report also shows that some 53% of loan modifications completed in the second quarter reduced borrowers' monthly payments by more than 20%. The number of refinances decreased significantly amid rising mortgage rates from 444,850 in the second quarter to 194,189 in the third quarter.

The Enterprises' serious delinquency rate declined from 0.79% to 0.68% at the end of the

third quarter. This compares with 4.26% for FHA loans, 2.51% for Veterans Affairs (VA) loans, and 1.90% for all loans (industry average).

Other highlights from the report include:

- **Forbearance:** As of September 30, 2022, there were 78,432 loans in forbearance, representing approximately 0.25% of the Enterprises single-family conventional book of business, down from 90,889 or 0.29% at the end of the second quarter of 2022. Approximately 4% of these loans have been on a forbearance plan for more than 12 months.
- **Mortgage Performance:** The 60+ days delinquency rate dropped from 0.92% at the end of Q2 to 0.83% at the end of Q3 of 2022. The delinquency rates remained slightly higher than pre-coronavirus rates due to the forbear-

ance programs offered to borrowers affected by the pandemic.

- **Foreclosures:** The number of foreclosure starts decreased to 17,327 while third-party and foreclosure sales increased by 3% to 3,566 in Q3.
- **Real Estate-Owned (REO) Activity & Inventory:** The Enterprises' REO inventory increased 10% from 9,341 in Q2 to 10,251 in Q3 of 2022, as REO acquisitions outpaced property dispositions. The total number of property acquisitions increased 23% to 1,880, while dispositions decreased to 993 during the quarter.

FHFA's quarterly foreclosure prevention and refinance reports include data on the Enterprises' mortgage performance, delinquencies, and active forbearance plans, as well as forfeiture actions and refinances by state.



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# CFPB TO ESTABLISH REGISTRY TO DETECT REPEAT OFFENDERS



The Consumer Financial Protection Bureau (CFPB) has proposed requiring certain nonbank financial firms to register with the CFPB when they become subject to certain local, state, or federal consumer financial protection agency or court orders. The CFPB has further proposed to publish the orders and company information via an online registry. Larger companies subject to the CFPB's supervisory authority would be required to designate an individual to attest whether the firm is adhering to registered law enforcement orders. The CFPB's proposed rule would help the agency identify and mitigate risks to American households and ensure that supervised companies perform their obligations to consumers.

"Protecting American households is a shared effort across local, state, and federal authorities," CFPB Director Rohit Chopra said. "The proposed registry will help the CFPB, the law enforcement community, and the public limit the harms from repeat offenders."

Congress, in creating the CFPB, tasked the

Bureau with monitoring for risks to consumers in the offering or provision of consumer financial products and services and supervising the activities of certain nonbanks. The repository will allow the CFPB to track and mitigate the risks posed by repeat offenders, while also being able to monitor all lawbreakers subject to agency and court orders. The CFPB will share this powerful source of information with others, including fellow regulators and law enforcement agencies, by making the registry public.

The registry will help unify the efforts of consumer financial protection enforcers, as well as provide increased transparency and coordination that is critical to ensuring accountability and fairness in the marketplace. The CFPB's proposal will enhance market monitoring and risk-based supervision efforts to ensure that the CFPB and its enforcement partners can identify previous lawbreakers and are positioned to take action to stop further large-scale harm or continued illegal efforts across the country.

Through the rule, the CFPB is proposing:

- **Covered nonbanks to report certain agency and court orders connected to consumer financial products and services:** Generally, nonbanks would have to report final agency and court orders and judgments, including consent and stipulated orders, brought under federal consumer financial protection laws or state laws regarding unfair, deceptive, or abusive acts or practices.
- **Larger supervised nonbanks would designate a senior executive to attest regarding the firm's compliance with covered orders:** Larger nonbanks that are supervised by the CFPB would be required to designate a senior executive to submit an annual supervisory written statement attesting to the steps taken to oversee the activities subject to the order and whether the executive knows of any violations of, or other instances of noncompliance with, the covered order.

In addition to publishing information about the agency or court order, the CFPB is considering the publication of certain registration information about the company via a release on the CFPB's publicly available website.

While the CFPB might later consider collecting or publishing the information described in the proposal from insured banks and credit unions, there is currently a greater need to collect this information from nonbanks under its jurisdiction. Among other things, the identity and size of all insured banks and credit unions are known to the CFPB. Also, there are only four federal prudential regulators for insured banks and credit unions, and they regularly publish their consumer financial protection orders. In contrast, comprehensive, readily accessible information is lacking about the identity of orders issued against nonbanks subject either to the CFPB's market monitoring authority or to its supervisory authority across the various markets for consumer financial products and services.

# HUD SEEKS PUBLIC INPUT ON ALLOCATION OF DISASTER RECOVERY FUNDS

The U.S. Department of Housing and Urban Development (HUD) has issued two new Requests for Information (RFIs), marking the first time HUD has asked for public feedback on how to simplify, modernize, and more equitably distribute critical disaster recovery funds: Community Development Block Grant Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT).

The RFIs mark a broader element of HUD's newly published Climate Action Plan, which emphasizes both equity and resilience in disaster recovery, as well as the Biden-Harris administration's commitment to strengthening low- and moderate-income communities.

"Having visited the damage of Hurricanes Ian and Ida, I have seen firsthand how weather-related disasters harm communities unequally," HUD Secretary Marcia L. Fudge said. "Here at HUD, we know that investing in equity and resilience presents us an opportunity to meet our climate goals and build more stable, diverse, and inclusive communities with quality affordable homes for all. These RFIs are the next step in our process to ensure recovery resources can be delivered more efficiently and equitably in the future."

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

"The first step in strengthening the CDBG-DR program is, for the very first time,

seeking feedback on what data and information HUD should use in assessing the need for assistance and making funding available," said Solomon Greene, Principal Deputy Assistant Secretary for Policy Development and Research. "I am proud that the Biden-Harris Administration is asking the public to share thoughts with us. Other HUD programs benefit from public comments, and I expect that recommendations in response to this RFI will inform how HUD makes future allocations."

CDBG-DR and CDBG-MIT funds focus on long-term recovery and resilience efforts, targeted to families with low and moderate incomes in the most impacted and distressed areas. Through CDBG-DR, HUD spends billions of dollars helping communities recover from the most devastating disasters. CDBG-DR and CDBG-MIT funds are unique from other Federal disaster assistance programs administered by FEMA and the SBA, as well as private insurance, as the only federal resource with the primary purpose of benefiting low- and moderate-income communities.

"Through CDBG-DR funding, we can provide critical support to disaster recovery survivors who need it most," said Marion Mollegen McFadden, Principal Deputy Assistant Secretary for Community Planning and Development. "Only HUD offers disaster resources that prioritize the needs of people of modest means. Unfortunately, the one-off appropriation process delays local access to these funds by months, confusing grantees, producing unnecessary barriers to participation in recovery programs, and thus dulling the effects of our efforts. It's time we right these wrongs by streamlining how these funds are disseminated—while doubling down on our responsibility to ensure equitable

outcomes."

HUD's Climate Action Plan notes that the Department is committed to advancing the goals of Executive Order 13985, which requires that HUD allocate resources in a manner that addresses the historic failure of the government to invest sufficiently, justly, and equally in underserved communities, particularly communities of color.

These RFIs are a result of both this long-term strategy and the greater efforts of the Biden-Harris administration to prioritize an equitable and methodical response to Presidentially declared natural disasters.

***"Having visited the damage of Hurricanes Ian and Ida, I have seen firsthand how weather-related disasters harm communities unequally."***

—Marcia L. Fudge, HUD Secretary





# FHFA RELEASES UNIFORM APPRAISAL DATA AGGREGATE STATISTICS

The Federal Housing Finance Agency (FHFA) has published its Q3 2022 data for the Uniform Appraisal Data (UAD) Aggregate Statistics Data File.

The UAD Aggregate Statistics Data File and Dashboards, which are the nation's first publicly available dataset and tools for aggregate statistics on appraisal records, will be released quarterly moving forward.

The Uniform Appraisal Dataset (UAD) Aggregate Statistics Data File and Dashboards are the nation's first publicly available datasets of aggregate statistics on appraisal records, giving the public new access to a broad set of data points and trends found in appraisal reports. Appraisal Aggregate statistics for Enterprise Single Family appraisals may be grouped by

neighborhood characteristics, property characteristics, and geographic levels (national, state, plus the District of Columbia and Puerto Rico, Metropolitan Statistical Areas (MSAs) or Metropolitan Divisions, county, and tract).

The UAD Aggregate Statistics Data File is a resource for users capable of using statistical software to extract and analyze data. The UAD Aggregate Statistics Dashboards are for users of all types and are designed to provide user-friendly access through customized maps and charts.

"Publishing transparent, aggregate data on appraisals provides useful information to the public and is a means to achieving the Agency's strategic goal of fostering housing finance markets that promote equitable access to affordable

and sustainable housing," Director Sandra L. Thompson said. "Today's data release reinforces FHFA's commitment to working with its stakeholders in bringing about a more equitable valuation system that deters appraisal bias in minority neighborhoods across the nation both in rural and metropolitan areas. We continue to evaluate ways to release new data in a way that does not compromise borrower privacy."

FHFA also launched a new "Top 100 Metro Areas Dashboard." The Dashboards are visual "front ends" of the aggregate statistics, displaying the aggregate statistics through customized maps and charts. They provide the public with user-friendly visualizations and access to a broad set of data points and trends found in appraisal reports.



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# FHFA, CFPB UNVEILS UPDATED NATIONAL SURVEY OF MORTGAGE ORIGINATIONS DATA

The Federal Housing Finance Agency (FHFA) and the Consumer Financial Protection Bureau (CFPB) published updated loan-level data for public use collected through the National Survey of Mortgage Originations (NSMO). The data also provides updated mortgage performance and credit information for a nationally representative sample of mortgage borrowers from 2013–2020.

Key highlights from the updated data are:

- The COVID-19 pandemic shaped the mortgage borrower experience in 2020. A higher share of borrowers reported that a paperless online mortgage process was important to them in 2020 (48%) than in 2019 (42%). More borrowers reported that the mortgage closing did not occur as originally scheduled in 2020 (21%) than in 2019 (17%).
- Mortgage borrowers, particularly those refi-

nancing a loan, responded to the low interest rates in 2020. The share of borrowers who rated themselves as very familiar with available interest rates increased from 55% in 2019 to 69% in 2020. The share who reported being very satisfied that they got the lowest interest rate for which they could qualify increased from 67% in 2019 to 75% in 2020.

- Borrowers who refinanced in 2020 were more well off financially than those who refinanced in 2019:
  - » A higher share reported their household income was \$175,000 or higher in 2020 (29%) than in 2019 (20%).
  - » Similarly, a higher share indicated that they owned stocks, bonds, or mutual funds in 2020 (53%) than in 2019 (43%).
  - » Additionally, some 76% of borrowers who refinanced were not at all concerned

about qualifying for a mortgage in 2020, up from 66% in 2019.

“The data released today provide a clear view of borrower sentiment about the mortgage process during the COVID-19 pandemic in 2020,” said Saty Patrabansh, FHFA Associate Director for the Office of Data and Statistics. “This data should be helpful to analysts and policymakers in understanding the complete experience of mortgage borrowers and identifying what challenges may still exist in mortgage lending.”

“This year’s survey clearly shows both the impact of the pandemic and low interest rates on the mortgage market in 2020,” said Mark McArdle, CFPB Assistant Director for Mortgage Markets. “As with past years, this data can help us better understand underlying trends, identify potential issues as well as possible opportunities for industry to better serve consumers.”



# GINNIE MAE FORBEARANCES INCREASE, AGAIN

As the housing market enters a new phase and new year, the nation's forbearance totals seem to be normalizing, as the Mortgage Bankers Association's (MBA) monthly Loan Monitoring Survey found the total number of loans currently in forbearance remained flat relative to the prior month at 0.70% as of November 30, 2022.

The MBA now estimates that approximately 350,000 homeowners are in forbearance plans nationwide.

"There were pockets of weakness in the November data, despite the forbearance rate remaining unchanged and the overall loan performance of serviced loans staying mostly flat," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "The forbearance rate for Ginnie Mae loans increased for the fourth consecutive month, and the overall performance of the portfolio declined for the third consecutive month. Furthermore, the performance of government post-forbearance workouts also weakened."

As Walsh mentioned, Ginnie Mae loans in forbearance increased five basis points to 1.46% in November, up from 1.41%.

By other loan types, the share of Fannie Mae and Freddie Mac loans in forbearance increased just one basis point to 0.32%, up from 0.31% recorded in October 2022.

The share of other loans (e.g., portfolio and PLS loans) in forbearance decreased relative to the prior month: from 1.03% to 0.97%.

"With many indicators pointing to a recession and higher unemployment in 2023, many of the most vulnerable homeowners will be those with FHA, VA, or other government loans," Walsh added. "Loss mitigation options may help to ease the financial hardship for these homeowners."

By stage, 37.8% of total loans in forbearance were in the initial forbearance plan stage, while 50.1% were in a forbearance extension. The remaining 12.1% were forbearance reentries, including reentries with extensions.

Of the cumulative forbearance exits for the period from June 1, 2020, through November 30, 2022, at the time of forbearance exit:

- 29.7% resulted in a loan deferral/partial claim.
- 18.2% represented borrowers who continued to make their monthly payments during their forbearance period.
- 17.3% represented borrowers who did not make all their monthly payments and exited forbearance without a loss mitigation plan in place yet.
- 16.0% resulted in a loan modification or trial loan modification.
- 11.0% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
- 6.6% resulted in loans paid off through either a refinance or by selling the home.
- The remaining 1.2% resulted in repayment plans, short sales, deeds-in-lieu, or other reasons.

Total completed loan workouts from 2020

and onward (repayment plans, loan deferrals/partial claims, loan modifications) that were current as a percent of total completed workouts decreased to 76.89% in November from 78.16% the previous month.

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

- Washington
- Idaho
- Colorado
- Utah
- Oregon

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

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

The share of curren loans declined in 31 states compared to the previous month.

MBA's monthly Loan Monitoring Survey covers the period from November 1 through November 30, 2022, and represents 66% of the first-mortgage servicing market (32.9 million loans).



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# Investment

*The latest insights into the single-family rental sector, the secondary market, and more.*





# LUXURY, INVESTMENT HOME SALES DIP NEARLY 40%

Redfin reports that sales of luxury U.S. homes and investment properties fell 38.1% year over year during the three months ending November 30, 2022, marking the largest decline on record, outpacing the record 31.4% decline in the sales of nonluxury homes.

The luxury and investment home market, and the overall housing market have lost momentum this year due to many of the same factors: inflation, relatively high interest rates, a sagging stock market, and fears of a nationwide recession. But the high-end market has slowed at a sharper clip for a handful of reasons, including:

- Luxury goods are often among the first to get cut from budgets during times of economic stress.
- Luxury properties are frequently used as investment properties, and with home values

and rents poised to fall in 2023, investment prospects are lackluster.

- High-end home sales saw outsized growth during the pandemic, so they have more room to fall.
- Affluent buyers often have significant funds stored in the stock market, which has been losing value.

Redfin found that expensive coastal markets led the decline in high-end home sales. In Nassau County, New York (Long Island), luxury-home sales plummeted 65.6% year over year during the three months ending November 30, 2022, the largest decline among the most populous U.S. metropolitan areas.

Long Island was followed by four California metros:

- San Diego (-60.4%)

- San Jose (-58.7%)
- Riverside (-55.6%)
- Anaheim (-55.5%)

These markets are prohibitively expensive for most buyers even when the economy is thriving, so it's not surprising more buyers would back off during a downturn.

Conversely, the smallest decreases were found in:

- Kansas City, Missouri (-20.2%)
- Cleveland (-21.5%)
- Virginia Beach, Virginia (-26.2%)
- Milwaukee (-26.4%)
- Charlotte, North Carolina (-28.3%)

However, Redfin has found that there are early signs that overall homebuyer demand is beginning to creep back as interest rates decline, which may ultimately cause the decline in luxury sales to ease.



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“There has been a small shift in the market that’s not fully showing up in the data yet. With mortgage rates falling, a lot of house hunters see this as their moment to come back and compete,” Seattle Redfin Agent Shoshana Godwin said. “Many of my buyers are taking out jumbo loans—mortgages typically used for purchases of high-end homes. While some data shows jumbo mortgage rates above 6%, some of my buyers are getting rates in the low 5% range.”

Redfin reported the number of luxury U.S. homes for sale rose 5.2% year over year to roughly 163,000 during the three months ending November 30, 2022, the largest increase since 2016. By comparison, the supply of nonluxury homes declined 5.7% to approximately 552,000. The decline in luxury home sales is contributing to the rise in supply, but new listings are also a factor. New listings of luxury homes fell just 2.9% year over year during the three months ending November 30, 2022, compared with a 19.8% drop in listings of nonluxury homes.

Home-price growth has also slowed across the housing market due to waning demand, as prices of both luxury/investment homes and nonluxury homes rose 10% year over year during the three months ending November 30, 2022, compared with 17% growth one year earlier. The median sale price was \$1.1 million for luxury

homes and \$325,000 for nonluxury homes.

In terms of housing supply, active listings of luxury homes rose in 21 metros, with the biggest year-over-year increases found in:

- Austin, Texas (51%)
- Denver (50.1%)
- Nashville (35.7%)
- Warren, Michigan (29.8%)
- Atlanta (25.9%)
- 

The largest declines in housing supply were found in:

- San Jose (-32.2%)
- Anaheim (-22.5%)
- Los Angeles (-19.4%)
- Louis (-18.5%)
- Miami (-16.6%)

New listings of luxury homes fell in 39 metros nationwide, with the largest declines year over year reported in:

- San Jose (-39.2%)
- Oakland, California (-37.1%)
- Anaheim (-29.8%)
- San Diego (-26.2%)
- Orlando, Florida (-25.9%)

The largest gains in luxury homes and investment properties were found in:

- Denver (44%)

- Warren (32.4%)
- Austin (20.2%)
- Detroit (16.3%)
- Atlanta (15%)

The median sale price of luxury and investment homes rose year over year in all but one metro, San Jose (-0.3%), as the biggest jumps were reported in the following metros:

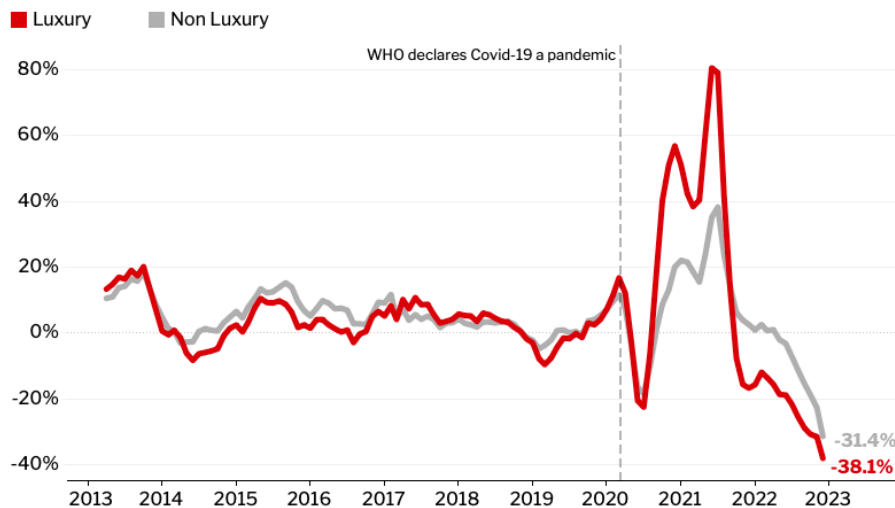
- Miami (28.1%)
- Tampa, Florida (27.7%)
- Charlotte, North Carolina (25%)
- West Palm Beach, Florida (25%)
- Orlando (23.7%)

The smallest increases in the median sale price of luxury and investment homes were reported in:

- San Francisco (0.1%)
- Nassau County, Long Island, New York (2.1%)
- Oakland (3.1%)
- Portland, Oregon (5.8%)

**“There has been a small shift in the market that’s not fully showing up in the data yet. With mortgage rates falling, a lot of house hunters see this as their moment to come back and compete.”**

**Luxury-Home Sales Post Record Decline**  
Year-over-year change in homes sold



Source: Redfin analysis of MLS data  
Note: All values are three month moving aggregates ending on date shown; most recent data point represents three months ending Nov. 30, 2022



—Shoshana Godwin, Seattle Redfin Agent



## STUDY: MIAMI IS AMERICA'S MOST COMPETITIVE RENTAL MARKET

According to a new study from RentCafe, an estimated 44 million American households live in rental homes, as renting remains at its highest level in half a century. For some renters, finding a new residence was difficult in 2022—especially in the South Florida area.

In the last two years, looser regulations and the widespread adoption of remote working attracted even more people to settle in the Sunshine State. As a result, newcomers found themselves competing with those who were already hunting for apartments in the area, with Miami-Dade ranking as the hottest area for renting in the United States.

RentCafe.com analyzed the 135 largest markets in the U.S., looking at five important metrics that affect a location's competitiveness:

- Number of days apartments were vacant
- What percentage of rentals were occupied
- Number of prospective renters competing for an apartment
- What percentage of renters renewed their leases
- Share of apartments completed this year

Then based on these metrics, we calculated a Rental Competitiveness Index (RCI), which shows

how competitive the rental market was this year. The national RCI score was 59.9 in 2022.

**Two-thirds of renters renewed leases this year.**

At the national level, vacant apartments were occupied within 32 days, on average and as many as 14 prospective renters competed to secure a lease for a rental apartment.

To further complicate matters—and with homeownership out of reach for many aspiring homebuyers, on top of rapid inflation—renters are increasingly choosing to renew their leases. Almost two-thirds of renters nationwide chose to renew their leases this year instead of moving into a new place or taking the leap to homeownership in a market that's still hindered by record home prices and surging interest rates.

With 95.3% of apartments already occupied, finding a new rental was no easy feat this year—especially because newly built units only represented 1.5% of the nation's total housing supply. New apartments also opened faster in Florida's largest metros than anywhere else in the United States this year. Even so, this was still not enough to keep up with soaring demand in an already popular area.

**The most competitive rental markets in 2022 scored over 100 out of 130.**

Miami was by far the hottest rental market in the U.S., due to record-high occupancy and high lease renewal rates. Here, a combination of factors—including the lack of state income tax, business-friendly climate, and booming tech scene—attracted droves of millennials and even Gen Zers looking to work and live in the Sunshine State.

With almost all apartments in Miami occupied, those looking for a rental here found themselves in a very tight spot, especially as 75% of apartment dwellers chose to stay put this year. As a result, on average, a record 32 renters competed for a vacant apartment in Miami, and rental units were filled in 25 days. Although the number of apartments in the metro increased by a staggering 2.8% in the first part of the year (a record growth among the top 20 cities in our ranking), that's still far from meeting the high demand for rentals.

The second most competitive rental market this year was Grand Rapids, Michigan, with an RCI of 112.6. This thriving yet laid-back location in western Michigan continued to attract



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lots of young professionals and families from more expensive cities throughout the country, including Detroit, Chicago, and Phoenix.

Due to a surge in popularity in the last few years, finding an apartment for rent in Grand Rapids was no picnic in 2022, especially as hardly any new units were opened in the first part of 2022, which pushed the city's occupancy rate to a high 96.9%. At the same time, nearly 70% of renters here chose to renew their leases this year. Simply put, there was not enough housing to go around, which only increased demand in Grand Rapids in 2022. As a consequence, no less than 18 prospective renters, on average, competed for each apartment here and vacant units were filled in about 28 days.

Meanwhile, in Orlando—the third most competitive rental market in the nation, with an RCI score of 109.3, as well as the second hottest renting spot in Florida—renters had very few options to choose from, even though the apartment supply grew by 2.2% this year. Here

again, 72.5% of apartment dwellers chose to stay put in 2022, so 96.8% of apartments for rent in Orlando were occupied. With 21 prospective renters competing for an apartment, the average vacant rental in Orlando was filled in 28 days.

**Despite adding 34,000+ apartments this year, Florida still can't keep up with the influx of newcomers.**

Five of the country's hottest locations for renters this year were in Florida, as the number of people migrating to the Sunshine State grew tremendously in the last two years.

After a few slow years, in 2022, developers in Southwest Florida—including cities like Sarasota, Fort Myers, Bradenton, Naples, Port Charlotte, Venice, and Cape Coral—were building new apartments almost as fast as those in Miami. Still, that was not fast enough to accommodate demand in the region. What's more, about 73% of renters renewed their leases in Southwest Florida this year. On average, it took 31 days to fill a vacant unit in Southwest

Florida, with 16 prospective renters competing to secure each apartment. Therefore, this corner of Florida has an RCI score of 93.4.

**Northeastern markets lure remote workers seeking extra space within their budget.**

This year's top 20 hottest rental markets in the U.S. included seven metros in the Northeast, which gained traction as more affordable alternatives to pricier East Coast cities, like New York, Philadelphia, or Boston.

Specifically, Harrisburg, Pennsylvania, was the nation's fourth most competitive rental market this year. This was primarily due to its lower cost of living compared to many of the larger metro areas in the Northeast, as well as its family-friendly community and proximity to the great outdoors. Another advantage to living in Harrisburg is its relative proximity to Philadelphia, Pittsburgh, and Baltimore.

With no new apartments opened this year (at least through August), three-quarters of those renting in Harrisburg chose to renew their leases. This then pushed the occupancy rate to a high of 96.5%. Accordingly, a vacant rental here was filled after 33 days, on average, with 18 renters competing for one apartment.

The nation's fifth most competitive rental market was North Jersey, where many working-from-home renters who fled crowded Manhattan found solace in larger, more affordable apartments during the pandemic. Then, as remote work gained momentum, many of them decided to make this part of New Jersey their permanent home. Some of the best examples are Jersey City and Newark, both of which are located within 45 minutes of the Big Apple by train. As a result, Central Jersey and North Jersey were almost twice as competitive as Manhattan in 2022, boasting RCI scores of 96.8 and 107.5, respectively.

Thanks to its rising popularity, North Jersey's apartments' very high occupancy of 97.2% was only surpassed by apartments in Miami, despite an increase in new apartments of 2.1% this year. So, on average, a vacant apartment here was filled in 32 days, with as many as 21 prospective renters competing for one. And, once again, almost three-quarters of the renters in this area renewed their leases instead of moving into a new place, making the rental market even more competitive.

## U.S. Rental Market Competitiveness in 2022

14

renters competing for a vacant apartment



32

average number of days rentals were vacant



1.5%

of the available apartments nationwide were built in 2022



62.7%

renters who renewed their leases in 2022



95.3%

of apartments were occupied in 2022



RentCafe®

# RENTAL PRICE GROWTH SLOWS FOR SIXTH CONSECUTIVE MONTH

CoreLogic's latest Single-Family Rent Index (SFRI)—which analyzes single-family rent price changes nationally and across major metropolitan areas—reports that nationwide, rent prices were up by 8.8% year over year in October 2022, the lowest rate of growth recorded since June 2021. This marked the sixth straight month of slowing U.S. rental price growth, the lowest rate of appreciation in more than a year, but still three times higher than the pre-pandemic level.

Despite the continued rental market cooling, a shortage of available properties is keeping costs elevated, a trend that is fueling year-over-year gains in the lower-priced tier.

Regionally, Miami led the nation for rent growth for the 15th consecutive month at 16.3%, but gains there have slowed dramatically since the spring when they hit 40.8%.

“Single-family rents decreased again on a monthly basis in October but were still up year over year,” said Molly Boesel, Principal Economist at CoreLogic. “While rents typically experience a seasonal decline in October, this year’s decrease was larger than average and could point to prices slowing more sharply than expected in the coming months.”

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): 11%, up from 9.7% in October 2021
- Lower-middle priced (75% to 100% of the regional median): 9.9%, down from 10.3% in October 2021
- Higher-middle priced (100% to 125% of the regional median): 8.8%, down from 11.4% in October 2021
- Higher-priced (125% or more than the regional median): 7.5%, down from 11.4% in October 2021

Of the 20 metro areas shown in Table 1

below, Miami posted the highest year-over-year increase in single-family rents in October 2022, at 16.3%. Orlando recorded the second-highest gain at 15.5%, while Boston ranked third at 12.1%. Honolulu saw the lowest annual rent price gain at 4.8%.

The single-family rental market accounts for half of the rental housing stock, yet unlike the multifamily market, which has many different sources of data, there are minimal quality adjusted single-family rent transaction data.

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 9.5% year over year in October compared to the 7.6% increase for detached rentals.

Table 1: Single-Family Rent Change for Select Geographical Areas

Metropolitan Areas	October 2022 Single-Family Year-Over-Year Rent Change	September 2022 Single-Family Median Rent Prices*
Miami-Miami Beach-Kendall, FL	16.3%	2,569
Orlando-Kissimmee-Sanford, FL	15.5%	2,077
Boston, MA	12.1%	3,062
Tucson, AZ	9.3%	1,975
Atlanta-Sandy Springs-Roswell, GA	8.8%	1,903
Charlotte-Concord-Gastonia, NC-SC	8.3%	1,841
New York-Jersey City-White Plains, NY-NJ	8.1%	3,065
Los Angeles-Long Beach-Glendale, CA	8.1%	3,495
Dallas-Plano-Irving, TX	8.0%	2,159
Austin-Round Rock, TX	8.0%	2,118
Chicago-Naperville-Arlington Heights, IL	8.0%	2,215
San Diego-Carlsbad, CA	7.8%	3,639
St. Louis, MO-IL	7.3%	1,503
Washington-Arlington-Alexandria, DC-VA-MD-WV	6.9%	2,766
Philadelphia, PA	6.1%	1,506
Houston-The Woodlands-Sugar Land, TX	6.0%	1,797
Seattle-Bellevue-Everett, WA	5.8%	3,374
Las Vegas-Henderson-Paradise, NV	5.5%	2,123
Phoenix-Mesa-Scottsdale, AZ	5.2%	2,266
Urban Honolulu, HI	4.8%	3,542

\*Median rent price data is produced monthly by CoreLogic RentalTrends. Data reflects the median rent price of a three-bedroom single-family rental home. Additional data is available upon request. SFRI for New York-Jersey City-White Plains, NY-NJ excludes Manhattan Source: CoreLogic Single-Family Rent Index, October 2022



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# GINNIE MAE MBS PORTFOLIO CONTINUES TO GROW

Ginnie Mae's mortgage-backed securities (MBS) portfolio outstanding grew to \$2.325 trillion in November of 2022, including \$36 billion of total MBS issuance for November, leading to \$23 billion of net growth.

November's new MBS issuance supports the financing of more than 122,000 households, including more than 55,600 first-time homebuyers. Approximately 69% of November MBS issuance reflects new mortgages that support home purchases, as refinance activity remained slowed due to higher mortgage rates. The November issuance includes \$34.22 billion of Ginnie Mae II MBS and \$1.82 billion of Ginnie Mae I MBS, including approximately \$1.71 billion in loans for multifamily housing.

"Monthly issuance of Ginnie Mae MBS is returning to historic patterns, consisting of pri-

marily purchase money transactions supporting tens of thousands of households in achieving first-time homeownership," Ginnie Mae EVP and COO Sam I. Valverde said.

Ginnie Mae attracts global capital into the housing finance system to support homeownership for veterans and millions of homeowners throughout the country.

The Mortgage Bankers Association's (MBA) most recent monthly Loan Monitoring Survey found the total overall number of loans currently in forbearance remained flat relative to the prior month at 0.70% as of November 30, 2022. Ginnie Mae loans in forbearance increased five basis points to 1.46% in November 2022, up from 1.41%.

"There were pockets of weakness in the November data, despite the forbearance rate

remaining unchanged and the overall loan performance of serviced loans staying mostly flat," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "The forbearance rate for Ginnie Mae loans increased for the fourth consecutive month, and the overall performance of the portfolio declined for the third consecutive month. Furthermore, the performance of government post-forbearance workouts also weakened."

Ginnie Mae's MBS programs directly support housing finance programs administered by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Housing and Urban Development's (HUD) Office of Public and Indian Housing, and the U.S. Department of Agriculture's Rural Housing Service (USDA).

# HOME-FLIPPING BECOMING LESS LUCRATIVE

According to ATTOM Data, flippers completed and sold 92,422 single-family homes and condominiums in Q3 2022, representing 7.5% of all home sales, or 1 in 13 homes. This number is down from 8.2%, or 1 in 12 sales—recorded in the second quarter. On a yearly basis, it's up from 5.9%, or 1-in-17 sales.

According to ATTOM, despite the decline in flipping rates during the third quarter, numbers are still at their third-highest level in the past decade—the highest number reported was 9.7% of all homes which occurred in the first quarter of 2022.

"This is a classic good news/bad news report for fix-and-flip investors," said Rick Sharga, EVP of Market Intelligence at ATTOM. "While flipping activity in the third quarter was among the highest on record, gross profits and profit margins declined significantly, reflecting

the overall pricing weakness in today's housing market."

And flipping rates are dropping for good reason: inflation, supply-chain issues, and interest rates are all eating into their gross profits, which according to the report are at their lowest point in three years.

The median gross profit per flip decreased to \$62,000 (a roughly 25% return) in the third quarter. This was down 18.4% from \$76,000 (or 31.8% return) in the second quarter and 11.4% from \$70,000 (31.8%) a year earlier. The latest profit figure stood at the lowest point since the fourth quarter of 2019, while the quarterly rate of decline marked the worst on record seen since 2009.

The typical third-quarter return on investment slumped to the lowest point since 2009 and was less than half the peak over the past

decade of 53.1% in late 2016.

Specifically, in the third quarter of 2022, the typical resale price on flipped homes declined to \$310,000. That was down 5.5% from \$328,000 in the second quarter of 2022, although still up 6.9% from \$290,000 a year earlier.

"It's apparent that fix-and-flip investors aren't immune to the shifting conditions in the housing market," Sharga noted. "With demand from buyers weakening, prices trending down over the past few months, and financing rates significantly higher than they were at the beginning of the year, flippers face a much more difficult environment today, and probably will in 2023 as well."

The average time it took from purchase to resale dropped to 163 days in the third quarter, down from 166 days during the second quarter and up from 149 days a year ago.

## MANY AMERICANS MIGRATING OUT OF HIGH COST-OF-LIVING AREAS

North American Van Lines, Inc. has released their annual migration map that details where Americans moved this past year. The map uncovered a sizable trend of Americans leaving high cost-of-living areas for warmer climates with more reasonable housing conditions, noting southern states received the largest amounts of movers.

Move volume, or the number of individuals that moved, in 2022 was down compared to previous years. Southern states remained primary draws for those moving, with top destinations South Carolina, North Carolina, Tennessee, Arizona, and Florida.

For the fourth year in a row, Illinois had the largest percentage of individuals moving out of the state. Meanwhile, Tennessee, North Carolina, and South Carolina have consistently been on the list of top inbound states since 2020.

Many of the moves revolve around the flexibility of remote work and those choosing to take the route of early retirement.

Here are the top states for inbound and outbound migration, according to the report.

### TOP **INBOUND** STATES IN 2022

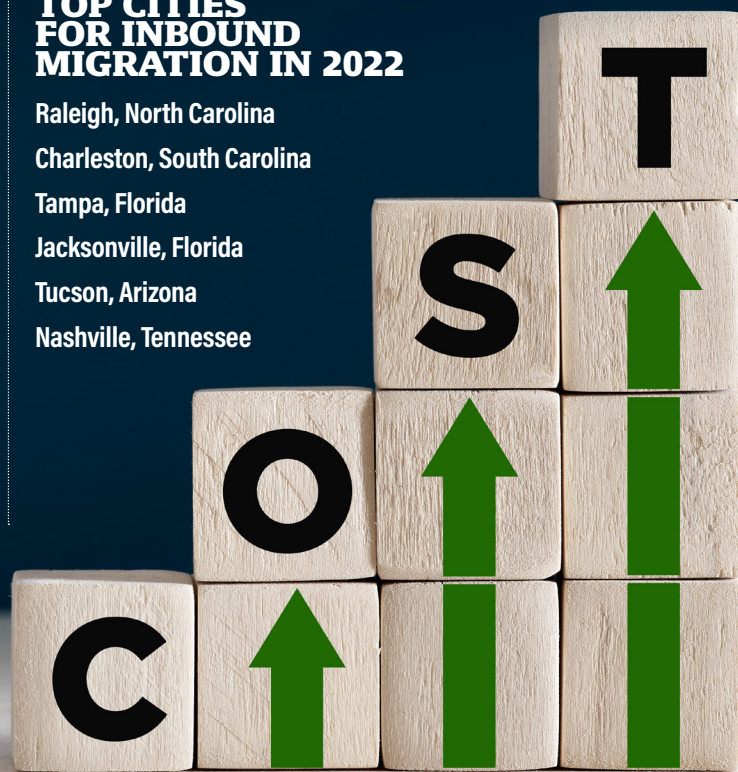
STATE	% OF MOVES INBOUND
<b>SOUTH CAROLINA</b>	68%
<b>NORTH CAROLINA</b>	64%
<b>TENNESSEE</b>	64%
<b>ARIZONA</b>	57%
<b>FLORIDA</b>	55%

### TOP **OUTBOUND** STATES IN 2022

STATE	% OF MOVES OUTBOUND
<b>ILLINOIS</b>	65%
<b>CALIFORNIA</b>	63%
<b>NEW JERSEY</b>	62%
<b>PENNSYLVANIA</b>	60%
<b>MICHIGAN</b>	59%

### TOP CITIES FOR INBOUND MIGRATION IN 2022

- Raleigh, North Carolina
- Charleston, South Carolina
- Tampa, Florida
- Jacksonville, Florida
- Tucson, Arizona
- Nashville, Tennessee



Source: North American Moving Services' 2022 National Movers Study



# WE'VE GOT A BIG SURPRISE

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