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With our nation and our industry facing continued and mounting threats from damaging natural disasters each new year, *DS News* speaks with a cross-section of experts about the challenges faced and solutions required.

AI DECISION-MAKING IN THE CROSSHAIRS

With the CFPB turning its attention to the use of artificial intelligence within the mortgage process, here's what you need to know.

ADDING JUNETEENTH TO THE CALENDAR

A history of precise business days and observed holidays.

WORKING WITHOUT A CRYSTAL BALL

Is your default servicing operation ready for the looming storm?



THEFIVESTARINSTITUTE

“Inside the Industry” Takes Flight



In March of 2020, Five Star Institute launched an industry-first effort: a weekly video newscast that aimed to highlight critical updates to the mortgage industry.



By bringing thought leaders together with executives from across the country, and in collaboration with *DS News & MReport*, “Inside the Industry” quickly rose to be not only a first of its kind, but a successful news broadcast for the residential mortgage and servicing industry.



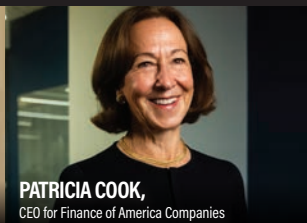
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» SOME OF THE INDUSTRY EXPERTS REPRESENTED WITHIN “INSIDE THE INDUSTRY.” «



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Meeting the Challenges Ahead

This month, we celebrate National Homeownership Month, a month-long celebration highlighting the value of owning a home and for many, fulfilling the American Dream.

But for many, once that dream is realized, as a nation we encounter factors beyond our control that stand to turn that dream into a nightmare. Certain pockets of our nation stand in the path of Mother Nature's wrath year-after-year, as climate-related concerns sporadically rear their ugly heads. Whether it be the areas of Texas, Oklahoma, Kansas, Nebraska, Missouri, Iowa, and South Dakota that make up Hurricane Alley, to the dry vegetation areas of California stricken by wildfires, climate-related disasters continue to burden the mortgage and housing industries alike with no apparent end in sight.

This month, we take aim at the topic of how the industry is responding and preparing for these climate-related headwinds. *DS News* spoke with a panel of servicing and property preservation experts who share their insights and expertise on how certain facets of the industry are dealing with weather- and climate-related disasters.

Also in June, the nation celebrates Juneteenth on June 19 (observed this year on Monday, June 20), the 11th American federal holiday in the U.S. that commemorates the emancipation of enslaved African Americans. This month, Timothy A. Raty, Senior Analyst with Mortgage Cadence, an Accenture Company, examines the impact of Juneteenth on the industry by breaking down the CFPB's "Business Day Rule."

Sticking to the topic of the CFPB and government regulations, Dain Ehring, Senior Advisor with Gate House Strategies and Head of Gate House Digital, takes a closer look at the Bureau turning its attention to artificial intelligence (AI) and automation in lending decisions in his article "AI Decision-Making in the Crosshairs."

This month, we also spotlight 30-year industry vet Dru Jacobs, President of ADFITECH, as he explains how to keep ahead of the impending storm brewing and how taking the right precautionary tips will prevent your default servicing from going down with the ship.

We bring all this and much more to this month's issue of *DS News*. For daily updates, do not forget to visit DSNews.com for the latest in industry news as it breaks, or subscribe to our DS Daily Dose and have it all brought to your inbox each morning.



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DS Journal

Compiled by the DS News Staff



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WITH
Holly Mickens

Head of Talent Solutions, SitusAMC

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BANKRUPTCIES DOWN OVER 20% YOY

Epiq, an Atlanta-based provider of intelligence to the legal services industry, has released its April 2022 bankruptcy filing statistics from its new Bankruptcy Analytics platform which found that filings decreased by 10% last month representing 32,508 filings of all types, down from the 36,059 seen in March, but up from the 26,985 seen in February and 26,149 seen in January.

“New bankruptcy filing volumes continue to decline as the country emerges from the global pandemic,” says Chris Kruse, SVP of Epiq Bankruptcy Technology. “The seasonality we see in March each year also occurred in 2022, and the April decline was expected.”

The 32,508 filings seen in April represent a 21% decrease year over year when compared to the 40,931 total filings recorded at that time.

In addition, noncommercial bankruptcy filings totaled 30,747 in April 2022, also registering a 21% decrease from the April 2021 noncommercial total of 38,826. Commercial filings decreased 16% in April 2022, as the 1,761 filings were down from the 2,105 commercial filings registered in April 2021. There were 249 commercial Chapter 11 filings

“New bankruptcy filing volumes continue to decline as the country emerges from the global pandemic.”

—Chris Kruse,
SVP, Epiq Bankruptcy Technology

registered in April 2022, a decline of 15% from the 290 filings in April 2021. Small business filings, captured as subchapter V elections within Chapter 11, decreased 26% to 83 in April 2022 from 112 in April 2021.

Total noncommercial filings for April also represented a 10% decrease from the

March 2022 noncommercial filing total of 34,234. The commercial filing total represented a 4% decrease from the March 2022 commercial filing total of 1,825. Commercial Chapter 11 filings decreased 15% from the 292 filings in March 2022. Subchapter V elections within Chapter 11 declined 40% from the 138 filed in March 2022.

“Legislation that passed recently in the Senate and is currently being considered in the House would expand the debt-eligibility limits for small businesses and individuals looking to reorganize their finances,” said ABI Executive Director Amy Quackenboss. “ABI appreciates the work by Congress to create greater access and a more efficient process for small businesses and families to achieve a financial fresh start.”

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS



TOP 10 MOST POPULAR METROS FOR GEN Z BUYERS

| RANK | CITY |
|------|--------------------------|
| 1. | SALT LAKE CITY, UTAH |
| 2. | LOUISVILLE, KENTUCKY |
| 3. | OKLAHOMA CITY, OKLAHOMA |
| 4. | CINCINNATI, OHIO |
| 5. | INDIANAPOLIS, INDIANA |
| 6. | PHOENIX, ARIZONA |
| 7. | MINNEAPOLIS, MINNESOTA |
| 8. | BIRMINGHAM, ALABAMA |
| 9. | ST. LOUIS, MISSOURI |
| 10. | VIRGINIA BEACH, VIRGINIA |



TOP 10 LEAST POPULAR METROS FOR GEN Z BUYERS

| RANK | CITY |
|------|---------------------------|
| 1. | SAN FRANCISCO, CALIFORNIA |
| 2. | NEW YORK, NEW YORK |
| 3. | SAN JOSE, CALIFORNIA |
| 4. | LOS ANGELES, CALIFORNIA |
| 5. | BOSTON, MASSACHUSETTS |
| 6. | MIAMI, FLORIDA |
| 7. | WASHINGTON, D.C. |
| 8. | SAN DIEGO, CALIFORNIA |
| 9. | SEATTLE WASHINGTON |
| 10. | SACRAMENTO, CALIFORNIA |

LendingTree, “Most Popular Metros for Gen Z Homebuyers”

Know THIS



According to new data from ATTOM, there were a total of 30,674 properties with foreclosure filings against them in the beginning of Q2, down 8% from March, and up 160% from 2021.



Black Knight reports that the national delinquency rate fell to 2.80% in April, down four basis points in March from 2.84%, hitting a new record low for the second consecutive month.



Podcast

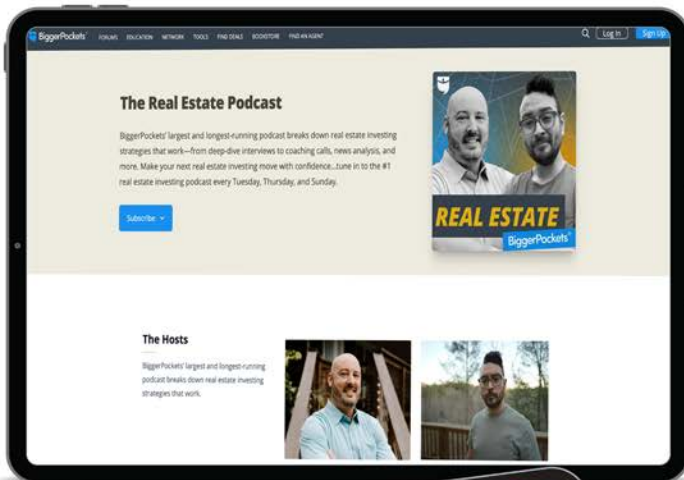
Passive Real Estate Investing

Passive Real Estate Investing is an episodic podcast that is presented on a weekly basis by Marco Santarelli on how to build substantial passive income while creating wealth for the long term. Discover new strategies and how to avoid common mistakes with practical advice that will lead you to financial freedom. Marco Santarelli is an investor, author, and founder of Norada Real Estate Investments—a national real estate investment firm offering turnkey investment property in growth markets nationwide.

Podcast

BiggerPockets Real Estate Podcast

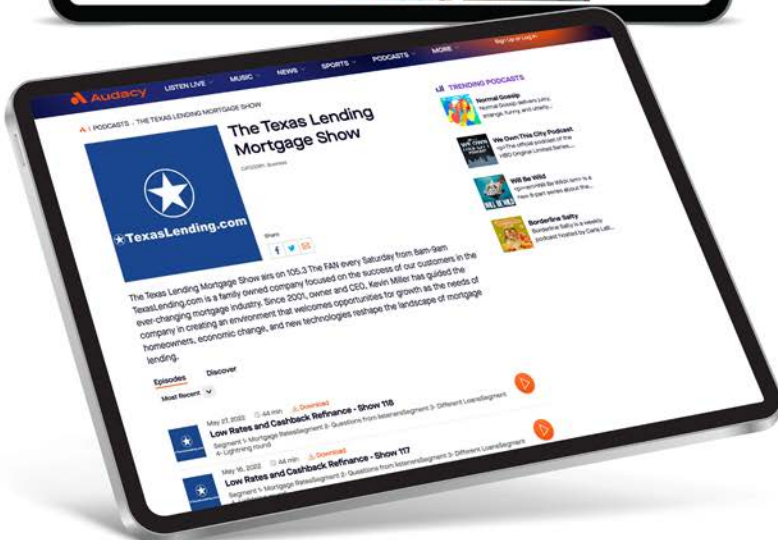
Now with over 600 episodes under their belt, co-hosts David Greene and Rob Abasolo interview real estate investors and entrepreneurs about successes, failures, and hard-earned lessons. Through in-depth conversations, 1-on-1 listener coaching calls, and news analysis, you'll get a breakdown of real strategies that work for different niches and experience levels. New episodes launch on Tuesday, Thursday, and Sunday.



Podcast

The Texas Lending Mortgage Show

Originally broadcast as a weekly over-the-air radio show and rebroadcast as a podcast, The Texas Lending Mortgage Show is produced by TexasLending.com, a family-owned company focused on the success of their customers in the ever-changing mortgage industry. Since 2001, owner and CEO, Kevin Miller has guided the company in creating an environment that welcomes opportunities for growth as the needs of homeowners, economic change, and new technologies reshape the landscape of mortgage lending.



Q2 ZOMBIE PROPERTIES & FORECLOSURES REPORT

ATTOM's latest Vacant Property and Zombie Foreclosure Report for Q2 shows that 1.3 million (1,304,007) residential properties in the nation currently sit vacant, representing 1.3% of all homes in the United States, or one in 76 homes.

Among those pre-foreclosure properties, 7,569 sit vacant in Q2, meaning that the number of zombie foreclosure properties went up quarterly by 2.8%.

Zombie foreclosures refer to properties where a homeowner is presented with a pending foreclosure notice and abandons their house before legally necessary, as the house slowly falls into disrepair and a state of dilapidation.

ATTOM's report also found that 259,166 residential properties in the United States were in the process of foreclosure in Q2, up 12.7% from Q1, and up 15.9% year over year.

"The incidence of zombie-foreclosures tends to be higher in cases where the foreclosure process has dragged on for many months and sometimes even for years," said Rick Sharga, EVP of Market Intelligence at ATTOM. "We're now seeing properties where the borrower was already in default prior to the government's moratorium re-enter the foreclosure process, and undoubtedly some of these homes will have been vacated over the past 26 months."

The second quarter of 2022 marks the third consecutive quarter that the count of pre-foreclosure properties has gone up since a nationwide foreclosure moratorium, imposed early during the coronavirus pandemic, and lifted nearly 12 months ago at the end of July 2021.

"According to our equity report, almost 90% of homeowners in foreclosure have positive equity," Sharga noted. "Having equity gives financially-distressed homeowners an opportunity for a relatively soft landing—selling their home at a profit rather than losing everything to a foreclosure. That factor alone should keep the number of zombie foreclosures from rising too much."

ATTOM noted the number of zombie foreclosures does remain down 6.3% from

one year ago and continues to represent just a small segment of the nation's current inventory of 99.7 million residential properties. Just one of every 13,171 homes in Q2 were vacant and in some stage of foreclosure. The portion of pre-foreclosure properties that have been abandoned into zombie status also continues to decline, down from 3.6% a year ago to 3.2% in Q1 of 2022, and 2.9% in Q2 of this year. However, the recent increase in zombie properties is the first since the moratorium ended. The portion of all residential properties sitting empty in the foreclosure process has grown 1.9% in Q2, up from one in 13,424 in Q1.

Among metropolitan statistical areas in the United States with at least 100,000 residential properties and at least 100 properties facing possible foreclosure in Q2, the highest zombie rates were found in:

- » Peoria, Illinois, where 11.3% of properties in the foreclosure process were vacant
- » Wichita, Kansas, where 11.2% of properties in the foreclosure process were vacant
- » Cleveland, Ohio, where 9.5% of properties in the foreclosure process were vacant
- » Syracuse, New York, where 8.9% of properties in the foreclosure process were vacant
- » South Bend, Indiana, where 8.6% of properties in the foreclosure process were vacant

Among the 27.9 million investor-owned homes throughout the United States in Q2, approximately 905,000 were vacant (3.2% of the overall share). The highest levels of vacant investor-owned homes were found in the following states:

- » Indiana with 6.9%
- » Kansas with 5.8%
- » Oklahoma with 5.3%
- » Alabama with 5.1%
- » Ohio with 5.0%

Among the roughly 3,300 foreclosed, bank-owned homes/REO properties in the United States during Q2, 10.8% were vacant. In states with at least 50 bank-owned homes, the largest vacancy rates were found in:

- » Pennsylvania with 19.9% vacant

- » Indiana with 17.2% vacant
- » Texas with 16.4% vacant
- » Ohio with 16% vacant
- » Illinois with 15.9% vacant

The highest zombie foreclosure rates in U.S. counties with at least 500 properties in the foreclosure process during Q2 were found in:

- » Broome County (Binghamton), New York, with 11.8% of pre-foreclosure homes empty
- » Cuyahoga County (Cleveland), Ohio, with 10.8% of pre-foreclosure homes empty
- » Onondaga County (Syracuse), New York, with 9.4% of pre-foreclosure homes empty
- » Pinellas County (Clearwater), Florida, with 9.3% of pre-foreclosure homes empty
- » Oneida County, New York (outside Syracuse), with 8.3% of pre-foreclosure homes empty

On the other end of the spectrum, the lowest zombie rates among counties with at least 500 properties in foreclosure in Q2 were found in:

- » Contra Costa County, California (outside Oakland), with no pre-foreclosure homes reported as empty
- » Hudson County, New Jersey (outside New York), with 0.3% of pre-foreclosure homes reported as empty
- » Atlantic County (Atlantic City), New Jersey, with 0.4% of pre-foreclosure homes reported as empty
- » Mecklenburg County (Charlotte), North Carolina, with 0.5% of pre-foreclosure homes reported as empty
- » Sacramento County, California, with 0.6% of pre-foreclosure homes reported as empty

Among 424 counties with at least 50,000 residential properties, those with the largest portion of total homes in zombie foreclosure status in Q2 were found in:

- » Broome County (Binghamton), New York, with one of every 648 properties
- » Cuyahoga County (Cleveland), Ohio, with one in 933 properties
- » Peoria County, Illinois, with one in 1,144 properties
- » Suffolk County (eastern Long Island), New York, with one in 1,165 properties
- » Oneida County, New York (outside Syracuse), with one in 1,437 properties

THE 2022 FIVE STAR GOVERNMENT FORUM

APRIL 27, 2022 | THE NATIONAL PRESS CLUB, WASHINGTON D.C.

On April 27, the Five Star once again returned to Washington, D.C. for the 2022 installment of its long-running Government Forum. The Forum is a daylong gathering where mortgage servicing leaders and government agencies can discuss the industry's most pressing issues and work to find solutions together. This year's Forum included a keynote from Lopa P. Kolluri, Principal Deputy Assistant Secretary for the Office of Housing and the Federal Housing Administration, HUD, as well as a discussion with Sandra L. Thompson, Director, FHFA, moderated by Ed Delgado, AMP, Managing Director, Mortgage Policy Advisors and Chairman of Five Star Global. The event included insights from subject-matter experts from Arvest Bank, BSI Financial Services, Carrington Holding Company, Community Loan Servicing, Fannie Mae, Freddie Mac, Freedom Mortgage Corporation, Ginnie Mae, Mr. Cooper, The Money Source Inc., SitusAMC, U.S. Bank, U.S. Department of Veterans Affairs, and others.



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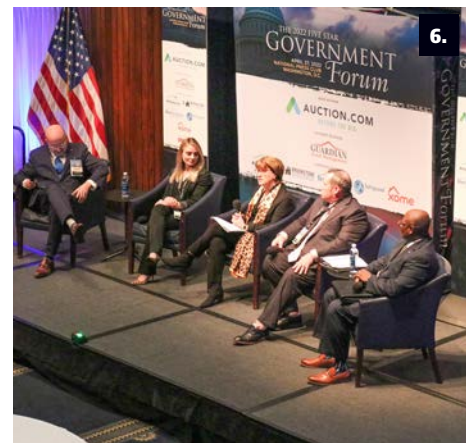
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Voices of The 2022 Government Forum **Exposure**

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“The Five Star Government Forum is a great example of the industry working with policy-makers to determine the challenges, successes, and failures facing borrowers and the industry that manages portfolios and property management activities, to ensure consistency and understanding.”

—John Bell III, Deputy Director, U.S. Department of Veterans Affairs



“Government Forum provides an invaluable service to the mortgage industry: it brings mortgage industry leaders and regulators together to foster collaboration and understanding. Thanks to the Forum, we all make better decisions.”

—Marcel Bryar, Founder and Managing Director, Mortgage Policy Advisors, LLC



“I’m proud of the work Freddie Mac and our partners in the industry have done to help so many struggling homeowners get back on their feet since the pandemic hit. I was also reminded of the importance of gathering as an industry at this year’s Five Star Government Forum to share ideas, discuss challenges, and to keep working toward meaningful solutions so we’re prepared to help future borrowers.”

—William J. Maguire, VP of Servicing Portfolio Management, Single-Family Division, Freddie Mac



“I have been going to the Five Star Government Forum for as long as I can remember. What always brings me back is the crosscut of high-level industry executives with senior leaders of the current administration. It’s not that they’re just in the same room, individually presenting their respective points of view to accomplish a preconceived agenda. There is an environment and structure at the Government Forum that facilitates an earnest conversation between private and public sector leaders that is interesting and important on so many levels.”

—Tim Rood, Head of Government & Industry Relations, SitusAMC

1. Delgado onstage with FHFA Director Thompson. 2. Auction.com President Ali Haralson presents a check to Operation Homefront. 3. Douglas Duncan, SVP and Chief Economist, Fannie Mae; Rick Sharga, EVP, Market Intelligence, RealtyTrac; Daren Blomquist, VP, Market Economics, Auction.com; the late Frank Nothaft, Executive, Chief Economist, CoreLogic; and Lawrence Yun, Chief Economist, National Association of REALTORS during the “Economic Update” panel. 4. Moderator Tim Rood, Head of Government & Industry Relations, SitusAMC, and panelists Rodney Bechdolt, SVP, Exec. Director of Mortgage Loan Servicing, Arvest Bank; Stanley C. Middleman, Founder and CEO, Freedom Mortgage Corporation; Michael Waldron, General Counsel and Chief Compliance Officer, Community Loan Servicing, LLC during the “Setting Priorities” panel. 5. Moderator Stephen Hladik, Partner, Hladik, Onorato & Federman, and panelists LLP Vicki Brown, EVP, Client Relations, LoanCare, LLC; Jerry Mavellia, CEO, Guardian Asset Management; Gagan Sharma, President and CEO, BSI Financial Services; and William Walsworth, Chief Information Officer, Five Brothers Asset Management Solutions during the “Streamlining Servicing Costs” panel. 6. Moderator Marcel Bryar, Founder and Managing Director, Mortgage Policy Advisors, LLC, and panelists Shayna Arrington, Chief Compliance Officer, The Money Source Inc.; Leslie Meaux Pordzik, SVP, Office of Issuer and Portfolio Management, Ginnie Mae; John Bell III, Deputy Director, U.S. Department of Veterans Affairs; and Stanford A. Stanford, SVP/Head of Enterprise Risk Management, Mr. Cooper during the “Policy & Regulation Review” panel.

2022 DIVERSITY & INCLUSION SYMPOSIUM

APRIL 28, 2022 | THE NATIONAL PRESS CLUB, WASHINGTON D.C.

On April 28, 2022, Five Star followed its Government Forum with its latest Diversity & Inclusion Symposium—also unfolding inside the historic National Press Club in Washington, D.C. This gathering of industry professionals charted the course for finding strength in our differences through critical dialogue about the most pressing diversity issues facing our industry. Attendees enjoyed a day of active engagement, networking, and advancing progress within the housing industry.



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1. Tai Christensen, Director of Government Affairs and the Chief Diversity, Equity & Inclusion Officer, CBC Mortgage Agency, and incoming Chair of the American Mortgage Diversity Council. 2. Lola Oyewole, VP, Human Resources and Chief Diversity and Inclusion Officer, Ocwen Financial Corporation, and outgoing Chair of the American Mortgage Diversity Council. 3. Frank Fuentes, National Vice President, MCL, New American Funding; Ewunike Brady, VP, African American Segment Lead, Wells Fargo; Victoria DeLuca, VP of Marketplace Diversity Strategy, Guild Mortgage; and Jose Morin, VP of Servicing, Brace. 4. Jerry Ascencio, Broker/Owner, San Fernando Realty/Mission Real Estate, delivers his Keynote Address. 5. Woody White, SVP, Chief Diversity & Inclusion Officer, Homebridge Financial Services, Inc.; Paul Gigliotti, CEO, Co-Founder & Chair, AXIS Lending Academy; Rickey Green, Regional Community Lending Manager, Prosperity Home Mortgage; and Oyewole during the “The Great Resignation is a Great Opportunity” panel.



2022 LEGAL LEAGUE 100 SPRING SERVICER SUMMIT

MAY 12, 2022 | THE JOULE, DALLAS

On May 12, Five Star brought together an audience of mortgage servicers, government representatives, and financial services attorneys for the 2022 Legal League 100 Spring Servicer Summit at the Joule hotel in downtown Dallas. Open to all Legal League 100 members, associate members, mortgage servicing professionals, and government representatives, the semi-annual Servicer Summits are the setting for the nation's elite financial services law firms to discuss default policies, procedures, and emerging issues with leading mortgage servicing executives.



1. Stephen Hladik, Partner, Hladik, Onorator & Federman, LLP, and Chair of the Legal League 100 welcomes the crowd to the 2022 LL 100 Spring Servicer Summit. 2. Ryan Bourgeois, Partner, Barrett, Daffin, Frappier, Turner, and Engel, addresses the Summit crowd. 3. Jane Bond, Managing Partner, McCalla Raymer Leibert Pierce, LLC (left) and Michelle Garcia Gilbert, President/CEO, Gilbert Garcia Group, P.A. speak during a Summit presentation. 4. J. Anthony Van Ness, Founder, Managing Partner, Van Ness Law Firm, and Legal League 100 Vice Chair; Robert D. Forster, II, Managing Partner, BDF Law Group; David Friedman, Partner, Van Ness Law Firm, PLC; Clayton Gordon, Director, Default Mediations and Litigation, Carrington Mortgage Services, Mortgage Servicing Division; Eric Houser, Managing Partner and Founder, Houser, LLP; and Dean Meyer, Director, Loss Mitigation | Non-Performing Loans | Single-Family Operations, Freddie Mac. 5. Legal League 100 Vice Chair Van Ness and Chair Hladik onstage with Patrick Cox, COO, CelLink (middle).





STEPHEN M. HLADIK,
*Partner, Hladik,
Onorato & Federman,
LLP; Legal League 100
Chair*

Halfway through 2022, what are your main priorities and the problems you're trying to solve with Legal League?

It has truly been an honor to serve as the Chair of the Advisory Council for the Legal League. In the first half of this year, we have seen a growth in membership, participation from new firms increase, attendance at our webinars climb, and attendance at our Spring Summit exceed expectations. As we enter the second half of 2022, our goals will be to continue growing our membership, improving the visibility of our Legal League brand, sponsoring top educational webinars, and promoting advocacy for our member firms and our industry. In the post-COVID-19 era, our member firms and the mortgage servicing industry face challenges in dealing with difficulties in hiring staff, enhanced regulatory burdens, and inflationary pressures that affect our businesses. It is our vision to promote our firms, remain an active advocate for our industry, and enhance our membership benefits.

What do you think LL's top accomplishments have been over the past few challenging years?

COVID-19 had deep and lasting effects on all our members and the mortgage industry. The Legal league has navigated these challenges and is experiencing upward trends, from our membership numbers to our programs to our attendance. This is only the beginning. We expect to offer top-notch educational opportunities, outstanding content at our Summits, and social events to enhance networking. Our Strategic Initiative Working Group is producing dynamic informative white papers for our industry. The Webinar Committee continues to provide excellent speakers and material. Our new Government Affairs Committee will be there to meet important regulatory issues that are on the horizon. We are also launching a Publications Committee, which will provide great opportunities for our members to publish articles on key topics relevant to the mortgage community. We are excited for the future of the LL100.

In what areas would you like to see LL grow and expand? What would you like to see the League doing, or doing more of?

First, membership growth is always important, and increasing our membership in various states across the country is a priority. Our organization provides wonderful opportunities for law firms in the default industry. The events, networking, and educational offerings are impressive, and member firms have a lot of avenues to promote their attorneys and staff. Second, offering the best possible benefits to member firms is an area we are focusing on. We want to ensure that all new and existing members have multiple avenues to get involved. Third, promotion of social activities is also an important means of fostering the friendships we have made throughout the years in this industry. By way of example, the LL100 is sponsoring an evening at the Texas Rangers this June, which is a wonderful evening of camaraderie. Fourth, our goal is to ensure that content and speakers at our Summits is among the industry's best, providing meaningful and insightful viewpoints into the ever-changing default servicing world.

What were your top takeaways from this spring's Summit?

The Spring Summit was a wonderful and well-attended event. It was satisfying to see the number of member firms turn out for the event and to see the high-caliber industry speakers that participated in our panels. The panel discussions focused on a significant number of issues affecting our industry, from regulation, to enforcement, to continuing litigation challenges. The main takeaway is that we are looking forward to our fall summit at the Five Star Conference, with an even bigger and better turnout! We truly thank the staff of the Five Star for all the hard work that went into putting this successful event together.

“Our organization provides wonderful opportunities for law firms in the default industry.”

—**Stephen M. Hladik,**
Legal League 100 Chair



J. ANTHONY VAN NESS,
*Founder,
Managing Partner, Van
Ness Law Firm; Legal
League 100 Vice Chair*

Halfway through 2022, what are your main priorities and the problems you're trying to solve with Legal League?

I had unsolicited feedback from servicers saying the Spring Summit was one of the best conferences they have been to in a long time. There is nothing that makes me happier than to hear that, because we have something special building here. As such, my main priorities are making sure we continue with the education and the fun. We want our attorney and servicing members involved doing both. Let's face it, attorneys join for exposure and getting themselves in front of servicers. We do a lot of webinars, white papers, panels, and now certification courses. We have two Summits with multiple receptions and now a separate annual outing like the Texas Rangers event this summer. As with the certification courses, we should be able to create additional value for the servicing and attorney members who are lawyers through CLE courses. We already produce the course, now we just need to get approval from the state bars so our members can get credit.

What do you think Legal League's top accomplishments have been over the past few challenging years?

Survival. It's tough to grow relationships over Zoom, but we pumped out webinars and virtual summits, nonetheless. I think we have done a wonderful job holding down the fort, and now we're rising like a phoenix from the ashes. We have some great new wrinkles everyone will enjoy for the Five Star.

In what areas would you like to see LL grow and expand? What would you like to see the League doing, or doing more of?

I stole my own thunder before, but I would like to make our educational materials into CLE credits. We are already adding a supplemental event which I mentioned before. I would like to see more value-add where we can. I had thrown out the idea of possibly educating our members in other legal areas. I think the pandemic has shown us that, even being a multistate law firm,

that only means you can lose money in multiple states. There are complementary practice areas where we could educate each other that would benefit all and supplement income when foreclosures are suspended.

What were your top takeaways from this year's conference?

I love this industry. It was my first job out of law school, working at a servicer. I met my wife and best friends there. That hasn't changed at all in 25 years. I met some great people at the Summit, new folks I am looking forward to seeing again soon. Educationally, we stimulated great conversations in our "table talk" sessions. I think every group ran over on time. Patrick Cox, our keynote, was excellent, and it was interesting to hear his managerial philosophy and about a servicer focused on reverse mortgages. The Joule hotel—I knew I liked it before, but it seemed even better this time around. If they only had an espresso machine in the rooms, it would be perfect! It is just good to be back.



RYAN BOLDEN, VP of Default Servicing, PennyMac Loan Services, LLC

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

As a servicer, when it comes to our customers, what we're really looking at is to resolve the delinquency as our active COVID-19 forbearance numbers continue to go down because they reached their max capacity and they're expiring. We're looking to provide those borrowers options that are unprecedented pre-COVID-19. Now, we have some better streamlined modification options that don't require full underwriting. Obviously, interest rates are beginning to rise, and then we had the HAF program. So, it's really about solicitation and marketing and, ultimately, educating those customers on these options that weren't privy to before COVID-19.

What are some of the most critical takeaways you have learned during COVID-19?

From a company standpoint, now we have some permanent work-from-home. Just from

a cultural aspect, ensuring that everyone's on the same page, measuring the production and the performance of our staff, that's definitely been a shift. You have to ensure that the same individuals who are in the office are also getting that same type of focus outside of the office. There's been some strain with that to some degree, but as we've implemented more technologies that have helped enhance that, we're seeing much more success in our work-from-home and our in-office agents as it pertains to all our departments across servicing.

Have you seen any uptick in borrower responsiveness as you've navigated the pandemic?

We've actually set up a portal. Now the customers can go online and check in, so it doesn't necessarily have to just be a customer call-in. Those avenues help the customers with that, but yes, I think we've seen much more responsiveness for the customers, especially after January of this year. Now that foreclosures are back open as forbearance expires, you're going to start receiving collection letters, foreclosure notices, that also can gear them up as well.

It's still about exhausting every option to some degree. I will say that there's more educational avenues. Luckily enough, in our modification and our HAF space, we've had tenured staff, so we've been able to transition from our prior Hardest Hit Funds over to Homeowner Assistance Funds. We have a proprietary system that alerts everyone in the company that there's an active HAF on files. With that being said, we've been able to notify other departments as well.

I do think that there has been an uptick in that to some degree and definitely a focus on that as well. In particular, we're talking about our modification declines. What we're doing is, when we send out that decline letter, as opposed just putting a blurb on the decline letter that says you also may qualify for this, we're sending out its own separate HAF flyer. That seems to be driving more engagement back as well. We just began that in March, so it's hard to drive what the penetration rate is on that, but we've certainly seen an increase in that as well.

What have been your main takeaways from the Summit?

I didn't know what to expect, since this is my first one, but it's been a lot of camaraderie, a lot of teamwork. It definitely seems like

everyone's engaging on the same page as far as trying to help the customer and determining what's the best practice that this servicer or this law firm may be doing.



KERI P. EBECK, Partner, Bernstein-Burkley, P.C.

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

I primarily do bankruptcy. Consumer bankruptcies are not on the rise. Everybody keeps expecting them at some point to be on the rise, but the problem is, we just don't know when that's going to open up. I think it depends on when foreclosures start, because when foreclosures start and properties start getting listed for sheriff's sale, obviously that pushes people into filing bankruptcy. I keep thinking that maybe it's going to be beginning, Q1, Q2 of 2023, but that really depends on the foreclosure trends.

I know the bankruptcy courts, at least where I practice, are not thinking there's going to be this huge wave like they thought initially, so they're prepared. I think it's going to be a slower trend. You're going to see some filings pick up. There's definitely not going to be a wave. I'm thinking maybe by the end of 2023, we'll be back to pre-COVID-19 bankruptcy numbers, consumer-wise.

Has your firm faced the same challenges of staffing and scaling during the past few years as some of the other firms we've talked to?

The way that firms survive during this time is having other practice areas, whether you had them already or you added them during COVID-19. I'm very fortunate, as my firm is primarily a commercial bankruptcy firm, and then I do the consumer part of it on the creditor side. We have a strong litigation group and a strong real estate transaction group. Those are still able to produce and carry the consumer group through until it starts picking back up. I've been fortunate that we've just kind of maintained the status quo. Commercial bankruptcies are not at an all-time high, either. We have not had to add staff, we're just monitoring the trends and going from there. It's like what came first, the chicken or the egg: you

don't want to add when you don't know what's going to pick up. We've tried to remain status quo and follow the trends of the bankruptcy filings, both consumer and commercial, to see where we would need to add.



MICHELLE GARCIA GILBERT, President/CEO, Gilbert Garcia Group, P.A.

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

We have been receiving referrals in Florida, where I practice. The process seems to be going as well as can be expected. We're aware of the pressure on the industry from the workouts, potential workouts, distressed borrowers. We always strive to resolve cases if we can.

During the last couple of years, we have continued to expand into other practice areas, so that has helped us a lot. And throughout the pandemic, over the last couple of years, we've had an increase in that non-foreclosure work. We didn't have to lay off any staff. We continued forward and implemented a hybrid work schedule, but otherwise, we've been in the office. I think the clients are facing some of what the firms are facing in that you lost some staffing, you lost your footing from when it was in the office with everybody working together.

It was an adjustment period at the beginning of 2022, a question mark about what else might happen. I think it will lead to increased business for the industry and for the firms, and they will right-size again.

Were the other business lines something you already had established or new pursuits?

Well, I had a work life before doing foreclosure work, and that included probate guardianship, estate planning, general civil work. We just reach out to bar referral sources, legal insurance, that kind of thing. It's just amazing how that work area has taken off, and then we hired staffing especially for those practice areas. We brought in new people that had some of that other experience.

There's a specter of the CFPB hanging over servicers. That being the case, some servicers may refrain from aggressive pursuit

of foreclosures because they want to make sure they've dotted their I's and cross their T's before they proceed.

Have you seen any significant change as far as borrower engagement or responsiveness since the onset of the pandemic?

The borrowers seem to be savvier about the ability to get a workout. What we are seeing, more than anything, is a request for payoff figures, because they're selling the property. That's a pain-point for our clients because they have all these tasks they need to handle. We need to get payoff figures. There also may be delays in the context of processing our cases. We need to keep bugging them for figures because they're having this closing, right? They're trying to sell the property and pay the client off.

Have there been any other big changes as far as how you do business, beyond just the hybrid work model?

One thing we did, starting last year, is we changed our case-management system. We were using a case-management system that is no longer being supported, so we made the investment to change, and what we're doing is getting as many automations and integrations as we possibly can. We're looking towards doing more with fewer staff and being able to function much more efficiently.

We don't have to add staff because I'd rather not add somebody if I can't get somebody good, that's a fit, that's a match that we can train and work with. I always have ads running just to see what I get both for attorneys and for staff. We'll hire somebody even if we don't exactly need them, if they seem like they're going to be a good fit, but that doesn't happen that often.

"It was an adjustment period at the beginning of 2022, a question mark about what else might happen."

-Michelle Garcia Gilbert, President/CEO, Gilbert Garcia Group, P.A.



C. LANCE MARGOLIN, Partner Emeritus/Director, REO and Eviction Services, The Margolin & Weinreb Law Group, LLP

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

We are a New York-based firm, and the various moratoria that were in place, federal and state, kept us on hold for almost everything through the middle of January of this year. Unfortunately, there were some regulatory issues, which prevented our clients from sending out new foreclosure referrals, and we're probably not going to see anything until it's going to be nice and hot. The weather will be hot, maybe even starting to cool off, by the time we see the new referrals come in, so by the time all is said and done, this will have been a two-and-a-half to three-year shutdown for us. We're keeping our clients happy. We are fully staffed, but it's just a little bit challenging without the new referrals coming in and without the fees we need being generated.

How have you navigated that? Have you taken on different types of work you maybe wouldn't have done before?

Well, one of the things that I found is that if you're doing default work, it's challenging to take on other work, because it means you need staff with completely different skills, and, where we are on Long Island, staffing is brutally expensive. It's not to say it can't be done, but it's sort of like eating lunch at 11:30 when you have a one o'clock lunch appointment. You may be hungry at that minute, but you're going to be eating again in an hour.

What have been your main takeaways from the conference?

My main takeaways are that the industry is still trying to adapt to what's going on between Homeowner Assistance Funds, which I think in New York may have run out already, but in other states are still active, and how that's playing out. That's certainly a big factor.

The expression that was used during COVID-19 was, "We're all in this together." No, we're not all in this together. We're in this

simultaneously. It's like salad. The lettuce and the tomatoes and the cucumbers are in the bowl simultaneously, but they're not together. The challenges that one firm faces may be similar, but they're not going to be the same as another firm. The tremendous challenge we have where my firm is located is staffing, and in talking with other attorneys, they're also seeing that. Even all over the country, they can't get staff. The terms that people are asking for just don't make sense in an industry like ours, where the fees are very, very tightly controlled.

Still, it was incredibly good to be here, and I was very flattered to have been invited to speak, because from my perspective, this is the best of the best of the best, and to be included in this crowd is tremendously flattering, especially at this point in my career.



MICHAEL MERRITT,
SVP Mortgage Default Servicing, BOK Financial

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

We are really focusing on the Homeowner Assistance Fund implementation. Operationally, it's a challenging process. People talk about it as if it's one homogenous program, but it's not. It's 50 different programs, and some of the states have multiple programs. We are focusing on getting that in place and hoping that's another piece to help borrowers get current. Also, we are focusing on outreach strategies. There are still customers that need to know we have opportunities and options to help them.

“We are under tremendous pressure, as a servicer, to get as many people as possible to reset their delinquency.”

—Amy Neumann, FVP, Director of Late-Stage Delinquency, Default Servicing Operations, Flagstar Bank

We just want to make sure we don't leave any stone unturned. We want to talk to every customer we can. We want to offer every option we have to get them back on track.

Have you seen any changes in borrower responsiveness over the course of the pandemic?

Initially, yes, customers were quicker to reach out to us. I think the publicity about how quickly the mortgage industry pivoted to helping customers was such a great story. The customers who said, “I need help,” we were able to quickly help them into a forbearance plan. The news and the attention surrounding COVID-19 helped, because it was a consistent message.

There is a small group of customers that have never raised their hand, but now that some default activity has started up, we're seeing those engage with us as well. The handful of people that we haven't been able to contact so far, have now started reaching out to us and are having those conversations and figuring out what the path to work toward is.

What are the key lessons you have learned from navigating the past few years?

I just think it's training and the importance of your people. Everyone always talks about their people being their strength, but COVID-19 showed that we have great employees that care about their jobs and care about helping customers. To me, it's shown that if you want to be effective, you've got to have a good team. You've got to set them up for success, whether it's the right technology or the right work arrangement. And when you do those things, you're going to be successful. And when you take care of your employees, they want to take care of your customers. They have better conversations, better outcomes with the customers, and you help preserve homeownership, which is what we want to do.

What have been your top takeaways from the conference?

When you look at mortgage servicing, the partnership that we have with our firms is critical to our success. The more transparent and partnering we can be, the better the outcomes for all of us are going to be. Hearing the challenges from the firms about where servicers can do better, we can then work on those things.

Hearing challenges that the servicers are facing can help the firms be more effective. I think it just shows the commitment we have to each other. Both groups want to help customers and want to help each other. We all want to avoid foreclosures.



AMY NEUMANN, FVP,
Director of Late-Stage Delinquency, Default Servicing Operations, Flagstar Bank

Halfway through 2022, what are your main priorities and the problems you're trying to solve?

One of the biggest challenges is getting non-responsive borrowers out of foreclosure. Our clients, investors, regulators—they all want to avoid foreclosure. So, it's different, as a foreclosure manager, to spend more time focused on loss mitigation initiatives. You have to wear a different hat. We are continually evolving to find creative ways to engage non-responsive borrowers. We are under tremendous pressure, as a servicer, to get as many people as possible to reset their delinquency. There has always been a healthy tension between loss mitigation and foreclosure. But that dynamic has shifted post-pandemic, where success is measured by foreclosure avoidance.

But timelines still exist. Although referral has been delayed in many cases to accommodate additional outreach efforts, it can be an effective tool to motivate borrowers to act. The majority of those in default engaged with us early, leaving a lesser volume of those unable or unwilling to act. We have further reduced this population by as much as half with just in-person outreach, prior to referral.

Where we have exhausted our pre-referral outreach, we know that starting the foreclosure will get some borrowers to make contact. We will be looking at those numbers too, to see what kind of response we're getting, whether it be a bankruptcy filing or direct communication for assistance, we continue to monitor to find out what's working and what's not.

We have also implemented post-referral outreach, for that minority of borrowers that remain unengaged. We started with pre-sale loans and contested matters and are now partnering with our attorneys to expand this to more loans earlier in the foreclosure.

Have you seen any changes in terms of borrow responsiveness over the course of the pandemic?

The opt-in rates for loss mitigation are very high. The vast majority of borrowers are responsive. I think this is reflective of the fact that these are atypical defaults. Most of these borrowers have never been delinquent. They've made their mortgage payments on time, and this pandemic came out of nowhere and caused so much disruption. They were, day one, calling in, asking, "What can I do?" That was, by far, the majority of our delinquent borrowers. These are the borrowers that are through a reset option and current.

Now that the pandemic is waning, we are left with a smaller population of borrowers who don't engage. Many of these may have already moved on from the property. This group represents your more typical default population. To address this group, we are providing post-referral solicitations and in-person outreach. We have had significant success with these strategies. HAF (Homeowners Assistance Fund) programs have also been gaining traction, providing an additional path to resets and increasing the overall response rate.

What do you anticipate as far as default and foreclosure volumes heading into 2023?

That's the elephant in the room. The pandemic is waning, but what happens next? Nobody has a crystal ball, a year ago, what I would've said would be different than six months ago, etc.—economic conditions, assistance program offerings, and the regulatory environment continue to change quickly. I think we can all agree that the overall economic conditions are not looking very positive. We have increasing interest rates, inflation, the threat of recession. Last month, the national average for bankruptcy filings was up 35%. These indicators typically mean an increase in defaults. Currently, however, default rates do remain low and steady. As a result, I would expect referral volumes to stay consistent throughout the rest of the year, barring any kind of unforeseen event. Meaning that I would not expect any material increase or decrease for the rest of 2022. Heading into 2023, volumes will largely depend on how these economic conditions unfold. We will continue to closely monitor the impacts to our volume to ensure we

are prepared and that our attorneys are likewise apprised.

What have been your most important takeaways from the conference so far?

It's been so valuable to attend in person, to hear what's going on in the industry from the attorney perspective and from other servicers. It's invaluable information that can be missed during more formalized online events. I learned a great deal about recent developments regarding the HAF program. Since HAF impacts foreclosure, the experiences shared will help us improve our own processes. I also found the discussion on New York law to be more cohesive in this setting. Again, the casual discussion lent itself to a greater understanding of the loan-level considerations required on NY loans.

“Now that the pandemic is waning, we are left with a smaller population of borrowers who don't engage. Many of these may have already moved on from the property. This group represents your more typical default population.”

—Amy Neumann, FVP, Director of Late-Stage Delinquency, Default Servicing Operations, Flagstar Bank

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TITLE INSURANCE MARKET SEES DOUBLE-DIGIT GROWTH

Reverberations and repercussions from the pandemic continue to move through the real estate market. The latest news of such comes from American Land Title Association (ALTA) who found that, driven by meteoric rise in originations and home values last year, has caused title insurance premiums to increase by 35.9% in 2021.

The 35.9% increase seen last year in comparison to 2020 equates to \$26.2 billion in title insurance premiums during the calendar year compared with \$19.2 billion in 2020.

The report also found that total operating income for the industry was up 33.4%, operating expenses increased 32%, and loss and loss adjustment expenses were up 2.3%.

In 2021, the industry paid out more than

\$474.4 million in claims.

That is not to say the news of higher prices is the full story either. In fact, the cost of title insurance has actually gone down by 7% since 2004. This means for each dollar of premium a consumer purchases, they get an extra \$26 in coverage compared with 2004.

“Incredibly low mortgage rates lead to an unprecedented increase in real estate transactions and substantially higher home values,” said Diane Tomb, ALTA’s CEO. “Those factors—caused in part by the unique circumstances of the COVID-19 pandemic—contributed to the record title insurance premium volume, which the title industry won’t see again soon. The majority of title professionals were busier in 2021 than they

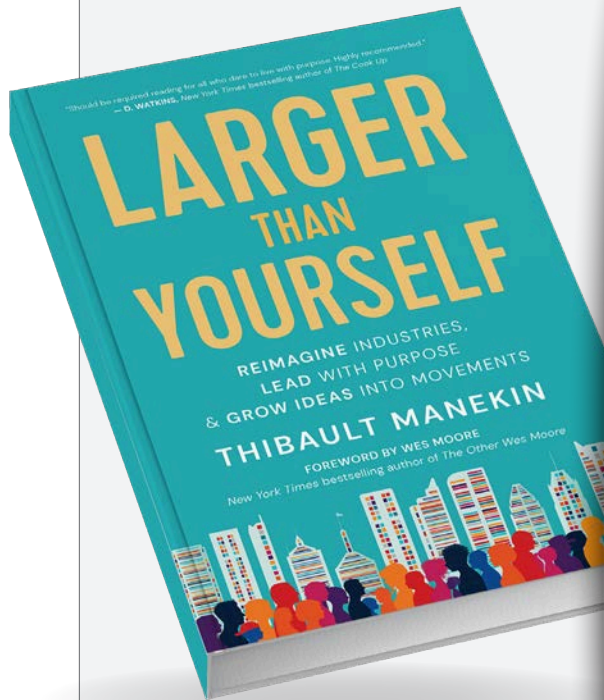
ever have been, but even more important than volume is that—no matter how busy they are—ALTA members continue to prioritize accuracy, security, and efficiency to ensure homebuyers are protected before they even step over their new threshold.”

The top 10 underwriters identified by ALTA are:

1. First American Title Insurance Co., 20.5%
2. Old Republic National Title Insurance Co., 14.8%
3. Chicago Title Insurance Co., 14%
4. Fidelity National Title Insurance Co., 13.5%
5. Stewart Title Guaranty Co., 8.9%
6. Westcor Land Title Insurance Co., 5.9%
7. Commonwealth Land Title Insurance Co., 4.1%
8. WFG National Title Insurance Co., 2.8%
9. Title Resources Guaranty Co., 2.4%
10. Doma Title Insurance Co., 1.9%

Top 5 States:

1. Texas, \$3.52 billion (+39.5%)
2. Florida, \$2.89 billion (+52.1%)
3. California, \$2.82 billion (+24.6%)
4. New York, \$1.45 billion (+42.8%)
5. Pennsylvania, \$1.18 billion (+42.4%)



Larger Than Yourself: Reimagine Industries, Lead with Purpose & Grow Ideas into Movements

By Thibault Manekin

Why does it seem that some ideas take off and rocket upwards, while others never make it off the ground? How can each of us harness the feeling of being part of something larger to turn it into a movement? In his first book, Thibault Manekin uses his literary prowess to tell stories of inspirational people and pivotal moments in their careers that defined them. He tells of his experiences helping to bridge social divides in war-torn countries through the use of sports to reimagining the real estate industry so that buildings empower communities and unite cities. The author gives seven distinct lessons that can become actional principles inspiring you in the pursuit of your own endeavors.

HACKING THE CONFIDENCE CODE



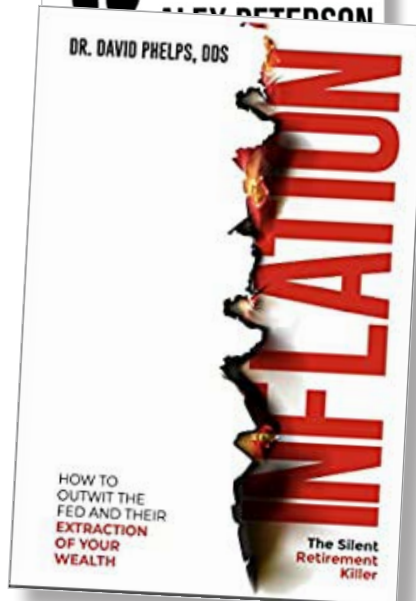
Communicate Confidence, Charisma and Status Wherever You Go, Even if You're Secretly Really Nervous

ALEX PETERSON

Hacking the Confidence Code: Communicate Confidence, Charisma and Status Wherever You Go, Even if You're Secretly Really Nervous

By Alex Peterson

It's no secret that confidence begets confidence, but what exactly defines confidence and makes people respond so well to it? Author Alex Peterson explores the bad side of confidence (spoiler: without confidence, everything is more difficult), and the good (confidence is not a genetic trait; it can be learned). Once you learn the key indicators of confidence, you can replicate them and watch your success with people skyrocket. This book will teach you everything you need to know to exude confidence and speak eloquently, which you can use to drive success and sway others to see your point of view.



Inflation: The Silent Retirement Killer: How to Outwit the Fed and Their Extraction of Your Wealth

By Dr. David Phelps

Inflation is the talk of the town at the moment, but can inflation actually be your friend and help you grow your wealth? Inflation can have devastating effects, and author Dr. David Phelps examines inflation throughout history, as well as the factors driving inflation today, and explains why the government needs inflation to make everything work. Left untreated, inflation can be a disease that wreaks havoc on investment and retirement plans, but you can make it your friend by correctly positioning yourself to take advantage of the situation and propel your financial security forward by riding inflationary waves.

DO YOU SPEAK PURCHASE?

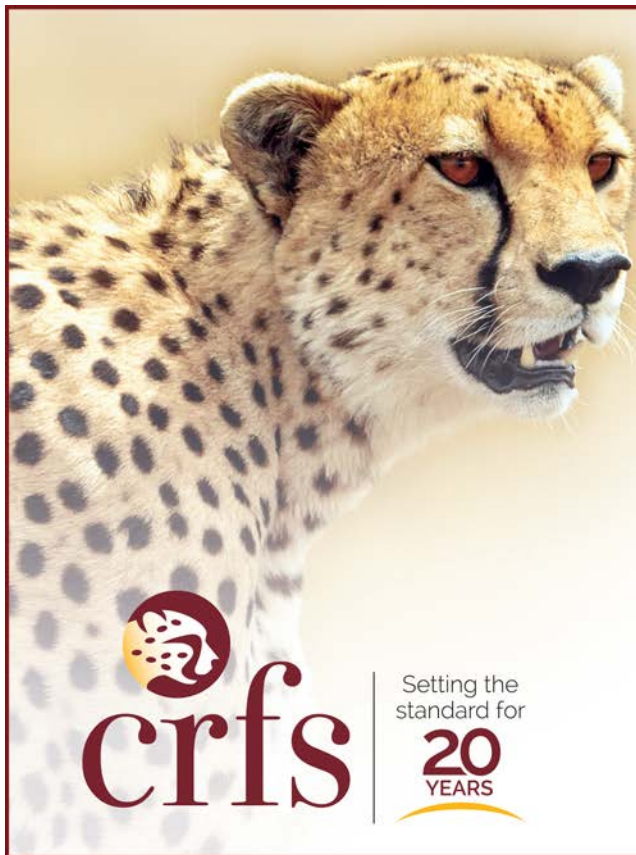
Finding and Negotiating Your Own Commercial Building



Do You Speak Purchase? Finding and Negotiating Your Own Commercial Building

By Lynn Drake

A commercial Realtor focused on maintaining "true north" for her clients, Lynn Drake's reputation is well known in the commercial real estate industry. Her accolades include completing over 1,400 real estate transactions and directing 1,000 Kelly Services branches across two countries. Publishing her second book on commercial real estate, Drake aims to reduce confusion and give real-world tips on the process of assembling a team that will guide you through the purchase process. This book brings together industry experts to explain what they do and why it is important to you.



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DO ALTERNATIVE CREDIT SCORING MODELS MATTER?

Competition ensures a healthy and productive market. Credit scores are no exception.

A new study commissioned by VantageScore Solutions, a consortium of the three credit bureaus (Equifax, Experian, and TransUnion), found that institutional investors with exposure to asset-backed securities (ABS) and residential mortgage-backed securities (RMBS) are supportive of competitive credit scoring methodologies and desire more transparency and inclusivity among credit scoring models used to underwrite the loans that collateralize the securities they purchase.

Specifically, the survey which included qualitative and quantitative research representing the views of a sum aggregate of \$47 trillion in assets under management (AUM), revealed that:

- » **Investors Want Alternative Scoring Models:** 93% of investors are open to considering alternatives to conventional scoring methodologies, with a similar level of support from those who focus on ABS and RMBS specifically (91%).
- » **Investors Demand Financially Inclusive Credit Scoring:** 85% of investors noted the importance of the development of models

that are more inclusive and incorporate methodologies that will enable the inclusion of the majority of the underserved communities across the U.S.

- » **More Transparency Is Key:** 58% agree greater transparency around how credit scores are calculated would be helpful.
- » **ESG Is Critical:** Investors believe Environmental Social Governance (ESG) already plays an important role in investor decisioning with 76% expecting this phenomenon to continue in the future. "This research shows that investors want credit scores to keep pace with demographic shifts and advances in technology and data innovation—without lowering risk standards," said Silvio Tavares, President & CEO of VantageScore. "There is clearly demand to move away from the status quo with an emphasis on increased inclusivity and transparency."

HOUSING INVENTORY GROWS FOR FIRST TIME IN THREE YEARS

New data suggests the U.S. housing market may have hit a turning point in its supply struggle in May, as active inventory recorded the first year-over-year increase since June 2019, according to the latest Realtor.com Monthly Housing Trends Report for May.

Meanwhile, the median national home price surged to an all-time high of \$447,000, and buyers snatched up listings a week faster than the same period in 2021.

“Among key factors fueling the inventory comeback are new sellers, who are listing homes at a rate not seen since 2019, as well as moderating demand, with pending listings declining year over year in May,” said Danielle Hale, Chief Economist for Realtor.com. “While this real estate refresh is welcome news in a still-undersupplied market, it has yet to make a dent in home price growth, partially due to increases in newly listed, larger homes, and because the typical seller outlook is quite high, likely shaped by recent experiences of homeowners who sold. Importantly, as 72% of this year’s sellers also plan to purchase a home, seller expectations will likely start to reflect buyers’ needs. In an early sign, the rate of sellers making price cuts accelerated in May.”

The U.S. inventory of active listings grew year over year for the first time since June 2019, with this comeback driven by two key trends:

- » New listings reached the highest level of any month in nearly three years, as rising numbers of sellers might be more confident in pursuing plans to list than last Spring when COVID-19 vaccines were just rolling out.
- » Higher housing costs are spurring a moderation in buyer demand, reflected in May’s bigger year-over-year declines in pending listings—those at various stages of the selling process that are not yet sold—compared to April, a sign of softening in the turnover rate of for-sale homes.

Nationally, the number of active listings increased 8.0% year over year in May but remained 48.5% below typical levels in May 2020 at the onset of COVID-19.

Compared to last month’s year-over-year changes, May’s national data showed a significant improvement in the new listings trend (+6.3% vs. 1.3%), and a bigger decline in pending listings (-12.6% vs. -8.7%).

Among May’s new listings, the share of smaller homes—up to 1,750 square feet—declined year over year (to 45.7% from 47.3%), while those with 1,750-plus square feet increased from 52.7% to 54.3%.

On average in the 50 largest U.S. markets, active inventory grew by double-digits (+14.9%) over May 2021 levels, with the biggest increases in the West (+33.6%) and South (+18.3%), led by Austin, Texas (+85.8%), Phoenix (+67.1%), and Sacramento, California (+54.6%). Active listings declined on a year-over-year basis in just eight markets.

Thirty markets posted annual gains in newly listed homes, with the biggest increases registered in southern metros: Raleigh, North Carolina (+27.9%); Nashville, Tennessee (+22.8%); and Las Vegas (+20.7%).

May’s increase in for-sale home options combined with softening buyer demand would typically drive a cooldown in home prices, but data shows that is not yet the case. In fact, the yearly growth rate in the U.S. median listing price accelerated from last month’s pace as the median listing price approached \$450,000 after just crossing the \$400,000 threshold in March.

From asking prices per square foot to pending listing prices, May housing trends suggest that a few factors are potentially driving the continued home price surge. These include a rising share of newly listed, larger homes by square footage and some sellers not yet adjusting to shifting supply and demand dynamics, including buyer interest in less

expensive homes.

The U.S. median listing price hit an all-time high of \$447,000 in May, rising at a faster year-over-year pace (+17.6%) than last month (+14.2%). On a square-foot basis, asking prices for active listings increased 16.2% over May 2021 levels.

In a potential sign of softening buyer demand at the national level, the median listing price of a typical pending listing decelerated in May over April, to a yearly rate of 16.2% from 17.2%. Additionally, the national share of listings that had their price reduced jumped to 10.5% in May from 7.0% in April, but the rate remains well below typical pre-COVID-19 levels.

Active listing prices in the nation’s largest metros grew by an average of 13.0% compared to last year in May, with the biggest gains recorded in Miami (+45.9%), Nashville (+32.5%), and Orlando, Florida (+32.4%).

In May, median listing prices were down year over year in just six large markets, which were: Pittsburgh (-10.5%); Rochester, New York (-9.7%); Cincinnati (-9.6%); Cleveland (-2.3%); Detroit (-1.8%); and Buffalo, New York (-1.2%).

Like norms one would expect to see in home price trends, the increase in for-sale home options combined with softening buyer demand would typically drive a deceleration in time on market. However, time on market data did not yet show this trend in May, as buyers snatched up listings more quickly than in any month in the Realtor.com data history going back to July 2016—a record that typically isn’t hit until the summer season.

For some homebuyers who have yet to be priced out of the market but can’t afford to compete by making a larger down payment, acting quickly might give them an edge. In May, the typical U.S. home spent 31 days on the market, a full week less (-6 days) than last year, and down 27 days compared to typical May 2017 to 2019 timing.

Across the 50 largest U.S. metros, the typical home spent 26 days on market, down six days year over year, with the biggest declines registered in the South (-7 days).

At the market level, homes saw the greatest yearly decline in time spent on market in Miami (-28 days), followed by a three-way tie between Hartford, Connecticut, Seattle, and San Jose, California (-12 days).



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Holly Mickens

Head of Talent
Solutions, SitusAMC



Holly Mickens serves as the Head of Talent Solutions for SitusAMC. In this role, she acts as a strategic business partner responsible for scaling, optimizing, and automating business processes and solutions that will enhance SitusAMC's Strategic Platforms businesses. She boasts over 15 years of broad experience in operations, finance, and strategic management, as well as implementing strategic initiatives with proven results.

Prior to joining the SitusAMC team in 2014, Mickens served as Director of Operations at Resources Global Professionals, where she oversaw the operational functions of six offices across the region and managed a team of professionals with expanded responsibilities across the east coast.

Prior to her tenure with Resources Global, Mickens held multiple roles within AT&T Corporation, including Chief of Staff in support of the Office of the Chairman and Chief Marketing Organization. During her tenure at AT&T, she was also chosen to participate in AT&T's Financial Leadership Program (AT&T's premier fast-track management training program) where she received the Outstanding Overall Performance Award.

How difficult is it to hire quality talent in today's environment?

The talent market has been extremely competitive over the past year. Organizations are having to rethink how they find talent

and the incentives they offer to bring them in. Recent volatility in the real estate industry is creating additional complexity as organizations are reimagining their talent models, balancing short-term profitability with longer-term business objectives. Whether they are expanding or contracting, savvy organizations need to ensure that the talent decisions they make today set them up for success in the future.

What incentives can companies use to recruit exceptional talent that work?

It starts with an understanding on what is important to the candidate. What might work for one person may not resonate with another. Having recruiters who know the market and know how to engage candidates as individuals is crucial.

We ultimately found that leaving or joining a company is rarely only about money. This past year, we spoke with hundreds of candidates and employees. They cited a strong company culture, an organization that fosters a positive work/

“When it comes to the remote working conversations, the companies that keep an open mind and a flexible, employee-centric approach will win in the end.”

life balance, and an environment that supports learning and growth as their top reasons why they joined or stayed at a company.

Are talented professionals more eager to work remotely or return to the office environment? What impact are these preferences having on staffing models?

Overall, we continue to see support for the hybrid work model, but the pendulum tends to swing depending on what stage a candidate is in their career. We have seen a growing propensity among junior talent to want to be in the office. They want to be part of a team and community environment and get exposure to leadership they simply can't get at home. More senior talent tends to gravitate to remote work. They feel like their days are more productive by eliminating their commutes and limiting distractions.

That said, all employees seem to enjoy the benefits and flexibility of a hybrid model. They like the energy, excitement, and collaboration an office environment inspires. At the same time, they relish the option to be remote, especially on the tail end of a week, so they can catch up on busy work or, dare we say, run that midday errand.

Does working remotely hinder or enhance growth opportunities?

In terms of personal growth for the employee, it's not one-size-fits-all. We've seen many individuals thrive in remote environments and others struggle. That's why many

organizations are looking to hybrid models to support different working styles. When it comes to the remote working conversations, the companies that keep an open mind and a flexible, employee-centric approach will win in the end.

Are more employees looking for a healthy work-life balance? How does that play into an organization's need for long-term growth?

Based on our surveys of hundreds of employees and candidates, work-life balance only accounted for 10% of the reasons why someone leaves an organization. At the same time, employers should focus on how they can support and encourage employees to have lives outside of work and pursue their personal interests. Balance leads to happiness, and happiness leads to productivity. We need to focus less on hours worked and focus more on impact delivered. This will always be better for the employee and the employer.

How can mortgage companies train new talent to become future leaders? What are the best training methods?

Growth and learning are by far the most important factors behind why someone joins and stays at a company. In fact, our surveys found that 55% of people cite a lack of growth and learning as the reason they leave companies. Savvy organizations are investing in programs and platforms to help employees grow. This might include structured mentorship programs, learning and development curriculum, or allowances to take courses or certifications.

How can mortgage companies motivate talented individuals for better production and stimulate greater interest in their position?

Not surprisingly, in talking with candidates and employees alike, job satisfaction is key. Employees at all levels want to be respected. This goes back to promoting a strong company culture. Employees want leaders to do what they say and say what they do. It is critical that all employees feel that they are part of a larger vision and that their work directly contributes to the company's goals, regardless of their level or role. Employees want access to leaders, and they want their opinions to be heard. In short, better culture leads to better teams, which leads to better business results.

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PRIVATE MORTGAGE INSURERS TRANSFER RISK ON \$2.8T OF COVERAGE

The U.S. Mortgage Insurers (USMI), which is the trade association representing the nation's leading private mortgage insurance companies, has announced the industry has transferred more than \$55 billion in risk on nearly \$2.8 trillion of insurance-in-force from 2015–2021.

This use of MI credit risk transfer (MI-CRT) reduced volatility in the business and brought more sources of private capital to the housing finance market.

According to USMI, MI-CRT, combined with enhanced capital standards required by the government-sponsored enterprises (GSEs) and the Federal Housing Finance Agency (FHFA), has transformed the industry from a cyclical business to a more stable, long-term manager of mortgage credit risk.

“While some housing market participants either paused or reduced their CRT activities during the past two challenging years, the private MI industry continued to execute CRT transactions,” USMI President Lindsey Johnson said. “This underscores the confidence investors

and reinsurers have in the private MI industry in terms of the critical role we play in helping millions of people access affordable mortgage credit while taking a disciplined approach to writing new business.”

Johnson recently discussed MI-CRT with National MI President and CEO Adam Pollitzer: “MI-CRT is central to how the private MI industry manages credit risk. The tools we use—insurance-linked notes offerings, excess of loss reinsurance treaties, and quota share reinsurance agreements—each serve to absorb risk and loss in stress scenarios,” Pollitzer said. “CRT enhances our counterparties’ strength, bolsters and diversifies our funding profile beyond entity-based equity capital, and allows us to write more business and support more borrowers with greater efficiency. Every dollar of risk transferred through CRT opens another dollar of mortgage volume that we can support for new borrowers.”

Between 2015–2021, the private MI industry issued 49 insurance-linked notes

transferring \$20 billion of risk on more than \$2 trillion of notional mortgages to capital market investors. That constitutes \$55 billion of risk transferred off private mortgage insurers’ balance sheets, meaning additional capacity to support new waves of borrowers.

In 2021 alone, the industry insured \$1.4 trillion of mortgages, including \$1.2 trillion of mortgages backed by GSEs.

“The private MI industry is better positioned today than ever before to support borrowers in need and provide private capital solutions that insulate lenders, the GSEs, and ultimately taxpayers from risk and loss in the event of an economic downturn,” Pollitzer said. “Over the last 10 years, the terms of our coverage, the regulatory framework governing our actions, our funding requirements and capital position, our underwriting standards, and the way we approach evaluating risk, pricing policies, and managing our tail exposure have all fundamentally changed. And the performance of the private MI industry through the arc of the pandemic serves as a highlight.”

The MI industry has enabled more than 37 million families to access affordable, low down payment mortgages in its 65-year history. In 2021, the industry enabled nearly 2 million borrowers to access mortgage finance credit and supported \$585 billion in mortgage originations. Nearly 60% of these insured loans went to first-time homebuyers, over 40% went to borrowers with incomes below \$75,000, and the average loan amount for a mortgage with private MI was approximately \$310,000.

The USMI says that it works closely with federal policymakers, industry groups, and consumer organizations to support and advocate for low down payment homebuyers and homeowners throughout the year. The organization sent letters and released statements in support of bipartisan and bicameral legislative initiatives to make permanent the ability of homeowners to deduct MI premiums from federal income; submitted a comment letter on the Federal Housing Finance Agency’s (FHFA) Request for Input (RFI) on its Equitable Housing Finance Plans; and joined the Black Homeownership Collaborative in calling on the Biden administration to focus on the critical need for housing production to address the significant deficit that continues to drive up home prices across the country.



RATE ENVIRONMENT PUTTING THE SQUEEZE ON HOUSING MARKET

According to the National Association of Realtors (NAR), existing-home sales fell for the second consecutive month in March, to a seasonally adjusted annual rate of 5.77 million, falling 2.7% month over month from February, while declining 4.5% year over year. NAR defines total existing-home sales as completed transactions that include single-family homes, townhomes, condominiums, and co-ops.

“The housing market is starting to feel the impact of sharply rising mortgage rates and higher inflation taking a hit on purchasing power,” NAR Chief Economist Lawrence Yun said. “Still, homes are selling rapidly, and home price gains remain in the double-digits.”

NAR reported that total U.S. housing inventory at the end of March stood at 950,000 units, up 11.8% from February’s totals, but down 9.5% from just one year ago when the nation’s housing supply sat at 1.05 million. Unsold inventory currently sits at a two-month supply at the present sales pace, up from 1.7 months in February, and down from 2.1 months in March 2021.

“The number of home sellers continues to trail what the market has seen in prior years meaning that relatively low numbers of homes

for sale remain an obstacle for buyers, even as we move past the seasonal low-point in the number of options for homebuyers,” Realtor.com Chief Economist Danielle Hale said.

The median existing-home price for all housing types in March rose significantly to \$375,300, up 15% from March 2021 when the median price was \$326,300, as prices rose in each region. This increase marks 121 consecutive months of year-over-year increases.

“And against this backdrop, the typical home sales price continues to rise, up 15% nationwide in March, outstripping even the 40-year high pace of consumer price inflation, which was up 8.5%,” Hale said. “Combined with the rise in mortgage rates over the last year, the cost of financing the typical home sold in March is \$395 or roughly 32% higher than this time last year—nearly four times recent overall inflation. Home price growth and the rising cost of financing the home purchase is causing some homebuyers to think twice about whether or not a home is in their budget, especially when inflation is already stretching budgets thin from rising costs on everything from gas to groceries.”

As mortgage rates continue to rise, having recently hit an 11-year high of 5%, more are being shut out of the market, especially first-time buyers who are also feeling the pinch of inflationary pressure. NAR reported that first-time buyers were responsible for 30% of sales in March, up from 29% in February, but down from 32% in March 2021.

“It appears first-time homebuyers are still looking to lock in at current mortgage rates before they inevitably increase,” Yun said.

Regionally, existing-home sales in the Northeast slid 2.9% in March, recording an annual rate of 670,000, an 11.8% drop from March 2021. The median price in the Northeast was \$390,200, up 6.8% from one year ago. Existing-home sales in the Midwest declined 4.5% from the prior month to an annual rate of 1,270,000 in March, a 3.1% drop from March 2021. The median price in the Midwest was \$271,000, a 10.4% jump from March 2021. In the South, existing-home sales dipped 3% in March from the prior month, registering an annual rate of 2,620,000, a decrease of 3% from one year ago. The median price in the South was \$339,000, a 21.2% surge from one year prior. For the seventh straight month, the South experienced the highest pace of price appreciation in comparison to the other three regions. Finally, in the West, existing-home sales held steady compared to the previous month, posting an annual rate of 1,210,000 in March, down 4.7% year over year. The median price in the West was \$519,900, up 5.4% from March 2021.

SPOTLIGHT PROFILE **GOVERNMENT**

**Julia Gordon
Sworn in
as FHA
Commissioner**



Julia Gordon has been sworn in as Assistant Secretary for Housing for the U.S. Department of Housing & Urban Development (HUD) and Commissioner of the Federal Housing Administration (FHA) by HUD Secretary Marcia L. Fudge.

“Julia is a respected leader with decades of experience working to create more vibrant and equitable communities,” HUD Secretary Fudge said. “She brings a depth of expertise and perspective to FHA at a critical time for our country’s housing market. Her leadership will be invaluable as we work to expand access to safe, affordable, and sustainable housing.”

Gordon was confirmed by the U.S. Senate on May 12, 2022, by a 51-50 vote, with the tie broken by Vice President Kamala Harris. Originally nominated June 24, 2021, for the role of FHA Commissioner by President Joe Biden, Gordon most recently served as President of the National Community Stabilization Trust (NCST), a Washington, D.C.-based nonprofit organization that facilitates the transfer of foreclosed and abandoned properties from financial institutions to local housing organizations to promote property reuse and neighborhood stability.

“I’m honored to serve in the Biden-Harris administration as HUD’s Assistant Secretary for Housing and as the Commissioner of the Federal Housing Administration, and for the opportunity to ensure that our communities have the equitable opportunity to thrive,” Commissioner Gordon said. “HUD’s Office of Housing and

the FHA are critical to the Department’s work, and I’m delighted to be a part of a strong team in strengthening our communities and meeting urgent needs in the housing market. I look forward to joining Secretary Fudge and HUD in delivering our mission to create affordable and inclusive communities and quality homes for all.”

“I look forward to joining Secretary [Marcia] Fudge and HUD in delivering our mission to create affordable and inclusive communities and quality homes for all.”

—Julia Gordon, FHA Commissioner

GOVERNMENT

**FED CHAIR POWELL
CONFIRMED BY SENATE
FOR SECOND TERM**



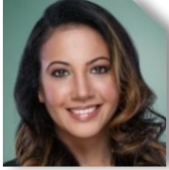
Jerome Powell has been confirmed by the U.S. Senate for a second term as Chairman of the Board of Governors of the Federal Reserve System for a term of four years, by a vote of 80-19 (one senator did not vote).

Powell took office for his first term on February 5, 2018. In addition to serving as Chair of the Fed, Powell also serves as Chairman of the Federal Open Market Committee (FOMC), the System’s principal monetary policymaking body. He has served as a member of the Board of Governors since taking office on May 25, 2012, to fill an unexpired term, and was reappointed to the Board and sworn in on June 16, 2014, for a term ending January 31, 2028.

Prior to his appointment to the Fed, Powell was a visiting scholar at the Bipartisan Policy Center in Washington, D.C., where he focused on federal and state fiscal issues. From 1997-2005, Powell was a Partner at The Carlyle Group. He also served as an Assistant Secretary and as Under Secretary of the U.S. Department of the Treasury under President George H.W. Bush, responsible for policy on financial institutions, the Treasury debt market, and related areas. Prior to joining the Bush administration, Powell worked as a lawyer and investment banker in New York City.

“I have made it clear that tackling inflation is my top domestic priority,” said U.S. President Joe Biden in a statement. “So I am pleased to see the Senate take a step forward on my agenda to get inflation under control by confirming my nominees to the Fed. I want to thank the Senate for confirming Jerome Powell, Dr. Lisa Cook, and Dr. Philip Jefferson this week, joining the recent confirmation of Dr. Lael Brainard. The Federal Reserve plays a primary role in fighting inflation, and these well-qualified members of the Board will bring the skill and knowledge needed at this critical time for our economy and families across the country.”

HUD NAMES ELIZABETH DE LEÓN BHARGAVA ASSISTANT SECRETARY FOR ADMINISTRATION



Elizabeth de León Bhargava has been sworn in as Assistant Secretary for Administration for the U.S. Department of Housing & Urban Development

(HUD).

“I’m pleased to swear in Elizabeth de León Bhargava as HUD’s Assistant Secretary for Administration,” HUD Secretary Marcia L. Fudge said. “Elizabeth is an exceptional public servant with a distinguished track record of growing diverse, inclusive, and talented workforces in the public sector. Her leadership and expertise will be invaluable as we continue to strengthen HUD’s internal capacity and efficiency to meet the housing needs of America’s families and communities.”

Assistant Secretary Bhargava has served as an executive in the public sector for more than 20 years, including previously as New York State Deputy Secretary for Labor & Workforce. Assistant Secretary Bhargava has also served as a senior advisor to the Speaker of the New York City Council, Deputy Commissioner of the New York City Department of Small Business Services, and Assistant Deputy Counselor in the New York State Office of the Attorney General. She was confirmed by the Senate on May 3, 2022.

“I’m honored to serve in the Biden-Harris administration as HUD’s Assistant Secretary for Administration and for the opportunity to ensure that our communities have the strong foundation of dedicated public servants advocating for their equitable access to thrive,” Assistant Secretary Bhargava said. “HUD’s Office of Administration plays a vital role in the Department’s work, and I’m pleased to join such a talented staff in strengthening and enabling HUD’s workforce. I look forward to joining Secretary Fudge and HUD in delivering our mission to create strong, sustainable, inclusive communities and quality affordable homes for all.”

SENATE CONFIRMS THOMPSON AS FHFA DIRECTOR



Sandra L. Thompson has been officially confirmed by the U.S. Senate as the next Director of the Federal Housing Finance Agency (FHFA), by a vote of 49-46.

On June 23, 2021, the White House appointed Thompson as Acting Director of the FHFA, and prior to that, she served as Deputy Director of the Division of Housing Mission and Goals (DHMG). Her official nomination was sent to the Senate by President Joe Biden on December 17, 2021, and on March 16, 2022, the Senate Banking Committee advanced Thompson’s nomination by a vote of 13-11.

Since March 2013, as the DHMG Deputy Director, Thompson oversaw the FHFA’s housing and regulatory policy, capital policy, financial analysis, fair lending, and all mission activities for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

Prior to joining the FHFA, Thompson worked at the Federal Deposit Insurance Corporation (FDIC) for more than 23 years in a variety of leadership positions, including as Director of the Division of Risk Management Supervision. During her tenure at the FDIC, Thompson led the agency’s examination and enforcement program for risk management and consumer protection. She also led the FDIC’s outreach initiatives in response to a crisis of consumer confidence in the banking system. Her experiences range from supervision to consumer protection, risk management, and consumer outreach activities.

SERVICE PROVIDERS

CENLAR NAMES STEVEN TAYLOR SVP/CIO



Mortgage loan subservicer and federally chartered wholesale bank Cenlar FSB has named 35-year industry veteran **Steven Taylor** as its new SVP, Chief Information

Officer (CIO).

Taylor has a track record of guiding IT transformation, design, deployment, and integration initiatives, including multiple large-scale corporate mergers and acquisitions (M&A) integrations. With his expertise in high-level operational and technical skill sets, Steven will align the technology plan with the business plan, as Cenlar continues to evolve.

“Steven has a wealth of experience and will be an instrumental partner to the business as we continue to further invest in multiple technologies, including automation that will streamline processes to better serve our employees, clients and their homeowners,” Cenlar EVP and COO Rob Lux said.

Taylor previously served as President and CEO of his own consulting firm, where he advised C-suite corporate leaders on the need for technology investments to drive transformative growth. He led several successful M&A transactions, providing consultation services to executive leaders. Before he was a consultant, Taylor held multiple roles at Fidelity National Financial and Fidelity Information Services, most recently as Account & Technical Delivery Executive where he delivered operational and technical guidance, and coaching to a multidisciplinary team of more than 100.

BSI ADDS TWO TO DRIVE HR AND INVESTOR REPORTING



BSI Financial Services has announced the additions of **Sean McGowan** as Chief People Officer and **Shannon Clay** as SVP of Investor Reporting.



McGowan comes to BSI with more than 20 years of experience, and will be responsible for developing and executing a human resource strategy in support of BSI's overall business plan and strategic direction, specifically in the areas of talent management, organizational and performance management, training and development, and compensation. McGowan has held leadership positions at Accenture, Bank of America, and Mr. Cooper. Most recently, he led Appspace, a global software company providing a workplace experience platform.

Clay will be responsible for managing BSI's investor reporting team and reconciliations and treasury cash management and will drive overall secondary market accounting process improvement and profitability initiatives. She brings more than 20 years of experience in mortgage investment and portfolio management to her role, as well as knowledge of end-to-end servicing, including loan modifications and cash management. Most recently, Clay served as SVP of Investor Services for Mr. Cooper, where she led significant cost and quality management initiatives. After graduating from Texas A&M University, she joined Saxon Mortgage, where she led improvements in securities reporting. She has held leadership positions at both Countrywide and Saxon, where she improved accuracy and efficiency of distressed asset fulfillment.

NEW WESTERN ADDS GOOGLE/EBAY VET AS CFO



New Western, a provider of distressed residential investment properties, has named **Dipak Joshi** as its new CFO, where he will be responsible for overseeing

all financial matters for the company's three divisions and will help accelerate and support its aggressive growth plans.

In 2005, Joshi moved to the United States and worked as Director of Acquisitions for eBay—completing 42 transactions. From 2006-2010, he served as Corporate Financial Controller of Google in Silicon Valley, before leaving to move into the startup world as CFO at multiple companies. New Western marks Joshi's sixth growth company, having worked as CFO at FuzeBox, Milestone Internet, BitTorrent, Retail Solutions, and SightCall. He is a U.K. Qualified Accountant and holds an MBA from the Fuqua School of Business from Duke University.

With more than 25 years of experience, Joshi has a proven record of success in scaling businesses nationally and internationally. Before joining New Western, Joshi scaled three startup ventures in the United States, in addition to building global shared services centers for Siemens in the U.K., Munich, Singapore, and Kuala Lumpur. He also helped grow eBay in Switzerland, driving revenue to more than \$1 billion while managing SOX compliance.

"I am excited to be a part of a strong growth company that has created an important solution for investors looking for much-needed residential inventory to revitalize and return to the market," Joshi said. "New Western has raised the bar for how real estate companies find, purchase, and sell properties. I am looking forward to lending my expertise in leading and expanding financial operations for the company."

DOUG JORGENSEN JOINS INCENTER AS BUSINESS DEVELOPMENT CONSULTANT



Incenter LLC has announced that **Doug Jorgenson** has joined the company as a Consultant with the Enterprise Business Development team. In his

new role, he will meet with C-level executives at top servicers, discuss their opportunities and challenges, and introduce them to Incenter's solutions and technologies.

"Facing the potential for increased defaults and redefaults, servicers must have the ability to quickly adapt their products, pricing, and processes," Jorgenson said. "They have a great deal of opportunity to do just that by adopting Incenter's clear-eyed processing solutions and innovative technologies."

Jorgenson has more than 30 years' industry experience, recently retired from First American Mortgage Solutions as Senior VP and Strategic Account Director. During his tenure with the company, he held a variety of executive roles including overseeing default title management, accounting management, and development of loss mitigation products and services. In former positions with other servicers, he also managed foreclosures, bankruptcies, default reporting, reconveyances, loss mitigation, collections, and mortgage claims.

TECHNOLOGY PROVIDERS

SFR PLATFORM PROGRESS RESIDENTIAL NAMES ADOLFO VILLAGOMEZ AS CEO



Progress Residential, Pretium's single-family rental (SFR) platform, has named **Adolfo Villagomez** as its new CEO. Villagomez brings more than two

decades of experience leading consumer-facing businesses and delivering profitable growth in both digital and traditional domains.

“Pretium’s leadership position enables us to attract phenomenal talent like Adolfo,” said Don Mullen, CEO of Pretium and Founder of Progress Residential. “As Progress Residential enters its next phase of innovation, I am thrilled to welcome Adolfo as CEO.”

Most recently, Villagomez served as President of HomeDepot.com and CMO for U.S. Retail at The Home Depot. During the pandemic, Villagomez’s customer-focused business strategy led to double-digit growth in sales and revenue for the home retailer. Prior to joining The Home Depot, Villagomez was a Partner at McKinsey and Company, where he led its North America Marketing and Sales Practice. He began his career at DuPont, in its Teflon and Fluoroproducts businesses.

RISKSPAN NAMES DANIEL FLEISHMAN MANAGING DIRECTOR OF MSR



RiskSpan has appointed **Daniel Fleishman** as Managing Director within its Mortgage Servicing Rights (MSR) unit.

Fleishman’s career includes 17 years at BlackRock where he worked extensively with banks, mortgage companies, and REITs to support MSR valuation, risk measurement, and hedging practices. In that role, Fleishman gained deep expertise in MSR cash flow and mortgage modeling as well as experience managing diverse client needs ranging from model validation to MSR acquisition analysis. Earlier in his career, he also spent more than a decade at the Federal Reserve Bank of New York.

“I am delighted about this opportunity to be a part of such a dynamic company in this new role,” Fleishman said. “I look forward to helping Edge users manage multiple loan-level datasets with ease and visualize servicing cash flows and analytics rapidly and with granularity.”

Bernadette Kogler, CEO of RiskSpan added, “Dan’s extensive expertise with mortgage and MSR analytics is a wonderful complement to our Edge Platform. With the MSR application starting to gain real traction, Dan is just the person to help ensure our clients are getting all they can out of the capability.”

MORTGAGE CONNECT ADDS JANE KENNEDY AS SVP OF DEFAULT DIVISION



Jane Kennedy has joined Pittsburgh-based Mortgage Connect LP as SVP of Sales and Strategy for the company’s Default Division, where she will oversee the

progression of key initiatives, including enhancing the company’s line of default services. In addition, Kennedy will also lead Mortgage Connect’s National Default Sales team.

She brings more than two decades of industry experience to the role, starting her career as an attorney focused on the banking industry.

“Our focus on delivering best-in-class default and loss mitigation solutions starts with the partner experience,” said Jeff Coury, CEO of Mortgage Connect. “Jane will be a key part of realizing our goal of continuing to expand our model nationwide and enable partners to enhance efficiencies, increase velocity, and to mitigate risk—all essential components in today’s volatile market.”

With a background in default servicing and the legal side of the mortgage industry, Kennedy worked for LandAmerica Lenders Services and ServiceLink before landing with Mortgage Connect. Kennedy says the entrepreneurial spirit of Mortgage Connect and its client-centric reputation provides the opportunity to create solutions for the unique issues facing each servicer, lender, or investor and to provide clients with confidence in their vendor management partnerships.

“Our focus on delivering best-in-class default and loss mitigation solutions starts with the partner experience.”

—Jeff Coury, CEO of Mortgage Connect

LEGAL PROVIDERS

MCCALLA RAYMER LEIBERT PIERCE OPENS OREGON OFFICE



McCalla Raymer Leibert Pierce LLP (MRLP) has announced its Northwest expansion with the opening of its newest office in Clackamas, Oregon, with the addition of lawyers **Carrie Majors-Staab** and **Cara Richter**, who will be based in the new Oregon office. Additionally, **Laura Coughlin** has joined MRLP as Managing Attorney of its Washington foreclosure practice and will be based in the firm’s Bellevue, Washington office.



McCalla Raymer Leibert Pierce is a provider of legal services to the financial services and mortgage banking industries, handling a full range of regulatory compliance issues, legislative issues, residential and commercial foreclosures, retail closings, commercial transactions, commercial litigation, bankruptcies, evictions, and related litigation matters for many of the nation’s largest financial institutions.

“I am very excited for the continued expansion of MRLP,” said Michael Gonzales, Managing Partner for MRLP’s West Coast Foreclosure and Litigation Groups. “We have built an incredibly talented, driven team in Oregon and Washington and look forward to partnering with our clients to resolve the challenges they face.”

“We have built an incredibly talented, driven team in Oregon and Washington and look forward to partnering with our clients to resolve the challenges they face.”

—Michael Gonzales, Managing Partner for MRLP’s West Coast Foreclosure and Litigation Group



SUBURBAN HOME VALUES GROWING FASTER THAN IN URBAN CORES

Woodinville, Washington, is Zillow's most popular market of early 2022, leading a list of fast-growing suburbs as the most in-demand places to start off the year. As more data emerges that remote work is a driving force behind fast home value growth in the suburbs, expensive suburban markets are seeing strong demand.

Woodinville, located outside of Seattle, topped the list. Following close behind were Burke, Virginia, in the Washington, D.C., area; Highlands Ranch, Colorado, outside of Denver; Westchase, Florida, near Tampa; and Edmonds, Washington, also in the Seattle metro.

"The most popular markets so far this year paint a picture of how remote work has changed the U.S. housing landscape," Zillow Economist Nicole Bachaud said. "Demand for suburban homes found an extra gear last summer, perhaps as buyers gained more clarity in their employers' return-to-office policies. Research suggests the rise of remote work is responsible for roughly half of home price growth during the pandemic. How many employers continue to allow this flexibility for employees to live where they choose will go a long way toward determining

which markets are most in demand in the future."

Especially strong home buyer interest has caused suburban home values to grow faster than home values in urban areas, a reversal of previous norms and from the first 15 months of the pandemic.

Remote work is a driving force behind this shift, prompting home buyers to prioritize affordability and space over a short commute. More than half of the gain in U.S. home prices since late 2019 can be attributed to remote work, according to research from the National Bureau of Economic Research.

The suburbs that beat out all others to top Zillow's latest list of the most popular markets are seeing home values grow faster on a quarterly basis than the principal city in their metro area, indicating stronger demand. Eight of the top 10 have a typical home value higher than their nearby principal city, and seven of those have a typical home value that's more than \$150,000 higher.

Regionally, Havertown, Pennsylvania, outside of Philadelphia, is Zillow's most popular market in the Northeast, edging out

four Boston suburbs: Billerica, Framingham, Waltham, and Arlington. In the central region, Ballwin, Missouri, near St. Louis, is joined in the top five by Grand Rapids, Michigan, and three pricey Dallas suburbs: Coppell, Plano, and Prosper. Denver suburbs dominated the mountain region, taking the top eight spots in Zillow's rankings.

Zillow's Top 10 Most Popular Markets and Nearest Metros

1. Woodinville, Washington (Seattle)
2. Burke, Virginia (Washington, D.C.)
3. Highlands Ranch, Colorado (Denver)
4. Westchase, Florida (Tampa)
5. Edmonds, Washington (Seattle)
6. Yorba Linda, California (Los Angeles)
7. Johns Creek, Georgia (Atlanta)
8. Tustin, California (Los Angeles)
9. Ballwin, Missouri (St. Louis)
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DISTRESSED HOME SALES DOWN YOY IN APRIL

Amid rising rates and strong inflationary concerns, the National Association of Realtors (NAR) reports that existing-home sales in April fell for the third consecutive month to a seasonally adjusted annual rate of 5.61 million, as sales were down 2.4% from March 2022, and down 5.9% year over year. NAR defines “total existing-home sales” as completed transactions that include single-family homes, townhomes, condominiums, and co-ops.

“Higher home prices and sharply higher mortgage rates have reduced buyer activity,” said Lawrence Yun, Chief Economist, NAR. “It looks like more declines are imminent in the upcoming months, and we’ll likely return to the pre-pandemic home sales activity after the remarkable surge over the past two years.”

Rates have pressed above the 5.0% mark, as Freddie Mac reports in its latest Primary Mortgage Market Survey (PMMS), the 30-year fixed-rate mortgage (FRM) was down to 5.25% week over week. And as rates move northward, more and more prospective buyers are waiting for rates to cool before locking in their homes.

Distressed sales—foreclosures and short sales—represented less than 1% of total home sales in April 2022, equal to the percentage seen in March, and down from 2% year over year.

Individual investors or second-home buyers, who make up many cash sales, purchased 17% of the homes available nationwide in April, down from 18% in March, and equal to 17% in April 2021.

And as more buyers wait for things to simmer down, more inventory has hit the market. Slower demand has pushed the inventory of unsold existing homes to 1.03 million at the end of April, up 10.8% from March 2022’s totals, and down 10.4% in April

year over year (1.15 million). Unsold inventory currently sits at a 2.2-months’ supply at the current sales pace, up from 1.9 months’ supply in March, and down from 2.3 months’ supply in April 2021.

“Inventory is a key component of housing market conditions, and the limited availability of homes for sale has been adding to upward pressure on prices, delaying some purchase activity,” AVP of Economic and Industry Forecasting for the Mortgage Bankers Association (MBA) Joel Kan said. “While there was a slight increase in the number of homes for sale to just over one million units, this was likely due to the declining sales pace as demand slows. At just over a two-month supply, inventory is still extremely low by historical standards, and the recent slowdown in residential construction activity may prolong this shortage.”

As Kan references, the slowdown in residential construction was measured this week by the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), which found that builder sentiment declined for the fifth straight month, recording its lowest reading since June 2020.

Continuing to rise was the median existing-home sales prices, which rose in April 2022 at a slower year-over-year pace of 14.8% to \$391,200, marking 122 consecutive months of year-over-year increases.

Contributing to this rise is the continued rising cost of raw materials and supplies, with latest Producer Price Index (PPI) report released by the Bureau of Labor Statistics (BLS), finding the price of goods used in residential construction climbing 0.5% in April, a 4.9% increase in building materials prices since the start of 2022. Building materials prices were found to be up 19.2% year over year in

April and have risen 35.6% since the start of the pandemic.

While the price of softwood lumber fell in April 2022, dipping 15.6% in April, the cost of steel mill products climbed 2.4% in April—the first monthly increase since December 2021, and ready-mix concrete rose 1.3% in April as well.

Regionally, existing-home sales in the Northeast rose 1.5% in April, reaching an annual rate of 670,000, a 10.7% slide from April 2021. The median price in the Northeast was \$412,100, up 8.1% from one year ago.

Existing-home sales in the Midwest grew 3.1% from the prior month to an annual rate of 1,310,000 in April, a 1.5% drop from April 2021. The median price in the Midwest was \$282,000, an 8.7% increase from one year ago.

Existing-home sales in the South fell 4.6% in April, posting an annual rate of 2,490,000, which represents a decrease of 5.7% from one year ago. The median price in the South was \$352,100, a 22.2% climb from one year prior. For the eighth consecutive month, the South recorded the highest pace of price appreciation in comparison to the other three regions. Additionally, the South is the only region to report year-over-year double-digit price gains.

Existing-home sales in the West dipped 5.8% compared to the previous month, registering an annual rate of 1,140,000 in April, down 8.1% from one year ago. The median price in the West was \$523,000, up 4.3% from April 2021.

“Homeowners considering a sale this year still hold most of the cards, but will want to keep on top of a rapidly-adjusting market poised for a reset—a real estate refresh,” Realtor.com Chief Economist Danielle Hale said. “Realtor.com housing data shows that there were fewer homes actively for sale in April than in the year prior, but by the first week of May, the trend flattened. In the most recent weekly data, we saw the biggest yearly jump in active listings since March 2019, as more homeowners decided to sell and more searchers decided to hit pause. The combination of these trends means home shoppers—at least those who can navigate higher mortgage rates and monthly payments—will have more homes to choose from relative to last year, even as options are fewer than before the pandemic.”

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PANDEMIC RIPPLE CREATES BETTER MARKET FOR URBAN PROPERTIES

In many ways, the COVID-19 pandemic is largely behind us. Even so, ripples from early in the pandemic are still affecting the market today.

According to a new report from Zillow, for the first time over a decade, it is easier to buy a home in the city versus a suburb. A key factor behind this is the massive appreciation of suburban homes, which is indicative of stronger demand and fiercer competition for this type of housing.

Zillow says that even though competition for properties of all types is strong in most of the country, there are still opportunities to be found.

The study found that suburban ZIP codes saw home values rise faster than ZIP codes in traditionally urban areas. The typical home in the suburbs gained \$66,490 in value in the past

year, compared to \$61,671 for a typical urban home.

This atypical move is a 180-degree turn from the “norms” seen during the first 15 months of the pandemic. From 2013-2021, urban homes were generally gaining value more quickly.

“In the beginning of the pandemic, home values in urban areas generally outpaced suburban areas, counter to what many expected during the rush for more space,” Zillow Economist Nicole Bachaud said. “And while urban home value gains have continued to accelerate, the suburbs are even hotter, showing just how strong demand is for limited suburban inventory. That could mean competition for homes will be lighter near city centers this home shopping season, something we haven’t been able to say for nearly a decade. That’s not

to say shopping for a home in the city will be a leisurely affair, but any sliver of opportunity for buyers is welcome in this market.”

It’s no secret that the switch to remote work changed the U.S. housing landscape; the National Bureau of Economic Research further found the shift to remote work is responsible for more than half of the gain in U.S. home prices since late 2019, and that the “evolution of remote work is likely to have a major impact on the future path of home values.”

Zillow also said there are signs that demand may be shifting back in favor of urban homes according to data from the first three months of the year—annual suburban home value growth outpaced urban home value growth by about \$7,250 in December, but only by about \$4,820 in March.

“The shift has been more pronounced in a few metro areas where suburban home values grew especially fast compared to urban home values in 2021: San Francisco, Columbus, Seattle, and Boston,” Zillow said. “This may reflect home buyers reacting to employers’ return-to-office plans, realizing that the cost savings of a move to the suburbs are not as big as they once were, or sensing that competition may not be as stiff for homes in urban parts of the metro.”



INVESTING IN APPRAISAL MODERNIZATION CAN BOOST THE BOTTOM LINE

Time and time again, proverbs across time and cultures tell a tale of a protagonist who refused to get with the times by refusing to accept modern ways of doing business or new technologies. But, according to Fannie Mae's Economic & Strategic Research Group (ESR) appraisal modernization could affect your profits depending on the speed at which it is adopted.

Continuing a quarterly survey of mortgage executives that initially started in 2014, Fannie Mae has published its latest Mortgage Lender Sentiment Survey for the first quarter of 2022 finding that lenders see considerable value in modernization.

The survey, which was conducted during the first two weeks of February polling 200 senior executives, intends to assess their views and outlooks across varied dimensions of the mortgage market. The 200 executives represent 188 institutions of which 83 were non-depository mortgage banks, 62 depository institutions, and 40 credit unions.

As a whole, the survey revealed that nearly all lenders surveyed believe that appraisal modernization is valuable to the mortgage

industry and that Collateral Underwriter (CU) and other third-party tools have been helpful in managing collateral risk. Lenders identified inspection-based appraisal waivers and non-traditional appraisals (desktop appraisals or hybrid appraisals) as the most beneficial areas to adopt.

As a whole, 94% of respondents say modernization is valuable, while 61% say it is "very valuable."

Thirty-two percent say inspection-based appraisal waivers are the most important adoption when considering speed, then integration with LOS (loan origination systems). Thirty percent say non-traditional appraisals (such as desktop appraisals or hybrid appraisals) are the key to speeding up the process.

The biggest reported benefit to modernization was shortening the loan origination time, but even then, that is hampered by the lack of industry-wide adoption.

Respondents ranked appraisal modernization as third on their list of priority upgrades. The most popular (40%) area of

modernization was consumer facing allowing the applicant to submit documents, sign disclosures, and monitor their status during application process. The second most popular area (39%) of modernization was e-mortgages. Placing third was modernization (29%) which entails appraisal modernization technology, tools, and processes (new or updated software, adapting internal processes to take advantage of new options such as desktop appraisals).

"Appraisal costs and turn-around times have gone up considerably while UCDP valuation feedback has declined," one anonymous appraiser was quoted as saying. "This points to inefficiency that needs to be addressed. AUD feedback should allow for more appraisal waivers and AVM valuation instead of full appraisals."

Another was quoted as saying, "Currently, the appraisal process is the biggest issue facing the mortgage industry. It causes significant delays, higher costs (due to involvement of AMCs, and there are fewer experienced practitioners that understand more complex collateral assignments)."

Those against modernization in the survey cited different standards from municipality-to-municipality and increased fraud as reasons against it.

But by far, the largest amount (59%) of respondents modernized to shorten the loan cycle time in appraisal modernization.

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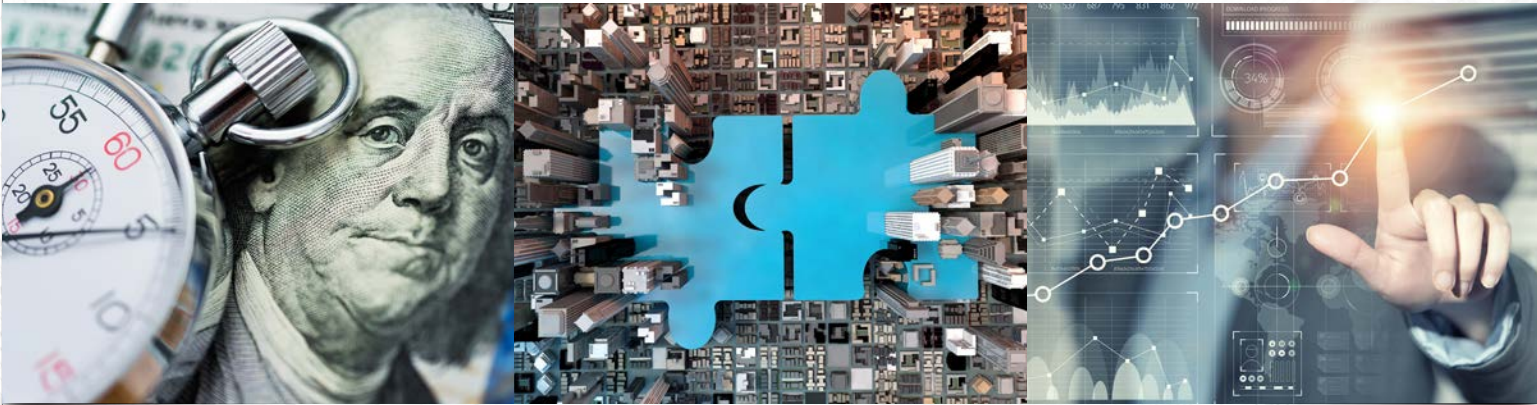
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Industry Updates

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





MR. COOPER POSTS Q1 GAINS

Dallas-based mortgage servicer Mr. Cooper Group Inc., which principally operates under the Mr. Cooper and Xome brands, has reported a Q1 2022 net income of \$658 million.

Led by the recent “attractively priced acquisition opportunities” including the closing of a deal with Sagent—which netted the company a \$223 million gain—the company’s servicing unpaid balance (UPB) grew to \$796 billion, up 27% year over year.

The deal with Sagent, originally announced in February, allows Sagent to buy certain intellectual property rights related to Mr. Cooper’s proprietary, cloud-based technology platform for mortgage servicing, and Mr. Cooper will receive an equity stake in Sagent. Sagent has integrated Mr. Cooper’s platform into a cloud-native core and licensed the resulting cloud-based servicing platform to Mr. Cooper and other

servicers, including Sagent’s large customer base of banks and independent mortgage companies. Sagent will begin marketing the cloud-based servicing platform to other mortgage companies in 2023.

Mr. Cooper’s servicing segment currently contains 3.9 million customers, and recorded a pretax income of \$558 million in Q1. Mr. Cooper’s servicing generated pretax operating income, excluding other market-to-market, of \$7 million. At the close of Q1, the carrying value of the Mortgage Servicing Rights (MSRs) was \$6,006 million equivalent to 146 bps of MSR UPB.

“During the quarter, we were able to react quickly and take advantage of attractively priced acquisition opportunities, and we were awarded sizeable subservicing mandates, which together produced spectacular growth in our servicing portfolio, which reached \$796 billion,” Mr. Cooper

Chairman and CEO Jay Bray said. “We now have 3.9 million customers, and nothing is more important to us than delighting every single customer with a personalized, friction-free experience that helps them achieve their goals.”

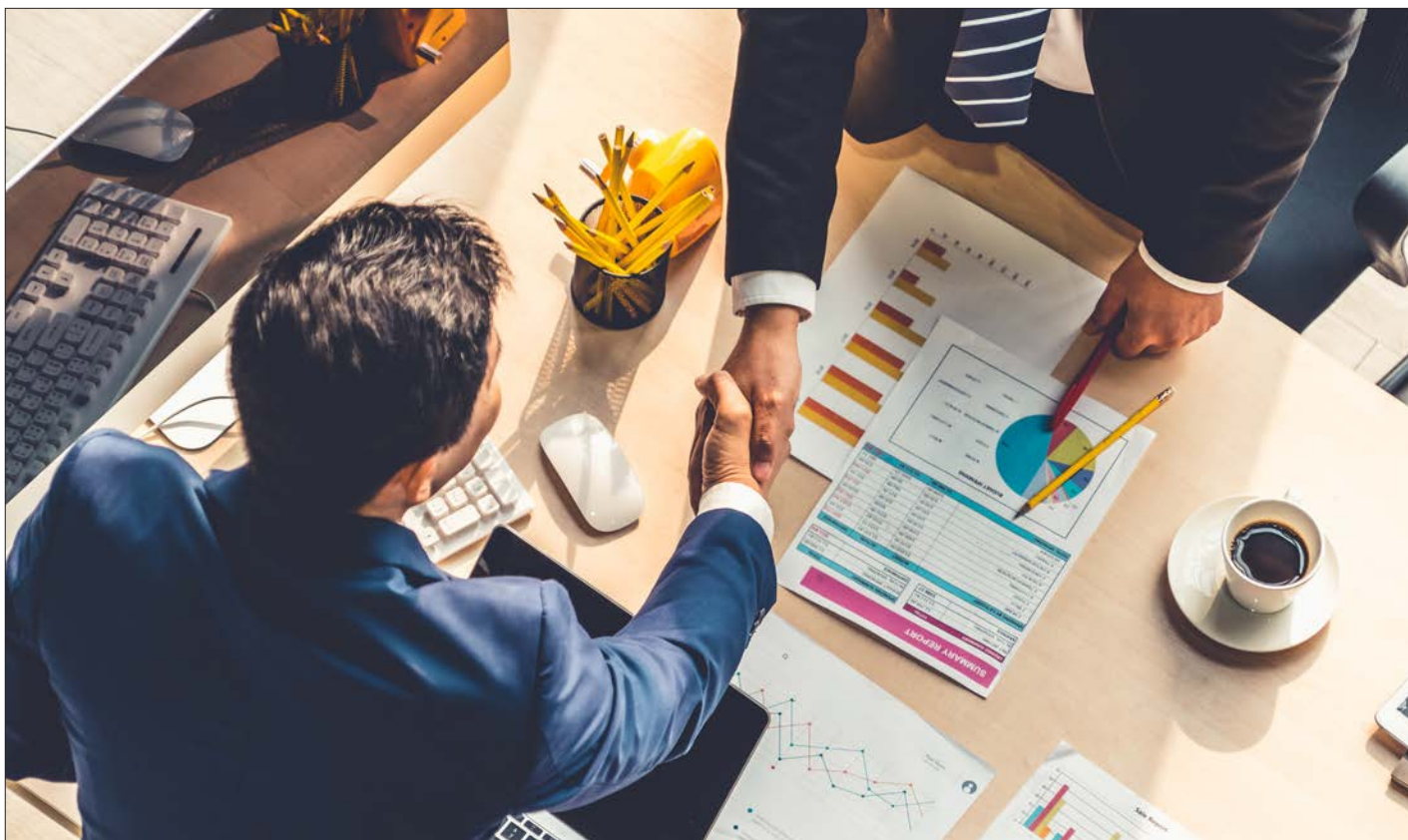
The company’s origination segment earned a pretax income of \$155 million, with a pretax operating income of \$157 million, which excluded \$2 million in charges related to severance.

In total, Mr. Cooper funded 46,933 loans in Q1, earning approximately \$11.6 billion UPB, comprised of \$7.8 billion in direct-to-consumer and \$3.8 billion in correspondent. Funded volume decreased 33% quarter over quarter, while pull through adjusted volume decreased 30% quarter over quarter to \$10.3 billion.

“While the sharp rise in interest rates will place pressure on the originations industry, we are in a much better position than most, as we stand to benefit from significant improvements in servicing profitability during 2022,” said Chris Marshall, Mr. Cooper’s Vice Chairman and President.



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ICE ANNOUNCES DEAL TO ACQUIRE BLACK KNIGHT

Intercontinental Exchange Inc. (ICE) has announced the acquisition of Black Knight Inc. in a cash and stock transaction at a market value of \$13.1 billion.

ICE is the same firm that purchased cloud-based platform Ellie Mae for \$11 billion in August 2020, following a \$335 million deal for Simplifile in 2019. ICE also took a majority stake of MERS in 2016, and purchased the company outright in 2018.

“ICE already owns Encompass, the most commonly utilized loan origination system. Black Knight has a competing LOS called Empower,” said Gabriel Skelton, Director of Banking and Mortgage Automation Solutions at OpenBots, in a LinkedIn post. “Additionally,

Black Knight has one of the most popular loan servicing systems with their MSP product. Not to mention the ICE also owns the New York Stock Exchange. If this gets passed by regulators, what will this mean for the mortgage technology industry? Will ICE delve into Intelligent Document Processing, Robotic Process Automation, or Artificial Intelligence next within their systems?”

The addition of Black Knight’s tech solutions strengthens ICE’s growing mortgage technology business by increasing automation, while harnessing data that can help current homeowners lower their monthly payments and lessen the likelihood of default.

Based in Jacksonville, Florida, Black Knight

employs approximately 6,500 and is a provider of an integrated ecosystem of software, data, and analytics solutions serving the real estate and housing finance markets.

Eric Lee, VP at Black Knight, was excited at news of the \$13.1 billion deal, “Big news for ICE, Black Knight, and our customers. Exciting things to come for everyone!” he wrote via LinkedIn.

The ICE-Black Knight transaction is expected to close in the first half of 2023, following the receipt of regulatory approvals, Black Knight stockholder approval, and the satisfaction of customary closing conditions.

“Black Knight shares our passion for leveraging technology to serve customers and households, and, with our expertise in operating networks and marketplaces, our planned acquisition will bring to life a true end-to-end solution for the mortgage manufacturing and servicing ecosystem, benefitting aspiring and current homeowners across the United States,” said Jeffrey C. Sprecher, Founder, Chair, and CEO of ICE.



REALTOR.COM NOW GAUGES WILDFIRE RISKS

As we enter wildfire season in much of the country, Realtor.com announced that it is the first major real estate site to add property-specific wildfire risk information to for-sale and off-market homes free of cost. An estimated one in five single-family homes in the U.S., representing \$8.8 trillion in property value, are at risk of being damaged by a wildfire over the next 30 years. Listings on Realtor.com will now include a “Fire Factor” rating from First Street Foundation, a non-profit research and technology group, as well as information from USDA Forest Service.

“Realtor.com was the first real estate site to display flood risk data on home listings and maps, which consumers have found to be extremely helpful in the buying process. As

the likelihood of natural disasters like wildfire and flood increase, we want to provide as much information as possible for families to make informed decisions about where to live and how to protect their homes,” said Sara Brinton, Lead Product Manager for Realtor.com. “By integrating wildfire risk data directly into maps and property listings, we can help homebuyers feel confident when making one of the biggest purchases of their lives.”

According to a recent survey from Realtor.com and HarrisX, 71% of recent homebuyers took natural disasters into account when considering where to move. Additionally, 47% of recent buyers are more concerned about natural disasters today than they were just five years ago.

Wildfire risk data is not just useful for buyers; it also enables homeowners to take steps to mitigate risk and protect their property. This new integration on Realtor.com gives homebuyers and owners easy access to previously hard-to-find information about wildfires and property risk for free. Users can explore wildfire risk on interactive maps across the Realtor.com site. In addition, Realtor.com listings now include a new Environmental Risk section featuring an overview of wildfire and flood risks. Wildfire risk information includes:

- » Fire Factor from First Street Foundation, which is a simple risk rating on a scale of 1-10 based on the property’s cumulative risk of wildfire damage over 30 years. The Fire Factor score considers property specific attributes such as exposure to embers, the extent and type of fuel sources, such as trees, grass and other vegetation, and the distance between a building and the nearest fuel sources.
- » The USDA Forest Service Wildfire rating compares the wildfire risk of the county where the property is located to other counties across the country.



BRACE UNVEILS NEW DEFAULT MANAGEMENT PLATFORM

Mortgage servicing infrastructure fintech provider Brace has launched its next generation Default Management Platform, featuring an end-to-end solution for both consumers and servicers. Brace's platform integrates live workflows, tasking, communications, and performance reporting into a single environment that decisions the right loss mitigation result for each homeowner's situation.

Brace's consumer-enabled process starts with a guided mobile and desktop interface that provides consumers with 24/7 access to apply and monitor their application. Once the application is received, servicers' side workflow and tasks are automated, adjusting live to each progressive data point, increasing team productivity, and servicing margins. With each step of the process, live reporting is provided to enable responsive team

management and through audit trails.

"Transparent, live information and activities are at the core of all the capabilities we've baked into this unified solution," said Robert Brueckmann, VP of Engineering at Brace. "The importance of providing information to everyone in a single source of truth cannot be emphasized enough, especially at a time when so many homeowners are distressed. The connectivity in our platform elevates efficiency and reduces risks in a way that has not yet been seen in our industry."

The new Brace platform will also support servicers in their onboarding of remote licensed professionals who are moving from a pullback in originations into servicing divisions. The platform has been designed to onboard and train team members in a compliant and efficient manner, with a skill-based tasking system that enables a new team member to build proficiency in individual tasks as they grow their skills capabilities without slowing down the workflow.



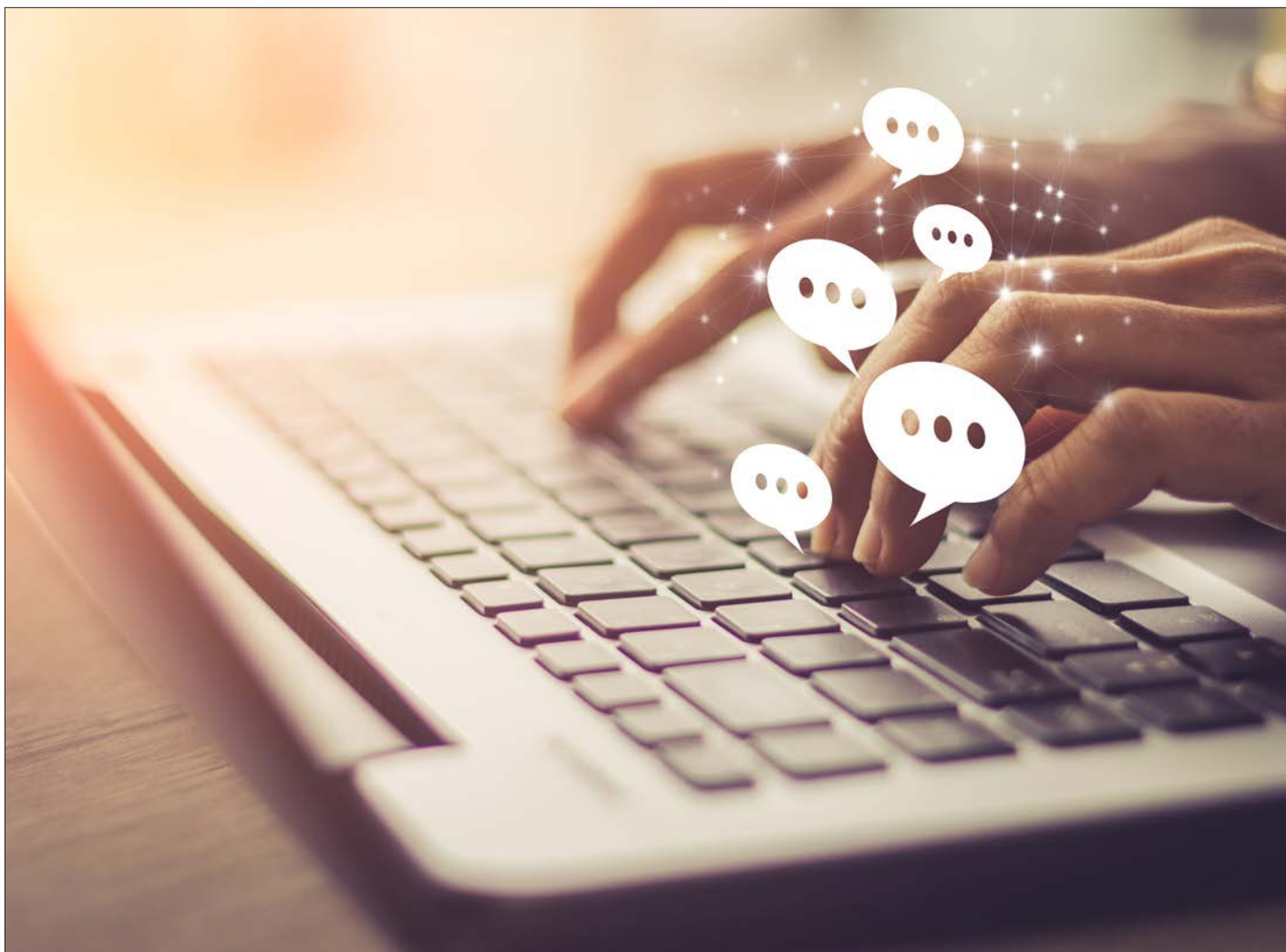
PLAZA HOME MORTGAGE ANNOUNCES NEW USDA RENOVATION OFFERING

Plaza Home Mortgage has announced a new USDA renovation loan program that will enable qualified low- to moderate-income borrowers to purchase and renovate with no down payment and with loan amounts up to the “as improved” value.

“Buy and repair has become an important strategy in today’s inventory-challenged housing market, as other GSE and government mortgage programs have recognized” said Michael Fontaine, Co-President and COO at Plaza Home

Mortgage. “Now, thanks to Plaza offering its USDA renovation program, more brokers and correspondent lenders will be able to offer these same opportunities to eligible rural homebuyers.”

The program, which will be made available through Plaza’s Wholesale and National Correspondent Divisions, offers fixed rates and 100% financing on owner-occupied, single-family properties in eligible USDA rural areas. Borrowers must meet USDA income requirements and Plaza’s minimum credit score of 620. The loans can be used to purchase a home and complete upgrades, like modernizing kitchens and bathrooms, building additions, adding amenities to accommodate disabilities, installing energy conservation improvements, and repairing Accessory Dwelling Units (ADUs).



NEW AGILE CHAT FUNCTION GEARED FOR LENDERS AND BROKER DEALERS

Agile, a fintech offering bringing mortgage lenders and broker dealers onto a single electronic platform, has launched Agile Chat, a new chat feature designed to increase transparency and efficiency between lenders and broker dealers.

With the addition of messaging

functionality on Agile's electronic mortgage-backed securities (MBS) platform, dealers and lenders can discuss transaction details, trade levels, MBS pooling, and more through the embedded functionality. Agile's chat functionality has been designed to help close the gap between trading counterparties and

encourage a sense of community.

"The new chat functionality deepens the lines of communication between dealers and lenders for a more efficient trading experience," said Andrew Rhodes, Director of Technology at Agile. "We believe that every counterparty deserves access to a fair, efficient, and transparent marketplace, and we hope this feature will help streamline communication between lenders and dealers on our platform and further democratize TBA MBS trading."

Agile Chat is enabled with retention and monitoring features for compliance, and is ready for use on Agile's electronic platform. Chat will further enhance Agile's TBA RFQ Platform and MBS Pool Bidding.



WOLTERS KLUWER LAUNCHES OMNIVault FOR REAL ESTATE FINANCE

Wolters Kluwer Compliance Solutions has launched its OmniVault for Real Estate Finance solution. OmniVault for Real Estate Finance uses the company's eVault technology to support digital home equity lending, both HELOCs and home equity loans, in addition to already supported conventional, U.S. government, and jumbo first mortgages.

Wolters Kluwer's technology enables banks and credit unions to originate digital

HELOCs as a Digital Original, rather than just a PDF or a paper document. When a HELOC is created within the OmniVault for Real Estate Finance offering, it establishes the Digital Original of the HELOC, ensuring verifiable ownership and control, and enabling the sale, transferability, pledging, syndication, and securitization of these digital assets. The offering includes a digitally sealed audit trail providing an irrefutable chain of custody and evidence for

the digital assets.

Digital HELOCs can be stored, managed, and easily transferred in and out of an eVault on a single platform. The OmniVault Real Estate Finance solution provides clients with the same user experience and visibility across all asset classes.

"Banks, credit unions and, to some extent, mortgage banks are focusing on home equity lending, with mortgage refinances down and homeowners having high home equity gains over recent years," said Steven Meirink, EVP and General Manager of Wolters Kluwer Compliance Solutions. "Being able to offer digital HELOCs will help lenders differentiate their customer experience, while our OmniVault will give institutions simple, consistent ways to originate and manage digital real estate assets across their organizations. Many of the largest financial institutions are already Wolters Kluwer eOriginal clients, so leveraging OmniVault by adding digital HELOCs can easily be done under their current MSAs."



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FIRST AMERICAN PURCHASES MOTHER LODGE HOLDING

First American Financial Corporation, a provider of title, settlement, and risk solutions for real estate transactions, has completed the acquisition of Mother Lode Holding Company, a California-based provider of title insurance, underwriting, and escrow services for residential and commercial real estate transactions with 17 operating subsidiaries throughout the U.S., including its principal subsidiary Placer Title Company.

“We are pleased to welcome Mother Lode and its over 1,000 people to the First American

family,” said Ken DeGiorgio, CEO of First American Financial Corporation. “The addition of Mother Lode will augment our efforts to expand our coverage in key growth markets and increase our ability to serve customers in many of the country’s strongest housing markets.”

Mother Lode Holding Company’s subsidiaries are premier brands within their respective real estate communities, and with 92 offices in 11 states, the company is rooted in a 49-year track record of providing superior customer service. Mother Lode’s subsidiaries

operate primarily in California, Idaho, Montana, Wyoming, Texas, Arizona, Washington, and New Mexico. Customers of Mother Lode Holding Company’s operating subsidiaries will benefit from enhanced underwriting resources and the industry’s largest property and ownership dataset, as well as access to other industry-leading resources for residential transactions.

Mother Lode Holding CEO Randy Bradley, COO Lisa Steele, and President Darrick Blatnick will continue to lead the company, which will now operate as a wholly-owned subsidiary of First American. The company and its operating subsidiaries will continue to operate under their existing brands.

“Joining First American will provide new opportunities for our staff as we continue to serve our customers in this dynamic real estate market,” Bradley said. “We’re also pleased to join a company that similarly values fostering an employee-centric culture, which is reflected in First American’s being named one of the 100 Best Companies to Work for by Great Place to Work and *Fortune* magazine for the seventh consecutive year.”

RISING TO THE CHALLENGE

With our nation and our industry facing continued and mounting threats from damaging natural disasters each new year, *DS News* speaks with a cross-section of experts about the challenges faced and solutions required.

The mortgage servicing industry, and related satellite sectors such as property preservation providers, have navigated enormous challenges over the past two years, with headwinds both global and particular to the business of mortgage. But even amidst the unpredictable eddies of a global health crisis, the industry has continued facing the rising waters, both literal and metaphorical, of waves of increasingly common, and increasingly damaging, climate-related natural disasters.

Hurricanes buffet coastal areas, causing both wind damage and widespread flooding. Drought continues to linger throughout many parts of the nation, with wildfires becoming an increasingly familiar presence throughout the west and southwest portions of the country.

CoreLogic's 2021 Climate Change Catastrophe Report reported that more than 14.5 million single- and multifamily homes were impacted by the largest natural catastrophe events of 2021, with an estimated

\$56.92 billion in property damage. The Catastrophe Report further detailed that over 14.5 million homes were impacted by hurricanes, wildfires, winter storms, or severe weather in 2021.

According to data from the National Centers for Environmental Information and National Oceanic and Atmospheric Administration (NOAA): "In 2021, there were 20 weather/climate disaster events with losses exceeding \$1 billion each to affect the United States. These events included 1

drought event, 2 flooding events, 11 severe storm events, 4 tropical cyclone events, 1 wildfire event, and 1 winter storm event. Overall, these events resulted in the deaths of 724 people and had significant economic effects on the areas impacted. The 1980–2021 annual average is 7.7 events (CPI-adjusted); the annual average for the most recent 5 years (2017–2021) is 17.8 events (CPI-adjusted)."

According to May data from First Street Foundation's Wildfire Model, there are nearly 20 million properties that face "Moderate" risk of wildfire (up to a 6% chance of experiencing a wildfire over 30 years). NOAA data notes that the financial toll associated with wildfires has grown substantially, especially over the last half-decade, with \$81.7 billion or 66% of all direct losses since 1980, occurring over the last five years.

With FHFA Director Sandra Thompson having stated that "climate change poses a serious threat to the U.S. housing finance system," there's no question that climate-related disasters remain a stark and expanding



**CHALLENGES
AHEAD**

"If embraced and used properly, various forms of AI can save time and money to execute insurance claims after a natural disaster strikes."

**-Henriette Fleischmann,
Co-Founder, Hosta AI**

challenge that the mortgage and housing industries must navigate in the decades to come. With that in mind, *DS News* has once again checked in with some of the industry's subject matter experts on the topic to learn how the organizations dealing with the front-line fallout are tackling the difficulties and planning for the future.



**HENRIETTE
FLEISCHMANN,
Co-Founder, Hosta AI**

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

All homes with a mortgage have insurance. Making sure that in the event of a disaster, such as a flood or fire, the homeowner can respond quickly and file a claim easily is important. We developed Hosta AI to allow the homeowner to capture images that help assess the damage and process the claim. The idea of getting the homeowner back into the home and return to actively paying the mortgage is essential. The

faster the homeowner returns to the home and some sense of normalcy, the less likely the mortgage will default after a disaster. Automate as many processes as possible to work on disaster recovery, provide fast service to people in need, and be cost-effective while providing superior services.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

Technology that is hands-off and less intrusive, that doesn't require face-to-face visits, is increasing in popularity. We launched Hosta AI in 2020, during the pandemic. The fact that our technology does not require a visit from an insurance claims representative is a big part of our value proposition. If the homeowner can file the insurance claim with minimal hassle, more claims can be filed quickly and efficiently.

Remote services were strongly on the rise during COVID-19. It created a shift in the industry, strongly driven by customers. That enabled a change that was previously considered to be years away in the industry. A huge opportunity to streamline processes, create superior user experience, and leverage a workforce that is just not big enough in cases of disasters.

How can technology best be leveraged to help predict, address, and solve these problems?

Artificial intelligence (AI) is becoming more mainstream every day. Technology can be helpful to the consumer and should be leveraged to improve the user experience. Large amounts of data can be harnessed to deliver answers quickly. AI allows us to process mountains of information quickly. If embraced and used properly, various forms of AI can save time and money to execute insurance claims after a natural disaster strikes.

There's a huge opportunity to predict the impact of disasters through existing data—weather forecasts, policy data, aerial images, etc.—and then create rules engines based on those forecasts. For example, when smaller losses are predicted as an outcome of a weather event, Hosta AI can automatically create a link for a policy holder to capture the loss, enable an estimate within a day, and enable the policy holder to get their repair managed in no time.



**LOUIS HARMAN,
Director, Property
Preservation and Loss
Drafts, Carrington
Mortgage Services, LLC**

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

You need to ingest FEMA declarations as they occur, identify Presidentially Declared Major Disaster Areas (PDMDAs) offering individual assistance—versus other types of declarations and programs—and then verify your exposure.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

Tracking natural disasters independent from COVID-19 runs cleaner. Both scenarios can result in a forbearance, and each forbearance can have its own end-date. So, it's a cleaner output to track each event and associated end-date independently. For example, declaration protections tend to expire in 90 days, whereas forbearances tend to carry out for much longer periods. Don't conflate the data.

What are some ways climate change is impacting the industry and the way it must do business in the decades to come?

Recognizing that PDMDA tracking occurs daily, year-round, and the influence is interdepartmental. Plumb your process to capture each PDMDA lifecycle, triggering communications to customers and mechanisms that identify when customers opt-out of protections, then opt back-in, versus those that remain silent.

How can technology best be leveraged to help predict, address, and solve these problems?

Technology is the basis to plumb and manage the entire process to capture multiple lifecycles running concurrent at different intervals. Separately, we use tech to assess our national exposure, as well as to identify hot spots where patterns reveal themselves.

Are there any other important aspects of

natural disaster/climate change response that you think should be on the industry's radar right now?

It's critical to understand that PDMDA tracking is a daily process that remains active throughout the year. Don't wait for a PDMDA to occur and expect to react. You need a disciplined process in place with one owner, with rules defined at each entrance, and with established controls to ensure intersecting departments are doing what they should be doing. If you're doing all that, then you will always be ready.



LAURA MACINTYRE,
President, DIMONT

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

One of the most critical components of preparing for the increasing damage related to natural disaster is to ensure that homes are properly insured. We are seeing increasing cases where homes are not insured, underinsured, or have clauses excluding specific damages related to natural disasters. These situations are leaving the borrowers, mortgage companies, and investors at risk of losing the equity in the property. It is critical to review policy exemptions and certain exclusions to protect against future losses. As the mortgage industry is entering uncharted territory, it will be critical for the mortgage community to be on top of their portfolios in order to preserve and protect against any blight in their communities.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

No one could have predicted COVID-19. However, as we are rounding the corner and nearing the end of COVID-19, we have learned that people are resilient, and they have found ways to be resourceful. The mortgage community responded by being flexible with borrowers when experiencing damage or loss to their home and the communities partnered with local and federal agencies to ensure borrowers were able to get their homes

repaired or appropriate measures were taken to ensure borrowers were not displaced. As we dealt with social distancing, vendors had to get creative to ensure properties were being inspected and safety precautions were being adhered to. The use of new technologies, including drone and AI solutions, were quickly implemented, which aided in helping borrowers and the mortgage community stay close to understanding the conditions of properties.

What are some ways climate change is impacting the industry and the way it must do business in the decades to come?

Climate change is putting more homes at risk of natural disasters, specifically flooding. We are seeing more flood damage in areas that had not previously been designated as flood zones. Since they are not flood zones, flood insurance is not required, and neither the borrower nor the servicer are prepared to handle damage related to rising waters. More education and communication relating to natural disasters needs to be at the forefront of our government so that our communities are prepared for whatever comes their way.

How can technology best be leveraged to help predict, address, and solve these problems?

Improved topology mapping, forecasting, and AI and drone technologies can be used to improve the predictions of homes that may be impacted by rising water associated with climate change, resulting in better information for our mortgage community to ensure the appropriate insurance has been placed on the home.

Are there any other important aspects of natural disaster/climate change response that you think should be on the industry's radar right now?

Given where our country is relating to inflation, gas prices, and the crisis impacting our supply chain (specifically materials and lumber), we will see a slowdown in properties being repaired and possibly issues relating to access to supplies which may cause further delays. The mortgage community and our entire industry should recognize that, ultimately, these issues may have an impact on housing prices and housing supply as properties may take longer to repair, which will have an overall impact on our housing market.



JERRY MAVELLIA, CEO,
Guardian Asset Management

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

The frequency and size of recent disasters have been unprecedented and, thus, the proper level of coordination must happen quickly and decisively. Past disaster responses have provided a great learning opportunity to be better prepared for when the next disaster strikes. Preparedness should include efforts to assist both homeowners and servicers.

Communication and collaboration between the servicers and investors, visits to the disaster areas, and the suspension of foreclosures will help minimize losses to all involved. This can be critical during recovery efforts, and thus servicers are encouraged to monitor all communications through accurate and timely documentation in their systems. To that end, best practices for servicers must include a disaster response policy and procedures with documentation of all communications with the borrowers to support compliance with fair servicing requirements.



JON MAYNELL, JR.,
President, Advanced Data Corporation

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

We need to understand and plan for the short- and long-term consequences to help as many affected homeowners as possible. For example, how will property values change over time in affected areas? We're not just concerned with how this will impact verification and underwriting for mortgages on these properties, but also with how we can best cultivate the most likely migration target areas.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

People, more than ever, are looking to their homes as something that provides peace of mind. We, as an industry, need to be prepared to do whatever it takes, collectively, to help anyone impacted by global pandemic and/or global warming-related events. We saw the industry take some of the strongest measures ever to help borrowers retain ownership of their homes during the COVID-19 recession, which I believe is emblematic of how we'd respond to any other challenges of this type that occur going forward.

What are some ways climate change is impacting the industry and the way it must do business in the decades to come?

Cultivating new or refining insurance products to ensure a swift response to natural disasters is certainly at or near the top. We need to be mindful of the fact that homeowners are much more mobile than ever before given the much higher incidence of remote workers in the post-COVID-19 era. Also, affected areas will likely see the need for expanded financing to cover preemptive protection for their properties, such as hurricane shutters or water conservation equipment, which very well may present new verification and underwriting challenges.

How can technology best be leveraged to help predict, address, and solve these problems?

With technology, we can deal with all these problems efficiently and get homeowners the solutions they require quickly. This will increase loan complexity, adding additional underwriting steps. Mortgage loans generally become more complex over time, making the use of automation more important to control costs and prevent increases in cycle time.

Are there any other important aspects of natural disaster/climate change response that you think should be on the industry's radar right now?

The fact that it is getting increased attention is encouraging, but we cannot lose sight of the idea that our measures must be preventive, not reactive. It's a matter of doing what's necessary to understand all potential outcomes and consequences, in order to make provisions for as many eventualities as possible.



RYAN MCGUINNESS,
Director, Mortgage Servicing Policy, Single-Family Servicing, Freddie Mac

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

It is important to develop and maintain a strong disaster playbook, including:

- Readily available special policies and programs to address the needs of impacted borrowers
- Educational resources to help borrowers to understand their options
- Organizational processes for monitoring and assessing existing policies and to determine if/when additional communication is needed
- Transparency with borrowers and the industry, including collaboration with other industry participants for both concept collaboration and external education on disaster program parameters

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

Freddie Mac's initial response to provide assistance for COVID-19 hardships was to leverage existing disaster solutions to the extent possible in order to provide assurance immediately that solutions are available. Adjustments were then made as necessary to account for the specific challenges presented by the pandemic. Probably the key solution that was developed to help borrowers withstand COVID-19-related hardships was the COVID-19 Payment Deferral, which has been very successful in reinstating loans for borrowers who became delinquent as a result of the pandemic but were able to resume their normal monthly payments with the help of forbearance. As a result of that success, we were able to adjust the COVID-19 Payment Deferral to create the new Disaster Payment Deferral. Interestingly, disaster policy helped to inform how we began to respond to the pandemic, and later as we worked through the crisis, pandemic policy would quickly return the favor and strengthen our disaster playbook even further.



CHAD MOSLEY,
President, MCS

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

Servicers and their vendors should have a plan in place before a disastrous event impacts a community. This includes plans for customer outreach, incoming customer service inquiries, vendor availability, access to properties, managing an increase in loss draft inspections, etc. Technology is also a valuable tool to identify the areas that are more severely impacted. It will allow servicers to place extra focus on those borrowers and properties in the severely impacted areas.

Are there any other important aspects of natural disaster/climate change response that you think should be on the industry's radar right now?

Perspective and preparation are key. As the adage goes, you must hope for the best and prepare for the worst. It is not acceptable to view operations from an "if" a natural disaster will occur point of view, but rather, you need to manage operations knowing a natural disaster "will" occur and will disrupt normal business activities.



TODD PAWLINSKI, VP,
Mortgage Operations Manager, US Bank

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

Plan ahead. It's easy to become complacent during an inactive disaster cycle. Develop a disaster playbook within your organization and ensure everyone knows their role in executing a response.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

You must be agile as an organization and able to pivot in response to regulatory and

process changes while keeping the customer in the forefront. Also, ensure you partner with your change management organization in an effort to track and implement necessary procedural changes that impact your business line.

What are some ways climate change is impacting the industry and the way it must do business in the decades to come?

As disasters vary from season to season, the industry must ensure it has the appropriate response and expectations for the execution of a disaster plan. During the California wildfires, we learned that typical SLAs around inspection completion timeframes were unrealistic due to restricted access issues to affected areas. Ensure you partner with your vendor network to obtain boots on the ground intelligence and set realistic inspection turn-time goals. Delaying your disaster response until access is allowed may be the preferred option.

How can technology best be leveraged to help predict, address, and solve these problems?

Many advancements in technology have entered the marketplace over the last decade. The ability to geo-map disaster impacted areas down to the street level has given the industry the ability to be more strategic to a disaster response.

Are there any other important aspects of natural disaster/climate change response that you think should be on the industry's radar right now?

We need continue to closely monitor the state of the economy and the supply chain. Should we have a series of natural disasters like we did in the fall of 2017, obtaining building materials to adequately respond to a natural disaster could be problematic.



ELIZABETH SQUIRES,
AVP Client Account
Management,
Safeguard Properties

What are the most critical components of how the mortgage industry should prepare to respond to the waves of increasing, and increasingly damaging, natural disasters?

The industry has done a tremendous job of understanding the impact of natural disasters and developing playbooks to address each type. The most important thing to understand is the individuals that do the work (inspections, preservation) are also directly impacted by the disaster. To effectively gather information and deal with the impact of events, contractors and vendors must be brought from other areas or travel into the impacted zone. This requires accommodations, travel costs, and the ability to deploy the knowledge of local realities to the visiting vendors.

What lessons have come out of COVID-19 that can be applied to natural disaster response and assisting impacted homeowners through those challenges?

Primarily, we learned that our contractor base is extraordinarily flexible and dedicated. We survived the impact of the pandemic and also worked within the hundreds of local constraints and frameworks that were created and put into place, seemingly overnight, to keep people safe. Community blight doesn't go away just because we are in a lockdown; we need to ensure we find safe ways for vendors and contractors to do their work.

What are some ways climate change is impacting the industry and the way it must do business in the decades to come?

Generally, there are more disasters and extreme weather events than in recent memory. Droughts in the western United States have caused wildfires to become more common than ever before. The challenge with a fire is that the impact (similar to a tornado) can be very inconsistent in a given area. It is critical to get inspector boots on the ground quickly so we can triage the homes that need the most help.

How can technology best be leveraged to help predict, address, and solve these problems?

Technology can be unreliable to predict areas of impact prior to a disaster. We use the tracking models provided to prepare our network, including out of area vendors, but in the end, we only know the true impact once the disaster hits. Technology is best used to have a rapid response to actual, not theoretical,

“Perspective and preparation are key. As the adage goes, you must hope for the best and prepare for the worst.”

—Chad Mosley, President, MCS

conditions on the ground. Communicating quickly to the appropriate decision-makers when every hour and day is critical to reducing damages can be extremely impactful.

Are there any other important aspects of natural disaster/climate change response that you think should be on the industry's radar right now?

Each servicer, GSE, and investor have their own view of best practices, so getting to a more consistent approach where you have allowables based on conditions is the biggest opportunity we have. Eliminate the “bid and wait” cycle and ensure that we utilize the boots-on-the-ground time most effectively when we have an impacted area.



David Wharton, *Editor-in-Chief at the Five Star Institute, is a graduate of the University of Texas at Arlington, where he received his B.A. in English and*

minored in journalism. Wharton has nearly 20 years' experience in journalism and previously worked at Thomson Reuters, a multinational mass media and information firm, as Associate Content Editor, focusing on producing media content related to tax and accounting principles and government rules and regulations for accounting professionals. Wharton has an extensive and diversified portfolio of freelance material, with published contributions in both online and print media publications. He can be reached at David.Wharton@TheFiveStar.com.

AI DECISION- MAKING IN THE CROSSHAIRS

With the CFPB turning its attention to the use of artificial intelligence within the mortgage process, here's what you need to know.

Recent comments by Rohit Chopra, Director of the Consumer Financial Protection Bureau (CFPB), indicate that the Bureau will begin to focus increasingly on the potential misuse of artificial intelligence (AI) in lending decisions.

Specifically, Director Chopra has noted that AI may result in “digital redlining” and “robo-discrimination,” previously stating that he believed “black box underwriting algorithms are not creating a more equal playing field and only exacerbate the biases fed into them.”

The CFPB's attention on AI arrives against the backdrop of the technology gaining significant momentum in mortgage lending.

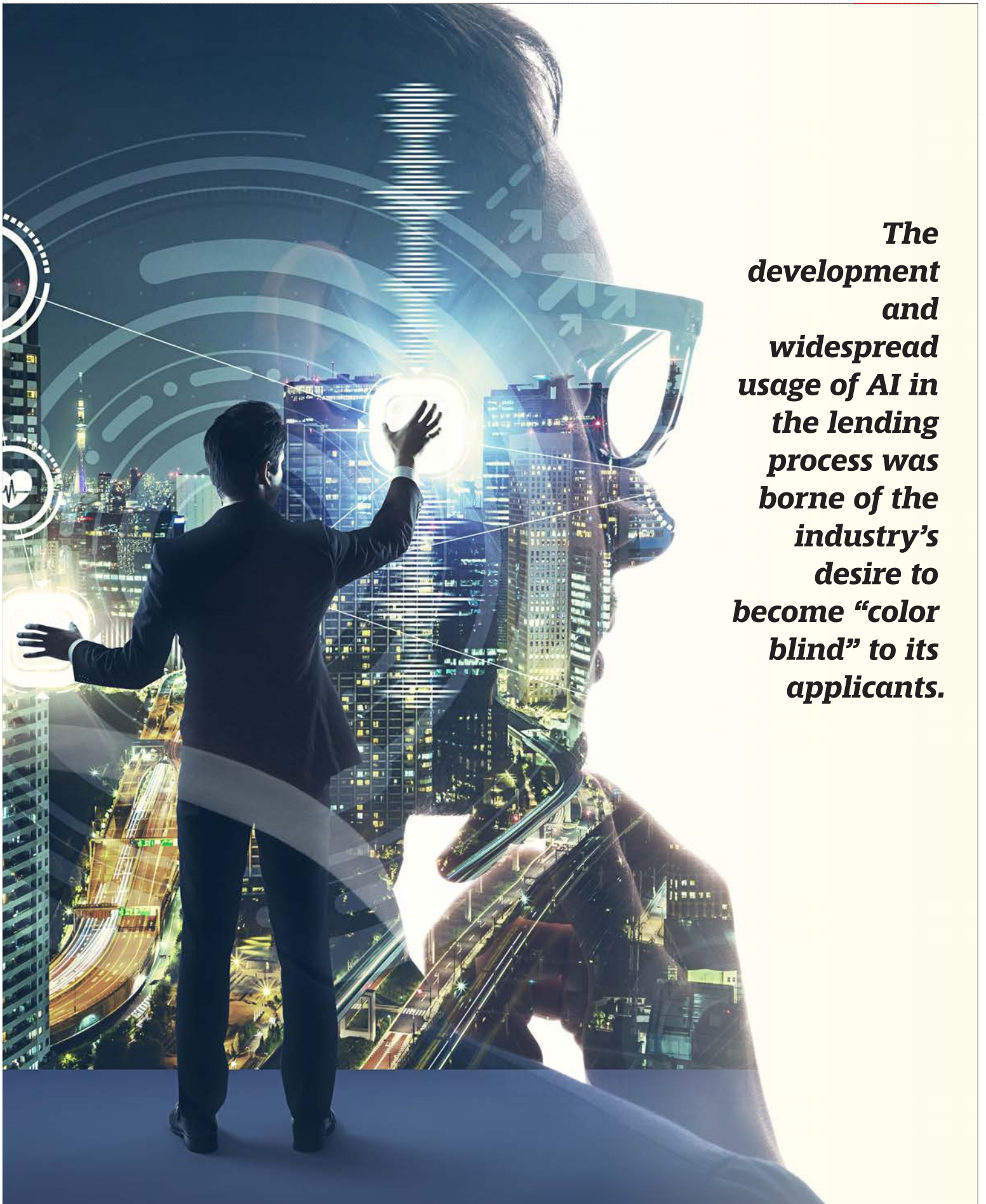
According to *Forbes* (Dec '21), “83% of [lender] executives report that AI is important to the future of the industry.”

While there are guardrails to be laid down with respect to AI in mortgage lending, we need to be careful here that government regulators, CFPB included, do not become a drag on the very thing most of our policymakers and government leaders want:

mortgage financing available to families in need of affordable, quality housing, thereby creating more equitable homeownership.

TECHNOLOGICAL POTENTIAL

Supporters of AI, such as myself, believe as a technology, it has the potential to deliver more accurate decision-making in underwriting and to increase the availability of credit to those in need. The critics of AI, evidenced in Chopra's comments, are skeptical of its data accuracy, the potential for applicants to be excluded, and the belief that AI underwriting processes remain opaque. This line of reasoning is curious to me given the opaqueness inherent in manual underwriting decisions made by



The development and widespread usage of AI in the lending process was borne of the industry's desire to become "color blind" to its applicants.

"ReLU Neural Networks can be decomposed and represented exactly into linear sub-models, and you can see which factor is the most significant ... just like traditional statistical models."

—Agus Sudjianto,
EVP and Head of Corporate
Model Risk, Wells Fargo

sentient humans.

The development and widespread usage of AI in the lending process was borne of the industry's desire to become "color blind" to its applicants. Lenders saw the opportunity—in a less-biased way, in fact—to expand credit and to improve their ability to determine the creditworthiness of borrowers with a limited credit history.

With thousands of rules and regulations governing the mortgage market and watchdogs already in place, unclear guidelines crudely applied to those lenders trying to expand credit through innovations like AI will lead to reduced access to credit for many of the consumers we are trying to help.

RUSTY AXE VS. SURGEON'S KNIFE

Regulators in Washington, D.C., must be careful not to wield a rusty axe, when a surgeon's knife is more warranted. The CFPB's recent comments are a case in point: there is little to no clarity given around CFPB's guidelines, an ambiguity that can result in overreach in its regulation and enforcement activities. The result could be increased fees, fewer services, and diminished access to affordable credit for aspiring homeowners as lenders and others in the mortgage industry become more skittish about innovation and product development, weighing the risk that they will have to defend themselves in court or simply give up and pay the imposed fine on an accusation. Without a thorough and prudent understanding of their appropriate role for the agencies, they could produce harmful unintended consequences.

To be sure, for at least the last 10 years, I have said repeatedly that lenders need to be careful in their use of AI (as in the panel "Machine Learning on the Ground—Problems and Challenges," moderated by Dain Ehring, part of the Machine Learning in Lending Summit, September 2017). I have cautioned about the use of AI not because I worried that the technology might be misused or that the AI algorithms won't improve decision-making, but because lending organizations need to be aware of the aggressive tactics used by regulators and consumer advocates.

When the inevitable lawsuit comes from

an aggressive private lawyer, or potentially the CFPB itself, it is very difficult to go back and replay the algorithm that warranted a particular credit decision. The reason is that most AI environments are not "deterministic" like a rules engine; rather they are more appropriately classified as "stochastic," with algorithms that learn through experience. This means that the decision made a decade ago is very difficult to recreate, however accurate it may have been at that time.

There are tools being developed to address some of these critical challenges. Wells Fargo is exploring a technology called Explainable AI that allows its users to breakdown and understand the math in AI algorithms. Explainable AI is a form of computer "artificial neural network," or simply "neural network," inspired by our system of biological neurons. These artificial neural networks have a function known as Rectified Linear Unit or "ReLU" that can define an output given the input (or set of inputs) and can be broken down and examined to explain its results. According to Wells Fargo, "ReLU Neural Networks can be decomposed and represented exactly into linear sub-models, and you can see which factor is the most significant—you can see it very clearly, just like traditional statistical models," said Agus Sudjianto, EVP and Head of Corporate Model Risk at Wells Fargo ("XAI Explained at GTC: Wells Fargo Examines Explainable AI for Modeling Lending Risk," NVIDIA 2021).

Nevertheless, while I am a true fan of AI, I am not a fan of expensive lawsuits that harm the industry and do little to advance homeownership. For this reason, I still recommend using AI in decisioning only *alongside* a *very* careful analysis of the organization's business risk and full acceptance of that risk by senior leadership with fiduciary duty approval. In 2021 alone, the Department of Justice with the CFPB collected \$5.6 billion in settlements from lenders. Even by government standards, that's real money (<https://tinyurl.com/mr3npmu4>).

While I could concede to the potential, without guardrails, for CFPB's AI concerns (digital redlining/robo-determination; "black box underwriting; exacerbated bias of the

poor data fed into them), I will point out there are already best practices in place to ensure proper treatment of protected classes, many summarized in a May 2019 article by Brookings (“Algorithmic bias detection and mitigation: Best practices and policies to reduce consumer harms”), which I believe most lenders are already employing.

Where Director Chopra and I really differ is his belief that the algorithms can never “be free of bias” and may result in credit determinations that are unfair to consumers. The real question is: compared to what?

THE UNBOTTLED GENIE

Technology is, by its design, agnostic and *less prone* to predisposition and profiling than the minds of human beings. Lenders are already forced to navigate the potential risk of bias—or even the perception of same—and to be able to prove that lack of bias at any given time. As a technologist, I disagree with the blanket bias premise.

I believe the use of algorithms, rather, is pro-competitive and expansive of credit on the whole, especially for qualified, under-banked groups that have neither a credit score nor the required documentation necessary to obtain credit to buy a new home.

Worldwide, AI in banking is currently a ~\$4 billion market and is expected to grow to ~\$64 billion by 2030. At this point, I believe AI in the industry is here to stay. Mohammed Rashid, Head of Fintech for Tavant, put it this way: “Tavant, as a solution provider for many of the nation’s top home lenders, sees AI as a very important technology that can aid the cost and time of loan origination, remove the inherent bias and errors of human interaction in loan qualification, and remove many of the obstacles facing the potential home buyer from getting their dream home. Today, most of our lenders are currently using, have implemented, or have plans to implement AI.”

There are many great uses of AI in our housing finance market outside of the underwriting and credit decisions. A few examples include automation of loan processes and best execution of operations that removes time and cost of a loan application; automation

of customer services and loan servicing functions, including default management and loss mitigation; disparate impact analysis and reporting; detection of fraud; and enhancements to privacy and enterprise security. There are many more opportunities and applications of AI that, again, do *not* influence the credit decision, or the price of the home.

Ultimately, however, the use of AI has the potential to bring a huge positive impact to the mortgage industry, which would benefit both consumers and lenders alike. It also has the potential to create more equity in homeownership for those who are underbanked. While home lenders will need to be very discerning as they implement artificial intelligence (especially in decisioning), it is important that they seek opportunities to partner with consumer advocates.

I strongly believe all stakeholders in lending embrace equity in homeownership and the pursuit of sustainable housing for everyone. Going way back to my college days, where I achieved an advanced degree in astrophysics, I have been an ardent admirer of Stephen Hawking, who long ago opined on the topic of AI:

“The genie is out of the bottle. We need to move forward on artificial intelligence development, but we also need to be mindful of its very real dangers. I fear that AI may replace humans altogether. If people design computer viruses, someone will design AI that replicates itself. This will be a new form of life that will outperform humans.”



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modernization. With over 30 years of executive-level leadership, primarily in fintech, he founded Dorado, a leading SaaS company in consumer finance and a residential lending network, served as an executive at CoreLogic, Sun Microsystems, and Lighthouse Design.

"Worldwide, AI in banking is currently a—\$4 billion market and is expected to grow to—\$64 billion by 2030. At this point, I believe AI in the industry is here to stay."

—Dain Ehring,
Senior Advisor, Gate House
Strategies and Head of Gate
House Digital

ADDING JUNETEENTH TO THE CALENDAR

A history of precise business days and observed holidays.

Most of the timing requirements for disclosures under the Truth in Lending Act (15 U.S.C.A. §§ 1601 *et seq.*) and its implementing regulations known as “Regulation Z” (particularly 12 C.F.R. Pt. 1026) use “business days” to measure time. However, “business day” is not statutorily defined (*e.g.*, see *Supra* § 1602), thus the various regulatory agencies, like the Federal Reserve Board (FRB) and the Consumer Financial Protection Bureau (CFPB), tasked with enforcing TILA have had to develop their own definitions of “business day” to adequately enforce the law.

Under the so-called “Business Day Rule” outlined in 12 C.F.R. § 1026.2(a)(6), the CFPB defines “business day” in two ways. The first, commonly known as the “creditor” or “general” business day definition, defines such a day as one in “which the creditor’s offices are

open to the public for carrying on substantially all of its business functions” and applies to nearly all parts of Regulation Z.

A separate definition is used for a few, specific requirements, most notably certain “right to rescind” rules under *Ibid.* §§ 1026.15

& 1026.23. This alternative definition is commonly known as the “precise” or “specific” business day definition. Currently, a precise day is defined as “all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a)[.]”

Last year, the “Juneteenth National Independence Day Act” (135 Stat. 287 [2021]) was signed into law and added Juneteenth as a holiday under 5 U.S.C.A. § 6103(a). Due not only to this, but also the fact that Juneteenth occurs on the same calendar day each year and will occur on a Sunday this year (and will be observed by the Federal government on Monday, June 20), a brief history of the precise day and how it is to be treated when it is observed on a different day will be especially



useful for mortgage lenders and servicers this year.

TRUTH IN LENDING SIMPLIFICATION AND REFORM ACT

Due to the implementation of the Truth in Lending Simplification and Reform Act in 1980 (94 Stat. 132 [1980], § VI; aka “TILA Reform Act”), the Federal Reserve Board was tasked with reforming Regulation Z in its entirety. As part of such reformation, the FRB finalized the basis of the precise day, which ultimately was a combination of the definition of “business day” within then-footnote 14 of 12 C.F.R. § 226.9 and the FRB’s proposed definition in one of their proposed rules (from December 1980) for the TILA Reform Act (specifically 45 FR 80648 [1980]).

As stated by the FRB, “[t]his definition provides a general rule applicable to most sections of the regulation and a special rule applicable only to the provisions on the right of rescission. The general rule, based on a creditor’s normal operating schedule, is identical to the December proposal. It is substantially similar to its counterpart in Regulation E, which implements the Electronic Fund Transfer Act. The rule for transactions subject to the right of rescission is virtually identical to footnote 14 to § 226.9 of the current regulation. The Board believes, based on the comments [received], that transactions subject to the right of rescission need a more definite and uniform business day definition and that a separate definition for those cases is justified. Thus, it has adopted this two-tiered definition.” (45 FR 20850 [1981])

The final rule adopted is substantially similar to today’s “Business Day Rule”:

“Business day’ means a day on which a creditor’s offices are open to the public for carrying on substantially all of its business functions. However, for purposes of rescission under §§ 226.15 and 226.23, the term means all calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a), such as New Year’s Day, Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.” (45 FR 20893 [1981])

Official Staff Commentary for this definition was proposed and finalized later in

1981. It comprised of two comments, the first for creditor business days and the other for precise days. Notably, the Commentary was originally proposed to be as follows (note the interrelation between the italicized parts):

“1. Business function test. *There is no precise test* for what constitutes ‘substantially all’ of a creditor’s business functions. Factors that indicate that the creditor is open for business include the availability for personnel to make loan disbursements, to authorize credit transactions, or to handle credit transaction inquiries. Factors that indicate that the creditor is not fully open for business include the bank’s customer service windows being open only for limited purposes, such as deposits and withdrawals, bill paying, and related services.

2. Rescission rule. *A more precise rule* (all calendar days except Sundays and federal legal holidays listed in 5 U.S.C. 6103(a)) applies when the rights of rescission is involved.” (46 FR 28562 [1981]); emphasis added)

However, the final Commentary removed the “there is no precise test” phrase used for the creditor business day but left the “more precise rule” for the precise business day definition (see 46 FR 50291 [1981]). Ultimately, this is how the precise day received its common name.

SUBSEQUENT YEARS

While the final administrative rules and official comments made due to the TILA Reform Act are fundamentally the same as they are now under 12 C.F.R. Pt. 1026, a notable difference is that the original Official Staff Commentary does not have the following from the current Commentary:

“. . . Four Federal legal holidays are identified in 5 U.S.C. 6103(a) by a specific date: New Year’s Day, January 1; Independence Day, July 4; Veterans Day, November 11; and Christmas Day, December 25. When one of these holidays (July 4, for example) falls on a Saturday, Federal offices and other entities might observe the holiday on the preceding Friday (July 3). In cases where the more precise rule applies, the observed holiday (in the example, July 3) is a business day.” (12 C.F.R. Pt. 1026, Supp. I, Paragraph 2[a][6] – 2)

On December 13, 2001, the FRB published a proposed revision to their Commentary to (*inter alia*) “provide guidance . . . on the definition of ‘business day’ for purposes of the right to rescind certain home-secured loans.” (66 FR 64381 [2001]) The FRB stated the following:

“Generally, when consumers have a right to rescind a home-secured loan, they may exercise the right until midnight of the third business day following consummation or the delivery of certain disclosures, whichever occurs last. Comment 2(a)(6) – 2 provides that for purposes of rescission, ‘business day’ means all calendar days except Sundays and the federal legal holidays listed in 5 U.S.C. 6103(a). Four legal holidays are identified in that statute by a specific date. Independence Day, July 4, is one example. *The comment would be revised to clarify that only the date specified in the statute is considered a legal holiday for purposes of rescission.* The proposed comment identifies the four legal holidays in 5 U.S.C. 6103(a) that are defined by a specific date, and provides an example to aid in compliance . . .” (46 FR 64381 [2001]; emphasis added)

In 2002, the FRB finalized their proposed revisions without alteration. In addition to reiterating the above paragraph, the FRB provided the following:

“Comments on this proposal were about evenly divided. Several industry trade associations supported the proposal. Some consumer advocates and a few commenters representing small financial institutions were concerned that confusion would result if weekdays observed as holidays are considered business days. Some commenters expressed concern that consumers might lose a day of their rescission period if they are unable to postmark or otherwise deliver their written notice of rescission on weekdays observed as holidays.

The comment is being adopted as proposed. *The comment does not represent a new rule, but merely restates and clarifies the requirement contained in section 226.2(a)(6) of the regulation.* Consumers’ ability to exercise their right to rescind is not affected because consumers

can mail a notice of rescission on the observed holiday; the notice is not required to be postmarked or delivered on that day. Consumers are not likely to be confused because the rescission notice must indicate the specific date that the rescission period expires” (67 FR 16981 [2002]; emphasis added)

APPLICATION TODAY

The wording and structure of today’s Commentary concerning precise days can often cause confusion in its application. Even courts have difficulties in applying it (*e.g.*, see *Mayoral v. WMC Mortg., LLC.*, No. 08 C 7292, 2009 WL 3272697, at *2 - 3 [N.D. Ill. Oct. 6, 2009]). Particularly, legal holidays which fall on a Sunday and their observation on the following Monday can cause consternation, since this particular scenario is not addressed in the Commentary—which can lead to interpretations that, perhaps, such scenarios should be treated differently than when legal holidays occur on a Saturday, since such scenarios were specifically addressed (*e.g.*, see *Ibid.*).

However, the FRB’s analyses over the decades are clear on several points:

- There are only two different definitions of “business day” under Regulation Z (“Thus, it has adopted this two-tiered definition”), with one defining “business day” as the date on which a creditor is open for business, while the other defines it as every day except Sundays and specific holidays listed under the U.S. Code.
- While clumsily written, the FRB intended their revised commentary concerning precise days to mean that only the day of the holiday should be considered a nonbusiness day and not the observed holiday.
- The omission of an example for when a legal holiday falls on a Sunday was not meant to create a new rule. Rather, the FRB appears to have concluded that their lone example for Saturday was sufficient to illustrate the fundamentals of precise days (regardless

of whether they fall on a Saturday or Sunday): that an observed holiday is to be treated as a business day.

Subsequent guidance from the FRB has provided further clarification on this point. Within their Third Quarter 2010 Issue of “Consumer Compliance Outlook,” the FRB provides many details and examples of how the business day definitions are to be applied. Among the many useful examples was the following:

“For another illustration involving a legal holiday, consider July 4. This year July 4 fell on a Sunday, but the holiday was celebrated on Monday, July 5. July 5 would not count as a business day under the general definition but would count as a business day under the precise definition, even though the bank was closed that day.” (p. 16)

JUNETEENTH

At this time, no amendments have been made (let alone proposed) to have Juneteenth explicitly listed in Regulation Z. This has led to some concern as to whether or not the absence of Juneteenth means that it should be considered a business day until so added.

However, in the CFPB’s interpretive rule due to the enactment of the “Juneteenth National Independence Day Act,” the CFPB implied that Juneteenth should be considered a holiday:

“The legislation that made Juneteenth a Federal holiday took effect immediately. Therefore, June 19 became a Federal holiday on June 17, 2021. By virtue of the cross-reference to 5 U.S.C. 6103(a) in § 1026.2(a)(6), the days that are considered Federal holidays under the specific business day definition in Regulation Z also changed on June 17, 2021.” (86 FR 44267 [2021])

This correlates with the structure of the Business Day Rule. Note that before providing the list of holidays, the law uses the idiom “such as,” which is defined by *Merriam-Webster* as a phrase “used to introduce an example or series of examples.” As such, the list of holidays should not be construed as being limiting,

but rather exemplary; whether a holiday is considered a nonbusiness day or not depends entirely on whether or not it is listed as a federal holiday under the U.S. Code, which Juneteenth now is.

While the Commentary could be construed as being limiting, since it does not use an idiom or other grammatical structure to indicate that the listed holidays are examples, it is important to remember that the Commentary must be construed toward fulfilling its legislative intent and deference is to be given to an administrative entity’s views of the regulation, so long as such opinions are not demonstrably irrational (see *Ford Motor Credit Co. v. Milbollen*, 444 U.S. 555, 565 [1980]). The administrative text—which clearly provides a list of holidays as examples—coupled with the CFPB’s interpretive rule indicating that the addition of the holiday to the U.S. Code is sufficient to consider the holiday a precise day *via* cross-reference, provides enough context to reasonably conclude that the list of holidays within the Commentary is also a list of examples.

Altogether, Juneteenth is considered just as much a precise day as Independence Day, New Year’s, Veteran’s Day, and Christmas. Because it falls on a Sunday this year and observed on a Monday, per many decades of guidance from the FRB, that Sunday would be considered a precise day, while Monday would not. Be sure to keep this new holiday in mind when providing disclosures to borrowers in order to keep in line with time and delivery requirements.



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WORKING WITHOUT A CRYSTAL BALL

Is your default servicing operation ready for the looming storm?

Increasing mortgage rates, coupled with a hot housing market, have some pundits prepping for economic doom and gloom and the eventuality of a housing market crash. The reality is that today we are in a much different scenario than the great recession of 2008, so it's unlikely that we will see a repeat of that foreclosure crisis, but that doesn't mean you shouldn't begin prepping for trouble ahead.

Furthermore, what should be understood is that the current housing market is on a path of its own. This isn't a case of everything old is new again; there is a perfect storm brewing for the unprepared, and taking the right precautionary tips will prevent your default servicing from going down with the ship.

WHAT'S NEW IS NEW AGAIN

The incredible demand for housing, coupled with limited supply, means this hot housing market shows little sign of letting up. At the same time, we are beginning to see the strains that higher interest rates have on consumers. Higher mortgage rates have

already dampened some plans for home purchases. Here's the other side of this: some homeowners are just returning to their monthly mortgage obligations now that the foreclosure moratorium is lifted, and they are still struggling.

During the pandemic, millions of people got mortgage forbearances that put their mortgage payments on hold. Most have indeed been able to resume their debt obligation payments and end their forbearances in 2020 and 2021. Still, homeowners who remained in forbearance into 2022 might be more likely to be suffering permanent financial hardships. Black Knight analysis said the number of post-COVID-19 delinquencies in active foreclosure



As the market enters a new cycle of foreclosures, lenders and servicers have to adjust to the post-pandemic world and help borrowers transition into other permanent loss mitigation alternatives or default.

rose by 13% in March as pandemic-era protections began to wear off. The data shows that some 279,000 borrowers—two-thirds of whom were already delinquent before the pandemic—remain past due after exhausting both forbearance and loss mitigation options; 78,000 loans are in active foreclosure post-forbearance, up 8% from the same time last month.

ATTOM, parent company to RealtyTrac, the largest online marketplace for foreclosure and distressed properties, released its Q1 2022 U.S. Foreclosure Market Report. It found nationwide that one in 1,795 housing units had a foreclosure filing in the first quarter. A total of 50,759 U.S. properties started the foreclosure process in Q1 2022, up 67% from the previous quarter and up 188% from a year ago. Across the country, foreclosures in March were up 181% from a year ago.

The uptick in foreclosures shows that the pandemic-era protections on housing are beginning to wear off. The concern is that the added pressure of inflation which has raised costs for consumers across the board, may make it even harder for struggling homeowners. It's not that a crisis is in the works, but the numbers tell us that now is the time to get a plan for default servicing requirements.

BEWARE THE REGULATOR

The mortgage market is entering this default servicing phase in an increased regulatory environment. The Consumer

Finance Protection Bureau (CFPB) has prioritized mortgage servicing oversight under the new administration. That means default servicing loan reviews need to be closely examined to remain regulatory compliant.

After the Great Recession of 2008, we saw a similar level of scrutiny. Under President Barack Obama's administration, the CFPB had a tremendous amount of teeth. Servicers fined for violations turned to us to retune their plans. They hired us to review their servicing practices for two reasons: they wanted to do it right and didn't want a multi-million-dollar fine from the CFPB.

As the market enters a new cycle of foreclosures, lenders and servicers have to adjust to the post-pandemic world and help borrowers transition into other permanent loss mitigation alternatives or default. Lenders and servicers need to accept that mortgage servicer regulatory scrutiny will also increase in 2022 as the need for default servicing increases. Now is the time to assemble a plan to tick all the regulatory boxes.

As my colleague, Meghan Jones-Rolla, noted in a recent issue of *DS News*, the CFPB is tasked with providing greater oversight than what was considered appropriate in years past. That is to say, the national regulator is simply increasing activity to a level generally considered to be appropriate for today's market conditions.

GETTING A PLAN IN PLACE

Servicers may not have had a foreclosure department over the last two years because there was no need for it. Suddenly, they are faced with scaling up this department as foreclosures begin to pile up. Lenders and servicers need to assume that there will be a bigger number of foreclosures than what they are currently dealing with, and that means getting a workforce in place to deal with the anticipated volume. It also means training this workforce to execute servicing requirements properly.

Having a suitable system to deal with your servicing needs means acquiring talent and training that talent while volumes increase, without which can lead to costly mistakes. Enforcement actions and resultant fines

could rise with greater scrutiny from various regulators stemming from elevated customer complaints. The bottom line here is that your people need to know how to operate within the current regulatory environment.

Lenders and servicers also need to line up the right vendors to deal with property preservation, title work, and foreclosure. Shoring up the right vendor support system is key to running a successful servicing business.

The goal for your default servicing plan should ultimately be to show the regulators that you did everything you could to keep that homeowner in their home. That means showing that you put the right plan in place and hired the right people.

The good news is that, since the Great Recession of 2008, many servicers have enhanced systems and processes, investment in technology and increased automation, allowing servicers to respond to regulatory concerns more effectively.

The ability to get the products is a lot easier. And that technology facilitates the ability to order the property, title, valuation, lawyers—everything needed for foreclosure. The downside is that this technology hasn't been tested in a high-volume scenario.

Without a crystal ball, it's hard to say just how much of a turn the market will take. Lenders and servicers can be sure that inflation-driven spending and higher borrowing costs will make it difficult for homeowners already struggling to keep up with payments. We need to be ready for that eventuality so that it doesn't blindsides the market. And being prepared means knowing the rules, whatever they may be, and validating within the loan file that they're following the rules.



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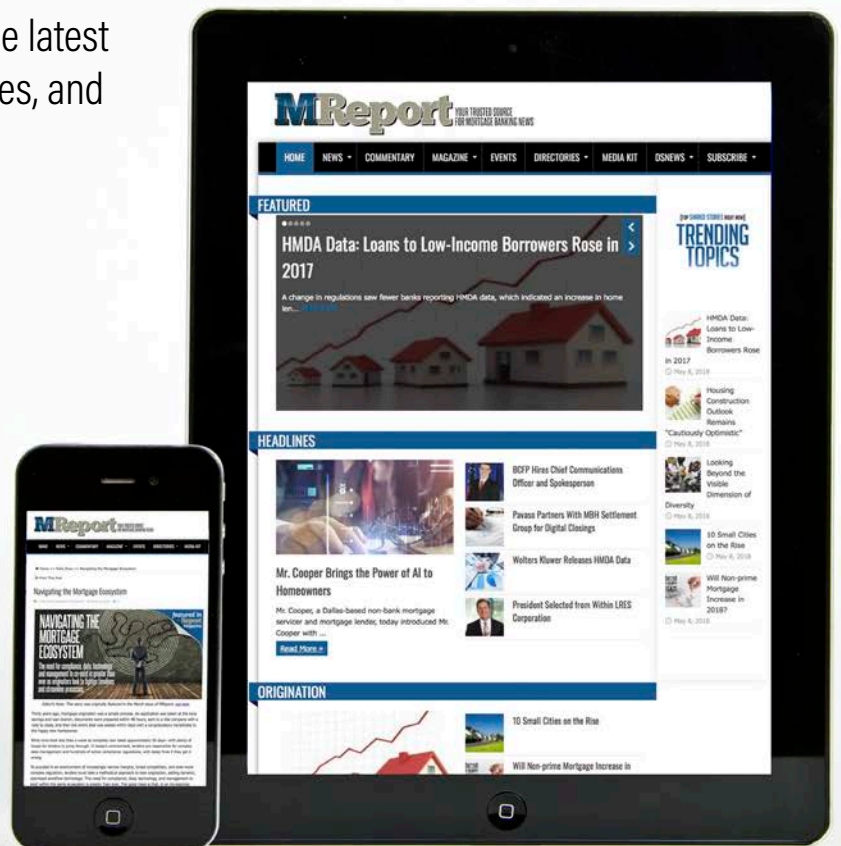
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PRESIDENT BIDEN ANNOUNCES HOUSING SUPPLY ACTION PLAN

Record high home prices pushed up by record low levels has been a persistent problem over the past year or so and relief seems farfetched in the short term. To combat this, the Biden-Harris administration has announced a plan to “ease the burden of housing costs over time, by boosting the supply of quality housing in every community.”

The Housing Supply Action Plan, as it is officially called, will use current and future legislative and administrative actions that will help close America’s housing supply shortfall in five years, starting with the creation and preservation of hundreds of thousands of affordable housing units within the next three years.

The plan is not a cure-all solution but is to be used in conjunction with other policies such as rental assistance or down payment assistance, and closing that gap will mean more affordable rents and more attainable homeownership for Americans in every community.

“The Plan will help renters who are struggling with high rental costs, with a particular focus on building and preserving rental housing for low- and moderate-income families,” said a White House statement. “The Plan’s policies to boost supply are an important element of bringing homeownership within reach for Americans who, today, cannot find an affordable home because there are too few homes for sale in their communities. And it

will help reduce price pressures in the economy, as housing costs make up about one-third of the market basket for inflation, as measured by the Consumer Price Index.”

Under the Plan, the Administration will:

- » Reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain federal grant processes, for the first time at scale.
- » Deploy new financing mechanisms to build and preserve more housing where financing gaps currently exist: manufactured housing (including with chattel loans that the majority of manufactured housing purchasers rely on), accessory dwelling units (ADUs), 2- to 4-unit properties, and smaller multifamily buildings.
- » Expand and improve existing forms of federal financing, including for affordable multifamily development and preservation. This includes making Construction to Permanent loans (where one loan finances the construction but is also a long-term mortgage) more widely available by exploring the feasibility of Fannie Mae purchase of these loans; promoting the use of state, local, and Tribal government COVID-19 recovery funds to expand affordable housing supply; and announcing reforms to the Low Income Housing Tax Credit (LIHTC), which provides credits to private investors developing affordable

rental housing, and the HOME Investment Partnerships Program (HOME), which provides grants to states and localities that communities use to fund a wide range of housing activities.

- » Ensure that more government-owned supply of homes and other housing goes to owners who will live in them—or nonprofits who will rehab them—not large institutional investors.
- » Work with the private sector to address supply chain challenges and improve building techniques to finish construction in 2022 on the most new homes in any year since 2006.

The White House stated that the high prices we are seeing today, have been years in the making due to the fact that fewer new homes have been built in decade following the Great Recession than in any decade since the 60s. This has constrained housing supply and failed to keep up with demand, and this mismatch only grew during the pandemic as migration habits and housing decisions changed rapidly.

“Moody’s Analytics estimates that the shortfall in the housing supply is more than 1.5 million homes nationwide,” the statement said. “This shortfall burdens family budgets, drives up inflation, limits economic growth, maintains residential segregation, and exacerbates climate change. Rising housing costs have burdened families of all incomes, with a particular impact on low- and moderate-income families, and people and communities of color.”

“As his Action Plan reflects, President Biden believes the best thing we can do to ease the burden of housing costs is to boost the supply of quality housing. This means building more new homes and preserving existing federally supported and market-rate affordable housing, ensuring that total new units do not merely replace converted or dilapidated units

that get demolished.”

Among other things, the plan will immediately begin supporting production and availability of manufactured housing, scaling Up ADUs and piloting ADU and home renovation financing tools, and boost rural single-family construction through the USDA.

“MBA commends the Biden administration for announcing steps to alleviate the acute shortage of single-family and multifamily housing for prospective homebuyers and renters,” said Mortgage Bankers Association President and CEO Bob Broeksmit, CMB. “Eliminating the regulatory barriers to new construction, including manufactured housing, in underserved markets; expanding affordable financing for multifamily development and rehab projects; and a commitment to more private and public sector partnerships will help address the housing supply and affordability challenges that continue to burden families.

“As the administration focuses on ways to improve the financing of multifamily projects, MBA strongly encourages HUD to focus on the issues that continue to lead to significant lending pipeline delays in its MAP program, which is a primary financing option for producing more affordable rental housing,” Broeksmit continued. “MBA will examine all aspects of the plan in greater detail and remains committed to working with the administration, Congress, and industry stakeholders on safe and responsible policies that increase homeownership opportunities and affordable rental housing options across America, especially for minority and low- and moderate-income households.”

National Association of Realtors President Leslie Rouda Smith also issued a statement regarding President Joe Biden’s plan to address the housing supply shortage:

“Last year, a landmark research report commissioned by NAR recognized a shortage of 5.5 million homes in the U.S.—a gap so large it would take more than a decade to dig out of, even with accelerated new construction.

“With rising mortgage rates and a persistent shortage of affordable homes, the dream of homeownership is limited for many middle-income, first-time, and first-generation homebuyers. Urgent action is needed to tackle our nation’s housing supply crisis. NAR welcomes the administration’s work on this effort and encourages policymakers to look at

CFPB WARNS MORTGAGE INDUSTRY ABOUT LEGAL RESPONSIBILITIES IN DISCLOSURE

Federal anti-discrimination laws in banking are supposed to protect consumers from credit companies from denying an application for credit or taking other adverse actions without just cause or a clear explanation on why the action was taken.

Companies have long used advanced computational methods as part of their credit decision making process, but as technology evolves, so do these models. Some creditors are now making decisions based on a model called “black box” models. This model produces outputs that may be unknown to the model’s users, including its own creators.

As such, adverse action notices that meet Equal Credit Opportunity Act (ECOA) requirements from these models may not be possible.

In order to remind the public of these requirements, the CFPB published a Consumer Financial Protection Circular, including those responsible for enforcing federal consumer financial protection law, of creditors’ adverse action notice requirements under the ECOA.

“Companies are not absolved of their legal responsibilities when they let a black-box model make lending decisions,” said Rohit Chopra, Director of the CFPB. “The law gives every applicant the right to a specific explanation if their application for credit was denied, and that right is not diminished simply because a company uses a complex algorithm that it doesn’t understand.”

According to the CFPB, data harvesting on Americans has become voluminous and ubiquitous, giving firms the ability to know highly detailed information about their customers before they ever interact with them. Many firms across the economy rely on these detailed datasets to power their algorithmic decision-making, which is sometimes marketed as “artificial intelligence.” The

information gleaned from data analytics has a broad range of commercial uses by financial firms, including for targeted advertising and in credit decision-making.

The circular highlights two major points:

- » Federal consumer financial protection laws and adverse action requirements should be enforced regardless of the technology used by creditors. For example, ECOA does not permit creditors to use technology that prevents them from providing specific and accurate reasons for adverse actions. Creditors’ use of complex algorithms should not limit enforcement of ECOA or other federal consumer financial protection laws.
- » Creditors cannot justify noncompliance with ECOA based on the mere fact that the technology they use to evaluate credit applications is too complicated, too opaque in its decision-making, or too new. Creditors who use complex algorithms—including artificial intelligence or machine learning technologies—to engage in credit decisions must still provide a notice that discloses the specific, principal reasons for taking adverse actions. There is no exception for violating the law because a creditor is using technology that has not been adequately designed, tested, or understood.

“Whistleblowers play a central role in uncovering information about companies using technologies, like black-box models, in ways that violate ECOA and other federal consumer financial protection laws,” the CFPB concluded. “Having clear, actionable information is critical for the CFPB and other consumer protection enforcers. The CFPB encourages tech workers to provide the agency with information, and they can visit the CFPB’s Whistleblower Program webpage to learn more.”



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FANNIE MAE DOWNGRADES HOUSING, ORIGINATION FORECAST

In their latest forecast, Fannie Mae's Economic and Strategic Group (ESR) has downgraded its GDP projections along with home sales and mortgage originations due to the current state of the economy.

Fannie Mae now predicts that real GDP growth measured on a fourth-quarter basis will be 1.3%, down from 2.1% predicted at the beginning of the year.

Further, they also downgraded their predictions on the housing market for calendar years 2022 and 2023 by 3.7% to 6.1 million units and 4.5% to 5.4 million units, respectively. Mortgage originations outlooks were downgraded as well, as they now expect 2022 origination activity to total \$2.70 trillion and 2023 originations to total \$2.25 trillion, down from the respective \$2.82 and \$2.41 trillion they had previously projected.

Rising interest rates and inflation are on

the forefront of economists' minds, and the ESR no longer believes that recent and future moves by the Federal Reserve to curtail inflation by tightening monetary policy will result in a "soft landing" as they are still predicting a slide into a recession during the second half of next year.

The ESR is also forecasting a "meaningful slowdown" in home sales during the second and third quarters followed by a softening in construction activity and, ultimately, a large deceleration in home price growth. Mortgage rates have risen faster in the last five months than any time since 1981. With only 1.4% of mortgages now predicted to have a 50-plus-basis point incentive to refinance, it is expected that, going forward, a majority share of refinance activity will be of the cash-out variety.

"Financial conditions have tightened

significantly, and the economy is slowing faster than previously expected as markets adjust to the Federal Reserve's tightening guidance," said Doug Duncan, Fannie Mae SVP and Chief Economist. "Uncertainty continues to weigh heavily on markets, with geopolitical risks rising as the Russian war on Ukraine extends into its third month. The impact to prices of expected reductions in agricultural production, as well as continued increases in house prices, suggest to us a difficult path for the Fed to return inflation to its two-percent target rate in a timely manner—and, of course, in the absence of an economic downturn."

"Rising mortgage rates are reducing affordability through higher mortgage-related costs, all while house prices continue to grow. Historically, rapid and substantial rises in mortgage rates have had the effect of slowing activity, which we reflect in our forecast. Not only is the worsening affordability of homes a problem for potential entry-level homebuyers, but current homeowners are less likely to trade in their existing lower-rate mortgages and list their homes for sale, both of which will likely weigh on sales."

CELEBRATING 20 YEARS OF NATIONAL HOMEOWNERSHIP MONTH

The U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA) mark June as National Homeownership Month, following a proclamation from President Joe Biden. National Homeownership Week began in 1995, as a strategy of the administration under President Bill Clinton to increase homeownership across America. In 2002, President George W. Bush expanded the period of observance from a week to the entire month of June, and this year marks the 20th anniversary of the month-long observance.

“Each June, we mark National Homeownership Month, a time for HUD and FHA to renew our commitment to supporting individuals and families in achieving and sustaining homeownership,” HUD Secretary Marcia L. Fudge said. “Homeownership is a key source of wealth building and is often the foundation for one’s life. Unfortunately, the lack of affordable housing supply has placed homeownership out of reach for many people with low and moderate incomes, first-time homebuyers, and communities that have been historically and systemically locked out of homeownership. The Biden-Harris administration has put forth the most comprehensive effort to close the housing supply shortfall in history, and we will continue to take action to address the barriers families are facing in today’s housing market.”

In concert with the Biden-Harris administration’s commitment to enabling more households to enjoy the stability and wealth creation made possible through homeownership, throughout the month, HUD and FHA will hold a series of events and engagements to amplify the Department’s efforts to support potential homeowners, increase housing supply and affordability, and ensure sustainability for existing homeowners.

“The Federal Housing Administration and HUD’s Office of Housing are an important part of the nation’s housing system,” Federal Housing Commissioner Julia Gordon said. “And while we are proud that we serve more than 700,000 first-time homebuyers on average each year, we remain committed to enhancing and improving our programs to promote expanded access and equity in homeownership, particularly for underserved communities.”

HUD’s Office of Housing and Federal Housing Administration play a vital role for the nation’s homebuyers, homeowners, renters, and communities through their nationally administered programs. Under the leadership of Secretary Fudge and Commissioner Gordon, HUD continues to prioritize FHA’s mission through:

- » Taking action to increase housing supply and access to affordable housing
- » Launched a whole-of-government plan for wide-ranging reforms to advance equity in home appraisals
- » Serving more first-time homebuyers and communities of color
- » Preventing foreclosures for borrowers affected by the pandemic
- » Removing barriers to homeownership for those with student loan debt
- » Affirmed the use of Special Purpose Credit Programs
- » Setting the stage for increased fair housing and lending enforcement and access

In addition to the President’s proclamation kicking off National Homeownership Month, HUD Secretary Fudge launched the “Our Way Home” initiative, an effort to boost the nation’s affordable housing supply, by building on the Biden administration’s actions to address communities’ housing supply needs in an equitable, inclusive, and sustainable fashion.

“Our Way Home” is a national initiative that uplifts the unique housing supply successes

in local communities and connects cities, counties, Tribal communities, states, and U.S. Territories to the tools and resources needed to help preserve and produce affordable housing in their area.

“Easing the burden of housing costs for families is a top economic priority for this administration,” Secretary Fudge said. “For too long and in too many communities, housing supply has not kept up with the growing demand. It’s going to take government working at all levels to help close the housing supply gap. I am excited to launch Our Way Home, an initiative that will not only build on the momentum that’s already begun at the federal level but will also put into focus the unique challenges and successes in communities when it comes to making sure we all find our way home.”

The Our Way Home initiative builds on HUD’s commitment to state, tribal, and local leaders to help them utilize federal resources and funding to meet their affordable housing supply needs, and to build new and preserve existing units of affordable housing—rental and homeownership—into their pipelines.

Last month, the Biden administration announced its Housing Supply Action Plan, which included over a dozen legislative and administrative steps aim to close the housing supply gap within the next five years.

“The shortage of affordable housing has been growing for decades—but this is a solvable crisis,” Secretary Fudge said. “Across the country, we are seeing many communities ending exclusionary zoning, building affordable housing in communities that previously did not allow it. We are seeing communities use innovative building models and materials, and design homes that are sustainable and resilient. And we’re seeing communities tackle homelessness by building permanent affordable housing with services. These are the types of community wins that we want to elevate with Our Way Home and encourage others to follow.”

As part of the Our Way Home initiative, HUD will continue to elevate community wins and learn from communities that are building and preserving affordable homes. HUD will be engaging communities in discussions on housing supply policies and resources in the coming months.



FHFA REQUIRES GSEs TO SUBMIT ANNUAL CAPITAL PLANS

As of June 1, the Federal Housing Finance Agency (FHFA) has published a final rule that supplements the Enterprise Regulatory Capital Framework (ERCF) by requiring Fannie Mae and Freddie Mac (the GSEs) to submit annual capital plans to the agency and provide prior notice for certain capital actions.

The final rule mandates that the GSEs' capital plans include:

- » An assessment of the expected sources and uses of capital over the planning horizon;

- » Estimates of projected revenues, expenses, losses, reserves, and pro forma capital levels under a range of the Enterprise's internal scenarios, as well as under FHFA's scenarios;
- » A description of all planned capital actions over the planning horizon;
- » A discussion of how the Enterprise will, under expected and stressful conditions, maintain capital commensurate with the business risks and continue to serve the

housing market; and

- » A discussion of any expected changes to the GSE's business plan that are likely to have a material impact on the Enterprise's capital adequacy or liquidity.

"The final rule provides the Enterprises with a stable regulatory framework that ensures the amount of capital held is commensurate with each of their risk profiles," FHFA Acting Director Sandra L. Thompson said. "This is an important step in securing the safety and soundness of the Enterprises by actively monitoring and maintaining proper levels of capital throughout the economic cycle."

The requirements in the final rule are consistent with the regulatory framework for capital planning for large bank holding companies.

The final rule will be permanent 60 days after being published in the Federal Register. The first set of capital plans are due May 20, 2023.



HUD OFFERS FEDERAL DISASTER ASSISTANCE TO AREAS OF KANSAS

The U.S. Department of Housing & Urban Development (HUD) has enacted federal disaster assistance to state and local recovery efforts in the areas of Kansas affected by severe winter storms and straight-line winds from March 17-22, 2022, which produced heavy snow and high wind gusts.

On May 25, President Biden issued a major disaster declaration for the Kansas Counties of Barton, Clark, Comanche, Edwards, Ellis, Ford, Graham, Gray, Hodgeman, Kiowa, Lane, Meade, Ness, Pawnee, Phillips, Rooks, Rush, Stafford, Trego, and Wallace.

Federal funding, provided by the Federal Emergency Management Agency (FEMA), is also available on a cost-sharing basis for hazard mitigation measures statewide, and DuWayne Tewes has been named the Federal Coordinating Officer for federal recovery operations in the affected areas of Kansas. Additional designations may be made at a later date if warranted by the results of damage assessments.

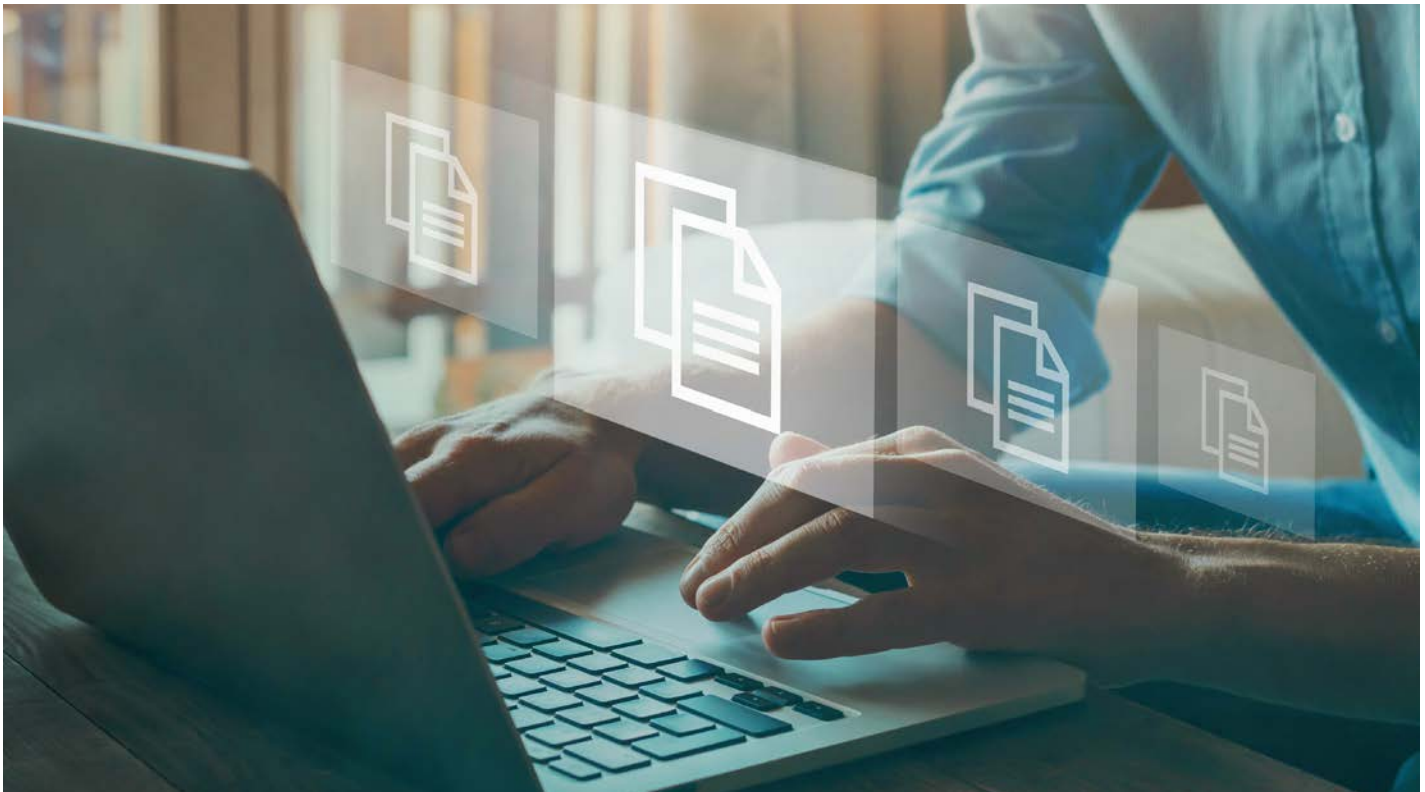
Earlier in May, U.S. Sens. Jerry Moran, and Roger Marshall of Kansas, along with U.S. Reps. Ron Estes, Sharice Davids, Tracey Mann, and Jake LaTurner of Kansas requested that President Biden declare a major disaster in Kansas.

“The storms devastated 20 counties in Western and Central Kansas, and all 105 counties and the four federally recognized tribal nations in Kansas were impacted by the storm systems,” the Congressional delegation

wrote. “The damage caused by these storms will have long-lasting effects on the people of Kansas and its economy. Federal support must be quickly made available to equip our state and local governments with the resources necessary to respond to the devastation caused from these severe storms.”

Effective immediately, HUD will be taking the following actions to assist the impacted Kansas counties:

- » **Provide immediate foreclosure relief in counties covered by the major disaster declaration:** HUD’s automatic 90-day moratorium on foreclosures of Federal Housing Administration (FHA)-insured home mortgages commenced on the date of the Presidential major disaster declaration (May 25), and foreclosures of mortgages to Native American borrowers guaranteed under the Section 184 Indian Home Loan Guarantee program; 90-day extensions were also automatically granted for Home Equity Conversion Mortgages commencing from the date of the Presidential major disaster declaration.
- » **Making mortgage insurance available:** HUD’s Section 203(h) program provides FHA insurance to disaster victims whose homes were destroyed or damaged to such an extent that reconstruction or replacement is necessary, and they are facing the daunting task of rebuilding or buying another home. Borrowers from participating FHA-approved lenders are eligible for 100% financing, including closing costs.
- » **Making insurance available for both mortgage and home rehabilitation:** HUD’s Section 203(k) loan program enables individuals to finance the purchase or refi of a home along with its repair through a single mortgage. It also allows homeowners who have damaged houses to finance the rehabilitation of their existing homes.
- » **Sharing information on housing providers and HUD programs:** HUD will share information with FEMA and the state of Kansas on housing providers that may have available units in the impacted counties, including Public Housing Agencies and Multi-Family owners. HUD will also connect FEMA and Kansas with subject matter experts to provide information on programs and providers.
- » **Providing flexibility to Community Planning and Development Grantees:** Recipients of Community Development Block Grant (CDBG) Program, Housing Opportunities for Persons With HIV/AIDS (HOPWA) Program, Continuum of Care (CoC) Program, Emergency Solutions Grants (ESG) Program, HOME Program, and Housing Trust Fund (HTF) Program funds can apply for needed administrative flexibility in response to natural disasters.
- » **Providing flexibility to Public Housing Agencies:** Public Housing Agencies can apply for needed waivers and flexibilities for disaster relief and recovery.
- » **Providing flexibility to Tribes:** Tribes and their Tribally Designated Housing Entities can apply for needed administrative flexibility through regulatory waivers.
- » **Ensuring HUD-approved housing counseling agencies are ready to assist:** HUD-approved housing counseling agencies have counselors available to assist those impacted by natural disasters to determine assistance needs and available resources.
- » **Assisting with housing discrimination:** Housing discrimination sometimes occurs when people attempt to find and access housing following a disaster. HUD’s Office of Fair Housing and Equal Opportunity is available to assist people who believe they have experienced housing discrimination.



ENHANCEMENTS ANNOUNCED FOR GINNIE MAE'S DIGITAL COLLATERAL PROGRAM AND EGUIDE

Ginnie Mae has rolled out enhancements to its Digital Collateral Program, and the release of updated guidance for the securitization of eNotes. The revised Digital Collateral Guide (eGuide) applies to all existing eIssuers and provides eligibility and technological requirements for aspiring applicants.

Ginnie Mae's Digital program is currently in a pilot phase, with a limited number of approved eIssuers and has securitized more than \$8 billion in eNotes. All current participants in the Ginnie Mae program are existing Ginnie Mae Issuers, a requirement

under the program. After a successful pilot phase of its new Digital Collateral Program, Ginnie Mae will reopen the program to new applicants this June.

"The lessons learned during the initial pilot of the Digital Collateral Program are now incorporated into the eGuide and resulting enhancements. We are excited to expand access to this program" Ginnie Mae President Alanna McCargo said. "eMortgages bring efficiency and resilience to mortgage lending, and more importantly, improve access to homeownership for borrowers who are not well served by the traditional mortgage lending approach."

Program enhancements include the ability to perform eModifications to eNotes, streamlined procedures for Release of Secured Party requests, and the acceptance of eNotes using a Power of Attorney. All eGuide updates are effective June 1, 2022.

"We are also pleased to see that Ginnie Mae is allowing for the electronic modification of eNotes, whereas previous changes allowed for eModifications on paper notes," said Seth Appleton, President of MISMO. "And we applaud Ginnie Mae's participation as a data contributor to the new MISMO e-Eligibility Exchange, powered by Snapdocs, which provides centralized access to acceptance criteria that enables lenders and other industry participants to easily determine the right type of digital mortgage closing for each loan. These enhancements demonstrate continued progress in our industry's move towards a fully digital mortgage process. We look forward to continuing to collaborate with Ginnie Mae and organizations across the real estate finance ecosystem to develop and deploy resources that help set the standard for our industry's digital future."



FHFA RULE BRINGS GREATER TRANSPARENCY TO GSEs

The Federal Housing Finance Agency (FHFA) has issued a Final Rule that amends the Enterprise Regulatory Capital Framework (ERCF) by introducing new public disclosure requirements for Fannie Mae and Freddie Mac (the government-sponsored enterprises).

The FHFA's requirements include quantitative and qualitative disclosures related to risk management, corporate governance, capital structure, and capital requirements and buffers under the standardized approach.

"By allowing market participants to assess key information about the Enterprises' risk profiles and associated levels of capital, this final rule will promote transparency and encourage sound risk management practices at the Enterprises," said FHFA Director Sandra L. Thompson, who was officially confirmed as the head of FHFA. "The rule published today will foster financial stability at the Enterprises and in the broader housing finance market."

The FHFA proposed these amendments

to improve market discipline and encourage sound risk management practices at the GSEs by ensuring that market participants have access to sufficient information with which they can assess a GSE's material risks and capital adequacy and make informed investment decisions. Public disclosures that are clear, comprehensive, useful, consistent over time, and comparable across each GSE will facilitate such analyses and contribute to the safety and soundness of the GSEs as entities, thus decreasing risk to U.S. taxpayers.

The Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to require that the FHFA establish, by regulation, risk-based capital requirements for the GSEs to ensure that each enterprise operates in a safe and sound manner, maintaining sufficient capital and reserves to support the risks that arise in the operations and management of the enterprises.

"By allowing market participants to assess key information about the Enterprises' risk profiles and associated levels of capital, the final rule will promote transparency, increase the amount of information available to the public, and encourage sound risk management practices at the Enterprises," said the Rule.

The FHFA's Final Rule adapts the public disclosure requirements in the U.S. banking framework to reflect the ERCF's standardized approach, combining elements from the U.S. banking framework's standardized and advanced approaches. While the final rule implements disclosure requirements for the ERCF's standardized approach only, the FHFA may consider additional disclosure requirements related to the advanced approaches in the future.

According to the Final Rule, quarterly quantitative disclosures and annual qualitative disclosures must be provided by the GSEs no later than the end of the next calendar quarter. The GSEs will publish their first public disclosure reports under the Final Rule in Q1 of 2023 on their respective websites. This timeframe allows the GSEs to establish the internal reporting and governance functions necessary to fulfill these disclosure requirements, and will minimize duplicative reporting by aligning the schedule of annual qualitative disclosures with the Securities and Exchange Commission's (SEC) reporting schedule for Form 10-K.



CFPB OPENS NEW OFFICE TO SPUR COMPETITION AND INNOVATION

The Consumer Finance Protection Bureau (CFPB) announced the creation of a new office, thus forth called “the Office of Competition and Innovation,” to “spur innovation in financial services by promoting competition and stumbling blocks for new market entrants.”

The creation of the new office coincides with the closure of the Office of Innovation, which focused on an “application-based process to confer special regulator treatment on individual companies.” The Office of Innovation opened four years ago in 2018.

The intent behind the new office is to support a broader initiative by the CFPB to analyze obstacles to open markets, better understand how big players are squeezing out smaller players, host incubation events, and, in general, to make it easier for people to switch financial providers.

“Competition is one of the best forms of motivation. It can help companies innovate and make their products better, and their customers happier,” said Rohit Chopra, Director, CFPB. “We will be looking at ways to clear obstacles and pave the path to help people have more options and more easily make choices that are best for their needs.”

The CFPB has a statutory mandate to promote fair, transparent, and competitive

markets. Digital technology is constantly changing the market, and the Office of Competition and Innovation will focus on how to create market conditions where consumers have a choice of the best products available and large incumbents cannot stifle competition by exploiting their network effects or market power.

The new office will support the CFPB’s general effort at increasing competition for the benefit of all consumers. Specifically, the CFPB will:

- » Give consumers their walking rights to switch providers: Competition is more vibrant when people can switch to a new provider easily, creating pressure on incumbents to maintain high levels of service and giving new entrants an opportunity to win customers. The CFPB will be exploring ways to reduce the barriers to switching accounts and providers.
- » Research structural problems blocking successes: The new office will be housed in the CFPB’s Research, Markets, and Regulation division, giving it greater access to resources to look at market-structure problems that create obstacles to innovation. For example, this could include greater explorations of the payment networks market or the credit reporting

system, both of which are essential to our financial system but have only a few dominant players.

- » Understand how bigger players can gain advantage over smaller players: Sometimes start-ups simply get runover by bigger players. For example, big companies can easily pitch new products to their large customer bases and stymie outside players who may have more favorable products. Big tech companies, with their huge reaches, are also seeking new ways to join consumer finance markets and may threaten fair competition.
- » Identify ways to address commonplace obstacles: Innovators may not be getting their products or services to market because of more practical problems like access to capital or talent. Or they may not launch because they don’t have access to the large volumes of digital data stored by the big banks. A future rulemaking by the CFPB under Section 1033 of the Consumer Financial Protection Act will give consumers access to their own data.
- » Host events to explore barriers to entry and other obstacles: The new office will convene events such as open houses, sprints, hackathons, tabletop exercises, and war games. Entrepreneurs, small business owners, and technology professionals will be able to collaborate, explore obstacles, and share frustrations with government regulators. Results will be shared publicly. The CFPB is also encouraging companies, start-ups, as well as members of the public to file rulemaking petitions to ask for greater clarity on particular rules. This will help level the playing field and foster competition by ensuring any actions the CFPB takes will apply to all companies in the market.



FANNIE MAE EXECUTES \$21B CIRT ON SINGLE-FAMILY LOANS

Fannie Mae announced the execution of its fifth Credit Insurance Risk Transfer (CIRT) transaction of 2022 in the amount of \$21 billion.

Effective April 1, Fannie Mae will retain risk for the first 65 basis points of loss on the \$21 billion covered loan pool. If the \$136.2 million retention layer is exhausted, 22 insurers and reinsurers will cover the next 350 basis points of loss on the pool, up to a maximum

coverage of \$733.3 million.

“We appreciate our continued partnership with the 22 insurers and reinsurers that have committed to write coverage for this deal,” said Rob Schaefer, Fannie Mae VP for Capital Markets.

As part of Fannie Mae’s ongoing effort to reduce taxpayer risk by increasing the role of private capital in the mortgage market, CIRT 2022-5 transferred \$733.3 million of mortgage

credit risk to private insurers and reinsurers.

CIRT 2022-5 consists of about 67,700 single-family mortgage loans with an outstanding unpaid principal balance of approximately \$21 billion. The covered pool includes collateral with loan-to-value ratios of 80.01% to 97.00% acquired between October 2021 and December 2021. The loans included in this transaction are fixed-rate, generally 30-year term, fully amortizing mortgages, and were underwritten using “rigorous” credit standards and risk controls.

As of March 31, 2022, approximately \$906 billion in outstanding UPB of loans in our single-family conventional guaranty book of business were included in a reference pool for a credit risk transfer transaction.

To promote transparency and to help insurers and reinsurers evaluate the CIRT program, Fannie Mae provides ongoing, robust disclosure data, as well as access to news, resources, and analytics through its credit risk transfer webpages.



HOMEOWNERS CONTINUE TO FACE CHALLENGES AFTER THE PANDEMIC

The Consumer Financial Protection Bureau (CFPB) has published a new report examining 16 large mortgage servicers' responses to the COVID-19 pandemic. Collected between May and December 2021, data reveals that homeowners continue to face "significant risks and challenges" connected to working with their mortgage servicers when struggling to make payments after exiting forbearance.

"While many mortgage servicers are successfully assisting borrowers to avoid foreclosure, today's report highlights that some servicers are lagging their peers and are less well-equipped to assist borrowers who have exited pandemic housing protections," said Rohit Chopra, Director, CFPB. "We will be closely monitoring mortgage servicer performance to ensure that they are meeting their obligations under the law."

The Mortgage Metric Report found that at the end of 2021, some 330,000 homeowners had delinquent loans with no loss mitigation plan in place. Buyers cited the main reason they were not on a forbearance plan was their difficulty, or inability, to reach a mortgage

servicer's call center.

"Mortgage servicer call centers are vital links between the homeowner and servicer that answer homeowners' questions and provide them with information to make important decisions about their loans," the CFPB said. "The extent of these challenges varied significantly among servicers."

Oversight on mortgage servicers has been prioritized throughout the pandemic. The data for this report was based on responses and examinations from 16 servicers which represent a cross-section of industry as a whole. Metrics included in the report were: call center metrics, COVID-19 hardship forbearance exits, delinquency rates, and borrower profiles.

Key findings from the report include:

- » Many borrowers exited COVID-19 hardship forbearance with no loss mitigation solution in place. The 16 servicers reported that over 330,000 borrowers' loans remained delinquent—with no loss mitigation solution in place—at the end of 2021. Delinquency rates were higher for private loans—between 25% and 39%—than for federally-backed loans—

between 11% and 17%. While servicers have made progress working through delinquent loans, exiting a COVID-19 hardship forbearance with no loss mitigation solution in place puts a borrower at a heightened risk of foreclosure.

- » Some mortgage servicers significantly lag industry peers in call center response times. Call metrics showed average hold times of more than 10 minutes and call abandonment rates exceeding 30% for some servicers. The call metrics indicate that some borrowers may have difficulty establishing live contact and obtaining assistance over the phone to resolve their mortgage questions or challenges. These metrics varied among servicers, with some servicers performing well and others poorly.
- » Data on borrowers' language preferences remained limited. While the CFPB consistently has recommended that servicers collect and maintain information on borrowers' preferred language, several servicers marked that many of their borrowers' preferred language was unknown. Among the servicers who provided language preference data, the percentage of borrowers in delinquency and who had a non-English language preference, increased during the reviewed period. Conversely, the percentage of borrowers in delinquency and who identified English as their preferred language, decreased. Recent action by the Federal Housing Finance Agency requiring mortgage originators to inquire about language preference at the time of origination could help close the gap in delinquency rates between English and non-English speakers.
- » Some mortgage servicers relied on systems that could not provide information on key metrics. Some servicers did not track or were otherwise unable to provide several requested metrics. Additionally, some servicers reported inconsistent data. The report notes that some servicers are not fully able to track and report high-quality data. The CFPB is concerned about whether these servicers are able to ensure that all borrowers, and particularly those borrowers most in need of assistance, receive adequate and timely assistance in compliance with federal consumer financial protection law.



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GINNIE MAE GUARANTEES \$50B-PLUS IN MBS IN APRIL

Ginnie Mae guaranteed nearly \$52 billion in mortgage-backed securities (MBS) in April 2022, supporting affordable homeownership and rental units for more than 186,500 households during the month. Ginnie Mae has seen continued strength in purchase market activity at insuring agencies driven by the Federal Housing Administration (FHA) and

Department of Veterans Affairs (VA) lending, and a decrease in rate term refinance activity, given the rapid increases to mortgage rates over the period.

"April issuance added \$19 billion to the overall portfolio this month, the strongest growth we have seen in quite some time," Ginnie Mae President Alanna McCargo said.

"Despite the rapidly changing housing market dynamics, we are also on pace to cross the \$2.2 trillion threshold in May."

Ginnie Mae's April issuance includes \$49.29 billion of Ginnie Mae II MBS and \$2.38 billion of Ginnie Mae I MBS, which includes approximately \$2.25 billion of loans for multifamily housing. As of April 30, Ginnie Mae's total outstanding principal balance was \$2.199 trillion, an increase from \$2.182 trillion in March 2022 and \$2.105 trillion in April 2021.

"Total new mortgage origination volume is expected to slow due to rising mortgage rates and home affordability challenges, yet we see a strong MBS issuance volume of more than \$50 billion that continues to help ensure support for first-time homebuyers and those seeking affordable rental housing during this cycle," McCargo added.

MEET THE LEGAL LEAGUE 100 ADVISORY COUNCIL



WHO WE ARE

The Legal League 100 is the premier professional association of financial services law firms in the United States. With member law firms spread out across the U.S., the Legal League 100 is uniquely positioned to drive progress in the mortgage servicing industry.

OUR MISSION

Leadership. Advocacy. Education.

Legal League 100 creates an exclusive expert environment for financial services firms in the mortgage servicing industry to showcase their expertise and to champion the challenges of their clients, providing them with a clear view of the legal landscape and positioning them for new business opportunities and long-term relationships with lenders and service providers.



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Investment

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





RENTAL AFFORDABILITY ISSUES LIKELY TO LAST LONG-TERM

According to the Realtor.com Monthly Rental Report, new data indicates that rental competition remained persistent in April, as the U.S. median rental price hit a new high—\$1,827—for the 14th month in a row.

These trends highlight affordability struggles reported by renters in Realtor.com's recently published Avail Quarterly Landlord and Renter Survey, which found higher rents are increasingly cutting into households' budgets for regular expenses and savings.

"April data illustrates the perfect storm of supply and demand dynamics behind the continued rent surge, from a low number of available rentals to higher for-sale housing costs forcing many would-be buyers to rent for longer than planned," Realtor.com Chief Economist Danielle Hale said. "Renters are being left with few options but to meet higher rents and, in some cases, even offer above asking—whether they can afford to or not. Avail's new survey shows rents are not only maxing out renters' housing budgets but are the biggest strain on their overall finances, even as inflation drives up expenses across the board."

April data from Realtor.com showed national rents maintained their record-breaking run that began in January 2021, despite posting a slightly smaller year-over-year gain than in March. The continued rent surge is attributed to the mismatch between rental supply and rising demand, largely from would-be homebuyers.

Some of these aspiring homeowners are staying in the rental market for longer than

they may have intended, due to intensifying cost pressures driven by both the longstanding housing supply shortage and more recent inflationary economy. If these trends continue, national asking rents will likely surpass 2022's forecasted year-over-year growth projections (+7.1%) by end-of-year.

- » The U.S. median rental price hit a new high of \$1,827 in April, while the annual growth rate (+16.7%) moderated slightly from the March pace (+17.0%). Still, rents continued to rise at a double-digit annual pace, reaching 21.0% higher than in April 2020 right after the onset of COVID-19.
- » Studio rents grew at a faster year-over-year pace (+17.2%) than one-bedrooms (+15.6%) and two-bedrooms (+15.9%). This is largely due to the ongoing rental market comeback in major downtowns where smaller living spaces are common, with studio rents up double-digits over April 2021 in all 10 of the biggest tech hubs, led by: New York City (29.1%), Boston (+27.4%), and Austin, Texas (+25.0%).
- » In a potential reflection of shifting migration patterns during the pandemic, the five large markets that posted April's biggest overall rental price gains year over year were in the Sun Belt: Miami (+51.6%), Orlando (32.9%), Tampa (27.8%), San Diego (25.6%), and Las Vegas (24.8%).

With rental demand on the rise, landlords with limited available units are able to adjust asking rents on both new and renewing leases

to reflect the increasingly competitive market.

In fact, the majority of landlords surveyed by Realtor.com's Avail reported plans to increase rental prices within the next 12 months. This could mean further rental affordability challenges, with many surveyed renters already feeling the squeeze on their finances and savings, as inflation drives up the cost of everything from rent to regular household expenses.

"For renters trying to stay on budget, making a list of must-have features is key and using a tool like the Realtor.com Rentals app can help you find (and stick to) your parameters," Hale said. "This will be especially important as, if recent trends continue, we expect the typical U.S. asking rent to eclipse \$2,000 by August."

- » Among renters surveyed in April, 66.1% said higher rents and related household costs are their top cause of financial strain—ahead of other expenses like food and groceries (57.3%) and auto and transportation (50.8%).
- » Higher rents are also limiting renters' ability to save, with more than three-quarters of renters (76.1%) saving less each month than at the same time last year. The typical household surveyed reported being able to save just \$50 each month.
- » Of respondents whose rents have gone up on their current unit, 72.9% are considering a move to a more affordable rental. Still, lower-cost options are dwindling, with renters who moved in the past year typically paying higher rents (\$350) than they did previously. Those who are staying put are trying to cut costs, most commonly on entertainment (67.1%) and food and groceries (62.3%).
- » Additionally, trends among surveyed landlords indicate that renters aren't likely to see relief any time soon. Nearly three-quarters of landlords (72.1%) plan to raise the rent of at least one property this year, up from 65.1% in the January survey.

"Our survey data underscores how renters and landlords alike are feeling the squeeze of inflation and higher costs. For renters in particular, many may understandably feel caught between a rock and a hard place but remember that there are resources that can help. Doing your research can go a long way in helping you prepare to navigate rent increases and their impact on your family's finances," said Ryan Coon, Avail Co-Founder and VP of Rentals at Realtor.com.



SFR ROI DROPS AS HOME PRICES SPIKE

ATTOM Data Solutions, a real estate data company, released its new Single-Family Rental Market Report which shows that profit margins on three-bedroom single-family home rentals (SFR) have been declining on a year-over-year basis throughout 2022 across much of the United States. Areas that previously saw lower yields were the most at risk of this recent phenomenon.

To complete this report, ATTOM used rental and purchase data from its platform and calculated it using annual gross rental yields. The company used data from 212 counties with a population of over 100,000 people for the report. The latest yields are based on annualized 2022 gross rent income divided by median purchase prices in the first quarter of 2022.

All-in-all, the report shows that gross rental yields before expenses on three-bedroom, single-family homes purchased by landlords this year are decreasing in 72% of the counties included in the report.

"Most declines are less than one percentage point from rental yields in 2021. But rental yields are dropping in about three-quarters of

markets where median home prices exceeded \$250,000 in the first quarter of 2022," ATTOM said in the report. "The report further shows that those markets commonly have smaller profit margins, with yields that mostly fall below 7%."

At the same time, gross returns are decreasing in at least 66% of markets where homes sell for less than \$250,000 on average, which are mainly located in the Midwest and South. Despite the declines, returns remain above 8% in more than half of those counties.

The reason behind the declines is that landlords are buying property which is rising faster than rents. Median prices for three-bedroom houses increased at least 15% from 2021 to 2022 in half of the counties analyzed, while average rents went up by that much in only one-third of those markets.

"Investors who own single family rental properties have seen their margins compressed over the last year as home prices have risen faster than rental rates," said Rick Sharga, EVP of Market Intelligence at ATTOM. "The good news for these property owners is that their yields should improve as annual rental

rates increase, and they should also benefit from home price appreciation over time."

Single-family rental yields top 7% in half of nation

Of the 212 counties monitored in the report during the first quarter of 2022, yields before expenses on a typical three-bedroom SFR are at least 7% in 98 (or 46%) of those counties.

The top returns include Collier County, Florida (yield of 16%); Atlantic County, New Jersey (12.2%); Mercer County, New Jersey (11.6%); Indian River County, Florida (11%); and Charlotte County, Florida (10.7%).

The smallest 2022 returns are in Santa Clara County, California (3.1%); San Mateo County, California (3.2%); Williamson County, Tennessee (3.9%); San Francisco County, California (3.9%); and Fayette County, Kentucky (3.9%).

Largest single-family rental returns in lowest-priced counties, smallest in most-expensive markets

Yields on new three-bedroom, single-family home rentals exceed 8% in roughly six of every 10 counties where homes typically sold for less than \$250,000 in the first quarter of 2022.

These include Atlantic County, New Jersey (yield of 12.2%); Wayne County, Michigan (10.7%); Jefferson County, Texas (10.1%); Hamilton County, Ohio (9.8%); and Montgomery County, Alabama (9.7%).



SMALL, LIVELY CITIES CONSIDERED BEST LOCATIONS TO RENT

According to a new report from RentCafe, one Austin suburb—Round Rock—has been named the best city for renters in 2022, as Texas reconfirms the rising appeal as a coveted place to live.

Raleigh, North Carolina, came in second place, followed by small cities located mainly in the South and Southeast.

This new data comes from a new annual ranking of best cities for renters, based on proprietary data, and a mix of 17 metrics that best define a great renting experience, from the cost of living and the quality of rental housing to the local economy and the quality of life.

Data was analyzed for hundreds of cities across the nation and narrowed down to 115 candidates for the best cities to live as a renter

in 2022. In addition to cost of living, selection and quality of apartments available in each city was a factor, along with the quality of the neighborhoods where rentals are located, occupancy rates, opportunities for job growth, air quality, etc.

Gathered under three main categories: Cost of Living & Housing, Local Economy and Quality of Life, 2022's best cities to live in as a renter are:

1. Round Rock, Texas

As a small Texas city just 15 miles north of Downtown Austin, Round Rock earned the title of the nation's best place to rent. An up-and-coming tech center and the "sports capital of Texas," the state where renters have

the most access to sports amenities, Round Rock benefits from great year-round weather and a suburban feel—much sought-after in recent years—as well as many parks and great outdoor areas. Round Rock scores high in all the main categories of our index, the mix of which helped the city come in first place. More specifically, Round Rock ranks 13th in cost of living, 10th in terms of local economy and 12th in quality of life.

2. Raleigh, North Carolina

The runner-up is Raleigh, North Carolina, a city that ranks high in quality-of-life metrics, such as a high share of apartments located in top neighborhoods, while also boasting a booming job market. The city abounds in highly educated residents—more than half of them hold at least a bachelor's degree. Raleigh also has that increasingly popular urban-suburban vibe, which allows people to enjoy the benefits of the big-city life, as well as the quiet and safety of suburbia. In 2021, Raleigh was one of the top 20 U.S. cities with the most apartment construction, thanks to a five-year high of approximately 4,800 new apartments delivered—a sign of constant development and demand that make this North Carolina city a thriving apartment scene.

3. Conroe, Texas

Conroe, Texas—located in Houston metro—is the third-best city for renters in 2022. In particular, Conroe comes in third place in terms of cost of living and housing, which makes it very appealing to renters. Here, more than 70% of apartments are high-end, ensuring a great selection of high-quality housing for apartment-dwellers.

4. Greenville, South Carolina

Greenville, South Carolina, is fourth among the top places for renters of any age. A renter-majority city (56.9%), Greenville is the second-best U.S. location in terms of cost of living among the cities analyzed, while also boasting a high share of college-educated residents.

5. Orlando, Florida

Florida's presence at the top of our list comes as no surprise, as its ideal weather, access to beaches, and great housing options make it the state of perpetual sunshine in every way—and an all-time favorite destination for renters. More precisely, Orlando is the nation's fifth-best city to rent in, as it benefits from an urban-suburban feel, a strong local economy, a solid apartment market, and countless entertainment options.

Jacksonville, Florida, is the country's best large city for renters, also making the overall ranking as the sixth-best place among cities of all sizes. Due to its attractive cost of living—the 8th-best among all the cities analyzed—as well as great weather and plenty of entertainment options, Jacksonville is a popular hotspot for renters who are looking for that perfect combination of lively social scenes and serene outdoor areas.

As the most populous city in North Carolina, Charlotte is the 7th-best city overall and also ranks highly among large cities in terms of local economy, coming in at 19th place. Known for its many beautiful lakes, the city is the corporate headquarters of Bank of America and other financial giants. In particular, Charlotte—which is home to many young professionals and families—was the second-best large city for renters. It boasts an urban-suburban feel, ensuring that its residents get the best of both worlds: business opportunities and big-city perks, but also a tranquil and safe environment.

Austin is the third-best large city for renters—which is to be expected, given its reputation as a top tech hub and a magnet for population migration in recent years. Austin

is known for its thriving local economy (the 7th-best among large cities), great weather, many parks, rivers and bike trails, as well as the apartment boom that has taken place in the past years. In fact, as many tech giants have relocated from California to Texas, Austin has registered impressive growth in apartment construction, now catering to renters better than ever before. The city also ranks 10th in the overall top of best cities for renters.

Apart from being the second-best city for renters, Raleigh is also the number one best mid-sized city in our top. Among mid-sized cities, the city comes in 9th place in terms of quality of life, making it a perfect location for renters who are looking to live a healthy, happy lifestyle and 12th in the local economy ranking.

The second-best mid-sized city for renters is Atlanta, Georgia's most populous city and the one with the highest number of business applications, which goes to show its rising appeal as a business and economic hub. Atlanta is also known for its many urban parks and walking areas, which helped the city score the 17th position on our list with the best quality of life. Atlanta is also the 9th-best city for renters in the nation, all sizes considered.

As the economic center of Western Florida, Tampa sure is a good place to rent. Residents here enjoy great weather year-round, lots of flora and fauna, as well as an urban-suburban feel. The city also has a cost of living that is lower than the national average and scored 23rd in terms of quality of life. Tampa's neighborhoods are generally good for families and given its third position in the top best mid-sized cities and 15th spot in the general ranking, it's also a great place to be as a renter.

The fifth smallest city in the ranking is Charleston, South Carolina. With one of the lowest unemployment rates (3.4%), a large number of highly educated residents, as well as a historic charm, beautiful beaches, and world-renowned restaurants, it's no wonder that Charleston is the fifth-best small city to for renters, as well as the 8th-best in general and local economy.

The city of Savannah, Georgia, is the absolute best in the nation in terms of cost of living, while the local economy champion is Plano, Texas. Residents of San Francisco, California, are the ones that benefit from the best quality of life, based on RentCafe's analysis.

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MORE THAN HALF OF INVESTORS BELIEVE THE HOUSING MARKET IS OVERVALUED

Up from 40% a year ago, 55% of real estate investors feel that their local market is overvalued and expect to see a price correction in the coming months.

According to Auction.com, an online distressed real estate marketplace, a March 2022 survey of confirmed buyers who used their platform in the last three years also found that 17% of buyers predict flat or declining home prices in their home market in 2022, up 12% year over year.

“While most real estate investors on the frontlines of the housing market believe their local market is ripe for a correction, more than

eight in 10 don’t think that correction will happen in 2022,” said Daren Blomquist, VP of Market Economics at Auction.com. “Most of our buyers are local community developers buying and renovating distressed homes that they will resell to retail buyers six to 12 months in the future. This strategy keeps them constantly vigilant about the future market conditions into which they will be reselling their renovated homes.”

“Small investors are particularly active at these auctions, and they are sort of the single largest buying group,” said Laurie Goodman, Institute Fellow at the Urban Institute.

“The thing that I thought was really, really interesting was that a lot of these mom-and-pop investors buy these properties with the intent to fix them up and flip to owner-occupants down the line.”

Breaking down the data a bit more, 61% of respondents identified themselves as flippers, up from 57% a year earlier. A further 72% of respondents indicated that they believe their investments improve neighborhoods.

“Auction.com buyers confirmed that along with performance, social responsibility is also a critical part of their business,” said Jason Allnutt, CEO of Auction.com. “For most of our local community developers, who dominate the Auction.com platform, that means reselling to owner-occupants and improving neighborhoods with quality renovations. For sellers, it means auction buyers are helping with better disposition outcomes by taking inventory and turning it into affordably priced housing.”

Other high-level findings from the report:

- » 56% of respondents ranked online auctions or remote bid as top acquisition method
- » 92% spend more than \$10,000 on renovations
- » 86% expect acquisitions to increase or remain the same in 2022

Property Preservation

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





MORE THAN 30 MILLION PROPERTIES AT RISK OF WILDFIRE

Nationwide, there are nearly 20 million properties that face “Moderate” risk of wildfire (up to a 6% chance of experiencing a wildfire over 30 years), according to new data from First Street Foundation’s Wildfire Model.

First Street Foundation’s 5th National Risk Assessment: Fueling the Flames is a report commissioned by First Street, a nonprofit 501(c)(3) research and technology group working to define America’s growing climate risk.

In addition to the 20 million properties in the line of “Moderate” risk of wildfire, the report found that six million properties face “Major” risk (up to 14% risk over 30 years); nearly three million face “Severe” risk (up to 26% over 30 years); and approximately 1.5 million face “Extreme” risk (greater than 26% risk over 30 years). More than 49 million properties face less than a 1% chance of experiencing a wildfire over a 30-year period,

or “Minor” risk according to First Street Foundation’s methodology.

According to the National Oceanic and Atmospheric Administration (NOAA), the financial toll associated with wildfires has grown substantially, especially over the last half-decade, with \$81.7 billion or 66% of all direct losses since 1980, occurring over the last five years.

First Street Foundation will make wildfire risk information available to users for free through its Risk Factor, where Fire Factor data will be presented alongside Flood Factor and other future perils, giving users a comprehensive understanding of their homes from physical climate risk today and 30 years into the future. Like Flood Factor, Fire Factor data will be integrated into Realtor.com, providing visitors to the site with a property-level wildfire risk assessment in the form of a risk ranking from one (Minimal) to 10 (Extreme) for each property on the site.

“The lack of a property specific, climate adjusted wildfire risk for individual properties has severely hindered everyone from the federal government to your average American,” said Matthew Eby, Founder and Executive Director of First Street Foundation. “As a changing climate drives more frequent and severe wildfire events, Fire Factor will prove critical in ensuring everyone has the insights they need to understand their personal risk to avoid and protect against the devastating impact of a wildfire.”

A group of top climate and data scientists, technologists, and modelers from the Spatial Informatics Group, Reax Engineering, and Eagle Rock Analytics—members of the Pyregrence Consortium, as well as the USGS, and architectural design & engineering consulting group Arup—created an open source, freely available wildfire model that accounts for current and future climate conditions.

“According to a recent Realtor.com survey, seven out of 10 recent homebuyers considered the risk of natural disasters when deciding where to live. Realtor.com is adding Fire Factor to maps and properties to help home shoppers and homeowners make informed decisions,” said Sara Brinton, Lead Product Manager for Realtor.com. “Wildfire risk information empowers consumers to protect their homes against the increasing threat of wildfire damage.”

MEET THE AMDC ADVISORY COUNCIL



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WHO WE ARE

The American Mortgage Diversity Council (AMDC) promotes diversity and inclusion throughout the mortgage industry. The organization provides a platform for the collaboration of mortgage industry leaders for the advancement of diversity and inclusion dialogue. The organization develops and provides tools and strategies to create an understanding and appreciation of individual differences in thought, experience, race, ethnicity, culture, religion, style, sexual orientation and gender identity. Promotes moving business practices forward to embrace diversity and inclusion as essential to innovation and optimal business results.

OUR MISSION

AMDC is the vanguard of Diversity & Inclusion within the Mortgage Industry by providing the opportunity to lead with like-minded professionals, learning from each other's expertise about how to challenge and change the status quo, first in their own organizations and then share the learnings from those successes across the industry.



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MIGRATION, REMOTE WORK DRIVING SUBURBAN SALES, BUT INCREASING FIRE RISK?

Data from Redfin has found the median sale price of U.S. homes with high-fire-risk was \$550,500 in April, compared to \$431,300 for homes with low fire risk.

The report, co-authored by Redfin Senior Data Journalist Lily Katz and Redfin Senior Economist Sheharyar Bokhari, found that fire-prone homes have historically fetched higher prices, likely because they tend to be larger and/or located in pricey West Coast metros. The pandemic, which opened the doors to more remote working opportunities, allowed Americans to move out of cities and into suburbs and rural areas, where homes are more likely to face fire risk due to the proximity to flammable vegetation.

Redfin's study concluded that typical home with high-fire-risk sold for \$119,200 (27.6%) more than the typical home with low-fire-risk—the largest premium in dollar terms since at least 2017. By comparison, homes with high-fire-risk sold for just \$56,700 more (18.5%) two years earlier.

The typical high-fire-risk home purchased in April 2022 was 2,000-square feet, while the typical low-risk home was just 1,706 square feet. The median sale price of high-risk homes was up 51.7% in April 2022 from two years

earlier, while the median sale price of low-risk homes was up 40.9%

“Suburban homes tend to be more expensive because they’re large, and demand for large homes skyrocketed during the pandemic as Americans sought respite from crowded city life,” Bokhari said. “Pandemic buyers also hunted for deals due to surging home prices, and while fire-prone homes aren’t cheaper on average, buyers may feel they’re getting more bang for their buck because they’re getting more space. And for some pandemic buyers, the fire-prone home they bought in suburbia was actually cheaper than their last home because they were relocating from somewhere like San Francisco or Seattle.”

Redfin found that not only are home in high-fire-risk zones selling at higher prices, but also moving off the market in a more expedited fashion, as the typical high-risk home sold in just 16 days in April, compared to 20 days for the typical low-risk home. This trend marked a shift from before the pandemic, when low-risk homes typically sold at a faster clip. Nearly two-thirds (62.4%) of high-fire-risk homes sold within two weeks in April, compared to just 55.1% of low-risk homes. Prior to the pandemic, high- and low-risk homes had about the same likelihood of

selling within two weeks.

“For a lot of pandemic-era homebuyers, what has felt much more urgent than avoiding fire danger is finding a home they can afford at a time when inventory is so low and prices are so high,” said Corey Keach, a Redfin Real Estate Agent in the Boulder, Colorado area, where the Marshall Fire—the most destructive in the state’s history—destroyed more than 1,000 homes at the end of 2021. “I worked with a young family whose Louisville home burned down in the Marshall Fire. Afterwards, they moved to nearby Superior, where a lot of homes also burned down. They just wanted to get into their next home fast because they had already gone through the painstaking buying process in 2020 and were worried prices were going to skyrocket another 20%.”

The report also found that sellers of high-fire-risk homes in recent weeks have become more likely than sellers of low-risk homes to slash their listing prices after putting their homes on the market. In April 2022, 21.9% of high-risk listings had price drops, compared to 18.8% of low-risk listings—marking only the second month on record (the first was March) during which fire-prone homes were more likely to have price drops.

Regionally, home price drops have been on the rise in the country as mortgage rates continue to linger above the 5%-mark, thus triggering a slowdown in demand. Boise, Idaho, and Sacramento, California, two hotspots for homebuyers relocating from pricey major cities, were among the top five metros where sellers cut their asking prices in April, and both markets also happen to face substantial risk from wildfires.



GAUGING WILDFIRE RISKS

As we enter wildfire season in much of the country, Realtor.com announced that it is the first major real estate site to add property-specific wildfire risk information to for-sale and off-market homes free of cost. An estimated one in five single family homes in the United States, representing \$8.8 trillion in property value, are at risk of being damaged by a wildfire over the next 30 years. Listings on Realtor.com will now include a “Fire Factor” rating from First Street Foundation, a nonprofit research and technology group, as well as information from USDA Forest Service.

“Realtor.com was the first real estate site to display flood risk data on home listings and maps, which consumers have found to be extremely helpful in the buying process. As

the likelihood of natural disasters like wildfire and flood increase, we want to provide as much information as possible for families to make informed decisions about where to live and how to protect their homes,” said Sara Brinton, Lead Product Manager for Realtor.com. “By integrating wildfire risk data directly into maps and property listings, we can help homebuyers feel confident when making one of the biggest purchases of their lives.”

According to a recent survey from Realtor.com and HarrisX, 71% of recent homebuyers took natural disasters into account when considering where to move. Additionally, about half (47%) of recent buyers are more concerned about natural disasters today than they were five years ago.

Wildfire risk data is not just useful for

buyers; it also enables homeowners to take steps to mitigate risk and protect their property. This first-of-its-kind data integration on Realtor.com gives homebuyers and owners easy access to previously hard-to-find information about wildfires and property risk for free.

Users can explore wildfire risk on interactive maps across the Realtor.com site. In addition, Realtor.com listings now include a new Environmental Risk section featuring an overview of wildfire and flood risks. Wildfire risk information includes Fire Factor from First Street Foundation, which is a simple risk rating on a scale of 1-10 based on the property’s cumulative risk of wildfire damage over 30 years. The Fire Factor score considers property specific attributes such as exposure to embers, the extent and type of fuel sources, such as trees, grass and other vegetation, and the distance between a building and the nearest fuel sources.

The USDA Forest Service Wildfire rating compares the wildfire risk of the county where the property is located to other counties across the country.

NEARLY HALF OF U.S. MORTGAGED RESIDENTIAL PROPERTIES CONSIDERED EQUITY-RICH

The biggest improvements in the equity-rich share of such properties were in the West and South, while the ratio of equity-rich to seriously underwater properties is now 14 to 1.

ATTOM released its Q1 of 2022 U.S. Home Equity & Underwater Report, showing that 44.9% of mortgaged residential properties throughout the U.S. were considered equity-rich in the first quarter, meaning that the combined estimated amount of loan balances secured by those properties was no more than 50% of their homes estimated market values.

The portion of mortgaged homes that were equity-rich in Q1 of 2022 inched close to half, up from 41.9% in Q4 of 2021 and from 31.9% in Q1 of 2021. The report shows that just 3.2% of mortgaged homes—or one in 31—were considered seriously underwater in Q1 of 2022, with a combined estimated balance of loans secured by the property of at least 25% more than the property's estimated market value.

Across the country, 45 states saw equity-rich levels increase from Q4 of 2021 to Q1 of 2022 while seriously underwater percentages increased in 28 states by less than 1%, respectively. Year over year, equity-rich levels rose in 48 states and seriously underwater portions dropped in 46 states. Twelve of the 15 states with the lowest percentages of equity-rich properties in Q1 of 2022 were in the Midwest and South.

The smallest portions with the lowest percentages of equity-rich properties in Q1 of 2022 were in:

| | |
|-------------|-------|
| LOUISIANA | 21.6% |
| MISSISSIPPI | 23.5% |
| ILLINOIS | 23.5% |
| ALASKA | 25.2% |
| WYOMING | 26.1% |

The top five states with the highest share of mortgaged properties that were equity-rich were in:

| | |
|----------------------|-------|
| SAN JOSE, CA | 74.4% |
| AUSTIN, TEXAS | 73.8% |
| BOISE, IDAHO | 70% |
| SAN FRANCISCO, CA | 68.1% |
| SALT LAKE CITY, UTAH | 65.2% |



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The image is a composite advertisement for REO Red Book. At the top center is the main cover of the 2021 Edition, which features a rocket launch with the text "REO Red Book OFFICIAL MEMBERSHIP DIRECTORY OF THE FORCE 2021 EDITION" and "AGENTS & BROKERS LIFT OFF TO NEW BUSINESS AND NEW OPPORTUNITIES". To the left is a printed page showing three agent profiles: Kevin Watkins, Lavin Wood, and Alan W. Trammell. To the right is a laptop displaying the REO Red Book website, which mirrors the agent profile information for Nancy Braun, including her contact details and a list of services.

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