

DS NEWS

MortgagePoint
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TO BE CONTINUED...

Celebrating 20 Years of *DS News*

Beginning as *REO Magazine* in 2003, it would evolve into *DS News* and provide coverage of the mortgage and default servicing world through the housing crash, a global pandemic, and so much more.

ALSO IN THIS ISSUE

**The Litigation Bully:
Vexatious Litigation**
A closer look at vexatious litigation and its impact within the legal system in the states of Arizona and Nevada.

**Housing Market 2023:
Predictions and Strategies**
With 2021 benefiting home sellers, the transition to a distinctly buyer-biased market is on the horizon.

**Lessons Learned From the Triumph
of Pandemic Foreclosure Prevention**
During the pandemic, an estimated 3.2 million foreclosure starts were prevented, along with the completion of approximately 1.5 million foreclosures.

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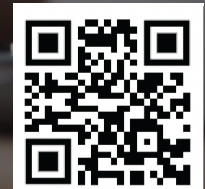
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Cheers to New Beginnings

Beginning next month, *DS News* and *MReport* will unite under one banner and become *MortgagePoint*, beginning a new chapter in mortgage finance news coverage brought to you by the Five Star Institute. Each month, we will still bring you all the latest in the default servicing, REO, foreclosure, legal, and loss mitigation space, but now sprinkled in with everything else in the mortgage finance and loan origination markets as well. *MortgagePoint* will serve as your one-stop shop for all breaking news and all things relevant that impact your daily business.

This month, in the grand finale of *DS News*, we present a 20-year retrospective about the evolution of the publication, from its beginnings in 2003 as *REO Magazine* with the mission to cover the default servicing sector of the mortgage space, through its eventual change to the *DS News* you have come to rely on today. Throughout it all, no matter the title, the publication brought its readership exclusive interviews, features, and contributed pieces featuring insights from the men and women who were integral to navigating the state of the default servicing space.

Also this month, Phil Britt covers a recent Five Star Institute webinar that featured representatives of Flagstar, Selene Finance, and OrangeGrid discussing the keys to getting mortgage servicing technology projects approved and executed within a 90-day timeframe in his piece, "The Speed of Innovation," beginning on page 42. Today's rapidly changing industry calls for tighter turn-around in order to keep up with the competition, so any leg up that technological advances provide in terms of speed can help keep servicing professionals ahead of the game.

Next, Robert A. Riether Esq., Senior Associate with Wright, Finlay & Zak LLP, presents his look at vexatious litigation in his contribution this month, "The Litigation Bully: Vexatious Litigation," beginning on page 46. A "Vexatious Litigant" is one who repeatedly files unmeritorious motions, pleadings, or other papers, conducts unnecessary discovery, or engages in other tactics that are frivolous or solely intended to cause unnecessary delays. Reither details these litigious roadblocks and their impact on foreclosure proceedings, specifically in the states of Arizona and Nevada.

On page 50, Louis Amaya, Co-Founder and CEO of PEMCO Capital Management, shares his perspective on the market in "Housing Market 2023: Predictions and Strategies." Following the pandemic home seller boom which benefited sellers, the transition to a distinctly buyer-biased market is coming, and Amaya describes several routes the market may take forward.

Daren Blomquist of Auction.com shares his take on the state of the foreclosure space during the pandemic in his article on page 56, "Lessons Learned From the Triumph of Pandemic Foreclosure Prevention." In his article, Blomquist details how an estimated 3.2 million foreclosure starts were prevented, along with the completion of nearly 1.5 million foreclosures during the pandemic.

You will find all of this and more in the March 2023 issue, the final issue of *DS News*.

We all hope you enjoyed the ride that was *DS News* over the past 20 years, and we look forward to bigger and brighter things as the market continues to evolve as does our coverage of it with *MortgagePoint*.



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DS Journal

Compiled by the DS News Staff

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JANUARY FORECLOSURE FILINGS UP 36% YOY

Foreclosure volume continues in America, with year-end totals reaching 31,557, which includes default notices, scheduled auctions, or bank repossessions, a 36% increase compared to the previous year. The numbers reported in January 2022 represent a 2% increase compared to December 2021.

Nationwide, one in every 4,425 housing units had a foreclosure filing in January 2023.

“The uptick in overall foreclosure filings nationwide points toward a trend that may suggest more increased activity is on the horizon as we enter the new year,” said Rob Barber, the CEO at ATTOM, the real estate data conglomerate that produced the January 2023 U.S. Foreclosure Market Report. “While both completed foreclosures and foreclosure starts have stalled slightly over the past month, the annual increase in overall activity seen over the past 21 months may indicate a more substantial trend that could continue into 2023.”

The states with the highest overall foreclosure rates were Delaware, Illinois, New Jersey, and Maryland.

Metro areas Fayetteville, North Carolina; Bakersfield, California; Cleveland; Detroit; and Laredo, Texas reported the most foreclosure activity.

Other than Cleveland and Detroit, among the metropolitan areas with a population greater than one million, January’s highest foreclosure

activity included Chicago; Riverside, California; and Las Vegas.

Foreclosure completions declined in January for the first time since June 2021, the company reported. Florida, Maryland, Michigan, New Jersey, and Texas reported the greatest annual decreases in complete foreclosures.

Only three states—New York, Pennsylvania, and California—bucked the trend with an increase in REOs.

Metropolitan areas reporting the highest number of REOs include Detroit; Chicago; New York; Philadelphia; and Riverside, California.

Foreclosure starts, where lenders initiated the foreclosure process on 20,752 properties in January, were down 1% from last month, but up 75% from a year ago. States reporting the most foreclosure starts in January include California, Texas, Florida, New York, and Illinois.

Metropolitan areas with the greatest number of foreclosure starts in January included New York, Chicago, Los Angeles, Houston, and Philadelphia.

ATTOM’s report provides a count of the total number of properties with at least one foreclosure filing entered into the ATTOM Data Warehouse during the month and quarter. The company collects data from more than 3,000 counties nationwide, and those counties account for more than 99% of the U.S. population.

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS

MOST POPULAR METROS FOR MILLENNIAL HOMEBUYERS

RANK	CITY
1.	SAN JOSE, CA
2.	DENVER
3.	BOSTON
4.	SEATTLE
5.	AUSTIN, TX
6.	SAN FRANCISCO
7.	NEW YORK
8.	SAN DIEGO
9.	LOS ANGELES
10.	WASHINGTON, D.C.

LEAST POPULAR METROS FOR MILLENNIAL HOMEBUYERS

RANK	CITY
1.	LAS VEGAS
2.	BIRMINGHAM, AL
3.	PHOENIX
4.	MIAMI
5.	MEMPHIS, TN
6.	RIVERSIDE, CA
7.	VIRGINIA BEACH, VA
8.	JACKSONVILLE, FL
9.	TAMPA, FL
10.	CINCINNATI

Source: LendingTree, “Most Popular Metros for Millennial Homebuyers, From the West Coast to the East Coast”

Know THIS



Homes owned by Black families appreciated more than any others according to a new report from Zillow, with the typical Black homeowner gaining nearly \$84,000 in equity since the start of the pandemic.



According to ATTOM’s Q1 2023 Vacant Property and Zombie Foreclosure Report, some 298,533 residential properties in the U.S. are in the process of foreclosure in Q1 of this year, up 5% from Q4 of 2022 and up 29.9% from Q1 of 2022.

NATIONAL MORTGAGE DELINQUENCY RATE ENDS 2022 ON THE RISE



According to the Mortgage Bankers Association's (MBA) National Delinquency Survey, the delinquency rate for mortgage loans on one-to-four-unit residential properties increased to a seasonally adjusted rate of 3.96% of all loans outstanding at the end of Q4 of 2022. The delinquency rate was up 51 basis points from Q3 of 2022, but still down 69 basis points from one year ago. The percentage of loans on which foreclosure actions were started in Q4 fell by one basis point to 0.14%.

"As expected, the overall national mortgage delinquency rate increased in the fourth quarter of 2022 from its previous quarterly survey low," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "The weaker economy and ongoing inflationary pressures contributed to the uptick in delinquencies. The delinquency rate—while still low—increased from the previous quarter across all loan types and across all stages of delinquency."

The MBA reports that for the past 15 years, mortgage delinquencies have tracked very closely

with employment conditions. Despite recent indicators of a rebounding job market, including the unemployment rate declining to 3.4% in January, MBA still forecasts for slower hiring and rising unemployment, with the rate rising to 5.2% by the end of the year. This will likely mean further increases in mortgage delinquencies.

"Notwithstanding the fourth-quarter increase in mortgage delinquencies, the foreclosure starts rate of 0.14% was well below the historical quarterly average of 0.40%," Walsh noted. "Many distressed homeowners have loss mitigation options available to them and have accumulated home equity, which can ease financial hardship and avert foreclosure actions."

The MBA's Q4 2022 National Delinquency Survey found:

- Compared to last quarter, the seasonally adjusted mortgage delinquency rate increased for all loans outstanding. By stage, the 30-day delinquency rate increased 26 basis points to 1.92%, the 60-day delinquency rate increased

13 basis points to 0.66%, and the 90-day delinquency bucket increased 11 basis points to 1.38%.

- By loan type, the total delinquency rate for conventional loans increased 26 basis points to 2.78% over the previous quarter. The FHA delinquency rate increased 209 basis points to 10.61%, and the VA delinquency rate increased by 45 basis points to 4.16%.
- On a year-over-year basis, total mortgage delinquencies decreased for all loans outstanding. The delinquency rate decreased by 80 basis points for conventional loans, decreased 15 basis points for FHA loans, and decreased 108 basis points for VA loans from the previous year.
- The delinquency rate includes loans that are at least one payment past due but does not include loans in the process of foreclosure. The percentage of loans in the foreclosure process at the end of the fourth quarter was 0.57%, up one basis point from the third quarter of 2022, and 15 basis points higher than one year ago.
- The nonseasonally adjusted seriously delinquent rate, the percentage of loans that are 90 days or more past due or in the process of foreclosure, was 1.89%. It decreased by one basis point from last quarter and decreased by 94 basis points from last year. The seriously delinquent rate decreased five basis points for conventional loans, increased 14 basis points for FHA loans, and decreased eight basis points for VA loans from the previous quarter. Compared to a year ago, the seriously delinquent rate decreased by 68 basis points for conventional loans, decreased 208 basis points for FHA loans and decreased 139 basis points for VA loans.
- The five states reporting the largest quarterly increases in their overall delinquency rate were: Louisiana (77 basis points), Florida (74 basis points), Indiana (62 basis points), West Virginia (55 basis points), and Mississippi (55 basis points).

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JOINING FORCES

This April, the Five Star Institute's premier trade publications, *DS News* and *MReport*, are joining forces to become *MortgagePoint*. This new publication will bring you the same exclusive news, features, interviews, and commentary you've come to expect from Five Star—now taken to the next level and all in one place. *MortgagePoint* will be your one-stop shop for coverage of the full spectrum of mortgage, from originations to default. Scan the QR code to sign up and learn more.



2022 NAMED BUSIEST MOVING YEAR OVER THE LAST DECADE

For the first time in a decade, the total number of Americans who moved grew from one year to the next, according to a study from HireAHelper's fifth annual U.S. migration study.

This year's migration study reveals nationwide migration trends for 2022, such as the increase (+4%) in the total number of moves nationally. It's the first time in a decade that the number has increased year over year. Americans are moving further than in years prior, as the share of cross-country moves is at a record high of 24%, while average moving distance in 2022 was 74 miles, up 44% compared to last 2021.

Key Findings:

- Some 4% more people moved during 2022 in the U.S. compared to 2021, the first time in a decade moving volume has grown year over year.
- Vermont had the greatest growth of move-ins by ratio of all 50 states (+138%).
- New Jersey saw 41.2% more people leave the state versus move in.
- The Villages, Florida, topped city growth by ratio for the second year in a row (+348%).
- Two Bay Area Cities had the greatest net outflow: San Jose, California (-74%), and Oakland, California (-58%).

According to the latest estimates from the U.S. Census Bureau's Current Population Survey, 27.3 million Americans (8.6% of the population) moved in 2022, which is roughly 4% more than moved in 2021.

"It's been a year filled with big changes, and the latest U.S. moving data reflects this narrative with more people relocating—and moving longer distances," said Miranda Marquit, Chief Data Analyst at HireAHelper. "People are adjusting to economic or social circumstances, while others are shifting their career or lifestyle. Americans seem to be at an inflection point with many moving in response to adjusting to the post-pandemic era."

For the second consecutive year, The Villages, the age-restricted community in Sumter County, Florida, saw the largest net gain among U.S. cities; it had three times more people move in than out (+348%). State-wise, Vermont had 138% more people move in than out—the highest net

gain of residents in all 50 states.

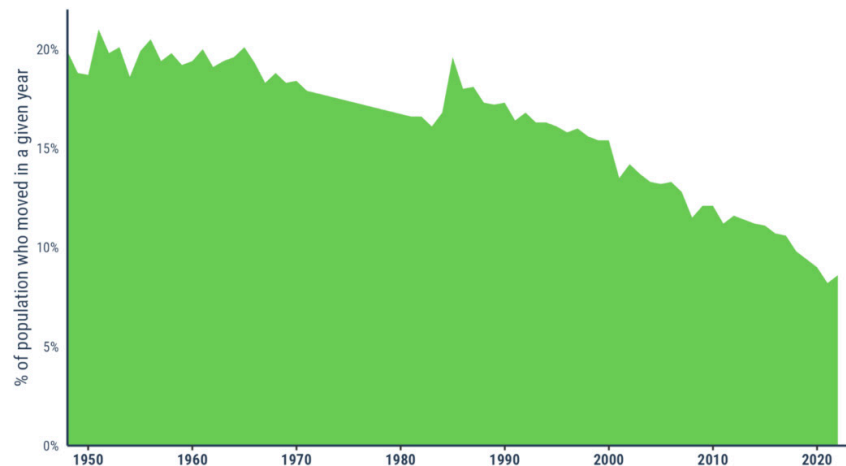
Based on the statistics from the U.S. Census Bureau, most of the common reasons for moving in 2022 weren't all that different from a typical year. Once again, "New and better housing" (14%), "Establishing own household" (11%), and "New job or transfer" (9.2%), were some of the

most common stated reasons for moving last year.

The study also provides insight on the lack of affordable housing in the United States, as approximately 15% of moves were motivated by cost of living and inflation, while 56% more people moved due to foreclosure or eviction in 2022 than the year before.

Seven Decades of Moving in America

For the first time in a decade, the share of Americans who moved grew year-on-year in 2022

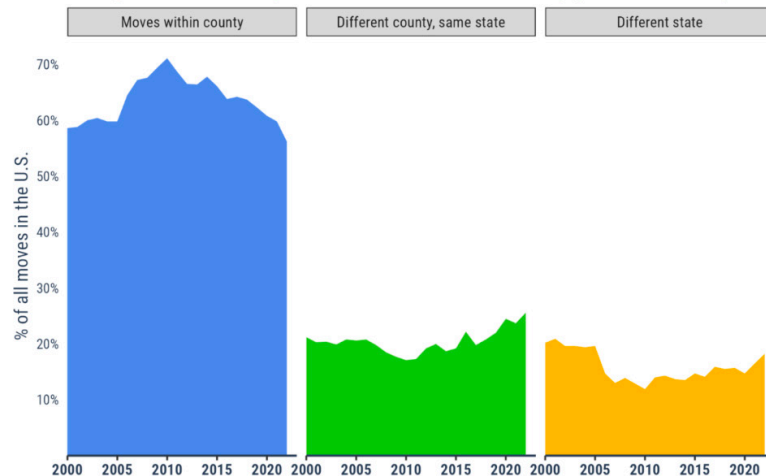


(Source: U.S. Census Bureau)



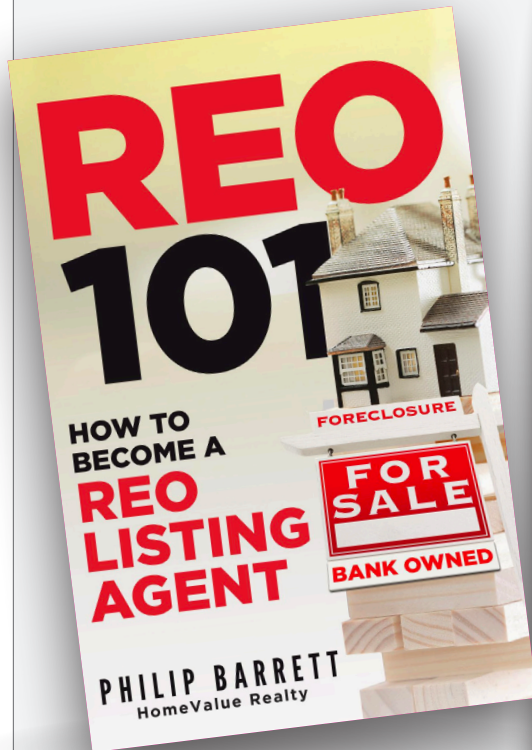
Americians Are Moving Farther in Recent Years

Moving to a **different county** or a **different state** hasn't been this popular since the early 2000s



(Source: U.S. Census Bureau)

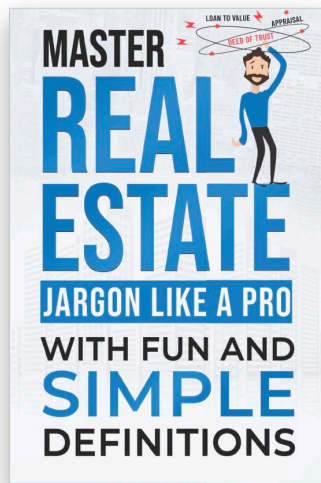




REO 101: How to Become a REO Listing Agent

By Philip Barrett

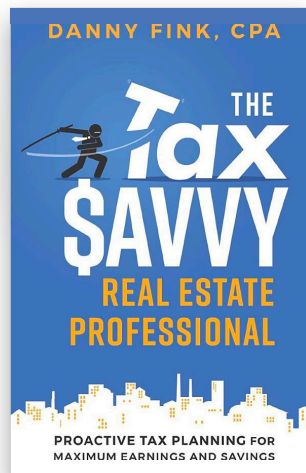
The owner of his own commercial real estate brokerage in Florida, author Phillip Barrett has been in the REO space for over 22 years, and between his relationships with cities, governmental agencies, and hedge fund owners, he can say that his clients include the HUD, VA, Fannie Mae, and other asset management companies as clients. Barrett uses market trends, property values, and personal knowledge to make his decisions. Not holding back any information, this book explains how to get started, what you need to be prepared, and what to expect as you progress in your REO career.



Master Real Estate Jargon Like a Pro: With Fun and Simple Definitions

By Eugene Nilus

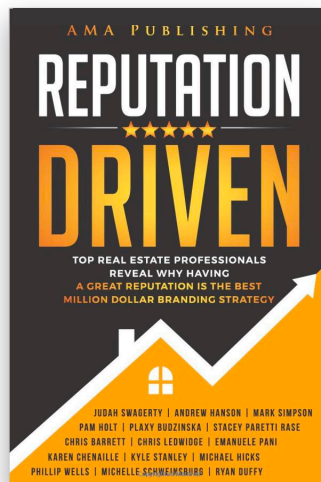
If you like to learn things in a fun way, are a real estate beginner, or need to brush up on the basics, this book will answer your questions on any new real estate jargon you may come across. Revealing the meaning of over 120 of the most popular question-inducing terms, the book will help you overcome and conquer new terms with ease. Author Eugene Nilus—a real estate investor himself—is also the founder of a private hard money bank called Y2.



The Tax Savvy Real Estate Professional: Proactive Tax Planning for Maximum Earnings and Savings

By Danny Fink

If you want to better manage your expenses as a real estate agent or broker, being tax savvy is a must to maximize your bottom profit line. According to Author Danny Fink, with proactive tax planning, you can legally pay the least amount of tax possible, giving you more money to invest in your future. Reducing your taxes by a steady \$15,000 over 20 years will net you an additional million dollars to invest. This book will help you take advantage of every opportunity to control your finances whether you're looking to save for retirement or free up more money to invest.



Reputation Driven: Top Real Estate Professionals Reveal Why Having a Great Reputation Is the Best Million Dollar Branding Strategy

By Adriana Monique, et al

Whether your title is real estate agent, broker, property manager, or vacation rental host, your image is one of the best marketing plans you can have. According to this book, you will discover over the course of this engaging and powerful book which will teach you how to build a lasting reputation and lead to more new leads than you think is possible. Each vignette will impart to you how to leverage social media, online reviews, your personal brand, and professional, this book is for those just starting out to seasoned pros who want to be a step ahead of the curve.

AFFORDABILITY REMAINS CHIEF CONSUMER CONCERN

The Home Purchase Sentiment Index (HPSI) published by Fannie Mae increased for its third straight month in January 2023, rising 0.6 points to an index of 61.6 points as three of the index's six components increased month over month.

Of the six questions asked to consumers, only 17% of survey respondents believe it's a good time to buy, likely owing to the relatively high home prices and still-increasing nominal interest rates.

Year-over-year, the index is down by 10.2 points. "January's HPSI results showed that consumer sentiment toward the housing market remains subdued by historical standards," said Doug Duncan, Fannie Mae's SVP and Chief Economist. "For consumers, the same affordability issues are persisting, as they continue to indicate that high home prices and high mortgage rates make it a 'bad time to buy' a home."

"The latest survey data also indicated that the majority of consumers expect home prices to decrease or remain flat over the next year, which may incentivize some potential homebuyers to delay their purchase decision," Duncan continued. "Although 'good time to sell' sentiment ticked upward this month, it's still much lower than it was a year ago, as purchase affordability remains seriously constrained and mortgage demand has receded. Until we see improvements in affordability via lower home prices and mortgage rates, we expect home sales to remain muted in the coming months."

As highlighted by Fannie Mae, the indexes components showed: Good/bad time to buy: The percentage of respondents who say it is a good time to buy a home decreased from 21% to 17%, while the percentage who say it is a bad time to buy increased from 76% to 82%. As a result, the net share of those who say it is a good time to buy decreased 9 percentage points month over month.

- **Good/bad time to sell:** The percentage of respondents who say it is a good time to sell a home increased from 51% to 59%, while the percentage who say it's a bad time to sell decreased from 42% to 39%. As a result, the net share of those who say it is a good time to sell increased 11 percentage points month over month.
- **Home price expectations:** The percentage of respondents who say home prices will go up in the next 12 months increased from 30% to 32%, while the percentage who say home prices will go down remained unchanged at 37%. The share who thinks home prices will stay the same increased from 29% to 30%. As a result, the net share of those who say home prices will go up increased 2 percentage points month over month.
- **Mortgage rate expectations:** The percentage of respondents who say mortgage rates will go down in the next 12 months decreased from 14% to 13%, while the percentage who expect

mortgage rates to go up increased from 51% to 52%. The share who thinks mortgage rates will stay the same remained increased from 31% to 33%. As a result, the net share of those who say mortgage rates will go down over the next 12 months decreased 2 percentage points month over month.

- **Job loss concern:** The percentage of respondents who say they are not concerned about losing their job in the next 12 months remained unchanged at 82%, while the percentage who say they are concerned increased from 17% to 18%. As a result, the net share of those who say they are not concerned about losing their job remained unchanged month over month. Note: Net share number remained unchanged due to rounding.
- **Household income:** The percentage of respondents who say their household income is significantly higher than it was 12 months ago decreased from 25% to 22%, while the percentage who say their household income is significantly lower decreased from 15% to 10%. The percentage who say their household income is about the same increased from 59% to 67%. As a result, the net share of those who say their household income is significantly higher than it was 12 months ago increased 2 percentage points month over month.

BANKRUPTCIES UP NEARLY 20% YOY

According to bankruptcy filing data from Epiq Bankruptcy, bankruptcies of all types are up year over year in January of 2023.

By the numbers, the total amount of filings in January clocked in at 31,087 which is up 19% from the 26,215 reported in January 2022. Of that number, 29,545 were individual filings, a number which is also up 20% on a yearly basis.

Still below pre-pandemic numbers, individual Chapter 13 filings continued to increase in January as the 13,702 reported filings were a 32% increase over the January 2022 total of 10,346.

Also, according to Epiq, total commercial filings increased 12% to 1,694 in January 2023 over

the 1,508 total filings reported in January 2022. Commercial Chapter 11 filings increased 70% to 257 filings up from 151 filings recorded one year ago. All subchapter five small business filings increased 49% to 137 in January 2023 from the 92 filings registered the previous year.

Epiq also said that compared to December 2022, every Chapter's new filings except Chapter 12 increased. January's total filings represented a 5% increase when compared to the 29,640 total filings recorded in December. Total individual filings for January represented a 6% increase from the December 27,911 total; however, total commercial filings did decrease 2% from 1,729 in December. Individual

Chapter 7 increased 2% from 15,471 and individual Chapter 13 increased 10% over December's 12,393. Total Chapter 11 filings registered a 16% increase from the 365 filings reported the previous month, and total Chapter 11 subchapter 5 by themselves increased 9% from the 126 filed in December 2022.

"While still below pre-pandemic totals, bankruptcy filings continue to increase amid growing debt loads due to inflationary pressures and reduced availability of low-cost financing," ABI Executive Director Amy Quackenboss said. "Struggling households and businesses on shaky economic footing can look to bankruptcy to provide a solid path toward a financial fresh start."



US RMBS THIRD-PARTY REVIEW FIRMS CONTINUE THEIR GROWTH

Third-Party Review (TPR) firms have continued their growth in US RMBS due diligence despite some slowdown in private label securitization activity. The TPR's primary focus has been on non-QM products along with increased involvement in closed-end second (CES) mortgages and home equity line of credit (HELOC) products.

Fitch has added two TPR firms to its coverage over the past five months and now views 24 firms as "Acceptable" for work on RMBS transactions. The newly added firms are Clarifii LLC and Indecomm Global Services. Clarifii LLC is a privately held firm based in Chagrin Falls, Ohio, that offers customized loan level due diligence with a focus on credit, valuation, and compliance services. Indecomm Global Services is a privately held firm located in Edison, New Jersey, that specializes in automation and enhanced loan level due diligence.

Fitch's TPR firm review process includes a qualitative assessment of each firm's RMBS experience and evidenced work along with its involvement in industry initiatives. Fitch's assessment process includes a detailed questionnaire about operational performance metrics such as:

- Company management and staffing
- Underwriting process
- Quality control
- Valuation review process
- Compliance
- IT and reporting

Fitch's current list of "Acceptable" TPR firms includes:

- Adfitech, Inc.
- Canopy Financial Technology Partners, LLC
- Clarifii LLC
- Clayton Services LLC
- Consolidated Analytics, Inc.
- Covius Real Estate Services, LLC
- CrossCheck Compliance LLC
- Digital Risk, LLC
- Evolve Mortgage Services, LLC
- Incenter LLC d/b/a Edgemac
- Indecomm Holding, Inc. d/b/a Indecomm Global Services
- Infinity International Processing Services, Inc.
- Inglet Blair, LLC

- Maxwell Diligence Solutions, LLC
- MetaSource, LLC
- Mission Global, LLC
- Opus Capital Markets Consultants, LLC
- Phoenix Collateral Advisors, LLC
- Recovco Mortgage Management, LLC
- Residential Real Estate Review
- Selene Diligence LLC
- SitusAMC
- Sutherland Global Services, Inc.
- The Stonehill Group, Inc.

TPR firms perform independent reviews on a sample of loan files backing RMBS transactions in order to:

- Compare reported loan-level data against information in the loan file
- Review if the loans were underwritten according to stated underwriting guidelines
- Confirm whether the values of the underlying properties are supported
- Determine if the loans were originated in accordance with laws and regulations

MORTGAGE CREDIT AVAILABILITY ON THE DECLINE

Mortgage credit availability decreased in January according to the Mortgage Credit Availability Index (MCAI), a report from the Mortgage Bankers Association (MBA) that analyzes data from ICE Mortgage Technology.

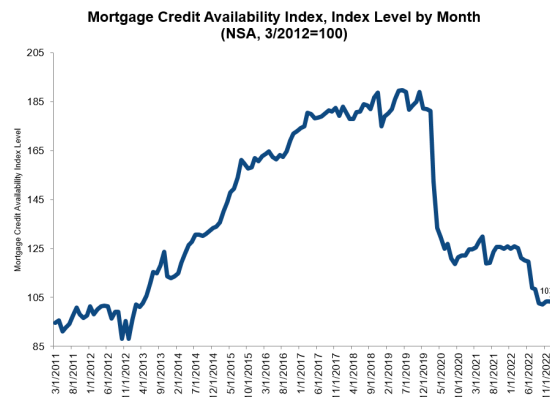
The MCAI fell by 0.1% to 103.2 in January. A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit. The index was benchmarked to 100 in March 2012. The Conventional MCAI decreased 0.3%, while the Government MCAI remained unchanged. Of the component indices of the Conventional MCAI, the Jumbo MCAI decreased by 0.4%, and the Conforming MCAI remained unchanged.

“Mortgage credit availability was essentially unchanged in January and remained close to its lowest level since 2013,” said Joel Kan, MBA’s VP and Deputy

Chief Economist. “Similar to December 2022, the availability of credit has been driven lower by declining originations and shrinking industry capacity as lenders have streamlined their operations to cope with lower volumes. Additionally, as mortgage rates declined over the past month,

the share of adjustable-rate mortgages has fallen—consistent with a slight pullback in ARM offerings in this month’s results. However, there has been a revival in mortgage application activity over the past month and our forecast is for rates to continue to decline and housing activity—including home sales and new home construction—to gradually pick up as we approach the spring homebuying season. These developments could potentially change the credit availability landscape in the months ahead.”

The MCAI fell by 0.1% to 103.2 in January. The Conventional MCAI decreased 0.3%, while the Government MCAI remained unchanged. Of the component indices of the Conventional MCAI, the Jumbo MCAI decreased by 0.4%, and the Conforming MCAI remained unchanged.



SINGLE-FAMILY HOUSING COMPLETIONS UP 12% YOY

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development has announced the Monthly New Residential Construction Report for January 2023.

Together, they announced the following new residential construction statistics for January 2023.

Building Permits

Privately owned housing units authorized by building permits in January were at a seasonally adjusted annual rate of 1,339,000. This is 0.1% above the revised December rate of 1,337,000 but 27.3% below the January 2022 rate of 1,841,000. Single-family authorizations in January were at a rate of 718,000; this is 1.8% below the revised December figure of 731,000. Authorizations of units in buildings with five units or more were at a rate of 563,000 in January.

“Homebuilder sentiment increased for the second consecutive month in February, with all three components of the index rising,” First Amer-

ican Deputy Chief Economist Odeta Kushi said. “Conditions are still considered ‘poor’ overall, but the improvement signals that builders are feeling cautiously optimistic about the months to come.”

Housing Starts

Privately owned housing starts in January were at a seasonally adjusted annual rate of 1,309,000. This is 4.5% ($\pm 15.9\%$) below the revised December estimate of 1,371,000 and is 21.4% ($\pm 10.6\%$) below the January 2022 rate of 1,666,000. Single-family housing starts in January were at a rate of 841,000; this is 4.3% ($\pm 16.4\%$) below the revised December figure of 879,000. The January rate for units in buildings with five units or more was 457,000.

“U.S. housing starts come in below consensus expectations at an annual pace of 1.31 million, 4.5% below the revised December estimate of 1.37 million and 21.4% below the January 2022 rate of 1.67 million,” Kushi said. “Single-family starts declined 4.3% compared with December.”

Housing Completions

Privately owned housing completions in January were at a seasonally adjusted annual rate of 1,406,000. This is 1.0% ($\pm 9.8\%$) above the revised December estimate of 1,392,000 and is 12.8% ($\pm 13.0\%$) above the January 2022 rate of 1,247,000.

“There remains a large backlog of single-family homes under construction, as builders have been hampered by supply-side headwinds from labor shortages and high construction material costs,” Kushi said. “Those homes are not move-in ready and thus do not meaningfully contribute to the stock of livable homes.”

Kushi added, “But single-family housing completions increased 4.4% this month and are up 12% year over year. Single-family completions have outpaced housing starts since July 2022, and that will likely put some downward pressure on the numbers of single-family homes under construction in the months ahead.”

Single-family housing completions in January were at a rate of 1,040,000; this is 4.4% ($\pm 10.4\%$) above the revised December rate of 996,000. The January rate for units in buildings with five units or more was 349,000.

STUDY FINDS GEN Z, MILLENNIAL RENTERS HAVE LOWER INFLATION RATES

According to a report from Redfin, Gen Z and millennial renters have lower personal inflation rates than the overall U.S. population for the first time since the end of 2020. Gen Zers and millennials who signed a new lease in December saw their cost of goods and services increase 5.6% and 6.1%, respectively, compared with a 6.5% increase for the typical American.

That's a welcome shift for young renters, who saw their personal inflation rates soar last year as rental prices skyrocketed.

This is based on a Redfin analysis of the cost of goods and services for Gen Zers and millennials based on their spending habits, as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI). The analysis, which incorporates Redfin's data on asking-rent prices, weighs each component of inflation—including food, fuel, shelter, and other variables—to come up with inflation rates for millennials and Gen Zers who are taking on a new lease. Adult Gen Zers are 18 to 26 years old, and millennials are 27 to 42 years old.

This also marks the first time since the start of 2021 Gen Zers overall have a lower personal inflation rate than the U.S. population, a shift that's largely due to rental price growth slowing. The personal inflation rate for Gen Zers overall, taking both renters and homeowners into account, came in at 6.4% in December. Millennials, at 6.8%, still have a higher rate than the general population.

New-lease signers have comparatively low inflation rates because rental price growth is slowing. Young adults signing a new lease are benefitting from cooling inflation sooner than the typical American. That's because rents are increasing slower than the overall cost of housing. The median U.S. asking rent for a new lease rose 4.8% year over year in December, the smallest increase in a year and a half and down from 16% last July. That's compared with overall shelter costs, which rose 7.5%, according to the CPI. Hourly wages for the average U.S. worker rose 4.4% year over year in January.

This is the first time asking rents have posted

a smaller increase than the overall cost of housing in a year and a half. "Shelter" inflation encompasses both rental payments (including existing leases) and the amount homeowners would pay in rent for their own house. That means renters who are locked into yearlong leases, along with homeowners who bought at the peak of the market, will be slower to see cooling inflation reflected in their bank accounts. Shelter inflation hasn't slowed yet because most people are paying a "shelter" price that's reflective of last year's hot rental and housing market, which has since cooled significantly amid elevated mortgage rates. It's likely to peak soon.

"Ebbing price growth means renters moving

a few months before locking in a new lease could be worthwhile," Bokhari continued. "If mortgage rates and home prices continue dropping from their peak, entering the housing market will be more affordable than it is today. Depending on individual circumstances, that could shift the math on whether renting or buying makes more financial sense."

Slowing rent growth has an outsized impact on Gen Zers and millennials because they're typically the people signing new leases. Just 39% of Americans under 35 years old own their home, and 62% of those aged 35 to 44 own theirs. That's compared with 70%-plus homeownership rates for Americans 45 and older.

"For those who are on the fence about continuing to rent or buying their first home, waiting a few months before locking in a new lease could be worthwhile."

—Sheharyar Bokhari, Senior Economist, Redfin

now may be getting a better deal than those who signed a new lease in late 2021 or 2022. Asking rents have already dropped from the apex they reached last August, and they've fallen from a year ago in many parts of the country, including Phoenix, Austin, and Los Angeles," Redfin Senior Economist Sheharyar Bokhari said. "People looking to move now may also want to take advantage of declining demand and negotiate with landlords about perks like free parking or a free month's rent—and those who are staying put may have some bargaining power when renewing their lease. Rental prices are likely to fall from here nearly everywhere in the country, so it may also be worth waiting a few months if you're not in a hurry to sign a new lease."

"For those who are on the fence about continuing to rent or buying their first home, waiting

Demand for rentals has tapered off since the pandemic moving frenzy. Rental price growth is slowing because of falling demand, with relatively few people moving or planning to move to a new residence. Rental costs that skyrocketed over the last year and a half, along with inflation in other parts of life, makes moving to a new rental unaffordable for many Americans.

Inflation soared in early- to mid-2022 partly because of skyrocketing rental costs and home prices. Shelter inflation makes up about one-third of the value of goods and services included in overall inflation measures.

At the same time, supply is increasing due to an influx of newly built apartments and homeowners who want to hold onto relatively low mortgage rates renting out their properties rather than selling.



SURVEY SUGGESTS REMOTE WORK, HOUSING MIGRATION TO PERSIST

According to Chris Salviati, a Senior Housing Economist at Apartment List, the necessary adoption of remote work at the outset of the COVID-19 pandemic has played a key role in explaining the turbulence the rental market has seen in the last three years.

But as home affordability becomes an unreachable goal for many Americans, the advent of remote work is helping workers relocate from expensive markets to more affordable ones as they flee from urban cores to the suburbs and beyond in search of attainable housing.

While some employers have mandated that remote workers return to the office full-time, remote work continues to be far more prevalent than it was before the pandemic. Census data shows that the number of those that work from home tripled between 2019 and 2021.

Knowing this, Apartment List surveyed nearly 6,000 adults in December 2022 and overall found that those with a remote job were far more likely to migrate and move into a new home than those with a traditional job.

Among workers whose jobs require them to be fully on-site, 17% moved in 2022. Meanwhile, 27% of workers in fully remote jobs moved, meaning that this group was 56% more likely to have moved than the on-site workers. The highest moving rates

were observed among workers with hybrid remote arrangements—those who split time between working at home and on-site—31% of whom moved in 2022, a rate of mobility that was 78% greater than that of on-site workers.

“For the survey respondents who told us that they moved in 2022, we followed up with a more detailed question on the factors that motivated those moves,” Salviati said. “We found that those with remote working arrangements were not only more likely to move, but also considered different factors when they did so. A desire for more space was a major concern for both on-site and remote workers, with 25% of both groups telling us that they moved into a larger home. However, factors concerning geographic preference were far more important for those with remote flexibility.”

Twenty-three percent of remote workers reported that their move gave them access to additional desired amenities, compared with 10% of on-site workers. Remote workers also indicated that their move placed them closer to family and friends, as they are not bound by job locations; in fact, more than 20% of remote workers who moved in 2022 told Apartment List that their remote work status was a motivating factor for their move.

“Given the skyrocketing growth in housing costs in recent years, it is no surprise that

affordability was also a major concern for both groups,” Salviati continued. “Roughly equal shares of remote and on-site workers told us that they moved to reduce their monthly housing costs (23% and 22%, respectively). However, 21% of remote workers told us that they moved to a more affordable housing market, compared to just 14% of on-site workers. While remote workers may be able to relocate to alleviate affordability woes, on-site workers are bound to their job location, making such moves far less feasible.”

Remote workers who migrated were also less likely to purchase a home than rent a home.

Looking ahead, survey results seem to imply that this trend will continue throughout 2023. Twenty-seven percent of on-site workers told us that they are planning to move in 2023, compared to 36% of fully remote workers and 44% of hybrid workers.

“Our survey also indicates that we should expect greater movement among remote workers to persist beyond 2023,” Salviati concluded. “Among those not planning a move this year, we asked about longer-term plans—11% of fully remote workers told us that they are very likely to move to a new city within the next three years, compared to 6.5% of hybrid workers and just 3.5% of on-site workers.”



ACCOUNTS IN COLLECTIONS DROP BY 86M OVER FOUR YEARS

The Consumer Financial Protection Bureau (CFPB) has released a new report examining trends in credit reporting of debt in collections between 2018-2022 finding that the total number of accounts that were in collections dropped 33% during that period, going from 261 million tradelines to 175 million tradelines. Over the same period, the share of consumers with a collection tradeline on their credit report decreased by 20%.

The CFPB also released additional information which examines the factors that increase the likelihood of inaccurate medical collections reporting and may contribute to the decline in medical collections accounts.

“Our analysis of credit reports provides yet another indicator that, due to a strong labor market and emergency programs during the pandemic, household financial distress reduced over the last two years,” CFPB Director Rohit Chopra said. “However, false and inaccurate medical debt on credit reports continues to be a drag on household financial health.”

Collections tradelines are furnished to credit reporting companies by third-party debt collectors. Commonly reported collection items include medical, rental and leasing, credit card, and utility accounts. Some third-party collectors work on behalf of original creditors for a fee (contingency-fee-based debt collectors) and others purchase accounts outright from creditors (debt buyers).

This research was conducted by the CFPB by using their Consumer Credit Panel of five million anonymized credit records selected to be representative of the population. This is an update of a previous study completed in 2019.

Key findings of this report, as highlighted by the CFPB, include:

- The decline in collections tradelines was driven by fewer reports by contingency-fee-based debt collectors, who primarily collect on medical bills. Contingency-fee-based debt collectors reported 38% fewer collections tradelines from Q1 2018 to Q1 2022, while the number of collections reported by the subset of debt buyers increased by 9% over the same period. The number of unique contingency-fee-based debt collectors also declined by 18% (from 815 to 672). Medical bills account for 68.9% of furnished collections by contingency-fee-based debt collectors.
- Concerns about data integrity and the associated costs that would come with furnishing disputed information may explain some of the decrease in collections tradelines on credit reports. CFPB market monitoring indicates that contingency-fee-based debt collectors are moving away from furnishing collections information to credit reporting companies in part due to their concerns about data integrity and their ability to comply with the Fair Credit Reporting Act, including dispute processing. CFPB’s analysis on medical debt reporting describes the difficulty of assuring the accuracy of medical bills, including the lack of timely access to healthcare providers’ billing and payment information.
- Medical collections tradelines still constitute a majority of all collections on consumer credit reports. Despite the decline in collections reporting, medical collections tradelines still represent 57% of all collections items on credit reports. Upcoming changes to medical collections reporting, as previously announced by the nationwide consumer reporting companies, will remove small-dollar (less than \$500) and paid medical collection tradelines from consumer credit reports. While this will reduce the total number of medical collections tradelines, an estimated half of all consumers with medical collections tradelines will still have them on their credit reports, with the larger collection amounts (representing a majority of the outstanding dollar amount of medical collections) remaining on credit reports.



MARKET FORECAST CALLS FOR POSSIBLE JUMP IN FORECLOSURE AUCTION VOLUME

A case study of two nationwide cohorts of properties brought to foreclosure in Q4 2022 reveals that proactive pricing is key to optimal distress disposition during a housing slowdown, according to Auction.com's 2023 Distressed Market Outlook.

Pricing in the proactive pricing cohort was reduced by 11% between September 2022 and December 2022, while pricing in the status quo pricing cohort came down just 1% during the same period.

"With home prices now down more than 9% from their May 2022 peak and forecast to fall further in many markets, sellers who price proactively will minimize the risk of taking on properties that are losing value every day," said Ali Haralson, President, Auction.com.

Key Findings:

- Bidder behavior at foreclosure auction predicting retail home price declines in 40% of largest U.S. markets in early 2023.
- Forecast calls for possible 24% increase in foreclosure auction volume in 2023, still close to half of 2019 volume.
- Case study of foreclosure auction pricing strategies employed in Q4 2022 shows immediate lift from proactive pricing.

- Foreclosure auction sales outperformed traditional REO sales by 40 points in 2022 in terms of estimated net proceeds.
- Foreclosure auction sales result in retail homeownership rates that are 14 points higher than traditional REO sales.
- Third-party homebuyers at foreclosure and REO auction renovate properties to 99 percent of "after-repair" value on average.

The report also shows demand for distressed properties shifting lower in the last three quarters of 2022 as buyers at foreclosure auction and REO auction anticipated the downshift in the retail housing market and began bidding more conservatively. Bidding behavior at auction acts as a reliable predictor of future price appreciation in the retail market, and this bidding behavior points to falling home prices in 40% of the nation's largest metro areas in early 2023.

The report includes results from an analysis of lender pricing strategies at foreclosure auction in Q4 2022 in response to the shifting distressed property demand and slowing retail housing market. Lenders who adopted a more proactive pricing strategy saw a net gain of 40 points in sales rate when compared to lenders who stayed with a more status quo pricing strategy. The proactive pricing strategy came with a net loss of

2 points in price execution when compared to the status quo pricing strategy.

"The distressed market was infused with some of the same exuberance that dominated the retail housing market in 2021 and early 2022, but distressed property buyers quickly returned to more sustainable bidding strategies as the market slowed in response to spiking mortgage rates," said Jason Allnutt, CEO, Auction.com. "Sellers most nimble in this volatile market will produce the best and most responsible distressed disposition outcomes in 2023."

Read the report to learn more about these case study questions:

- Will foreclosure volume continue its gradual post-moratorium rise?
- What is bidding behavior saying about 2023?
- How much did foreclosure auction sales outperform traditional REO sales in 2022?
- What are the retail homeownership rates of foreclosure auction sales and traditional REO sales?
- How much value is being added by third-party buyers during renovations?



NUMBER OF \$1M+ HOMES TO CONTINUE TO RISE

Hot is just one of the words you could use to describe the housing market over the last two years, with demand significantly outpacing supply, which had a major impact on inventories in as the average home was only on the market for 9 days at one point, as was the spike in the number of bidding wars that took place.

Although the market has slowed and price growth has cooled a bit, in general, home prices have not meaningfully declined as of late. In fact, over the last several years, the share of homes over \$1 million has more than doubled to a rate of 1-in-20 homes.

According to a blog post authored by Stephanie Horan for Today's Homeowner with Denny Lipford using U.S. Census Bureau American Community Survey data, she analyzed data and paired it with recent market trends to examine why the number of \$1 million homes has risen recently and their expectations for the future.

After analyzing the data for 372 cities, Horan found that the number of million-dollar homes had more than doubled between 2015-2021. One of the top cities, San Francisco, had 73% of their homes valued at more than \$1 million, more than any other city in the country.

In addition, in 14 of the top cities, a third of the homes in their bounds were above the million-dollar mark; in 17 cities, the difference

between the share of million-dollar homes and households that may be able to afford them exceeds 10%. There is an overlap across cities with large increases in million-dollar homes and the widest affordability gaps.

According to Census data, about 2.0 million homes in the country were valued above \$1 million in 2015. By 2021, this number has increased to 4.2 million. The proportion of million-dollar homes in the U.S. has similarly almost doubled, rising from 2.7% to 5.0% in during the same time period.

"In 14 cities, the proportion of them has increased by more than 20 percentage points. Many of these metros are concentrated in the Pacific Northwest, including San Francisco, Seattle, and nearby cities," Horan said. "Outside of California and Washington, Colorado's Boulder also makes the list. The percentage of million-dollar homes in Boulder stood at 14.4% in 2015 but rose to 44.4% in 2021—a difference of 30 percentage points."

At the state level, million-dollar homes are most prevalent in California and Hawaii. In California, more than 23% of homes are worth a million dollars or more and in Hawaii, the share of million-dollar homes exceeds 22%.

So, who exactly can afford these homes? The research found that, putting down a standard 20% down payment and the mortgage not exceeding

30% of your monthly earnings, buyers would need to be earning \$200,000 or more to consider one of these homes.

On the other hand, the majority of American households do not make an annual income of \$200,000 to buy a million-dollar home. This gap is highest in San Francisco, which is widely known for its unaffordable housing. Though 73% of the homes are valued at \$1 million or more, less than 42% of households in the city earn \$200,000 or more annually.

Horan also believes that, along with other experts, only expect the share of \$1 million homes to grow in the future.

"Real estate experts are predicting a large increase in the number of million-dollar homes across the country. The trend is being driven by an influx of wealthy buyers looking to invest in luxury properties and a steady rise in property values in certain areas," said Jennifer Spinelli, Founder and CEO of Niche Home Buyer.

This affects both buyers and sellers. Spinelli continues, "Buyers may need to act quickly when they find a home they're interested in and be prepared to pay more for it than they would have just a few years ago. On the other hand, this could open up an opportunity for sellers looking to cash out at higher prices."



MORTGAGE DELINQUENCIES TICK UP IN Q4 OF 2022

The delinquency rate for mortgage loans on one-to-four-unit residential properties increased to a seasonally adjusted rate of 3.96% of all loans outstanding at the end of Q4 of 2022, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey.

The delinquency rate was up 51 basis points from Q3 of 2022 but still down 69 basis points from one year ago. The percentage of loans on which foreclosure actions were started in Q4 fell by 1 basis point to 0.14%.

"As expected, the overall national mortgage delinquency rate increased in Q4 of 2022 from its previous quarterly survey low," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "The weaker economy and ongoing inflationary pressures contributed to the uptick in delinquencies. The delinquency rate—while still low—increased from the previous quarter across all loan types and across all stages of delinquency."

According to Walsh, for the past 15 years, mortgage delinquencies have tracked very closely with employment conditions. Despite recent indicators of resiliency in the job market, including the unemployment rate declining to 3.4% in January, MBA still forecasts for slower hiring and rising unemployment, with the rate rising to 5.2% by the end of the year. This will likely mean

further increases in mortgage delinquencies.

Walsh added, "Notwithstanding the fourth-quarter increase in mortgage delinquencies, the foreclosure starts rate of 0.14% was well below the historical quarterly average of 0.40%. Many distressed homeowners have loss mitigation options available to them and have accumulated home equity, which can ease financial hardship and avert foreclosure actions."

Key findings of MBA's Q4 of 2022 National Delinquency Survey:

Compared to last quarter, the seasonally adjusted mortgage delinquency rate increased for all loans outstanding. By stage, the 30-day delinquency rate increased 26 basis points to 1.92%, the 60-day delinquency rate increased 13 basis points to 0.66%, and the 90-day delinquency bucket increased 11 basis points to 1.38%.

By loan type, the total delinquency rate for conventional loans increased 26 basis points to 2.78% over the previous quarter. The FHA delinquency rate increased 209 basis points to 10.61%, and the VA delinquency rate increased by 45 basis points to 4.16%.

On a year-over-year basis, total mortgage delinquencies decreased for all loans outstanding. The delinquency rate decreased by 80 basis points for conventional loans, decreased 15 basis points

for FHA loans, and decreased 108 basis points for VA loans from the previous year.

The delinquency rate includes loans that are at least one payment past due but does not include loans in the process of foreclosure. The percentage of loans in the foreclosure process at the end of Q4 was 0.57%, up 1 basis point from the third quarter of 2022 and 15 basis points higher than one year ago.

The nonseasonally adjusted seriously delinquent rate, the percentage of loans that are 90 days or more past due or in the process of foreclosure, was 1.89%. It decreased by 1 basis point from last quarter and decreased by 94 basis points from last year.

The seriously delinquent rate decreased 5 basis points for conventional loans, increased 14 basis points for FHA loans, and decreased 8 basis points for VA loans from the previous quarter. Compared to a year ago, the seriously delinquent rate decreased by 68 basis points for conventional loans, decreased 208 basis points for FHA loans and decreased 139 basis points for VA loans.

The five states with the largest quarterly increases in their overall delinquency rate were: Louisiana (77 basis points), Florida (74 basis points), Indiana (62 basis points), West Virginia (55 basis points), and Mississippi (55 basis points).

GOVERNMENT

FEDERAL HOME LOAN BANK OF DALLAS ANNOUNCES APPOINTMENTS TO THE AFFORDABLE HOUSING ADVISORY COUNCIL



Long

The Federal Home Loan Bank of Dallas (FHLB Dallas) has appointed **David Long** to its Affordable Housing Advisory Council (Advisory Council) and the appointment of four current Advisory Council members.

“I’m looking forward to meeting my fellow council members and getting to work,” said Long, who brings more than 25 years of affordable housing finance experience to the Advisory Council.

During the past 18 years, he has served as president of Austin, Texas-based Texas State Affordable Housing Corporation (TSAHC), where he was responsible for developing initiatives and policies to maximize the impact of statewide affordable housing programs.

Long has worked with both single-family and multifamily housing, served as the Governor’s liaison to the U.S. Interagency Council on Homelessness and helped

launch TSAHC’s Texas Supportive Housing Institute.

“It’s always great to welcome in fresh faces with fresh perspectives. David Long has a variety of experience that he offers the council, and we’re excited to see this relationship grow,” said Greg Hettrick, SVP and Director of Community Investment for FHLB Dallas. “We’re also thrilled to see the reappointment of four members who have been excellent contributors to the Council.”

The following members were reappointed to the Advisory Council:

Chris Monforton, representing Mississippi,

will serve as the Advisory Council Chair. He serves a dual role as the CEO of Habitat for Humanity Mississippi Gulf Coast, and the CEO of Habitat for Humanity Baldwin County, Alabama, since 2006 and 2017, respectively. Monforton has worked for Habitat for Humanity since 1999. As CEO, he provides thought leadership and drives innovation in housing and community development in local markets as well as the larger Habitat network.

Jeff Curry, representing New Mexico, has been elected to serve as the Advisory Council’s Vice Chair. He has been the Director of Development for JL Gray Company for nearly 20 years. Curry manages the company’s acquisition and development of new housing, as well as the rehabilitation of existing properties. JL Gray is a for-profit management and development organization that specializes in multifamily affordable housing, managing more than 150 properties in five states. In addition, it participates in affordable housing policy discussions at the state and federal level and helped create the Southwest Affordable Housing Group to foster relationships between affordable housing developers, managers and agencies.

Jim Petty, representing Arkansas, is a veteran business owner and CPA. He is President and CEO of the Strategic Realty, which includes Strategic Realty Developers Inc. Since forming Strategic Realty in 2007, Petty has overseen the development and construction of more than \$100 million in real estate transactions in Oklahoma and Arkansas. His companies develop, construct, manage, and provide consulting services in the affordable housing industry. They have partnered with nonprofit agencies, housing authorities, community housing development organizations and other companies, providing various services needed to make affordable housing successful. Petty also is an Arkansas State Senator for District 29.

Deborah Welchel, representing Texas, brings nearly 30 years of affordable housing knowledge to the Advisory Council. She currently serves as the Senior Development Director for Texas for Volunteers of America National Services, a subsidiary of Volunteers of America Inc. In her role, she analyzes markets, determines financial feasibility, assists with funding applications and lender/investor selections and oversees the construction draw process and permanent loan conversions. Welchel has served in many leadership roles during her career including Manager of Underwriting at the Texas

Department of Housing and Community Affairs, Director for a Texas based Low-Income Housing Tax Credit developer, and VP of Asset Management for a property management company.

The Federal Home Loan Bank of Dallas is one of 11 district banks in the FHLBank System created by Congress in 1932. FHLB Dallas, with total assets of \$89.6 billion as of September 30, 2022, is a member-owned cooperative that supports housing and community development by providing competitively priced loans and other credit products to approximately 800 members and associated institutions in Arkansas, Louisiana, Mississippi, New Mexico, and Texas.

LENDERS/SERVICERS

MARIANNE SULLIVAN TAPPED AS SAGENT COO



Sagent has appointed **Marianne Sullivan** as COO to accelerate development of the company’s cloud-native software that powers home ownership and loan servicing

lifecycles for servicers, consumers, investors, and regulators. Sullivan will remain on Sagent’s Board of Directors as she assumes an active operational role.

“Marianne Sullivan joined Sagent’s board in September 2020 to help architect our cloud-native software vision and multiyear execution plan,” Sagent CEO Dan Sogorka said. “Phase one of that plan was to broaden the management team, renew and grow Sagent customer relationships, complete our landmark client/partner deal with top U.S. servicer Mr. Cooper, and integrate the Mr. Cooper fintech team we acquired into Sagent. Phase two is for Marianne to lead rapid progress on our next-gen software platforms for America’s intricate and highly regulated \$13 trillion mortgage servicing sector. This will be the latest chapter in Marianne’s career as a mortgage fintech pacesetter and scale execution specialist.”

Sullivan has led some of the biggest innovation milestones in mortgage and consumer finance. While at Fannie Mae, she led the creation and launch of two transformational initiatives: Collateral Underwriter, which enables instant verification of home valuations; and Day 1 Certainty, which enables the modern mortgage era with digital-native loan origination infrastructure and lender risk relief.

“Building the future of mortgage servicing technology is about granular, nuanced innovation and executing with no mistakes across scale operations where every tiny detail is highly regulated,” Sullivan said. “That is what Sagent stands for, and we execute credibly alongside America’s largest mortgage servicers because our fintech engineering and product teams are subject matter experts with deep resumes in the servicing trenches. My job is to help speed up this specialized modernization of the largest sector in consumer finance.”

CENLAR APPOINTS JAMES DARAS CEO/PRESIDENT



Ewing, New Jersey-based mortgage loan subservicer and federally-chartered wholesale bank Cenlar FSB has announced the appointment of **D. James “Jim” Daras** as its new CEO and President.

Daras has more than 40 years in the banking and mortgage banking industry, with extensive experience in risk management, banking and corporate finance functions, bank restructuring, company start-ups, and venture capital investing.

Last summer, Daras, along with EVP and COO Robert Lux, were both appointed co-CEO after Chairman of the Board, President, and CEO Greg Tornquist announced his retirement from Cenlar. Lux will continue in his role of COO reporting to Daras.

“Jim is an accomplished and exceptional executive leader with a great deal of experience who will ensure Cenlar continues its commitment to providing high quality service to our customers,” Cenlar Chairman of the Board Dave Applegate said.

Daras originally joined Cenlar in 1985, and remained until 1990, leaving his post as CFO to join Dime Bancorp in New York City. Until returning to Cenlar in 2015, Jim worked with several venture capital firms investing in financial services companies, including Loan Servicing Solutions in 2007, where he served as CEO. Jim was EVP and was appointed Chief Risk Officer at Cenlar. In 2019, Jim moved to an advisory capacity before returning full time to manage the company’s banking functions. He joined Cenlar full time in 2022 as EVP to manage the company’s banking functions.

“I am thrilled and honored to have been named CEO at this point in Cenlar’s journey.”

—D. James “Jim” Daras, CEO and President, Cenlar FSB

“I am thrilled and honored to have been named CEO at this point in Cenlar’s journey,” Daras said. “Cenlar was built on collaboration, expertise, client and homeowner care, and the ability to transform itself during each part of its journey, and I am confident in Cenlar’s long-term success.”

Cenlar boasts a loyal and growing client base including banks, credit unions, and mortgage bankers. The company’s nearly 4,000 employees, strategically located throughout the U.S., are dedicated to customer satisfaction and teamwork that drives client solutions.

SELMA HEPP PROMOTED TO CHIEF ECONOMIST OF CORELOGIC



CoreLogic has announced the promotion of **Selma Hepp** as Chief Economist, after being named Interim Chief Economist in July of 2022.

“I am honored and thrilled to lead our team as we continue to generate industry-leading, data-driven insights and thought-provoking perspectives on all things housing,” Hepp said. “Given the challenges of today’s housing market, CoreLogic’s depth, wealth, and consistency of data position us to provide clear and actionable views of the property ecosystem, and bring value to our clients and broader markets.”

Prior to her interim role, Hepp served as an

Executive of Research and Insights in the Office of the Chief Economist. Hepp leads CoreLogic’s economics team, which is responsible for analyzing, interpreting and forecasting housing and economic trends in real estate, mortgage and insurance.

“We are thrilled to have Selma as our newly appointed Chief Economist,” added Patrick Dodd, President & CEO of CoreLogic. “She has a proven track record and deep housing knowledge and research experience. As a well-respected thought leader in the housing industry, Selma’s analytical expertise will produce insights to help our clients and other stakeholders better navigate today’s dynamic real estate environment.”

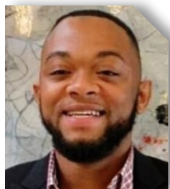
Prior to joining CoreLogic in 2020, Hepp was Chief Economist and VP of Business Intelligence for Pacific Union International, later acquired by Compass, where she oversaw the vital economic and technology intelligence to drive the expanding brokerage’s success.

She also held the role of Chief Economist for Trulia; Senior Economist for the California Association of Realtors; and Economist and Manager for Public Policy and Homeownership Research for the National Association of Realtors, as well as a special research assistant at the U.S. Department of Housing & Urban Development.

Headquartered in Irvine, California, CoreLogic is a global property information, analytics and data-enabled solutions provider. The company’s combined data from public, contributory, and proprietary sources include

more than 4.5 billion records spanning more than 50 years, providing detailed coverage of property, mortgages, and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets CoreLogic serves include real estate and mortgage finance, insurance, capital markets, and the public sector.

KERREL GOMES TAPPED TO LEAD NEW WESTERN'S VIRGINIA BEACH BRANCH



New Western, a source of fix-and-flip residential investment properties, has announced the opening of its first Virginia office and 52nd local market, in Virginia

Beach, to be led by **Kerrel Gomes**, General Manager.

"Virginia Beach is an exciting market for us to enter as it begins to turn to favor rentals over buying," said Kurt Carlton, Co-Founder and President of New Western. "With a local naval base, Virginia Beach has a steady and strong rental market that is recession-resistant, and allows New Western to identify homes in need of repair that local investors can fix and flip or rent. We are confident about the opportunities for investors, buyers and sellers in Virginia Beach."

For investors, the Virginia Beach area's historic charm presents an opportunity to revitalize aging homes' infrastructure, and return them to market at affordable prices, as New Western's rehabbed homes are nearly 31% more affordable than a new build.

Gomes, who will serve as General Manager, began his real estate career in New Western's Raleigh, North Carolina, office when it first launched and brings that experience and expertise to the Virginia Beach office opening.

"I started my career in real estate, working alongside my father who was a contractor for fix-and-flip properties," Gomes said. "Working with him inspired me to pursue the real estate investment market full-time, which brought me to New Western's Raleigh team where I learned and became part of an incredibly talented and amazing group of people. Now I have the opportunity to run our Virginia Beach office, working with our team of investors to bring supply to an in-demand market and revitalizing

an area that is filled with historic charm."

Since 2008, New Western has bought and sold more than \$15 billion worth of residential real estate by leveraging data and local market insight to stock its marketplace with exclusive investment properties. New Western's marketplace connects more than 150,000 local investors looking to rehab houses with sellers.

PRETIUM NAMES NEW COO OF BUSINESS DEVELOPMENT



Pretium, a specialized investment firm with more than \$50 billion in assets under management, has named **Emily Stecher** Managing Director and

COO of the Business Development team. Stecher will be responsible for bolstering the firm's product and strategy creation, as well as optimizing client engagement efforts.

"At Pretium, our entrepreneurial spirit and steadfast commitment to unlocking value for our stakeholders set us apart," said Lee Alexander, Senior Managing Director and COO at Pretium. "As we continue to expand the exceptional team we have in place, Emily's significant experience stewarding diverse strategic initiatives will be an invaluable asset as we enhance our platform and capabilities."

Prior to joining Pretium, Stecher held roles of increasing responsibility at Goldman Sachs, where she most recently served as Managing Director, Head of U.S. Wealth Management Alternative Sales, and was responsible for distributing alternative investment products to U.S.-based financial intermediaries.

"Emily is a dynamic leader, and we are thrilled that she's joined the Pretium team," said Jennifer Strickland, Senior Managing Director and Head of Business Development at Pretium. "Her background and direct and insightful approach make her the perfect fit for Pretium, and I look forward to working with her to advance our product development and capital raising capabilities, while continuing to optimize how we engage with clients."

Previously, she was a VP, Head of Product Strategy & Development and a VP in the Alternative Capital Markets group at Goldman Sachs. Stecher began her career as a Management & Strategy Analyst in Goldman's

Private Wealth Management business. During her tenure at Goldman Sachs, she oversaw a range of activities, including managing a multibillion-dollar annual budget, developing and executing on new business opportunities for GSAM alternative investment funds and directing a secondary private equity program for clients.

"Pretium is a unique firm on a remarkable growth trajectory, and I am excited to join a team of innovative, specialized professionals," Stecher said. "I look forward to supporting the firm's mission and success by identifying new products and further opportunities to deliver tailored solutions for Pretium's stakeholders."

SERVICE PROVIDERS

JOE CUTRONA NAMED AUCTION.COM'S CHIEF BUSINESS OFFICER



Auction.com has announced that **Joe Cutrona** has been named Chief Business Officer. In his new role, Cutrona will oversee business development and online

operations, including maintaining and creating new client relationships and helping the company to optimize capacity to execute at speed during and through a unique real estate cycle.

"We are very excited to add such an outstanding leader to our executive team," said Ali Haralson, President of Auction.com. "Joe has vast industry knowledge and senior management experience that will help us continue to create better outcomes for neighborhoods, buyers, and sellers through transparency, technology, and care."

One of Cutrona's first goals is to develop a deeper connection with the people and culture of Auction.com.

"The end game is to continue creating strong relationships and delivering value to our strategic partners," Cutrona said. "The endless pursuit of scorecard dominance has many unique metrics, and I'm fortunate to be building on the high-level trust that Auction.com has created over the years."

Before joining Auction.com, Cutrona spent 10 years with Xome as its Division President/SVP, overseeing residential real estate listings and building its online auction marketplace, asset management solutions, and mortgage servicing default liquidation strategies. He also worked at

“The company has a big role in being a part of the solution and that’s something I look forward to in my new role.”

— **Joe Cutrona**
Chief Business Officer, Auction.com

CoreLogic and United Western Bank.

“Auction.com has never shied away from taking a leadership role to help solve industry-related challenges, such as affordable housing and neighborhood stabilization,” Cutrona added. “The company has a big role in being a part of the solution and that’s something I look forward to in my new role.”

CHAD HUSTON JOINS WFG NATIONAL TITLE AS SVP



WFG National Title Insurance Company (WFG), a provider of title insurance and real estate settlement services for commercial and residential transactions

nationwide, has appointed 30-year title and real estate industry veteran **Chad Huston** as SVP, Regional Manager for the company’s National Commercial Title Services San Francisco Bay Area region. Huston will support the growth and expansion efforts for the national underwriter’s commercial title business.

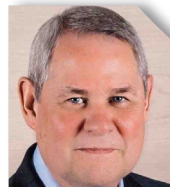
“We are thrilled to have Chad leading the growth of our Bay Area commercial title region,” WFG NTIC EVP of National Commercial Title Services David Sallean said. “He has a long, successful track record of attracting new clients, as well as building strong, mutually beneficial customer relationships, and we know he will contribute significantly to the growth of WFG’s commercial title business.”

Huston said he was attracted to WFG due to its strong leadership team, financial strength and stability, and commitment to providing an exceptional customer experience, as exemplified by the company’s “world-class” NPS rating for customer satisfaction.

“WFG has a great reputation for delivering innovative, customer-centric solutions that support its clients to the best advantage,” Huston said. “I am honored to have the opportunity to work alongside this stellar team of professionals and to contribute to the growth of WFG’s commercial title business within the Bay Area.”

During his career, Huston has built and managed diverse teams to support his clients’ growth. Prior to joining WFG NTIC, he managed strategic national accounts for another national underwriter for more than 20 years.

CATIC HIRES NEW SVP-NATIONAL ACCOUNT MANAGER



CATIC has named **Kyle K. Rank Esq.** as its new SVP-National Accounts Manager, tasked with overseeing the national and multistate division within

The CATIC Family of Companies.

Kyle is a 30-plus year veteran of the title insurance industry, having held executive leadership positions for several regional title insurance underwriters and multistate title agencies. He previously served as EVP of Business Development and EVP, Agency for two large regional title insurance underwriters, overseeing national agency expansion efforts and company revenue growth.

Other past positions that Kyle has held include service as a Chief Claims Counsel, Associate General Counsel, and Chief Compliance Officer for several national and regional title insurance underwriters, and General Counsel for several large title agencies. Kyle was also the President and co-owner of a large title agency in the Midwest.

Rank has served on the Legislative Committee for the Missouri Land Title Association and has been a past speaker/panelist at several Land Title Association conferences. He has also taught continuing legal education courses for the National Business Institute and has received awards for organizational excellence from the American Society of Quality.

“We are very pleased to have Kyle join our growing team,” said James M. Czapiga Esq., President and CEO of The CATIC Family of Companies. “We look forward to his insight and guidance as we expand into new markets and focus more on the multistate and national agent segment. His background and experience are the perfect complement to our organic growth and brand-building strategies.”

MORTGAGE CONNECT ADDS ALLEN ILLGEN AS NATIONAL SALES EXECUTIVE



Mortgage Connect LP, a national mortgage services provider, has announced the hiring of **Allen Illgen** as National Sales Executive, Originations. Illgen will work

directly with clients to provide expertise as they leverage Mortgage Connect’s suite of products to optimize their workflow by building greater efficiency and automation into their originations processes.

For home equity lenders, Illgen will assist clients using Mortgage Connect’s ground-breaking proprietary FINTRAC technology to reduce costs, automate workflow, and move loans quickly and seamlessly from point-of-sale to close.

Illgen has more than 20 years of experience in the mortgage industry. He worked previously as Director of National Services for Title365, and prior to that, as VP of National Sales at American Title, and VP at Indecomm Global Services.

“We are excited to welcome Allen to Mortgage Connect. Allen is a well-known and respected professional in our industry,” said Cristy Ward, Chief Strategy Officer and EVP of Mortgage Connect. “He brings a tremendous amount of expertise that will be a great benefit as we continue to expand our national footprint.”

Mortgage Connect has been providing cutting-edge solutions to mortgage lenders for 15 years, and last year, Mortgage Connect

made *Inc.* 5000's list of Fastest-Growing Private Companies by growing 540% over three years. The honor marked the third consecutive time Mortgage Connect has made the *Inc.* 5000 list and the fourth time overall.

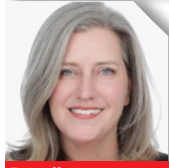
"At Mortgage Connect, we are always focused on the consumer experience and how we can best serve clients through our innovative solutions, advanced technologies, and industry expertise," said Jeff Coury, CEO of Mortgage Connect. "We are thrilled to welcome Allen to our team and know he will be an integral part in helping us deliver the level of service our clients are accustomed to."

NICOLE BOOTH PROMOTED TO CEO OF QC ALLY



Booth

QC Ally has announced that **Nicole Booth** has been named CEO, after previously serving as the company's Chief Marketing Officer (CMO).



Broadley

With her extensive background in regulatory affairs, business strategy, and the mortgage industry, her unique skillset will help drive the company's core pillars of partnership, excellence, and quality.



Peregord

"I've spent the past seven months diving head-first into understanding the importance and opportunity for innovation in loan quality certainty from the unique perspective of industry leaders, GSEs, and the QC Ally team," Booth said. "I am humbled to be surrounded by industry veterans that are collectively championing Enterprise Loan Quality. Heading into the new year, I look forward to leading QC Ally as we help our client partners realize true loan quality certainty."

Booth joined QC Ally in July 2022, after previously leading efforts on digital closing acceptance as EVP of Public Affairs at Notarize, and VP of Public Policy at Rocket Mortgage.

"I'm thrilled for Nicole in her new role as CEO of QC Ally. Having worked with her for years, I know Nicole will successfully lead the company," said Marcia Davies, COO of

Mortgage Bankers Association (MBA) and Founder of mPower. "I'm looking forward to continuing to work closely with Nicole to move the real estate finance industry forward through active engagement on the MORPAC Steering Committee and within the mPower community."

With Booth vacating the CMO role, **Kristin Broadley**, QC Ally's Chief Innovation Officer, will take over the company's marketing efforts. As a regular industry speaker, Broadley will continue using her platform to help weave the threads of innovation, product, and service to build QC Ally's brand, create awareness, and drive thought leadership. Donna Gibson will continue to serve as QC Ally's COO and President.

"Over the past decade, we've provided an unmatched client partner experience," Gibson added. "With the addition of sought-after industry leaders like Nicole and Kristin, I'm ecstatic to advance our tech-enabled service to help even more financial institutions gain lending clarity and certainty."

The company has also hired **Melissa Peregord** as their new Chief Growth Officer, who comes to QC Ally with 25 years of experience successfully building relationships and growth strategies. Peregord is credited with helping organizations build structure and procedures to help manage enterprise relationships. For the past 12-plus years, she worked within the Rocket Family of Companies—most recently managing the company's top 20 bank relationships as Director of Bank Relations. She comes to QC Ally from digital mortgage provider Stavvy, where she served as Enterprise Accounts Director, helping build out the company's relationship management processes and procedures.

"One of our goals when we acquired QC Ally was to build an unmatched team of trailblazers that could take the company into the future," said Michael Detwiler, QC Ally Board Member, Investor and Partner with Executive Leadership. "With Nicole taking on her expanded role as CEO alongside the rest of the leadership team, including Donna, Kristin, Melissa, and CIO, Greg Crozier, I am confident we have found our Dream Team."

For more than 20 years, QC Ally's loan quality experts have been accessible to client partners, while leveraging a suite of services and world-class proprietary software, LQ_Pro, to provide a partnership-oriented experience that accelerates the mortgage manufacturing process.

"With the industry once again going through cyclical changes, lenders have a unique opportunity

to refocus on what matters most—originating, securitizing, and servicing loans through an improved process that lowers costs and enables increased access to homeownership," said Faith Schwartz, Founder and CEO of Housing Finance Strategies. "I am beyond excited for Nicole to lead an organization focused on Enterprise Loan Quality initiatives that are backed by tech-enabled, data driven audit services."

LEGAL PROVIDERS

LANDON SMITH JOINS KRISS LAW AS CHIEF STRATEGY OFFICER



Kriss Law/Atlantic Closing & Escrow (KL/ACE) has added industry veteran **Landon Smith** as the firm's new Chief Strategy Officer. Smith will spearhead KL/

ACE's national growth strategy, including brick and mortar sites in new jurisdictions, the hiring and management of new sales staff, entrée into new lines of business, technology advancements and mergers and acquisitions.

Smith comes to KL/ACE as a trusted senior leadership executive, board advisor, and management consultant. He has more than 30 years of experience in the technology and financial (title insurance and mortgage services) industries. Smith has held executive positions at LandAmerica, Stewart Lender Services, ServiceLink, and The Closing Exchange, as well as with a number of independent national title insurance agencies.

Smith's extensive experience spans all products in the lifecycle of a loan: origination, home equity, default, loss mitigation and REO. In connection with these service arenas, Landon has been directly involved in structuring mergers and acquisitions, post-merger/acquisition integrations, overseen B2B operations, profit and loss management, strategic business development, and the development of corporate sales and marketing strategy.

"In all facets of his career, Landon has demonstrated the capability to grow, innovate, operate, and thrive in both start-up and mature publicly traded environments," KL/ACE President and CEO Scott D. Kriss Esq. said. "We at Kriss Law/Atlantic are looking forward to his leadership as the company enters its next stage of growth and advancement."



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BLACK KNIGHT LAUNCHES NEW COLLECTIONS SOLUTION

Black Knight Inc. has enhanced its suite of solutions dedicated to exceeding the needs of homeowners throughout their servicing journey. The most recent addition is the Collections solution, which delivers the functionality to assist mortgage servicers in their efforts to keep customers in their homes during periods of financial hardship by streamlining the process of engaging customers with meaningful information. This early engagement can help prevent foreclosure and late-stage default by making qualified assistance options timelier and more accessible to both homeowners and servicers.

“We consider it a privilege at Black Knight to be able to deliver technology that supports the American aspiration of homeownership,” said Sandra Madigan, Chief Digital Officer for Black Knight. “A homeowner facing finan-

cial hardship may feel anguish, fear, and even embarrassment. Our comprehensive solutions address this difficult reality by giving servicers a seamless path to help their borrowers prevent or resolve delinquent payments. Whether a borrower prefers to browse their options independently or connect with a servicer’s support representative—the Collections application brings consistency, ease, and relief to the process.”

The Collections solution seamlessly integrates with the MSP loan servicing system and Servicing Digital, Black Knight’s self-service app and responsive web solution that allows borrowers to access loan, home, and neighborhood information. Through this integration, borrowers can browse and select from qualified assistance options at a time and pace that suits

them. Additionally, a servicer’s employees can access key information to help their customers address delinquent payments quickly and efficiently to ultimately avoid transitioning customers into default.

“Every mortgage servicer’s goal is to help customers remain in their homes, and by rounding out our robust suite with the Collections solution, these servicers have even more resources to do so,” said Joe Nackashi, CEO of Black Knight. “Continuous engagement is key to providing a top-tier experience throughout the customer journey, and periods of hardship are when consumers need this outreach most. We are proud at Black Knight to contribute to the special relationship between a servicer and the homeowner—a relationship that’s fundamental to the American Dream.”



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ESSENT ACQUIRES AGENTS NATIONAL TITLE AND BOSTON NATIONAL HOLDINGS

Essent Group has entered into an agreement through its subsidiary Essent US Holdings Inc. to acquire Agents National Title Holding Company and Boston National Holdings LLC from Incenter LLC, a subsidiary of Finance of America Companies Inc. for \$100 million.

Agents National Title, based in Missouri, is a title insurance underwriter with 44 state licenses, and issues title insurance products through a network of title insurance agents. Boston National Title is an independent title agency based in North Carolina that provides title and settlement services, with licenses in 40 states and the District of Columbia.

“Title insurance is a natural complement

to our MI business with relatively low and stable loss ratios historically,” said Mark Casale, Chairman and CEO of Essent. “The acquisitions of Agents National Title and Boston National Title add a team of seasoned title professionals to Essent and provide a platform to leverage our capital position, lender network, and operational expertise across an adjacent real estate sector as we continue to expand our franchise.”

Casale is the founder, CEO, and Chairman of the Board of Directors of Essent Group Ltd. He has more than 25 years of financial services experience, which includes senior roles in mortgage banking, mortgage insurance, bond insurance and capital markets.

Founded in 2008 by Casale with \$500 million of equity funding, Essent Group has grown to a market capitalization of approximately \$5 billion, and manages more than \$200 billion of insurance in force. Headquartered in Radnor, Pennsylvania, Essent Guaranty is licensed to write mortgage insurance in all 50 states and the District of Columbia, and is approved by Fannie Mae and Freddie Mac. Essent also offers mortgage-related insurance, reinsurance and advisory services through its Bermuda-based subsidiary, Essent Reinsurance Ltd.

The closing of this transaction is subject to regulatory approvals, and Goldman Sachs & Company LLC is acting as financial advisor to Essent.



GUILD MORTGAGE ACQUIRES LEGACY MORTGAGE

Guild Mortgage has increased its presence in the southwestern U.S. with the acquisition of Legacy Mortgage, an independent New Mexico-based lender. Terms of the acquisition were not disclosed.

Legacy Mortgage was founded in Albuquerque, New Mexico, in 2002. Jack Thompson joined Legacy in 2006 as Co-Owner and CEO/President, and grew the company to be a presence in the state. Thompson purchased the company in 2006. Legacy will become part of Guild's Southwest region.

"This acquisition is part of the company's continued plan to grow both in existing

markets and by entering new ones with selective acquisitions of like-minded lenders," said Mary Ann McGarry, Guild Mortgage's CEO. "Legacy Mortgage recently celebrated its 20-year anniversary of providing home financing and our team has always admired the company's commitment to its employees and customers. We are pleased to further grow Guild's presence in the high-growth Southwest region of the country and the Legacy Mortgage culture aligns well with what we've developed at Guild over more than 60 years. Our combined strengths will drive further growth throughout the Southwest."

Legacy is well-respected for its market

leadership and community involvement, with 13 branches in four states—Arizona, Colorado, New Mexico, and Texas—and offers a range of purchase and refi options.

"By joining Guild, the Legacy Mortgage team can offer borrowers a broader range of purchase and refinance loan options, including FHA, VA, USDA, down payment assistance programs, and other specialized loan programs," Thompson said. "Clients will also benefit from access to new digital and customer relationship tools that improve every step in the lending experience, including servicing, a Guild strength for decades."



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LOGS LEGAL NETWORK PARTNERS WITH IDEA LAW GROUP

The LOGS Legal Network has announced that IDEA Law Group has joined their network as a member firm, further strengthening, and expanding geographical, industry, and practice resources for both firms.

“Growing LOGS Network’s footprint on the West Coast was a priority in our expansion plan, and we are excited we found a mutually beneficial partnership with IDEA Law Group, allowing us to grow in a measured way while ensuring our clients’ needs are met,” said Jason Shapiro, President of LOGS Legal Group LLP. “With complementary strengths, common

values, and strategic alignment, our valued clients can continue to rely on our commitment to a high quality of service, responsiveness, and resilience, as well as a continued focus on innovation.”

With the addition of IDEA Law Group, the LOGS Network brings more than five decades of creditors’ rights experience and coverage in over 40 states.

“We are excited to announce this partnership with the LOGS organization, which brings together two client-centered firms that share a commitment to diversity, excellence,

innovation, and agility. Combining over a century’s worth of industry-specific experience provides an unparalleled depth and scope of practical understanding and forms a strong foundation on which to continue to build,” said Danette Baldacci, Managing Director, IDEA Law Group.

In 2020, after more than 20 years of providing legal services to servicers, banks, and other creditors, Jennifer Rogers and Danette Baldacci partnered to found IDEA Law Group LLC, a certified woman-owned law firm providing legal services in six states.



ATTOM FURTHER POWERS ITS INVESTMENT AND MITIGATION STRATEGIES

ATTOM has announced that it has integrated propensity to default analytics into its U.S. property data warehouse. With this news, the ATTOM Table of Data Elements expands even further with another layer of details to enhance market intelligence, while enabling various industries powerful investment insight and mitigation strategies.

This integration combines ATTOM's comprehensive foreclosure and mortgage data with Powerlytics—a predictive analytics solution provider with a proprietary database of anonymized tax returns covering over 150 million U.S. households, to score properties across the nation on the likelihood of going into foreclosure.

“What started as a focus in fueling real estate industry customers with premium property data, has exploded into powering various industries across all spectrums,” said Rob Barber, CEO at ATTOM. “In today's volatile housing market, being armed with predictive analytics that will allow real estate investors, brokers,

mortgage servicers, and more the ability to zero in on properties that have the highest probability of going into foreclosure, is essential for competitive data-driven decision making.”

By joining the power of the ATTOM Data Warehouse—which houses historical property characteristics data along with deed, mortgage, foreclosure, and more for 155-plus million U.S. properties—with Powerlytics' consumer and business financial data, and then applying machine learning techniques, a propensity of default score for properties across the nation is accurately predicted.

“We are excited to leverage Powerlytics proprietary dataset to deliver insights and value across the residential real estate ecosystem,” Powerlytics CEO Kevin Sheetz said. “Combining our accurate, granular, and comprehensive financial data and predictive modeling expertise with ATTOM's rich property insights proved to be a powerful combination in predicting mortgage default propensity.”

This proprietary model identifies the prob-

ability that a residential property will become a mortgage default (aka pre-foreclosure) within the next 12 months and allows customers to zero in on the properties that have the highest propensity to default.

Enabling industry professionals, the ability to find homeowners motivated to sell; curate targeted marketing lists; limit portfolio losses; and develop mitigation strategies.

“With the recent lift in foreclosures across the nation, insights into the financial health of homeowners offers a powerful and unique solution for understanding who might be in distress,” ATTOM Chief Product and Technology Officer Todd Teta said. “Along with the value of a home and a homeowner's equity position, the overall financial health of the homeowner creates a full picture of the borrower's willingness and ability to stay current on their mortgage and out of default. Combining these data points yields a much more predictive solution than the individual data points do on their own.”



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TRANSUNION ANNOUNCES REBRAND

TransUnion has rebranded its global lines of business solutions, rolling out first in the U.S. The enterprise initiative organizes thousands of existing B2B products into seven solution lines, defined by business need and unified by a promise to deliver a “Tru” picture of consumers—a multilayered and actionable view of each person, stewarded with care.

Through the investment and acquisitions of Neustar and Sontiq, TransUnion has built upon its expertise in consumer identity to expand beyond credit into fraud management, marketing solutions and communications.

“TransUnion’s rebrand clarifies our product offerings and better demonstrates our expertise in both our heritage and new markets, while also making it easier for customers to find what they need,” said Chris Cartwright, President and CEO of TransUnion. “It’s the next logical step in the company’s evolution. We can now offer more powerful consumer insights than ever before, allowing us to meet the needs of our customers in more ways, and at a much deeper level.”

TransUnion’s seven, newly organized global solutions lines include:

TruAudience: The next generation of privacy-enhanced, identity data enriched, omnichannel audience targeting, and advanced analytics

to transform marketing and media performance. In addition to all TransUnion marketing products, TruAudience has expanded to include all marketing offerings from Neustar.

TruValidate: Fraud prevention and identity proofing products that secure trust across channels and delivers seamless experiences for consumers. In addition to all of TransUnion’s fraud products, TruValidate has expanded to include all fraud offerings from Neustar.

TruVision: Risk management products that enable clients to more precisely balance risk and opportunity to identify and manage best-fit customers across the account lifestyle. TruVision includes all TransUnion risk products, including those formerly known as CreditVision, CreditVision Link, and DriverRisk. This line also includes other credit-risk products for financial services, insurance, tenant, and employment and more.

TruIQ: Advanced analytics products and services that provide custom insights to help organizations make better, data-driven decisions faster, through consulting services and technologies. TruIQ includes offerings formerly known as Prama and Innovation Lab, as well as other custom analytic services.

TruEmpower: Consumer engagement products that help businesses deepen consumer

relationships by enabling them to understand, manage and protect their financial health and identity, through credit and identity protection tools and education. TruEmpower includes all products our customers and channel partners may offer to their consumers, including what was formerly known as CreditView Dashboard. It also includes offerings from IdentityForce and Cyberscout.

TruLookup: Investigative products that deliver actionable information to help organizations conduct faster due diligence or issue resolution, and includes TLOxp as the primary delivery platform.

TruContact: Communications and contact center products help restore trust in communications, enhance customer outreach with authoritative identity, and streamline delivery of telecom connectivity services. TruContact includes products from Neustar Communications and Contact Center Solutions.

“Ultimately, we believe the rebrand will simplify our offerings and allow customers from disparate industries such as financial services and media and entertainment to easily navigate our product portfolio and capitalize on the Tru picture that TransUnion offers, no matter what the use case,” said Tim Martin, Chief Global Solutions Officer, TransUnion.



AGENTHOME TO ACQUIRE CORINTHIAN TITLE COMPANY

AgentHome LLC, a national network of independent title agents, has signed a definitive agreement to acquire Corinthian Title Company, a California-based provider of title insurance and escrow services for residential and commercial real estate transactions. The closing of the acquisition is subject to regulatory approvals and the satisfaction of customary closing conditions.

Corinthian, headquartered in San Diego, California, is a locally-owned and operated title agency currently licensed to issue title insurance policies in 28 counties within the State of California. With 10 locations throughout Southern

California, the company is licensed to provide title and escrow services to approximately 90% of the population in California, including most major metropolitan areas.

“Over many years of providing the very best products and service to its growing customer base in California, Corinthian has developed a reputation for excellence and commitment to helping people and businesses achieve the dream of acquiring real estate,” said Mary O’Donnell, CEO and President of AgentHome. “We are delighted that the Corinthian team has joined our network of independent title agencies who want

to leverage our resources—and each other—to grow their businesses while maintaining their unique cultures and local expertise.”

Draycott Place Partners served as the Exclusive Financial Advisor to Corinthian. Nelson Mullins served as legal counsel to AgentHome.

“We are excited to join AgentHome! They will provide us with the support and platform to continue to grow our company throughout California, further expanding our ability to serve our customers, while preserving our legacy, brand name, and culture,” said Michael Godwin, President of Corinthian.



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BERKADIA DOUBLES FHA FINANCING SERVICING CAPACITY BY PARTNERING WITH RABBET

Rabbet, a provider of construction finance software, has announced a partnership with Berkadia, an FHA construction loan servicer, to double servicing capacity.

Berkadia's adoption of Rabbet's platform aligns with their commitment to long-term investments in people and technology. With Rabbet, Berkadia FHA/HUD has doubled servicing capacity, improved processing times, and developed insights to better advise customers.

"Rabbet is committed to providing the

tools to service even the most complex areas of construction finance, including HUD lending," said Will Mitchell, CEO of Rabbet. "We are excited to partner with Berkadia to streamline their processes, increase efficiency, and better serve their customers."

Berkadia VP of FHA Construction Ryan Duff, added, "This partnership is a key step in our efforts to grow our FHA construction lending business. By leveraging Rabbet's technology, we are able to significantly increase our capacity

to service this important market segment."

Rabbet's HUD servicing solution allows HUD lenders to read forms like the 92448 and generate the 92403 and 92451 forms which are distinct to HUD. Rabbet's HUD solution also gives users the ability to track and report on milestones for complex capital stacks. These features and others were specifically built to accelerate and optimize the operations specifically for HUD lenders.

CELEBRATING 20 YEARS OF *DS NEWS*

Beginning as *REO Magazine* in 2003, it would evolve into *DS News* and provide coverage of the mortgage and default servicing world through the housing crash, a global pandemic, and so much more.

Launched in 2003, *REO Magazine* set out to cover a corner of the housing market that isn't often spotlighted by mainstream publications. In 2008, it rebranded to *DS News*, with the DS standing for Default Servicing. In June 2008, the publication that began as *REO Magazine* celebrated its fifth anniversary. With the nation reeling from a protracted financial crisis and housing crash, *DS News'* mission to cover the sectors of default, foreclosures, loss mitigation, and REO became even more critical.

Throughout it all, *DS News* continued to bring its readership exclusive interviews, features, and contributed pieces featuring insights from the men and women who were integral to navigating that crisis. That mission continued through years of economic recovery and remarkable growth for the housing market, as well as the unprecedented challenges of the COVID-19 crisis.

And next month, change is happening yet again as *DS News* and its sister magazine

MReport merge to become *MortgagePoint*, a new industry publication that takes our dedication to cover all aspects of the mortgage, housing, and servicing ecosystem to the next level.

As we move forward, we also look back to appreciate the road that brought us here. Here is a look at some of our noteworthy *DS News* covers from the past 20 years of coverage (including a few that are just personal favorites for yours truly).



JUNE 2008

DS News celebrated its fifth anniversary—counting its early days as *REO Magazine*—with this gallery of past covers, an idea we’re echoing with this month’s retrospective cover. With a cover headline noting the “REO Gold Rush,” it’s a reminder of just how shifting and cyclical the housing market can be.



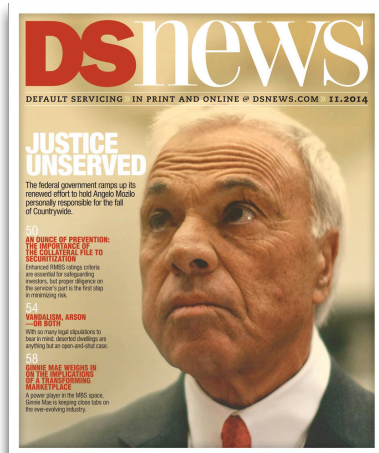
MARCH 2009

Diving into “The Moratorium Morass,” our March 2009 issue examined the federal government’s attempts to stem the bleeding of the ongoing economic crisis by implementing foreclosure moratoria—a conversation that will seem all too familiar to industry professionals who recently navigated the COVID-19 crisis and the corresponding economic fallout.



JULY 2014

With a cover story examining the housing market’s recovery after the turmoil of the preceding years, with the feature asking who of the market’s players would “Pass or Fail.” Timothy J. Mayopolous, President and CEO of Fannie Mae from 2012–2018, graced the cover. Today, Mayopolous is President of digital mortgage solutions provider Blend.



NOVEMBER 2014

Our cover story, “Justice Unserved,” examined the aftermath of the collapse of defunct subprime lender Countrywide and the Department of Justice’s attempts to hold CEO Angelo Mozilo responsible. It’s a reminder of how the subprime lending crisis contributed to the nation’s economic woes during those tumultuous years and how the ripples have continued to spread for years thereafter.



APRIL 2015

One of several prominent political figures who have graced the covers of *DS News* over the years, in April 2015, we featured an exclusive interview with Democratic Congresswoman Maxine Waters, who was and has remained a key figure on the House Committee on Financial Services.



JUNE 2015

In “The Bureau Effect,” *DS News* examined how the inception of the Consumer Financial Protection Bureau was impacting the mortgage servicing landscape. The Bureau has remained a source of controversy throughout the ensuing years, with the CFPB currently at the center of a Supreme Court case centering on the constitutionality of its funding structure.

By *David Wharton*



MARCH 2016

In “The Castro Effect,” *DS News* profiled then-HUD Secretary Julian Castro (2014-2017), who spoke about the importance of responsible homeownership, the Affirmatively Furthering Fair Housing rule, and his political aspirations. Castro went on to run for president during the 2020 election cycle.



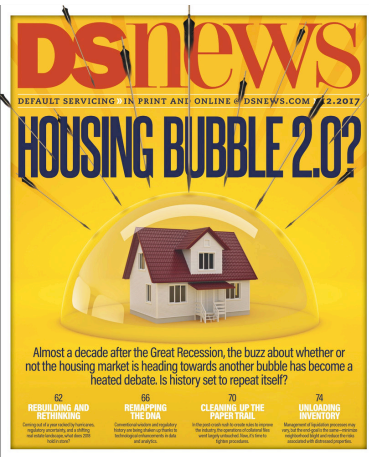
NOVEMBER 2016

In fall of 2016, *DS News* presented an exclusive interview with Timothy J. Sloan, then recently installed as CEO of Wells Fargo. He would continue to serve as CEO until his resignation in March 2019, on the heels of controversies surrounding Wells Fargo’s well-publicized account fraud scandals. In January 2023, Wells Fargo announced it was “stepping back” from the multi-trillion dollar U.S. mortgage market amid regulatory pressure and the impact of higher interest rates.



JUNE 2017

With our “Ted Talks” cover feature, *DS News* spoke with Ginnie Mae President and CEO Ted Tozer—a role Tozer held from 2010-2017. Our feature profiled Tozer’s seven years on the job only a few months after he had stepped down from the position in January 2017.



DECEMBER 2017

An important personal market for myself, this issue was the first I worked on after joining the Five Star Institute in the fall of 2017. The cover story examined concerns that the industry was headed for another housing bubble collapse like what had been seen a decade earlier. While that particular crisis never emerged, the industry was only a few years from the wholly unexpected surprise of a global pandemic.



OCTOBER 2018

Still a personal favorite given this editor-in-chief’s love for horror movies, in October 2018, we shared this evocative cover as we explored the challenges mortgage industry professionals face in managing and maintaining so-called “zombie properties.”



MAY 2020

In the early months of 2020, word began to spread of a new respiratory illness in China. Little did we suspect just how completely it would upend and redefine every aspect of our lives and culture in the months and years to come. With our May 2020 issue, we dug into how the early stages of the pandemic were impacting the mortgage servicing world, with insights from execs representing BSI Financial, Mr. Cooper Group, Planet Home Lending, and others.



OCTOBER 2020

Former United States Deputy Secretary of Housing and Urban Development Brian Montgomery was a staple of Five Star's publications and events during his tenure. We profiled him on the cover of our November 2018 edition, and in October 2020, he returned to update *DS News'* readership about FHA's Catalyst system and his work to upgrade FHA's tech stack.



FEBRUARY 2021

Continuing our commitment to profiling high-level mortgage industry executives and power players, in February 2021, we featured an interview with Gateway First Bank CEO Scott Gesell, who discussed "The Power of the Right People."



APRIL 2022

Debuting at Five Star's annual Government Forum event, our April 2022 edition featured an exclusive profile of Sandra L. Thompson, then-Acting Director of the FHFA, who discussed her goals and priorities for the Agency, as well as her vision for the future of the GSEs. Director Thompson was also a keynote speaker at that year's Government Forum. (Join us in Washington this April 11 for this year's event, featuring a morning keynote from Julia Gordon, Assistant Secretary for Housing and Federal Housing Commissioner, U.S. Department of Housing and Urban Development. You can learn all the details at [FiveStarGovernmentForum.com](https://www.fivestar.com/governmentforum).

INTRODUCING

MortgagePoint Magazine

THE INDUSTRY'S MOST VALUED PUBLICATIONS JOINING FORCES

This April, the Five Star Institute's premier trade publications, *DS News* and *MReport*, are joining forces to become *MortgagePoint*. This new publication will bring you the same exclusive news, features, interviews, and commentary you've come to expect from Five Star—now taken to the next level and all in one place. *MortgagePoint* will be your one-stop shop for coverage of the full spectrum of mortgage, from originations to default. Scan the QR code to sign up and learn more.



MortgagePoint Magazine

THE FIVE STAR INSTITUTE TO LAUNCH MORTGAGEPOINT MAGAZINE

Next month, Five Star is preparing for the next evolution of our commitment to covering the mortgage and housing industries. This April, we're taking the next step forward as we prepare to bring you *MortgagePoint* magazine: a unified publication that represents the next step in our commitment to covering all aspects of our industry, all in one place.

MortgagePoint was born from countless discussions with our readers, our clients, and our other industry partners over the past couple of years. From those conversations, a few things became apparent. One, while we're enormously proud of the work the Five Star reporting team has done with *DS News* and *MReport* over the years, the division between the two has become increasingly artificial. While our readership

encompasses professionals working in all aspects of the industry, from originations to default as well as supporting areas such as real estate agents, financial services attorneys, service providers, fintechs, and more, our reader feedback has made it clear that most of our readership doesn't tune in only for *DS News* or only for *MReport*—they read both. This makes a lot of sense, given that the American system of housing and mortgage is

a complex ecosystem, and no portion of that ecosystem exists in a vacuum. The economic factors impacting originations and refi volume may lead to adjusted foreclosure volumes down the road, and the shifts in default numbers can serve as harbingers of where the larger industry is headed in the months to come.

“In the face of challenges such as inflation, recessionary conditions, and the lingering ways the industry landscape has been fundamentally altered during the unprecedented past few years, it's never been more critical for mortgage professionals to have a clear, comprehensive understanding of the big picture. That is the perspective that *MortgagePoint* is designed to bring its readers,” said Ed Delgado, Chairman Emeritus, of Five Star Global, the parent company of both *MortgagePoint* and the Five Star Institute.

It's all of a piece, in other words, and *MortgagePoint* is our solution to that feedback: putting all the industry news you've come to rely on from *DS News* and *MReport* in one place. *MortgagePoint* will offer businesses and individuals access to up-to-date mortgage industry data, news, and commentary alongside in-depth profiles of the hard-working individuals who support all aspects of this complex sector of the American economy. Through that single portal, *MortgagePoint* will also continue to bring you multimedia features such as webinars and podcasts to provide users with a comprehensive view of the mortgage landscape.

MortgagePoint will also give our industry partners an ideal platform to spotlight their companies and contributions, providing streamlined content accessibility for partners. Throughout its properties, *DS News* reaches a combined readership of 50,000 people each month, and an additional audience of well over 20,000 on social media. *MReport* reaches a similar amount of 45,000. Together, they share 80% of the same audience.

"With *MortgagePoint*, our goal is to create one unified brand across our magazine, email marketing, and website properties, organically increasing the reach for advertisers without the risk of losing a captive audience," said Jonathan Hughes, President of Five Star Global. "With *MortgagePoint*, our partners will enjoy greater magazine circulation, a larger subscriber base through our Daily Dose, and greater digital impressions without having to choose between the brands and risk missing an important segment of their potential audience. We strongly believe that *MortgagePoint* represents the natural next step for the growth path FSI has been on since the launch

of *DS News* nearly a decade and a half ago, and we can't wait to show our readers and partners where this new platform will take us."

MortgagePoint Magazine will launch this April with a special edition focused on government loan servicing and the government's role in the mortgage and housing industries, timed to coincide with Five Star's annual Government Forum at the National Press Club on April 11. It will include a cover spotlight interview with Julia R. Gordon, Assistant Secretary for Housing and Federal Housing Commissioner, U.S. Department of Housing and Urban Development. From there, we'll bring you a new edition of *MortgagePoint* each month, alongside a supporting website (launching in May) that will unify the strengths of *DS News* and *MReport* in one single location, continuing to bring you the insights and reporting you've come to expect. Existing magazine subscribers will be folded into *MortgagePoint* seamlessly, so you won't have to worry about missing a single issue.

For those who enjoy our daily and weekly email blasts, the DS Daily Dose and MDaily publications will continue, now co-branded under the *MortgagePoint* banner but continuing to bring you the same mix of news, interviews, features, industry announcements, and more. And *MortgagePoint* Weekly will take over the Saturday morning slot, bringing you a roundup of each week's most important and impactful coverage.

To reserve your *MortgagePoint* subscription and ensure you're kept up to date on all the announcements, make sure to sign up here. We're excited about everything we have to show you in the months ahead as we begin our *MortgagePoint* journey. We hope you'll all join us on that road.

**"With
MortgagePoint,
our goal is
to create one
unified brand
across our
magazine,
email
marketing,
and website
properties,
organically
increasing
the reach for
advertisers
without the
risk of losing
a captive
audience."**

—Jonathan Hughes, President,
Five Star Global

THE SPEED OF INNOVATION

Representatives of Flagstar, Selene Finance, and OrangeGrid discuss the keys to getting mortgage servicing technology projects approved and executed within a 90-day timeframe.

In a recent Five Star and OrangeGrid webinar entitled “Getting Servicing Technology Approved: From Concept to Completion in 90 Days,” Todd Mobraten, CEO of OrangeGrid; James Campbell, EVP and Head of Servicing for Flagstar’s residential mortgage business; Jarrad Lewis, who leads the delivery management capability of OrangeGrid’s product team; and 28-year industry veteran James Vinci, CTO, Selene Finance, discussed defining project objectives, selecting the right vendor, handling complexities, and getting project and budget approvals.

“For mortgage servicing, the big topic is technology,” said Mobraten, who moderated the webinar. “We need more of it, or we need to change it out. So, we’re either looking to add, replace, or connect things in your technology world. It’s the only way we’re going to become more efficient and increase margins.”

However, that’s no easy task for mortgage servicing and associated businesses, Mobraten said. The business side and IT side of the organization need to work together, which can be challenging.

In addition, servicing is changing faster than

ever, Campbell noted. “As we look at technology initiatives, they need to be quick to [both development and deployment.] You can’t have projects take a year or two years anymore. I’m looking for technology solutions that I can scope out, develop, and integrate in a short period of time.”

With that in mind, a 90-day window provides an agile timeframe so a servicer can implement some changes but not spend too much time in development, Campbell added.

“IT is here to help enable and facilitate the business. We all win by getting things done, and getting them done timely is important,” Vinci

said. “A large project is almost destined to fail just because of the rapid changes in our environment.”

Today, servicing professionals need information more quickly. So, the quicker analysts can have the necessary information, the better, Vinci added.

A 90-day timeframe, versus a longer scope, lowers complexity, so it lends itself to a higher chance of success, fewer defects, and better time to market, Vinci said. “It also helps on ‘scope creep.’ Both the business side and the IT side feel more of a sense of accomplishment by iterating through these things and getting them done.”

“Time is a killer of all things,” Mobraten agreed.

HOW TO DEFINE PROJECT OBJECTIVES

If a servicer fails to discuss the objectives at the beginning, there may be a myriad of issues, including scope creep, lack of alignment with internal teams, and other problems, Lewis suggested.

Scope creep “is death by a thousand cuts,” Campbell said. “You never want scope creep. What you want to do is take the time to develop your business requirements, be very specific and exact about it, know what your end objective is, and take



“You can’t have technologies that compete with each other. You need a single source of truth for your data. The wraparound systems have to be able to tie into that single source of truth.”

—James Campbell, EVP and Head of Servicing, Flagstar

the time to make certain that the vendor partner that you’re going to work with understands exactly what those business requirements are.”

To provide the most benefit, the technology needs to be in a functional state as quickly as possible, Campbell said. “I want to be able to take something and quickly implement it in the line of business. We can refine it later.”

“We’re building business cases and ROIs based on that defined scope and those requirements,” Vinci added. “As scope creep comes in, that business model breaks down.”

SELECTING THE RIGHT VENDOR, MANAGING THE COMPLEXITY

The vendor’s specialty must align with what you’re trying to achieve or you’re setting yourself up for failure, Lewis warned.

“I think we could all attest to being in this industry for so long as sometimes we work with a piece of technology that was designed for a specific thing and we either convince ourselves or someone else convinces us, we can tweak and morph this to do this other thing and just make it happen that way,” Morbraten said. “Pretty soon it becomes a [Frankenstein’s monster]. Over the next decade, we’re still asking, ‘how did we get here?’ So, it’s critical to understand what the true offering of that solution is.”

“You can’t have technologies that compete with each other,” Campbell cautioned. “You need a single source of truth for your data. The wraparound systems have to be able to tie into that single source of truth.”

The single source of truth can be your proprietary platform, your data, or your enterprise data warehouse, Campbell added. “Regardless, that single source of truth needs to be aligned with the wraparound technologies, and the wraparound technologies have to be aligned with your single source of truth.”

“Ultimately, these wraparound systems can become the de facto single source of truth for their function,” Vinci added. “So, it’s important to make sure that you’re syncing it back into your true single source.”

Another problem is that technology is often not documented the way it should be, Vinci said. So, figuring out those interdependencies and doing that work upfront is critical.

Changes may still need to be made, so any technology solution needs to be flexible, Vinci

said. “Gone are the days when everything was hard-coded. We need technologies out there that are flexible and allow you to rapidly make any needed changes.”

Vinci recommended addressing the need for a single source of truth with your architecture team and your data team. “They know what the interdependencies are.”

Managing complexity is another area where it’s essential to have a vendor that is aligned with your strategy, Vinci noted. “If you’re looking for small iterative development projects, make sure your vendors align with that—not all vendors [do].”

THE BENEFITS OF A STRONG TECHNOLOGY FOUNDATION

“Most of what business is trying to automate is decades of ‘muscle memory’—things that people have been doing at their desk for a very long time.” Lewis said. “It’s difficult to get to the finite details of truly what you do in your role and how to automate that.”

Lewis advised the audience to focus on the organization’s key objectives. The “muscle memory” can be uncovered during the automation process.

To align the different technology stakeholders, Campbell recommended making sure everyone understands the end objective of the technology project.

Clean architecture is important, Vinci added. “Technologists love shiny objects. We love new things. We love trying to essentially overbuild. It’s important to realize what the goal of the project is.”

While it’s tempting to add new capabilities as they become available, doing so has to be balanced with the need to get the technology up and running, Vinci said. Adding too many bells and whistles will slow down the implementation and benefits the organization will receive from the technology.

“Isolation and separation of applications is critical,” Vinci added. “The integration tool needs to be isolated, not embedded, and configurable.”

“You have to look at the entire solution when you’re integrating with your vendor partners,” Campbell added. “You want to make certain that you have a cost-effective solution for exchanging data. We want to make certain that we’re coming up with the best solution to utilize the data that we have available and that we’re updating the data from that third-party vendor’s platform back

to the primary system record.”

In addition, it must be done in the most cost-effective manner, added Campbell, who pointed out that web service calls or API integrations can be more expensive.

GETTING PROJECT APPROVAL

Solving the above issues means nothing if the project isn't approved, Mabraten noted.

To get stakeholder buy-in, Campbell recommended starting with a vision for the fiscal year, then scoping out the different technology initiatives. Trying to get approval in mid-year, rather than at the beginning, can be difficult.

“You need to be prepared to sell the benefit of those technology initiatives to the executive leadership team,” Campbell added. “You need to be able to show that this is going to create a more profitable enterprise for you and the executive team by compressing the cost or expanding the revenue or both. You need to be able to show that it's accretive to the financials.”

If it's not, you need to be able to demonstrate that the technology will reduce expenses or cut risk, Campbell said.

However, Vinci cautioned not to just then spend those savings on another IT project.

It helps if a proposed technology project is aligned with one the organization was already planning, Vinci added, cautioning that compliance and risk need to be considered with all technology projects.

While IT sometimes says “no” to technology that the business side wants, objections can often be overcome by getting IT excited about how the solution will impact the top and bottom lines, Vinci says. “We're an enabler. When you think about it that way, you can start getting excited about how you are going to impact the top and bottom lines with your projects.”

Though IT may want to build internally rather than bring in a third-party vendor, sometimes external vendors can implement technology more cost-effectively. Having access to internal and external IT enables you to make a side-by-side comparison and choose the best solution.

“For example, if we were to build something that required a heavy focus on regulatory compliance, we'd need to make certain that we were bringing in all the updates to compliance on a real-time basis, potentially leveraging external attorneys to give us up-to-the-minute updates

on compliance,” Campbell explained. “Instead of having to buy those updates as a servicer, I could go to the technology partner. They would be responsible for doing that and integrating it into their technology, so they could spread that cost with the attorneys that they work with across all their partners that they sell their product to, instead of me having to absorb it all internally in my proprietary build.”

GETTING BUDGET APPROVAL

“You're always going to look to request a bigger budget than you're going to get approved,” Campbell acknowledged. “The reality is I only have so many IT resources, and I only have so much capital capacity to do development. So, we risk-rank and prioritize everything based on first looking at the regulatory and compliance environment. We focus on those first.”

The service business is heavily regulated, so regulatory- and compliance-related technology must be prioritized, Campbell explained. Next is the maintenance of existing applications, then comes new technology projects.

New projects will be prioritized by whatever provides the best return or the most help with customer experience (CX), though that is difficult to measure.

Campbell added that budget approval is much easier if different departments communicate with one another to find and request approval for technology that can be implemented across the organization.

“It's important to build those good business relationships,” Vinci agreed.



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

“We're an enabler. When you think about it that way, you can start getting excited about how you are going to impact the top and bottom lines with your projects.”

—James Vinci, CTO, Selene Finance

THE LITIGATION BULLY: VEXATIOUS LITIGATION

A closer look at vexatious litigation and its impact within the legal system in the states of Arizona and Nevada.

Litigation fees related to a wrongful foreclosure case can seem unending. Even after prevailing in the lower court, the lender may be subject to a borrower's appeal, further dragging out issues.

Then, after prevailing on appeal and when it finally feels like it is over, the borrower refiles a new lawsuit, hoping something sticks, in order to further delay the foreclosure process.

To combat the never-ending parade of litigation, various jurisdictions have statutes that allow courts to deem individuals to be "vexatious litigants," which curtails their ability to file any new lawsuits, without first getting court approval.

Below is a summary of how Arizona and Nevada govern vexatious litigants.

ARIZONA

Deeming a borrower, or any litigant, a vexatious litigant is a serious consequence, and one that courts do not take lightly. To prevail, the moving party should paint a picture about, not just the borrower's history of litigation abuse; but also, how, if not stopped, the abuse will continue.

Specific factors that Arizona courts will consider when deciding whether someone should be deemed a vexatious litigant include:

- (a) Repeated filing of court actions solely or primarily for the purpose of harassment.
- (b) Unreasonably expanding or delaying court proceedings.
- (c) Court actions brought or defended without substantial justification.
- (d) Engaging in abuse of discovery or conduct in discovery that has resulted in the imposition of sanctions against the pro se litigant.
- (e) A pattern of making unreasonable, repetitive and excessive requests for information.
- (f) Repeated filing of documents or requests

for relief that have been the subject of previous rulings by the court in the same litigation. [Emphasis Added] A.R.S. § 12-3201(C), A.R.S. § 12-3201 (E)(1) (a-f).

Lenders usually rely on subsections (a), (c), and (f) to support their motion to deem borrowers as vexatious litigants. The more unsuccessful litigation (or bankruptcies) the borrower files, the higher likelihood the court will deem the borrower a vexatious litigant. Unfortunately, there is no bright line rule on how many unsuccessful lawsuits or baseless motions are needed before the court deems the borrower a vexatious litigant. In fact, the same motion may be granted by one judge and then denied by another judge. While the unpredictability of whether a motion will be successful is frustrating, the upside to a successful motion is often worth the cost because it stops borrowers in their tracks and ends the seemingly never-ending cost of litigation defense and delays. A vexatious litigant will be barred from filing



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a vexatious
litigant.**

any “new pleading, motion or other document without prior leave of the court.” A.R.S. § 12-3201(B).

NEVADA

Unlike Arizona, Nevada does not have a specific vexatious litigant statute. Instead, Nevada looks to the Federal Ninth Circuit for guidance, which has defined vexatious litigation as “without reasonable or probable cause or excuse, harassing, or annoying.” *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 886 (9th Cir. 2012). To determine whether the litigant’s conduct is frivolous or harassing, the court evaluates both the number and content of the filings as indicia of the frivolousness of the litigant’s claims. *Albanese v. Las Vegas Metro. Police Dep’t*, 2:17-cv-01600-JAD-VCF, 2017 WL 2622759, at *6 (D. Nev. June 15, 2017).

Additionally, Nevada courts also utilize similar factors outlined above from Arizona in evaluating what constitutes “harassing” or “without reasonable cause.” Again, there is no bright line number of unsuccessful lawsuits or motions needed to deem a borrower a vexatious litigant; however, usually a second motion to deem the borrower vexatious will gain more traction. When successful, the borrower will be barred from continuing to file suits and delay the foreclosure without first obtaining court approval to file.

CONCLUSION

Regardless of whether your case is in Nevada or Arizona, it is important to emphasize the mantra of “if you do not succeed, try, try again.” Courts are inherently sympathetic and skittish to deem a pro se borrower litigant (or any litigant for that matter) as “vexatious,” given the effects of doing so (i.e. forcing them to obtain leave before any new filings).

Thus, for instance, if you prevail on a Motion to Dismiss in “Case A,” and the borrower subsequently brings an identical “Case B,” you are well within your right to seek not only a dismissal, but also an order deeming the borrower vexatious. In so doing, a Court will likely grant your request for a dismissal, but in many cases deny the portion deeming the borrower vexatious. But that does not mean that portion of the Motion was for naught.

Because borrowers who file two unsuccessful lawsuits are highly likely to do it again and again, anything to forestall the inevitable foreclosure.

Thus, when “Case C” eventually comes about, the lender has already greased the wheels with the court and can file a renewed motion, highlighting how its fears became realized when the borrower filed yet another meritless lawsuit. At that point, the court should seriously consider deeming overly aggressive borrowers a vexatious litigant, preventing them from filing new litigation without first obtaining court approval after proving to the court that the proposed lawsuit has merit.

Disclaimer: The above information is intended for information purposes alone and is not intended as legal advice. Please consult with counsel before taking any steps in reliance on any of the information contained herein.



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PricewaterhouseCoopers LLP in New York City. Riether entered private practice in New York City in 2008 before moving to Las Vegas in 2012 and continuing in the private sector. Since joining Wright, Finlay & Zak in 2017, Riether’s practice has focused primarily on real estate litigation, including lender and servicer liability defense, wrongful foreclosure defense, fair debt collection practices defense, and title disputes. He regularly practices in state and federal courts throughout Nevada and is also licensed in Arizona, New Mexico, New York, and New Jersey. Riether is also a Certified Public Accountant licensed in both Nevada and New York.



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HOUSING MARKET 2023: PREDICTIONS AND STRATEGIES

With 2021 benefiting home sellers, the transition to a distinctly buyer-biased market is on the horizon.

Prior to 2022, analysts across most markets predicted a continued run of good fortune. Perhaps it was denial or simply the hope that the Federal Reserve would achieve the soft landing that (so far) eludes us. No matter the root cause, analysts saw their hopes shatter as, for example, consensus estimates of the S&P 500 striking 5,225 by year's end fell short by more than 40%.

A confluence of factors spun together to create the perfect economic storm we've experienced: rampant inflation, geopolitical uncertainty, nearly a decade-long bull run, overinflated valuations, and (perhaps most devastating) a series of rate hikes marking the end of the pandemic era's environment of cheap debt and soaring investments.

WHAT HAPPENED IN HOUSING?

Anyone paying attention could have predicted the impact of rate hikes, especially on the housing market. Rock-bottom rates led to a 50-year low in fixed-rate mortgage average at just below 2.7%, while supply chain chokepoints led to a housing supply shortage, and economic stimulus led to soaring home prices as investors speculated

wildly which drove values upward. And, as with most other markets, the fall happened nearly as fast as the meteoric rise.

Logistics caught up, and new starts began again. Economic uncertainty and the highest fixed-rate mortgage average since 2000 (6.95%) caused supply to catch up and surpass demand. The few who could sell at the top considered themselves lucky as home sales slumped, the median days on the market for home sales doubled, and prices for homes that did sell dropped by nearly 30% in less than six months.

The housing slump is easily the economy's most significant casualty in the Fed's fight against inflation—even if the full scope isn't yet apparent. Volatile equities can generally be counted upon to revert to a mean over time. Fixed-income

investing is enjoying a new resurgence, despite inflationary pressures on even the best Treasury rates. Home valuation inflation means many late-2021 and early-2022 buyers may be seeing underwater mortgages in their future. Dormant new builds are sitting on unfortunate developer balance sheets, with little reprieve as financially insecure Americans hunker down, unwilling to brave near-double-digit mortgage rates.

EARLY WARNING SIGNS

But, despite the blaring alarms towards the end of 2021, careful observers spotted red flags as we ended the previous decade. Post-2008's "Great Financial Crisis," housing prices hit a low in mid-2012 before rebounding and climbing with limited headwinds for the rest of the 2010s.

A decade-plus of quantitative easing began, ending before the pandemic reared its head, and 2019's interest rates began nosing around 4%—the highest they had been in more than a decade, and considered high for the time. Many thought the pandemic's emergence would end an eight-year housing bull run. The prediction proved untrue as home prices enjoyed a V-shaped recovery alongside equities. That reversal interrupted what would have otherwise been a predictable dip in



naturally occurring market cycles (albeit triggered synthetically).

Today, the early warning signs were true portents of things to come, and the full extent of the fallout has yet to be determined.

THE DECLINE?

Auction.com, a real estate auction site offering existing and aspiring investors access to (mostly) distressed assets, generated very revealing information about the state of real estate assets throughout 2022. Auction.com's end-of-year reports showed 6.5 million unique users active on the site throughout 2022. However, just a fraction of those ultimately used the platform as an auction house to buy investment properties.

Primarily populated by smaller, local investors rather than or private equity/debt funds, Auction.com's bidders and buyers are effectively community developers buying properties, improving them, and investing in the areas they live. Typically, the post-purchase cycle extends through three to six months of property renovation before renting the home as a long-term investment and cash flow vehicle, or simply flipping the property.

The site's reports are a good barometer for what may be coming: a proverbial canary in the coalmine where the auction house's relatively small population acts as a proxy for the national home buying and real estate market. Over the year, buyer behavior began a subtle but dramatic shift. Between the first and third quarters, bidding became much more muted and conservative; buyers set their bids at around an 11% discount on foreclosures in Q1. That discount fell to 23% below the as-is value by Q3. This sign of things to come shows that if the trend continues and the aftershocks of rate hikes extend to the real estate market in toto, we may see a complete slowdown by March 2023.

The data points to a comparison between public equities and the real estate market, albeit on a slowed timeline. As the first rumblings of quantitative tightening began, the riskiest high-P/E stocks with limited fundamental bases collapsed from their sky-high valuations as an initial casualty.

Over time, the blue-chip and fundamentally-sound equities also saw a steep drop. It just took longer. So, much like high-risk/high-reward tech stocks suffered long before the aristocratic market mainstays, the foreclosures point to future

turbulence in cornerstones like single-family homes and long-term rentals.

A MATTER OF SPECULATION

An eventual crash's beginnings aren't just evident in the foreclosure and physical investment market. Speculative investors are managing their portfolios and positions as well, expecting a substantial leg down to come. Traders dealing in futures contracts of the Case-Shiller 20-City Composite Home Price Index traded the Index projecting a 327 high throughout the past year. Now, futures contracts peg the January 2024 price at 268. The Index trades, as of December 2022, were right around 306.

The consensus surrounding a drop to 270 puts physical real estate investors in a bind. Roughly translated, a move close to this magnitude would bring home prices more closely aligned with pre-pandemic values. A fall that far makes a comprehensive portfolio with holdings and futures hedging flat, but a crash into the 230s that many analysts project profits from the hedge but is likely insufficient to offset the unrealized losses in property values.

While financial engineering with these instruments may prove beneficial for purely speculative plays, the reality is that they serve a real and valuable purpose as a hedge for investors if the pessimistic outlook rings true. Investors' hedging, though, must be exhaustive in due diligence and modeling calculations that account for as many contingencies and likelihoods as possible to ensure the most viable and cost-effective hedging strategy.

NOTHING NEW UNDER THE SUN: VIEWING 2008 AS A PLAYBOOK FOR TODAY?

Some in the industry see 2008 as a historical playbook to learn from, but the parallel may not hold up under today's real-life conditions. Institutional investors and portfolio managers used loans to compensate for 2008's property value losses. Their thesis that origination fees could wholly counteract or bridge property value losses proved legitimate, as many buyers with liquidity rushed to snatch up distressed or discounted housing assets.

Today's environment is different, as the supply and demand curves are effectively inverted compared to 2008. Typical demand, expressed as

"homebuyers per year," was pulled forward significantly during the pandemic. Rate cuts made dirt-cheap mortgages too good a deal to pass up. Not willing to wait until a planned 2023 or 2024 purchase, many snatched up a great rate near the bottom in 2021, or caught a mortgage on the upswing as 2022's tightening began.

Instead of a typical demand pool over the next few years, many who would have filled those ranks were pulled forward, and a portion of the remnants can no longer afford a 7%+ mortgage rate, even if offset by a lower purchase price. This unwillingness to buy compounds further as rampant inflation and an increasingly shaky job market make future economic circumstances less predictable. Since psychology drives much of the consumer housing market, this confluence of factors creates a spooked and psychologically fragile demand sector that is increasingly unlikely to buy.

INVESTOR INSIGHTS

Investor reactions vary based on endless factors, much like reactions to any disturbance in a market. Right now, most fall into two primary camps: First-to-Market and Long-Term Holders.

Our "First-to-Market" class saw the writing on the wall, which, in hindsight, was clear but obscured by the overall market exuberance that typified 2020 and 2021. Much like warning bells sounded for some in 2006, letting them escape 2008's slaughter unscathed, our First-to-Market group moved to fractionally and strategically liquidate some or all of their portfolio over six to seven months. These investors are also the likeliest to ride the market back up. True to form, they've been strategically sitting on a cash reserve to rebuild their portfolio.

The second group, "Buy-and-Hold," is effectively "stuck" with their real estate assets. Whether intentionally as part of a long-term investing strategy, or caught unaware and underwater on the investment, these investors often have a much deeper bench of real estate assets to contend with, typically numbering in the dozens. However, hundreds of properties aren't uncommon, and these investors must weather the storm while waiting for the market to stabilize to reorient their strategies.

RENTAL RELIEF?

Even rental property investors can't escape today's new reality. The dependable cash flow that

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exemplifies effective rental property investing may prove less resilient in today's economic landscape than in the past, especially if we try to apply lessons learned from 2008. Whereas past rental booms amid housing market depressions were primarily fueled by foreclosures forcing a transition to rent, today's mismatched supply and demand instead place downward pressure on rental prices as the rentals' value also falls.

Renters can leverage the threat of leaving the property to buy their own. Sufficiently motivated renters can now access a newly-created pool of desperate sellers who need to offload portions of their holdings. In effect, the possibility remains omnipresent and at the forefront of owners' minds despite prospective buyers not actively buying new properties; the scales are tipped heavily in the favor of tenants.

This negative reinforcement suppresses any rent increase that could come close to offsetting inflation for owners. The new renter/owner dynamic increases the risk of downside movement in average rental prices as inflation reduces the real value of that cash flow, and ongoing supply chain issues increase maintenance costs for owners and managers.

PRICING PROGNOSTICATION

So, what can we expect in the future, even in the short-term? As 2021 was a clear seller's market, we're transitioning into a distinctly buyer-biased market. But we're not there yet.

Although home prices flatlined and began a downward climb, they haven't yet broken into negative territory. Few (if any) pre- or mid-pandemic buyers are underwater on either their home or investment properties. Stagnation will be the watchword over the coming months.

Investors and prospective buyers alike will wait with bated breath to see a flip into buyer's market territory precipitated by values dropping close to zero or even dipping into the red in some sensitive markets. This waiting game is a tricky proposition for many investors and buyers, who are sitting on enough dry powder to leap into the market when conditions are right. Still, inflation is reducing the value of that war chest daily, and some fixed-income investments are increasingly attractive as alternatives to waiting for housing.

Owners are also in a tight spot, as falling prices have impacted net portfolio values. Declining balances make the continued maintenance

of assets risky, especially for highly leveraged accounts. Eventually, conditions will be so bad that they must sell to the droves of buyers waiting in the wings. Ultimately, this creates a stand-off between buyers and sellers, each waiting for the other to blink in a national game of chicken that will only materialize after a long period of stagnation anxiety.

HEDGING HELPS: HOW DERIVATIVES CAN OFFSET LOSSES AND IMPROVE ACCESS

Today's world, while chaotic, is also more technologically-driven and innovative than ever. Moving forward, a likely outcome of the turbulence in housing combined innovation is an opportunity for increased access to derivatives as either a hedge for real estate portfolios or as speculative assets.

Firms are already offering index-based home price futures contracts, and futures options are seeing a spike in user count, and subsequent contract transaction counts. The critical factor in the broader adoption of these financial instruments to pad and buffer flagging markets is better youth and renter awareness of products.

Sellers of these derivatives are a captive audience. Owners hedging their capital gains in value appreciation, flippers sensitive to a rapid decline in pricing, and even construction firms on a fixed 12 to 18 month timeline all need futures and similar products to balance their risk.

The buy-side of the equation still has room to grow. As a broad class, young professionals and renters don't yet have the means to buy a home, and that ability will decline if economic conditions worsen. The lack of equity (financial and social) cuts these classes off from the idealized conception of home ownership and generational wealth, which is bad enough, but also denies access to shorter-term gains as liquidity as home inevitability stabilizes and creeps back upwards.

Because of how these contracts function, access to home price index futures allows buyers to invest in and manage slices of home equity—much like fractional investing lets anyone buy a portion of Apple or Microsoft stock, for example. Participation in the futures market allows renters and others unable or unwilling to purchase property due to life circumstances or lack of interest to capitalize on housing with decidedly less capital and risk.

After the past few years, there is undoubtedly some investing fatigue in less-experienced or less financially savvy Americans. Despite this, using home price indices as a stable alternative to the whipsaw equities market is an exciting proposition that market makers and firms offering these products must move on. Expansion of these futures markets serves a dual purpose of increasing equitable access to wealth-building strategies while stabilizing the housing market as more market participants buoy prices and reduce volatility by closing the bid/ask spreads on contracts.

CONCLUSION

Hindsight is 20/20. Nothing is set in stone. We can't predict the future. This set of simple platitudes has never felt as applicable as they do when applied to the past two years and the immediate future. Despite this, while not guaranteed, the odds are good that we have yet to see a bottom in the housing markets. Rate hikes may slow but are unlikely to stop in 2023 and are even less likely to come back down. This snowball effect on mortgage rates, coupled with inflation and supply chain woes, means turbulence in housing is all but guaranteed.

The fall and winter of 2022 saw the broad housing market pricing downturn begin. We're likely to see a further leg down before an eventual flatlining as potential buyers and unwilling sellers have a proverbial staring contest to determine which direction cash reserves flow.

In the meantime, investors and homeowner hopefuls can take advantage of new, innovative products that hedge against market downturns and provide equitable access to previously marginalized communities that are historically denied the chance at generational wealth through home ownership and equity. In the end, nothing is guaranteed. For investors, owners, and buyers alike, patience, education, and a cautiously optimistic attitude is the best course of action.



Louis Amaya is the Co-Founder and CEO of PEMCO Capital Management, where he is responsible for acquisitions, trading, portfolio management, and operations.

THE 2023 FIVE STAR LINEUP

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



April 11

Government Forum

Washington, D.C.

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



May 1 & 2

Legal League Spring Servicer Summit

Dallas, TX

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



May 16-18

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Las Vegas

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September 17-19

The Five Star Conference & Expo

Dallas, TX

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LESSONS LEARNED FROM THE TRIUMPH OF PANDEMIC FORECLOSURE PREVENTION

During the pandemic, an estimated 3.2 million foreclosure starts were prevented, along with the completion of approximately 1.5 million foreclosures.

Temporary foreclosure prevention efforts implemented almost immediately after the COVID-19 pandemic was declared in March 2020 helped the U.S. housing market avoid an estimated 3.2 million foreclosure starts and 1.5 million completed foreclosures, according to a new Auction.com analysis.

“(These are) much better results than we ever would have guessed a priori given the magnitude of the pandemic,” said Laurie Goodman, Institute Fellow at the Urban Institute and Founder of the institute’s Housing Finance Policy Center, citing statistics from Black Knight showing that 5% of the 8.2 million mortgages that entered forbearance during the pandemic are still delinquent or in active foreclosure. “Obviously this was helped by robust home price appreciation, but the results were truly extraordinary.”

The Auction.com analysis used public record data from ATTOM Data Solutions and delinquency data from the Mortgage Bankers Association to determine the historical roll rate of seriously delinquent mortgages (SDQ)—those where the borrower is at least 90 days behind on mortgage payments—to foreclosure start and foreclosure completion.

ROLL RATE REVERSAL

Those historical roll rates, which were remarkably stable during the eight-year housing boom leading up to the pandemic, plummeted during the pandemic, likely due in large part to massive, pandemic-triggered foreclosure prevention programs.

The foreclosure prevention programs were headlined by a nationwide foreclosure moratorium on government-backed mortgages—including those insured by the FHA, Veterans Administration (VA), and U.S. Department of Agriculture (USDA) along with those owned by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac—and a generous forbearance program that gave borrowers an up to 18-month pause on mortgage payments.

The Auction.com analysis calculated expected foreclosure starts and foreclosure completions based on the average roll rates from SDQ be-

tween 2012 and 2019 and actual SDQ numbers reported during the pandemic. Due to the sharp spike in SDQ rates following the pandemic declaration, this calculation results in an expected 3.6 million foreclosure starts and nearly 1.7 million foreclosure completions between Q2 2020 and Q3 2022.

But the actual number of foreclosure starts during that period was only 405,000—nearly 3.2 million fewer than expected. The actual number of completed foreclosures during the same period was 169,000—more than 1.5 million fewer than expected based on historical roll rates. In percentages, actual foreclosure starts were 788% lower than expected while actual foreclosure completions were 872% lower than expected.

Up until the pandemic, the historical roll rates from SDQ to foreclosure start and from SDQ to foreclosure completion serve as reliable predictors that err slightly on the side of under-predicting the actual numbers. For the eight-year period ending in 2019, the roll rate calculation predicts counts that are just 3% below the actual numbers for foreclosure starts, and less than 1% below the actual numbers for foreclosure completions.



EMERGENCY PROTECTIONS NO LONGER NEEDED

The pandemic-triggered foreclosure moratorium expired in June 2021, although it was effectively extended through the end of the year by a temporary mortgage servicing rule adopted by the Consumer Financial Protection Bureau (CFPB).

Foreclosure completions did not surge once the moratorium ended, an indication that policymakers were wise to phase out this emergency foreclosure prevention measure when they did. Foreclosure completions have gradually increased in 2022, but through the first three quarters are still less than 50% of pre-pandemic levels, according to data from Auction.com (a platform that accounts for nearly half of all foreclosure auctions nationwide).

The forbearance program will be in effect at least until the COVID-19 National Emergency is officially over, but a relatively few borrowers continue to enter forbearance—less than 10,000 a month compared to a total of more than eight million that have ever entered over the lifetime of the program, according to data from Black Knight.

In an Urban Institute report titled “Normalizing Forbearance,” Laurie Goodman and co-authors Alexei Alexandrov and Ted Tozer argue that the blanket, no-documentation and long-term payment pause features of the COVID-19 forbearance program are not necessary or prudent outside of national emergencies.

“In the case of a national emergency, 12 to 18 months I think is totally appropriate. In the case of normal, day-to-day, I think it’s a long period of time,” said Goodman, referring to the maximum length of mortgage payment pause allowed under the COVID-19 forbearance.

Goodman and her co-authors propose limiting the payment pause to four months. They also propose limiting forbearance to a targeted set of four borrower circumstances—job loss, death of co-borrower, divorce, or a qualifying health event—and requiring documentation of those circumstances from borrowers.

The proposed non-emergency forbearance framework stems not only from lessons learned from the pandemic forbearance but also lessons learned during the Great Financial Crisis and from natural disasters that have occurred in the last decade

“I think you have to think of the COVID forbearance program as evolving from HAMP, the original Great Financial Crisis loss mitigation product,” Goodman said. “We moved to streamlined modifications. And then a series of natural disasters sort of forced the expansion of the program. That became the pandemic playbook, basically what was used for natural disasters.”

The natural disaster playbook typically involved a relatively short foreclosure moratorium in the immediate aftermath of the emergency followed by more focused forbearance and loss mitigation. This playbook helped markets impact-

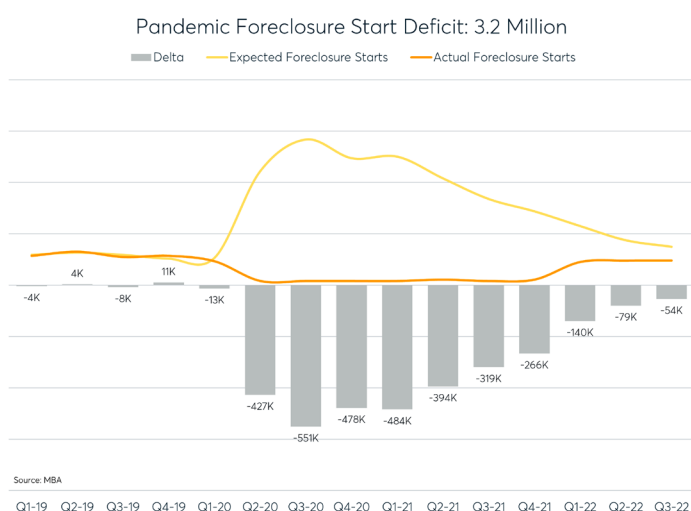
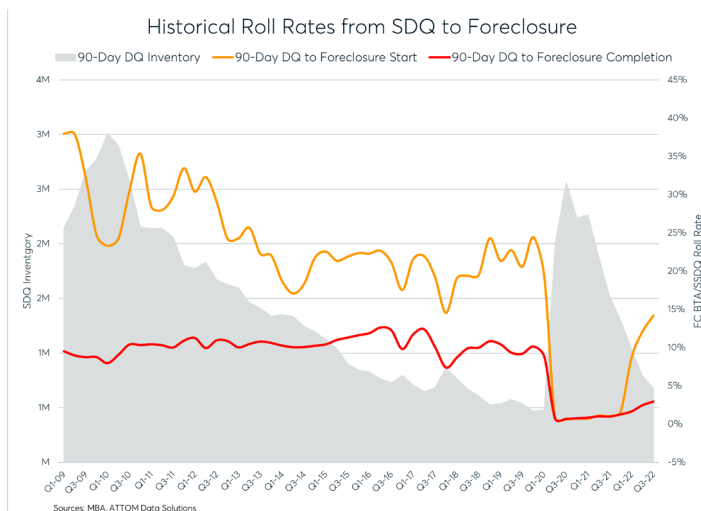
ed by natural disasters to avoid the unintended negative consequences of a lengthy blanket foreclosure moratorium that some states experienced following the Great Financial Crisis.

“Lengthy, blanket foreclosure moratoria often only serve to kick the foreclosure can down the road rather than addressing the root issues that can help prevent foreclosure,” said Ali Haralson, President of Auction.com. “This blanket approach ends up hurting more than helping in the long run, particularly in a sluggish housing market where home prices are flatlining or falling. In the wake of the Great Recession, states employing this approach tended to be where so-called zombie foreclosures became most prevalent and where home prices took the longest to bounce back.”



In his role as VP of Market Economics, Auction.com, Daren Blomquist analyzes and forecasts complex macro- and microeconomic data trends within the

marketplace and greater industry to provide value to both buyers and sellers using the Auction.com platform. Blomquist’s reports and analysis have been cited by thousands of media outlets nationwide—including the Wall Street Journal, the New York Times, USA TODAY, and on many national network broadcasts, including CBS, ABC, CNN, CNBC, FOX Business, and Bloomberg.



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Does Not Fit All

Although progress has been made toward ensuring that the workplace is not oppressive toward LGBTQ employees, there is much work to be done in order to achieve full inclusion. In consultation with local LGBTQ communities, the American Mortgage Diversity Council published a series of eleven recommendations for making your organization more LGBTQ friendly.

TOP THREE RECOMMENDATIONS FOR GROWING LGBTQ WORKPLACE INCLUSION

#1

Train new hires in your non-discrimination policy specifically alluding to sexual orientation and gender identity.

#2

Develop a specialized internship program that targets transgender employees who show an aptitude and interest in building a career in mortgage banking.

#3

Implement executive succession plans that emphasize the development and promotion of LGBTQ executives.

» Work toward real solutions | Get the rest of the recommendations at mortgagediversitycouncil.com/lgbtq-issues «

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KEY PREDICTIONS & TAKEAWAYS FOR MORTGAGE SERVICERS IN 2023

Fannie Mae origination volume estimates call for \$1.69T in 2023, including \$1.32T purchases. This is down 28% from \$2.36T in 2022, which included \$1.66T purchases. So, while the Fed's rate hikes to fight inflation are necessary, they are hitting lenders, homebuyers, and housing hard. However, servicing keeps growing, with MBA estimating outstanding loans at \$13.72T by December. So, you can win if you're strong on capital, cost control, compliance, customer acquisition/retention, and, of course, fintech.

Servicing fintech, when done right, checks all these boxes to keep homeowners happy in their homes while executing at scale with no mistakes in our highly regulated ecosystem. With this market context, let's look at some servicer playbooks, and then run down four key predictions and takeaways for servicers in 2023.

HOW TO ACHIEVE SCALABLE, COMPLIANT INNOVATION IN ANY MARKET

Entrenched legacy systems stand in the way of accessing data, and data access—as well as data protection requirements—will only grow in importance as federal and state regulations proliferate and evolve.

Servicing fintech solutions must allow homeowners to access their data securely from any device to manage their home-owning lives. This includes making payments, analyzing and adjusting tax and insurance escrow accounts in real-time, requesting help for (and resolving) hardships, and viewing and taking action on home value and available home equity.

In our landmark partnership with Mr. Cooper, America's No. 3-ranked mortgage servicer, Sagent acquired Mr. Cooper's core servicing fintech platforms along with 200 fintech employees who are now integrated with Sagent building cloud-native solutions to power America's \$13T+ servicing sector.

Sagent's open-API platform makes thousands of consumer-owned data points available for you to configure workflows tailored to your customer service, team process, and investor reporting needs.

Today, the platform serves 4 million of Mr. Cooper's customers, melding Mr. Cooper's servicing DNA with Sagent's robust tech stack to empower servicing operations teams with real-time data so they can see previous customer engagements, loan info—every salient detail about a customer—all in one place.

The result is an efficient core servicing operation that powers lifetime homeowner relationships—through good times and bad—while serving investors and exceeding regulatory expectations.

REAL-TIME INNOVATION FOR REAL-TIME COMPLIANCE

The benefits of a cloud-native approach are speed, security, a better experience for constituents, real-time processing, and compliance across all activities—all at scale, and always aligned with real-time policymaking.

Here's an example of how that works in action:

When the CARES Act went into effect to provide mortgage payment relief as the pandemic spiked in 2020, servicers (powered by Sagent) were ready with push-button forbearances on day 1 of the CARES relief effective date.

Sagent's default platform handles the full non-performing lifecycle, enabling homeowners and servicers to work together from hardship request to resolution, and servicers can configure all customer service and compliance workflows to fit their processes.

Yes, delinquencies are low today, and pandemic homeowner hardships have waned. But servicer technology must be ready today for tomorrow's cycles. At Sagent, we're investing in tomorrow to keep servicer cost and compliance tight while keeping homeowners happy and in their homes.

A TOP-NOTCH HOMEOWNER EXPERIENCE DRIVES RETENTION AND PROFITABILITY

MBA's recent Performance Report showed a cost of \$11,016 to originate a loan in Q3 2022, and while that number is expected to come down as originators remove capacity from the system, these customer acquisition costs have many lenders doubling down on servicing to compensate.

However, too many of the tech tools that servicers use today are deeply siloed, creating additional customer experience hiccups in an industry already struggling to meet consumer expectations.

Retention has never been more important, and servicers must be able to deliver a bank-



on-your-phone experience to homeowners in their own brand—and also be able to have their customer service teams help in real-time, at any moment, using multiple communications channels (desktop, phone, SMS, etc.), and see the same data their customer is seeing.

Sagent’s consumer platform streamlines 1+ million homeowner interactions with 49,000+ new recurring payments created each month. Each year, the platform facilitates \$14+ billion of one-time payments. We’re meeting borrowers where they are—45% of these interactions happen on a mobile device.

All these servicer and homeowner experiences—and data sharing—must work across the full performing and default lifecycle of every loan, seamlessly cover every compliance and investor detail, and enable real-time processing and reporting of all compliance and investor requirements.

If your fintech platform doesn’t do this yet, 2023 is the year to tighten it up.

PREDICTIONS & TAKEAWAYS FOR SERVICERS IN 2023

In 2023, it’s all about capital, cost control, compliance, and customer acquisition/retention,

and here are four predictions and one primary takeaway. This year, I predict:

- We’ll continue to see servicers with strong balance sheets acquire more MSR’s.
- We’ll see originator/servicers with strong balance sheets try to hold the line on MSR’s rather than sell to fund origination operations. There’s still more storm to weather as inflation remains stubborn.
- Our industry has improved materially since the post-2008 years, and we’ll continue to see servicers set a new bar for compliance, which will prove itself even more in the next hardship cycle.
- When rates drop in response to moderating inflation, retention will rise for the best servicers. And the best servicers know that great retention IS customer acquisition because each retained customer is a new origination.

The primary takeaway is that the best servicers use smart fintech strategies to master cost control, compliance, and customer acquisition/retention.

A smart fintech strategy must include enterprise, default, and consumer platforms that

are all synced by real-time data. You must run a cloud-native, open-API model to take real-time action without missing any fine details on customer service, operations, and compliance.

This is the new status quo, and this is what Sagent stands for. Please reach out and let me know your thoughts on my predictions or your tech stack strategy.



Dan Sogorka is the President and CEO of Sagent, America’s second-largest loan servicing software company, serving top bank and nonbank servicers. Sogorka has led digital

transformation in housing for two decades. Before joining Sagent, Sogorka served as CEO of digital mortgage point-of-sale provider Cloudvirga, President of EXOS Technologies, EVP of ServiceLink, a \$1 billion revenue subsidiary of Fidelity National Financial, and Division President at mortgage servicing and data giant Black Knight. As CEO of Sagent, Sogorka plays a vital role in reinventing how banks and lenders power the homeownership and consumer lending experience for millions of borrowers.

FANNIE MAE REPORTS DIP IN Q4 REVENUE



As the housing market took its twists and turns to close our 2022, Fannie Mae felt the impact of a market in flux, as the government-sponsored enterprise (GSE) reported a \$12.9 billion annual net income and \$1.4 billion Q4 2022 net income, with its net worth reaching \$60.3 billion as of December 31, 2022.

“Our 2022 results reflect a housing market in transition. We’re proud that Fannie Mae helped approximately 2.6 million households buy, refinance, or rent a home last year, while generating solid earnings and continuing to build our net worth,” said Priscilla Almodovar, Fannie Mae’s CEO.

Almodovar took on the role of Fannie Mae CEO at the beginning of the fourth quarter of 2022, taking over the role from Fannie Mae President David C. Benson, who was serving in the CEO role on an interim basis.

Fannie Mae’s net income decreased \$9.3 billion in 2022, compared with 2021, primarily driven by a \$11.4 billion shift to provision for credit losses, and a \$1.6 billion shift to investment losses, partially offset by a \$1.1 billion increase in fair value gains.

In a housing market where home price growth on a national basis decreased from 18.6% in 2021 to 9.2% in 2022; annual home price growth in 2022 reflected home price increases in the first half of 2022, partially offset by home price declines of 1.4% in the second half of 2022. Further exacerbating affordability was the rise in mortgage rates, as the U.S. weekly average 30-year fixed-rate mortgage (FRM) increased from 3.11% at the end of 2021, to 6.42% at the end of 2022.

In 2022, the GSE provided \$684 billion in

liquidity to the mortgage market in 2022, and acquired approximately 1,151,000 single-family purchase loans, of which more than 45% were for first-time homebuyers, and 886,000 single-family refinance loans.

Approximately 598,000 units of rental housing was financed by Fannie Mae in 2022, a significant majority of which were affordable to households earning at or below 120% of area median income (AMI), providing support for both workforce and affordable housing.

“We expect there will be economic headwinds in 2023 and that housing affordability will continue to remain a challenge for many homebuyers and renters,” Almodovar said. “We also know that Fannie Mae has the capabilities and dedication to help provide liquidity and stability and to support homebuyers and renters throughout all economic cycles.”

The GSE’s multifamily business segment reported a net income of \$2.2 billion and net revenues of \$4.8 billion for 2022. In Q4, the segment recognized a \$1.1 billion provision for credit losses, approximately \$900 million of which related to the company’s seniors housing portfolio. This provision drove a \$52 million net loss for the quarter. The company’s seniors housing portfolio has been disproportionately impacted by recent market conditions. As of December 31, 2022, nearly all of the seniors housing loans in the company’s guaranty book of business were current on their payments. However, a sharp rise in short-term interest rates during the latter half of 2022 put additional stress on its seniors housing portfolio that was already experiencing elevated vacancy rates compared to pre-pandemic levels and higher operating costs exacerbated by higher inflation in recent periods. As of December 31, 2022, the seniors housing portfolio had an unpaid principal balance of \$16.6 billion, which constituted 4% of the company’s multifamily guaranty book of business. Approximately 40% of the seniors housing loans in the company’s multifamily guaranty book as of December 31, 2022, were adjustable-rate mortgages (ARMs).

The multifamily serious delinquency rate decreased to 0.24% as of December 31, 2022, compared with 0.42% as of December 31, 2021, primarily as a result of loans that received forbearance resolving their delinquency through completion of their repayment plans or otherwise reinstating. Multifamily seriously delinquent loans are loans that are 60 days or more past due.



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GINNIE MAE ANNOUNCES LMI INCOME DISCLOSURE, ENHANCES ESG METRICS

Ginnie Mae has launched a new Low- to Moderate-Income (LMI) disclosure designed to augment the LMI Geographical disclosure released in May 2021. This development is in response to investor interest in having greater transparency into Ginnie Mae mortgages in pools, in particular as part of meeting Environmental, Social, and Governance (ESG) investment mandates.

Ginnie Mae has worked with government-insuring agency partners to provide borrower monthly pool-level LMI disclosures. The new disclosures capture the number of underlying loans made to LMI borrowers, the percentage of LMI loan count of total loan count, the unpaid principal balance (UPB) of LMI loans in the mortgage-backed security (MBS), and the percentage of LMI UPB of total MBS UPB. LMI households are classified according to the Federal Financial Institutions

Examination Council Median Family Income Report Tables corresponding with the time of loan origination. These disclosures are being provided at the aggregate pool level for Federal Housing Administration (FHA) and U.S. Department of Veterans Affairs (VA) loans originated beginning in 2012.

To achieve this new data disclosure, Ginnie Mae finalized a Memoranda of Understanding (MOU) with FHA and VA in Q1 of 2023. Ginnie Mae will continue to collaborate with government-insuring agency partners to provide this LMI disclosure across the entirety of its single-family MBS program.

“This is another important step forward in our ESG efforts and serves as a proof of concept for a foundational principle of the growing social investment movement; that, under the right circumstances, financial markets can drive trans-

formational and lasting change for the public good,” Ginnie Mae President Alanna McCargo said. “Providing market participants with the tools and data to discern the social impact of their investment decisions supports our overall mission to continue finding new ways to support sustainable and equitable housing opportunities for the communities we were built to serve.”

The new disclosure data will be published on the sixth business day of every month, for the prior month’s issuances, and made available in the Disclosure Data Download section of the Ginnie Mae website.

Ginnie Mae’s mortgage-backed securities (MBS) portfolio outstanding grew to \$2.280 trillion in December, including \$31.14 billion of total MBS issuance for the month of December, leading to \$19 billion of net growth and a new record end-of-year balance.



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FHA & CFPB URGED TO CREATE ADDITIONAL REVERSE MORTGAGE PROTECTIONS

There are about 480,000 outstanding reverse mortgages currently throughout the country, and according to the National Consumer Law Center (NCLC), that number is only expected to grow as baby boomers choose to age in place.

But according to a new report entitled “Unmet Promises: Reverse Mortgage Servicing Challenges and How to Preserve Housing Stability for Older Adults,” reverse mortgages—which are a financial product offered to borrowers over the age of 62 used to let them borrow against the equity of their home without an additional monthly payment—end up with the borrower going into foreclosure more often than should be seen. In addition, the vast majority of these loans are insured by the Federal Housing Administration (FHA).

“The FHA reverse mortgage program has not lived up to its full potential,” said Sarah Bolling Mancini, Staff Attorney at the National

Consumer Law Center and primary author of the report. “Based on the information uncovered in this report, it is imperative that the FHA and the CFPB act quickly to prevent any additional home losses in vulnerable populations.”

Mancini said that data shows people of color have been the most popular user of reverse mortgages and thus the most likely to go into foreclosure. This crisis of preventable reverse mortgage foreclosures is important when it comes to addressing racial wealth and homeownership gaps as well.

“The goal of increasing racial equity in homeownership demands attention to home preservation in addition to opening the door to new homebuyers of color,” said Odette Williamson, Director of NCLC’s Racial Justice Initiative. “Preventing reverse mortgage foreclosures is one crucial step in that process, as this report shows.”

In addition, the report identifies the most common reasons for default—which include poor communication between parties and issues with services and red tape around obtaining a repayment plan—and offers suggestions to both the FHA and the CFPB can implement to mitigate losses.

For the FHA, Mancini suggests that they allow flexibility in property charge mitigation policies and to require a loss mitigation review.

For the CFPB, the author suggested three policy changes: include reverse mortgages in the Real Estate Settlement Procedures Act (RESPA) mortgage servicing tools, work with the FHA on standards for plain language communications with borrowers, and to prioritize reverse mortgage servicer supervision and enforcement.

“Reverse mortgage loans fill an important gap in the social safety net, allowing older homeowners to remain in their homes, promoting their health and wellbeing, with minimal burden to taxpayers,” Mancini added. “But with an ever-increasing number of baby boomers entering retirement in greater financial insecurity than past generations, the time to address problems with FHA’s reverse mortgage program is now. Without change, reverse mortgages won’t live up to their significant promise.”

CFPB TAKES ACTION TO PROTECT BORROWERS FROM MORTGAGE COMPARISON-SHOPPING PLATFORMS

The Consumer Financial Protection Bureau (CFPB) has issued an advisory opinion to protect Americans from double dealing on digital mortgage comparison-shopping platforms. Companies operating these digital platforms appear to shoppers as if they provide objective lender comparisons but may illegally refer people to only those lenders paying referral fees. When shoppers use a lender that is not the best option for their needs, they may end up with a lower quality lender or paying thousands more in closing costs or interest.

The CFPB's advisory opinion outlines how companies violate the Real Estate Settlement Procedures Act (RESPA) when they steer shoppers to lenders by using pay-to-play tactics rather than providing shoppers with comprehensive and objective information.

"Given the rise in mortgage interest rates, it is even more important for homebuyers to shop and compare loan offers," CFPB Director Rohit Chopra said. "We are working to ensure that online platforms are not manipulating their search results in order to coerce kickbacks from lenders."

Fixed-rate mortgages (FRMs) have soared above the 6% mark over the past 12 months, as prospective buyers looking for the best deal on mortgages or other settlement services often are turning to comparison-shopping platforms and mobile apps. Many of the websites and applications claim to offer ranked lists of providers suitable to the individual consumer's needs. After providing their personal data to an online site to get access or run a customized search, people reasonably expect a neutral and fair presentation of the providers that may best meet their mortgage or other settlement needs.

Under RESPA, it is illegal for companies and individuals, including digital comparison-shopping platforms, to receive kickbacks and referral fees in connection with a transaction involving a residential mortgage or other real estate settlement service. Eliminating illegal kickback



schemes fosters fair competition by forcing lenders and other providers to compete on a level playing field and leads to lower rates and higher quality service.

"Thanks to these unlawful schemes, consumers may face higher prices, be set up to pay thousands of additional dollars in interest, and unwittingly participate in a market that is anti-competitive," Chopra added. "But these schemes hurt mortgage lenders, brokers, and loan officers too. In fact, the CFPB often receives complaints about RESPA violations from mortgage professionals. Honest mortgage professionals shouldn't feel that middlemen get to extort fees for them to be able to compete and have their mortgage offerings seen by consumers.

The CFPB's latest advisory opinion seeks to assist law-abiding companies to comply with existing law. It does not create any new requirements, but rather offers clarity on how firms can navigate issues associated with digital mortgage comparison-shopping platforms. It describes how these companies may violate RESPA, and potentially other laws, if they coerce payments from mortgage professionals, unlawfully steer consumers, or engage in other illegal referral activities, including:

- **Presenting one or more service providers in a non-neutral way:** The platform's operator presents lenders based on extracted referral payments rather than the shopper's personal data or preferences or other objective criteria. For example, the operator presents a lender as the best option because that lender pays the highest referral fee. However, the shopper is led to believe the lender was selected based on their shared personal data or preferences. In one variation, digital mortgage comparison-shopping platforms may receive payments from lenders to rotate them as the top presented option regardless of whether the highlighted lender is the best fit for the shopper.
- **Biasing the platform's internal formula to favor preferred providers:** The platform's inputs or formula are manipulated to generate comparison options favoring higher-paying or preferred providers. For example, a platform's formula is designed to steer shoppers to use providers in which the operator has a financial stake. In this case, the shopper is unaware that the platform's formula was potentially designed to steer them away from nonpreferred providers.

The Consumer Financial Protection Act of 2010 transferred authority for RESPA to the CFPB from the Department of Housing & Urban Development (HUD). This advisory opinion supplements guidance HUD provided in 1996 on early versions of comparison-shopping platforms, which the CFPB continues to apply.

"Today's announcement complements the CFPB's efforts to ensure the mortgage market remains resilient and competitive, particularly in the current rate environment," Chopra said. "The CFPB will build on its work by looking more closely at how to spur more mortgage modifications and refinancing as market conditions change."



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GINNIE MAE EXTENDS COVID RELIEF POLICIES

Ginnie Mae has announced the extension of two COVID-19-related policies, extending certain delinquency reporting exemptions for issuers and permitting the use of alternative audit procedures. Details regarding the extension of these temporary measures related to delinquency thresholds and audit policy can be found in Ginnie Mae's All Participants Memoranda (APM) 23-01 and APM 23-02 respectively.

"Ginnie Mae is continuously engaged with Issuers to ensure that our policies support operational efficiency and promote working effectively with borrowers on loss mitigation efforts," Ginnie Mae Principal EVP Sam Valverde said. "These extended flexibilities are an appropriate response to the lingering effects of the pandemic on Issuer operations."

APM 23-01 recognizes COVID-19 continues to impact Issuers' independent auditors' ability to perform certain on-site document custodian review audit activities, requiring physical inspection and observation. The temporary flexibilities extended in APM 23-01 allow alternative audit procedures for Issuers with a fiscal year ending on or before June 30, 2023.

APM 23-02 outlines the delinquency reporting exemptions for six months which is the timeframe provided in previous APMs. Whether additional extensions of the exemptions are warranted will be considered and announced later this year.

The Biden administration previously released its National COVID-19 Preparedness Plan, a set of rules to enable America to

move forward safely, sustaining and building on the progress made over the past 13 months. This plan lays out the roadmap to help fight COVID-19 in the future as the nation begins to return to more normal routines, with a focus on four key goals:

- Protect Against and Treat COVID-19
- Prepare for New Variants
- Prevent Economic and Educational Shutdowns
- Continue to Vaccinate the World

The Biden administration recently notified Congress that it plans to let the emergency declarations related to the COVID-19 pandemic expire on May 11.

FANNIE MAE STUDY FINDS CONSUMERS REMAIN WORRIED ABOUT HOUSING COSTS



With wage growth failing to keep up with the pace of inflation over the past year, many households feel increasingly burdened paying for necessities such as gas, food, medical bills, and housing payments, according to a study from Fannie Mae. To maintain spending, many have turned to drawing down previously built-up savings from the COVID-19 period and related stimulus programs, while also increasingly taking on more consumer debt.

While inflation appears to be cooling, consumer spending still significantly exceeds its historical trend relative to disposable income, resulting in a near record-low personal savings rate this past fall of 2.4% (compared to a more typical 7-9%).

Meanwhile, outstanding revolving consumer

credit (mostly card debt) is growing briskly, rising 17% on an annual basis in November, the fastest pace since 1996, according to the Federal Reserve. And now, consumer debt delinquency rates have begun to rise. The unsustainable growth in consumer debt to maintain household expenditures may soon be coming to an end, and it's likely to have implications for the general economy and the housing and mortgage markets.

Over the course of 2022, from April to September, Fannie Mae's National Housing Survey examined some of the challenges that consumers are facing amid high levels of inflation, including the ability to save money, concerns over being able to pay for necessities, and the topic of household debt. This helped paint a picture of the state of households' finances entering this year.

Many consumers cite problems affording household necessities

- Amid rising prices, surveyed consumers' top areas of concern were gas, food, and medical care. More than one-third of consumers expect their ability to pay for food (35%), medical care (34%), and gas (33%) to be impacted in the next 12 months (as of September). Across all of these categories, respondents polled in September expressed more concern than those surveyed in April.
- Among those surveyed in September, 26% of consumers expressed concern about making future mortgage/rent payments, up from 18% in April. This concern was far higher among renters (39%) than mortgage holders (22%), but both groups increased significantly from April to September (renters up 8%, mortgage holders up 7%).
- More than a quarter (28%) of the general population reported not being able to save any money as of September (up from 23% in April), indicating a growing group at risk of depleting their savings should any shocks to income occur in a potential recession. Renters were more likely to report not being able to save (35%) than mortgage holders (28%), but mortgage holders grew far more significantly over time (from just 18% unable to save in April, compared to 32% of renters in April).

Household Debt Grows, Increasing Levels of Consumer Stress

- Consumer stress over their ability to make debt payments in Q3 2022 (35% very/somewhat stressed) was higher than we have seen historically—primarily driven



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by credit card debt. This is 10 percentage points higher than the last time we asked the question in Q2 2020 (25%), at the beginning of the pandemic.

- Roughly one-in-five consumers (22%) said their debt is higher now than it was a year ago—which was significantly higher than when we last asked this question in 2013 (13%). The increase was most apparent among renters aged 18-34, as well as among Black and Hispanic respondents.
- Among consumers who said their debt was significantly higher compared to a year ago, 39% attributed it to higher credit card debt, roughly twice as high as medical/health loans (21%) and auto loans (17%). Nearly 50% of consumers aged 35-44 and more than half of consumers in households earning between 80% to 120% of area median income reported significantly higher credit card debt.

What It Means for Housing

- As debt stress mounts for renters, their ability to save for a down payment on a home will be further challenged. This may continue to limit first-time homebuyers and drive a continued demographic shift in homebuying, which now favors even more heavily wealthier consumers. According to an annual survey by the National Association of Realtors (NAR), first-time homebuyers comprised only 26% of home purchases in 2022. This metric is down from 34% compared to 2021 and is now at its lowest level since NAR began collecting data (historically, first-time homebuyers have made up approximately 40% of purchases).
- A growing share of mortgage borrowers report being stressed in their ability to make debt payments as well as an inability to save money. This points to a risk that a growing share of current borrowers may be vulnerable to becoming delinquent on their mortgage payments if they were to experience a job or other income loss.
- For the broader economy, consumers may soon cut back their spending to a greater degree, adding to risk of a recession occurring over the next year. If this were to occur, it would likely reduce demand for housing and provide less support for home sales, home prices, and mortgage originations.



FHA SEEKING INPUT ON FINANCING FOR REHAB HOMES

The Federal Housing Administration (FHA) has published a Request for Information in the Federal Register seeking public comments on ways it can enhance its Single Family 203(k) Rehabilitation Mortgage Insurance Program.

The 203(k) program enables those purchasing or refinancing a home to obtain FHA insurance on a mortgage that will cover the current value of the home plus rehabilitation costs. Consistent with the Biden-Harris administration's goals to increase the supply of quality affordable housing, FHA aims to update the program so that it can more effectively serve as a tool to restore single family homes in need of renovation to productive use.

The FHA's Section 203(k) insures mortgages covering the purchase or refinancing and rehabilitation of a home that is at least a year old. A portion of the loan proceeds is used to pay the seller, or, if a refinance, to pay off the existing mortgage, and the remaining funds are placed in an escrow account and released as rehabilitation is completed. The cost of the rehabilitation must be at least \$5,000, but the total value of the property must still fall within the FHA mortgage limit for the area. The value of the property is determined by either (1) the value of

the property before rehabilitation plus the cost of rehabilitation, or (2) 110% of the appraised value of the property after rehabilitation, whichever is less.

"FHA would like to offer improved options to finance the purchase or refinance of a home that needs significant rehabilitation," Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon said. "Feedback from today's RFI will help us advance our goals to increase housing supply, reduce vacancy and blight, and expand homeownership opportunities in all communities."

The FHA's 203(k) program currently offers two options:

- The Standard 203(k) Mortgage, used for remodeling and major repairs, has a minimum repair cost of \$5,000, and requires the use of a 203(k) Consultant.
- The Limited 203(k) Mortgage, used for minor remodeling and nonstructural repairs, has a maximum repair cost of \$35,000 and does not require the use of a 203(k) Consultant.

FHA encourages all interested parties to submit comments by the April 17, 2023, deadline.

FHA ANNOUNCES 30-POINT REDUCTION IN MORTGAGE INSURANCE PREMIUMS

The U.S. Department of Housing & Urban Development (HUD), through the Federal Housing Administration (FHA), has announced a 30-basis-point reduction to the annual mortgage insurance premiums (annual MIP) charged to homebuyers who obtain an FHA-insured mortgage.

The MIP will be reduced from 0.85% to 0.55% for most homebuyers seeking an FHA-insured mortgage, which could mean an estimated savings of \$678 million for American families in aggregate by the end of 2023 alone. The reduction will benefit an estimated 850,000 borrowers over the coming year, saving these families an average of \$800 annually.

“For this country to truly succeed, all Americans must have access to opportunity. That means expanding access to wealth-building and home ownership,” HUD Secretary Marcia L. Fudge said. “Today, we are building on the steps we’ve taken to make homeownership more affordable, and HUD is acting to ensure people feel comfortable purchasing a home as they build toward their future. As we reduce housing costs for people with FHA mortgages, we continue our work to address longstanding disparities in homeownership.”

HUD’s action was designed to help address historic disparities in homeownership, where homebuyers of color have been underrepresented.

“FHA’s announcement strikes an appropriate balance between assisting homeowners and ensuring the capital reserve ratio and insurance fund remain strong,” National Association of Realtors (NAR) President Kenny Parcell said. “NAR has continuously advocated for responsibly reducing mortgage insurance premiums to help qualified home buyers struggling with affordability in the current environment, and we applaud the Administration for this action. Mortgage rates have doubled over the past year, and home prices have increased more than 30% in some counties. In this competitive market, new and low- to mod-

erate-income buyers are often left behind. This reduction will help alleviate some of the financial stress those potential buyers encounter when purchasing a home and allow more people across the country to achieve the American Dream of homeownership.”

The 30-basis-point annual MIP reduction will apply to almost all Single-Family Title II forward mortgages insured by FHA. Further, the reduction applies to all eligible property types, including single family homes, condominiums, and manufactured homes, all eligible

steps the Department has taken to make homeownership a reality for more Americans and close the racial divide in homeownership. Other measures the Biden-Harris administration have taken include:

- In September 2022, to make it easier for first-time homebuyers to qualify for affordable FHA-insured mortgage financing, FHA implemented changes to its underwriting policies to permit lenders to use positive rental history as an additional factor in evaluating an applicant’s creditworthiness.

“For this country to truly succeed, all Americans must have access to opportunity. That means expanding access to wealth-building and home ownership.”

—Marcia L. Fudge, HUD Secretary

loan-to-value ratios, and all eligible base loan amounts.

“At a time when budgets are tight and homeownership is out of reach for too many, FHA’s premium reduction will allow more households to access the stability and wealth creation of homeownership, particularly the first-time homebuyers and families of color who rely heavily on affordable FHA-insured mortgages,” Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon said. “For many families, the savings will make the difference in their ability to purchase the home of their choice.”

HUD’s MIP reduction builds on a range of

This change makes FHA’s credit evaluation more comprehensive, equitable, and supports expanded access to homeownership for first-time homebuyers transitioning from renting.

- In June 2022, HUD’s Office of Housing launched new online and telephonic search capabilities to significantly increase consumers’ ability to locate and seek assistance from more than 1,500 HUD-approved housing counseling agencies and the 4,000 HUD-certified housing counselors they employ. The tools are used by more than 3,000 consumers on average each day to obtain housing counseling assistance for topics that



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include homeownership, financial literacy and planning, rental housing, foreclosure avoidance and eviction prevention, reverse mortgages, and housing stability. The telephonic search capability offers translation services in more than 250 languages.

- In June 2021, FHA announced updates to its student loan monthly payment calculations to remove barriers and provide more access to affordable single-family FHA-insured mortgage financing for creditworthy individuals with student loan debt. The new policy more closely aligns FHA student loan debt calculation policies with other housing agencies by basing the monthly payment

on the actual student loan payment, which is often lower, and helps home buyers with student debt to meet minimum eligibility requirements for an FHA-insured mortgage.

- In November 2022, Secretary Marcia L. Fudge hosted “The HUD House Party,” a program to advertise HUD’s programs to make homeownership attainable and accessible. The program had more than 4,000 viewers across social media and attracted the public to programs like FHA-insured mortgages, housing counseling, and responses to housing discrimination.

“Ensuring a robust FHA program that protects taxpayers and offers affordable homeown-

ership opportunities for families in underserved communities is important, and we will work with the Biden administration and Congress on policies that have the greatest impact on borrower affordability and sustainability,” added Mortgage Bankers Association (MBA) President and CEO Bob Broeksmit, CMB.

Ginnie Mae President Alanna McCargo noted, “This action can put homeownership in reach for more home buyers by lowering housing costs and making it more attainable, especially for low- and moderate-income households. A reduced annual MIP increases affordability and provides payment savings amidst rising costs of housing and high market interest rates.”



FANNIE MAE EXECUTES FIRST CIRT OF 2023

Fannie Mae has executed its first Credit Insurance Risk Transfer (CIRT) transaction of 2023, CIRT 2023-1 which transferred \$407.5 million of mortgage credit risk to private insurers and reinsurers.

Fannie Mae made the CIRT as part of its ongoing effort to reduce taxpayer risk by increasing the role of private capital in the mortgage market. Since inception to date, Fannie Mae has acquired approximately \$22.6 billion of insurance coverage on \$761 billion of single-family loans through the CIRT program, measured at the time of issuance for both post-acquisition (bulk) and front-end transactions.

“CIRT 2023-1 begins another active year of CIRT issuance for Fannie Mae. We appreciate

our continued partnership with the 22 insurers and reinsurers who have committed to write coverage for this deal,” said Rob Schaefer, Fannie Mae’s VP of Capital Markets.

The covered loan pool for CIRT 2023-1 consists of approximately 35,000 single-family mortgage loans with an outstanding unpaid principal balance (UPB) of approximately \$11.8 billion. The covered pool includes collateral with loan-to-value (LTV) ratios of 60.01% to 80% acquired in January 2022. The loans included in this transaction are fixed-rate, generally 30-year term, fully amortizing mortgages and were underwritten using rigorous credit standards and enhanced risk controls.

Through CIRT 2023-1, Fannie Mae will

retain risk for the first 75 basis points of loss on the \$11.8 billion covered loan pool. If the \$88.6 million retention layer is exhausted, 22 reinsurers will cover the next 345 basis points of loss on the pool, up to a maximum coverage of \$407.5 million.

Coverage for this deal is provided based upon actual losses for a term of 12.5 years. Depending on the paydown of the insured pool and the principal amount of insured loans that become seriously delinquent, the aggregate coverage amount may be reduced at the one-year anniversary and each month thereafter. The coverage on this deal may be canceled by Fannie Mae at any time on or after the five-year anniversary of the effective date by paying a cancellation fee.

As of December 31, 2022, approximately \$1.1 trillion in outstanding UPB of loans in Fannie Mae’s single-family conventional guaranty book of business were included in a reference pool for a credit risk transfer transaction. In order to promote transparency and to help insurers and reinsurers evaluate the CIRT program, Fannie Mae provides ongoing, robust disclosure data, as well as access to news, resources, and analytics through its credit risk transfer webpages.



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HUD AWARDS \$5.6B IN ANNUAL GRANTS FOR AFFORDABLE HOUSING

The U.S. Department of Housing and Urban Development (HUD) has announced \$5.6 billion in funding will go to 1,200 communities through more than 2,400 grants to States, urban counties, insular areas, D.C., Puerto Rico, and local organizations across the country. These annual formula grants provide critical funding for a wide range of activities including affordable housing, community development, and homeless assistance.

“Viable communities must promote integrated approaches to develop decent housing, suitable living environments, and expand economic opportunities to the most vulnerable,” HUD Secretary Marcia L. Fudge said. “These funds allow communities to address their unique needs by prioritizing what matters most to their residents and letting them own their investments in community development through these important federal resources.”

“This funding allows communities to address their most pressing local needs, providing flexible resources to build homes, support renters and homeowners, provide life-saving assistance to people experiencing homelessness, and improve public facilities, community resilience, and local economies,” Principal Deputy Assistant Secretary for Community Planning and Development

Marion McFadden said. “HUD’s annual formula block grants allow states and localities to invest in the success of neighborhoods and allow people of modest means to thrive.”

The grants announced are provided through the following HUD programs:

- **\$3.3 billion to 1239 states and localities to build stronger communities.** The Community Development Block Grants (CDBG) provides annual grants on a formula basis to states, cities, counties, and insular areas to develop stronger, more resilient communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income people. In 2022 the program helped over 60,000 families through housing activities, 46,000 individuals through job creation or retention, 83,500 people experiencing homelessness through improvements to homelessness facilities, over 5.3 million people through public services, and over 39 million people through public improvements.
- **\$1.5 billion to 664 participating jurisdictions to produce affordable housing.** The HOME Investment Partnerships Program

(HOME) is the primary Federal tool of States and local governments to produce affordable rental and owner-occupied housing for low-income families. HOME funds a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME projects leverage non-federal funds including, in many cases, tax credits for affordable rental housing. In 2022, the program helped create over 15,000 units of housing and nearly 17,000 households were assisted with tenant based rental assistance through the HOME program.

- **\$499 million to 130 qualifying cities and eligible states to connect people with HIV/AIDS to housing and support.** The Housing Opportunities for Persons With HIV/AIDS (HOPWA) program provides stable and permanent housing assistance and supportive services to low-income people living with Human Immunodeficiency Virus (HIV). Over 100,000 households receive HOPWA housing assistance and/or supportive services annually.
- **\$290 million to 359 states and localities to address homelessness.** Emergency Solutions Grants (ESG) provides funds for homeless shelters, assists in the operation of local shelters, and funds related social service and homeless prevention programs. Recipients enable people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. ESG funds may be used for street outreach, emergency shelter, homelessness prevention, and rapid re-housing assistance. Annually, ESG connects over 350,000 people to emergency shelter as they transition to permanent housing.
- **\$30 million to 23 States and the District of Columbia to support recovery from substance use disorder.** The Recovery Housing Program (RHP) allows States and the District of Columbia to provide stable, transitional housing for individuals in recovery from a substance-use disorder.

Combined the programs will provide critically needed funding to thousands of local programs in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Hawaii, Guam, American Samoa, and Northern Mariana Islands.



SUPREME COURT TO HEAR CASE CHALLENGING CFPB'S FUNDING STRUCTURE

The U.S. Supreme Court has agreed to hear arguments in a case challenging the constitutionality of funding for the Consumer Financial Protection Bureau (CFPB). However, a decision is not expected until the spring of 2024.

Established by the Dodd-Frank Act after the 2008 global financial crisis, the CFPB is funded by the Federal Reserve, not Congress. Since its inception, the CFPB has recovered approximately \$15 billion for customers, including a recent record \$1.7 billion civil fine, in addition to \$2 billion in mandated customer reimbursements, imposed by the CFPB on Wells Fargo for abuses related to customer accounts.

In October of 2022, the 5th Circuit Court of Appeals ruled in the case of *Community Financial Services Association of America Ltd. (CFSA) v. CFPB* that the Bureau's funding model is unconstitutional, and instead should be appropriated by Congress from the U.S. Treasury.

"This will allow the Supreme Court to surgically remove any unconstitutional funding provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, leaving the balance unaffected," said Jay G. Beitel, Principal with Polunsky Beitel Green. "I believe the court will do what they stated in *Seila L. LLC v. Consumer Fin. Prot. Bureau*, 207 L. Ed. 2d 494, 140 S. Ct. 2183, 2209 (2020): 'Generally speaking, when con-

fronting a constitutional flaw in a statute, we try to limit the solution to the problem, severing any problematic portions while leaving the remainder intact.' Judicial or legislative reform of the act will fill the gap to enable funding."

The CFSA and Consumer Service Alliance of Texas challenged the validity of the Bureau's 2017 Payday Lending Rule. The plaintiffs contended that in promulgating that Rule, the Bureau acted arbitrarily and capriciously and exceeded its statutory authority. They also contend that the Bureau was unconstitutionally structured, challenging the Bureau Director's insulation from removal, Congress's broad delegation of authority to the Bureau, and the Bureau's unique, double-insulated funding mechanism. The district court rejected these arguments.

"This baseless lawsuit is the crown jewel in a long-running, highly organized effort by greedy industries and right-wing politicians in their pocket to take out the CFPB because it works so well to protect consumers from abuse," said Liz Zelnick, Director of Economic Security and Corporate Power for Accountable.US, a private government watchdog group.

Previously, the CFPB permanently banned RMK Financial Corporation, which does business as Majestic Home Loans, from the mortgage lending industry by prohibiting RMK from engag-

ing in any mortgage lending activities or receiving remuneration from mortgage lending. In 2015, the CFPB issued an agency order against RMK for, among other things, sending advertisements to military families that led the recipients to believe the company was affiliated with the United States government. Despite the 2015 order's prohibition on these and other actions, the company engaged in a series of repeat offenses, including disseminating millions of mortgage advertisements to military families that deceptively used fake U.S. Department of Veterans Affairs (VA) seals, the Federal Housing Administration (FHA) logo, and other language or design elements to falsely imply that RMK was affiliated with the government. In addition to the ban, RMK will also pay a \$1 million penalty that will be deposited into the CFPB's victims' relief fund.

The Bureau previously took action against a web of corporate entities operating under TMX Finance, broadly known as TitleMax, for violating the financial rights of military families and other consumers in providing auto title loans. The CFPB found that TitleMax violated the Military Lending Act by extending prohibited title loans to military families and, oftentimes, by charging nearly three times over the 36% annual interest rate cap. TitleMax tried to hide their unlawful activities by, among other things, altering the personal information of military borrowers to circumvent their protected status. The CFPB also found that TitleMax increased loan payments for borrowers by charging unlawful fees. The CFPB's order ends TitleMax's illegal activities and requires the company to pay more than \$5 million in consumer relief and a \$10 million civil money penalty.



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GSES MAKE MAJOR INVESTMENT IN AFFORDABLE HOUSING PROGRAMS

The federal Housing Trust Fund and the Capital Magnet Fund are getting a huge cash infusion from the Federal Housing Finance Agency to the tune of about \$545 million to fund affordable housing programs and initiatives from Fannie Mae and Freddie Mac (the GSEs).

“The need for more affordable housing has never been greater,” Director Sandra L. Thompson said. “A portion of every loan purchased by the Enterprises is allocated to the Housing Trust Fund and the Capital Magnet Fund, which provide resources that increase the production and preservation of affordable housing options in our communities.”

The Housing Trust Fund (HTF), overseen by the U.S. Department of Housing and Urban Development, will receive \$354 million. This fund was established in the aftermath of the Great Recession in 2008; it is a formula grant program administered by individual states. Grantees are required to use at least 80% of each annual grant for rental housing; up to 10% for homeownership housing; and up to 10% for the grantee’s reasonable administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of nonluxury housing with

suitable amenities. All HTF-assisted rental housing must meet a 30-year affordability period.

The Capital Magnet Fund (CMF), overseen by the U.S. Department of the Treasury, will receive \$191 million. The CMF offers competitively awarded grants to finance affordable housing solutions and community revitalization efforts that benefit low-income people and communities nationwide. At least 70% of Capital Magnet Fund dollars must be used to finance affordable housing, and recipients may use up to 30% of funds to finance economic development activities linked to affordable housing. Funding is also used to promote activity in geographically diverse areas of economic distress and can go to any community regardless of population. The program also touts a \$20 return on every \$1 of funding and has created 43,000 affordable homes and 37,600 rental units.

By law, amounts allocated to these funds are based on the GSEs’ new business purchases. Market conditions in 2022, including higher interest rates, reduced the Enterprises’ total new business purchases compared to the previous year.



NCLC CALLS UPON GSEs TO STOP SALE OF LOANS TO INVESTORS

As their status as Government Sponsored Enterprises, Fannie Mae and Freddie Mac (the GSEs) have been directed to support goals, products, and programs which expand homeownership to more and more Americans.

However, according to National Consumer Law Center authors Andrea Bopp Stark, Alys Cohen, Steve Sharpe, Geoff Walsh, the Federal Housing Finance Agency (FHFA) and the GSEs may be undercutting these goals beset upon them through the bulk sales of hundreds of thousands of home loans to investors, a switch that ends borrower protections and access to streamlined loss mitigation programs created expressly to help financially struggling homeowners stay in their homes.

For example, as told by the authors, many borrowers harmed by the pandemic who were told they could apply for GSE loss mitigation programs to put their missed payments at the

end of the loan were blindsided by a new servicer who explained that those options were no longer available because the new owner of the loan did not offer them. GSE guidelines that describe the loss mitigation options that the buyer of the loan must offer are so vague and weak that they do not ensure meaningful home retention options will be available.

“Especially during the pandemic, the GSEs created effective options to help borrowers avoid foreclosure,” said Andrea Bopp Stark, Staff Attorney from the National Consumer Law Center. “Unfortunately, at the same time, the GSEs were selling loans and stripping pandemic-impacted borrowers of their access to these plans. These sales are particularly concerning because we know borrowers of color were hit hardest by the pandemic.”

During the height of the COVID-19 pandemic, Fannie Mae sold off 99,100 reperforming

loans, the highest total for any year.

“In assessing Fannie Mae’s and Freddie Mac’s reports, we saw gaps in the reported data and conclusions based on outdated control groups that do not reflect current market conditions,” said Steve Sharpe, staff attorney from the National Consumer Law Center.

Further hindering things is the lack of accurate, comprehensive data about the outcome of the loans that have been sold to investors. In fact, there is no data publicly available for the more than 545,000 reperforming loans sold so the FHFA and GSEs do not have sufficient data to fully understand what happens to the loans once the loans are sold.

In response to this, the NCLC recommends that the GSEs halt the sale of loans that are currently in forbearance, mandatory borrower loss mitigation reviews, and sufficient homeowner notice. They also recommend that the GSEs offer deferral programs to borrowers who can afford their loan, but not to catch up on payments, retention of current interest rates, post-sale loan modifications, increasing public data reporting, and to update reporting benchmarks to better fit the current real estate environment.



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HOW OPPORTUNITY ZONE MARKETS ARE WEATHERING HOME VALUE TRENDS

ATTOM has released its Q4 2022 report analyzing qualified low-income Opportunity Zones targeted by Congress for economic redevelopment in the Tax Cuts and Jobs Act of 2017. In the report, ATTOM looked at 4,119 zones around the United States with sufficient data to analyze, meaning they had at least five home sales in the Q4 of 2022.

The report found that median single-family home and condo prices decreased from Q3 of 2022 to Q4 of 2022 in 56% of Opportunity Zones around the country and went down at least 5% in almost half. Those declines closely paralleled drops in neighborhoods outside the zones as prices fell across the broader U.S. housing market during the second half of 2022 following a decade of almost continuous growth.

However, some signs emerged during Q4 revealing that Opportunity Zone markets were withstanding the national market retreat better than other neighborhoods, just as they outperformed nationwide increases by some measures during the boom period. In yet another ongoing sign of strength, median values were still up year over year in almost the same portion of Opportunity Zones as elsewhere around the country.

“Home values inside Opportunity Zones are falling. But, on balance, they aren’t dropping any faster than in more well-off neighborhoods around the country,” said Rob Barber, CEO for ATTOM. “By a couple of metrics, they are even doing a little better. That speaks to the continued strength of Opportunity Zone housing markets and their potential allure for investors who still want to take advantage of the program’s tax breaks even in the current uncertain economic environment.”

Typical home values in Opportunity Zones remained well below those in most other neighborhoods around the nation in Q4 of 2022. Median Q4 prices fell beneath the nationwide median of \$321,500 in 79% of Opportunity Zones. That was about the same portion as in earlier periods over the past year. In addition,

median prices were less than \$200,000 in 53% of the zones during Q4 of 2022, also about the same as in earlier periods.

Considerable price volatility also continued in Opportunity Zones, as median values either dropped or increased from the third to the fourth quarter of 2022 by at least 5% in more than three-quarters of zones. That likely reflected the small number of sales in many zones.

Fourth-quarter price trends, while down, continued a pattern of Opportunity Zones largely keeping pace with the national market despite their location in some of the country’s most distressed communities. Over the past few years, price trends inside the zones matched or even bested nationwide patterns. That happened as a combination of rock-bottom home-mortgage interest rates and a historically small supply of homes for sale pushed up demand and prices throughout the U.S. As buyers with more-limited resources were priced out of many areas, they likely turned to lower-priced locations, including Opportunity Zones.

Home prices have dipped in most of the country since the middle of 2022 as higher mortgage rates and consumer price inflation, combined with a faltering stock market and other forces, have cut into what buyers can afford. But the ongoing tight supply for homes for sale could help Opportunity Zones withstand steeper drop-offs.

“These areas targeted for redevelopment tax breaks may be less vulnerable to taking a big hit if the market keeps dropping because they are still some of the most affordable markets,” Barber added. “The Spring buying season should say a lot about whether they can maintain their strength.”

High-level findings from the report:

- Median prices of single-family houses and condominiums declined from Q3 of 2022 to Q4 2022 in 2,116 (56%) of the Opportunity Zones around the U.S. with sufficient data to analyze, while increasing or staying the same

in 44%. Medians were still up from Q4 2021 to the same period last year in 2,414 (63%) of those zones.

- Both of those trends roughly followed national patterns. By comparison, median prices decreased from Q3 to Q4 2022 in 58% of census tracts outside of Opportunity Zones, while remaining up annually in 65%. (Among the 4,119 Opportunity Zones included in the report, 3,801 had enough data to generate usable median-price comparisons from Q3 to Q4 2022; 3,862 had enough data to make comparisons between Q3 2021 and Q4 2022).
- In addition, measured year over year, median home prices remained up at least 10% in Q4 2022 in 1,738 (45%) of Opportunity Zones with sufficient data. Prices rose that much during that time period in 41% of other census tracts throughout the country.
- Of the 4,119 zones in the report, 1,481 (36%) had median prices in Q4 2022 that were less than \$150,000. That was down from 39% of those zones a year earlier. Another 697 zones (17%) had medians in Q4 of last year ranging from \$150,000 to \$199,999.
- Median values in Q4 2022 ranged from \$200,000 to \$299,999 in 934 Opportunity Zones (23%) while they topped the nationwide fourth-quarter median of \$321,500 in 856 (21%).
- The Midwest continued in the fourth quarter of 2022 to have the largest portion of the lowest-priced Opportunity Zone tracts. Median home prices were less than \$150,000 in 59% of zones in the Midwest, followed by the Northeast (41%), the South (36%), and the West (4%).
- Median household incomes in 87% of the Opportunity Zones analyzed were less than the medians in the counties where they were located. Median incomes were less than three-quarters of county level figures in 55% of zones and less than half in 15%.

CLIMATE CHANGE COULD COST MIAMI HOMEOWNERS \$7.9B BY 2050

Acknowledging the very real and present danger of a warming planet, CoreLogic has released new research taking into account rising sea levels, the frequency of intense storms, and the amount of flooding caused by storms in the Miami area by 2050.

Under the guise of a worst-case scenario, the Miami area is projected to see a sea level rise of 1.5 feet by 2050—this margin could prove to be huge as the average sea level of Miami is around 6 feet and is predicted to cost Miami homeowners \$7.9 billion in value.

Noting previous research, CoreLogic found that buyers are increasingly becoming aware of flooding risk as evidenced by home price drops in high-risk areas.

To mitigate climate risks in the future, CoreLogic has developed an algorithm by using scenarios created by the Intergovernmental Panel on Climate Change (IPCC) to provide a comprehensive framework for exploring the potential impacts of climate change on properties. This algorithm assigns a composite flood risk score for properties based on flood and storm surge risk.

Applying a “stressed” climate score of 8.5 to properties negatively affects property values. Under this scenario, the planet is expected to warm by 4.5 to 5.5 degrees Celsius compared to pre-industrial revolutionary numbers by the end of the century. This poses a serious composite risk for flooding in particular.

As it stands, it is crucial to clearly understand the potential impact of climate change on property values and to implement strategies to mitigate the risk and safeguard property values.

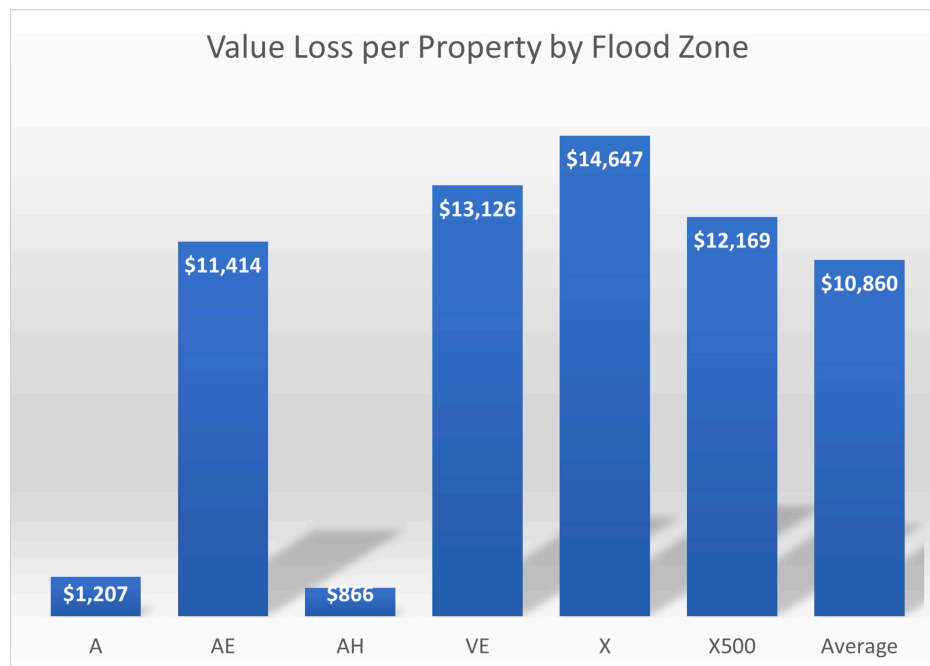
“In this analysis, properties located outside of the existing 100-year flood zones are particularly vulnerable to the effects of sea level rise, experiencing an average property value loss of 2.8%. Properties located in 500-year flood zone also suffer a significant property value loss of 2.3%. Flood zones AE and VE will have a high loss of 1.74% and 1.56%, respectively,” CoreLogic said. “Our analysis estimates that all residential properties in Miami, valued at over \$387 billion, will experience a loss of \$7.9 billion under the 8.5 scenario. Moreover, it is

estimated that 70% of this loss will be from 25% of the properties.”

In Miami, there are approximately 730,000 residential properties. According to Figure 3, the average loss per property under the RCP8.5, a severe climate scenario, is estimated to be \$10,860. Properties situated outside of the 100-year floodplain, Zone X and X500, are likely to experience higher losses of \$14,647 and \$12,169 per property, respectively. This is partially due to the fact that homeowners may not be aware of the looming risk since their knowledge is based on experience. Moreover, Zone AE and VE properties will have high losses of \$11,414 and \$13,126, respectively, due to their proximity to the water, which commands a higher home price, making them more vulnerable to the impacts of sea level rise.

In conclusion, CoreLogic’s Climate Risk Analytics provides a starting point for understanding and mitigating the risks associated with climate change under various scenarios. These insights provide actionable data for public officials, homeowners, lenders, and insurers to expand knowledge on future climate risks.

Value Loss per Property by Flood Zone





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NEW WILDFIRE RISK ASSESSMENT ANNOUNCED FOR CALIFORNIA PROPERTY OWNERS

Fires are a catastrophic natural disaster that affects Americans nationwide every year, and according to a new CoreLogic report, California remains the state most at risk for property damage from wildfires, with CoreLogic's 2022 Wildfire Risk Report estimating that more than 1.2 million single-family homes are vulnerable.

Already, There Have Been Over 100 Fires in California in 2023

Multiply this scenario by a factor of several hundred in a state like California, which leads the nation in wildfires, and it is quickly apparent why having comprehensive insight into the risk of wildfires is imperative to mitigating damages and accelerating restoration efforts.

The power of having advanced knowledge of risk is only amplified when it is paired with insight into the mitigation efforts that are becoming increasingly necessary—and even required—throughout the state.

To encourage resilience and mitigation, California is the first state to implement industry-changing legislation. The California Department of Insurance (CDI) will require insurers to offer discounts to property owners who implement wildfire safety and mitigation measures outlined in the state's Safer From Wildfires guidelines.

However, providing property insurance in an environment where wildfire season is now a year-round affair is a challenge. In the past three years alone, CoreLogic data shows that wildfires have destroyed more than 25,000 homes across the United States, totaling up to \$20 billion in damage.

A Solution for California Carriers: Wildfire Mitigation Score

To simplify the process of creating new rating systems and policy pricing structures that adhere to the CDI's requirements for compliance, CoreLogic established the Wildfire Mitigation Score—a comprehensive risk scoring system that evaluates a property based on the wildfire mitiga-

tion actions taken by owners. The report covers:

1. How the Wildfire Mitigation Score simplifies the process of establishing CDI-compliant rating systems;
2. The data and technology behind the Wildfire Mitigation Score that ensures its accuracy and enables greater risk differentiation;
3. How insurance carriers can provide policies that better protect both their own business and their policyholders.

California Still Has the Highest Risk for Wildfire Damage

About 40 million people called the Golden State home as of the 2020 census, and as the nation's most populous, it also has the largest number of structures. As such, California remains the state most at risk for property damage from wildfires, with CoreLogic's 2022 Wildfire Risk Report estimating that more than 1.2 million single-family homes are vulnerable.

A prolonged drought and high winds are largely to blame for California's wildfires over the past six years. The November 2018 Camp Fire in Butte County was even more catastrophic than the Tubbs Fire, burning more than 150,000 acres and impacting 18,800 structures, making it the most destructive in state history. In 2021, the Dixie Fire in Northern California burned across five counties for several months, ultimately charring almost 1 million acres and damaging or destroying more than 1,300 structures.

The year 2022 saw nearly 7,700 wildfires spark in California, according to CAL FIRE data, with new ones igniting virtually every day. Last year, California wildfires consumed about 364,000 acres, damaging or destroying almost 900 structures.

The atmospheric river and bomb cyclone that hit areas of the West Coast starting in December 2022 and continuing into January 2023 may help lessen wildfire-related damages in California in the coming year. However, intense and prolonged amounts of rain after a lengthy drought create

other risks for property owners, including flooding and mudslides. Structures that are situated downslope from past wildfire burn scars are particularly vulnerable to mudslides and debris.

How Can Property Owners Mitigate Wildfire Risk?

The acres that burn aren't only damaging to structures. They are also damaging to communities, families, and lives. To help stop fanning the flames of wildfire risk, there are 12 steps that homeowners can take to harden their homes, according to California's Wildfire and Forest Resilience Action Plan.

1. Joining an NFPA Firewise community
2. Living in a CA BOF FRRC community
3. Remove vegetation and debris from under-decks
4. Clearing Zone 0 (0-5ft) of both living and combustible material
5. Having no combustible attachments
6. Removing all combustible structures within 30 feet of the primary building
7. Complying with PRC 4291 or local ordinance inspection
8. Having a Class-A Fire-Rated Roof
9. Enclosing eaves
10. Installing ember or flame-resistant vents
11. Installing dual pane windows or functional shutters
12. Maintaining a minimum of six inches of noncombustible clearance from the ground up around the perimeter of the home

Reconstruction Costs Are Rising

Homeowners who suffer wildfire damage often face an expensive road to recovery, and recent inflation is bound to add even more headaches.

The cost of reconstruction materials such as slab doors, asphalt shingles, and felt have been increasing since the beginning of the year in the U.S. Notably, the cost of PVC piping rose by almost 50% since January 2022. A shortage of skilled construction laborers is also driving up reconstruction bills, with wages up by as much as 2.6% for some industry professionals between January and August of 2022.

Higher labor and materials prices have led to rapid growth in overall U.S. home reconstruction costs, which increased by an average of 4.1% from the second to third quarter of this year.

INVESTOR HOME-PURCHASING SLOWS IN Q4

While investor purchasing activity dropped over the last year, so did all purchases, which were down during the fourth quarter 40.8% year over year.

On a quarterly basis, much of the drop occurred during the fourth quarter alone, as on a quarterly basis, investors purchased 27%, which in itself is the largest quarterly drop on record.

“While many investors have pumped the brakes on homebuying, investor market share has remained fairly steady,” Redfin said. “That’s because individual homebuyers have also pulled back. Investors purchased 17.8% of all homes that were bought in the metros tracked by Redfin in the fourth quarter. That’s comparable with 17.6% in the prior quarter and down from 19.4% a year earlier.”

“In dollar terms, investors bought \$31 billion worth of homes in the fourth quarter, down 42.7% from \$54.1 billion one year earlier and down 27.5% from \$42.8 billion one quarter earlier. The typical home investors purchased cost \$425,926, little changed from one year earlier but down 5.8% from one quarter earlier.”

But recent drops in mortgage rates and a decline in home prices—however slight—may re-entice investors back into the market.

“It’s possible that investors will start to wade back into the market this year given that mortgage rates have ticked down from their 2022 high—especially if home prices show signs of bottoming,” Redfin Senior Economist Sheharyar Bokhari said. “But it’s unlikely that investors will return with the same vigor they had in 2021. That’s good news for individual buyers, who are still grappling with high housing costs but no longer losing bidding war after bidding war to investors.”

Metros With Largest Declines in Investor Home Purchases, Q4 2022

Source: Redfin, "Investors Are Buying Roughly Half As Many Homes As They Were A Year Ago"

Las Vegas, NV YoY CHANGE: -67.0%	Phoenix, AZ YoY CHANGE: -66.7%	Nassau County, NY YoY CHANGE: -63.0%	Atlanta, GA YoY CHANGE: -62.8%	Charlotte, NC YoY CHANGE: -61.9%
Jacksonville, FL YoY CHANGE: -57.1%	Nashville, TN YoY CHANGE: -54.8%	Sacramento, CA YoY CHANGE: -53.5%	Riverside, CA YoY CHANGE: -53.0%	Orlando, FL YoY CHANGE: -51.8%



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This April, the Five Star Institute's premier trade publications, *DS News* and *MReport*, are joining forces to become *MortgagePoint*. This new publication will bring you the same exclusive news, features, interviews, and commentary you've come to expect from Five Star—now taken to the next level and all in one place. *MortgagePoint* will be your one-stop shop for coverage of the full spectrum of mortgage, from originations to default. Scan the QR code to sign up and learn more.

