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Celebrating Four Decades of Industry Advancement

Wes G. Iseley

EVP and Senior
Managing Director of
Carrington Holding
Company, winner of
the 2022 Five Star
Institute Lifetime
Achievement Award,
reflects on his 40-plus
years in the industry,
and shares the keys to
being a successful leader
throughout the years.

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Past Achievements & Future Challenges

As we leave another of our annual Five Star Conferences in the rearview mirror and head into the final months of 2022, we can't help but reflect on where we've been and where we're going. That sense of perspective is at the heart of this issue, which includes a selection of snapshots from the Conference itself (and if you weren't able to join us, we hope we'll see you in '23!), as well as a cover profile of our Lifetime Achievement Award winner. This award has been a staple of the Conference for years, each time highlighting a mortgage executive who has left an indelible mark on our industry.

This year, Five Star was proud to honor Wes G. Iseley, EVP and Senior Managing Director of Carrington Holding Company. Former Chairman of Five Star's National Mortgage Servicing Association from 2019-2021, Iseley is a 40-year industry veteran who previously served at organizations including Saxon Mortgage and Fremont General. Iseley is also currently serving as President of the California Mortgage Bankers Association. In this cover profile, Iseley speaks with *DS News* about his four decades of service and shares his thoughts on the keys to successful leadership.

Next up is a feature entitled "The Time Is Right," from Lori J. Pinto, SVP of Business Development for Cenlar. With the market shifting, Pinto discusses why financial institutions should consider partnering with a mortgage servicer now.

In "Next Steps for Default Servicing," Jonathan R. Kolodziej, a partner at Bradley Arant Boult Cummings LLP, talks about why, as fears of a recession grow, it would be prudent for everyone—servicers and regulators alike—to think hard about default servicing improvements and reforms.

In this issue, Jerry McCoy, SVP of Performance Management of LoanCare, also brings "Safe and Sound," in which he lays out three keys to enabling sound servicing decisions using data-driven technology.

Also be sure to check out this issue's Exchange interview, including conversations with John Vella, Chief Revenue Officer of Selene Finance and Jacob Williamson, SVP, Single-Family, Head of Collateral Risk Management at Fannie Mae.

Welcome to the October edition of *DS News*.



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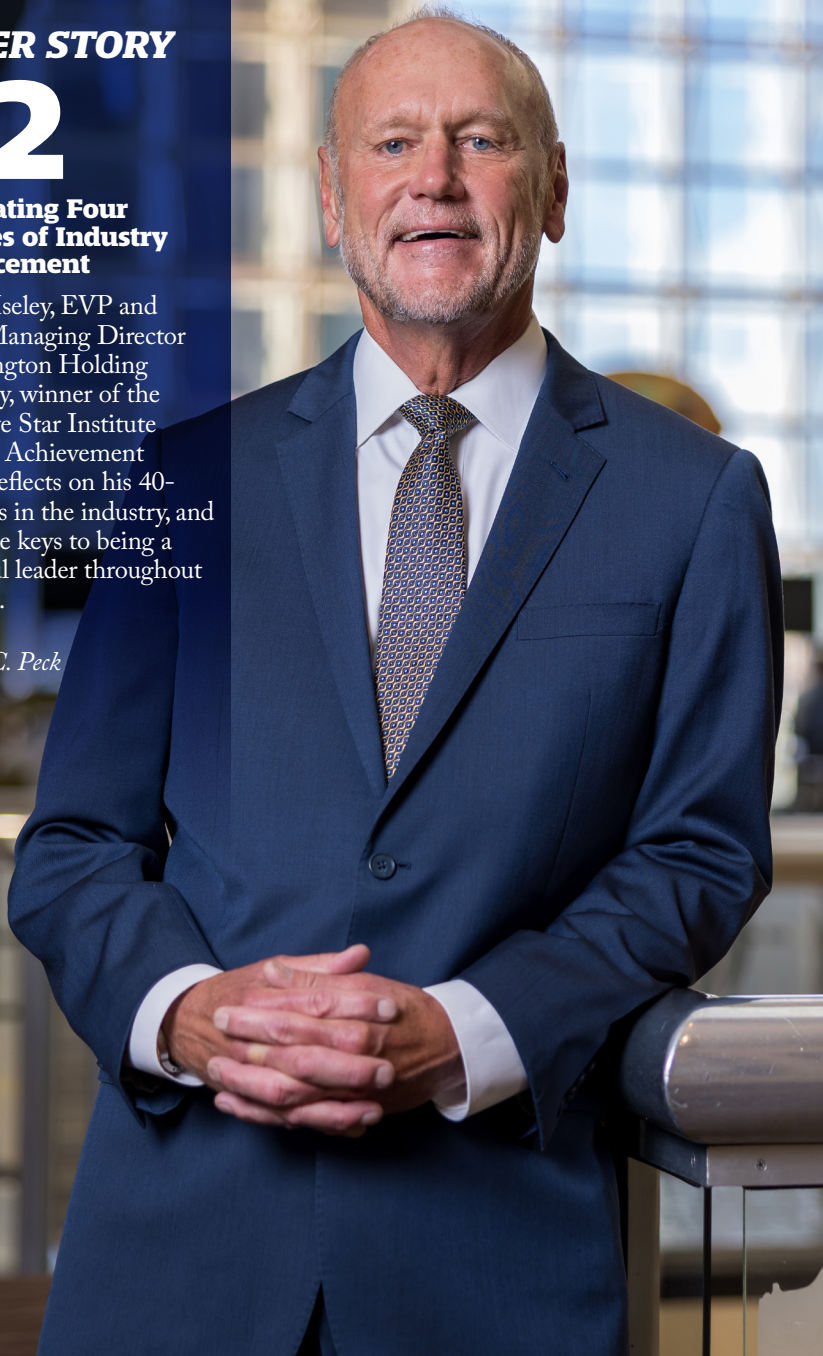
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EXAMINING RACIAL BARRIERS IN HOMEOWNERSHIP

While mortgages are denied for people of all races, a new LendingTree analysis of 2020 Home Mortgage Disclosure Act (HMDA) data found that the share of Black homebuyers who have their mortgage requests denied is notably higher than the share of the overall population who sees the same.

One obstacle Black Americans disproportionately face is getting their mortgage requests denied by lenders. Racial barriers to homeownership in the United States are undeniable for many, with Black Americans often facing the most hurdles during the homebuying process.

LendingTree found that the purchase mortgage denial rate for Black homebuyers across the nation's 50 largest metropolitan areas is an average of 9 percentage points higher than the denial rate for the overall mortgage borrower population. In other words, this means the denial rate for Black borrowers is double the denial rate for the overall borrower population.

Key findings:

- » The purchase mortgage denial rate for Black homebuyers is twice as high as the denial rate for the overall mortgage borrower population in each of the nation's 50 largest metros. On average, 18% of Black homebuyers are denied a mortgage—9 percentage points higher than the average

- denial rate for the overall population of 9%.
- » St. Louis, Boston, and Jacksonville, Florida, see the largest percentage point differences between the denial rates for Black borrowers and the overall borrower population. Across these metros, the denial rate for Black borrowers is an average of 13.36 percentage points higher than the denial rate for the overall mortgage borrowers population.
- » San Francisco, Sacramento, California, and Seattle see the smallest percentage point differences between the denial rates for Black borrowers and the overall borrower population. Though Black borrowers are more likely to be denied a mortgage in each of these metros, the average spread between their denial rate and the denial rate for the overall population is a relatively low 3.94 percentage points.
- » Denial rates for Black borrowers are highest in Detroit, Miami, and Jacksonville, while they're lowest in San Francisco, Seattle, and Sacramento. Across Detroit, Miami, and Jacksonville, the average denial rate for Black borrowers is 25.52%—more than double the average denial rate of 12.55% across San Francisco, Seattle and Sacramento. Though they can vary by metro, denial rates for Black borrowers are higher than 10% in each of the nation's 50 largest metros.

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS



TOP 10 STATES AMERICANS ARE LOOKING TO MIGRATE TO:

RANK	CITY
1.	MIAMI, FLORIDA
2.	TAMPA, FLORIDA
3.	PHOENIX, ARIZONA
4.	SACRAMENTO, CALIFORNIA
5.	LAS VEGAS, NEVADA
6.	CAPE CORAL, FLORIDA
7.	SAN DIEGO, CALIFORNIA
8.	NORTH PORT, FLORIDA
9.	SAN ANTONIO, TEXAS
10.	DALLAS, TEXAS



TOP 10 STATES AMERICANS ARE LOOKING TO MIGRATE AWAY FROM:

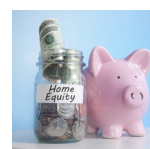
RANK	CITY
1.	SAN FRANCISCO, CALIFORNIA
2.	LOS ANGELES, CALIFORNIA
3.	NEW YORK, NEW YORK
4.	WASHINGTON, D.C.
5.	SEATTLE, WASHINGTON
6.	BOSTON, MASSACHUSETTS
7.	DETROIT, MICHIGAN
8.	DENVER, COLORADO
9.	CHICAGO, ILLINOIS
10.	MINNEAPOLIS, MINNESOTA

Source: Redfin, "A Record Share of Homebuyers Relocate As High Prices, Mortgage Rates Push Them Toward More Affordable Areas"

Know THIS



With asking rents up nearly 14% in July, younger Americans who took on a new rental lease saw their general cost of goods and services increase almost 12% year over year according to Redfin.



According to a new study from LendingTree, Americans are sitting on a record \$27.8 trillion in home equity, with an estimated \$333,000 worth of equity for each owner-occupied housing unit in the nation.



Podcast

Real Estate Business Builders

According to host Lars Hedenborg, the bottom line is that real estate has “failed to create a clear path to financial freedom.” While traditional brokerages want to keep you on the “transaction treadmill” with no clear exit strategy, betting on yourself is always a solid option. Having served over 5,000 families—while making every conceivable mistake along the way—Hedenborg has made a business of helping agents and leaders realize their goal of true time and money freedom and living a life without regrets. Published weekly, this video podcast is available via YouTube or any podcast publisher and features different guests and topics during episodes lasting in the half-hour range.

Podcast

Practicing Law with Grit and Grace

In this freshman, short-form podcast, attorney Nancy D. Mendez discusses all things real-estate with frank conversations about current problems in real estate and what you should do to prepare for the future. Even for people with minimal assets, such as a collectible card collection, estate planning with firms with roots in real estate can protect wealth as it moves to future generations.



Podcast

Women Rocking Real Estate Podcast

Now rocking over 60 episodes, this podcast typically runs for 30 minutes and is all about women in real estate. Giving lessons for women through lists of strategies, systems and tools, time management, and how to best attract leads, Host Jen Percival is on a mission to help women in real estate start, grow, and scale a relational business without using outdated tactics. This podcast is for those seeking advice on how to naturally grow a business in a way that feels authentic and dives into marketing strategies that will help you get the results you dream of.



CONCERN OVER CLIMATE RISK FACTORING HEAVILY INTO HOME RELOCATION PLANS

Sixty-two percent of residents polled by Redfin who plan to buy or sell a home in the next year are hesitant to move to an area at risk of natural disasters, extreme temperatures and/or rising sea levels. That share is even higher among younger generations, high-earners, Democrats, and people living in the Northeast. Nearly three-quarters (71%) of Gen Z respondents said they would be hesitant to move somewhere at risk of natural disasters, extreme temperatures and/or rising sea levels. That compares with just over half (52%) of baby boomers. When it comes to political preference, 69% of respondents who identified as Democrat said they would be hesitant, compared with 58% of Republican respondents. Respondents in the Northeast were most likely to express hesitance, at 68%, compared to 59% of respondents in the South.

“One of the main questions I get from buyers is, ‘Where can I move that’s close to the beach but not in a flood zone?’ The answer is nowhere. If you’re not in a flood zone this year, you may be in a couple of years from now,” said Isabel Arias-Squires, a Redfin Real Estate Agent in Fort Myers, which was among the areas hardest hit by Hurricane Ian. “This is Florida—hurricanes and flooding come with the territory. Homebuyers should always purchase flood insurance and invest in impact windows if they can.”

While a majority of respondents were hesitant when asked about moving to risky areas, these areas have seen more people move in than out in recent years. That’s partly because they often offer relatively affordable homes and/or access to warm weather and the outdoors. Cape Coral, North Port and Tampa—three Florida metros impacted by Hurricane Ian—consistently rank on Redfin’s list of top migration destinations.

“Demand for rentals is surging because so many people were displaced by the storm and need a place to live. There’s one home in Cape Coral that’s asking \$7,500 a month, which is

almost unheard of,” Arias-Squires said. “My out-of-state buyer plans to rent their new home out for six months and then make it their second home. They’ve still never seen it in person.”

And that demand may drive even deeper, as a new CoreLogic study has updated original estimates reported after Hurricane Ian made landfall. Now, total flood and wind losses from Ian are estimated to be between \$41 billion and \$70 billion (this estimate includes wind loss, re-evaluated insured and uninsured storm surge loss and newly calculated inland flood loss for residential and commercial properties).

“The harsh reality is that most areas face at least some climate risk,” said Redfin Chief Economist Daryl Fairweather. “House hunters should do their research to get a sense of where their families and finances will be safest. That might mean avoiding cities that in a decade could be underwater or have no water at all.”

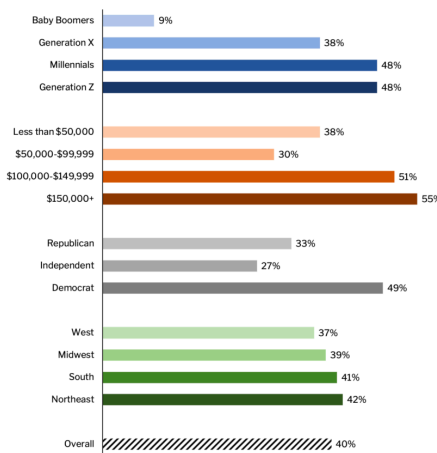
Two in five (40%) respondents who plan to buy or sell a home in the next year said that the

risk of natural disasters, extreme temperatures and/or rising sea levels played a role in their decision to move. The share was again higher among younger generations, high-earners, Democrats, and people living in the Northeast. More than half of buyers and sellers making at least \$100,000 a year said that the risk of natural disasters, extreme temperatures and/or rising sea levels played a role in their decision to relocate in the next year. That compares with less than 40% of those making under \$100,000.

“Affluent Americans have the means to move away from areas endangered by climate change, while lower-income Americans often can’t afford to make that a priority,” Fairweather said. “The recent surge in housing prices has exacerbated the problem; more house hunters are being forced to prioritize affordability over safety. The good news is people are becoming more educated about climate risks and what they can do to make their existing homes more resilient if relocating isn’t an option. Of course, that comes with costs as well.”

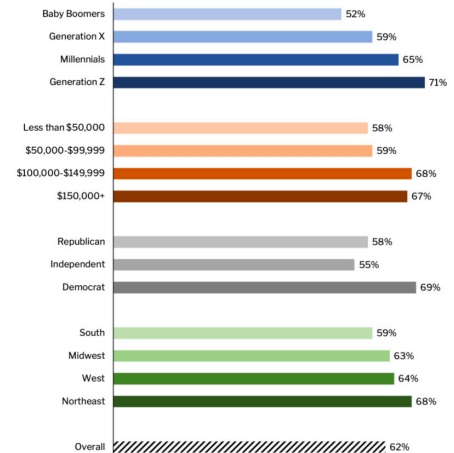
Two-thirds (66%) of respondents who plan to buy or sell a home in the next year said climate change has impacted their home search in at least one way. The most common explanations were that climate change caused respondents to limit their search to homes that include certain features (17%) and that it impacted their homebuying budget (17%). Meanwhile, 15% of buyers and sellers said climate change caused them to search in a different part of their area. The same share said it changed their search timeline.

High-Income Individuals More Likely to Factor Climate Risk into Decision to Move
Share of respondents that said risk from natural disasters, extreme temperatures and/or rising sea levels played a role in their decision to move



Source: August 2022 Redfin survey of roughly 1,000 U.S. residents who indicated they plan to buy or sell a home in the next year

Young People, Democrats Most Hesitant to Move to Areas Facing Climate Risk
Share of respondents that said they're somewhat or very hesitant to move to area at risk from natural disasters, extreme temperatures and/or rising sea levels



Source: August 2022 Redfin survey of roughly 1,000 U.S. residents who indicated they plan to buy or sell a home in the next year



MARKETS CONSIDERED OVERVALUED INCREASING AS MORTGAGE RATES RISE

First American Financial Corporation, a provider of title, settlement, and risk solutions for real estate transactions, released the July 2022 First American Real House Price Index (RHPI). The RHPI measures the price changes of single-family properties throughout the U.S. adjusted for the impact of income and interest rate changes on consumer house-buying power over time at national, state and metropolitan area levels. Because the RHPI adjusts for house-buying power, it also serves as a measure of housing affordability.

July 2022 Real House Price Index Highlights

- » Real house prices decreased 0.9% between June 2022 and July 2022.
- » Real house prices increased 53.8% between July 2021 and July 2022.
- » Consumer house-buying power, how much one can buy based on changes in income and interest rates, increased 1.7% between June 2022 and July 2022, and decreased 24.1% year-over-year.
- » Median household income has increased 3.0% since July 2021 and 76% since January 2000.
- » Real house prices are 28.7% more expensive

than in January 2000.

- » While unadjusted house prices are now 55.1% above the housing boom peak in 2006, real, house-buying power-adjusted house prices remain 9.3% below their 2006 housing boom peak.

Chief Economist Analysis: Real House Prices Increase 53.8% Year-Over-Year

“Housing affordability continued its rapid annual decline in July 2022, as nominal house prices increased 16.7% year over year and the 30-year, fixed mortgage rate increased 2.5 percentage points compared with a year ago. The RHPI reflects the decline in affordability, as it jumped up by nearly 54% on an annual basis,” said Mark Fleming, Chief Economist at First American. “For home buyers, there are few options to mitigate the loss of affordability caused by a higher mortgage rate and rising prices. One way to offset the decline in affordability is with an equivalent, if not greater, increase in household income. Another option is choosing an adjustable-rate mortgage (ARM), which typically has a lower rate than a 30-year, fixed-rate mortgage. Even though higher household income and ARMs help to

increase consumer house-buying power, they’re not enough to offset the affordability loss from higher rates and fast-rising nominal prices in July.

“As affordability wanes, would-be buyers are pulling back from the market, prompting annual house price appreciation to moderate. Annual house price growth peaked in March at nearly 21% but has since decelerated to a still-high 16.7% in July,” said Fleming. “As the housing slowdown continues, the pace of house price moderation will vary market to market, with prices decelerating faster in some markets than in others. By analyzing which markets are considered overvalued, we can identify the markets at risk of more rapid price deceleration.”

Where Is Housing Overvalued?

“If housing is appropriately valued, house-buying power should equal or exceed the median sale price of a home,” said Fleming. “As of July, most of the top 50 markets we track remain undervalued by this measure, some significantly undervalued. For example, Detroit, Philadelphia, and Pittsburgh are markets considered undervalued by nearly \$200,000.

“However, real estate is local and not all markets are created equal. There were 15 markets considered overvalued in July, meaning the median existing-home sale price exceeded house-buying power. One year ago, only four markets were considered overvalued,” said Fleming. “San Jose, California was the most overvalued market. The median consumer house-buying power in San Jose in July was just over \$770,000, barely more than half of the median sale price of a home at \$1,460,000. Consequently, annual house price growth is adjusting in San Jose. Price growth peaked at 19.4 percent in February 2022 but has since decelerated quickly to 4.6% in July—the second fastest deceleration in prices among all the top 50 markets we track, just after Sacramento.

“Overvaluation was calculated based on July 2022 house prices and mortgage rates, but mortgage rates have drifted higher since then. If we hold household income and median sale prices constant at their July 2022 levels, the increase in the average 30-year, fixed mortgage rate from 5.4% in July to 6% in September, increases the number of overvalued markets by four, adding San Antonio; Miami; Tampa, Florida; and Salt Lake City to the list and bringing to the total to 19,” said Fleming.

Where Does the Housing Market Go from Here?

“Housing overvaluation is a function of three factors: house prices, household income, and mortgage rates. First American Data & Analytics’ preliminary nominal house price index indicates that house price deceleration is likely to continue in September. Meanwhile, median household incomes are expected to continue to rise, as the supply and demand imbalance in the labor market persists, putting upward pressure on wages,” said Fleming. “While mortgage rates are expected to continue to drift higher over the coming months, much of the rapid increase in rates is likely behind us. While the markets considered overvalued may need to adjust to the not-so-new reality of higher mortgage rates, housing market fundamentals still support a moderation of annualized house price appreciation rather than a sharp decline.

“Nationally, while month-over-month house prices may decline, annual house price declines are not expected, given the ongoing supply-demand imbalance and continued strength in the labor market,” said Fleming. “Prior to the pandemic, the historical average for annual house price growth was just below 4% so, as the market adjusts to a not-so-new normal pace of appreciation, some buyers who backed out due to the frenzy of the super sellers’ market may jump back in.”

July 2022 Real House Price State Highlights

- » The five states with the greatest year-over-year increase in the RHPI are: Florida (+72.2%), South Carolina (+59.6%), Georgia (+59.4%), North Carolina (+58.5%), and Vermont (+58.2%).
- » There were no states with a year-over-year decrease in the RHPI.

July 2022 Real House Price Local Market Highlights

- » Among the Core Based Statistical Areas (CBSAs) tracked by First American, the five markets with the greatest year-over-year increase in the RHPI are: Miami (+68.5%); Tampa, Florida (+67.3%); Charlotte, North Carolina (+65.1%); Raleigh, North Carolina (+64.1%); and Orlando (+62.5%).
- » Among the Core-Based Statistical Areas (CBSAs) tracked by First American, there were no markets with a year-over-year decrease in the RHPI.



YOY BANKRUPTCY FILINGS INCREASE FOR SECOND STRAIGHT MONTH

Year-over-year, U.S. bankruptcy filings increased 7% across all chapters for the second consecutive month in September, according to new data from Epiq’s Bankruptcy Analytics platform. The analysis revealed there were 33,184 total filings registered in September 2022, up 7% from last September’s total of 30,922. Commercial Chapter 11 filings also rose, with 437 in September, a 76% increase compared to 249 filings in September 2021.

There were 1,994 commercial filings in September 2022, an increase of 16% compared to 1,721 in September 2021. The 31,190 individual filings in September also represented a 7% increase from the September 2021 total of 29,201. Subchapter V small business filings registered the largest percentage increase with 150 filings in September 2022, a nearing 80% increase over the 84 filings in September 2021.

“While year-over-year comparisons indicate bankruptcies are trending upward, all chapter year-to-date new filings are nine percent lower than they were at the end of the third quarter last year,” said Gregg Morin, VP of Business Development and Revenue at Epiq Bankruptcy. “While we anticipate economic pressures will continue to push new filing trends higher overall, we are still seeing mixed results month-over-month by individual chapters and debtor types.”

Although September saw significant year-over-year increases, 2022 year-to-date filings continue to run below 2021 levels. Total U.S. bankruptcy filings decreased 9% during the first nine months of the year, as the 284,773 filings dropped from 312,647 filings in 2021. The 268,901 total individual filings through the first three quarters of 2022 also represented a 9% decrease from the individual filing total of 295,166 through the first three quarters of 2021.

Commercial bankruptcy filings during the first nine months of the year dipped 9% to 15,872 from the 17,481 filings during the same period in 2021. Commercial Chapter 11 filings decreased 3% during the first nine months of 2022 from the same period a year ago, as the 2,831 filings declined from the 2,915 filings in 2021. Conversely, the 1,079 subchapter V filings during the period increased roughly 8% over the 995 subchapter V filings during the first nine months of 2021.

“The weight of inflation, rising interest rates and concern over supply chain channels continue to have an economic impact on companies and families,” said ABI Executive Director Amy Quackenboss. “Bankruptcy provides distressed households and businesses with the opportunity to rebuild their financial futures.”

WITH NEW NET LISTINGS DOWN, HOUSING MARKET REACHES CROSSROADS

HouseCanary, Inc. has released its Market Pulse report, comparing data between September 2021 and September 2022, revealing that a sharp decrease in demand is driving the housing market cooldown. New data also found that declining demand led to a 19.2% decrease in new listing volume in September, and a 51.0% increase in listing removals, while the volume of price drops is up 83.2% compared to September 2021.

“The most recent round of rate increases has continued to cause a shift in supply-demand fundamentals by impacting demand and creating a flat price growth environment,” said Jeremy Sicklick, Co-Founder and CEO of HouseCanary. “Compared to the rate increases in the spring, the market is starting at a different baseline with no momentum to subsequently absorb the slowing of the market volume and price growth. Additionally, the market has seen a 51% increase in listing removals and an 83.2% increase in the volume of price drops over the last year, indicating that declining demand has driven sellers to either reduce their listing prices or remove their homes from the market entirely.”

Throughout the year, there has been a continued housing inventory shortage, driven most recently by recurring interest rate hikes as the Federal Reserve tries to combat inflation. Consequently, the post-pandemic housing market has shown a sharp turnaround, with many would-be buyers now deterred by record-high mortgage rates. As 2023 rapidly approaches, HouseCanary insights indicate there will be additional market shifts, with a sharp decrease in demand that is causing sellers to reduce prices or remove listings at a dramatic rate.

Total Net New Listings:

- » Since September 2021, there have been 3,179,129 net new listings placed on the market, which is a 7.6% increase versus the 52 weeks prior.
- » Percentage of total net new listings over the last 52 weeks, broken down by home price:

\$0-\$200k: 14.4%
 \$200k-\$400k: 37.6%
 \$400k-\$600k: 24.1%
 \$600k-\$1mm: 16.0%
 >\$1mm: 7.9%

- » Percent change in net new listing activity over the last 52 weeks versus the same period in 2021, broken down by home price:

\$0-\$200k: -26.1%
 \$200k-\$400k: -16.0%
 \$400k-\$600k: +7.1%
 \$600k-\$1mm: +11.6%
 >\$1mm: +9.9%

Monthly Net New Listing Volume (Single-Family Detached Homes):

- » Monthly new listing volume was down 19.2% compared to September 2021
- » In September, there were 236,971 net new listings placed on the market, representing a 29.6% decrease year-over-year.
- » For the month of September, the percent change in net new listing volume compared to September 2021, broken down by home price:
 - \$0-\$200k: -36.0%
 - \$200k-\$400k: -32.0%
 - \$400k-\$600k: -25.3%
 - \$600k-\$1mm: -24.7%
 - >\$1mm: -23.2%

Listings Under Contract:

- » Over the last 52 weeks, 3,194,231 properties have gone into contract, representing an 11.1% decrease relative to the same period in 2021
- » Percentage of total contract volume since September 2021, broken down by home price:
 - \$0-\$200k: 15.0%
 - \$200k-\$400k: 38.3%
 - \$400k-\$600k: 23.3%
 - \$600k-\$1mm: 15.3%
 - >\$1mm: 7.6%
- » Percent change in contract volume over the last 52 weeks versus the same period in 2021, broken down by home price:

\$0-\$200k: -23.6%
 \$200k-\$400k: -18.3%
 \$400k-\$600k: +1.4%
 \$600k-\$1mm: +4.7%
 >\$1mm: -1.4%

Monthly Contract Volume (Single-Family Detached Homes):

- » For the month of September, there were 284,611 listings that went under contract nationwide, which is an 18.9% decrease year-over-year.
- » For the month of September, the percent change in contract volume compared to September 2021, broken down by home price:
 - \$0-\$200k: -21.1%
 - \$200k-\$400k: -21.0%
 - \$400k-\$600k: -14.7%
 - \$600k-\$1mm: -15.5%
 - >\$1mm: -21.3%

Median Listing Price Activity (Single-Family Detached Homes):

- » For the week ending September 30, 2022, the median price of all single-family listings in the U.S. was \$433,070, a 12.5% increase year-over-year.
- » For the week ending September 30, 2022, the median closed price of single-family listings in the U.S. was \$399,505, a 6.8% increase year-over-year.
- » The median price of all single-family listings in the U.S. is down by 0.7% month-over-month and the median price of closed listings has remained unchanged.

“While the continued supply shortage remains significant, the recent round of increasing rates is taking a bigger toll than those occurring earlier this year,” said Sicklick. “The increasing rates are expected to continue to negatively impact the market: creating even lower contract volume and putting additional downward pressure on prices.”



IS NOW THE TIME TO ADDRESS FAIR ACCESS TO DISASTER AID?

Disasters have been making headlines recently after a pair of hurricanes—Fiona and Ian—caused damage in the territory of Puerto Rico and from Florida up the East Coast, but as federal aid begins to flow to disaster victims, is now the time to review distribution policies to make sure aid is distributed equitably?

According to Carlos Martin, Project Director of the Remodeling Futures Program, a program under the purview of the Joint Center For Housing Studies at Harvard University, repairs after major disasters have been an increasing segment of general home improvement activity, but there are many who cannot afford to repair their property, even with federal subsidies, or are not in a position to recover quickly, such as is the case with renters.

The Community Development Block Grant Disaster Recovery Fund (CDBG-DR),

managed by the U.S. Department of Housing and Urban Development (HUD), was created to help states, counties, and individual cities recover from presidentially declared disasters. It is intended to help fill financial needs after a disaster is declared to help fill holes after other assistance is exhausted.

“These are needs that persist particularly for residents who cannot recover on their own,” Martin wrote in his blog post. “Disasters have a long-term negative impact on the housing and household finances of survivors for years after the event and, without assistance, the impact is longer and deeper.”

Despite all the benefits of the CDBG-DR offers, Congress has yet to provide permanent authorization for the program. Due to this fact, Martin says that the time is ripe to address opportunities for improvement in consistency,

efficiency and speed, comprehensive service guidelines, and creating a compliance arm to make sure the program complies with all current and future statutes.

“As I testified in a Senate hearing at the end of last year, CDBG-DR’s lack of permanent statutory authority has impeded consistency,” Martin said. “If the program were codified through permanent, congressional authorization, it could yield consistent rules; standardized and more sophisticated reporting and recordkeeping; and more uniform technical assistance offerings. There are also benefits for HUD and its grantees in their planning and timing from the consistency that would be established through permanent authorization.”

Martin went on to say that the speed at which aid flows is impeded by the uncertainty of the program, but the federal activity before state and local grantees are directly involved—shapes the time after in which grantees design, launch, and ramp up their programs. This results in numerous cases where jurisdictions were “unable to plan, act, and/or inform households of their options because of the lack of knowledge about whether and when funds would come.”

This omission leads to suboptimal recovery for everyone. Efficient—and early—resources and knowledge make a difference in lives and livelihoods according to Martin.

The CDBG-DR also has a requirement to serve low-to-moderate income households, but that provision could be much more comprehensive with a permanently authorized CDBG-DR.

“Research shows that survivor households continue to slip through the cracks because they lack the resources to wait or absorb delay and change,” Martin said. “Extremely low-income households and renters are particularly vulnerable. These groups suffer from even modest financial hits and personal damages. They could benefit from the changes I have already mentioned simply because clearer rules and faster funding would help jurisdictions catch them before they slip through the cracks.”

Martin concluded his piece by saying some of these changes will make it easier for the most vulnerable of households to “apply, qualify, and access assistance.” The CDBG-DR serves as a bridge between crisis and long-term recovery and development.

“Future disasters are certain. We must respond with equal certainty and purposeful clarity.”



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EARLY-STAGE DELINQUENCIES EXPERIENCING ‘SMALL BUT CLEAR, INCREASING TREND’

CoreLogic’s Loan Performance Insights Report for July 2022 has found that for the month of July 2022, 3% of all mortgages in the U.S. were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 1.2-percentage point decrease compared to 4.2% in July 2021.

The data in this report accounts for only first liens against a property and does not include secondary liens. The delinquency, transition and foreclosure rates are measured only against homes that have an outstanding mortgage. Homes without mortgage liens are not subject to foreclosure and are, therefore, excluded from the analysis.

“Early-stage delinquencies are showing a small but clear increasing trend on a month-over-month and year-over-year basis,” said Molly Boesel, Principal Economist at CoreLogic. “While the share of mortgages that are 30 to 89 days past due remains below the pre-pandemic level, the slight increase is occurring in most areas of the country and could indicate that more borrowers are having trouble making their monthly payments.”

Although overall U.S. mortgage delinquencies crept up again in July from earlier in 2022, they declined for the 16th straight month year-over-year and remained near historic lows. The national foreclosure rate has held steady at 0.3% since March but rose by 0.1-percentage point from July 2021. This slight bump mirrors metro-level trends, with almost two-thirds of areas that CoreLogic tracks posting small annual foreclosure gains. The minor uptick in foreclosures may be due to mortgage forbearance periods and moratoriums ending for some homeowners, while the increase in delinquencies could indicate that inflation is negatively impacting others’ abilities to make monthly payments.

Early-stage delinquencies, those 30 to 59 days past due, stood at 1.3%, up from 1.1% in July 2021. Those measured as “Adverse Delinquency,” or 60 to 89 days past due, measured 0.4%, up from 0.3% in July 2021.

Mortgage loans deemed in “Serious Delinquency,” 90 days or more past due, including loans in foreclosure, stood at 1.3%, down from 2.8% in July 2021, and a high of 4.3% in August 2020.

The Foreclosure Inventory Rate, representing the share of mortgages in some stage of the foreclosure process, was at 0.3% in July 2022, up from 0.2% in July 2021, while the Transition Rate, measured as the share of mortgages that transitioned from current to 30 days past due, stood at 0.7%, up from 0.6% year-over-year in July 2021.

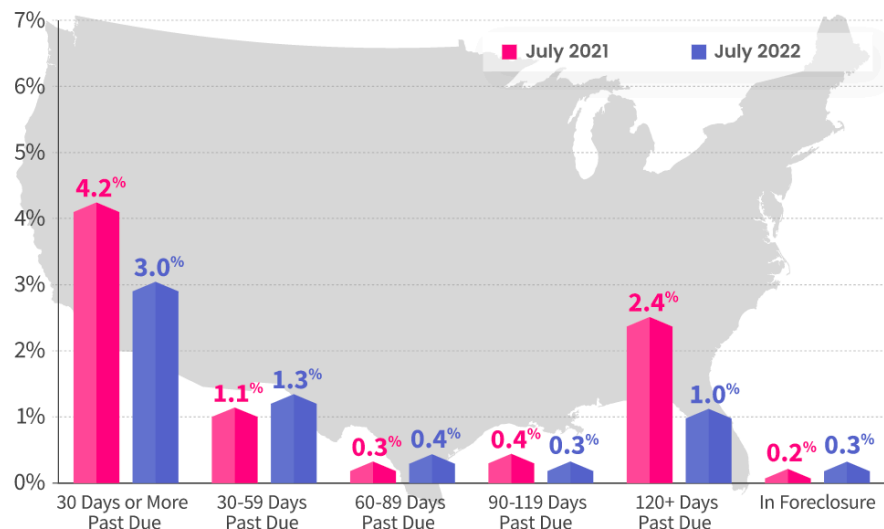
Regionally, all states posted annual declines in their overall delinquency rates in July of 2022. The states with the largest declines were Hawaii and Nevada (both down 2.3 percentage points), New Jersey (down 2.1 percentage points), and New York (down 2.0 percentage points), the third consecutive month that these states have led the country for delinquency declines. The remaining states, including the District of Columbia, registered annual delinquency rate drops between 1.9 percentage points and 0.2 percentage points. All but eight U.S. metro areas posted a small annual decrease in overall delinquency rates, with increases

in those metros ranging from 0.1 percentage points to 0.4 percentage points.

All U.S. metro areas posted at least a small annual decrease in serious delinquency rates, with Odessa, Texas (down 4.7 percentage points); Laredo, Texas (down 3.7 percentage points) and Kahului-Wailuku-Lahaina, Hawaii (down 3.6 percentage points) posting the largest decreases.

“Early-stage delinquencies are showing a small but clear increasing trend on a month-over-month and year-over-year basis.”

**—Molly Boesel,
Principal Economist at CoreLogic.**



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LUXURY HOME PURCHASES SLIDE TO NEW LOWS

According to a new analysis by Redfin, sales of luxury U.S. homes and investment properties fell 28.1% year-over-year during the three months ending Aug. 31, 2022. That total marks the largest decline in a three-month-span recorded by Redfin in over a decade, eclipsing the 23.2% plunge that occurred when the onset of the coronavirus pandemic brought the housing market to a near standstill roughly two years ago.

Redfin also reported that sales of non-luxury homes fell the most on record, decreasing 19.5% during the three months ending Aug. 31, slightly outpacing the 19% decline during the three months ending June 30, 2020.

“High-end-house hunters are getting sticker shock when they see the impact of rising mortgage rates on paper. For a luxury buyer, a higher interest rate can equate to a monthly housing bill that’s thousands of dollars more

expensive,” said Redfin Chief Economist Daryl Fairweather. “Someone who was in the market for a \$1.5 million home last year may now have a maximum budget of \$800,000 thanks to higher mortgage rates. Luxury goods are often the first thing to get cut when uncertain times force people to reexamine their finances.”

The rise in mortgage rates, as evidenced by Freddie Mac’s reporting that the 30-year fixed-rate mortgage (FRM) hit 6.29%, a 14-year high.

Expensive California markets are leading the drop in high-end-home sales, as in the Oakland region, luxury-home sales plunged 63.9% year-over-year during the three months ending Aug. 31, the largest decline among the 50 most populous U.S. metropolitan areas. San Jose and San Diego also experienced decreases of more than 55%. These markets have something else in common: they’ve seen larger declines in luxury listings than anywhere

else in the country as sellers have backed off in response to ebbing demand.

As demand cools, home-price growth in the luxury market has slowed as well, with the median sale price of luxury homes rose 10.5% year-over-year to \$1.1 million during the three months ending Aug. 31, compared with an annual increase of 20.3% a year earlier and a record gain of 27.8% during the three months ending June 30, 2021.

Prices of luxury homes are rising at a slower pace than prices of non-luxury homes, which increased 15.5% year-over-year to \$335,000 during the three months ending Aug. 31. That’s down slightly from an annual increase of 17.2% a year earlier, and a record gain of 19.7% during the three months ending March 31, 2022.

In terms of luxury home inventory, the number of luxury homes for sale fell 1.9% year-over-year to roughly 169,000 during the three months ending Aug. 31, compared to a record decline of 25% one year earlier. Luxury-home supply is still down on a year-over-year basis, but has increased from the beginning of 2022, as the number of luxury homes on the market is up 39.2% from a record low of roughly 121,000 during the three months ending Feb. 28.



LACK OF TRANSPARENCY HINDERS THE UNBANKED

A new report from LexisNexis Risk Solutions focusing on financial transparency and inclusion has found that among Americans, those most financially at risk are the “unbanked”—or those without a traditional bank account—and that increasing financial inclusion in a responsible and sustainable way can help these people grow financially.

LexisNexis worked with Celnet in order to complete an extensive survey of banks, insurers, and non-bank financial institutions in 13 countries to gather data for their report. They also relied on information from The World Bank which found that there are approximately 1.4 billion unbanked individuals globally.

There are many reasons that the unbanked are not part of the system, they include: lack of appropriate citizenship/documentation necessary to obtain an account, poverty, a new/thin credit file, having a cash-based lifestyle, history of debt, or lack of financial education are all common responses.

According to LexisNexis, one way to convert the unbanked to a banked customer is to improve financial transparency; financial institutions need to have the drive and ability to identify consumers and understand their unique risk profiles to maintain regulatory compliance and support extending financial services to consumers.

However, the survey revealed that 69% of respondents said that the unbanked (or underbanked) are harder to connect with and therefore are harder to onboard as a customer than other types of consumers.

In addition, a growing number of institutions also say they are willing to share internal data for such purposes, further showing that institutions are aware of the challenges the unbanked face.

“Comparing this year’s results with previous editions of the survey suggest that it has become harder, not easier for financial institutions to source KYC data, making it more difficult to extend services to new client segments including the financially excluded,” said Neil Katov, Director at Celnet. “As a result, there is increasing interest in exploring new sourcing models, such as data sharing and utilities, and more financial institutions say they are willing to share their data for this purpose.”

Key Findings from the Report:

- » Financial institutions remain strongly interested in financial transparency and inclusion, with two-thirds of institutions expressing commitment to supporting financial inclusion.
- » Many financial institutions turn away significant numbers of potential customers due to current Know Your Customer (KYC)

processes. The most challenging customer onboarding hurdles faced by institutions lay within difficulties collecting and verifying customer information.

- » Interest in data sharing to support KYC processes is growing. Nearly 80% of financial institutions express interest in a global Customer Due Diligence (CDD) utility, compared to just over 70% in 2019.
- » The pandemic posed a challenge to financial crime and compliance operations at financial institutions, with large numbers of applicants seeking government assistance loans and financial institutions unable to verify identities in person due to lockdowns. However, it also led to financial institutions embracing more digital practices, with ninety percent (90%) of institutions reporting that the pandemic has accelerated adoption of Artificial Intelligence (AI) and other next-generation technologies.

“Financial institutions have clear responsibilities to verify customer identities and ensure compliance with national and international regulation,” said Leslie Bailey, VP, Financial Crime Compliance, LexisNexis Risk Solutions. “Rejecting potential customers due to inefficient or manual processes rather than regulatory reasons can be detrimental to genuine individuals trying to access financial services. With robust data and the right technology and processes in place, institutions can help improve global rates of financial inclusion without compromising on compliance.”

PREDICTING THE FUTURE OF THE HISPANIC HOUSING MARKET

Hispanic homeownership has steadily grown for seven consecutive years, and it is predicted that Hispanic households will account for 70% of homeownership growth over the next 20 years. But amidst a tight housing market, potential Hispanic homebuyers—especially first-time buyers—face many challenges. As Hispanic Heritage Month is celebrated nationwide, U.S. Mortgage Insurers (USMI) have taken the opportunity to reflect on the contributions this population has had on the U.S. housing market and economy, and what housing finance industry leaders can do to further expand minority homeownership and reduce the racial gap.

At first glance, Hispanics seem to be thriving. They accounted for over half (51%) of the nation's growth between 2010 and 2020 and were responsible for the overwhelming majority (80.8%) of labor force growth. When it comes to homeownership, USMI predicted in 2021 that Hispanics will account for 53.1% of household formations over the next 20 years and this population seems to be well on their way. According to the National Association of Hispanic Real Estate Professionals (NAHREP) "2021 State of Hispanic Homeownership Report," the Hispanic homeownership rate increased to 48.4%, up from 47.5% in 2019, with an average increase of nearly one percentage point every two years—adding 657,000 Hispanic households between 2019 and 2021.

While this data is certainly encouraging, the projected future growth is not a promise. Hispanics, as with other minority groups, face a tight housing market with a historically low level of supply for affordable homes and record high home price appreciation (HPA), as well as systemic barriers such as large income gaps and lack of intergenerational wealth.

The nation's monthly home supply dropped in 2021 to a new low in at least the last 10 years. A report by the National Association of Realtors (NAR) estimated the U.S. was short 5.24 million homes—an increase of 1.4 million homes from 2019. NAHREP noted in its report that areas of high Hispanic concentration are suffering the most severe impacts of this

housing underproduction, and thus, seeing higher home prices. HPA increased 18.3% from May 2021 to May 2022, and homeownership seems even further out of reach for Hispanics when looking at the income gap. According to the U.S. Census Bureau, as of 2020, the median Hispanic household income was \$55,321 while non-Hispanic white households were \$74,312—a 25.5% difference.

NAHREP writes in its report that Hispanics are the youngest of any ethnic or racial demographic in the United States: "At a median age of 30, Latinos are squarely in their prime home-buying years." In a survey conducted by NAR in 2021, 34% of new Hispanic homeowners "purchased a home between the ages of 18 and 24, as opposed to only 17% of the general population." Hence, young Hispanics are twice as likely to purchase a home. Moreover, the survey NAR® conducted found that "more than half of recent Latino homebuyers were first-time buyers."

Considering the current challenges in the housing market and persistent barriers to homeownership, as well as the fact that most Hispanic homebuyers are younger, first-time buyers, what should the U.S. housing and home lending industries focus on to create an environment that is more conducive to first-time homebuyers—especially communities of color?

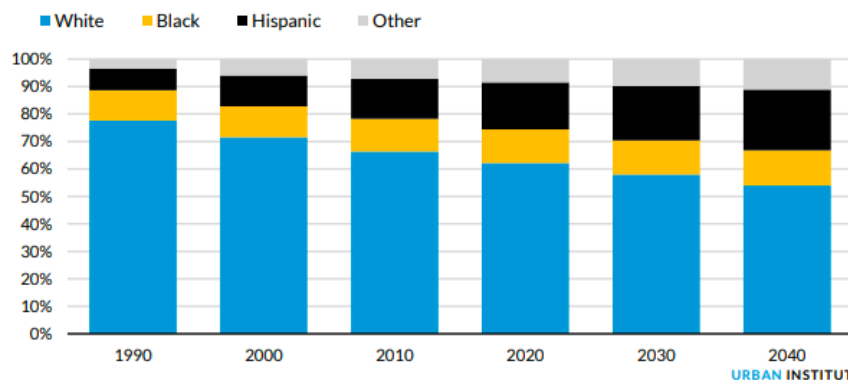
Policies that seek to address them must be very specific in terms of identifying the borrowers being served, their issues and target outcomes. Further, there should be consistency in how the government and government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, approach initiatives related to access to home financing, which should aim to increase sustainable access to credit for borrowers that need assistance the most while also reducing credit risk. Additionally, the Federal Housing Administration (FHA) and Federal Housing Finance Agency (FHFA) should aim to implement policies that do not stoke additional demand in the marketplace, which have the potential of further driving up home prices and acutely impacting low- to moderate-income borrowers.

Specifically, USMI encourages the housing industry and policymakers to focus on:

- » Affordable housing production;
- » Financial and homeownership education and outreach; and
- » A holistic review of GSE pricing, including reexamining 2008-era loan-level price adjustments (LLPAs), which disproportionately impact minority borrowers.

In the coming decades, it is minority households that will increase the rate of homeownership in America and be the driving force of the mortgage market according to UI research. As an organization representing an industry that exclusively serves homebuyers with limited access to funds for large down payments, USMI believes the issues and challenges facing these borrowers today will require significant collaboration amongst the industry stakeholders to ensure they have access to sustainable, affordable financing.

FIGURE 3.8
Population Distribution, by Race or Ethnicity, 1990–2040



URBAN INSTITUTE

HOME EQUITY FINDS NEW HIGHS

Home equity hit a new high in the second quarter according to CoreLogic, as homeowners with mortgages gained a collective \$3.6 billion year-over-year over the course of a single quarter.

According to CoreLogic's Homeowner Equity Report, homeowners with mortgages (which is about 63% of all properties) saw equity increase by 27.8% year-over-year, roughly representing \$60,200, since the second quarter of 2021.

While home price growth slowed on an annual basis in the second quarter, it has still risen every month for the last 125 months, leading to homeowners continuing to gain near-record equity from the second quarter of 2021.

The total average equity per borrower has now reached almost \$300,000, the highest in the data series. Home price growth and the refinance boom of the last two years have helped bring down the national average loan-to-value ratio to 42%, the lowest in the data series since 2010.

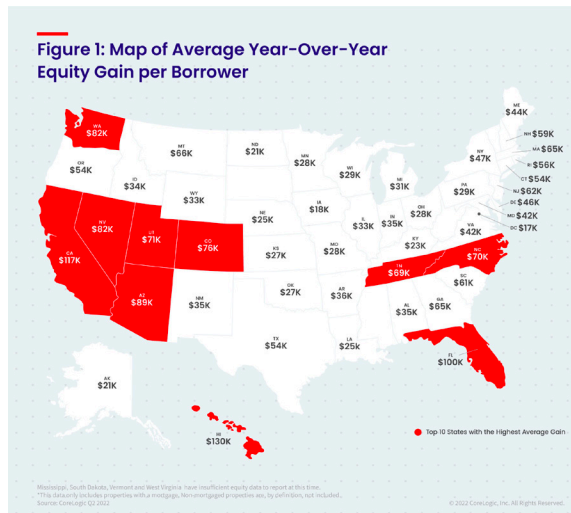
"For many households, home equity is the only source of wealth creation," said Selma Hepp, Interim Lead of the Office of the Chief Economist for CoreLogic. "As a result, recent record gains in equity and record declines in loan-to-value ratios will provide many

owners with a financial buffer in case economic conditions worsen. In addition, record equity continues to provide fuel for housing demand, particularly if households are relocating to more affordable areas."

Negative equity, also referred to as underwater or upside-down mortgages, applies to borrowers who owe more on their mortgages than their homes are currently worth. As of the second quarter of 2022, the quarterly and

annual changes in negative equity were:

- » **Quarterly change:** From the first quarter of 2022 to the second quarter of 2022, the total number of mortgaged homes in negative equity decreased by 7% to 1 million homes, or 1.8% of all mortgaged properties.
- » **Annual change:** In the second quarter of 2021, 1.3 million homes, or 2.3% of all mortgaged properties, were in negative equity. This number declined by 18% in the second quarter of 2022.



AMERICANS MIGRATING AWAY FROM METROS

As national population growth sits at a record low, domestic migration was the key component of population change on state and local levels in 2021, according to demographic findings of Harvard University’s State of the Nation’s Housing report released in June.

As the report’s interactive population change map shows, population grew in most states with net domestic inflows—meaning more people moving into the state than out, not including immigrants—while population typically shrank in states with net domestic outflows. In most states, domestic migration outpaced net international immigration and natural population change, both of which were declining in recent years before falling sharply in the first year of the pandemic.

The sharp rise in interest rates has had an enormous impact on the costs of homeownership, making it even more difficult to close longstanding disparities. The impact on monthly mortgage payments of the 2.0 percentage point hike in interest rates between late December 2021 and mid-April 2022 is equivalent to that of a 27% jump in home prices.

With prices continuing to rise along with interest rates, the savings and income needed to qualify for a home loan have skyrocketed, raising the financial hurdles for first-time and middle-income buyers. At today’s prices, the down payment that a first-time buyer would have to make on a median-priced home—typically, 7% of the sales price—amounted to \$27,400 in April 2022. Without financial help from family or other sources, this requirement alone would rule out an estimated 92% of renters, whose median savings are just \$1,500.

Migration and Population Change Varied by State During the Pandemic

This state-level map illustrates regional preferences for the Sunbelt and southeast in particular. Florida had the highest net inflows, with 221,000 more people moving in than out between July 2020 and July 2021, followed by Texas and North Carolina. The Mountain West was also fairly attractive to domestic migrants

in 2021, along with parts of the Midwest and most of New England. The states that stand out with the largest levels of net domestic outflows are California and New York, both of which lost more than 300,000 migrants, followed by Illinois with a net outflow of 122,000 people.

County-level changes provide more nuance, however, showing some counties gaining migrants even in states with net outflows, and vice versa. As the interactive county map below shows, despite the overall net inflow in states like Florida and Texas, both states had several counties with steep outflows. The counties containing the cities of Miami and Orlando, for example, together had a net outflow of 61,000 people and the counties with the cities of Dallas and Houston had a combined net outflow of 89,000 people. In California, on the other hand, the counties containing the cities of Riverside and San Bernardino had a combined net inflow of 39,000 people despite the state’s overall net outflow.

Suburbs and Smaller Metros Benefited Most From Domestic Migration in 2021

These county-level examples show a pattern of large urban counties losing domestic migrants and suburban areas around these counties

gaining migrants. Other examples of this pattern include:

- » Nashville, Tennessee
- » Charlotte, North Carolina
- » Columbus, Ohio
- » Salt Lake City, Utah
- » Twin Cities, Minnesota

Of the 68 central counties of large metropolitan areas, some 85 percent had net outflows in 2021. In stark contrast, 295 counties—or 80%—in the outlying parts of these large metro areas had net inflows.

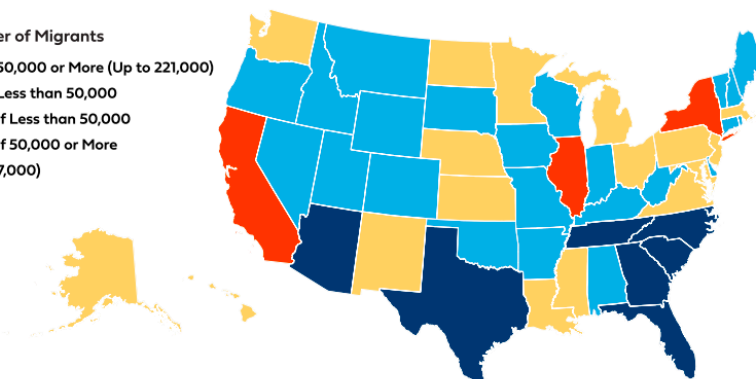
While this pattern played out in large metropolitan areas, smaller metropolitan area counties generally gained migrants, as did non-metropolitan counties. In total, 511 counties—or 70%—in metro areas with fewer than 1 million people had net inflows in 2021, as did 1,235 counties—or 63%—outside of metropolitan areas. These both differ from pre-pandemic levels. In 2019, a slight majority—or 55%—of smaller metro counties had net inflows, much lower than the number and share in 2021. For largely rural, non-metropolitan counties, the difference is even more clear. In 2019, only 772 of these counties had net inflows, well shy of the two-thirds with net inflows in 2021.

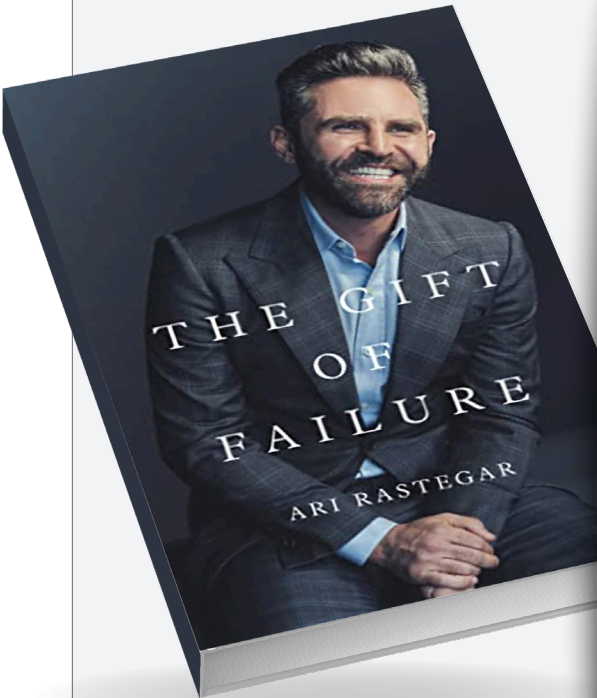
FIGURE 15

Domestic Migration Gave a Big Lift to Population Growth in Many Sunbelt States in 2021

Net Number of Migrants

- Inflow of 50,000 or More (Up to 221,000)
- Inflow of Less than 50,000
- Outflow of Less than 50,000
- Outflow of 50,000 or More (Up to 367,000)

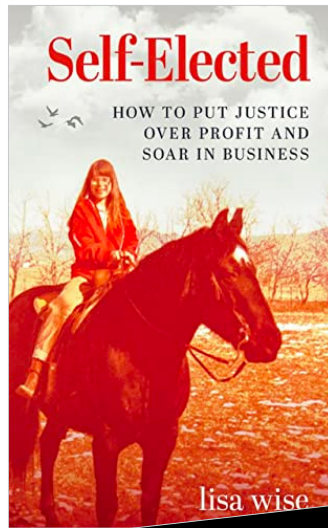




The Gift of Failure: Turn My Missteps Into Your Epic Success

By Ari Rastegar

In 2006, Rastegar made his first foray into the real estate market by investing in the market while in law school. By 2015, he then went on to form his own company, Rastegar Capital, where, in a few short years, he surpassed \$500 million in capital and was called the “Oracle of Austin” by *Forbes*. In his new book, Rastegar claims that everything he has achieved has been through failure and tells of his steps—and missteps—laying bare the darkest moments in his career on his path to success. Through wit, energy, compassion, and candor, this book will hold your attention and teach you to see failure in a new way.



Self-Elected: How to Put Justice Over Profit and Soar in Business

By Lisa Wise

Part memoir, part business guide, and part manifesto, this book is a story of abundance in the modern world. It invites the reader to explore the “convergence of social justice and profit” through a deeply personal story about being a “child left behind.” But through self-perseverance, along with an intuitive knack for entrepreneurship, she tells readers why they should revisit their business model to be a company of justice without ceding profits through science-based research and case studies in order to build a thriving property management company.



The New Kings of New York: Renegades, Moguls, Gamblers, and the Remaking of the World's Most Famous Skyline

By Adam Piore

There's a story behind every record apartment sale or new development in New York City, and award-journalist Adam Piore dives into the upper echelon of real estate and offers a behind-the-scenes look at what it's like to work at that level, including the larger-than-life characters who are prevalent in so many of these roles. This book is a tale of the New York City real estate, chutzpah, greed, and city-defining real estate visions.



The Deal: Secrets for Mastering the Art of Negotiation

By Josh Flagg

If you want to be the best, you have to look the best and act like the best. Author Josh Flagg learned that lesson early in life and now negotiates over the world's most expensive and sought-after real estate. Through his storied career, he identified things that work—and things that don't—and developed a curated list of 10 rules that one can apply to any deal to significantly increase your chances at success and make you the asset your clients need you to be. This is for those that want to jump into the world of real-estate negotiations and act like someone who regularly closes million-dollar deals.



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SPOTLIGHT PROFILE GOVERNMENT

Fannie Mae Names New CEO

Fannie Mae announced that it has appointed **Priscilla Almodovar** as CEO and member of the Board of Directors, effective December 5, 2022. Almodovar will succeed David C. Benson, who has served as Interim CEO and a member of the Board of Directors since May 2022. After her arrival, Benson will continue in his role as President.

Almodovar brings more than 30 years of experience in finance, real estate, and community development across a number of institutions and organizations. Since 2019, she has served as President and CEO of Enterprise Community Partners, a national organization focused on increasing the supply of affordable housing, advancing racial equity, and supporting residents and communities.

“On behalf of the Board of Directors, we are excited to welcome Priscilla Almodovar as our next CEO,” said Michael J. Heid, Chairman of Fannie Mae’s Board of Directors. “Priscilla’s vast experience in large, complex businesses and her commitment to affordable housing makes her an ideal choice to further Fannie Mae’s mission to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America. I also want to express the Board’s deep appreciation to Dave Benson for his invaluable service as Interim CEO since May. We are fortunate to have a leader of Dave’s character, skill, and commitment to the company and will benefit from his continued leadership as President, as a critical member of the Management Committee, and a key partner and advisor to the Board of Directors.”

Prior to her role as President and CEO of



Enterprise Community Partners, Almodovar worked for nearly a decade at JPMorgan Chase and led two of the firm’s national real estate businesses; most recently, as Managing Director, Co-Head of Real Estate Banking where she served national and regional real estate developers, investors, owners, and investment funds. Earlier in her career, she was President and CEO at New York State Housing Finance Agency, State of New York Mortgage Agency, and Affordable Housing Corporation. She started her career at White & Case LLP, where she was named an equity partner.

“It’s an honor to join Fannie Mae and lead the company as it carries out its vital role in the housing finance market and works to help ensure that equitable, affordable housing is available to people in communities across the country,” Almodovar said. “I look forward to working with the Board, Management, and my new colleagues at Fannie Mae to continue this important work, which has benefited so many people over the company’s more than 80-year history.”

Almodovar is a Board member of Realty Income. She is often featured in the media and has been named to *Fortune’s* “50 Most Powerful Latinas” and Hispanic Business’ “100 Most Influential Hispanics.” She earned her bachelor’s degree from Hofstra University and her Juris Doctor from Columbia University School of Law.

GOVERNMENT

ANTHONY MOON TO MANGE COMPLIANCE RISK FOR FANNIE MAE



Fannie Mae has announced the appointment of **Anthony Moon** as EVP and Chief Risk Officer (CRO), effective starting in Q4 of 2022. In this role, Moon will be responsible for

Fannie Mae’s Enterprise Risk Management, which oversees the company’s governance and strategy for global risk management. Moon will be a member of Fannie Mae’s Management Committee and report to David C. Benson, Fannie Mae’s President and Interim CEO. Andrew Brammer has served as Interim CRO since April 2022.

“With nearly 30 years of deep experience in market, credit, operational, and compliance risk, Moon is well positioned to lead our risk management strategy, a core function of Fannie Mae’s business and vital to maintaining the company’s safety and soundness,” Benson said. “I want to thank Moon for his leadership and expert guidance of the Enterprise Risk Management organization during this transition.” Moon joins Fannie Mae from Morgan Stanley, where he has been leading risk management for the Wealth Management and Private Bank division, a business that oversees \$5 trillion in client assets. He previously held risk and operations leadership positions at GE Capital, Bank of Tokyo Mitsubishi, and Bankers Trust.

“I’m honored to be stepping into such a critical role at Fannie Mae,” Moon said. “I look forward to collaborating with my colleagues and the Board of Directors to refine and sustain a strong culture of risk management and oversight, and continue Fannie Mae’s mission to support renters and homeowners across the United States.”

Moon holds a bachelor’s degree in economics and management science from State University of New York–Cortland and an MBA from Columbia University.

FHFA ANNOUNCES TWO PROMOTIONS



The Federal Housing Finance Agency (FHFA) has announced that **Karen Chang** will serve as FHFA's Chief of Staff, and **Samuel Frumkin** has been named the Agency's Executive Secretary.



"Having already served as a detailee in the Office of the Director since June, Karen will continue to be a key advisor and leverage her decision-making and

subject matter expertise to provide strategic and operational excellence across the Agency," FHFA Director Sandra L. Thompson said. "Through his previous positions as Principal Advisor within both the Office of the Director and the Division of Mission and Housing Goals, as well as his policy and supervisory background at a number of other federal financial regulators, Sam's holistic view of financial institution supervision will enable him to play a key role in ensuring FHFA meets a wide range of its statutory responsibilities."

Chang has been with the FHFA since April 2021, serving as Supervisory Financial Analyst in the Division of Enterprise Regulation (DER) Office of Financial Analysis. She previously worked for the Consumer Financial Protection Bureau (CFPB), the White House, the U.S. Department of the Treasury, and other public and private sector organizations.

Frumkin joined FHFA in 2014 after working for the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the CFPB.

LENDERS/SERVICERS

GARY GASKIN JOINS CENLAR AS VP OF TRANSFER SERVICES



Cenlar FSB, a mortgage loan subservicer and federally chartered wholesale bank, has named **Gary Gaskin** VP of Transfer Services. A 25-year veteran of the mortgage industry,

with 22 years in servicing, Gaskin will be responsible for all areas of loan boarding, acquisitions, and transfers, as well as identifying opportunities to automate processes and improve operational efficiencies.

"Gary is a valuable team member. He is an accomplished mortgage servicing executive with extensive experience providing the leadership needed to drive key organizational goals and objectives, and a proven track record of successfully delivering dynamic results," Cenlar's SVP of Transfer Operations Mary Ann Sullivan said.

Prior to joining Cenlar, Gary served as SVP of Loan Servicing at Atlantic Bay Mortgage Group. He was also Director of Loan Servicing at Republic Bank & Trust and VP of Loan Administration at Specialized Loan Servicing.

He also held various positions at SunTrust Mortgage, where he was most recently First VP of Loan Administration. Additionally, he was VP of Loan Administration at Roundpoint Mortgage Servicing, where he increased throughput by implementing lean techniques to successfully improve automation. Gaskin also served as a Senior Consultant on servicing acquisitions and transfers at PriceWaterHouse Coopers.

"I am excited to be part of the Cenlar team and to build consistency in loan transfers by looking at ways we can use automation that will make the process more efficient," Gaskin said.

LOANDEPOT APPOINTS JOSEPH GRASSI CHIEF RISK OFFICER



Joseph Grassi has joined loanDepot as Chief Risk Officer, reporting directly to loanDepot CEO Frank Martell. Grassi will be responsible for enhancing the company's risk

management program and enterprise and loan-level risk governance policies, as well as managing potential operational risks.

"At the foundation of our Vision 2025 plan are the built-to-last principles of quality, compliance, and customer excellence," Martell said. "Responding to identified risks and continuing to effectively anticipate enterprise risks will be critical to position the company for long-term growth and revenue generation. Joe's vision and invaluable expertise in both the residential real estate industry and regulatory

arena will help enhance our risk management program, further align our quality initiatives with those of Fannie Mae, Freddie Mac, and the FHFA and propel loanDepot forward during a period of enormous change in the home finance industry."

Grassi brings more than 35 years of experience in real estate finance and consumer lending compliance and law, with leadership roles across a number of companies and government agencies including Celebrity Home Loans, the U.S. Department of Housing and Urban Development, Guaranteed Rate, and Prospect Mortgage.

He also spent more than 20 years as a Senior Attorney for Fannie Mae, including as Lead Counsel for the GSE's Multifamily and Single-Family businesses. He ultimately served as the Interim General Counsel and Corporate Secretary for Fannie Mae, where he was responsible for overseeing Fannie Mae's legal and government and industry relations departments and providing strategic counsel to the CEO and Board.

He began his career at Philadelphia-based law firm Obermayer, Rebmann, Maxwell & Hippel, and holds both a Juris Doctorate and Bachelor of Science in business administration from Villanova University.

"I look forward to working with Frank and his entire leadership team at loanDepot to deliver on the company's vision of becoming an increasingly purpose-driven organization," Grassi said. "loanDepot has both an incredible reputation for fostering innovation and a deep commitment to its customer-first philosophy. I'm excited to leverage the strengths of the company and team to help make the American dream of homeownership a reality for more families."

SERVICE PROVIDERS

XOME ADDS JAMES CURL TO LEAD TECH INITIATIVES



Xome has appointed **James Curl** as SVP and CTO, bringing more than 15 years of experience leading technology and innovation teams at major organizations such as T-Mobile and Deloitte, where he oversaw large scale digital

transformation initiatives. Curl will lead the Xome enterprisewide technology team and initiatives to create and source transformative technology solutions that will continue to build upon the company's strong foundation.

"We are thrilled to have James join the Xome team to continue growing our technology platforms and better serve both our customers and team members," said Mike Rawls, CEO of Xome. "We are confident his wealth of experience and proven track record of leading teams will strengthen our technology solutions and further our culture of innovation."

Prior to joining Xome, Curl served as VP of Enterprise and Emerging Technology at T-Mobile, where he led cross-functional teams of product managers and engineers to deliver market shaping technology products including T-Mobile's consumer home internet. Curl also led the technology shared service functions at T-Mobile, including enterprise architecture, portfolio management, and solution delivery.

Prior to his time at T-Mobile, Curl worked at Deloitte Consulting in the technology strategy and architecture service area, where he led major technology implementations for clients. Curl holds a bachelor's degree in computer engineering from Texas A&M University.

"I am excited to join Xome's tech-forward and digitally focused team, and I look forward to supporting the company's best-in-class auction platform as we continue to propel Xome to the forefront of the industry," Curl said.

JODI BELL TO LEAD SALES FOR SINGLESOURCE



SingleSource Property Solutions, a provider of residential property services, has hired **Jodi Bell** as VP of National Sales. She will expand the company's efforts to help home lenders, mortgage holders, and residential servicers increase efficiency and reduce costs through the optimal use of effective valuations, title and settlement services, property preservation, real estate-owned (REO) asset management, and document management services.

"In addition to her excellent business development experience, Jodi is well connected and brings a wealth of product development

experience and positive energy to our organization," SingleSource CEO Brian Cullen said. "We're excited to have her on board and look forward to benefitting from her powerful ability to collaborate with other people and companies for the good of our clients."

Bell has more than 25 years in the mortgage servicing space, has held executive positions at several companies, including VP of Business Development at ServiceLink, WFG National Title Insurance Company, and The National Firm.

"SingleSource and I have a shared vision about creating strong relationships with our customers," Bell said. "This is an excellent opportunity to join a growing, leading provider of mortgage services, and I'm excited to help mortgage companies get the help they need to successfully transition to the current market."

Founded in 2000, SingleSource offers nationwide solutions in valuations, title and settlement, property preservation, REO asset management, and document management, supporting a broad cross-section of clients in the financial services industry, including servicers, originators, banks, credit unions, investment banks, and hedge funds. The company has completed more than five million home valuations, facilitated in excess of \$4 billion in REO sales, and currently supports 40,000 closings a year and 250,000 field services units annually.

BLACKFIN GROUP RECRUITS MICHAEL HARRIS AND RICK GRANT



BlackFin Group, a management consulting firm serving the banking and mortgage industries, has announced that **Michael Harris** will join the company as Managing Director, Partner-Mortgage Servicing Practice. BlackFin also named veteran journalist and communications consultant **Rick Grant** Chair of its innovation-focused think tank, the Innovation Leadership Cohort (ILC).

Harris initially stepped in as a loaned executive from Jennick Asset Management

to complete some policies & procedures development. Going forward, Harris will build out the mortgage servicing practice at BlackFin, offering critical strategies, frameworks, and services that will help servicers reduce costs and increase revenues.

"Michael joins us with an absolutely impressive resume, knowledge set, and network that together make him a very valuable addition to the team," said Keith Kempf, President and CEO of BlackFin Group. "Michael and I agree that there is and will continue to be a driving need for mortgage servicers to prioritize strategy, operations, compliance, policies and procedures, process improvement, and system optimization. BlackFin Group will look forward to the continued opportunity to help mortgage servicers navigate these and other challenges. Michael will lead our efforts to support this industry."

Harris has more than 20 years of experience as a senior executive in the mortgage servicing and outsourced corporate services industries. Prior to BlackFin, Harris founded Jennick Asset Management, a firm he still serves as President & CEO. Previously, he was President of Exceleras, a provider of REO disposition software; President of Carrington Property Services; and President of Stewart Asset Recovery. He has led default servicing, asset management, and technology companies and has proven leadership skills and a track record of managing superior operational performance while maintaining innovative growth, productivity, and quality.

Grant has been writing about the industry since 1997 and is a frequent conference speaker and facilitator. BlackFin's ILC is composed of notable industry leaders from regional, state, and community—banks, credit unions and independent lenders, and the technology and settlement services firms that support them. The group was first assembled in 2020 and is made up of more than 30 industry executives who come together quarterly to discuss the current state of the industry and work together to solve industry problems.

"Rick is the perfect choice for taking the ILC to the next level," Kempf said. "The ILC was an experiment we hoped would shed light on current industry challenges, and it's working. With Rick at the helm, we can truly leverage the power in this executive think tank to impact the industry."

The Think Tank has already released one

report, in which its members concluded that innovation requires overcoming a number of problems, including regulatory oversight, maximizing the cost-benefit equation, integrating systems to create a seamless borrower experience and, always, effective change management. But these challenges may all be symptoms of a more fundamental problem, the group concluded.

Grant added, "This group has already demonstrated that it contains the experience, and its members are committed to really examining the key issues the industry is facing and then working together to help the industry find a path forward. I'm honored to be working with them."

CHAZ MUELLER JOINS THE MCS BOARD OF DIRECTORS



Chaz Mueller has joined the MCS Board of Directors as an Independent Director, bringing more than 25 years of senior executive leadership experience within the single-family and

multifamily rental industries to his new role. Mueller will assist MCS as it continues to expand its property service offerings by leveraging its capabilities built over its more than 35 years of service to the property preservation industry.

Prior to joining the MCS Board, Mueller was most recently CEO of Progress Residential, a provider of high-quality, single-family rental (SFR) homes with more than 85,000 properties across 29 of the nation's fastest growing metro areas. Additionally, he was the President of Irvine Company Apartment Communities, Owner and Manager of apartment communities across Coastal California; CEO of ConAm Management Company, a full-service real estate management and investment firm specializing in multifamily housing; and President, COO, and CFO of Archstone, one of the largest publicly-traded multifamily REITs before going private.

"We are extremely pleased to have Chaz serve as an Independent Director for MCS given his extensive experience, industry knowledge, and leadership capabilities," said Craig Torrance, CEO of MCS. "He helped pioneer the SFR market space and understands the operational challenges and requirements of

those owners and operators. Chaz's insights and guidance will help improve and strengthen our residential rental service offerings, allowing us to better serve our growing client base."

Mueller said, "I'm excited to be of service to MCS as a Board member, sharing my understanding of the needs and expectations of their target clients as the Company continues to grow and strengthen its residential rental services business. With the SFR space still relatively new, a company like MCS has a tremendous opportunity to establish itself as the property services market leader through its comprehensive offerings. I look forward to helping the company on their journey to achieve that goal."

PATRICIA BLACK TO MANAGE CLIENT RELATIONS AT RISKSPAN



RiskSpan, a provider of data management and analytics for residential mortgage and structured products, has appointed Patricia Black as its Chief Client Officer.

Black takes over responsibility for managing client success across the full array of RiskSpan's Edge Platform and services offerings. She brings more than 20 years of diversified experience as a senior financial services executive. Her expertise ranges from enterprise risk management, compliance, finance, program management, audit, and controls to operations and technology, regulatory requirements, and corporate governance.

As a senior leader at Fannie Mae between 2005 and 2016, Black served in a number of key roles, including Chief Audit Executive in the aftermath of the 2008 financial crisis, Head of Strategic Initiatives, and Head of Financial Controls.

"Tricia's reputation throughout the mortgage industry for building collaborative relationships in challenging environments and working across organizational boundaries to achieve targeted outcomes is second to none," said Bernadette Kogler, CEO of RiskSpan. "Her astounding breadth of expertise will contribute to the success of our clients by helping ensure we are optimally structured to serve them."

More recently, Black headed operations at

SoFi Home Loans where she expanded the company's partner relationships, technological capabilities, and risk management practices. Prior to SoFi, as Chief of Staff at Caliber Home Loans, she was an enterprise leader focusing on transformation, strategy, technology, and operations.

"I feel it a privilege to be able to serve RiskSpan's impressive and growing clientele in this new capacity," said Black. "I look forward to helping these forward-thinking institutions rethink their mortgage and structured finance data and analytics and fully maximize their investment in RiskSpan's award-winning platform and services."

"Tricia's reputation throughout the mortgage industry for building collaborative relationships in challenging environments and working across organizational boundaries to achieve targeted outcomes is second to none."

***—Bernadette Kogler,
CEO of RiskSpan***

THE 2022 FIVE STAR CONFERENCE & EXPO

September 18-20, 2022 | Hyatt Regency, Dallas, Texas

The Five Star Conference and Expo once again returned to Dallas this September, attracting leading subject-matter experts, hundreds of exhibitors, and thousands of professionals representing mortgage servicers, lenders, federal government agencies, financial services law firms, service providers, investors, and real estate organizations from across the nation. Programming began on Sunday with events such as the annual FORCE Rally for REO-focused real estate agents.





1. Five Star Marketing Director Jordan Wendelken conducts interviews on the floor at the Conference.

2. Laura Dietz, Owner/Broker, Summit Realty; Steven Pagano, Principal Broker, Pagano Properties/First Hawaiian Realty; Sarah Richards, Broker, Spring Mountain Realty PLLC; Jim Hastings, President, Hastings Brokerage, Ltd.; Thomas Bohlmann, Manager & Broker in Charge, Bohlmann & Bohlmann LLC; Jeff Russell, Broker Associate, Russell Realty Group - eXp Realty; and Gina Gallutia, Executive Director of Membership, Five Star Global

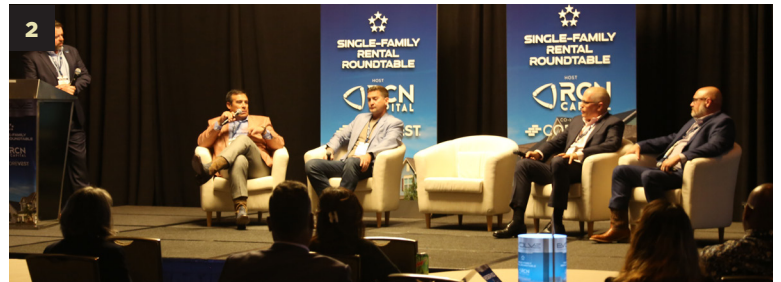
3. Steven Pagano, Principal Broker, Pagano Properties/First Hawaiian Realty; Rick Sharga, EVP Market Intelligence, ATTOM; and Nolan Turner, Managing Director, Carrington Mortgage onstage at FORCE Rally
4. Jim Hastings, Broker and Owner, Hastings Brokerage, Ltd. and Rande Johnsen, Manager, Trustee Corps onstage at FORCE Rally



FIVE STAR LABS

September 18-20, 2022 | Hyatt Regency, Dallas, Texas

The educational opportunities offered at the Five Star Conference and Expo are unmatched, with subject-matter experts joining together for panel discussions and keynotes on Lab topics including Foreclosure, Property Management, REO, and Servicing & Compliance. Other Conference events included the Diversity & Inclusion Symposium and the Single-Family Rental Roundtable.



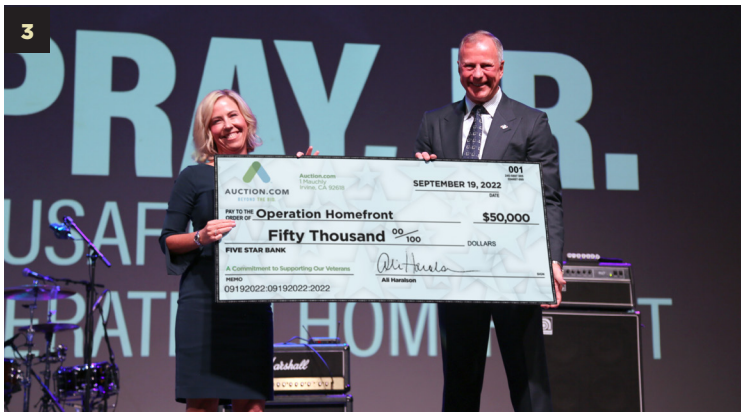


1. Diana Sifuentes, Co-Owner/Regional Co-Chair, Berkshire Hathaway HomeServices A Action/NAHREP; Michael Ruiz, Director, Supplier Diversity, Fannie Mae; James Armstrong, III, President/CEO, Builders of Hope; Atila Almeida, Realtor/Past President for NAHREP, Coldwell Banker Realty/NAHREP; and Ryan Davis, Director, Engagement, Diversity and Inclusion, National Association of Realtors at the Diversity & Inclusion Symposium 2. Tim Herriage, Executive Director, RCN Capital; Rudy Casanova, CRO, Global Strategic; Stuart Denyer, Co-Founder and CEO, New Western; Jorge Newbery, CEO, preREO; and Brandon O'Briant, EVP, AssetVal 3. Jane Larkin, VP, Default Servicing, Colonial Savings; Brandon Latman, SVP, Operations Strategy and Control, Mr. Cooper; Justin Nezda, EVP Special Servicing, Selene Finance; Kevin Osuna, EVP, Mortgage Servicing, Rushmore Loan Management Services LLC; and Erik Schmitt, Product Executive, JPMorgan Chase & Co., speak during the Servicing & Compliance Lab 4. Five Star Global Chairman Ed Delgado interviews FHFA Director Sandra L. Thompson at Servicing & Compliance Lab 5. A packed house at the Servicing & Compliance Lab 6. Jeffrey Tesch, CEO, RCN Capital kicks off the Single-Family Rental Roundtable 7. Sasha Cohen, SVP Product Management, Sagent; Benjamin Gottheim, VP, Servicing Policy, Freddie Mac; Becky Halfmann, SVP, Bankruptcy & Foreclosure, U.S. Bank; Wes Iseley, Senior Managing Director, Carrington Holding Company, LLC; and Brooke Sanchez, Partner, Managing Bankruptcy Attorney, Kent McPhail & Associates, LLC, onstage at the Foreclosure Lab 8. Brian Montgomery, Founding Partner, Gate House Strategies, LLC and former United States Deputy Secretary of Housing and Urban Development, speaks at the Legal League 100 Fall Servicer Summit 9. Ryan Bourgeois, Partner, BDF Law Group; Michael Merritt, SVP I Mortgage Default Servicing, BOK Financial; and Candace Russell, VP, Carrington Mortgage Services, LLC, onstage at the Foreclosure Lab 10. Kellie Chambers, EVP, Mortgage Specialists International; Michael Greenbaum, COO, Safeguard Properties; David Lightfritz, Director of Property Management, Global Strategic; Chip Nolan, VP, Property Preservation, M&T Bank; and Timika Scott, SVP, Recovery & Loss Prevention, US Bank; onstage at the Property Management Lab 11. Chad Neel, Chief Executive Business Officer, McCarthy Holthus, LLP; Neil Sherman, Managing Partner, Schneiderman & Sherman, P.C.; Nolan Turner, Managing Director, Carrington Mortgage Services, LLC; Rick Sharga, EVP Market Intelligence, ATTOM; Dan Chilton, Partner, Robertson, Anschutz, Schneid, Crane & Partners, PLLC; and Kenon Chen, EVP, Corporate Strategy, Clear Capital at the Legal League 100 Fall Servicer Summit.



KEYS FOR LIFE RECEPTION AND CONCERT

Capping off the second day of the conference, the Keys for Life Reception and Concert opened with a State of the Industry speech from Five Star Global Chairman Ed Delgado. From there, the event included other annual staples such as the presentation of the Lifetime Achievement Award, which this year went to Carrington's Wes Iseley. Popular musical act Sugar Ray closed the night out with a concert performance.



1. Five Star Global Chairman Ed Delgado speaks at the Keys for Life (KFL) ceremony
2. Carrington's Wes Iseley receives his Five Star Lifetime Achievement Award from Delgado
3. Ali Haralson, President of Auction.com presents a check to John I. Pray, Jr., Brig. Gen., USAF, (Ret.); President & CEO, Operation Homefront
4. Sugar Ray's Mark McGrath performs onstage at the KFL ceremony.
5. Auction.com's Haralson
6. Sugar Ray's McGrath and a fan



WOMEN IN HOUSING LEADERSHIP AWARDS BANQUET

Continuing an annual tradition, the Conference wrapped up Tuesday afternoon with the Women in Housing Leadership Awards Banquet. Ginnie Mae President Alanna McCargo opened things up with a keynote speech, after which Five Star Global Chairman Ed Delgado moderated the returning She-Suite panel, featuring discussions and insights from several high-level women executives. The event then saw the presentation of the awards themselves across this year's categories: the Rising Star Executive award, the Trailblazer Award, the Corporate Social Responsibility award, the Authentic Leader award, and the Laurie A. Maggiano Legacy Award.



1. 2022 Women in Housing Leadership Award Winners: Kate Mossop and Cecelia Raine of Freddie Mac; Judith Tribble of Lakeview Loan Servicing, LLC; and Darcy Chapman of Auction.com. (Not pictured: FHFA Director Sandra L. Thompson, who could not attend.)

2. Delgado onstage with the She-Suite panel speakers: Ali Haralson, President, Auction.com; Miriam Moore, President of Default Services, ServiceLink; Ann Thorn, Head of Home Loans Servicing, Wells Fargo; and Dr. Cheryl Travis-Johnson, EVP & COO, VRM Mortgage Services

3. Jan Duke, COO, a360inc, delivers opening remarks

4. Alanna McCargo, President of Ginnie Mae, delivers her keynote

5. Judith Tribble of Lakeview accepts her Women in Housing Award



Jacob Williamson

SVP, Single-Family, Head of Collateral Risk Management, Fannie Mae



Jacob Williamson is responsible for oversight and management of all end-to-end collateral capabilities, loan quality, and operational risk management for Fannie Mae's Single-Family business. These duties include front-end collateral policy design, loan quality control activities for both credit and collateral, condo standards, property valuations and valuation modernization, real estate liquidation options, and operational risk oversight. In the real estate space, Williamson is responsible for various foreclosure and REO functions, including short sales, foreclosure sale strategy, eviction/redemption oversight, mortgage release/rental operations, property preservation/inspections, repairs, closing/title, HOA/tax management, REO sales, REO auctions, and vendor management. He is also a member of the Five Star Editorial Advisory Board, helping consult regarding content direction for *DS News* and *MReport* magazines.

Where is the housing finance industry headed with valuation modernization? How is Fannie Mae helping support this effort?

Although the industry has been on a journey to modernize the valuation process over the past few years, the risk and ongoing discussion of appraisal bias has injected renewed energy into this important work. In the past, determining a property's value at origination was really limited to two options—a full traditional appraisal or an appraisal waiver informed by data and modeling—with no in-between choices. New technological capabilities and process innovation have emerged, allowing the industry to manage collateral risks with more dynamic and targeted solutions, similar to how other mortgage risks are managed. Each valuation option is tailored to match the risk of the collateral and loan transaction, and these newer options have an emphasis on decreasing the risk of appraisal bias.

As one key step toward implementing a more modern valuation spectrum, Fannie Mae has been testing two alternatives, inspection-based appraisal waivers and hybrid appraisals,

since 2018. This Appraisal Modernization Pilot anchors on a Property Data Collection (PDC) process that leverages emerging technologies during a full interior and exterior inspection to capture property information, a floor plan, and images. The collection process is performed by a trained and vetted third party in a single visit and supports an inspection-based appraisal waiver or a hybrid appraisal. In some cases, this approach has shortened the appraisal process by five to 10 business days and, based on internal risk reviews and analytics, demonstrates similar valuation quality to that of a traditional appraisal. As part of the pilot process, we have developed a supporting infrastructure including a property data standard and API (application programming interface) to collect data and images consistently.

We have heard anecdotes of a shortage of appraisers in some markets, resulting in longer wait times and higher costs for borrowers. Where an appraisal product is needed, hybrid appraisals and desktop appraisals enabled by technology allow appraisers to be more productive—they do not have to schedule appointments or visit properties but can still access comprehensive property information to confidently fulfill valuation requests, helping to alleviate capacity constraints. These approaches

also reduce interactions between the appraiser and the homeowner or buyer, in turn, reducing the likelihood of valuations being affected by personal or unconscious biases.

We understand that Fannie Mae recently launched an undervaluation risk flag in Collateral Underwriter® (CU®)? Can you talk about how this works and what you hope it will accomplish?

We added the undervaluation risk flag to complement the existing overvaluation risk flag and give lenders an additional tool to help them identify and investigate potential misvaluation. This helps to address findings in our appraisal bias working paper, "Appraising the Appraisal."

The undervaluation risk flag uses statistical modeling to identify appraisals with a higher probability of undervaluation, much the way an overvaluation flag identifies risk of overvaluation. This risk flag builds on existing safeguards to detect valuation errors, and CU provides a statistically based reason for the undervaluation so the lender can pinpoint the root cause of the undervaluation risk. This risk flag is another step in our continuous improvement journey to ensure the integrity of collateral valuation in the housing finance market and fulfill our commitment to implement solutions toward a more effective and fair home valuation process.

What feedback has Fannie Mae gotten from the industry when it comes to desktop appraisals that went into your Selling Guide earlier this year?

The valuation procurement process at origination is a complicated ecosystem supported by several layers of technology. To deliver a seamless experience for the homeowner, lenders need certainty around the valuation fulfillment process, so they can more effectively build capabilities to manage the ordering and tracking of desktop appraisals.

Some of their biggest challenges shared has been the integration of the desktop appraisal orders into existing loan origination systems as well as sourcing the information and exhibits such as photos and floor plans needed by

appraisers to conduct the appraisal process when the information is not included in the property's MLS listing.

We see the adoption being a gradual process. Lenders will need to work with suppliers to ensure they can provide all the documentation an appraiser needs to complete the desktop appraisal, and, as property listings become more consistent in the data and information provided, this will only help expedite the adoption and efficiency of the desktop appraisal.

What are your thoughts about the PAVE action plan published earlier this year, and specifically its recommendations on sharing of GSE appraisal data?

Fannie Mae supports the objectives of the PAVE Task Force and their action plan. We were excited to see PAVE reference and highlight critical efforts like valuation modernization and the initiatives that aim to foster diversity in the appraiser profession through programs such as the Appraiser Diversity Initiative program.

Regarding publicly sharing of historical GSE appraisal data, there are both benefits and risks that should be considered when thinking through this potential action. Without aggregating or obfuscating the data

in some fashion, publicly sharing appraisal data could lead to loss of homeowner privacy and other unintended risks to homeowners. As an example, property valuation activities encouraged by this more robust data could lead to higher values determined by taxing authorities and insurance companies resulting in higher taxes and insurance costs for homeowners. Secondly, this data could be leveraged by institutional investors and sophisticated real estate property management firms which could disadvantage owner-occupant purchasers and first-time buyers as they compete on precious affordable supply. Lastly, we could see legal activities increase for breach of contract, privacy violations, or misappropriation of work product claims.

Fannie Mae continues to support fostering diversity in the mortgage industry with programs such as Future Housing Leaders and the Appraiser Diversity Initiative. What role do you see the Appraiser Diversity Initiative playing in the broader context of valuation modernization?

Appraisers are essential to the mortgage origination process. But the future of the

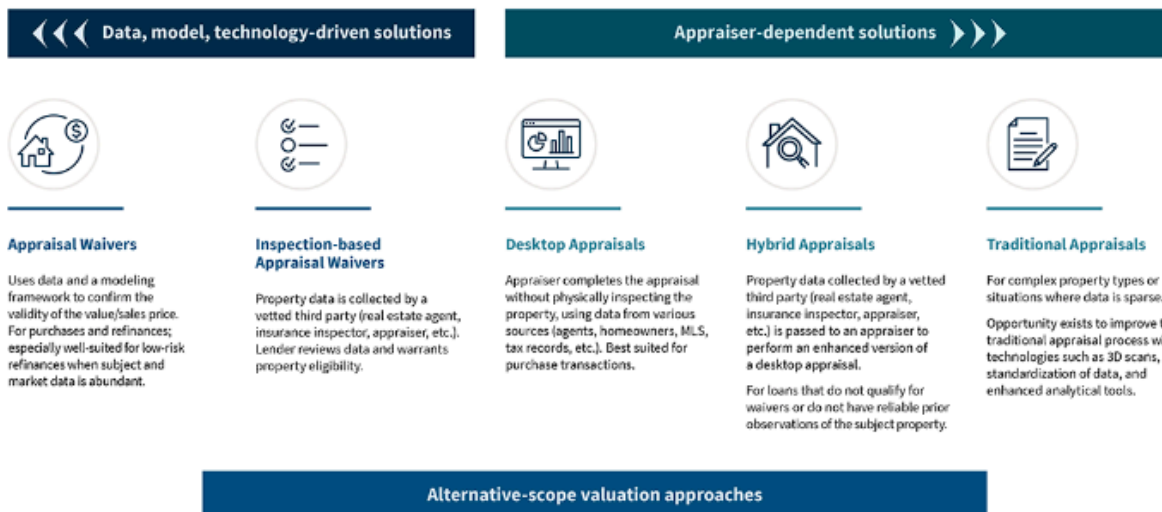
profession may be strained by inconsistent coverage and a lack of diversity among its practitioners. This is why we and other industry participants continue to support and invest in programs such as ADI to attract and train the next generation of appraisers.

In 2018, we collaborated with the National Urban League to launch ADI, and now, the program has a multitude of partners and supports including the Appraisal Institute and Freddie Mac. The initiative is designed to attract new entrants to the residential appraisal field by helping them navigate education, training, and experience requirements. We are proud to say that the ADI is successfully attracting diverse, aspiring appraisers, awarding them education scholarships, and seeing them launch their careers. Jessica Brown and Marcus Knight, two ADI scholarship winners, represent a new generation of appraisers.

These new appraiser trainees not only contribute to their supervisors' firms by providing high-quality reports, but we also observe that trainees bring fresh insights and skills such as innovative business practices, technologies, or analytical tools to the appraisal process and profession.

We continue to encourage the housing industry to better reflect the diversity of the nation and communities we serve through ongoing efforts such as ADI and Future Housing Leaders®.

The Modern Valuation Spectrum



Raising the Bar for Financial Services Law Firms. Acting as the voice of advocacy for its member firms, the Legal League 100 is dedicated to strengthening the mortgage servicing community.
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John Vella

Chief Revenue Officer,
Selene Finance



As CRO at Selene, John Vella is responsible for driving revenue generation through ongoing leadership of sales, marketing, client management, and product innovation. Vella brings over 20 years' experience leading organizations and delivering exceptional results across multiple industries. Prior to joining Selene, Vella served as Chief Revenue Officer of Altisource. Before that, he served as COO of Equator, LLC. Vella began his financial services career with the FDIC and Freddie Mac. He later served as Chief Sales Officer for H&R Block's mortgage company, CEO of Household International's Automotive Business, President and CEO of Bear Stearns EMC Mortgage Company, and as EVP for Special Servicing of GMAC/RESCAP. He holds a Bachelor of Science in English from Springfield College.

Vella recently spoke to *DS News* about the state of servicing in 2022 and how Selene is working to excel amid a challenging industry landscape.

How did you get your start in the mortgage servicing business? What attracted you to this field?

My mortgage career started after college when I was released by the New England Patriots and had no idea what I was going to do. I received a call from a friend of a friend who said he had a job for me in Oklahoma City. Coming from New York and living in Boston, I had almost no knowledge of Oklahoma City, but I took a shot. Little did I know that I would be working for the FDIC on one of the biggest bank failures in history, Penn Square Bank. At a young age, I moved from collecting on Quarter Horse and oil and gas loans to running bank closings all over the country for the FDIC. The myriad of responsibilities from lending, servicing, secondary marketing, and working with various regulators and partners was very challenging and exciting.

A year into your role as CRO of Selene, what have been some of your greatest accomplishments to date?

Over the last year with Selene, we have positioned the company to compete aggressively in the subservicing, diligence, and title business lines. The team that has been built under focused and determined leadership at the top and, with our parent Pretium, has allowed us to grow our business in a very controlled and strategic manner. The client focus and portfolio management approach has allowed us to expand products and volume with existing clients while adding new clients.

What trends are you observing in the servicing space these days?

In the servicing business, we continue to see the aftereffects of borrowers coming off forbearance plans and loan modifications, along with the post-moratorium foreclosure activity. These events have led to increased borrower engagement, dealing with tighter borrower cash flow due to economic conditions.

The Mortgage Bankers Association recently reported that 370,000 homeowners nationwide are currently in forbearance plans. How has Selene handled this volume of borrowers entering and eventually exiting forbearance?

Selene has been very successful in working with borrowers who were and continue to be in forbearance plans. The dedicated teams and single points of contact have allowed Selene to manage through forbearance inventory with no major issues. The culture of listening and working with borrowers has resulted in successful resolution of forbearance plans.

“There is always going to be pressure on becoming more efficient using technology and artificial intelligence.”

What are some of the challenges or headwinds facing the servicing marketplace that most occupy your focus? How should the industry overall be working to address them?

The current economic conditions continue to put stress on the borrower's net income, which could lead to defaulted loans, broken modifications, and in-flows into foreclosures. With home appreciation slowing down, the

ability to refinance out of a problem will become more difficult. This situation will require deeper assessment of a borrower's ability to pay throughout the loan servicing process.

How did Selene navigate the challenges presented over the past 24-plus months from the pandemic?

Very early in the pandemic, Selene implemented a strategic plan that involved rapid deployment of technology to all associates, allowing them to effectively work from home. Productivity standards were immediately set to ensure our clients and borrowers were continuing to receive best-in-class performance. Constant communication channels were open with structured meetings and check points to make sure the strategic plan was being followed.

How has Selene kept up with and navigated the regulatory changes handed down to protect homeowners over the past few years?

Selene has a highly experienced compliance and risk management team with years of expertise working with regulators and counterparties. Our systems, reporting, and proactive interfaces with the business and legal have allowed Selene to react quickly to regulatory changes. The compliance and risk management teams work hand and hand with inside legal counsel to ensure that the protection of the borrower is at the forefront of everything we do.

Where do you see the servicing space heading over the next 12 months?

There is always going to be pressure on becoming more efficient using technology and artificial intelligence. Interactions with the borrowers will be more targeted based on data mining and analytics. With borrowers coming off forbearance plans and loan modifications, we could see redefaults due to the current interest rate environment and the inability to place borrowers into loan modifications. Regulatory pressure will continue to mount, requiring resources, automation, and full transparency throughout the process. Servicers may continue to struggle with the hybrid environment of working from home, which could lead to higher turnover and an unstable operation.

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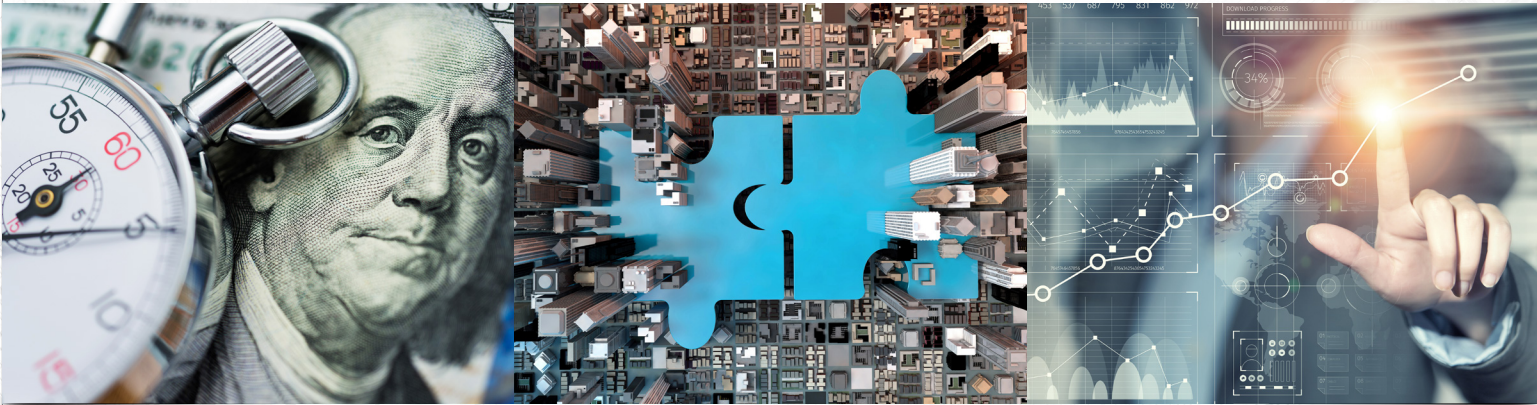
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Industry Updates

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





SELECT PORTFOLIO SERVICING TO ACQUIRE RUSHMORE

Select Portfolio Servicing (SPS) has announced that it has entered into a definitive asset purchase agreement with Rushmore Loan Management Services LLC to acquire certain Rushmore assets, including hiring Rushmore servicing personnel and assuming Rushmore servicing contracts.

The closing of the transaction is expected to occur in the fourth quarter of 2022, subject to various regulatory approvals and other customary closing conditions. After the transfer, Rushmore will operate as a division within SPS, led by the current President of Rushmore Servicing, Jocelyn Martin-Leano, who will report to SPS CEO, Randhir Gandhi.

“We believe that this combination of two

highly rated and well-recognized brands will create a stronger company to better serve our customers, clients, regulators, and associates,” SPS CEO Randhir Gandhi said. “I believe that we are like-minded with very similar cultural values, which should result in a strong and successful future together.”

Martin-Leano added, “Rushmore Loan Management Services is honored to be part of the legacy SPS and proud to be part of this new era, we are well-positioned to build something truly special together and provide unmatched service to our customers and clients.”

This combination of these servicing brands will create a strong value proposition

to the residential mortgage loan servicing industry—offering a platform with deep expertise in servicing residential mortgage loans. With Rushmore under the SPS umbrella, SPS will employ more than 1,600 associates that will service approximately 1.4 million loans.

Houlihan Lokey served as financial advisor, and Mayer Brown served as legal advisor to Rushmore. Alston & Bird served as legal advisor to SPS.

Select Portfolio Servicing, founded in 1989 and headquartered in Salt Lake City, Utah, operates as a mortgage servicing company. SPS specializes in the servicing of single-family residential mortgage loans. SPS provides seamless and ethical customer care with their talented team of high-performing servicing associates.

Rushmore Loan Management is a residential mortgage servicer with services that include special servicing and prime subservicing and property disposition.



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FAY SERVICING DONATES SCHOOL SUPPLIES TO SALVATION ARMY

Fay Servicing has donated more than 550 backpacks loaded with school supplies to Salvation Army locations in cities where they maintain an office. The Salvation Army distributed this year's backpacks to children in Tampa, Chicago, and Dallas, who are in homeless shelters or in afterschool programs.

"We love doing this for local kids, so the time it takes to put the backpacks together is a fun activity and time well spent," said Cortney Warren, EVP at Fay Servicing.

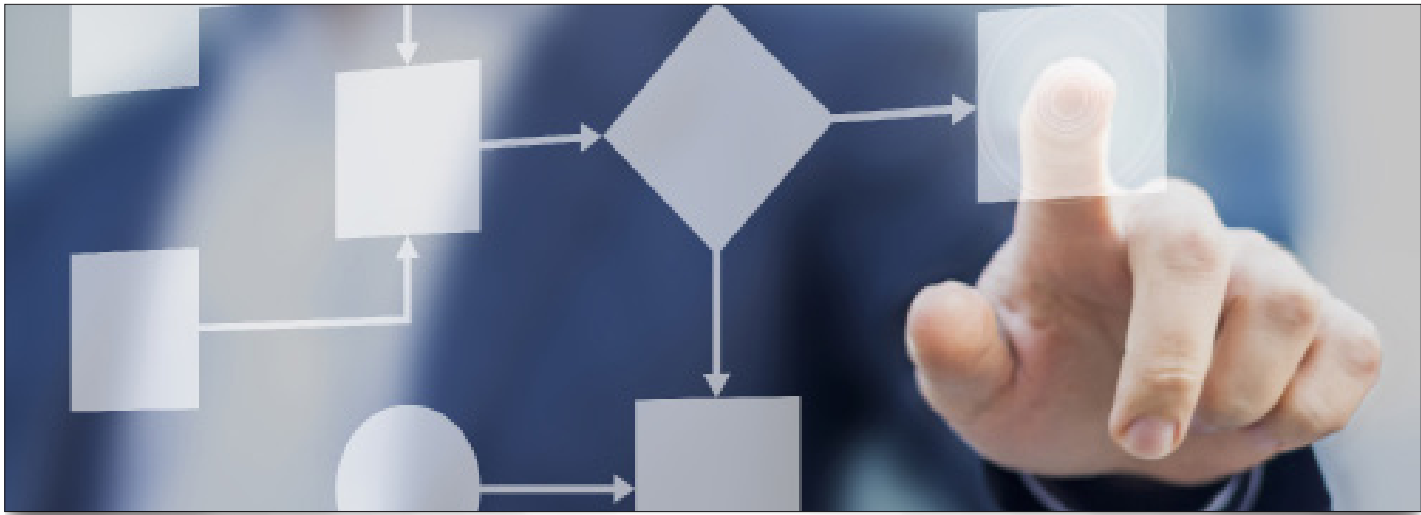
Working with the company's nonprofit Fay Foundation, employees generously donated new backpacks and the Foundation purchased the supplies. Over the summer, FAY employees got together across the country to fill the backpacks and made sure the students would have everything they would need for a great school year.

"We love this backpack drive—it means so much to our families and kids to have supplies to start the year. Some of our kids

would not have any of this without the Fay effort, but because these children got a backpack, they get to start the school year on the right foot," said Linda Kay O'Reilly, Director of Development, Tampa Bay Command of the Salvation Army.

Fay Servicing is a mortgage servicer with more than 147,000 residential and commercial customers across the United States. The Tampa-based company employs more than 550 individuals nationwide. The Fay Foundation is a 501(c)(3) organization, which is supported by regular payroll deduction donations from employees.

"It's heartbreaking how many children go back to school without necessary supplies, but I am proud of how our amazing staff always comes through for our local communities," Fay Servicing CEO Ed Fay added.



CLARIFIRE, INDISOFT INTEGRATE HUD COUNSELORS INTO LOSS MIT WORKFLOWS

CLARIFIRE, a workflow automation solution, has partnered with IndiSoft's National Housing Advocacy Platform (NHAP) to integrate HUD-approved housing counselors (HCAs) who provide foreclosure alternative counseling and loss mitigation assistance to homeowners into servicing workflows. The integration will expand the borrower assistance digital ecosystem and alleviate servicer-borrower interactions.

"We are thrilled to partner with CLARIFIRE, the renown SaaS provider of process automation, as investors, servicers, and the federal agencies are leveraging these counselors to augment and complement the interactions with the borrowers preparing for an uptick in loss mitigation activity," said Hans Rusli, CEO of IndiSoft. "HCAs are playing an increasingly critical role to help distressed homeowners navigate complex loss mitigation options, manage finances, and communicate with servicers on their behalf in pursuit of a foreclosure alternative."

By fully integrating IndiSoft's HUD-

certified Client Management System with CLARIFIRE's loss mitigation process automation, mortgage servicers will gain a single point of access to nearly 2,000 HCAs using the IndiSoft system. The integration makes these important interactions more robust while relieving the tremendous process burden on HCAs who must deal with different communication channels for each servicer. It also democratizes access to NHAP's nationwide network of community-based HCAs and the homeowners they represent while preempting loss mitigation scams, which proliferate when economic times worsen.

"Numerous pieces of legislation are providing increased funding to HCAs to assist at-risk homeowners," said Jane Mason, CEO of CLARIFIRE. "The Housing Stability Counseling Program (HSCP), and the Homeowner's Assistance Fund (HAF), for example, speak volumes about the importance of providing free, safe, and effective assistance to homeowners who are ill-equipped or are under tremendous

stress when faced with mortgage payment problems. To complement these developments, we're providing proven technology to deliver visibility and results."

Collaborative, multistakeholder, cloud-based automated solutions like CLARIFIRE and NHAP enable mortgage servicers and investors to be more creative when working with distressed borrowers. They also allow performance-based fees to be paid to HCAs for successful, high-quality right-party contacts, submissions of actionable loss mitigation applications, foreclosure alternative counseling, budgeting, and post-modification counseling.

"We strongly encourage mortgage servicers, investors, the FHA, VA, USDA, and the GSEs to participate in NHAP to interact with HCAs nationwide," said Sylvia Alvarez, Executive Director and Founder of Housing & Education Alliance (HEA), a HUD-approved counseling agency in Tampa, Florida. "While the foreclosure and nonperforming mortgage loan data are at manageable levels, we are seeing a groundswell of economic challenges facing homeowners which will at some point affect their ability to make mortgage payments. So, a single, standardized access-point and communication channel will be a critical factor for our ability to effectively and efficiently assist homeowners seeking our assistance to avoid foreclosure or obtain financial assistance from the many relief programs now available."



LOANLOOKS LAUNCHED TO COMBAT MORTGAGE FRAUD

Mortgage industry veteran Bob Simpson, Esq., has announced the establishment of LoanLooks, a mortgage fraud investigation firm. Due to the increase in mortgage fraud, Simpson has seen an increase in requests for special investigations, and his new firm provides lenders and independent brokers with the information they need to address defaults, repurchases, and fraud.

LoanLooks offers access to an experienced quality control (QC) and legal staff experienced in both the mortgage fraud investigation and the resulting consequences. LoanLooks delivers a comprehensive narrative that clients use to make decisions around fraud prevention, detection, and

litigation as well as special investigations, fraud reports, witness interviews, and in-house training in anti-money laundering activity and fraudulent mortgage origination.

“There has been a resurgence in mortgage fraud caused by rising rates and diminished originations,” said Simpson, who serves as President and Founder of the newly established LoanLooks. “Now, the industry is challenged by rising rates and a notable increase in occupancy misrepresentation. In addition to working with law firms, LoanLooks has specialized services to lenders, brokers, and insurers facing the costly pitfalls of loan fraud.”

Using proprietary investigative

methods accrued during more than 25 years of experience, LoanLooks conducts a comprehensive special investigation of cash, credit, debts, employment, income, and occupancy related to a single mortgage file or a batch. Additional information is gathered through interviews with people including borrowers, gift donors, Realtors, and other related parties if requested. The firm also provides site visits as needed. Detailed findings are documented in an easy-to-read, courtroom-ready report.

“Having specialized in investigating mortgage fraud for 25 years, I have seen many changes in the industry, but one thing remains constant, the appreciation companies and individuals have when we are able to identify and mitigate fraud on their behalf,” Simpson said. “Our talented team of professionals focuses on eradicating fraud and doing so as efficiently as possible.”



OPTIMAL BLUE HELPS MANAGE INTEREST RATE RISK

Black Knight has announced the addition of ICE Mortgage Rate Lock Index Futures within CompassPoint, a risk management and loan sale platform offered by Optimal Blue, a division of Black Knight. This expanded suite of futures will help lenders better manage their interest rate risk by offering new techniques for hedging conforming and jumbo mortgage loans and mortgage servicing rights. These additional tools also underscore Optimal Blue's commitment to deliver leading secondary markets functionality.

"We work with hundreds of clients every day to hedge the interest rate risk of mortgage pipelines, and we're excited to bring yet another innovation to the market that helps our lenders avoid basis risk and

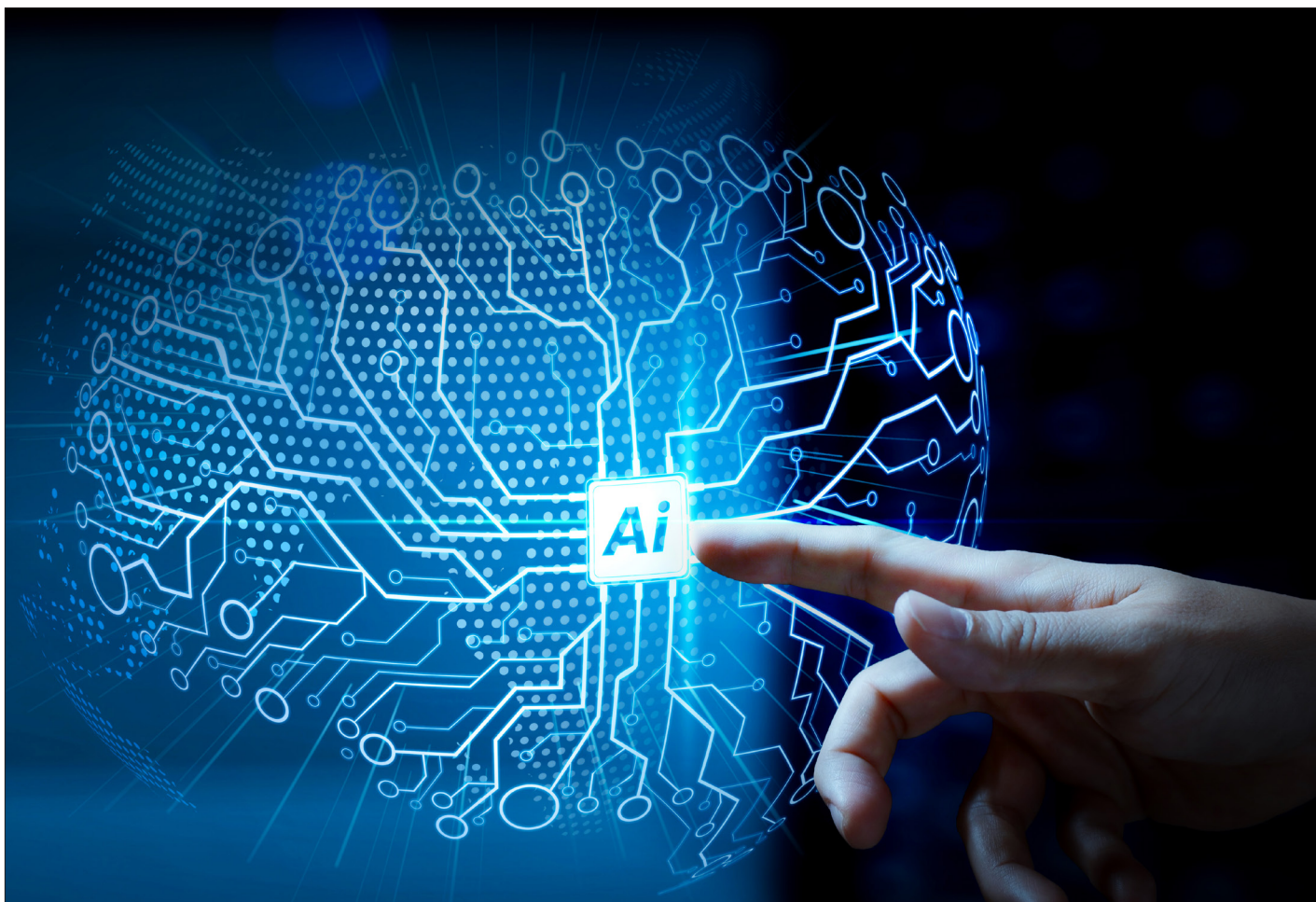
additional transaction costs when hedging certain mortgage loans," said Scott Happ, President of Optimal Blue, a division of Black Knight. "While the to-be-announced (TBA) marketplace is very effective at hedging the majority of our lenders' pipelines, the addition of the ICE Mortgage Rate Lock Index Futures with CompassPoint will deliver expanded support for hedging mortgage servicing rights, jumbo loans, or loans with extended lock terms."

The ICE Mortgage Rate Lock Index Futures can be added to CompassPoint, which is used by industry professionals to hedge more than \$100 billion of closed loan volume monthly. CompassPoint is offered by Optimal Blue, delivering a Product, Pricing, and Eligibility (PPE) engine that

prices more than 40% of locks in the U.S. mortgage industry and is fully integrated with the CompassPoint platform. Optimal Blue's secondary solutions then extend into loan trading with ResiTrader, a loan trading platform, which represented \$1.4 trillion of loan trades in 2021.

The addition of the ICE Mortgage Rate Lock Index Futures expands Optimal Blue's hedge advisory solutions and serves to provide improved expertise and service to clients.

"With the introduction of this new futures instrument, we further improve the ability to match the right hedge with the right loan for our clients and demonstrate our commitment to providing the secondary market with the most innovative capabilities to help them make informed decisions," Happ said. "We're pleased that these new capabilities complement our leading analytics, valuation tools, BESTX pricing engines, and trading platform in our end-to-end secondary marketing technology ecosystem."



CANDOR INTRODUCES CRITICAL AI UNDERWRITING SOLUTION

Candor Technology has been granted a U.S. Patent for its CogniTech Expert System Technology, which successfully models an underwriter and forensic auditor's critical thinking.

Using Candor's Loan Engineering System (LES), Candor clients have reported increased underwriter productivity by 400%, decrease turn-time by at least 10 days, and increase pull-through by 15%. With this data, Candor estimates the reduction in repurchase exposure goes from 12-basis points to 1-basis point with the use of Candor's technology.

Candor's patented technology operates as an unbiased data matching and validation system. The system conducts a consistent underwriting of a loan or other financial asset, leveraging its access to and ability to interpret and compare data from multiple sources that lead to the quality underwriting of a loan. Candor's technology doesn't operate in the shadows of a black box, but creates a transparent and auditable underwriting trail that is preserved in a permanent, immutable, quantum ledger database.

"At Candor, we strive to create best-in-class technology to benefit the consumer, the lender,

and the mortgage investor," Candor CEO Tom Showalter said. "Receiving this patent on the technology we have spent years perfecting is tremendously rewarding, as it propels us forward in our goal to break down barriers to homeownership by bringing greater ease and efficiency to the mortgage loan process."

To date, Candor's Loan Engineering System has conducted more than 1.8 million underwrites for banks, credit unions, and mortgage lenders with zero repurchases.

VOXTUR TO ACQUIRE BLUE WATER FINANCIAL TECHNOLOGIES

Voxtur Analytics Corporation, a tech firm creating a more transparent and accessible real estate lending ecosystem, has announced that its wholly-owned U.S. subsidiary, Voxtur Analytics US Corporation has executed a purchase agreement for the acquisition of all of the issued and outstanding membership interests of Blue Water Financial Technologies Holding Company, LLC.

Blue Water delivers SaaS-based solutions

to investors trading mortgage servicing rights (MSRs) and whole loans to improve profitability, reduce risk, and increase liquidity of mortgage asset portfolios. Blue Water's core analytic capabilities and advanced technology solutions are critical elements in an end-to-end mortgage asset solution. Blue Water's platform is actively used by originators, and spans pricing, trading, commitment, pre-funding quality

control, transfer, due diligence, and servicing oversight of various types of mortgage assets.

The acquisition will bring Voxtur's technology suite to the secondary market, providing a natural attachment point and synergistic opportunities to both client bases. Founded in 2018, Blue Water has a revenue compounded annual growth rate of 262% from 2019 to 2021. Additionally, Blue Water generated positive net income for 2020 and 2021.

NEW WESTERN GROWS U.S. AFFORDABLE HOUSING SUPPLY

New Western, a national private marketplace for fix-and-flip residential investment properties, has announced that the company has made homeownership accessible for more Americans by growing U.S. housing inventory by 6,540 units to date in 2022. Without building a single home, New Western accomplished this increase thanks to its data, advanced knowledge of local markets and its business model, which includes obtaining inventory from among the 16 million vacant homes across the United States, as well as other off-market properties for less than \$250,000 on average. As a result, homes that are purchased through New Western's marketplace and later renovated sell for up to 31% less than new builds.

New Western's growth in 2022 is driven by its expansion into 10 new markets for a total of 50 locations nationwide, including its newest office in Washington, D.C., where New Western has set a goal to revitalize almost \$1 billion in properties in that region over the next five years. New Western identified the District of Columbia and its surrounding cities as a strong opportunity

for investors because of the need locally for a disruptive force in the residential real estate market: The median sale price of a single-family home in Washington, D.C., in July, was \$1.153 million, and just 98 homes sold that month, down 19% from July 2021 from Redfin. With 81.8% of homes in the D.C.-metro area alone built before 2002, New Western will help address the affordable housing crisis in the D.C. area by returning aged and distressed homes to the market.

"Our rapid growth continues to enable us to improve the quality of opportunity that New Western provides, especially as we launch into one of the largest metropolitan markets in the United States," said Kurt Carlton, Co-Founder and President of New Western. "D.C.-area home prices have been rising for 13 consecutive years. We are in a unique position to deliver much needed inventory to this market and look forward to creating more affordable housing. I'd like to express my gratitude to all our employees for their hard work and commitment to deliver on this promise."

New Western's model is growing residential housing inventory in the United

States at a time when homeownership is increasingly out of reach for many Americans—due in part to low inventory and cost. Although housing inventory rose in May by 8%, that was the first monthly increase since June 2019. When compared to May 2020, active home listings have decreased by 48.5%, pushing prices up by record amounts in many cities from Realtor.com.

"New Western offers substantial opportunity for sellers, buyers, and investors, as well as a positive impact in many neighborhoods. Their unique marketplace delivers value-add homes that would otherwise be unappealing to most residential homebuyers—something I really appreciate as a Chicago native," said Joan Kaufmann-Stube, Managing Broker of Circled Squared Real Estate in New Lenox, Illinois. "In addition to the great value New Western brings to the real estate ecosystem, one of the main reasons I recommend New Western's marketplace to my investor clients is because their inventory is available on a first-come, first-served basis, eliminating bidding wars, and increasing investor profitability."

Fueled by more than 100,000 active investors and the belief in making real estate investment more accessible, New Western's fierce momentum has positioned the company to acquire 10,000 properties and nearly \$5 billion in transaction volume by the end of 2022.



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CERTIFID LAUNCHES NEW WIRE FRAUD PROTECTION SOLUTION

CertifID, a provider of wire fraud protection, has unveiled PayoffProtect, giving title, escrow, and settlement companies peace of mind by preventing property loan payoffs from being sent to fraudsters. The announcement comes on the heels of the company's recent \$12.5 million Series A funding by Arthur Ventures.

PayoffProtect solution combines CertifID's expert knowledge and suite of intellectual property, including machine learning capabilities that are now being leveraged to automate and standardize the mortgage payoff demand letter verification process. In more than 95% of cases, the

company's validation engine software authenticates loan payoff wiring instructions.

PayoffProtect was designed in response to customer feedback about an unaddressed area of vulnerability for real estate wire transfers. PayoffProtect addresses the sharp increase in fraud surrounding wire transfers made from title companies to lenders in connection with mortgage payoffs. These scams involve fraudsters impersonating the mortgage lender as part of a real estate closing, in hopes of having the payoff wire transfer redirected to the fraudster's bank account.

"We've helped recover nearly \$50 million in loan payoff fraud, and now we have the

solution to prevent it," said Tyler Adams, CEO of CertifID. "For large sum loans such as mortgages, payoff wiring instructions verification has remained a laborious and vulnerable process. Thanks to PayoffProtect, the days of mortgage payoff fraud are finally over."

PayoffProtect is coming out of a beta period where it's already being used with great success by customers including Knight Barry Title, Continental Title Company, and Bluegrass Land Title.

"Verification by phone is frustrating, time-consuming, and oftentimes comes to a dead end," said Rachel Petrach, Chief Closing & Compliance Officer at Knight Barry Title. "PayoffProtect allows us to feel comfortable, allows us to sleep better at night, and hopefully reduces a bit of the gray tint in my hair."



PLANET HOME LENDING VOLUNTEERS AID NORTH TEXAS FOOD BANK

Planet Home Lending has collaborated with The Farmlink Project to help the North Texas Food Bank in Plano, Texas. Through the collaboration, Planet Home Lending employees will spend the day sorting, bagging, and boxing food for hungry North Texans.

The Farmlink Project, a nonprofit combating food insecurity and waste, connects farmers to food banks and communities in need. It funds the harvest and transport of surplus produce that would otherwise go to waste, with boots-on-the-ground assistance from volunteers.

Planet supports Farmlink's initiatives as part of its Planet With a Purpose (PWaP)

social responsibility platform. The company's \$100,000 donation to Farmlink earlier this year also funds carbon offset projects to help reduce global food system carbon emissions.

"We're a company that cares about the communities we serve," said Michael Dubeck, CEO and President of Planet Financial Group, parent of Planet Home Lending. "Planet is committed to improving not only the lives of our borrowers but also the planet as a whole."

With Planet's help, The Farmlink Project has moved more than 75 million pounds of surplus food from farms to Food Banks, enough to prepare more than 60 million meals.

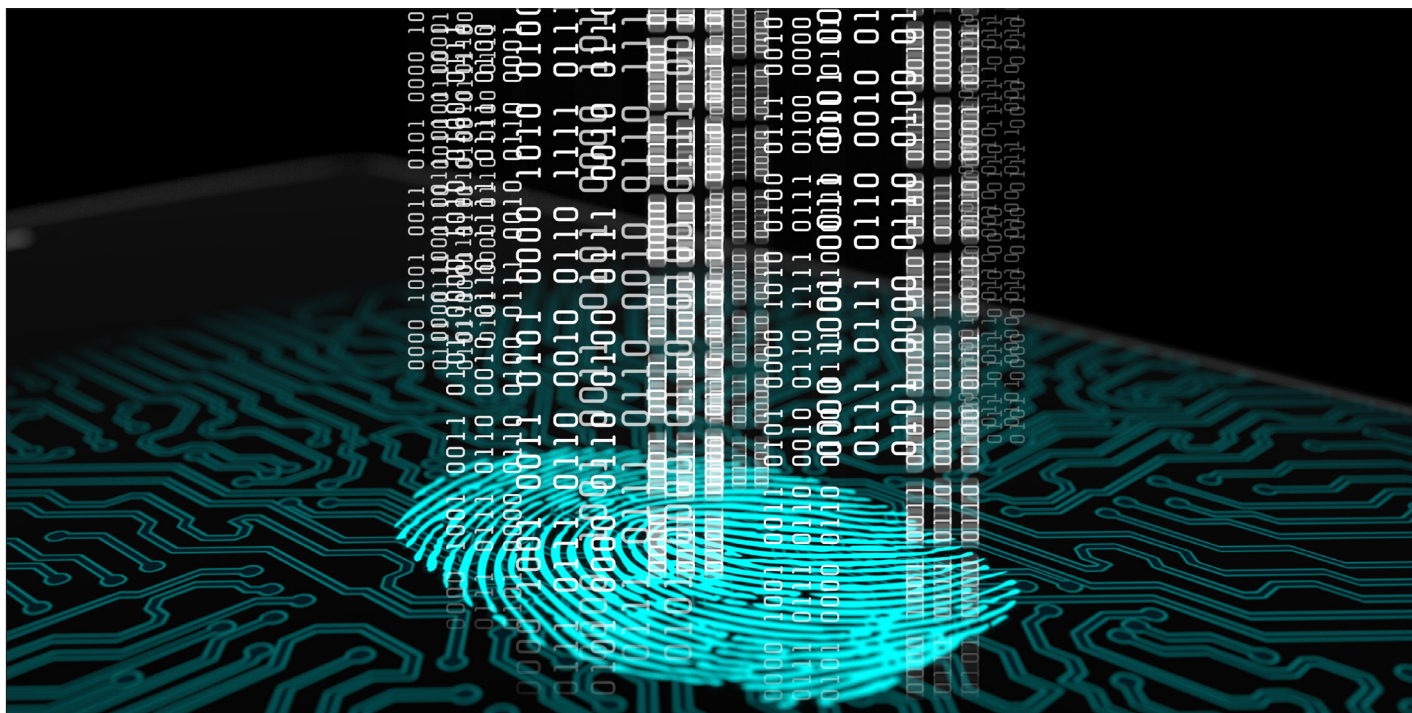
"The influence of food waste and lack of access to nutritious food is ever-present in the United States. One in five Americans are currently experiencing food insecurity," said Kate Nelson, Head of Creative at The Farmlink Project. "Corporate partners, like Planet, help us realize our vision to bridge the gap between farmers and food banks through investing in and creating sustainable food systems."

Annually, the United States wastes 31% of food produced, which could help feed families, but instead goes to landfills. Producing, transporting, preparing, storing, and disposing of unused food wastes land, water, labor, and energy. By diverting produce from landfills, The Farmlink Project has prevented more than 40 million pounds of carbon emissions to date.

"It isn't often that we see a common-sense solution that solves multiple social challenges," Dubeck added. "The Farmlink Project makes a difference for people and the planet, and at Planet Home Lending, that's exactly what we strive to do."



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OCROLUS LAUNCHES NEW COMPREHENSIVE FRAUD DETECTION SOLUTION

Ocrolus, a document and data analysis platform, has launched Ocrolus Detect, a comprehensive fraud detection solution for lenders. Ocrolus Detect provides high-quality, decision-ready data that can help lenders minimize risk and prevent losses. Detect indicates where file tampering has occurred on a document, what fields were modified, and how they were changed to provide the necessary level of context for more informed lending decisions.

Detect indicates where file tampering has occurred on a document, what fields were modified, and how they were changed to provide the necessary level of context for more informed lending decisions.

Lenders traditionally perform manual review of documents to inspect for file tampering, document manipulation, inconsistencies, and other suspicious

activities. This time-consuming, tedious, and error-prone process can result in significant losses. Ocrolus Detect automates fraud workflows, providing detailed signals and clear visualizations of fraudulent activity undetectable to the human eye.

“Detecting fraud is mission critical to our business, and Ocrolus is uniquely qualified to provide a comprehensive fraud solution with its focus on lending,” said Zack Whitaker, Risk Operations at AtoB, a fintech company. “Fraudulent behavior needs to be caught in our underwriting process, and Detect has proven to be a highly-effective insight tool for our team.”

Detect indicates where file tampering has occurred on a document, what fields were modified, and how they were changed to provide the necessary level of context for more informed lending decisions. Detect

also visualizes file tampering on documents received and often can recover the original document for fraud analysts to easily spot the modified fields.

Ocrolus processes millions of lending documents weekly, which enables the company to train its machine-learning models with a unique and nuanced understanding of file structure and key data. During a customer beta program, Detect accurately uncovered four times more potential fraud than a leading competitor.

“As the lending industry shifts to digital loan application processes, fraud is rapidly increasing and becoming more difficult for humans to catch,” said John Forrester, SVP of Product at Ocrolus. “Detect enables lenders to quickly and confidently process more loans by proactively providing them with clear and reliable fraud signals.”



PROPTech INVESTMENT TO BRING SFR MARKETPLACE TO PUBLIC MARKETS

PropTech Investment Corporation II, a special purpose acquisition company targeting businesses in the real estate technology industry, and RW National Holdings, LLC (d/b/a Appreciate), the parent holding company of Renters Warehouse, an end-to-end single-family rental (SFR) marketplace and management platform, have entered into an agreement which will result in Appreciate becoming a publicly listed company.

Upon closing of the transaction, PropTech II will be renamed Appreciate and will remain listed on the Nasdaq Capital Market under the new ticker symbol "SFR."

Through its operating company, Renters Warehouse, Appreciate offers a full-service technology platform for investing in and owning SFR properties. The company provides

a proprietary online marketplace and full-service brokerage teams in over 40 markets, allowing investors to execute with efficiency and confidence. Appreciate's clients benefit from an SFR property management platform that addresses the full spectrum of investor needs, from resident placement and property management to analytics and reporting.

"Single-family rental represents an attractive investment opportunity and investment hedge, but the complexity of buying and owning a rental property has until now been a hurdle for many investors," said Chris Laurence, CEO of Appreciate. "Our goal is to democratize SFR ownership by making the end-to-end process more seamless and closer to the experience of managing other types of investments. Combining with PropTech II and becoming a publicly listed

company will enable us to scale our business with both retail and institutional investors and capitalize on the strong economic and demographic tailwinds in SFR."

Tom Hennessy, Chairman, Co-CEO, and President of PropTech II, added: "SFR technology is one of our highest conviction investment themes at PropTech II. We believe that Appreciate, with its end-to-end solution, is the category winner in this massive but fragmented TAM. The company has an accomplished leadership team, a proven revenue model, and highly scalable unit economics. We are thrilled to partner with Appreciate and look forward to their public debut."

The combined company will have an estimated post-transaction enterprise value of \$416 million, consisting of an estimated equity value of \$575 million, \$159 million in cash, and no debt, assuming no redemptions by PropTech II public stockholders. Cash proceeds raised will consist of PropTech II's approximately \$230 million of cash in trust (before redemptions), and a committed equity facility of \$100 million from CF Principal Investments LLC, an affiliate of Cantor Fitzgerald & Company, subject to certain conditions precedent.

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CELEBRATING FOUR DECADES OF INDUSTRY ADVANCEMENT

Wes G. Iseley, EVP and Senior Managing Director of Carrington Holding Company, winner of the 2022 Five Star Institute Lifetime Achievement Award, reflects on his 40-plus years in the industry, and shares the keys to being a successful leader throughout the years.

At the recent Five Star Conference and Expo in Dallas, Wes G. Iseley, EVP and Senior Managing Director of Carrington Holding Company, was honored for his four-plus decades in the mortgage finance space with the prestigious Five Star Institute Lifetime Achievement Award.

"I am honored to have been chosen by the Five Star Institute to be the recipient of this year's Lifetime Achievement Award," said Iseley after the presentation, reflecting on his tenure and longevity in the industry. "It was 41 years ago, just out of college, when I started my career in this industry. I discovered early on that the keys to success are building relationships, taking care of your people, and providing the leadership needed to help them succeed."

A customer service-focused general management executive, Iseley has proven himself

a successful figurehead, leading organizations to profitability throughout all economic cycles. His experience ranges from directing large firms to developing growing companies into industry leaders.

As Senior Managing Director of Carrington Holding Company, he has P&L responsibility for Vylla Title and Vylla Home and is also responsible for business development, while managing the Carrington relationships across the Carrington family of companies.

He joined Carrington in December of

2008, in the midst of the great subprime market meltdown, as EVP of Carrington Mortgage Services. Prior to Carrington, he was President of Saxon Mortgage, a Morgan Stanley Company, a title he held for two years after Morgan Stanley's acquisition of Saxon in late 2006.

Before joining Saxon Mortgage, Iseley served as EVP, Residential Real Estate with Fremont General, where he spent five years, responsible for originations, servicing, and overall operational support.

Upon graduating from the University of Kentucky with a B.A. in finance, Iseley got his start in the industry in 1981 with Associates Financial Services, rising to the role of Managing Director.

In addition to his role leading Carrington, Iseley is heavily involved in industry trade associations, currently serving as President of



→FROM HIS PEERS

“Carrington has a nickname for Wes Iseley. We call him the honey badger. Wes is a remarkable animal, fearless in every way, courageous, kind of a badass, respected, adaptable, thick skinned, mentally tough, and able to withstand nearly any challenge, persevere, and emerge unscathed. Resourceful, productive, always on the hunt, Wes always finds a way to win and do more. He’s full of grit, determination, and tenacity.”

—Nolan Turner, SVP, Carrington

→FROM HIS PEERS

“During his long and distinguished career, Wes Iseley has been an incredible contributor to our industry and our company. We are proud to honor him on this achievement, recognizing his many years of service. In addition to my gratitude for everything Wes has done for Carrington, and for the Carrington Charitable Foundation, I am fortunate to have him as a close, personal friend for more than a decade.”

—Bruce Rose,
CEO and Founder, The Carrington
Companies

the California Mortgage Bankers Association. As head of the association, Iseley represents the residential and commercial real estate finance industry before the nation’s governing bodies, encouraging and promoting sound business practices, and honesty in marketing, origination, lending, and the servicing of mortgage loans through the association’s educational and networking opportunities.

From 2019-2021, he served as Chairman of the National Mortgage Servicer Association (NMSA), a nonpartisan organization driven by senior executive representation from the nation’s leading mortgage servicing organizations. NMSA was formed for the purpose of effecting progress and change on the key challenges that face the servicing industry by bringing together decision-making executives from across the nation.

DS News recently had a chance to speak with Iseley, discussing his career and the state of the industry, the current state of the industry, and his work on behalf of the servicing sector as Chairman of the NMSA.

Describe your day-to-day activities and duties in your current role as Senior Managing Director at Carrington Holding Company.

I have been with Carrington now for nearly 14 years, and there are currently 11 companies under the Carrington umbrella.

The first half of my time with Carrington was spent operating the main companies: servicing, lending, and the other companies that we formed. Then I moved up to the Carrington Holding Company level, and my first job was in business development across all the different companies, bringing in business—along with Nolan Turner, Managing Director at Carrington Mortgage Holdings, and Tom Huddleston, EVP, Head of Vylla Title. Even though Tom runs our title company division, he is still involved in business development and government relations. Another aspect of the role in business development is coordinating relations with the GSEs: Ginnie Mae, FHA, HUD, VA, and the USDA.

Another part of my job is operating the Vylla brand. Our two main companies under the Vylla banner are Vylla Home, a brokerage operating in 40 states with 1,325 agents, and Vylla Title, a residential and commercial title provider.

I also deal daily with Carrington CEO

and Founder Bruce Rose, and Andrew Taffet, Chief Investment Officer & Head of Asset Management at Carrington Capital Management, on anything they want us to get involved in across the other people at Carrington ... we all pull this together for Carrington. We’re very proud of what we’ve accomplished. Anything we need to do to cross lines and help in different areas, we will. I think that shows why Carrington is a different company.

Are there any measures Carrington is taking to close the homeownership inequality gap? Do you feel the industry is doing enough in this area or does more need to be done?

At Carrington, we’re extremely proud of our Mission: “We provide a lifetime of simple and attainable homeownership.” We’re one of the premier lenders in the lower-FICO-score space, and this involves manual underwriting, with quality loans to help our customers. It’s almost like the consumer finance days where you’re putting things together for people who have the capacity to make good quality decisions to help the customer. Our non-QM products offer alternatives to customers outside of the guidelines from the GSEs and FHA. We’re very proud of our non-QM offerings.

The industry, GSEs, and HUD need to continue to work together to offer opportunities to those with alternative credit histories—from rent, utilities, and other credit references to helping borrowers qualify for loans. I think that’s a start that people are getting back to the basics of underwriting, and of really understanding how people pay their bills. It’s a great step, and progress is being made. There’s a focus now where there wasn’t five years ago, and I think positive progress will come from that, but we need to continue that focus to meet the need.

With your close relationship with Ginnie Mae during the pandemic, describe the process of working hand-in-hand with a government entity in order to keep people in their homes during this time. Did Carrington do anything special or specific in this process?

We worked with the National Mortgage



→FROM HIS PEERS

“Wes is a strong leader and has generously shared his knowledge and experience in many industry meetings and get togethers. I have always valued his opinion and friendship.”

—Bob Caruso
CEO, ServiceMac

Servicing Association, which I served as Chairman for at the time but was always involved with even before then. Through NMSA, all the banks and nonbanks worked with the agencies to come up with a good plan to help our customers. In times of need, the industry pulls together, and that's something different from prior to 2007. We learned our lesson from the meltdown of 2007-2008 that a strong, cohesive industry is needed in a time of crisis, so now we help each other out to solve problems.

Having joined Carrington during the subprime crisis of 2008, what lessons were learned from this experience, and can any of those lessons be applied to the housing situation of today?

I think back to the subprime days and, compared to now, risk management and compliance are critical. Everyone has built out

their infrastructures and has realized that you need solid risk management and compliance to be successful. To run your company and manage your operations, data—in the right format—is critical.

The obvious lesson to learn from that period was the results of bad underwriting guidelines and decisions: they will catch up with you and cause harm. During the 2000s, everybody seemed to get amnesia about that.

One of the other big things was servicing. Servicing is critical to the role of taking care of your customer. Since 2008, and the crisis at that time, a great deal of money was poured into the system because everybody knew what was important. The investment in technology, people, and staff to improve the servicing industry is another the bigger change from that time of the subprime crisis.

→FROM HIS PEERS

“He’s a team player. If you look at the first two letters of his name, it’s indicative of him. He’s a ‘we’ man, not an ‘I’ man. It’s not, ‘I know this.’ It’s not, ‘I did that.’ It’s, ‘What can we do? We can figure it out. We all can win.’ He always has time for anyone, whether it’s a management trainee or a CEO. And if you ever meet with Wes, you’ll notice he takes a lot of notes. He does that because he wants to be attentive to your needs and attentive to the conversation to make sure he accomplishes the goals of the conversation.”

—Tom Huddleston
EVP, Head of Vylla Title

What are some of your greatest career accomplishments?

There are three that I am most proud of. We think of ourselves as a trusted buyer of assets from large banks and nonbanks. Early in the stages of buying MSRs, we won a \$20 billion trade from one of the larger banks. The bank approved the trade because they trusted us. We had to have Ginnie Mae approve that trade. Then we had to board \$20 billion worth of customers, and we did that successfully. We managed that portfolio with good results for those customers. That was a top turning point.

Number two was winning the Ginnie Mae MSR default servicer contract, when we became a servicer for Ginnie Mae. We have very close relations with Ginnie Mae.

Third, I’m proud of business development, which has allowed us to execute on many different transactions, including MSRs and EBOs, which are managed by our team under Andrew Taffet, our Chief Investment Officer, and his staff up in Connecticut; because we think of ourselves as an asset manager first, across all the Carrington companies.

What are some of the primary challenges currently facing the industry?

There have been a number of state regulatory and agency issues, especially at the state level. There are a few issues popping up on the East Coast that we need to work together on to avoid harm to our customers, local communities, and our industry. We need to continually educate and advocate to improve our industry for our positions.

We are experts in the industry and need to continue to share those thoughts and insight. We can do this through involvement in groups like the National Mortgage Servicing Association. I’m also the President of the California Mortgage Bankers Association and a member of the MBA Senior Servicing Council. All the companies in our industry, as I said before, need to be involved in order to make the industry better.

Are there any individuals that you would consider a mentor during the course of your career? What lessons did you learn from them that made you a better individual and mortgage professional?

I was lucky enough in my early years to have two good mentors. I believe strongly

in mentorship and right now, giving back internally within Carrington, I mentor three people in Carrington and one person outside of Carrington through the California Mortgage Bankers Association.

There is one individual, Bob Janning, who had a career at Associates as an EVP, who I would consider my mentor. He just taught me to be visible and talk to your people. His point was that it’s always easy to find out what’s going right, but you need to find out what needs to be improved. The people who know the best are the line-level people, and if you listen to them and then implement their ideas to fix situations, you gain respect. People notice if you listen.

A second individual I consider a mentor was a gentleman named Ed Wooden. His point was that people respect you for making the right decisions, and you can’t take a half step. You have to be strong and make the right decision for your company. His point was that if you make the right decisions, people will respect you.

Where do you see the mortgage servicing space heading over the course of the next year?

It may take one to five years to get back to normal, but we are certainly witnessing change. Servicers were always focused on processing, payments, and ACH. What’s changing is that servicers need to provide value to their customers, as they must provide information and education. You need to provide value; if you don’t provide value in education and give the customer something they want and need, they are going to leave you, and you’re losing both money and an investment. The big thing is providing information and providing value to keep a solid customer base.

Having served as Chairman of the NMSA during the height of the pandemic, what key lessons did mortgage servicers take away from this past 24-plus months?

In the past, we experienced such critical events as Hurricane Harvey, where NMSA helped to organize the response by working with all the government agencies, banks, and nonbanks. That was good practice for this new challenge that we were facing for the first time, but there were actually two parts to that challenge.

Part one: in March 2020, we had a centralized call center workforce and had to

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→FROM HIS PEERS

“No matter what situation Wes is in, he seems to lead the others. In any conversation, it doesn't matter if it's his peers, if it's people that are running companies that are in competition with them, he always seems to have this subtle nature of being a leader in the industry. He's very well-deserving of this award, and I am honored to be working with him and to call him my friend.”

—Susan Milazzo, CEO, California Mortgage Bankers Association

move it to a decentralized work-from-home operation in a period of just three weeks, with nobody out there having had such a move in their playbook. We had playbooks for everything. NMSA helped organize a response and best practices of sharing information the banks, nonbanks, and the agencies.

We needed to figure out the best way to reach out to customers. What should we offer in terms of waterfalls and such? We all worked together on moving our workers from a centralized to decentralized force, and we figured out how to offer products, and when.

The major lesson learned was this: when those call volumes hit, which nobody could have ever expected, you needed to put as much information as possible out there and offer self-help on your website and portals. I think you will continue to see that. Some people will want to talk to some people. Others will want to read as much information as possible to self-help, but with regard to the industry's efforts to provide trusted service and information to customers to make informed decisions, you're going to see more of that. These tools offer value and education through the web and portals so that people can educate themselves and then either make the decision to go through the web for self-help, communicate that way, or make a phone call directly to their servicer.

How does a group like NMSA bring value to servicing professionals and attract them to become members?

[Five Star Global Chairman] Ed Delgado created NMSA, and some of the early leaders like Anthony Meola offered a forum for banks and nonbanks to work on solutions to benefit our customers, the agencies, and the industry overall. But right off the bat, people from across the industry saw value. Let me harken back to the state of the industry pre-2008: nobody wanted to talk to anybody else until the crisis hit.

All of us knew that we needed a strong industry where we pulled together, and that was a vehicle that Ed started, and it's still going strong. People show up at NMSA meetings and travel to make sure they're there. They make sure a strong representative is there to contribute on behalf of their company. The value is already there, and these companies, banks, and nonbanks alike all see the value and show up to participate with NMSA. I'm very proud to be a member of the National Mortgage Servicing Association, and of all the

work that we've done, and am excited to see it stronger than ever even after a crisis.

What would you like to be remembered for as head of NMSA, and what was your greatest accomplishment over your term as Chair?

Keeping the lines of communication open. During the pandemic, when there was so much stress within the system itself, communication between the companies was still there and NMSA helped facilitate that. It was a form where people could reach out to other people and gain information about what was working. What was working for you to reach out to the customers, because the call volumes were huge and unprecedented. Just the interchange of information, and having that forum there to conduct that communication, I thought was very important during these very trying times.

What would you like to be remembered for by your peers?

It changes after 40 years in the industry. The first 20, 25 years, you're striving to hit where you want to achieve. Then it hits you that you're trying to protect what you achieved in your industry, so you start giving back through these trade associations: NMSA, the California Mortgage Bankers, MBA, whatever it is.

Give back to the industry; help people out when they need help and give them information. I think that's important. It's nice to see that a number of us have taken that role of providing help to those coming up by mentoring or being involved in associations to help out the industry and our customers. I'm most proud of having been able to give back.



Eric C. Peck has 20-plus years' experience covering the mortgage industry, he most recently served as Editor-in-Chief for The Mortgage Press and National

Mortgage Professional Magazine. Peck graduated from the New York Institute of Technology where he received his B.A. in communication arts/media. After graduating, he began his professional career with Videography Magazine before landing in the mortgage space. Peck has edited three published books and has served as Copy Editor for Entrepreneur.com.

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THE TIME IS RIGHT

With the market shifting, here's why financial institutions should consider partnering with a mortgage servicer now.

In the last two years, the housing market has shifted dramatically. The refi boom has been replaced by a purchase market. A fixed-rate mortgage that was once at bargain-basement low interest rates is above 6%. On top of that, the regulatory environment remains ever-changing. It is a challenging time for many financial institutions that are now focusing on a purchase money market and putting new efforts toward ramping up their Adjustable-Rate Mortgage (ARM) products, buydowns, home equity loans, and Home Equity Lines of Credit (HELOC) loans.


Now is the time to consider outsourcing your mortgage portfolio, and here's why.

1. REGULATORY KNOWHOW

The scrutiny of this regulatory environment

has resulted in more work for financial institutions that are either originating loans, servicing loans, or doing both. These companies need to think about how to offer new products in order to retain their place in the market.

The quality of a servicer's regulatory change management process and compliance is important as financial institutions begin to promote products like HELOCs, for example, to customers as interest rates continue to rise. So while a company is focusing on how to market a HELOC to its customer base, using a partner that has the expertise to manage the regulatory and compliance requirements is undeniably the most critical factor to consider when selecting a servicer.

A close-up photograph of a hand holding a glass hourglass. The hourglass is positioned vertically, and dark sand is seen falling from the upper bulb into the lower bulb. The hand is positioned on the left side of the frame, with fingers gripping the upper bulb. The background is blurred, showing a person's face and a wooden surface. The lighting is soft, highlighting the texture of the sand and the skin of the hand.

While many people associate mortgage servicing as just the administrative function of a mortgage, it's so much more than that for the homeowner.

For example, each time new laws, regulations, or programs are put in place, we must first determine their impact and then design how to implement them. This includes creating procedures, testing, QC, and controls, while at the same time communicating those changes to our business partners, homeowners, and our impacted operational areas. This process allow us to be prepared and better able to take action.

We have a formal process that entails working with our legal regulatory attorneys to understand the requirements and provide interpretation of the change to our compliance team. Our compliance team then works with operations and business control managers to understand the impact to business processes and procedures, training, communications, vendors, and systems.

2. PROVIDING THE BEST HOMEOWNER EXPERIENCE

While many people associate mortgage servicing as just the administrative function of a mortgage, it's so much more than that for the homeowner. The homeowner has an expectation that the servicer will deliver an experience to meet their individual needs. For servicers, that means engaging with customers over time to establish relationships and learn their preference for communicating.

We believe the homeowner experience is not a single moment in time—it lasts over the lifetime of the loan. Whether that's the regular cycle of onboarding, escrow, monthly payments, and year-end or extraordinary challenges facing homeowners, like the pandemic and natural disasters, we are responsive, anticipatory, and always caring.

How a mortgage servicer uses data and analytics to determine how homeowners are engaged should be further used to drive what tools and automation are needed to obtain the best communication experience for each homeowner.

3. ONGOING MORTGAGE ASSISTANCE FOR HOMEOWNERS

During the pandemic, nearly 7.2 million American households took advantage of forbearance options. From the very beginning, all mortgage servicers had to quickly adapt and ramp up their efforts. Servicers stayed committed to working with each homeowner to help them navigate through their options. Our goal is the same as the goal of our clients, investors, and the regulators—we want to help every homeowner we can, so that families can stay in their homes and avoid foreclosure. That is the best outcome for us, for homeowners, for clients, for real estate values, for communities, and for our society as a whole.

While many homeowners were able to resume their mortgage, some are still in need of financial assistance. In response, the federal government has set aside almost \$10 billion in a Homeowner Assistance Fund (HAF) for states, territories, and other recognized U.S. entities to assist with everything from mortgage payments to utility bills.

We have implemented numerous state HAF programs and are assisting in providing relief for homeowners. Administering this program is far more than just flipping a switch. Servicers are actively working with all jurisdictions and streamlining the review process quickly to aid eligible homeowners.

4. MAINTAINING THE VALUE OF YOUR MSR AND PROTECTING YOUR INVESTMENTS

During the last two years, both lenders and servicers retained the servicing they originated, increasing their portfolios thus increasing their MSR value. These MSR values are now providing an income stream that helps to offset costs to maintain the technology and administrative infrastructure created to manage

the refinance boom that occurred during the last two years. Now, those MSRs need to be cared for. MSR values are set based on the expected future cash flows from the underlying mortgage asset. Any risks to that cash flow—whether it's the homeowner paying off the mortgage ahead of time or not paying at all, decreases the value. Also, many lenders now are selling MSRs and the movement of portfolios can be a resource strain, as well as making it more costly to ensure proper regulatory requirements.

A servicer can take on the heavy lifting of helping you protect your investment—by managing defaults and providing you with the flexibility to grow or decrease your portfolio size without impacting your day-to-day staffing needs.

5. COSTS AND STAFFING

Servicing can be expensive and becomes more expensive every day. Why not partner with someone who can help you grow your market share by moving into new states, introducing new products by letting a subservicer take on the challenges of the administrative duties?

Finding the expertise that you need is hard today too. With the new hybrid environment deployed by so many entities, people are moving easily from one job to another. Managing a staff that understands the market, your portfolio, and being one step ahead from a technology perspective is daunting and costly for any financial institution.



Lori J. Pinto, CMB is SVP of Business Development for Cenlar, the nation's longstanding leading mortgage subservicer. Our team is experienced in every aspect of mortgage servicing, which enables us to deliver a custom, flexible, quality mortgage loan servicing solution to our clients.

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NEXT STEPS FOR DEFAULT SERVICING

As fears of a recession grow, it would be prudent for everyone—servicers and regulators alike—to think hard about default servicing improvements and reforms.

More than two years after the COVID-19 pandemic took hold of the country, mortgage servicers may finally be in a position to come up for air and reflect on the whirlwind of the recent past. Among other things, the servicing industry has had to navigate the quick enactment of the CARES Act forbearance program, a constant barrage of agency and government-sponsored entity (GSE) guideline announcements and developments, a patchwork of state mandates, last-minute changes to the federal servicing rules in Regulation X, and intense public scrutiny from the Consumer Financial Protection Bureau (CFPB). To date, servicers have collectively provided assistance to many millions of mortgage loan borrowers who were impacted by the pandemic. While there is certainly still more work to be done, servicers' willingness to help consumers and the overall effort put forth by the servicing industry at large has been admirable and commendable.

As the frequency and magnitude of COVID-19-related developments continues to slow down, now is a good time to reflect on the past couple of years and begin to plan for the future. What has worked well and could be incorporated into our standard servicing practices moving forward, and what lessons

could be learned from mistakes that were made to improve the landscape for mortgage loan borrowers and their servicers in the future? Especially as fears of a recession grow, it would be prudent for everyone—servicers and regulators alike—to think hard about default servicing improvements and reforms.

Many industry groups and other interested parties have already been contemplating new forward-thinking policy ideas, such as putting more reliance on forbearance as a go-to option for consumers who are in the early stages of a financial hardship. However, there are also many legislative and regulatory reforms that should be considered as we move into a post-COVID-19 world. This article outlines a few such ideas.

WHERE WE'VE BEEN

Coming out of the financial crisis of the late 2000s, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 created the CFPB and instructed the new agency to implement reforms in the mortgage servicing industry. In 2013, the CFPB released its final mortgage servicing rules, and they became effective in January 2014. The new rules covered three main areas related to default servicing: (1) early intervention, which established an early and ongoing communication framework for borrowers who become delinquent; (2)



To have any meaningful chance of convincing the appropriate parties to make the recommended change, a proposal must not provide the industry with all the benefits, even if it is neutral for consumers; there must be some wins on the consumer side of the ledger.

continuity of contact, which attempts to ensure that servicers have dedicated personnel that are knowledgeable and able to assist delinquent borrowers; and (3) loss mitigation, which establishes a procedural framework for working with borrowers to find alternatives to foreclosure, as well as dual-tracking restrictions to ensure foreclosure and loss mitigation are not moving forward simultaneously.

In 2016, the CFPB released a substantial set of amendments to the original servicing rules, and a fair number of the changes were in the loss mitigation area. Since that time, the only movement has related to COVID-19. In June of 2020, the CFPB recognized the need to relax the existing loss mitigation restrictions to facilitate servicers' ability to quickly and efficiently offer a deferral option to COVID-19-impacted borrowers. Finally, in July 2021, the CFPB released a COVID-19 final rule that related exclusively to default servicing requirements in Regulation X. Among other things, the 2021 final rule imposed more prescriptive content requirements for many live contacts that are established with delinquent borrowers to ensure COVID-19 options are discussed, it further loosened the loss mitigation restrictions to allow servicers to offer some streamlined loan modification options to borrowers that may have been impacted by COVID-19, and it instituted a strict prohibition on the filing of new foreclosure actions for the last few months of 2021, with only very limited exceptions.

WHERE WE'RE GOING

As we consider what the future of mortgage servicing should look like, we ought to acknowledge that, while there are many items that we might want to include on a theoretical wish list to improve servicers' day-to-day lives, the practical reality is that any change in policy or in the regulatory environment must benefit consumers in a clearly articulable way. To have any meaningful chance of convincing the appropriate parties to make the recommended change, a proposal must not provide the industry with all the benefits, even if it is neutral for consumers; there must be some wins on the consumer side of the ledger.

With that in mind, one of the most obvious lessons that many learned from the pandemic

was that streamlined loss mitigation options are a good thing and can be utilized to benefit servicers and borrowers alike. In early 2020, we saw that the CARES Act established a quick and efficient process for COVID-19-impacted borrowers to get immediate relief on their mortgage payments. The law created an extremely low bar for borrowers of federally backed mortgage loans to obtain up to 360 days of forbearance on their payments. Rather than having to submit mountains of documentation to demonstrate a possible hardship or evidence the borrower's financial position, Congress mandated that servicers offer forbearance whenever it was requested provided that the borrower also attested to experiencing a COVID-19-related hardship. This could happen verbally, in writing, or even through a web portal or other online interface, making it extremely easy for borrowers to enter a forbearance program. Likewise, it also eliminated the need for servicers to expend the time and resources to work through a prolonged document chase process where they constantly try to obtain missing documentation that is needed to complete an application and for their review.

Shortly thereafter, the CFPB released its interim final rule to remove existing barriers in Regulation X that could have prevented servicers from quickly offering deferral options to COVID-19-impacted borrowers who were ready to resume making their regular monthly payment. A particular provision of Regulation X, which we commonly refer to as the "anti-evasion clause," generally prohibits servicers from evaluating information received from a borrower and using it to offer loss mitigation options, unless and until the servicer collects a complete loss mitigation application from the borrower first. There are very limited exceptions to the anti-evasion clause including, for example, a carve-out for short-term forbearance plans, which allowed for the CARES Act framework to work seamlessly. Recognizing that its own rules were about to get in the way of helping millions of impacted mortgage loan borrowers, the CFPB issued an interim final rule to add COVID-19 deferral options to the limited list of anti-evasion clause exceptions. Once again, this immensely benefited both consumers and servicers.

Finally, along the same lines as the 2020

interim final rule, the CFPB's 2021 COVID-19 final rule once again added a new exception to the anti-evasion clause in Regulation X, this time for certain streamlined modification options. At that time, the CFPB realized that the law accounted for, and allowed, forbearance and deferral options, but did not necessarily include a good way for servicers to quickly and efficiently evaluate borrowers who may need additional payment relief for a modification of the underlying loan. The result was another new exception to the anti-evasion clause, this time eliminating the barriers that otherwise would have stood in the way of quickly offering loan modification options to borrowers impacted by COVID-19, provided certain criteria are satisfied.

This recent history has clearly shown how streamlined loss mitigation options can simultaneously benefit consumers and the servicing industry. Unfortunately, though, there are currently only a limited number of exceptions to the anti-evasion clause, and many of them now relate to COVID-19 options. From both a policy and regulatory perspective, the CFPB ought to either discard of the anti-evasion clause altogether (and instead rely upon more permissive guardrails) or expand upon the enumerated exceptions. For example, in the context of a natural disaster, why shouldn't a borrower be able to follow the same streamline path (forbearance followed by either a deferral or modification, or both) that a COVID-19-impacted borrower could take? Although the expansion should probably be broader than just for natural disaster scenarios, that minimum action should be a no-brainer.

Additionally, it is worth noting that, notwithstanding the CFPB's existing regulatory restraints, both Fannie Mae and Freddie Mac currently instruct servicers to evaluate borrowers who have been impacted by natural disasters for their disaster payment deferral programs. To make matters worse, they both require that servicers establish quality right party contact, evaluate certain information from the borrower, and then go so far as to say that servicers "must not require" borrowers to complete an application in order to be offered the deferral. This creates obvious tension with the CFPB's anti-evasion clause in Regulation X. Without an

enumerated exception, can servicers legally offer those deferrals?

This highlights a final point worth mentioning briefly. Another thing that has become clear over the past couple of years is that consumers and mortgage servicers all benefit when there are clear rules of the road. Ambiguities, conflicts, and unresolved questions in new and existing laws or guidelines all create risks for servicers and inevitably will lead to variation amongst different entities. Everyone wins when there are clear and consistent requirements. To that end, it would greatly benefit the industry and mortgage loan borrowers for the CFPB, government agencies, and the GSEs to come together and align their directives. Having inconsistencies and even misconceptions of what the law allows and what it does not—like the disaster deferral example—is unacceptable more than eight years after the framework became effective, and could easily be remedied. Particularly as the agencies and GSEs continue to add on to their already heavy-handed guides and requirements of servicers, full alignment is critical.

It is certainly easy to wonder whether there is even any appetite for making much needed reforms to improve the servicing landscape of the future and, admittedly, mortgage servicing does not have a place on the CFPB's current rulemaking agenda. However, the history outlined above shows that the CFPB can and does make changes to the existing regulatory framework when there is good reason to do so. In fact, that has happened multiple times just over the last handful of years. Therefore, there is reason to be optimistic that the CFPB will consider measured changes that benefit both consumers and the industry alike, hopefully sooner rather than later. Two items that should make all of our wish lists include (1) loosening the restrictions in Regulation X to allow for more streamlined options, and (2) harmonizing the various laws, guidelines, and directives to eliminate ambiguities, conflicts, and risks.



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SAFE AND SOUND

Here are three keys to enabling sound servicing decisions using data-driven technology.

For loan portfolios to be serviced properly, the performance of the asset is constantly analyzed and confirmed throughout the life of the loan. This means from the time a loan has originated and transferred to a servicer, to when the mortgage is paid-in-full or closed-out, data analysis must be used to identify pertinent information about the loan throughout each stage: where it needs to go and when, what is happening from initial point of transfer through ongoing payments and final steps. Are there opportunities or gaps in a loan situation or operational process that can be improved, etc.? Understanding these aspects is a vital part of servicing and provides the ability to:

- » Enable exceptional customer experience
- » Optimize operations to maximize cash flow and performance
- » Ensure all state, investor, and regulatory guidelines are met

The challenge is data alone is just that—data. However, data with insights ensures meaningful value is found, allowing one to quickly make confident business decisions, no matter what role he or she plays within an organization.

Beyond providing data in a consumable form, teams will need to be ready to embrace it. This includes training in data analysis to see the patterns and trends and what they mean. Encourage ways to lead with curiosity to seek the exceptions and understand why and what actions can be taken to maximize opportunities and address challenges.

In the many years I've spent navigating the opportunities and challenges of data, I have found successful servicing performance management is rooted in three key concepts.

1. CREATE A SINGLE SOURCE OF TRUTH

Servicing data sources can be quite varied and siloed, and every data extraction slightly different. A servicer may receive initial output from a variety of platforms, reports, and spreadsheets, but often the data collected is not pertinent or useful in the format gathered. And it's a lot of data.

It is much more beneficial when the servicer can capture the aggregate, connect disparate dots, know the data is accurate, and then transform that data asset into an engine of meaningful insight and analysis to drive business on all cylinders.

This involves developing a mechanism that

can aggregate, distill, and communicate data in a way that enables faster response times and more effective financial and KPI tracking. It also means having clear objectives and metrics to monitor and optimize throughout the servicing cycle. For example, a comprehensive understanding by the operations team of who, how, and when payments are being made can derive strategies to improve the payment experience.

The overarching objective is to consolidate the disparate data sources into a single source of truth. We've all been in meetings where more time is spent discussing the difference between numbers on reports than making meaningful progress on a topic. Once the data is consolidated, the use of data visualization and interactive dashboards make the information even easier to absorb, faster to analyze, and actionable for all servicing stakeholders.

2. EMPOWER THE SERVICING TEAM

Build a data-driven culture by empowering teams across the servicing spectrum with useful data at their fingertips. Deliver it in a manner that is faster, more convenient, and more effective when it comes to managing their workflow. Organizations can reduce the friction of transitioning from multiple Excel spreadsheets to a centralized data analytics platform, by making it a one-stop shop for users to intuitively find what they need and when they need it. This ease and empowerment make evolving from traditional processes within an organization a no brainer.

A centralized and comprehensive data



When there is transparency between servicers and clients, meaningful conversations can take place regarding asset performance, portfolio objectives, and risk mitigation.

platform also helps take servicers on the journey with their homeowners to create a deeper sense of empathy. First, they can understand the customer experience—how customers are interacting with the servicer about their loans, why customers call into customer service, what types of online interactions are occurring, who needs assistance, and if they are being helped to their satisfaction. Understanding these situations is vital to helping cross-functional teams adjust the way they engage with customers.

Simultaneously, a servicer is working with its business clients, using oversight data each day to understand what's happening within the portfolio itself. The fact is, not all clients are the same. They each have different objectives, goals, and service level agreements (SLAs). That said, at the end of the day, they are all interested in the same core objectives to:

- » Enhance the customer experience
- » Streamline operations to improve cash flow and performance
- » Successfully meet state, investor, and regulatory guidelines

A best-in-class data analytics platform drives the quest to address all three of these objectives daily. The most advanced servicers can deliver transparency across all components of the servicing operation at any point of time or workflow. These insights empower employees with smarter decisions to optimize performance, identify opportunities, and mitigate risk for homeowners and clients alike.

3. COLLABORATE THROUGH TRANSPARENCY

When there is transparency between servicers and clients, meaningful conversations can take place regarding asset performance, portfolio objectives, and risk mitigation. It is often in these collaborative discussions that product, service, and experience innovation happen. The magic created further advances the outcome, maximizes the partnership, and enables extraordinary results.

Monitoring is how transparency is achieved. With proper tracking, high-value KPIs shine a light on where objectives are being met for onboarding, loss mitigation, claims processes, and payments. For example, instead of simply

providing counts based on loan products like FHA, context is provided with items such as escrow, tax and insurance management, location, natural disaster, loss mitigation or collections process maps, etc. It's about ensuring there is visibility and access to the details needed to understand status and make decisions. Equally important is that both servicers and clients have the same visibility and data metrics to manage their portfolios most effectively together.

Case in point: loan onboarding is a highly collaborative activity with significant dependency on the origination closing process. One of the most important KPIs to customer experience is a smooth onboarding experience with efficient processes and compliant to all regulations. This complex process must be delivered in the frictionless manner that customers expect, which, in turn, builds loyalty. Being able to track all the moving parts, documentation, insurance, and escrow taxes, as well as knowing where they are at any point in the process, is invaluable to both the lender and servicer to keep things running smoothly in their collaboration.

At the same time, there's only so much one can do when inaccurate or inadequate information is received. Proprietary tools such as LoanCare Document Tracker™, akin to Domino's Pizza Tracker, keeps tabs on what's happening with the data. The operation is able to understand status and gaps during the transition process to immediately address issues down to the loan level for faster resolution.

Similarly for homeowners, a servicer can initiate a positive engagement with new customers even before the bulk loan transfer takes place. Using a data-driven set of communications, servicers can notify customers where they are throughout the onboarding process to give a better understanding of what's happening with their loans, check on status of their accounts, find payment information, and access frequently asked questions.

WHAT OTHER TYPES OF DATA-DRIVEN TECHNOLOGY ARE ADDING VALUE?

We are seeing increased requests for LoanCare ABM™, an account-based marketing program that targets messaging and content and offers to homeowners with the highest

propensity to be interested. Besides generating more qualified leads as well as up- and cross-sell opportunities, messaging relevancy to the homeowner's mortgage situation also strengthens customer engagement throughout the mortgage servicing journey. Lenders can deepen the relationship they have with their customers by showing them all the opportunities they have to advance their financial situation and maximize the ownership of their home with their servicer.

On the homeowner side, consumer marketplaces are increasing in popularity. They target very specific, loan-based ads by leveraging supplemental data obtained from consumers about their financial objectives. For example, a customer might indicate that within the next number of years, they are planning to move, purchase a car, renovate a home, seek better homeowners' insurance, shop for solar panels, or send children to college. It's in those major life moments where there are large financial goals that cause customers to consider tapping into the equity of their home or learning what the financial institution who owns their loan may offer. Again, it's about deepening and broadening the relationship that clients have with their customers. Personal financial data drives the offer that, in turn, drives the relationship.

The more customers' objectives can be catered to by a financial institution, the more they will feel like they have a partner in the financial asset management process. After all, their home is the largest investment they will likely make in their lifetime. And through these marketplaces, lenders and servicers can demonstrate that they fully understand that financial commitment.

THE TECHNOLOGY-DRIVEN SERVICER WILL LEAD DURING ECONOMIC SHIFTS

COVID-19 forbearance and the administration of the CARES Act caused servicers to either sink or swim—there was no middle ground. The process was strenuous and required an immense amount of teamwork between the servicers, as well as with government entities like the Consumer Financial Protection Bureau (CFPB). The servicers that swam were able to track where

loans were and how the regulatory changes impacted them, greatly reducing risk while assisting customers through a significant life event of uncertainty. Visibility into a system was necessary to understand exactly where loans were and how they were performing to be able to move quickly. What was standard for years had been completely disrupted. Simply put, when things are changing so much and so quickly, servicers that don't have automation and data will not be able to ebb and flow fast enough.

The future is now. Data-driven technology is here. Harnessing it to provide the single source of truth, employee empowerment, and collaboration through transparency will advance outcomes across the mortgage servicing spectrum.



Jerry McCoy is SVP of Performance Management at LoanCare. In this role, McCoy provides strategic direction for transforming performance reporting,

portfolio insights, and capabilities in data analytics. McCoy has over 25 years' experience in developing data-driven solutions for the financial services industry. Previously, McCoy held leadership positions with Nationstar Mortgage, JPMorgan Chase, and Fannie Mae.

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IS THIS THE NEXT GENERATION OF SERVICING?

The past five or so years has seen a shift in the servicing industry. Drastic changes in technology, coupled with other factors including competition from nonbank lenders, have led to an increased awareness of, and attention to, a homeowner's broader circumstances. Servicers mainly accustomed to collecting monthly payments and stepping in when loans become delinquent are now recognizing that transcending that traditional role lets them reach homeowners in innovative ways.

Retaining customers for life is still a future-state vision, but opportunities exist to move the needle in that direction. A homeowner may select their lender, but the choice of what happens with their mortgage in the future ends at closing. Servicers are empowered with the choice, however, of what kind of ongoing experience they want to provide their customers. Expanding the business model to incorporate enhanced strategies and solutions provides opportunities to retain customers and cross-sell while improving the borrower experience. Servicing doesn't need to be siloed.

Black Knight's Data & Analytics division reported that only 18% of customers stay with their current servicer when seeking a refinance or home equity loan. But since the Harvard Business Review (HBR) estimates that it costs anywhere from five to 25 times more to acquire a new customer than to keep an existing one, it's sound business sense to cultivate loyalty with those homeowners already in your portfolio.

A HOLISTIC APPROACH

Yet it is impossible to cite one single ingredient for homeowner satisfaction and retention; it takes a collective, holistic approach. Competitive rates may reign, but there are other success factors, like providing a robust customer experience, offering relevant products, and adopting a company

philosophy that makes borrowers feel like they are part of something good.

Sustained proactive education resonates with homeowners before they become delinquent, when they still have options and are not fraught with financial stress. Servicers who offer financial counseling, reward programs, and other creative initiatives to actively engage the homeowner can more quickly offer some of the loss mitigation waterfall options and have the potential to retain homeowners for future loans or refinances.

DIGITAL IS CRITICAL

This expanded approach also encompasses an investment in innovative technology. "Even though the duration of the loan may be much shorter than 30 years, new tools and data now available to servicers can help them consider establishing strategies to keep customers for the long term," says Bill Maguire, VP, Single-Family Servicing Portfolio Management at Freddie Mac.

Technologies, including self-service capabilities via a user-friendly portal or a mobile app, are a modern expectation, as is digital paperwork with e-signatures. However, it's important to remember that all borrowers are different, and those who are more comfortable speaking to someone about their account should have that option. Servicers should have the tools they need to meet homeowners where they are.



DATA INTEGRATION GOES HAND IN HAND

Meeting the demand for a digital experience involves adept data integration too. By obtaining publicly available data, leveraging in-house data, and purchasing data, servicers can create a more inclusive picture of the homeowner and loan history. This affords them the chance to deliver targeted offerings that mirror homeowners' financial situations, goals, and lifestyle needs—



Technologies, including self-service capabilities via a user-friendly portal or a mobile app, are a modern expectation, as is digital paperwork with e-signatures.

whether that's for a new credit card, no-closing cost refinance, or mortgage relief option. "The key is maintaining the servicing aspect while merging it with analytics to offer tailored solutions," Maguire points out.

One new example of how Freddie Mac is pairing of analytics with a customized homeowner experience is Resolve®, a new way of reaching resolution for mortgage relief. The tool uses automation and seamless integration to deliver rapid, rules-based workout decisions to

servicers, who can then provide fast and reliable mortgage assistance to homeowners.

"Freddie Mac is committed to partnering with our clients to improve efficiency across the mortgage life cycle, with the ultimate goal of passing through value to enhance the experience of their employees and homeowners," Maguire said.

A holistic approach to servicing is a must, and servicers need to know that they do not have to embark on this journey alone. Today, more than ever, servicers can partner with organizations that

have figured it out—or at least mastered pieces of the puzzle, including customer experience, data integration, and loss mitigation—helping them provide more expanded solutions for homeowners.

Learn more about how Freddie Mac is reimagining servicing, and how solutions available today can help servicers build a new generation of servicing. Visit [sffreddiemac.com/ReimagineServicing](https://www.freddiemac.com/ReimagineServicing)

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FHFA INSPECTOR GENERAL PUBLISHES LIST OF CHALLENGES FOR 2023

The Federal Housing Finance Agency (FHFA) Office of the Inspector General (OIG) has published a new memo identifying major pressure points and operational & performance challenges facing the agency in 2023—namely Fannie Mae and Freddie Mac (the Government Sponsored Enterprises or GSEs), Common Securitization Solutions, and all 11 of the FHLBanks.

The memo, which is required by a law signed in 2000 and addressed to Director Sandra L. Thompson, identified seven management and performance challenges facing the FHFA which include:

- » Effective supervision of the regulated entities
- » Stewardship of the Enterprise conservatorships
- » Oversight of information risk for the regulated entities
- » Oversight of counterparty risk, third-party

risk, and fourth-party risk for the regulated entities

- » Oversight of model risk for the regulated entities
- » Oversight of people risk for the regulated entities
- » Oversight of resiliency risk for the regulated entities

The first four bullet points above remain the same as identified last year, but FHFA Inspector General Brian M. Tomney made a point by saying, “it is important to note that continued inclusion of a challenge area does not necessarily indicate a lack of progress by FHFA; rather, it indicates that a particular area remains a challenge. This year we also highlight FHFA’s oversight of key operational risks at the regulated entities, including model risk, people risk, and resiliency risk.”

The inspector general also notes that all seven identified challenges are interconnected in many ways due to the FHFA’s role as a

supervisor, regulator, and conservator which “encompasses its oversight of all the operational risk challenge areas.”

“For example, a regulated entity might contract with a third-party for cloud services, which may impact information, third-party, people, and resiliency risks,” Tomney wrote in the memo. “In addition to overseeing the regulated entities, FHFA must also manage risks, such as information, people, and resiliency risk, in its own operations.”

The OIG conducted its research through audits, evaluations, compliance reviews, and investigative work, using a risk-based approach focusing on the FHFA OIG FY 2023 Annual Plan.

After laying out brief conclusions for all seven pressure points, Tomney concluded by saying, “Collectively, the risks posed by the areas described above are significant and, thus, merit continued attention by the Agency. The challenge for FHFA is to identify the facets of highest risk, effectively supervise the regulated entities while they engage in these areas and remain nimble with their focus as matters continuously evolve.”

“OIG’s risk-based work will remain grounded in these areas, and our audits, evaluations, and other projects will continue to identify findings and make appropriate recommendations to FHFA to strengthen its work.”

CFPB SEEKS TO EXPAND HOMEBUYER OPTIONS



The Consumer Financial Protection Bureau (CFPB) is asking for public input on ways to spur new mortgage products that help households. The CFPB seeks insights on ways to improve mortgage refinances for homeowners who would benefit from refinancing, especially for borrowers with smaller loan balances. The agency also seeks public input on ways to support automatic short-term and long-term loss mitigation assistance for homeowners who experience financial disruptions. The CFPB will use this information as it considers steps to support household financial stability and address refinance market gaps. Today's initiative is part of a broader CFPB effort to promote competition and innovation in consumer finance markets.

"The mortgage market has not provided products that allow all households to save money by refinancing at a lower interest rate," said CFPB Director Rohit Chopra. "We are eager for input on ways that borrowers taking out loans today can refinance to lower rates in the future."

Mortgage payments are often a household's single largest expenditure, so the terms of a mortgage greatly impact a household's financial stability. When interest rates decline, many borrowers benefit from the lower rates by refinancing their loans. For example, researchers at the Federal Reserve Bank of Boston found that total consumer savings from

mortgage refinancing from January 2020 to October 2020, during the refinancing boom, was \$5.3 billion annually.

The typical consumer saved nearly \$300 a month (\$279) from refinancing during that period. The savings from refinancing a mortgage at a lower rate can translate into increased wealth and equity for borrowers. However, mortgage refinancing can be harder to access for borrowers with smaller loan balances. Black and Hispanic borrowers, who on average have smaller loans, have not participated in recent refinance booms at the same rate as white borrowers.

Refinancing volume has dropped dramatically, down almost 70% from last year, as interest rates have risen. New streamlined and automatic refinancing mortgage products could make sure that those buying a home now, or refinancing to cover other needs, can benefit from the next interest rate drop.

Periods of economic turmoil can pose significant challenges for mortgage borrowers. At the height of the COVID-19 pandemic, for example, millions of borrowers lost jobs and income and were at risk of losing their homes. Forbearance protections, passed by Congress via the CARES Act, allowed millions of homeowners with federally backed mortgages to temporarily stop their monthly mortgage payments.

Many servicers of mortgages that did not qualify for CARES Act protections followed

the government's lead and offered similar protections. Over the course of the pandemic, 8.2 million borrowers entered a forbearance program, and as of July 2022, 93% have exited. Of those who have exited forbearance, only 5% are delinquent or in active foreclosure. The CFPB is interested in the features of these pandemic-related forbearance programs that should be made more generally available to borrowers, and, in particular, if there are ways to automate and streamline the offering of long-term loss mitigation assistance.

Specifically, the CFPB is requesting information about:

- » **Targeted and streamlined refinance programs:** Targeted and streamlined refinance programs have been used to improve refinancing, typically with lower transaction costs than traditional refinances. Refinance programs can lead to lower monthly payments and interest rates for homeowners who previously would have been unlikely or unable to refinance.
 - » **Innovative refinancing products, such as automatic refinancing:** Such products might automatically trigger an offer to refinance or automatically reduce a loan's interest rate in certain circumstances. This could help homeowners who currently face barriers to refinancing, including those with lower-balance mortgages, access beneficial refinancing.
 - » **Automatic forbearance and long-term loss mitigation assistance:** Mortgage products with automatic forbearance features may help ensure that homeowners whose incomes or financial situations are affected by events, such as natural disasters, are able to receive timely payment relief that could help them avoid foreclosure and provide increased household financial stability. Additionally, such automatic forbearance features could provide benefits for mortgage servicers and holders as well.
- Competitive mortgage markets promote opportunities for wealth creation and promote broader household financial stability. Today's request for information seeks innovative and timely ideas to address persistent market failures and to help borrowers access beneficial refinancing along with short- and long-term loss mitigation assistance. Public input will help inform future policy initiatives, rulemaking, and other mortgage competition and innovation initiatives.



HUD REPORT EXAMINES BARRIERS TO SMALL-BALANCE MORTGAGES

The U.S. Department of Housing and Urban Development (HUD) has released “Financing Lower-Priced Homes: Small Mortgage Loans,” a report that assesses the factors that limit the supply of small mortgage loans, and the impact on affordable homeownership for those interested in lower-priced homes.

“This research supports the Biden-Harris Administration’s efforts to advance equity and affordable homeownership by assessing barriers to small mortgages,” said Solomon Greene, Principal Deputy Assistant Secretary for Policy Development and Research at HUD. “By continuing to examine ways in which we can better support small-mortgage lending, we can take important steps to ensure equal access to credit for borrowers seeking to purchase lower-priced homes, putting the dream of homeownership within reach for many more families.”

The report was submitted in response to a request from Congress to:

- » Identify barriers or impediments to supporting, facilitating, and making available mortgage insurance for mortgage loans having an original principal obligation of \$70,000 or less;
- » Identify administrative actions that HUD could take to remove barriers and impediments; and
- » Describe the effect of such actions on the solvency of the Mutual Mortgage Insurance Fund (MMI Fund).

“Financing Lower-Priced Homes: Small Mortgage Loans” highlights the challenges faced by borrowers who need loans to purchase lower-priced homes. Among its principal findings, the report notes:

- » Mortgage loans with an original principal obligation of \$70,000 or less represent a very small portion of the mortgage lending

market, constituting less than 3.5% of home purchase originations in 2020. Many of these low-balance mortgage loans secure properties valued at more than \$70,000, indicating that the purchases included substantial down payments.

- » Federal Housing Administration (FHA) programs do not impose minimum loan amounts, nor do FHA’s policies intentionally discriminate against small mortgage loans. FHA disproportionately insures loans for lower-priced homes compared to the rest of the mortgage market. FHA also has loan insurance programs for financing property improvements and manufactured homes that are targeted to lower loan amounts.
- » A barrier to small mortgage lending is the fixed costs of loan origination and servicing, which makes smaller loans less profitable and may require additional incentivization for lenders.

“At HUD, we are doing everything in our power to connect those who have been historically disadvantaged with more resources and services,” said HUD Secretary Marcia L. Fudge upon the release of “Financing Lower-Priced Homes: Small Mortgage Loans” at the Treasury Department’s Second Annual Freedman’s Bank Forum.

“Both loan origination and servicing costs per loan have risen over time,” said the report. “Technology may help lower loan production and servicing costs. Freddie Mac finds lenders that more heavily used its automated technology had origination costs per loan of roughly 22% (\$2,200) lower than lenders still relying on manual processes. However, small mortgage loans will generally be less profitable than larger loans given the regressive nature of fixed costs.”

Earlier this year, the Biden-Harris Administration launched its Housing Supply Action Plan to use legislative and administrative actions to help close America’s housing supply shortfall over a five-year span, beginning with the creation and preservation of hundreds of thousands of affordable housing units over the next three years.

“Our agency and the entire Biden-Harris Administration strives to close the racial wealth gap through investments in communities and in people,” added HUD Secretary Fudge. “We cannot do this work without partnership and strategic engagement. But, most importantly, we cannot let the failures of our past foretell our future.”



FANNIE MAE CONTINUES TO FORECAST 2023 RECESSION

According to new research from Fannie Mae's Economic and Strategic Research Group (ESR), the housing market is expected to further cool as mortgage rates continue to rise, and the Group continues to predict recessionary conditions in 2023.

According to the ESR, economic growth is projected to resume in the second half of 2022, but the combination of inflation, monetary policy tightening, and a slowing housing market is "likely to tip" the economy into a "modest recession" sometime after the new year.

The ESR held steady in its forecast of 0.0% real GDP growth on a full-year basis through 2022 but revised downward its projections for full-year growth by 0.1% to -0.5%.

As core inflation remains higher than

the Federal Reserve's Federal Open Market Committee target of 2%, the ESR continues to believe that further interest rate increases are probable. The group predicts a rate of 3.50% to 3.75% by early 2023, though there is significant uncertainty in what the eventual rate may turn out to be.

Because mortgage rates are surpassing 6.5%, the ESR also lowered its forecast for single-family total home sales in 2022 to 5.71 million units and 4.98 million units in 2023, which represent declines of 17.2% and 12.8%, respectively. While multifamily construction remains strong, the ESR Group also revised downward its multifamily starts forecast for 2022 to 542,000 units but continues to expect demand for rental units to remain strong

because of the single-family market's relative unaffordability.

"In our view, the recent interest rate surge is due to the market's recognition of two critical factors: that inflation is indeed not transitory, and that, to tame it, the Federal Reserve will need to be resolute, even at the risk of possible recession," said Doug Duncan, Fannie Mae SVP and Chief Economist.

"Inflation's entrenchment—and the policy action likely required of the Fed—confirms the expectation in our forecast of a moderate recession beginning in the first quarter of 2023. That said, the rise in rates is having the Fed's desired effect on housing, as house price growth began to slow in June. We expect the slowdown in housing to continue through 2023 as affordability constraints mount for potential homebuyers, and considering, too, that refinance activity has been significantly curtailed by the rise in mortgage rates."

In terms of mortgage originations, the forecast for 2022 purchase volumes remains at \$1.7 trillion, essentially unchanged from the previous month. They now expect purchase volumes to fall about 1.5% in 2023 to just under \$1.7 trillion, a downward revision of \$17 billion from the previous forecast, driven by downward revisions to the forecast for home sales.

HUD RELEASES FMRS FOR FISCAL YEAR 2023

The U.S. Department of Housing and Urban Development (HUD) published Fair Market Rents (FMRs) for Fiscal Year 2023. FMRs, published annually, are an estimate of the amount of money that would cover gross rents (rent and utility expenses) on 40% of the rental housing units in an area. Nationally, FMRs will increase by an average of approximately 10%, enabling more households with housing vouchers to access affordable, stable housing. For FY23, HUD is using private sector data to estimate changes in FMRs to address a temporary data availability challenge and to align with market conditions. The basic methodology that HUD uses to estimate FMRs remains the same.

“One of the reasons that housing voucher holders are unable to use those vouchers is because the value of their vouchers has not kept up with rapid rent increases,” said HUD Secretary Marcia L. Fudge. “These new FMRs will make it easier for voucher holders facing this challenge to access affordable housing in most housing markets while expanding the range of housing opportunities available to households. The new FMRs reflect the reality of housing unaffordability for many households

while supporting our efforts to improve affordability and accessibility for all Americans. HUD and the Biden-Harris Administration recognize the burdens of housing costs and are committed to expanding access to affordable housing through a wide range of necessary efforts, from boosting housing supply to providing more vouchers to help households with higher housing costs.”

Because rents have risen so quickly recently, voucher holders are increasingly unable to find units available to rent within HUD payment standards. The new FMR levels will enable the voucher program to keep up with rent increases in the private market. These new FMRs will allow voucher holders to access and secure leases in more units so that they can benefit from the housing affordability and stability that vouchers provide.

HUD is required by law to set FMRs every year. FMRs are used in several HUD programs, including to determine the maximum amount that a Housing Choice Voucher will cover.

Since taking office, the Biden-Harris Administration has repeatedly acted to help vulnerable renter households attain quality and stable housing. For example:

- » The American Rescue Plan and FY22 budget collectively provided nearly 100,000 new housing choice vouchers. This includes about 20,000 new flexible incremental housing choice vouchers that HUD expects to allocate via formula to most communities across the country.
- » The President’s FY23 budget proposes 200,000 additional housing vouchers.
- » In June, HUD announced \$43 million in FY21 funding to fund approximately 4,000 new incremental housing choice vouchers, or “Stability Vouchers,” focused on people experiencing unsheltered homelessness, including in rural areas.
- » The American Rescue Plan also included \$5 billion to create housing and services for people experiencing or at risk of homelessness and provided tens of billions of dollars for Emergency Rental Assistance, which improved housing stability for over 6 million unique households, including 700,000 HUD-assisted households.

Due to significant interruptions in public data sources caused by COVID-19, HUD supplemented public data with data from private sources to ensure the accuracy of the FY23 FMRs. This methodological change—which incorporated public feedback through a notice of proposed changes—is only applicable to FY23. Calculating the FY23 FMRs in this way ensures that FMRs accurately reflect recent, steep rent increases in many communities and will make it easier for households in those communities to use their vouchers to rent affordable homes.

GINNIE MAE MBS PORTFOLIO EXPANDS TO \$2.3T

Ginnie Mae’s mortgage-backed securities outstanding portfolio grew for the 14th consecutive month in August, hitting \$2.269 trillion, up from \$2.248 trillion in July, and \$2.119 trillion last year.

This growth was fueled by steady new issuance of Ginnie Mae MBS as homeowners found value in the government-backed mortgage

market. New MBS issuance for August was \$43.1 billion, supporting the financing of more than 146,000 homeowners and renters.

The August issuance includes \$41.3 billion of Ginnie Mae II MBS and \$1.73 billion of Ginnie Mae I MBS, including approximately \$1.62 billion of loans for multifamily housing.

This comes after Ginnie Mae’s recent July

MBS issuance for \$45.5 billion, in efforts to support the financing of more than 155,000 single-family homes and rental units, which included \$43 billion of Ginnie Mae II MBS, and \$2.01 billion of Ginnie Mae I MBS—approximately \$1.85 billion of loans for multifamily housing.

“The current housing market continues to present serious affordability challenges for many households. The lack of affordable supply is exacerbated by markedly higher interest rates from a year ago,” said Ginnie Mae President Alanna McCargo. “The growth in our MBS portfolio, however, shows continued participation in government-backed mortgage programs that provide access to credit for households that need lower down payments and affordable financing.”



HUD MAKES NEARLY \$29M AVAILABLE TO FIGHT HOUSING DISCRIMINATION

The U.S. Department of Housing and Urban Development (HUD) announced that it is making \$28,625,000 available to fair housing organizations across the nation working to fight housing discrimination. The funds will support a variety of activities, including fair housing education and outreach, testing, and enforcement through the Department's Fair Housing Initiatives Program (FHIP).

Each year, HUD makes funding available to support organizations that enforce the nation's fair housing laws and policies, as well as educate the public, housing providers, and local governments about their rights and responsibilities under the Fair Housing Act.

The categories of grants being made available are:

» **Education and Outreach Initiative**

(EOI)—\$9,425,000: EOI grants provide funds to eligible organizations to develop, implement, carry out and coordinate education and outreach programs designed to inform members of the public concerning their rights and obligations under the provisions of the Fair Housing Act.

- » **Education and Outreach Initiative, Test Coordinator Training (EOI-TCT)—\$500,000:** EOI-TCT grants provide funds to eligible organizations to support fair housing training courses in fair housing testing.
- » **Fair Housing Organizations Initiative (FHOI)—\$3,700,000:** FHOI grants provide funds to eligible organizations to build their capacity and effectiveness to

conduct fair housing enforcement-related activities or to establish and support new organizations to engage in fair housing work, particularly in unserved and underserved jurisdictions.

- » **Private Enforcement Initiative (PEI)—\$15,000,000:** PEI grants provide funds to eligible organizations to conduct testing, investigate violations, and obtain enforcement of the rights granted under the Fair Housing Act or substantially equivalent State or local laws.

"HUD's partnership with fair housing organizations is critical to ensuring fair housing awareness and enforcement of our laws," said HUD Principal Assistant Secretary for the Office of Fair Housing and Equal Opportunity Demetria McCain. "The grants made possible by this funding will strengthen this partnership and further the long-term fair housing priorities of the Biden-Harris Administration."

Applications for the Private Enforcement Initiative (PEI) component must be received by December 5, 2022. Applications for the Education and Outreach (EOI/EOI-TCT) and Fair Housing Organization (FHOI) components must be received by December 6, 2022.

WORKING TOWARD 'INCLUSIVE AND ACCESSIBLE' HOMEOWNERSHIP FOR EVERYONE

Representatives Jim Himes (D-Connecticut) and Gwen Moore (D-Wisconsin) recently penned an open letter for *Newsweek* on how to make home ownership “inclusive and accessible for every American.”

Himes, as the Chairman of the House Select Committee on Economic Disparity and Fairness in Growth, and Moore, as a member of the House Select Committee on Economic Disparity and Fairness in Growth, both have unique insights into complex housing and economic problems, and as elected representatives use policy to try to correct perceived problems in the market.

But today, as rent, housing costs, and mortgage rates soar, Americans are facing more barriers than ever to accessing quality affordable housing.

According to the authors, at the same time rent is taking up more of renters’ paychecks than ever before, and for many of the people stuck in the cycle of renting, homeownership is becoming a distant dream.

An inaccessible housing market should not be a surprise at this point, the authors said, it’s now a reality. More and more live on a financial razor blade, facing financial ruin at every turn, and have never had a fair chance at the market. But understanding that many are still fighting a “legacy of historic inequities and discriminatory policies” will help foster a future in which affordable, quality housing is a possibility for everyone.

Since President Franklin D. Roosevelt created the Federal Housing Administration out of the Great Depression, the federal government has promoted fair access to the housing market by providing mortgages and credit for people to make improvements or home purchases. This was followed by a new G.I. Bill benefit in 1944 guaranteeing servicemen access to low-interest home loans after the war. But still, racial disparities flourished.

“The FHA refused to insure mortgages in predominantly Black neighborhoods and often restricted sales to whites only,” the pair of authors wrote. “Another New Deal-era corporation, the Home Owners’ Loan Corporation, engaged in a practice known as

“redlining” when it drew maps for over 200 American cities to rate the perceived riskiness of lending across neighborhoods, scoring certain racial, ethnic, and immigrant compositions as negative attributes.”

“Black American families were often shut out by banks unwilling to lend in neighborhoods considered “risky.” In Milwaukee, these practices segregated Black residents, forcing them to live in lower-quality housing in neighborhoods lacking essential services like grocery stores and financial firms.”

To fix some of this damage, President Lyndon B. Johnson Signed the Civil Rights Act of 1968 which included a provision known as the Fair Housing Act, which aimed to eliminate “redlining” of minorities by guaranteeing fair

eminent domain in the 1960s. But the largest blow came from aggressive policies of urban renewal, which devastated Black residents. As Bronzeville was inching towards resurgence, the 2008 recession brought it to its knees, with banks and businesses closing in droves.”

Today, that area is experiencing a modern renewal as deindustrialized areas spring back to life with new businesses, storefronts, and affordable housing taking root in the area.

Such projects rely on initiatives like the Low-Income Housing Tax Credit (LIHTC) program. LIHTC lets state and local agencies issue tax credits for building affordable housing for individuals and families. Milwaukee and other communities have used it to leverage public and private funding for new projects.

“Ending the housing affordability crisis and closing the homeownership gap does not have to be a distant dream.”

access to housing with no limitations on race or national origin.

This act could only go so far, so it did not fully dispel the consequences of discrimination and segregation, which linger—even today—as Black homeowners still receive lower home appraisals and higher mortgage rates.

Recently the two committees the authors represent took a tour through Milwaukee, Wisconsin with local leaders, which has been called one of the most racially segregated cities in the country due to generations of “redlining” and “blockbusting” while also having one of the lowest Black homeownership rates in the nation.

“Despite the dark historical context, we found bright spots of renewal, revitalization, and community pride,” the authors said. “We visited Bronzeville, a Black community that helped give Milwaukee its nickname as the Harlem of the Midwest. Bronzeville was broken up by highway construction and

Another major point the authors focused on is disparities in Black homeownership rates compared to white families (43% to 72%) and that a way to do that is by extending more credit and expanding down payment assistance programs. Matched savings programs and advanceable tax credits for low-income first-time homebuyers can help close the Black homeownership gap across the country. Housing counseling services can also help homeowners maintain stable housing situations, reducing the likelihood of foreclosures and delinquency.

“Ending the housing affordability crisis and closing the homeownership gap does not have to be a distant dream,” the authors concluded. “We have the resources and perspective to make access to affordable, safe housing a reality for all Americans. Every member of Congress should support these efforts. Housing isn’t just a roof over your head. It’s a source of dignity, community, and the ability to prosper.”

TRADE GROUPS SEEK FHA MORTGAGE INSURANCE PREMIUM REDUCTION

A group of four housing industry trade groups—the National Association of Realtors (NAR), the Mortgage Bankers Association (MBA), the National Association of Home Builders (NAHB), and the Manufactured Housing Institute (MHI)—have collectively written a letter to Brian Deese, Assistant to President Joe Biden and Senior Advisor; the White House; and the National Economic Council (NEC) urging them to support the reduction of FHA's mortgage insurance premium (MIP).

Established in 1993, the NEC was formed to advise the President on U.S. and global economic policy and is part of the Executive Office of the President. By Executive Order, the NEC has four key functions: to coordinate policymaking for domestic and international economic issues, to give economic policy advice to the President, to ensure policy decisions and programs are consistent with the President's economic goals, and to monitor implementation of the President's economic policy agenda.

In the letter, the groups explain that lowering the MIP with a focus on FHA's recurring "annual" premium will increase homebuyers' purchasing power by reducing monthly payments. This move will put more money into the pockets of homebuyers each month, allowing them to become homeowners and build generational wealth.

The groups recognize the fact that America's home buying market is struggling with affordability, as continued inflationary concerns and erratic mortgage rates are causing major affordability concerns for the nation's home buyers.

"Sharply higher mortgage rates and rising home prices mean the time to act is now," stated the letter. "Home prices have continued to show strong year-over-year increases, with the existing home sales price reaching \$410,600, up 11% from one year ago. New home prices have also reached record levels in 2022, climbing to \$439,400. Since the beginning of this year,

mortgage rates have climbed sharply. The combination of higher prices and rates has put severe stress on prospective LMI and first-time homebuyers. According to the MBA's Purchase Application Payments Index, the national median mortgage payment was \$1,844 in July, up by more than \$460 in just the first seven months of this year."

Issuance of the letter could not come at a more opportune time, as the Bureau of Labor Statistics (BLS) previously reported that the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.1% in August on an adjusted basis after being unchanged in July. Over the last 12 months, the All-Items Index increased 8.3% before seasonal adjustment, as increases in the Shelter, Food, and Medical Care Indices were the largest of many contributors to the broad-based monthly all-items increase. These increases were mostly offset by a 10.6% decline in the Gasoline Index. But despite the slide in fuel costs, the Food Index continued to grip households nationwide, rising 0.8% over the month, as the Food at Home Index rose 0.7%. The nation's Energy Index fell 5% over the month, as the Gasoline Index declined, but the Electricity and Natural Gas Indices increased.

"As economic conditions continue to worsen, reducing the MIP also allows borrowers the flexibility to spend on necessary items like food, gas, education, and other monthly bills," continued the letter.

In mid-May, President Biden and the White House released its "Housing Supply Action Plan" to ease the burden of housing costs over time by boosting the supply of quality housing in every community. Under the Housing Supply Action Plan, the Biden Administration has committed to:

- » 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), two- to four-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 more widely available by exploring the feasibility of Fannie Mae's 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 non-profits 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 Department of Housing and Urban Development (HUD) was created with the goal of providing access to housing and homeownership and we commend the Biden Administration for putting an emphasis on housing issues," closed the letter. "... we strongly encourage the Administration to immediately lower the MIP so low to moderate-income and first-time homebuyers can participate in the American dream of homeownership."

HUD, CENSUS BUREAU SURVEY PROVIDES INSIGHT ON HOUSING

According to the new 2021 American Housing Survey released by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Census Bureau, in general, 2020 and 2021 were good for homeowners but presented challenges for many renters.

Every two years, HUD and the Census Bureau produce the American Housing Survey (AHS), the most comprehensive analysis of the nation's housing inventory. The AHS covers a variety of important housing topics, including the composition and quality of the nation's housing stock; rents, mortgages, and other housing costs; and neighborhood conditions. The AHS is used by the public, policymakers, and professionals in many fields for research, planning, and decision-making, as well as to understand the current state of our nation's housing markets and how they have changed over time.

The American Housing Survey is the largest regular national housing sample survey in the U.S. and tracks housing units over time. This can provide insight into how homes age and how the occupants of homes change. The 2021 American Housing Survey results released provide new insights into how consumer relationships with homes changed during the COVID-19 pandemic and associated lockdowns of 2020 and 2021 when compared to the data from before the pandemic.

Since the 2019 AHS survey was conducted, homeowners saw sharp increases in home values and were able to borrow at low interest rates. Renters, in contrast, experienced significant cost increases, such that the median renter now pays nearly the same as the median owner in total housing costs; however, owners have many more square feet per person, 800 square feet compared to 500 for renters. Homeowners were also able to move to a better home on average when they moved, while renters were just as likely to move to a better home as a worse home. Lower-income households that moved had lower rates of moving to higher-quality neighborhoods and housing units.

15 Largest Metropolitan Areas

- » New York-Newark-Jersey City, New York-New Jersey-Pennsylvania
- » Los Angeles-Long Beach-Anaheim, California
- » Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin
- » Dallas-Fort Worth-Arlington, Texas
- » Houston-The Woodlands-Sugar Land, Texas
- » Washington-Arlington-Alexandria, D.C.-Virginia-Maryland-West Virginia
- » Philadelphia-Camden-Wilmington, Pennsylvania-New Jersey-Delaware-Maryland
- » Miami-Fort Lauderdale-West Palm Beach, Florida
- » Atlanta-Sandy Springs-Roswell, Georgia
- » Boston-Cambridge-Newton, Massachusetts-New Hampshire
- » San Francisco-Oakland-Hayward, California
- » Phoenix-Mesa-Scottsdale, Arizona
- » Riverside-San Bernardino-Ontario, California
- » Detroit-Warren-Dearborn, Michigan
- » Seattle-Tacoma-Bellevue, Washington

10 Additional Large Metropolitan Areas

- » Baltimore-Columbia-Towson, Maryland
- » Birmingham-Hoover, Alabama
- » Las Vegas-Henderson-Paradise, Nevada
- » Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin
- » Oklahoma City, Oklahoma
- » Richmond, Virginia
- » Rochester, New York
- » San Antonio-New Braunfels, Texas
- » San Jose-Sunnyvale-Santa Clara, California
- » Tampa-St. Petersburg-Clearwater, Florida

Self-reported homeowner home values increased dramatically between 2019 and 2021; homeowners increased their mortgage debt modestly and there was a sharp increase

in refinancing. Homeowner-reported median home values increased 30% at the national level over a two-year period, from \$230,000 in 2019 to \$300,000 in 2021. Among households with at least one mortgage or loan, the national median total amount owed increased 11% from \$134,695 in 2019 to \$150,000 in 2021. There was an increase in households that had a refinanced primary mortgage of 51% (from 12,574,008 refinances in 2019 to 18,991,554 in 2021). The median owner's interest rate on their loan declined from 4% in 2019 to 3.5% in 2021.

Median housing costs for renters rose more than owners; the median renter now pays nearly the same as the median owner for total housing costs. Between 2019 and 2021, national median monthly total housing costs increased from \$1,137 to \$1,200 for owners, 5.5% over two years, and from \$1,071 to \$1,184 for renters (excludes renters with no cash rent), 10.6% over two years.

Inability to pay rent payments similar in 2021 to pre-pandemic; mortgage payment was better. The data show that in 2021 relative to 2017, renters' inability to pay their rent was similar in the two years, about 7%, likely due to the CARES Act and other interventions, including federal unemployment insurance benefits and foreclosure and eviction moratoriums. In 2021, roughly 800,000 renters reported being threatened with eviction. Of those, about 21% received a court-ordered eviction notice. In 2021, the percentage of owners who missed or made late payments on their mortgage was less in 2021 than in 2017—2.5% in 2021 compared to 4% in 2017.

Home renovations modestly increased during the pandemic. There was a modest increase in homeowners making home improvements between 2019 and 2021—roughly 59%—relative to 2017 to 2019; an estimated 56%. Some 13.5 million homeowners made energy-efficient improvements between 2019 and 2021, also an increase relative to the 12 million homeowners who made energy-efficiency improvements between 2017 and 2019.

The internet continues to increase as the

primary way people are finding rental units. Between 2019 and 2021, 21 million households moved into rental units and 14 million households moved into owned units. The internet was more widely used to find a unit to rent—or 43%—in 2021 than in 2019 at 37%. Meanwhile, some 45% only searched in a single neighborhood.

Among households that moved, most did not move to a better neighborhood; the quality of homes was better for owners that moved but mixed for renters. Just 40% of recent mover households reported moving to a better neighborhood than their previous neighborhood. The majority of owners who moved reported moving to a better home at 62%, but only 46% of renters improved their housing quality. Lower-income households that moved had lower rates of moving to higher-quality neighborhoods and housing units.

Among all households in 2021, relatively few reported crime as a problem in their neighborhoods; but only a minority of households report having good public transit access. About 17% of households believe that their neighborhood has petty crime and about 6% believe that their neighborhood has a lot of serious crime. Around 42% of households believe that their neighborhood has good bus, subway, or commuter bus service.

Pet ownership rose modestly from 2017 to 2021; having a cell phone in the home is nearly universal. Approximately 63.8 million households in the U.S. owned at least one pet in 2021, a 7% increase from 2017. Pet ownership among homeowners is about 20% higher than among renters. Nearly all homes—93%—have one or more household member with a cell phone in 2021, up from 91% in 2019.

A large majority of homes in Wildland-Urban Interface (WUI) zones are not well distanced from wildland vegetation; a majority depend on text messaging for wildfire emergencies. The last decade has seen an increase in large wildfires that have led to the destruction of many housing units. The 2021 data show that approximately 37 million homes are in Wildland-Urban Interface (WUI) zones. Of these, approximately 77% were in or near wildland vegetation, and 55% reported that they had vegetation less than 5 feet away from their home. Over 52% of households in WUI zones reported that they would expect to be alerted first through their cell phone (emergency alert, text, or call) during a wildfire emergency.

CFPB ACCUSED OF EXCEEDING STATUTORY AUTHORITY

A coalition of seven banks and trade groups have filed a lawsuit against the Consumer Financial Protection Bureau (CFPB) and CFPB Director Rohit Chopra citing abuse of statutory authority. The lawsuit was filed in the U.S. District Court for the Eastern District of Texas.

The American Bankers Association (ABA), U.S. Chamber of Commerce, Longview Chamber of Commerce, Texas Bankers Association, Independent Bankers Association of Texas, Texas Association of Business, and the Consumer Bankers Association (CBA) as co-plaintiffs are challenging the CFPB's recent update to the Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Section of the CFPB's exam manual, citing that it exceeds its statutory authority and violates the Administrative Procedure Act (APA) in three ways:

- » The CFPB is exceeding its statutory authority outlined in the Dodd-Frank Act;
- » The updated manual is “arbitrary” and “capricious;” and
- » The updated UDAAP section violates the APA's procedural requirements because it constitutes a legislative rule that failed to go through notice and comment.

The suit further challenges the CFPB by calling into question the Bureau's funding structure.

“The Consumer Financial Protection Bureau is operating beyond its statutory authority and in the process creating legal uncertainty that will result in fewer financial products available to consumers,” said U.S. Chamber EVP and Chief Policy Officer Neil Bradley. “The CFPB is pursuing an ideological agenda that goes well beyond what is authorized by law and the Chamber will not hesitate to hold them accountable.”

In their filing, the plaintiffs make clear that the groups and their respective members fully support the fair enforcement of the nation's nondiscrimination laws, yet “they cannot stand by while a federal agency exceeds its statutory authority, creates regulatory uncertainty, and imposes costly burdens on the business community. Especially when the CFPB did not even give the public an opportunity to

raise concerns through the APA's notice-and-comment process. This Court's intervention is needed to ensure that the CFPB is accountable to legal constraints, the rule of law, and the public as it pursues an aggressive agenda with far-reaching implications for the American economy, Plaintiffs, and their members.”

According to the CBA in a release, “the CFPB revised its examination manual to reflect a new belief that the ‘unfairness’ prong of the UDAAP definition can be applied to conduct the CFPB deems discriminatory. Throughout the course of many decades, Congress never used the statutory concepts of ‘unfairness’ and ‘discrimination’ interchangeably. Rather, they are distinct, and each has a well-established meaning and scope of application.”

The plaintiffs are urging the court to intervene to ensure the CFPB is held accountable to the rule of law and consumers.

“The CFPB's decision to dramatically expand its regulatory reach without any input from the public was not authorized by statute and has significant implications for consumers, banks, and the broader financial markets,” said ABA President and CEO Rob Nichols. “This is a step we did not want to take, but it was a necessary step given the extraordinary actions of the CFPB.”

In a statement, the Texas Bankers Association commented: “... we ask the court for injunctions: setting aside the CFPB's March 2022 update to the manual; preventing the CFPB from pursuing any exams or enforcement actions based on the March 2022 interpretation of its UDAAP authority; and ordering the CFPB to cease accepting funds in violation of the Appropriations Clause.”

“The CFPB is one of the most transparent regulatory agencies, and voluntarily publishes exam manuals laying out how it will assess banks' compliance with the federal laws Congress charged the Bureau with enforcing,” said the CFPB in a statement to DS News from a Bureau spokesperson. “The CFPB's exam manuals allow banks to ensure they are following the law, and help make certain that consumers are receiving the fair and equitable treatment they deserve.”



SNAPSHOT: HOW GSE PROGRAMS HAVE HELPED HOMEOWNERS SINCE 2008

The Federal Housing Finance Agency (FHFA) has announced that its 2022 Foreclosure Prevention and Refinance Report found that Fannie Mae and Freddie Mac (the GSEs) successfully diverted 96,945 homeowners from foreclosure during the second quarter, raising the number of homeowners it has helped since they entered into conservatorship in 2008 to 6.59 million.

Of these actions, 5.88 million have helped troubled homeowners stay in their homes; this number includes 2.58 million permanent loan modifications.

In addition, even in light of rising mortgage rates, 72% of loan modifications during the second quarter still reduced borrowers' monthly payments by at least 20%. The number of refinances decreased from 899,518 in the first quarter to 444,852 in the second quarter.

All-in-all, through various channels the GSEs' serious delinquency rate declined from 0.97% to 0.79% through the end of the second quarter. Comparatively, the FHA loans had a delinquency rate of 4.64%, Veteran Affairs loans were 2.83%, and all loans clocked in at 2.12%

GSE foreclosure starts declined 6% to 19,388, while third-party foreclosure sales increased 3% to 3,485 in the second quarter.

Other highlights from the report include:

- » **Real Estate Owned (REO) Activity & Inventory:** The Enterprises' REO inventory increased 3% from 9,048 in the first quarter to 9,341 in the second quarter of 2022, as REO acquisitions outpaced property dispositions. The total number of property acquisitions increased 3% to 1,523, while dispositions decreased slightly to 1,239 during the quarter.

- » **Forbearance:** As of June 30, 2022, there were 90,889 loans in forbearance, representing approximately 0.29% of the Enterprises single-family conventional book of business, down from 126,758 or 0.41% at the end of the first quarter of 2022. About 9% of these loans have been on the plan for more than 12 months.

- » **Mortgage Performance:** The 60+ days delinquency rate dropped from 1.11% at the end of the first quarter to 0.92% at the end of the second quarter of 2022. The

delinquency rates remained higher than pre-coronavirus rates due to the forbearance programs offered to borrowers affected by the pandemic.

- » **Foreclosures:** The number of foreclosure starts decreased to 19,388 while third-party and foreclosure sales increased 13% to 3,458 in the second quarter.

Foreclosure Prevention Activities		
(Number of loans)	1Q22	2Q22
Completed Actions		
Loan Modifications *	41,375	38,264
Repayment Plans	4,122	2,383
Forbearance Plans	25,794	14,395
Charge-offs-in-lieu	114	145
Payment Deferral	58,134	41,508
Home Retention Actions	129,539	96,695
Short Sales	170	193
Deeds-in-lieu	70	57
Home Forfeiture Actions	240	250
TOTAL	129,779	96,945
Inventory (Number of loans at period end)		
Repayment Plans	4,082	4,151
Forbearance Plans	126,758	90,889
* Includes HAMP permanent modifications Source: FHFA (Fannie Mae and Freddie Mac)		
Mortgage Performance (at period end)		
(Number of loans)	1Q22	2Q22
30-59 Days Delinquent	207,829	242,117
60-plus-days Delinquent	341,445	283,880
Seriously Delinquent*	300,898	244,339
Foreclosure Starts	20,624	19,388
Third-party & Foreclosure Sales	3,054	3,458
REO Inventory	9,048	9,341
(Percent of total loans serviced)		
30-59 Days Delinquent	0.68%	0.78%
60-plus-days Delinquent	1.11%	0.92%
Seriously Delinquent*	0.97%	0.79%
* 90 days or more delinquent, or in the process of foreclosure. Source: FHFA (Fannie Mae and Freddie Mac)		
Refinance Activities		
(Number of loans)	1Q22	2Q22
Total Refinances	899,518	444,852
Source: FHFA (Fannie Mae and Freddie Mac)		



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Investment

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



Q2 PROFITS ON HOME FLIPS HIT NEW HIGH

According to ATTOM's Q2 2022 U.S. Home Flipping Report, 115,198 single-family houses and condos were flipped in the second quarter, representing 8.2% of all home sales in Q2, or one in 12 transactions. That total was down from 9.7%, or one in every 10 home sales, in the nation during Q1 of 2022, but still up from 5.3%, or one in 19 sales, in Q2 of 2021.

The Report noted that despite the quarter-over-quarter decline, the home-flipping rate during Q2 still stood as the third-highest level since 2000, below the high point registered in Q1 of 2022.

"The second quarter was another strong showing for fix-and-flip investors. The total number of properties flipped was the second-highest total we've recorded in the past 22 years, and the median sales price of a flipped property—\$328,000—was the highest ever," said Rick Sharga, EVP of Market Intelligence for ATTOM. "The big question is whether the fix-and-flip market will begin to lose steam as overall home sales have declined dramatically over the past few months, and the cost of financing has virtually doubled over the past year."

ATTOM reported that the gross profit on typical flip transactions (the difference between the median purchase price paid by investors and the median resale price) hit \$73,700 in Q2, up 10% from \$67,000 in Q1 of 2022, and up 10.1% from \$66,944 in Q2 of 2021. Typical profit margins, meanwhile, rose during Q2 of 2022, after six consecutive periods when they had fallen or virtually remained the same. The typical gross-flipping profit of \$73,700 in Q2 of 2022 translated into a 29% return on investment (ROI) compared to the original acquisition price. While that remained down from 33% a year earlier—and far below the peak of 53.1% this century, which hit in 2016—the latest margin was up from 25.8% in Q1 of 2022.

In Q2 of 2022, the typical resale price on flipped homes reached another all-time high of \$328,000—up slightly from \$327,000 in Q1

of 2022, and 21.5% from \$270,000 reported in 2021. The quarterly gain was better than the 2% decline in prices that investors were seeing when they originally bought their properties. The price-change gap between buying and selling resulted in profit margins going up from the first to the second quarter of 2022.

Home flips as a portion of all home sales decreased from Q1 of 2022 to Q2 of 2022 in 161 of the 202 metropolitan statistical areas around the U.S. analyzed by ATTOM (80%). Among those metros, the largest flipping rates during Q2 of 2022 were found in the southern U.S. states of:

- » Tucson, Arizona, where flips comprised 14.5% of all home sales;
- » Phoenix, Arizona, where flips comprised 14.1% of all home sales;
- » Jacksonville, Florida, where flips comprised 13.8% of all home sales;
- » Atlanta, Georgia, where flips comprised

13.6% of all home sales; and

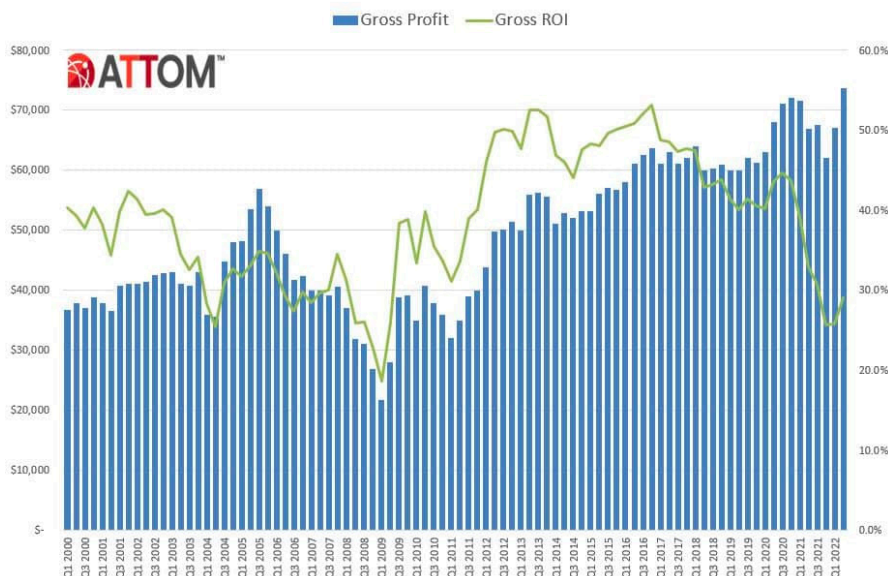
- » Gainesville, Georgia, where flips comprised 13.5% of all home sales.

On the other side of the coin, the states recording the smallest home-flipping rates among metro areas analyzed in Q2 were concentrated in the Western portion of the nation with:

- » Honolulu, Hawaii, where flips comprised 1.7% of all home sales;
- » Hilo, Hawaii, where flips comprised 3.1% of all home sales;
- » Wichita, Kansas, where flips comprised 3.5% of all home sales;
- » Bremerton, Washington, where flips comprised 4% of all home sales; and
- » Seattle, Washington, where flips comprised 4.3% of all home sales.

"Fix-and-flip activity is mirroring overall housing market trends, with much of the activity, and the highest returns largely coming from the West and Southeast," Sharga noted. "In fact, even though the highest gross profits came from the most expensive states, 14 of the 18 states where flips accounted for a higher percentage of overall home sales than the national average were in the South, Southeast, and Western states."

Home Flipping Profit Trends



MODERATE-INCOME RENTAL HOUSING A VIABLE ASSET AS ESG INVESTMENTS GROW

A new report sponsored by Affordable Central Texas and Wells Fargo proves the current misconception that rental apartments priced for the middle-income workforce—such as teachers, nurses, and first responders—have a lower return on investment than apartments with higher rent levels, paving the way for Moderate-Income Rental Housing to be a competitive ESG investment.

The report defines a new asset class as Moderate-Income Rental Housing (MIRH), or large, multifamily rental properties occupied by tenants earning between 60% and 120% of the Median Family Income (MFI) with at least half the residents earning less than 80% of MFI. Analyzing data since 2011, the report demonstrates MIRH assets outperformed rental properties with higher rents, averaged an unleveraged return of 9.4% and had the lowest risk, a near 3% spread when compared to other

real estate asset classes.

“Demand for affordable rental housing for moderate-income households is surging as homeownership becomes unobtainable for many,” said David Steinwedell, President and CEO of Affordable Central Texas. “At the same time, interest in Environmental, Social, and Governance investments is growing rapidly.”

In 2021, Environmental, Social, and Governance (ESG) funds accounted for 10% of worldwide fund assets. According to a new report by Bloomberg Intelligence, global ESG assets may surpass \$41 trillion by 2022 and \$50 trillion by 2025. ESGs in the U.S. are taking the lead with more than 40% growth in the past two years and are expected to exceed \$20 trillion in 2022.

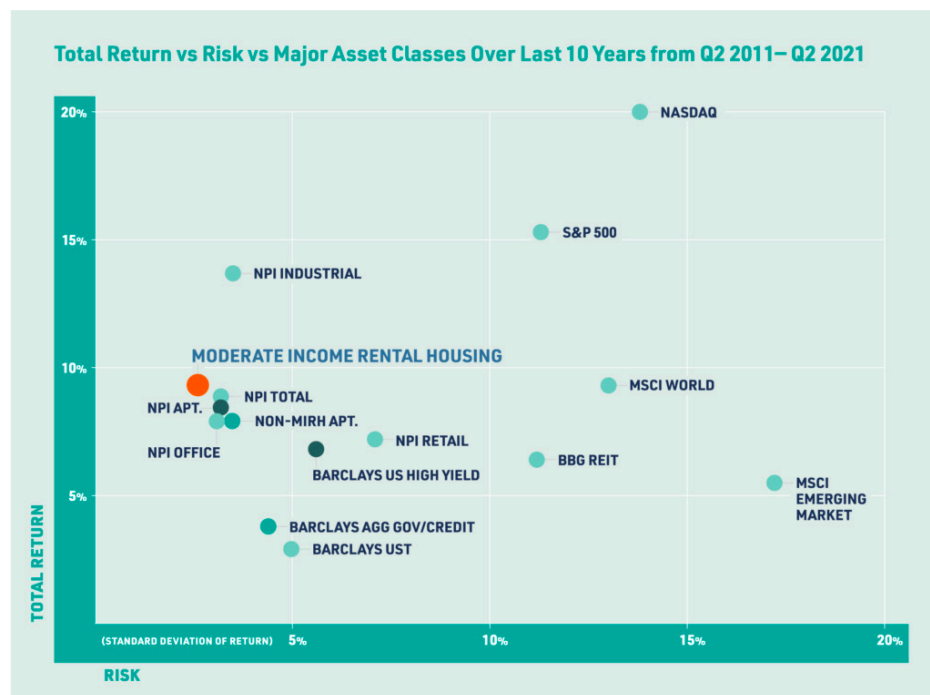
The report drew on data from the National Council of Real Estate Investment Fiduciaries Property Index and analyzed eight metropolitan

areas from Q2 2011 to Q2 2021:

1. Atlanta
2. Austin
3. Dallas
4. Denver
5. Houston
6. Phoenix
7. Seattle
8. Washington, D.C.

The nation’s three largest metros—New York, Los Angeles, and Chicago—lacked enough MIRH assets to allow for analysis due to their well-documented affordability challenges.

“We can’t afford to lose the people who power our communities, and we have a market solution to a market problem,” said Steinwedell. “MIRH delivers consistent, predictable returns and makes a real difference in the lives of our neighbors.”



“Demand for affordable rental housing for moderate-income households is surging as homeownership becomes unobtainable for many.”

—David Steinwedell
President and CEO of Affordable Central Texas.



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NEW HURRICANE IAN DAMAGE ESTIMATES RISE TO \$41B-\$70B RANGE

Updated estimates from CoreLogic of the damage and loss totals from Hurricane Ian conclude that total flood and wind losses will total between \$41 billion and \$70 billion. This estimate includes wind loss, re-evaluated insured and uninsured storm surge loss and newly calculated inland flood loss for residential and commercial properties.

Hurricane Ian is the costliest Florida storm since Hurricane Andrew made landfall in 1992.

Flood loss from the National Flood Insurance Program (NFIP) and private insurance for residential and commercial properties is estimated to be between \$8 billion and \$18 billion, which includes both re-evaluated storm surge and new estimates for inland flooding. Uninsured flood loss for this area is estimated to be between \$10 billion and \$17 billion. Wind loss estimates are expected to be \$23 billion to \$35 billion.

Inland flooding left in the wake of Hurricane Ian was extreme due to significant riverine flooding along Peace River in Arcadia, Florida, located south of the Tampa area and north of Punta Gorda, Florida. Peace River, which normally runs 130 feet wide, flooded to more than a mile wide due to the storm's surge and rainfall. However, this area is designated as a Special Flood Hazard Area (SFHA) by FEMA and housing is sparse in this location.

"In many areas, the flood extent approximates the SFHA boundaries, a clear indication that SFHA is a useful tool for city planners who wish to understand flood risk and mitigate flood damages," said Tom Larsen, Senior Director of Hazard and Risk Management, CoreLogic. "Without constraints in development in the SFHA, flood damages would have skyrocketed. Learning from this riverine flood event will help city planners make better decisions about where residential development makes sense, from standard construction homes to manufactured home communities."

Initial estimates from CoreLogic on the Hurricane Ian storm damage for residential and commercial properties in Florida were initially \$22 billion and \$32 billion, while insured storm surge losses in Florida an expected additional \$6 billion to \$15 billion.

Hurricane Ian's large wind field and landfall path caused severe wind and coastal storm surge damage along the densely populated coast. "The key reason Hurricane Ian is so economically destructive is due to the massive growth in coastal real estate in Florida," Larsen said. "Florida's population has grown 50% since 1992 when Hurricane Andrew hit Miami, with disproportionately more growth in South Florida. The extra costs incurred from the surge in repair needs simultaneous with a fragile economy are headwinds to rapid reconstruction and we should expect to see resident displacement and housing affordability issues in the state for some time to come."

Florida had been a primary destination in the great migration trend of 2020 and 2021 due to the state's lack of income tax and housing with a lower cost per square foot than homes in major coastal metros like New York City and San Francisco. Additionally, residents have enjoyed increasing home equity gains throughout 2022, with homeowners reaching an average equity all-time high of nearly \$300,000. Disasters like Hurricane Ian, however, may put a damper on the state's housing growth.

"Housing markets in Florida will face difficult times as many Florida residents have been impacted by the devastating storm," said Selma Hepp, Interim Lead of the Office of the Chief Economist, CoreLogic. "Initially, we are likely to see an increase in mortgage delinquencies as is typical following catastrophes. Also, rents are likely to jump as households who lost their home seek immediate shelter. Longer term, home price growth in hard-hit areas is likely to lag that of the rest

of the state and nation as people may opt to move to areas less prone to natural disasters. CoreLogic observed this trend in the Gulf Coast region following Hurricanes Laura, Delta, and Ida."

According to CoreLogic, more than 66,000 pending mortgage applications worth nearly \$22.5 billion are currently in progress in Florida, North Carolina, and South Carolina and are in jeopardy from Hurricane Ian damages.

Insured loss represents the amount insurers will pay to cover damages. Unlike wind damage, which is covered by a standard homeowners' policy, flood is a separate coverage that is not mandatory outside the designated Special Flood Hazard Areas (SFHAs).

CoreLogic's analysis includes residential homes and commercial properties, including contents and business interruption, and does not include broader economic loss from the storm. The inland flood analysis is based on the rainfall from September 25 to October 4.

“Housing markets in Florida will face difficult times as many Florida residents have been impacted by the devastating storm.”

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



FLOOD RISK BECOMING MORE PROMINENT INDUSTRY CONCERN?

Zillow, in partnership with ClimateCheck, has issued a new analysis that finds that areas with increased flood risk have also experienced an increase in mortgage denials and in would-be borrowers withdrawing their mortgage applications, even after controlling for income and property value.

The risks associated with the effects of climate change have been central to conversations surrounding the future of housing in recent years, and this new evidence suggests that while climate risks may not have dented demand for housing, those risks may be taking more of an active role in the decision-making of buyers and lenders.

ClimateCheck empowers property buyers, owners, and brokers by exposing and quantifying the risks related to the climate crisis through proprietary risk assessments and reports.

According to the report, the rate of both denials and withdrawals in areas of high flood risk is higher than in 2017 and also higher than in areas at risk of other climate events. But homes in areas with higher flood risk continue

to appreciate faster than in other areas, showing there are still plenty of buyers willing to accept risk—and pay the high cost of a home and necessary insurance—for the tradeoff of living in a desirable waterside location.

The latest reports from CoreLogic found that wind losses for residential and commercial properties in Florida as a result of Hurricane Ian are expected to be between \$22 billion and \$32 billion, while insured storm surge losses in Florida are expected to be an additional \$6 billion to \$15 billion.

“The higher rates of mortgage application denials and withdrawals in high-flood-risk areas are an encouraging signal that buyers and lenders are more often including flood risk in their decision-making,” said Zillow Senior Economist Nicole Bachaud. “Living around desirable coasts and other bodies of water, which tend to be more flood-prone areas, will continue to be a draw for home buyers, but more and more are considering the additional risk. We have not yet seen other types of climate risk make a dent in home-buying practices, so there

is a lot of room left for change and continued education.”

Zillow found that homebuyers prefer to purchase investment homes in these high-flood-risk areas rather than primary residences. As the share of buildings at risk for flooding increases in a given census tract, the share of mortgage applications for investment properties also increases. This could signal that homeowners are less willing to stake their primary residence in higher-risk areas than those purchasing a part-time or investment home. Or it could indicate that households with multiple properties—households that are likely to earn a higher income—are better able to afford homes in these quickly appreciating areas.

Redfin recently reported that sales of luxury U.S. homes and investment properties fell 28.1% year-over-year during the three months ending Aug. 31, 2022, marking the steepest decline in a three-month-span recorded by Redfin in over a decade, eclipsing the reading of a 23.2% plunge that occurred at the outset of the pandemic.

The Zillow/ClimateCheck report also found that the data regarding lending in areas with high risk of a flood is showing an increasing effect, risks associated with other climate events, including fire, drought, heat, and storms, are having little to no effect on mortgage lending. Census tracts with higher risk of these climate events have experienced no significant differences in the share of mortgages that are denied or withdrawn compared to places with less risk.

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WHICH STATES ARE MOST AT-RISK FOR WILDFIRE DAMAGES?

CoreLogic has released its annual Wildfire Report for 2022, examining property-related wildfire risk alongside reconstruction resource availability, temporary housing capacity for displaced individuals, and community economic recovery potential among fire-prone regions. The report tracks wildfire risks in 15 Western U.S. states, in addition to Florida.

Wildfires most commonly affect the Western U.S., but climate change and the region's severe drought of recent years have only intensified the issue. Decreasing water levels in the Colorado River and Lake Mead, along with declines in snowpacks, have contributed to a longer wildfire season by an average of three months, resulting in a 1500% increase in burn areas.

Over the past decade, CoreLogic data found that wildfires burned an average of 6.8 million acres per year, with that number topping 10 million acres in three of those years.

The 2022 CoreLogic Wildfire Report accompanies worrisome trends in wildfire-prone California, which is grappling not only with prolonged drought conditions but also with firefighter shortages. The Golden State employed about 25% fewer of these crucial first responders in the summer of 2022 than initially projected, amounting to 1,300 unfilled jobs.

Since California is the most populous state in the U.S. and also has the largest number of properties, it is once again the state where owners run the greatest risk of wildfire damage. Florida, Texas, Colorado, and New Mexico round out the top five other riskiest housing markets for wildfire damages.

Two counties in Colorado and New Mexico have particularly concerning wildfire damage risks, given the number of homes that could be

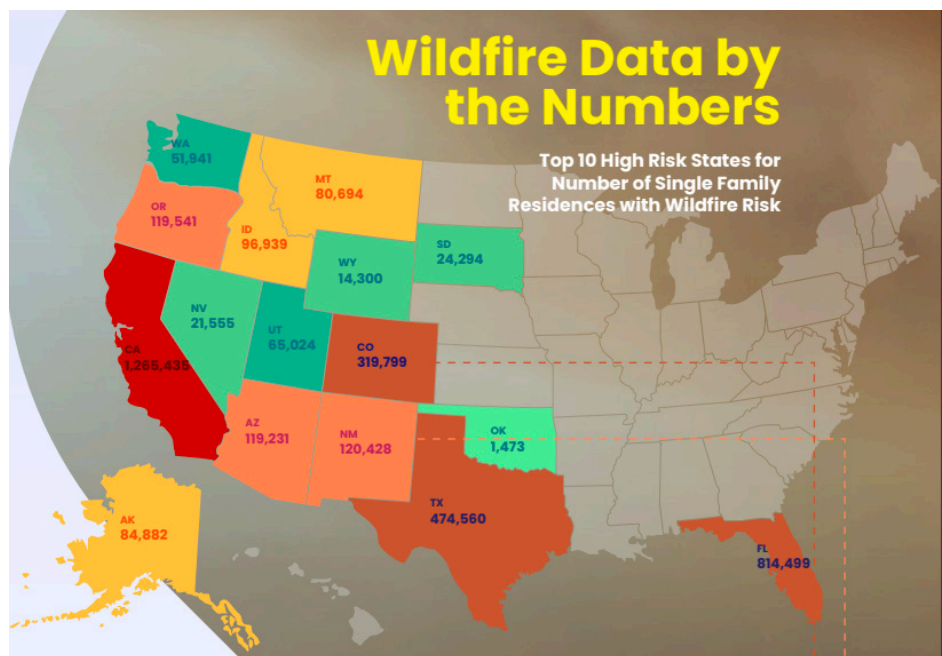
impacted. In Colorado's El Paso County—the state's most heavily populated and home to Colorado Springs—a wildfire could affect 39,000 homes, whereas New Mexico's Santa Fe County has an even greater percentage of risk, given it is much smaller.

If a wildfire displaces large portions of a population at once, there are obvious societal ripple effects. Recovery times may take longer, fewer local workers might be available due to the disaster's impact on their own lives and housing options could be slim for outside workers helping to rebuild the damaged communities.

Since the global climate is shifting too quickly to rely on past wildfire activity and property damage as an accurate future barometer, CoreLogic has developed highly accurate risk models with the latest data and analysis from our team of experts. These models evaluate simulations of weather variations and help homeowners, communities, property businesses and insurers plan for risks and losses associated with climate change and the resulting wildfires.

"Consuming thousands of homes in the U.S. every year, wildfires present a real and present threat to our families and communities," said Tom Larsen, Senior Director of Insurance Solutions at CoreLogic. "Mitigating this risk will require commitment from homeowners, first responders, insurers, and regulators. A first step in achieving the resilient communities we seek is to quantify what is at risk."

Climate change and the resulting uptick in wildfire activity are particularly relevant to home insurers in states like California, where new regulations will likely go into effect in the summer of 2023. These amended guidelines would require insurers to more accurately account for the mitigation of risks by factoring in a property's surroundings, attic and subfloor ventilation vulnerabilities, and other circumstances that could affect its exposure to wildfire damage.



WHERE ARE THE NATION'S MOST AT-RISK COUNTIES?

ATTOM has released a Special Housing Risk Report spotlighting county-level housing markets around the United States that are more or less vulnerable to declines, based on home affordability, unemployment and other measures in Q2 of 2022. The report shows that New Jersey, Illinois, and inland California continued to have the highest share of the most-at-risk markets in Q2—with the largest clusters throughout the New York City and Chicago areas, leaving Southern and Midwestern states remaining less exposed.

The second-quarter patterns—based on gaps in home affordability, underwater mortgages, foreclosures, and unemployment—revealed that New Jersey, Illinois, and California had 33 of the 50 counties most vulnerable to potential declines. The 50 most at-risk included nine in and

around New York City, six in the Chicago metropolitan area, and 13 spread through Northern, Central and Southern California. The rest of the top 50 counties were scattered across the U.S., including three in the Philadelphia, Pennsylvania, metro area. At the other end of the risk spectrum, the South and Midwest had the highest concentration of markets considered least vulnerable to falling housing markets.

Major homeownership costs (mortgage payments, property taxes and insurance) on median-priced single-family homes consumed more than one-third of average local wages in 27 of the 50 counties on the most-vulnerable list in the second quarter of 2022. The highest percentages in those markets were in the areas below.

COUNTY	KINGS COUNTY	RICHMOND COUNTY	SAN JOAQUIN COUNTY	PASSAIC COUNTY, NJ	OCEAN COUNTY, NJ
	(BROOKLYN), NY	(STATEN ISLAND), NY	(STOCKTON), CA	(OUTSIDE NEW YORK CITY)	(OUTSIDE NEW YORK CITY)
PERCENT OF AVERAGE LOCAL WAGES NEEDED FOR MAJOR OWNERSHIP COSTS:	102.9%	61.8%	58.7%	31.5%	49.4%

Nationwide, major expenses on typical homes sold in the second quarter required 31.5 percent of average local wages.



Source: ATTOM, "California, New Jersey and Illinois Again Dominate List of Vulnerable Housing Markets"

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