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# MortgagePoint

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## Magazine

### *In this Issue*

#### **OPPORTUNITY IS HIDING IN PLAIN SIGHT**

THE INDUSTRY'S FUTURE IS BEING WRITTEN TODAY

#### **SURVEYING TODAY'S LENDING LANDSCAPE**

**THE POINT:** Fannie Mae's **Malloy Evans** discusses how lessons learned from the 2008 housing crisis are being applied today toward the GSE's goal of keeping more Americans in their homes.



# Closing the Homeownership Gap

**Julia R. Gordon, Assistant Secretary for Housing and Federal Housing Commissioner of HUD,**

speaks to *MortgagePoint* about recent changes such as FHA's mortgage insurance premium reductions, an ongoing commitment to improving IT infrastructure, and how the arc of her career brought her to her current role.

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# A NEW CHAPTER

# W

elcome back! And also, hello for the very first time.

Five Star is thrilled to be launching the next chapter of our nearly two-decade commitment to covering the mortgage and housing industries by bringing you this, the first issue of *MortgagePoint* magazine. We're so excited to share what we have for you in the months to come.

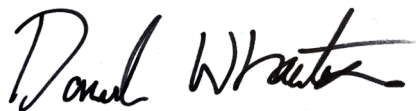
*MortgagePoint* was born from countless discussions with our readers, our clients, and our other industry partners over the past couple of years. From those conversations, a few things became apparent. One, while we're enormously proud of the work the Five Star reporting team has done with *DS News*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

For this, our debut issue, we're proud to bring you "Closing the Homeownership Gap," an exclusive cover profile of Julia R. Gordon, Assistant Secretary for Housing and Federal Housing Commissioner of HUD. She's also serving as our keynote speaker at Five Star's Government Forum, happening April 11 at the National Press Club in Washington, D.C. For this interview, Commissioner Gordon discusses recent changes such as FHA's mortgage insurance premium reductions, an ongoing commitment to improving IT infrastructure, and how the arc of her career brought her to her current role.

We're also debuting "The Point," a recurring long-form interview feature spotlighting insights from mortgage industry executives and government officials. For our inaugural installment, we're bringing you *MortgagePoint's* conversation with Malloy Evans, EVP and Head of Single-Family for Fannie Mae. He discusses how lessons learned from the 2008 housing crisis are being applied today toward the GSE's goal of keeping more Americans in their homes.

But that's just the beginning. This month's feature lineup includes exclusive features from Sarah Davies, Chief Data and Analytics Officer, Nova Credit; T. Robert Finlay, Partner, Wright, Finlay & Zak; Scott Kriss, President & CEO of Kriss Law; and Jane Mason, Founder of Clarifire.

For the first time of many to come, allow me to say—welcome to this month's edition of *MortgagePoint* magazine.



**David Wharton**  
Editor-in-Chief



## MortgagePoint Magazine

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## EXPERT INSIGHTS

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# FORGING NEW DIGITAL PATHS



## EXPANDING THE HOME SEARCH PROCESS

**A**TTOM has announced the launch of Property Navigator, a solution that offers instant nationwide access with an array of search capabilities and detailed property information for residential and commercial properties.

Property Navigator offers quick access to property information, market analysis, comparables, and more for more than 155 million properties nationwide. The solution serves real estate agents, investors, appraisers, and enterprise organizations. Customers can get started with Property Navigator in minutes, with access to more than 300 data points and presentation-ready property reports. With Property Navigator, customers can save time and make informed data-driven decisions.

“As our data footprint continues to expand, so do our data solutions, in order to meet the challenges and opportunities in today’s market, while continuing our mission of increasing real estate transparency,” said Todd Teta, Chief Technology and Product Officer at ATTOM. “Our Property Navigator solution offers convenient access to our vast data warehouse, providing valuable insights for today’s market challenges and opportunities while increasing real estate transparency.”

Property Navigator allows users to:

- » Search and find properties with a variety of criteria—occupancy, equity, default status, lender, etc.
- » Map search by neighborhood, school district, or custom-drawn areas for micro-accuracy.
- » Access ownership information along with contact details and phone numbers.

- » Find off-market and distressed properties.
- » Download presentation ready property reports with detailed list exports.
- » Determine property value based on multiple AVMs and other analytical tools.

Property Navigator also supports a range of industries, whether researching a particular property or multiple properties that fit certain conditions, in an all-in-one easy-to-use subscription, featuring an array of details that help real estate professionals, brokerages, investors, appraisers, and more.

## ONE-DAY APPROVAL BECOMES A REALITY

**G**uaranteed Rate has launched Same Day Mortgage, a program that delivers a loan approval in less than 24 hours. This program first rolled out to a select group of customers in 2022, resulting in \$1.1 billion in closed loan volume. Same Day Mortgage has launched nationwide with a much larger portfolio of loan types and offerings including purchase and refinance; 72% of the company’s conforming business qualifies for the program.

“Guaranteed Rate is known for revolutionizing the mortgage industry and making the home buying process easier—innovations like the first-ever digital mortgage that we launched in 2015,” Guaranteed Rate President and CEO Victor Ciardelli said. “Today, we’re changing the game again with Same Day Mortgage. Customers expect services to be fast and easy, Same Day Mortgage delivers exactly that with cutting-edge technology and a totally efficient process.”

According to Guaranteed Rate, first-time homebuyers are at a disadvantage in today’s housing market, especially when going up against all-cash buyers who make up 28% of home purchases. Same Day Mortgage levels the playing field, providing the advantage that cash buyers have in a speedy process.

Guaranteed Rate has delivered more than 3,300 one-day approvals totaling \$1.1 billion—while maintaining a Net Promoter Score (NPS) of 9.7 since the launch of the program. This year, conforming loan limits are \$726,000, up 12% from 2022, allowing even more prospective consumers to purchase the home of their dreams.

## ACCELERATING DEALS FOR BANKS AND LENDERS

**C**RM and customer engagement platform Total Expert has announced a number of new features and integrations that tap data and insights to accelerate deal flow for banks and lenders.

New additions to Total Expert Customer Intelligence enable financial institutions to connect data sources, and immediately act on customer insights. By enriching customer profiles with multiple data sources, banks and lenders have visibility into customer intent and which type of financial benefit may be available to them when doing a new loan. These customer profiles are then integrated directly into the platform’s customer journey orchestration, which automates critical parts of the customer journey, such as reminding an advisor or loan officer to engage with a past customer with educational content on available options.

Since launching Customer Intelligence in 2022, Total Expert has surfaced insights and automated customer journeys that have led



to more than \$9 billion in loan applications; many of these loans stemmed from re-engaged leads and former customers that had fallen through the cracks.

“Our team continues evolving our platform to match the needs of financial institutions. Today, our industry must look to new ways to build pipeline and connect more authentically with customers—the answer is in the data,” said Joe Welu, Founder and CEO of Total Expert. “Our latest innovation is all about leveraging new lead sources—both customer databases and data integrations—to enrich customer records and uncover hidden revenue opportunities. Customer Intelligence is a game changer; we’re energized by the value our customers are realizing from it every day.”

Total Expert’s new release boosts current integrations, and adds new connections—all to build on the company’s mission of a comprehensive financial profile for every customer. An enhanced integration with Encompass by ICE Mortgage Technology will allow Total Expert users to leverage the solutions by seamlessly integrating data from Encompass and Total Expert to strengthen their holistic, data-rich customer profiles. And, eight additional new or enhanced platform integrations allow users to create a vibrant ecosystem of lead sources, including Verse.io, Bankrate, Ownup, FinLocker, Blend, Polly, and Box and Bestow.

## BOOSTING FIRST-TIME BUYER AFFORDABILITY

**R**ocket Mortgage has become one of the first national lenders to offer Freddie Mac’s BorrowSmart Access program. The program offers a \$3,000 credit for first-time homebuyers to use toward their down payment—helping to reduce one of the largest hurdles to homeownership.

First time homebuyers can use BorrowSmart Access if they are purchasing a home in several counties across 10 metro areas—Atlanta; Chicago; Detroit; El Paso, Houston, or McAllen, Texas; Memphis; Miami; Philadelphia; and St. Louis. To qualify for this program, the buyer must have an income equal to or less than 140% of the area median income (AMI) and meet all other Freddie Mac lending guidelines.

“At Rocket Mortgage, it is our mission to provide a range of options that make owning a home attainable for as many people as possible,” said Bob Walters, CEO of Rocket Mortgage. “BorrowSmart Access is the continuation of our commitment to narrow the homeownership gap. By offering solutions for borrowers in underrepresented communities, we can help families build financial freedom and generational wealth.”

In late December, Rocket Mortgage launched Purchase Plus, a special purpose credit program offering up to \$7,500 in lender credits for first-time homebuyers to use toward their closing costs. Purchase Plus is available for homebuyers residing in specific census tracts across six major cities—Atlanta, Baltimore, Chicago, Detroit, Memphis, and Philadelphia.

## A CONCIERGE FOR RENTERS

**Z**illow has announced a new feature which enables renters to book an apartment tour online, making a once-cumbersome process as simple as booking a restaurant reservation.

More than two-thirds (71%) of recent renters reported taking up to four in-person tours, according to Zillow’s 2022 Consumer Housing Trends Report. In 2021, 58% of recent renters said they preferred to schedule in-person tours online. Zillow is now allowing apartment shoppers to do just that—scheduling tours instantly, online, without the hassle and delay of having to get in touch with someone directly.

With automated tour scheduling, renters are assured that they will see the apartment they’re interested in at a time that works in their busy schedule, without needing to wait for a response from a property manager. Renters also receive automated email and text reminders for their appointment time.

“Touring is a major milestone in the journey of finding a rental, and it’s due for innovation,” says Michael Sherman, VP of Zillow Rentals. “Allowing renters to instantly book a tour removes barriers and delivers a more seamless and convenient experience for renters and property managers. Freeing up the time it takes to coordinate schedules allows renters to focus on finding their perfect place without worrying about when they’ll get a chance to see it, and gives property managers valuable time back for other important tasks.”

Renters can now directly book tours for listings at more than 2,600 apartment buildings on Zillow, and more properties are continually adopting the technology. This new functionality is made possible through Zillow’s integrations with Knock CRM and Funnel Leasing, two leasing and customer relationship management platforms used by multifamily properties across the country.

# ENHANCING CLIENT VALUE

**B**lack Knight Inc. has announced the launch of its new Developer Portal—a one-stop storefront where clients, third-party providers, and their developers will have access to the company's catalog of application program interfaces (APIs) across the mortgage life cycle. APIs expose business functionality and client data that are neatly packaged into reusable services that follow industry standard protocols and conventions to allow ease of integration. Clients can use Black Knight's APIs to rapidly embed additional functionality within their applications, which can help drive intuitive and frictionless experiences in their user journeys.

The Developer Portal provides a central repository of documentation detailing the application connections Black Knight offers. This catalog of APIs includes web APIs, web services, webhooks, and other integration tools. The Developer Portal also contains a self-service interface where clients can search for and browse API specifications, product overviews,



implementation documentation, user guides, and more.

"Staying at the forefront of technology is a commitment we make to our clients," said James Iredale, Chief Information Technology Officer for Black Knight. "We are focused on continual innovation and delivering with a sense of urgency to help our clients stay ahead of changing market dynamics. The Developer Portal is a further demonstration of our commitment to helping our clients drive growth and perform business processes with greater ease and efficiency."

By providing easy, self-service access to the API catalog and all necessary tooling, the

Developer Portal allows clients to innovate further by rapidly integrating their applications and data to help achieve desired business outcomes. While the Developer Portal currently contains API documentation related to Black Knight's servicing technologies, this information is actively being expanded to include APIs across the mortgage life cycle.

## KEEPING AHEAD OF DISASTER

**E**arthvisionz has announced the launch of several new visualization tools to help disaster recovery professionals do their job with a higher degree of awareness during severe weather events.

V-Alert mapping and threat tracking software aids in visualizing time-sensitive flooding and precipitation data to help operations managers task teams for flood control and water damage repairs. With a push of a button, operations managers can capture a map view of any approaching threat and share the analyzed data with decision-makers in real time. Post-disaster damage can be remotely analyzed with satellite imagery overlays of before and after views for insurance adjusters and restorers before they get on site.

Earthvisionz's Field Team Tracker helps OMs keep in constant communication with their technicians who are moving equipment onto job sites and setting up mobile command centers. This real-time communications system also helps restorers share

mission-critical information with their asset management customers and insurance partners during any critical event.

Earthvisionz has also announced its new website that features industries such as restoration recovery, property claims and insurance, lender services, mortgage banking, and smart cities. Earthvisionz also offers resources, including guides on how to prepare and survive hurricanes and wildfires with respective white-page reports.

## TAVANT LAUNCHES NEW PROPTech 3.0 OFFERING

**T**avant, a Silicon Valley-based provider of custom AI-powered solutions, has launched its latest phase in Real Estate Technology, Proptech 3.0. This phase in Tavant's Proptech evolution introduces innovation to the real estate industry by delivering end-to-end solutions and connected AI-powered analytics that optimizes the ecosystem for all parties involved.

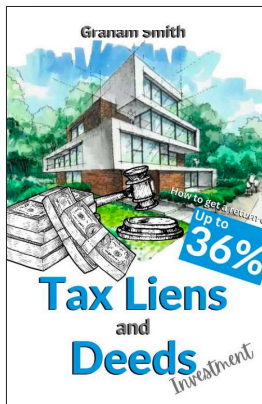
Tavant's knowledge base enables its

partners to unlock the full potential of their data, while achieving impact and quality at every stage of the data monetization journey. Tavant's experience enables scaling start-ups and industry leaders to entrust the digital transformation of its adjacent business units to increase flexibility and efficiency, resulting in a more complete and overall competitive business in the current environment.

While the past 12 months were that of durability for the Proptech sector, Tavant's Touchless Lending automation solution enabled 9,656 homeownership dreams daily, underwrote more than 80,000 loans, and increased revenue by 250% from the previous year on customer growth of 200%.

"Tavant's mission is to empower the Real Estate ecosystem with problem-solving solutions that enhance processes and create and support progress," said Brad Sivert, Head of Proptech at Tavant. "AI has the ability to drastically improve the real estate industry, and bring about unprecedented efficiencies. Our AI expertise has enabled us to deliver never-before-seen technology solutions that streamline processes, improve accuracy, enhance the overall customer experience, and more for over two decades."

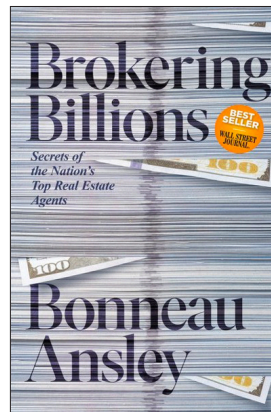
# EXPAND YOUR SKILLS, GAIN INSIGHT, AND GET INSPIRED WITH THESE TOP PICKS



*Tax Liens and Deeds Investment: How to Get a Return of Up to 36% on Your Money Without the Typical Stock Market Uncertainty or Real Estate Investment Risk*

by GRAHM SMITH

If you want to learn how the tax lien certificate investment process works to create an additional real estate revenue stream, this highly praised book teaches you the whats, whys, and hows of liens and how to navigate this space in a profitable manner. This beginner's guide is an indispensable tome for someone trying to learn and break into the market, so one can confidently attend auctions and invest appropriately while also laying out the good, bad, and ugly truths and pitfalls to avoid.



*Brokering Billions: Secrets of the Nation's Top Real Estate Agents*

by BONNEAU ANLSEY

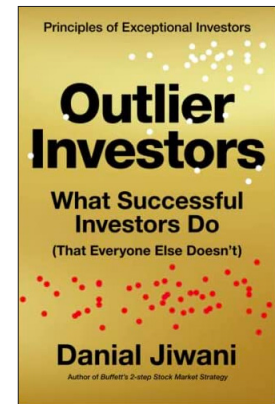
Author Bonneau Ansley was recently named the top real estate broker in the South by the *Wall Street Journal*—a feat that should not be taken lightly since he only started in 2009. Now leading a firm of over 400 agents, he shares the simple systems and processes any agent can use to sell more real estate than they ever dreamed was possible. The book not only gives practical examples that agents can use today but also shows how agents can be more effective with what they already do.



*Selling Real Estate at Auction: The Key to Scaling Your Business and Skyrocketing Your Income as a Real Estate Agent*

by GIACOMO SINISGALLI

If you're a real estate agent and want to scale your business up, auctions are a sure-fire way to find, list, and sell more properties, close deals faster, and bump up your commission rates. Filled with practical advice, this book by author Giacomo Sinisgalli draws on his 30 years of experience in the auction space and provides tips and strategies to successfully break into the auction market. This book is for those who want to sell probate property at auction, flip real estate deals, and the steps you need to take to become a CREA-certified real estate auctioneer.



*Outlier Investors: What Successful Investors Do (That Everyone Else Doesn't)*

by DANIAL JIWANI

Laying out a novel perspective on investing, *Outlier Investors* shares the author's investment principles for outperforming the stock market based on Warren Buffett's explanations of why he invests in certain stocks. Answering many questions through personal anecdotes, this book also answers questions one may have not thought to ask while also explaining why some investors are very successful and why others fail. As the title reflects, you need to invest like an outlier to get outlier results.



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# » Movers & Shakers

## » Government

### FDIC TAPS FORMER FANNIE MAE PRESIDENT MAYOPOULOS AS CEO OF SVB



The Federal Deposit Insurance Corporation (FDIC) has named former Fannie Mae head **Tim Mayoopoulos** as CEO of Silicon Valley Bank, a

subsidiary of the recently shuttered SVB Financial Group.

Silicon Valley Bank, based in Santa Clara, California, was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. To protect insured depositors, the FDIC created the Deposit Insurance National Bank of Santa Clara (DINB). At the time of closing, the FDIC, as receiver, immediately transferred to the DINB all insured deposits of Silicon Valley Bank. Silicon Valley Bank had 17 branches in California and Massachusetts.

Mayopoulos joined Fannie Mae in 2009 as EVP, General Counsel, and Corporate Secretary. In 2010, he became Chief Administrative Officer for the government-sponsored enterprise (GSE). He was named President and CEO of Fannie Mae in 2012.

Tim has had a long career in financial services. He served as the General Counsel of Bank of America for five years and held senior roles at Deutsche Bank, Credit Suisse First Boston, and Donaldson, Lufkin & Jenrette. Tim serves on the boards of directors of LendingClub, the leading digital marketplace bank in the U.S., and SAIC, a technology integrator for the civilian, defense, and national security agencies of the U.S. government. Tim also serves as a director or advisor to a number of private companies.

As of December 31, 2022, Silicon Valley Bank had approximately \$209 billion in total assets and about \$175.4 billion in total deposits. At the time of closing, the amount

of deposits in excess of the insurance limits was undetermined. The amount of uninsured deposits will be determined once the FDIC obtains additional information from the bank and customers.

## » Lenders/Service

### MR. COOPER ANNOUNCES EXECUTIVE LEADERSHIP CHANGES



Mr. Cooper Group Inc. has announced two executive leadership appointments as **Kurt Johnson** has been named CFO, and **Christine Paxton** as EVP, and Chief Risk and Compliance Officer.



Johnson joined the company in 2015, and most recently served as Chief Risk and Com-

pliance Officer, responsible for credit and market risk management and leading the risk and compliance organization.

“With his decades of experience in mortgage-banking, strong relationships with government and industry stakeholders and a detailed understanding of our platform, Kurt is already a major force at the company and in the industry,” said Jay Bray, Chairman and CEO of Mr. Cooper Group. “In his new role, he will be instrumental in setting the company on the path to delivering strong and rising investor returns.”

With 25 years in the mortgage industry, Johnson has experience in originations, servicing, treasury, portfolio management, and financial planning. In his time with Mr. Cooper, Johnson also led the multiyear Project Titan servicing transformation initiative and oversaw critical technology and process enhancements for our platform. In 2019, Johnson became the company’s Chief Credit Officer, responsible for setting all credit risk

related policy and governance before being promoted to his role as Chief Risk and Compliance Officer in early 2021.

Paxton returns to Mr. Cooper from Wells Fargo, where she most recently served as SVP of Control Management, responsible for managing risk for the home lending and servicing business. Before that, she served as SVP of Enterprise Risk at Mr. Cooper Group where she established the corporate enterprise risk management framework. Christine also served in leadership roles at Capital One and Citi.

“We are delighted to welcome Christine back to the Mr. Cooper Group team,” Bray added. “She is a well-respected leader, and I am confident that her experience and operational skills will be a great fit as we work to ensure Mr. Cooper continues to serve as a source of strength in the housing market.”

As Johnson assumes his new role, Jaime Gow will transition from CFO to a Strategic Advisor role through October.

“I want to thank Jaime for his leadership, dedication to the team, and major contributions including building out our finance, accounting, and tax planning teams to world-class standards,” Bray said. “We are a better company because of his efforts, and I appreciate that he will continue to support the team during this transition.”

### PATRICK BOLAN JOINS NEW AMERICAN AS CHIEF PRODUCTION OFFICER



New American Funding has named **Patrick Bolan** as its new Chief Production Officer, tasked to grow the company’s retail sales and bring a

mature level of leadership to this division—ensuring that the company’s retail sales division is set up for success and growth in 2023 and beyond.

Drawing on his 30-plus years of leadership and origination experience, Bolan is passionate about developing strong leaders and teaching others to reach their own personal goals, with a proven history of coaching his teams successfully to double and even triple their production. His tenured experience in the mortgage industry will help influence the growth of NAF’s sales team, the overall struc-

“Deephaven is seeing tremendous interest in non-QM products from mortgage brokers who are new to the segment. I am thrilled to introduce them to our knowledgeable and responsive team.”

—Patrick Creek, Western Regional VP, Wholesale Sales,  
Deephaven Mortgage LLC



ture of retail sales, and the synergies between all departments at NAF.

“We couldn’t be more excited to welcome Pat to the team,” said Christy Bunce, President of New American Funding. “He is experienced in many facets of the mortgage business, and his track record speaks for itself. We already have a very strong sales team, and bringing Pat onboard as the new leader will help us reach even greater heights.”

Prior to joining New American Funding, Bolan served as a Division Manager at one of the nation’s largest lenders, where he developed a sales team from scratch. He was also able to build an operations team that enabled the loan officers in his division to produce at a very high level. Additionally, he has experience as a Divisional President and SVP, Director of Retail Mortgage Sales in previous roles.

#### PATRICK CREEK JOINS DEEPHAVEN MORTGAGE



Patrick Creek has joined non-QM lender Deephaven Mortgage LLC as Western Regional VP, Wholesale Sales. Creek has more than 15 years’ industry experience as a business development executive, with a focus on helping mortgage brokers and correspondents succeed in the non-QM marketplace. He was previously Regional VP of Sales with Arc Home LLC and VP, Wholesale-Non Delegated Sales with First Guaranty Mortgage Corporation.

“Deephaven is seeing tremendous interest in non-QM products from mortgage brokers who are new to the segment,” Creek said. “I am thrilled to introduce them to our knowledgeable and responsive team.”

At Deephaven, Creek will be responsible for working with brokers within and west

of Texas to grow their non-QM revenues, drawing on Deephaven’s product offerings, in-house underwriting expertise, and training and support.

“Pat brings deep experience in non-QM sales, operations, and loan production to Deephaven,” said Tom Davis, Chief Sales Officer for Deephaven Mortgage. “His hands-on product knowledge and passion to be a strategic partner to our customers make him a valuable addition to our firm.”

#### WATERSTONE PROMOTES JENNIFER GEORGE TO VP OF INVESTOR RELATIONS AND CREDIT POLICY



Waterstone Mortgage Corporation has announced the promotion of Jennifer George to the role of VP–Investor Relations and Credit Policy.

George has more than 30 years of experience in the mortgage lending industry and throughout her career, has held a variety of positions. In 1992, she started in a customer service support role for a mortgage servicer. From there, she transitioned into the areas of funding, closing, processing, and underwriting. She joined Waterstone Mortgage in 2018 as the Regional Underwriting Manager for the Western Region and was later promoted to VP–Credit Policy.

“I have been fortunate to work at Waterstone Mortgage for more than four years, and I look forward to the new opportunities and challenges that my role will bring,” George said. “What I enjoy most about Waterstone is that—no matter how much we grow—I’ve always felt like I’m part of one team where everyone supports each other, and we all have the same goals. Waterstone is always open to making positive, impactful changes—which works perfectly for me and my role.”

During her time at Waterstone Mortgage, George has been instrumental in reengineering the company’s credit policy strategy. She also oversaw the addition of manual underwriting for the lender’s government products and worked closely with the Product Development team on the rollout of loans for singlewide manufactured homes.

In her new role, George will continue

her credit policy duties and will also oversee Waterstone Mortgage's Product Development team. She will focus on managing investor relations—developing connections to create unique, profitable product opportunities. In her position, George will blend her knowledge of product development with her credit policy expertise to build stronger product and credit solutions for Waterstone Mortgage.

"Jennifer has been an integral member of our team since she joined Waterstone Mortgage. Her industry knowledge, leadership capabilities, and positive attitude make her an ideal fit for her new role," Waterstone Mortgage COO Rich Tucker said. "Combining her love of research, knowledge of underwriting, and focus on solutions for our sales teams, she finds ways to drive clarity in our underwriting guidelines for our agencies as well as our end investors."

#### SAGENT NAMES PERRY HILZENDEGER EVP OF SERVICING



Sagent has appointed former Wells Fargo and Homepoint Financial executive **Perry Hilzendege** as its new EVP of

Servicing, reporting to

Sagent CEO Dan Sogorka. His responsibilities with Sagent will include driving granular and nuanced innovations and execution across scaled operations with an emphasis on the customer experience and compliant programming.

"Perry will help refine Sagent's cloud-native, open-API servicing and default platforms, ensure they're relevant for our customers' multivariate and complex use cases, and help drive adoption of our platforms with major bank and nonbank servicers," Sogorka said. "Perry will also lead Sagent's relationships with Fannie Mae, Freddie Mac, Ginnie Mae, and work with regulators to ensure responsible, compliant innovation as we modernize our industry."

Most recently, Hilzendege was President of Servicing for Homepoint Financial, and prior to that, he served in key Wells Fargo executive leadership roles, including head of retail and servicing operations, leading America's largest mortgage servicer with a \$954 billion portfolio.

Hilzendege's focus has been on building, developing, and growing high-performing teams in both bank and nonbank mortgage lending and servicing organizations.

"Successfully powering America's \$13 trillion mortgage servicing sector requires expertise in both technology and operations, and Sagent is the only scale software provider with both," Hilzendege said. "They already had a formidable team of servicing software specialists, then doubled it with their acquisition of Mr. Cooper's industry-best fintech team. I'm honored to join these and other servicing and fintech pros like COO Marianne Sullivan to fundamentally change the dynamics of America's housing ecosystem and deliver positive homeowner outcomes."

#### BSI FINANCIAL SERVICES NAMES HAROLD LEWIS PRESIDENT AND COO



BSI Financial Services has hired **Harold Lewis** as its new President and COO, where he will be responsible for scaling BSI Financial's platform and delivering value to its customers through the combination of improved operational efficiency, reduced risks, technology



advancements, and exceptional talent.

Prior to joining BSI Financial, Lewis served as President and COO of Nationstar Mortgage (d/b/a Mr. Cooper), where he led the growth of the company's servicing portfolio from \$30 billion to \$400 billion and its mortgage origination portfolio from \$1.8 billion to \$25 billion. Prior to Nationstar, Lewis held several C-suite and senior executive positions, including COO at CitiMortgage, COO of Residential Real Estate at Fannie Mae, President of NationsCredit for Bank of America/Barnett Bank, and COO of Resource Bancshares Mortgage Group. Most recently, he served as a Senior Advisor at McKinsey & Company. In addition, Lewis currently serves on the Board of Directors at Upbound (d/b/a Rent-a-Center and Acima) and on its Audit and Compensation Committees.

"I am excited to welcome an exceptional

industry leader like Harold to our leadership team," said Gagan Sharma, Founder and CEO of BSI Financial. "As we scale BSI in these changing times for our industry, Harold's leadership and expertise will ensure that we deliver a best-in-class customer experience while minimizing risk."

BSI also announced the appointment of **Brett Behrens** as SVP and Head of Non-Agency Servicing. He will report directly to Lewis. Behrens has more than 33 years of financial services experience, including over 20 years in servicing management. Most recently, he was a Business Development Executive with Aspen Capital, a private equity firm specializing in the acquisition and servicing of residential and commercial real estate loans. Behrens has also held management positions at Calmco Servicing, Wilshire Credit Corporation/Seterus, Wealthbridge Mortgage Corporation, and FCI Lender Services.

#### BROOKSTONE MANAGEMENT ADDS WELLS FARGO EXEC PATRICK PANNKUK



Brookstone Management, a mortgage field services provider with a focus on preserving and maintaining vacant, pre-foreclosure, and REO assets nationwide, announced that it has added Wells Fargo exec **Patrick Pannkuk** to its team in the role of SVP of Business Development.

Pannkuk joins Brookstone Management, bringing nearly 14 years of industry experience from multiple positions held at Wells Fargo. Most of that time was spent in the mortgage default servicing sector with a heavy emphasis on relationship management. Over the course of his more than a decade with Wells Fargo, Pannkuk served in roles spanning from Asset Recovery Manager and REO Supervisor to, most recently, SVP—Third Party Engagement & Oversight Leader.

According to Brookstone, Pannkuk's focus on building trust and rapport with a myriad of contacts from across the spectrum will allow him to build confidence throughout those relationships and help spotlight the value of the services that Brookstone provides to its partners. His education and experience in business marketing and management will also lend themselves to fostering, growing, and

maintaining those strong relationships.

“Pat’s guidance, strong business acumen, and ability to build and grow relationships will allow us to carry forward our mission to continue to scale into the future with existing clients but also to diversify and consider other tradelines as well that would benefit from our offerings,” said Sam Ingber, CEO of Brookstone Management.

Brookstone notes that Pannkuk’s experience in leading large groups of people and processes also positions Pannkuk to be both strategic and risk-minded in his approach. This will allow him to care for the needs of existing clients but also carry a trajectory forward into new opportunities and endeavors where Brookstone’s services and capabilities can further be leveraged and scaled into the future.

“Pat’s rich history in this industry and his skill sets will bring strong value to our organization and allow for us to reach new heights both now and into the future,” added Abraham Goodman, President of Brookstone Management.

## FAIRWAY INDEPENDENT MORTGAGE BOLSTERS ITS REVERSE LENDING OPS



Fairway Independent Mortgage has named **Dan Ventura** as its new VP of Reverse Operations, where he will be responsible for Fairway’s regional

reverse processing centers. With more than two decades of mortgage experience, Ventura has worked for Fairway for the past 16 years as a Producing Branch Manager and a high-volume Ops Center Manager.

“It’s not possible for me to be any more excited than I am,” Ventura said. “The teams have come a long way in just over a month and will continue to work hard to achieve consistency in each of the regional processing centers. With the talented, passionate team we have in place, all Loan Officers will be able to originate with confidence just like

they do on the ‘forward’ side. This in turn will result in higher ‘in-process’ referrals and allow our team to grow its business without limitations.”

Ventura and the processing center managers will be partnering with Tom Evans, EVP of Reverse Marketing and Technology, to streamline and enhance the technologies in use for Fairway Reverse.

In addition to Ventura, Fairway Independent Mortgage also made an investment in their Reverse Lending Division by formalizing its new Regional Reverse SVP program. The Regional Reverse SVP role will focus on increasing the production of originators tied to the Processing center or centers in their territory. The company has named the following to serve in these SVP roles in their respective regions: Genie McGee as SVP of the Southeastern Region, Christine Jensen as SVP for the Central North Region, Rob Kanyur as SVP for the Southern Southwestern Region, Derek Helms as SVP for the Mid-Atlantic Region, Steve Cox as SVP for

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the Pacific Northwest Region, Rick Rodriguez as SVP of the Northern SW Region, and Michael Inkman as SVP of the Southern Central Region, as well as a new hire—30-year reverse mortgage veteran Susan Pomfret, who will serve as SVP for the Northeastern Region, and work alongside David Lazowski, one of Fairway's top producing managers, originating several billion in forward and reverse loans last year.

"Steve Jacobson, Gregg Steinhaus, and the entire exec team have shown so much support for Reverse," Jensen said. "They are totally behind us and have our backs—that security allows for unprecedented creativity. Each member of this group has specific set of gifts, and building off those unique skillsets will diversify and grow our platform."

### » Service Providers

#### MBA NAMES ERIC GATES CHAIR OF THE MORTGAGE ACTION ALLIANCE



The Mortgage Bankers Association (MBA) has announced that **Eric Gates**, President of Apex Home Loans, has been appointed Chairman of the

Mortgage Action Alliance (MAA) for the 2023-2024 election cycle. Gates began his term as MAA Chairman in January.

Gates was appointed by Matt Rocco, MBA's 2023 Chairman and President of Colliers, and Mark Jones, MBA's 2023 Chairman-Elect and Co-Founder of Amerifirst Home Mortgage. Gates succeeded Steven Plaisance, President—Mortgage Banking, Gateway First Bank, who served as MAA Chairman for the 2021-2022 election cycle.

"Eric has been an instrumental advocate for the industry and his dedication to furthering MBA's legislative agenda makes him the perfect choice to lead our MAA efforts for this election cycle," Rocco said. "MAA broke membership and activation records this past election cycle, and I look forward to working with Eric to continue the momentum."

Gates has served as President of Apex Home Loans since co-founding the company in 1998. Gates is a former President of the Maryland Association of Mortgage Profes-

sionals, former Co-Chair of the MBA's Independent Mortgage Bankers' Network, and a member of the MBA's Independent Mortgage Bankers Executive Council and MBA's Residential Board of Governors (RESBOG). He is serving his second term as a member of the MBA's Board of Directors.

"I also want to thank Steven for his leadership and taking MAA to new and different levels of engagement, including notable accomplishments that helped our industry strengthen its collective voice and influence on Capitol Hill—and in state capitals around the country," Rocco said.

#### MARIA ELENA JAIMES JOINS MAP TO LEAD TRAINING INITIATIVES



Mortgage Advisory Partners (MAP), a strategic mortgage consultancy group, has announced that **Maria Elena Jaimes** has joined the firm as

Managing Director of Training and Development.

"We are incredibly thrilled to have Maria Elena on the MAP team," said Brian Hale, CEO and Founder at Mortgage Advisory Partners. "In today's economic climate, it is crucial that teams are properly trained. With Maria Elena's expertise in training and development, our clients will receive the next-level support they need to navigate the ebbs and flows of the mortgage industry. Maria Elena and her team can assist with outsourcing training, allowing you to reduce headcount and costs while continuing to provide quality training and high levels of support."

Jaimes comes to MAP with more than 30 years of experience in the real estate and mortgage finance industries. In her role with MAP, Jaimes' focus will be to help MAP clients curate actionable tools meant to establish, execute, and enhance training and development initiatives. She will also oversee additional consulting offerings such as leadership training, assessment and evaluation, sales and operations training, and performance consulting.

Her background includes experience in the areas of process optimization, instructional design, and sales training. She has previously held executive-level roles with

Homepoint Financial and Stearns Lending. Her passion for training and development evolved into her building JAI Consulting, a training and development consultancy company she still operates today.

#### SAM MARKWOOD NAMED COO OF BIRCHWOOD CREDIT SERVICES



Birchwood Credit Services has announced the appointment of **Sam Markwood** as COO, bringing more than 17 years of experience to

the role, having held various positions in customer service, operations management, and client success with CBC (now Factual Data) and Certified Credit. As COO, Markwood will be responsible for managing and directing the logistics, workflows, and operations of Birchwood's production team, as well as overseeing the sales and marketing departments within the company.

"We are fortunate to have someone of Sam Markwood's caliber and experience step up to lead our bureau operations," said Larry Avery, CEO of Birchwood. "At this critical moment, we need renewed leadership to successfully implement our strategy and take advantage of the market opportunities ahead. Sam is an operations and technology visionary with a proven track record of execution. She is a strong communicator who is customer-focused with deep leadership capabilities. Furthermore, as a member of various mortgage industry executive teams over the past 17 years, she has a solid understanding of our products and markets."

Founded in 1992, Birchwood Credit Services is a nationwide credit reporting agency that has provided financial credit services to mortgage professionals, including accurate mortgage online credit reports, tax return verifications, flood reports, collateral and property reports, credit re-scoring, and other related services for over three decades.

"I am very grateful for the opportunity to join the Birchwood family," Markwood said. "I'm extremely excited to work alongside this amazing team of people who share the same core values as I do, and I'm looking forward to all the incredible things we will do together as we continue to delight our customers!"

# “The mortgage industry is poised to look for growth opportunities beyond traditional loan products which is where reverse mortgages come into play.”

— George Morales, Reverse Mortgage Product Manager, Mortgage Cadence



## REVERSE MORTGAGE EXPERT GEORGE MORALES JOINS MORTGAGE CADENCE



Mortgage Cadence, a subsidiary of Accenture, has announced that **George Morales** has joined the company as its new Reverse Mortgage

Product Manager.

With 24 years of mortgage and real estate industry experience; 11 of those in the reverse mortgage sector, Morales will use his experience to focus on product strategy and subject matter expertise for the Mortgage Cadence Platform (MCP) as it pertains to Reverse Mortgage loan origination and the Reverse Mortgage market. He will manage reverse mortgage enhancements in MCP and supporting products, provide business case support and rationale for the enhancements, and serve as an in-house reverse mortgage expert for MCP and its clients.

“The mortgage industry is poised to look for growth opportunities beyond traditional loan products which is where reverse mortgages come into play,” Morales said. “That’s why I’m so enthusiastic about Mortgage Cadence; the ability to originate traditional loan products and reverse mortgages in a single system is revolutionary on several fronts!”

Prior to joining Mortgage Cadence, Morales served as VP of Reverse Mortgage lending with The Sless Group of Primary Residential Mortgage Inc (PRMI) where he was key in developing strategy, directing branch/loan originator relations, overseeing reverse mortgage products, pricing, compliance, and relationships with vendors and other industry partners. He brings years of multichannel experience in sales, marketing, management, strategic planning, and origination expertise for companies such as American Advisors Group (AAG) and other players in the reverse mortgage sector.

“We want to help grow Reverse from being a specialized product to one that is part of a broad suite of products that Lenders can offer to borrowers,” said Seth Hooper, EVP of Product Management at Mortgage Cadence. “We are really excited to have George on board, who will be an invaluable asset for us in the Reverse space.”

## RICK SHARGA JOINS THE EXCELERAS ADVISORY BOARD



Exceleras, a provider of software solutions, has announced that industry veteran and thought leader **Rick Sharga** has joined the Advisory Board the

company launched last year. Sharga is the fourth high-level industry advisor to join the board.

“As we position Exceleras for profitable growth, regardless of market conditions, we’re looking for the best thought leadership we can find to help guide us into the future. Adding someone of Rick’s caliber to our already powerful group is a big win for us,” said Tom Simon, CEO of Exceleras. “When Rick Sharga speaks, people listen, and we intend to fully leverage Rick’s industry experience. He is a recognized thought leader who understands the companies we serve and their most pressing business needs. I am very grateful to have him join our advisory board.”

Sharga has more than 20 years of experience in the real estate and mortgage industries, including roles as the EVP/ Market Intelligence at ATTOM Data, EVP for Carrington Mortgage Holdings, EVP of Marketing at RealtyTrac, and Chief Marketing Officer of Ten-X and Auction.com.

Sharga is currently the Founder and CEO of CJ Patrick Company, a market intelligence and advisory firm for companies in the real estate and mortgage industries. One of the country’s most frequently quoted sources on real estate, mortgage and foreclosure trends, Sharga has appeared on CNBC, CBS News, NBC News, CNN, ABC News, FOX, Bloomberg, and NPR.

Sharga is also a founding member of the Five Star National Mortgage Servicing Association, on the Board of Directors of the Asian Real Estate Association of America and the National Association of Default Professionals, and was twice named to the Inman News Inman 100, an annual list of the most influential real estate leaders.

“Our advisory board is taking shape, and I’m very pleased at the quality of industry leaders we’ve been able to attract,” said Jonathan Kunkle, a member of the Exceleras Management Board. “Our first 16 years serving this industry were very rewarding. Now, with the help of our new advisors, we’ll chart a path into the future. Rick Sharga is going add a great deal to these efforts.”

Sharga joins Kevin J. Cooke Jr., SVP of Business Development for LoanCare; Courtney Thompson, EVP and Chief Product Officer for Sagent; and Jason Tanaka, EVP of Real Estate Technology Strategy for USAA Federal Savings Bank, on the Exceleras advisory board.



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- » and other loans it did not acquire.
- » Also included in the transaction is Signature Bank's wealth-management and broker-dealer business.

The deal also includes all of legacy Signature's core bank deposit relationships, including both the New York and the West Coast Private Client teams, as well as the wealth management and broker-dealer business.

In connection with the transaction, Flagstar will take over all of Signature Bridge Bank's branches—including 30 branches in the New York City metro area and several branches on the West Coast.

Signature Bank was closed on March 12, 2023, by the New York State Department of Financial Services, which appointed the FDIC as receiver. After its appointment as receiver, the FDIC filed an application with the OCC to establish Signature Bridge Bank N.A., which was approved by the OCC later that day. The FDIC then transferred substantially all of the assets and liabilities of Signature Bank to Signature Bridge Bank N.A., operated by the FDIC, as it marketed such assets and deposits to potential bidders.

On the lending side, Flagstar is adding several new verticals, including middle market specialty finance, healthcare lending and SBA lending, while adding to its existing verticals in mortgage warehouse lending, as well as traditional commercial and industrial lending.

"This transaction continues our transformation from a predominantly multifamily lender to a diversified full-service commercial bank," Cangemi added. "It builds upon and accelerates the transformation set in motion by the merger of New York Community and Flagstar, and we believe the financial metrics are extremely attractive. The deal is expected to significantly strengthen our deposit base, lower the loan-to-deposit ratio, provide the opportunity to pay down a substantial amount of our wholesale funding, and further diversify our loan portfolio away from CRE loans and more toward commercial loans. Financially, the deal is expected to be significantly accretive to both earnings per share and to tangible book value per share. The net interest margin expands due to lower funding costs, the additional deposits reduce the loan-to-deposit ratio to less than 90%, improves our profitability ratios, adds liquidity, and we maintain strong pro-forma capital ratios."

## » Industry Update

### FLAGSTAR ACQUIRES CERTAIN ASSETS FROM SIGNATURE BRIDGE BANK

New York Community Bancorp Inc. (NYCB) announced that its bank subsidiary, Flagstar Bank, has acquired certain assets and assumed certain liabilities of Signature Bridge Bank from the Federal Deposit Insurance Corporation (FDIC). All regulatory approvals, including approval from the Office of the Comptroller of the Currency (OCC), have been obtained, and the transaction has closed. In the deal, Flagstar acquired only certain financially and strategically complementary parts of Signature Bridge Bank that are intended to enhance our future growth.

"I would like to first and foremost extend a warm welcome to all of our new employees joining us from Signature," NYCB President

and CEO Thomas R. Cangemi said. "Over the past 20 years, Signature and New York Community have operated in the same markets, and we have great respect and admiration for the employee base. Secondly, I would like to welcome our new customers and assure them that they are supported by an organization that has been a mainstay in its communities since 1859. We look forward to serving each of you and the new communities which we have entered."

Under terms of the Purchase and Assumption Agreement with the FDIC, Flagstar:

- » Purchased assets of approximately \$38 billion, including cash totaling approximately \$25 billion and approximately \$13 billion in loans. Included in the \$25 billion of cash is \$2.7 billion arising from a discounted bid to net asset value.
- » Assumed liabilities approximating \$36 billion, including deposits of approximately \$34 billion and other liabilities of approximately \$2 billion.
- » NYCB is working on an agreement to subservice the legacy Signature multi-family, commercial real estate,

## GUILD MORTGAGE EXPANDS REVERSE DIVISION THROUGH ACQUISITION OF CHERRY CREEK

**G**uild Mortgage has announced the addition of an experienced reverse mortgage leadership team to expand its reverse mortgage division through its recent acquisition of Cherry Creek Mortgage.

Based in Colorado, Cherry Creek is a privately-held top 10 reverse mortgage lender, as ranked by Reverse Mortgage Insight.

Through the acquisition of Cherry Creek, Guild Mortgage will integrate reverse mortgages into its traditional mortgage platform. The division will use Guild's existing nationwide retail team in nearly 300 branches to expand reverse mortgage offerings. The company will offer turnkey wholesale and correspondent solutions to other lenders wanting to enter the reverse mortgage space.

"The combination of proprietary technology and the broad and established retail network gives Guild the opportunity to advance

as a leading retail, wholesale, and closed loan purchaser of reverse mortgages," said Bruce Barnes, Managing Director of Reverse Mortgages for Guild Mortgage, who joined the company from Cherry Creek. "We believe having the ability to securitize and service the reverse mortgage product will continue to strengthen our offerings and help us to serve more borrowers nationwide."

For the trailing 12 months ended February, Cherry Creek Mortgage was the nation's 10th most active originator of Home Equity Conversion Mortgages (HECMs), according to Reverse Mortgage Insight. For 2023, it ranks eighth among program participants to date.

According to the Urban Institute, the number of Americans ages 65 and older will more than double over the next 40 years, reaching 80 million in 2040. The number of adults ages 85 and older will nearly quadruple between 2000 and 2040.

"The acquisition of Cherry Creek Mortgage and its reverse mortgage division continues to align with our customer for life strategy," Guild Mortgage President Terry Schmidt said. "This new combination of resources enables us to expand our business to meet a growing market need."

Cherry Creek, a company co-founded by Jeff May in Greenwood Village, Colorado in 1987, had 68 branches in 45 states at the time of the sale and will become its own division

of Guild, headed by May. With the acquisition, Guild now has more than 300 branches and 4,000 employees in 49 states.

"We continue to look for potential new partners with strong local teams, a history of growth, and community commitments," said Mary Ann McGarry, Guild Mortgage's CEO. "Cherry Creek has grown steadily over the years and shown a dedication to giving back that parallels ours, with an executive team and loan officers who are active in every market. Guild has a longstanding admiration for Cherry Creek's approach to business and its accomplishments, and we feel confident our two companies will be able to take advantage of our synergies in each market and do even more for our customers, together."

## FINANCE OF AMERICA REVERSE RENEWS SUBSERVICING RELATIONSHIP WITH CELINK

**C**elink, a reverse mortgage servicer, has executed a multiyear subservicing contract renewal with Finance of America Reverse, a leader in the reverse mortgage industry.

Finance of America Reverse has utilized Celink as its reverse mortgage servicer since 2011, and this renewal will further extend the relationship between the two companies for years to come.

"Celink looks forward to continuing this decade-long relationship with Finance of America Reverse," Celink CEO Marion McDougall said. "With this renewal, we are extending our partnership and joint focus toward making industrywide improvements for the reverse mortgage product and providing excellent service for seniors."

As a retirement solutions company and part of the Finance of America Companies family of companies, Finance of America Reverse offers products and services designed to help older Americans include home equity in their retirement plans.

With operations in both Austin, Texas,

# 80 M

According to the Urban Institute, the number of Americans ages 65 and older will more than double over the next 40 years, reaching 80 million in 2040.



# “At LoanCare, we are always looking for ways to improve portfolio performance and provide the highest level of service.”

—Dave Worrall, President, LoanCare



and Lansing, Michigan, Celink is a Ginnie Mae-approved Participation Agent and Subcontract Servicer for the HMBS program, a DBRS Morningstar-approved servicer, as well as a Moody's-approved servicer of reverse mortgages.

## LOANCARE UNVEILS NEW VELOCITY SERVICING DIVISION

**M**ortgage subservicer LoanCare LLC has announced the launch of Velocity Servicing, an independently managed division dedicated to delivering one-stop resolution for credit-sensitive mortgage loans by managing the borrower relationship and providing transparency into servicing performance.

Utilizing advanced data analytics, Velocity Servicing puts distressed mortgage loans on the path to resolution faster than traditional servicing. By analyzing an intelligent network of triggers, exceptions,

and conditions at the loan level, it achieves a consistent return on investment earlier in the process. In addition, the division works with clients on establishing portfolio goals and executing on a loan-by-loan disposition plan. Velocity Servicing can uniquely structure a solution tailored to a homeowner's situation, helping them understand their options and make decisions at a pace that puts both the homeowner and client at ease.

“At LoanCare, we are always looking for ways to improve portfolio performance and provide the highest level of service,” said Dave Worrall, President of LoanCare. “Velocity Servicing is a major step forward in our commitment to improve asset performance through high-touch servicing while driving a higher ROI for mortgage investors.”

Velocity Servicing offers clients the talent and process rigor proven to address the unique challenges of specialty loan servicing, along with the ability to leverage the scale of LoanCare, including its best-in-class compliance processes, risk management infrastructure, and proprietary data analytics platform which monitors and predicts risk and opportunity across a portfolio. The division has invested in and developed tools specific to this strategy, such as Portfolio Arc, a loss mitigation data model.

“The Velocity Servicing team has deep

loss mitigation experience along with the expertise and personalized service skills necessary to turn distressed loans into performing assets,” said Matt Stadler, President of Velocity Servicing. “The partnership between Velocity and LoanCare creates a unique offering in the servicing space, delivering our partners better resolution times with significant reduction in losses. Together, we help our clients turn distressed loans into performing loans faster.”

## BLACK KNIGHT APPROVED TO SUPPORT FANNIE MAE'S NEW VALUATION OPTION

**B**lack Knight Inc. has announced that it has been named one of only six vendors approved by Fannie Mae to support the GSE's new valuation option: value acceptance plus property data. Fannie Mae announced the new option in lieu of appraisals on March 1, 2023, in updates to its Selling Guide. With the new valuation option, lenders, AMCs, and other property data collection companies can use SCOUT, Black Knight's innovative and versatile mobile property inspection application, as part of the value acceptance plus property data process.

The value acceptance plus property data option allows for a trained and vetted third party to conduct interior and exterior data collection on a subject property. As part of this process, the lender or their vendor reviews the collected data for accuracy and that the property meets loan eligibility requirements. Black Knight has worked closely with the GSEs to support their appraisal modernization initiative.

With the cloud-based SCOUT app, users can easily collect detailed interior and exterior property data using a mobile device. Through built-in rules, users input specific home characteristics and take photos based on Fannie Mae's proprietary data requirements. GPS tracking and other measures to

validate the photos and data are collected at the borrower's property. In addition to SCOUT, Black Knight also provides SCOUT QC, a web-based inspection quality control tool that empowers the lender or the lender's AMC quality control staff to review the inspection for accuracy and loan eligibility using proprietary pass/fail logic. Completed inspections are seamlessly uploaded to Fannie Mae using the already integrated API.

"We are honored to be one of the small group of providers approved by Fannie Mae for lenders to use for the data collection process as part of the value acceptance plus property data option," said Ben Graboske, President of Black Knight Data & Analytics. "SCOUT is a great solution to support Fannie Mae's appraisal modernization initiative. By using SCOUT, lenders experience significant efficiencies and cost savings as well as greater data transparency, minimize the potential for bias, and realize faster origination turn times."

SCOUT also includes advanced fraud protection features, works on any camera and GPS-enabled mobile device, and supports multiple valuation types, including appraisals, hybrids and BPOs.

## HOMEBOT ACQUIRES FIRST-TIME BUYER APP QUO

**H**omebot, an ASG home education portal, has acquired Quo Finance, a mobile app that helps first-time homebuyers secure their dream home and begin to build wealth. As part of the acquisition, Quo's team, led by Co-Founders Tucker Haas and Neel Yerneni, will join the Homebot team.

In 2018, Tucker and Neel founded Quo with the mission of making building wealth more equitable by simplifying the mortgage process and making homeownership accessible for everyone. Quo's app helped first time homebuyers get mortgage-ready by guiding its customers throughout the homebuying process.

"Ensuring that Quo was a success was extremely personal to me, and I'm incredibly

## NEW REDFIN DIVISION EXPANDS THE SALE OF LUXURY HOMES



**R**edfin has announced the expansion of its Redfin Premier luxury real estate service nationwide. Consumers can now work with an expert Redfin Premier agent to buy or sell luxury homes in every market where Redfin provides agent service.

Redfin Premier service matches luxury homebuyers and sellers with a top Redfin Premier agent who has years of experience buying and selling high-end properties. Redfin has offered Redfin Premier service to home sellers in select markets since 2020, and expanded its service to homebuyers earlier this year.

"Redfin Premier has helped thousands of homeowners sell their luxury homes, and that experience has taught us a lot

about what it means to provide high-end service," said Mia Simon, VP of Redfin Premier. "We're excited to offer an unmatched luxury real estate experience to customers across the country, no matter where they want to move."

When it's time to list a luxury home, Redfin Premier captures every detail of the home, with professional video tours, high-resolution photography, drone and twilight views, and detailed interactive 3D scans that let prospective buyers virtually tour the home from anywhere in the world.

"Redfin Premier challenges the notion that luxury service should cost more just because it's a luxury product," Simon said. "We know that luxury home sellers want the best possible service and offering, at the best value. That's why we're proud to offer the best agents and the sophisticated marketing clients expect, all for a lower fee."

Homes priced at or above the following minimums qualify for Redfin Premier: \$1,750,000 in San Francisco; \$1,500,000 in Los Angeles and Orange County; \$1,250,000 in Hawaii, New York, San Diego, and Seattle; \$1,000,000 in Boston, Washington, D.C., Flagstaff, Lake Tahoe, Maryland, Miami, New Mexico, Palm Springs, and Virginia; and \$850,000 in all other markets.

proud of what we have accomplished at Quo over the last four years," Haas said. "Growing up in a household that experienced financial hardship as a result of medical debt, I saw how broken the financial system was. It was incredibly difficult for my family to chart a path to homeownership and reap its wealth building potential. We founded Quo to make finding that path to homeownership easier, especially for families who face similar financial hurdles. Partnering with Homebot guarantees that we will continue to build on our mission and empower millions towards their goals of home ownership and building wealth."

In December 2021, Quo announced that it raised \$7.2 million in seed funding, led by SignalFire, to further accelerate the

development and growth of the mobile app. Since launching their home buying app in June 2021, Quo's users have amassed over \$1.5 billion in homebuying power and are working towards purchasing \$5 billion in homes. Terms of the transaction were not disclosed.

"Quo will massively accelerate Homebot's mission to connect people to make informed homeownership decisions," said Charlie Pratt, CEO of Homebot. "Later this year, Homebot's customers will have the ability to offer a Homebot native mobile app to their millions of engaged clients and attract more first-time homebuyers to their pipelines. We're very impressed by the product and team that Tucker and Neel have built. They have made an enormous impact since joining Homebot."

# CLOSING THE HOMEOWNERSHIP GAP

Julia R. Gordon, Assistant Secretary for Housing and Federal Housing Commissioner of HUD, speaks to *MortgagePoint* about recent changes such as FHA's mortgage insurance premium reductions, an ongoing commitment to improving IT infrastructure, and how the arc of her career brought her to her current role.

by DAVID WHARTON

Julia R. Gordon has served as the Assistant Secretary for Housing and Federal Housing Commissioner at the U.S. Department of Housing and Urban Development (HUD) since being confirmed by the U.S. Senate in May 2022. She came into the role at a time when the housing market and larger economy were still navigating aftershocks from a global health crisis, while at the same time, low interest rates were fueling the market. For a long-time industry professional whose official bio describes her as “a strong advocate for and hands-on practitioner working to achieve equal justice, fairness and equity in housing, and consumer protections,” there were challenges to face, certainly, but also opportunities for her to lean into the kind of meaningful work that has defined the arc of her career thus far.

In her role at HUD and the Federal Housing Administration (FHA), Gordon helps oversee HUD's operations supporting homebuyers, homeowners, renters, and communities alike. She is responsible for FHA's Single-Family, Multifamily, and Healthcare mortgage insurance programs, which together encompass more than 7.5 million homeowners, some 1.4 million rental households, and thousands of hospitals and residential care facilities. She also over-



sees HUD's Multifamily assisted housing portfolio, which serves more than 1.2 million low-income households.

Having begun her career as an attorney, Gordon's path to her current role took her through work with organizations such as the National Community Stabilization Trust (NCST), the Center for American Progress, the Center for Responsible Lending, and the Federal Housing Finance Agency (FHFA). Across these roles, she has been closely involved in grassroots efforts to shape mort-

gage and housing finance laws, regulations, and programs to protect homeownership and family wealth, including the Dodd-Frank Wall Street Reform Act and the Making Home Affordable program.

For our debut issue of *MortgagePoint*, we got the chance to speak with Commissioner Gordon about how she arrived in her current role, what she hopes to accomplish there, and where her focus and priorities are being directed.

(Editor's note: Commissioner Gordon will also be delivering a keynote speech at Five Star's Government Forum event on April 11 at the National Press Club in Washington, D.C. For more information, please visit [fivestargovernmentforum.com](http://fivestargovernmentforum.com).)

**Q: HUD recently marked a milestone of helping approximately two million homeowners with FHA mortgages stay in their homes via forbearances and loan modifications, as well as confirming that these options would be available for at least another 18 months from when that announcement was put out. Could you talk about some of the biggest lessons you've taken away from these programs and how they're helping**



### people navigate the continuing economic challenges we're seeing?

We have learned a variety of lessons, some of which were mainly confirming information that we had learned during the financial crisis. Here are a few things that I think are core lessons. First, alignment across channels and collaboration among those channels in responding to a crisis is absolutely critical. FHA was very fast off the blocks when the pandemic hit, and then there was a lot of coordination among FHA, VA, and USDA, as well as Fannie Mae and Freddie Mac. That coordination sent a clear signal to the public. The CARES Act forbearance option was understandable. For the most part, it didn't depend on who owned your mortgage.

Another thing that this experience demonstrated was that getting assistance to borrowers quickly and without a lot of paperwork and back and forth is critically important. There has always been an overly heavy focus on the moral hazard of assisting a borrower who hasn't jumped through multiple hoops to explain how deserving they are of this assistance. But the fact is, if you look at crisis after crisis, there is no history of the typical troubled borrower gaming the system. We saw that at work with the forbearances, and then we saw that at work with the COVID-19 waterfall of loss mitigation solutions. When you take out the extensive and onerous paperwork, you can get assistance to people quickly, and it is as effective as doing it the other way.

We also confirmed what research had shown after the financial crisis: the factor that is most important for borrower success—meaning a borrower who goes delinquent, comes back to re-performing status, and stays there—is the level of monthly payment reduction that we're able to provide. Now, the pandemic was different from 2008 because of the very quick and severe dislocation we experienced economically and socially. We had households take advantage of the forbearance opportunity even when they didn't necessarily know if they would need it, but they were taking it to take one form of anxiety off their plate while they dealt with all the other forms of anxiety. So, there were borrowers who didn't need that payment reduction when they came back into performance.

When borrowers are ready to restart

**“When you take out the extensive and onerous paperwork, you can get assistance to people quickly, and it is as effective as doing it the other way.”**

★★★★★

their mortgages, the servicer first finds out if they can continue to make the monthly payments they were making before. Then we put the arrearages into a second lien and the borrower pays what they were paying before. That works for people who ended up in the same job or at the same income level and just had that moment of uncertainty when the world came to a halt. But for people who did lose their jobs or experienced health effects resulting in disability or even death for somebody in their household or paying for the increased childcare expenses that everybody had to incur, for those folks, we provided additional options for them to get a monthly payment reduction, again in a streamlined way. This is why I think our performance has been so good in helping people bring their mortgage payment current.

Finally, the highly intensive dialogue between FHA, the other channels, and the servicers was extremely useful and marked a significant difference from what happened at the beginning of the financial crisis in 2008. That dialogue included not just the government entities and the servicers but also the consumer advocates. There are strong relationships among all those parties. There are regular channels for communication; there are personal relationships across the different sectors. All of that fed into

what was ultimately a great deal of success with the mortgage-related response to the pandemic.

**Q: You also recently announced a reduction in mortgage insurance premiums on FHA mortgages, estimated to save people an average of about \$800 annually. Could you speak about what led to this decision and why now was the right time for this change?**

We were very excited to be able to make this change. As the industry had noticed, our capital reserve ratio, which is required to be over 2%, had crept up over time to more than 11% by the end of fiscal year 2022. What that meant was that FHA was in a very strong financial position, and as the underlying mortgage market changed—in particular, when we saw that very steep rise in interest rates—we started thinking “What can we do to help aspiring homeowners get into the market, even in the face of these higher rates?”

Even though FHA was already quite strong coming into 2020, there was too much uncertainty about the pandemic to make a change in the premium at that time. Today, while we still have a higher number of delinquent borrowers than we would have in a perfect world, we have a good sense of



the risks and costs associated with that. So, between our very strong financial position, the fact that we had managed successfully through the pandemic, and that we saw prospective homeowners suffering in this market—both from higher rates and the unprecedented rate of home price appreciation we'd seen during the pandemic—we felt like it was core to our mission to try to reduce the premium that we charge.

We are here to help people when they can't be served by other means. We have an upfront premium as well as an annual premium, and we focused on the annual premium because most people finance their upfront premium, and that means if we had changed that, the monthly savings would have been quite small amortized over the length of the mortgage. Changing the annual premium was going to give us the greatest monthly payment savings for borrowers, which we felt would put money in their pockets both immediately and going forward.

**Q: We spoke with Brian Montgomery a few times in recent years when he was in your role, and he often spoke about the focus on upgrading FHA's technological infrastructure. Where does that priority stand now, and what remains to be done?**

IT modernization is at the heart of moving forward into the future. IT modernization work is hard everywhere in the industry, but it is hardest inside a government agency where you work with, in our case, a CIO who must manage the needs of the entire Department, not just FHA, and where we work through complex government procurement processes. It's challenging at every moment, but it must be a top priority. You can't be involved in mortgages and housing without it being a top priority. Technology plays an ever-larger role in everything we do in every sphere of our professional and personal

lives, and the mortgage business is no exception. At FHA, we seek to deliver the best and most modern technology we can for lenders, servicers, and other external partners, as well as internal partners.

Some of the work that Brian Montgomery, in particular, had done on IT modernization laid the groundwork for what we are doing now. Having electronic case binder submission technology in place kept our business operational at the height of the pandemic stay-at-home orders. I don't know what would've happened if we were still working off paper files. We also now have the updated claims system and the single-family default monitoring system, and these core building blocks of FHA Catalyst have taken us a long way. But multiple systems still need to be upgraded. We are now working in an agile development environment where systems will continue to improve and change over time. It's not like, "Okay, we finished project X, now we never have to think about it again."



All our technology has to be upgraded, enhanced, expanded, and tweaked. The way the government process works, in terms of the budget and getting budgetary authority for technology expenditures, and then having oversight from a variety of different quarters, it often gets in the way of that agility. That said, we are proceeding to improve technology as quickly as we can. We have several things in process right now, both on the single-family and the multifamily side, that we'll start rolling out in the next few months. It's important for everybody who cares about FHA to know what a significant priority this is and how this is one issue that the FHA senior leadership team works on and deals with every single day.

**Q: What items are on your short list of things you hope to have accomplished by the end of your tenure in this position?**

I came in with twin overriding goals. I wanted to make access to credit fairer and more available, particularly to historically underserved communities, and I wanted to prevent unnecessary foreclosures. In both of those areas, I feel fortunate that this team had already been moving well along on those priorities before my arrival, and my interest in those priorities has helped us step

up the pace. This has been a period where every team has been working flat-out for a very, very long time, really since the beginning of the pandemic. In our Single-Family program, I am so proud of the work that the team has done. We have rolled out so many new policies, many of which are directly responsive to requests we've heard from the industry that were needed to help us achieve these goals that our external partners share.

The people who choose to work in the area of FHA lending care about serving the borrowers who might not be served by the conventional market. Of course, reducing the mortgage insurance premium is a big-ticket item. But some of the things we've done on the underwriting side, particularly rightsizing how we look at student loan debt and adding the indicator for positive rental history into our underwriting process are two other important changes that are particularly important for borrowers of color. I'm also proud of the more administrative or technical accomplishments such as keeping the Single-Family Handbook as updated as we possibly can, improving the Frequently Asked Question system, and improving the FHA Resource Center. We've been doing quite a lot to not only help qualify more borrowers but also to help the lenders who are doing the work on the ground with borrowers.

On the foreclosure prevention side, during the pandemic, the overriding focus was on rolling out the COVID-19 forbearance and then rolling out the COVID-19 waterfall. This was a tremendous amount of policy change in an extremely short period, which has not always been HUD's trademark. Even after achieving success in assisting that first tranche of borrowers who came out of forbearance, we are continuing to develop enhanced and new tools to help the borrowers who are now entering into a very different interest rate environment.

As I'm sure you know, the traditional loan modification is one where you adjust the rate and term to try to get some monthly payment reduction. With the COVID-19 waterfall, we initiated a 40-year term connected with a partial claim because that was all we had the regulatory authority to do. Just recently, we finalized a regulatory change so that a borrower can get a 40-year modification regardless of whether they have a partial claim.

Now, we are turning our attention to rates. FHA works differently here from the GSEs. The lender must pull the loan out of the MBS pool to modify it, which means that the modified mortgage needs to be adjusted to current rates. Since we had such low rates for so long, many of the borrowers who need our assistance are coming in with rates

where a modification increases the rate to the point where it washes out all the benefits of adjusting the term. What we're looking at now is what we can do to help with the rates. We're hoping to propose a new tool that we can use to help reduce borrower payments without having to reset that rate, which we'll share for comment on our Drafting Table web page soon to get stakeholder feedback.

All these things may sound basic, but they've required the work of the entire Single-Family team, not to mention all the attorneys we work with in our Office of General Counsel, and the folks we work with at OMB. It's a group effort that must go forward to make what I think is the most significant set of changes that HUD has made to its loss mitigation solutions in quite some time.

**Q:** Earlier in your career, you spent time at both the National Community Stabilization Trust and the Center for American Progress. How did your career bring you to this point, and what did you learn in those roles that you were able to carry over to where you are now?

I am, by training, a lawyer, although I have not practiced law in quite some time. Coming out of law school, my interest was in working with people and communities who were underserved and facing a lot of challenges. That led me to start my career working in the civil legal aid space, providing legal assistance to low-income people and communities. That's where my heart is; that's where my mission lies. I came into the federal policy arena just before the financial crisis at the Center for Responsible Lending (CRL). I started as a consumer finance attorney working across a variety of consumer financial products. This was about four months before the first Bear Stearns fund collapsed in 2007. After that happened, I did all mortgage, all the time.

This was a time when I had a young child at home. I did not anticipate that I would find myself working at the center of the most meaningful financial crisis since the Depression, or that my four-day-a-week job would quickly morph into a seven-day-a-week job. Working for the Center for Responsible Lending was an amazing experience. While CRL is a policy institution, they are connected with a CDFI that worked

in the mortgage business, which grounded all our policy work in real markets, real transactions, real borrowers, and real situations. That demonstrated to me that the best policymaking comes from people who are connected in some way with what's happening on the ground.

What shaped the trajectory of my career was chasing unfinished business. I worked at CRL through the passage of Dodd-Frank and worked very hard on Title XIV, the mortgage title. As you know, the one thing Dodd-Frank did not tackle was the status of Fannie Mae and Freddie Mac, so after the legislation passed, I sought work at the

over to the National Community Stabilization Trust, which was focused on the issue of vacant homes and all that blight left in disinvested neighborhoods after the crisis. The high-income areas had fully come back, and home price appreciation was happening, but you had so many neighborhoods that were left out of this progress, and one of the reasons for that was all the vacancy and blight. NCST worked to put those homes back to productive use.

At NCST, I launched an effort to work on policy issues, because I knew how much sense it makes to develop policy within the context of an organization that's also working on the busi-

“What shaped the trajectory of my career was chasing unfinished business.”

★★★★★

Federal Housing Finance Agency, the GSEs' regulator and conservator. At FHFA, as a mid-level supervisor, I ultimately missed the ability to have a larger platform and to think more broadly. That led me to the Center for American Progress, where I had an amazing platform to engage with policymakers and to understand how “the sausage was made” in both the White House and Congress.

Yet after a few years of work in a think tank, I felt I needed that connection to the local markets again. If you're not actually working in the business, your big ideas might get a little stale. That's when I moved

over to the National Community Stabilization Trust, which was focused on the issue of vacant homes and all that blight left in disinvested neighborhoods after the crisis. The high-income areas had fully come back, and home price appreciation was happening, but you had so many neighborhoods that were left out of this progress, and one of the reasons for that was all the vacancy and blight. NCST worked to put those homes back to productive use.

My position at FHA allows me to draw on all the previous experiences I've described and is truly a dream job for me. **MP**

# OPPORTUNITY IS HIDING IN PLAIN SIGHT

While streamlining operations and automating are the top priorities for lenders, there are opportunities to be found within their service networks.

by SCOTT D. KRISS, ESQ.

During slow market cycles or periods of uncertainty, most mortgage lenders turn their attention to finding replacement revenue, be it through new markets, additional products, or increased promotion. Yet periods of volume decline also offer an opportunity for lenders to shore up their operations for the inevitable upswing ahead. While many have turned their focus to automation and improved technology, there is also an incredible opportunity afforded through partnering with optimal third-party service providers, such as title and settlement services firms. For lenders, now is a good time to review and reconsider their own unique needs, and whether or not they've partnered with providers that deliver the most bang for the buck.

As we saw so frequently during the recent refinance surge, operational shortcomings tend to stand out during times of high volume. For lenders who did experience challenges in their production pipelines, "automating anything automatable" has since become a high priority. But when one considers just how much the typical mortgage lender relies upon third parties to bring a mortgage to closing, it's surprising to learn that more than a few perform minimal evaluations before selecting new vendors—espe-



cially when entering new markets. Whether it's the appraisal management firm, the title agency, or closing provider, a lender is forced to rely heavily on the capabilities and expertise of quite a few third parties. Nonetheless, it's not unheard of for some decision makers on the origination side, in a pinch, to fall back to outdated methods to locate a new vendor to fit a pressing need. Too many times, the primary criterion for finding the right vendor starts and ends with geographic location or overall bandwidth. But a small, boutique agency may not have the production capability some lenders need—even if they are serving the market on which that lender is focused. Other lenders opting for

big providers with wide name recognition may also find that the largest providers have little flexibility in their processes, leading to gaps and bottlenecks in the workflow.

## Know Thyself

Automation remains a hot topic for lenders in this down market. But other areas can be scrutinized for increased efficiency. As is the case when selecting a technology partner, lenders should start the vendor selection and vetting process with an objective look in the proverbial mirror. If it can't be done objectively through the eyes of the in-house decision-makers, then a knowledgeable consultant should be brought in. What are the company's strengths and weaknesses? What kind of markets do they serve? What is the product mix and will that be changing in the near future?

Without this information, a lender will find itself bending its workflow to fit the processes of the largest vendors, which can be disastrous from a CX, compliance, or production performance viewpoint. If a mortgage lender has a major presence in a state like North Carolina or Georgia, where state law and regulation are very particular about having an attorney active in the closing, or if it wishes to grow its presence in such states,



# Today, accuracy and time-to-close are merely the cost of entry for good third-party providers.



then using a title agency or closing firm that merely partners with an attorney there may come with disadvantages impacting compliance or turn-time.

Technology, especially now as the transaction becomes increasingly digital, is a key consideration when it comes to selecting the optimal third-party service provider. If a title agency's production system doesn't synch well with a lender's systems, the relationship is doomed from the start. Name brand isn't enough. Many settlement services firms may use commonly known production technology like Qualia, ResWare, or SoftPro, but they may also have custom integrations or build-outs that make the fit between their systems and the lender's technology more tenuous.

Now more than ever, it's also imperative that a potential third-party service provider is "future proof," or at least possesses the ability to adapt and grow as a lender makes its process more and more digital. If a vendor is unable or unwilling to upgrade or invest to keep up with a growing mortgage lender, then the lender probably needs to rethink their arrangement.

From a technology perspective, it's still not uncommon to come across settlement businesses that still have an inordinate amount of manual or hybrid processes. And while the owners of these businesses might swear that this amounts to a "higher touch" or closer customer service, there are many new, specialized technologies that can be used to maintain elite customer service without as much hand-keying or manual data entry. Today, the most successful mortgage lenders are likely to opt for service providers who are as automated as they are—or, at least, seek to be.

## How Much Value Does the Provider Add?

**D**uring market cycles like these, it's very important for lenders that the sum of their provider network exceeds that of its parts. What else do their partners bring to the transaction? Some lenders may be focused on very specific geographic markets where a local, "mom and pop" title agency with extensive experience and expertise might be the perfect fit. The regulatory landscape in those markets might make the agent's experience every bit as important as accuracy and time-to-close averages. Similarly, another lender seeking to grow its presence nationally, for example, might place a premium on throughput, efficiency, and turnaround time.

Today, accuracy and time-to-close are merely the cost of entry for good third-party providers. Lenders, especially while running lean and relying on variable costs, are now seeking additional resources beyond the license to operate and the ability to provide key services in target markets. Lenders are also seeking other qualifiers like a deep understanding of the market; data and cybersecurity assurances; or other capabilities like the ability to deliver Remote Online Notary (RON) or digital closing services. To that end, the lenders who get the most out of their provider network tend to look for these characteristics. Does the potential partner rely heavily on partnerships (fourth-party providers) for many of its key functions? If so, does it have robust monitoring processes in place such as scorecard, vetting, compliance, and security requirements of those

partners? Does the potential partner serve most or all the lender's core products? Some title businesses excel at servicing refinance loans but struggle in purchase markets, for example.

How does a potential title partner manage closings in the so-called "attorney states?" Does that partner have regular access to updated expertise in those markets? Or does it rely on a single attorney or firm that primarily signs off on closings performed, by and large, by non-attorney staff? The compliance and cost risks in such cases should be carefully considered.

As cybercrime and wire fraud increasingly find their way into, and increasingly target, the real estate industry, it's important to recognize that the title agent or settlement services partner, with its access to closing funds and coveted Non-Public Information (NPI) is now a prime target of criminals and fraudsters. A third-party service provider that has anything less than a documented cybersecurity plan, access to cyber-defense expertise, and a multi-layered approach to protecting a lender's data (and funds) is too much of a liability for lenders seeking to remain successful.

Most mortgage lending firms and banks don't spend a lot of time thinking about their vendor networks. They often settle for the biggest name brand or a patchwork of providers cobbled together by personal relationships and/or the simple fact that they serve a geographical market none of the lender's other partners can. But, in so doing, those lenders are often leaving money on the table and ignoring potential improvements that could help them in their battle against margin compression.

The home purchase transaction still owns an average days-to-close that stubbornly hovers around 50 days (and up), and yet we point to compliance requirements as the explanation. The fact is that not all mortgage lenders are created the same, and they don't all have identical needs, plans, or requirements. The same is true for third-party service providers. Where lenders take the time to plot a well-thought-out strategy for selecting, utilizing, and managing that network, they tend to find increased efficiencies and improved performance across the board. In market cycles such as this, that can make all the difference. **MP**

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# THE INDUSTRY'S FUTURE IS BEING WRITTEN TODAY

The industry is on the verge of a seismic shift in digital innovation that promises something for everybody—lenders, servicers, data providers, component services, and consumers alike.

By JANE MASON

It seems like the pace of technology is constantly accelerating, it's because it is. It's called accelerated change—the exponential rate at which new innovations are creating profound changes in the way we live and work.

For example, typewriters existed for nearly 100 years before the first word processors emerged in the 1970s. By the 1990s, most people were using Microsoft Word on their personal computers. Today, we're seeing the launch of new AI technologies that can write for us ... if we want them to.

It may not always seem like it, but new technologies like AI, machine learning, and intelligent automation technology are evolving in the mortgage industry at a rapid pace. While many mortgage processes remain rooted in paper and manual effort, the industry is on the verge of a seismic shift in digital innovation that promises something for everybody—lenders, servicers, data providers, component services, and consumers alike.

## AI, ML, and Intelligent Automation

Over the past several years alone, our industry has seen a number of new, visionary technologies, especially in the areas of AI and machine learning. While



**JANE MASON** is CEO and Founder of Clarifire and the original architect behind CLARIFIRE®, a workflow automation solution that brings all parties within

mortgage-servicing operations together onto one secure application. She is a recognized leader in technology solutions for the financial services and mortgage industries. With over 15 years' experience in financial services technology, Mason started her career in business operations, quickly becoming an executive of an international law firm. As an entrepreneur and innovator, Mason has received numerous awards and accolades for her service in local business and the national mortgage stage.

it's true that many applications of AI and machine learning still need to be evaluated and proven through proofs of concept and real-time mortgage scenarios, that work is already starting to happen.

For example, right now, emerging technologies like machine learning tools are allowing lenders and servicers to optimize their data to create a holistic view of their customers and analyze prepayment behavior to forecast when a customer benefits from certain products and services, whether it's a

home equity loan to pay for a child's college tuition or a borrower who needs mortgage relief. AI and machine learning are being leveraged to prioritize delinquent borrowers who require higher levels of attention as well as to optimize when and how to connect with borrowers in the most effective way possible.

As the applications continue to be refined, AI, machine learning and chatbot interaction technologies will accelerate adoption of smart process automation far beyond what lenders and servicers are currently capable of. For example, AI can be used to leverage existing data and produce new data to enable systems to perform bulk processing of similar processes. This has already taken place in the servicing arena, when servicers with the right technology platform were able to bulk process borrower requests for forbearance during the pandemic. Bulk processing automation today can assist with pre-foreclosure analysis and QA among other servicer processes.

Two other developments that will fast-track the adoption of AI are the ongoing development of industry standards and advanced application programming interfaces (APIs) that allow faster, simpler connections between systems, which will create more seamless collaborations between different

**According to a recent report from Deloitte,  
commercial drone use can save the insurance  
industry billions of dollars per year.**



mortgage market participants. The ecosystem is evolving. Ultimately, the future lies in connecting mortgage origination processes with servicing processes so both become seamless with each other. For the lenders, this will be the key to improving borrower retention numbers, as better servicing will inevitably lead customers to buy more products and services from those that made their home financing goals possible.

fications to drive these processes the next level forward without any human assistance. Workflow automation with AI is the most powerful opportunity for growth and expansion of capabilities that the industry has.

For both lenders and servicers, self-service technology fueled by AI, machine learning, and workflow automation will deliver rapid digital efficiency that will reduce an organization's cycle times, drive profitabil-

smaller and cheaper to produce, drones evolved from remote-controlled aircraft flown by hobbyists to being outfitted by professionals with cameras for all kinds of uses, from agriculture to commercial construction to marketing for-sale properties.

According to Drone Industry Insights, the global drone market is expected to grow from \$26.3 billion in 2021 to \$41.3 billion by 2026, while the Federal Aviation Administration projected there will be over two million drones flying throughout the U.S. by 2024.

Drones are now having a growing impact in the appraisal and property insurance industries as well. According to a recent report from Deloitte, commercial drone use can save the insurance industry billions of dollars per year. As the severity of natural disasters has continued to grow, drones are used to assess property damage, so that mortgage servicers can fund claims faster and ensure borrowers can repair their homes as quickly as possible. The data and images collected can be transmitted, but within the limitations of the cell networks. If all 5G is down in a disaster area, this data transfer will remain a challenge.

At Clarifire, we're starting our work with mortgage insurers and property preservation companies and appraisers that are using drone technology to create more robust products and services, which we are incorporating into our technology platform to provide servicers and their customers with greater visibility into the true condition of properties.

#### Getting There From Here

Our industry has plenty of reasons to be optimistic about its digital future. In addition to the creation of new digital technologies, the pandemic gave everyone a major digital push by forcing companies and consumers to interact remotely to get home financing done. However, there are things that mortgage lenders and servicers and technology vendors must do for our industry to reach its full digital potential. Mortgage servicers, for example, need more seamless integrations that reduce or eliminate the manual tasks and spreadsheets that many still use and begin leveraging and extending automated workflows to their third-party relationships.

From an industry standpoint, we could

## We are soon approaching the day when anyone—someone buying a home or someone who already owns a home—can go online, make a request, and get what they need without ever needing to talk to anyone.



#### Improving the Borrower's Journey

AI and machine learning aside, over the past 15 years, the arrival of automated workflow technology and robotic process automation (RPA) has begun transforming origination and servicing processes, such as providing borrowers with the ability to drive their own mortgage application process and access tools for paying their mortgage or requesting assistance. Indeed, no-touch processing of basic borrower self-service requests has quickly become table stakes for lenders and servicers, whereby borrowers enter a request for information or service and receive an immediate response.

Over the next few years, however, AI and machine learning will cause this transformation to accelerate by taking new forms of data about borrowers, and automatically launching the correct workflows and noti-

ity, and improve other success metrics. But ultimately it will benefit consumers more than anyone. In fact, we are soon approaching the day when anyone—someone buying a home, or someone who already owns a home—can go online, make a request, and get what they need without ever needing to talk to anyone. Of course, many consumers will still want to work with human experts. But they'll also have the option not to if they don't find it necessary.

#### Drones Are About to Take Off

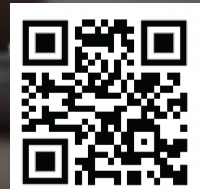
What do drones have to do with all of this? It is still about the technology and the data that is extracted and used in many ways.

It may seem hard to believe, but the first known use of unmanned aircraft was in 1849, when Austria launched balloons to drop bombs on Venice. As technology became



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also use more partnerships between lenders, servicers, and the GSEs, like Freddie Mac's recent launch of its Resolve platform, which is using API technology to speed up loan workout option processing for servicers and provide faster mortgage assistance for borrowers. As servicing operations have grown increasingly chaotic during the pandemic and a seemingly never-ending pattern of natural disasters continues to increase, it's these types of groundbreaking integrations and partnerships that enable servicers to address the widest range of borrower needs calmly and efficiently, even under the most extraordinary circumstances.

Look at Xerox, for example. The company uses AI in its digital mail centers to compare errors against historical data that it has on millions of its devices around the world. It then finds the best way to solve the problem based on what has happened with other boards, equipment, and service teams. Since Clarifire started working with Xerox, we have been adding data capture, extrac-

tion, and automated workflow synergies to improve processes for mortgage servicers, bankers, and other industry organizations. Whether it's a mortgage in default or dispatching a drone to the site of a natural disaster, the borrower experience improves dramatically due to the accessibility of critical data in rapid time.

As new digital innovations emerge, one of the hurdles lenders and servicers will need to overcome is deciding whether to buy or build technology—or perhaps doing both. There are hefty downsides to both purchasing a technology platform from a third party or hiring a team to develop it yourself. Most off-the-shelf mortgage servicing software has evolved little over the past decade, while building technology steals resources away from an originator or servicer's core business. But why not the best of both worlds—one application with pre-built processes and the ability to build your own?

For most mortgage participants, the optimal choice going forward is likely to

be buying flexible technology that can be easily configured and connected to how they do business. With the right solution, lenders and servicers gain real-time access to borrower information and preset or tailor-made automated workflows that accelerate proven business processes. When workflow automation is combined with emerging AI and machine learning capabilities, these solutions can contribute to unheard of levels of transparency and visibility, drive regulatory compliance, and accelerate business growth.

Whichever strategic direction they choose, lenders and servicers have little to gain by putting off their decision. In fact, with new originations slowing amid higher mortgage rates and delinquency rates still near all-time lows, along with the unrest in the banking industry, the best time for organizations to implement their digital future is now. Regardless of which way the market heads from here, the companies that embrace their technology investments today will invariably come out ahead in the future. **MP**

INTRODUCING

# MortgagePoint Magazine

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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.



# THE 2023 FIVE STAR LINEUP

Learn all the details about Five Star's 2023 events lineup at [TheFiveStar.com/conferences](https://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**

## **reo connect**

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Designed for REO professionals committed to making the REO process profitable, efficient, and effective towards eliminating blight from our neighborhoods. This carefully curated event provides targeted industry insights and intimate networking in a relaxed environment—featuring distinctive content to support the asset managers, service providers, and agents who specialize in REO.



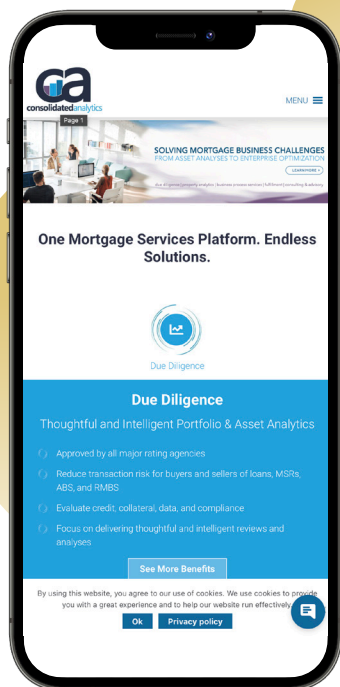
**September 18-20**

## **The Five Star Conference & Expo**

Dallas, TX

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

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### Industry Awards & Accolades

- » RMBS Third-Party Review (TPR) firm
- » Approved by all major ratings agencies—S&P, KBRA, Fitch, Morningstar, DBRS
- » 2019, 2020, 2021 *Inc.* 5000 fastest growing private company

### Company Executives

**Arvin Wijay**  
CEO

**Brian Gehl**  
President

**Rudy Zabran**  
CRO

**Joe Andrea**  
President

**Dana Gross**  
CAO

**Office Locations**  
Santa Ana, CA & Plano, TX

**No. of Employees:** 185

### Q: What qualities make you a "Most Valuable Company" within the industry?

Consolidated Analytics (CA) has evolved from providing residential property valuations to providing complete mortgage lifecycle solutions. Today, Consolidated Analytics' extensive offering delivers value to its clients from the asset to the enterprise. As an approved Third-Party Review (TPR) firm, CA's solutions include diligence, valuations, business process services, consulting, and on and offshore support.

### Q: How do you nurture and recruit new talent? What are your internal opportunities for advancement?

Consolidated Analytics centers growth efforts around the mission to help clients perform, thrive, and transform. Our RISE culture inspires our team to Reach, Innovate, and Succeed with Excellence. CA provides comprehensive benefits, opportunities for cross-training and development and mentoring, and a sense of community to interact and explore new ideas to create solutions. When our employees grow, we all grow.

### Q: How do you utilize tech to remain at the forefront of your industry?

In addition to providing valuation, BPO, and due diligence services, CA provides tech-centric solutions from digital transformation, process automation, road mapping, and system selection, optimization, and implementation. We blend mortgage industry system and loan workflow expertise with emerging trends, exceptional process design, project management, regulatory knowledge, and learning and development. We are continually upgrading our valuations and AI tools and developing new platforms to streamline and save our clients time and money.

### Q: How do you nurture a commitment to diversity and inclusion within the company?

Diversity is important to us. Different perspectives help us create more thorough, balanced solutions. Unique backgrounds and lifestyles keep our teams engaged and learning about each other. We encourage our employees to share and celebrate their life experiences, and in turn, that helps foster a more inclusive, innovative workplace.

### Q: Why should industry professionals consider a career working with your company?

We hire industry experts based on their experience and knowledge, the ability to bring outside-the-box thinking, and willingness to embrace emerging trends such as automation, AI, and advanced analytics. We hire changemakers who go to great lengths to make client experiences exceptional. Our leadership and management teams are hired for their knowledge, experience, talent, grit, and passion for modernizing processes for the company and its clients. In their day-to-day work, they reflect our core values and remain thoughtful, credible, accountable, and innovative.


### Q: How do you manage changes in workload volume and staffing bandwidth as the industry evolves?

The mortgage industry can be volatile, so to help clients remain competitive, Consolidated Analytics must remain nimble. We flex with demand. When we see a significant increase in volume, we add recruiters from our bench and jump in with our partner agencies to meet the demand. CA's recruiting campaigns cover long- and short-term goals to cover our bench and recruit for in-the-moment positions for clients.

### Q: What other aspects of your company would you like to spotlight?

At Consolidated Analytics, our eyes are always on the future. An ongoing focus on mortgage technologies that provide cost-effective value-add to the origination, valuation, capital markets, and servicing products and services we deploy will remain a key development area. Our tech-centric focus includes addressing the accessibility of data and information related to loan quality and the lifecycle of the assets. By deploying RPA, AI, and OCR, we continue leveraging technology to create operational efficiency and effectiveness internally and for our clients.





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# DOES POSTPONING A FORECLOSURE SALE REVIVE AN UNTIMELY LOAN MODIFICATION APPLICATION?

Delving into the state of California's Homeowner Bill of Rights and recent instances where protections against dual tracking came into play.

By **T. ROBERT FINLAY, ESQ.** of *Wright, Finlay & Zak, LLP*

Effective in 2019, California tweaked its groundbreaking Homeowner Bill of Rights (HOBR) to require that, in order to invoke its protections against dual tracking, a complete loan modification application (LMA) had to be received at least five business days before the scheduled foreclosure sale. This is according to California Civil Code § 2923.6(c) for servicers who foreclose annually on more than 175 qualifying CA foreclosures and § 2924.18(a)(1) for those under 175.

Both lenders and mortgage servicers applauded the change as it helped avoid the risk posed by the submission of last minute LMAs—some as late as minutes before a scheduled sale—and reduced the potential exposure for failing to postpone a foreclosure sale despite the lateness of the LMA.

To this point, the office of Wright, Finlay & Zak, LLP noticed considerably less litigation over this issue since the 2019 change.

Problem fixed ... right? Well, mostly!

While it is clear that—under § 2923.6(c)—if the LMA is received less than five business days before the foreclosure sale, the LMA is untimely, and the servicer has the right to reject the application and proceed to sale; what if the sale is then postponed such that the LMA was now received more than five business days before the



**T. ROBERT FINLAY, ESQ.**

*is one of the three founding partners of Wright, Finlay & Zak. Since 1994, Finlay has focused his legal career on consumer credit, business, and real estate litigation and has extensive experience with trials, mediations, arbitrations, and appeals. Finlay is at the forefront of the mortgage banking industry, handling all aspects of the ever-changing default servicing and mortgage banking litigation arena, including compliance issues for servicers, lenders, investors, title companies, and foreclosure trustees. He may be reached by email at [rfinlay@wrightlegal.net](mailto:rfinlay@wrightlegal.net) or by phone at 949.477.5050.*

continued sale date? Does that render the untimely LMA timely? Most likely, no.

California's HOBR does not specifically address this scenario, and there are no published decisions directly on point. But, logic dictates that once the LMA has actually been rejected as untimely, it's dead and cannot be resurrected by continuing the sale. While not every judge may agree with this interpretation, it should be defensible.

Conversely, if the sale is postponed before the LMA has actually been rejected as untimely, a judge may find that the postponement restarted the five-business-day

window. The result is less clear if the servicer has already determined the LMA to be untimely, but has not yet sent the rejection at the time the sale is postponed. Under that scenario, even if the LMA was originally untimely, the fact that it had not yet been rejected when the sale was continued, arguably, has made the LMA no longer untimely. In that situation, we would recommend reviewing the LMA as if received timely. All of that said, there is nothing preventing a servicer from voluntarily choosing to revive any LMA following the postponement of the foreclosure sale. However, we recommend having a designated policy and sticking to it.

Note that § 2923.6(e) gives borrowers a 30-day right to appeal any denial of their LMA. But, rejecting a LMA because it's untimely is not a denial. Instead, it's a rejection. We recommend that your letter specifically state that the LMA is "rejected as untimely," not "denied as untimely." It's a subtle difference, but one that could save you time and money down the road. **MP**

*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.*



# SURVEYING TODAY'S LENDING LANDSCAPE

As lenders continue to navigate one of the trickiest economies to date, the industry is making significant progress in pulling back the layers and re-examining its risk management practices.

By SARAH DAVIES

**T**he current lending landscape has a very mixed outlook—a natural reaction whenever there are periods of economic downturn.

We are all very familiar with the recession of 2008 and the resulting impact it had over the next decade on everything related to our risk strategies and lending practices.

Across the board, CEOs, Chief Risk Officers, and various industry execs have become accustomed to navigating these uncertain economic and social times. Even during the early stages of the pandemic, lenders were tasked with this, and to do so successfully, needed to implement the proper strategies to help them grow without any added risk.

As we prepare for a possible recession this year, many lenders are again adjusting their risk strategies and reevaluating traditional credit models to ensure that they are ready for the months ahead and help manage losses in the case of a potential market downturn.

## Understanding the Current Environment

Lenders are already navigating one of the trickiest economies we've ever seen. With 2008 in the rearview, it's important to look back at what we learned from this period,



how it can be applied to today's environment, and examine the underlying economic factors to see where there are fundamental differences.

The driving factors behind today's market are vastly different from what we saw in 2008. This leaves us with a few positives such as a potentially shallower and shorter recession than what we experienced back then.

On the flip side, new factors such as the unstable job market and the current levels of inflation, have lenders unsure about how to navigate these different levels of uncertainty.

One thing we didn't have 15 years ago was the level of technology and innovation that we do today. From a data and analytics per-

spective, the world is much different today. Naturally, this has triggered discussions in the financial services community around the topic of credit scores and whether they are the strongest barometers for determining a consumer's ability to pay, when there are now alternative data sources available that have proven to be effective.

Even during the 2008 recession when I was on the VantageScore team, we were starting to pull back the layers and re-examine our risk management practices. We could see even then the fundamental cracks in traditional credit reporting that prevented true financial inclusion and the potential alternative data had for removing those barriers. While we've made significant progress since then, the current market has reinvigorated these conversations as lenders reach a new tipping point.

## Embracing New Data Sources in 2023

It's undeniable that credit data-based underwriting practices provide a strong barometer for decision-makers. There's a reason this has been the dominant practice all this time. However, traditional credit-based underwriting practices sometimes miss key variables when evaluating a consumer's ability to pay (e.g., job changes, multiple income streams,



etc.), and this becomes even more evident during periods of a recession. This is because the system we know has always focused on the lenders and their ability to lend more to consumers versus solving the pain points of the consumer. Thus, the cycle of consumers being locked out of financial services continues.

However, the pandemic sparked an upheaval in consumers making major life decisions, whether that was through professional career changes as part of the last major recession, or factors outside their control that left them laid off. As a result of these shifts and fluctuating income streams, traditional lenders realized that the information they historically had used to assess risk and grant services did not give them the most complete view into consumers' financial profiles.

For example, with COVID-19 stimulus payments, consumers experienced a funda-

mental shift in payment practices as they were able to leverage these funds to pay off debts. As a result, data that went into calibrating traditional credit scores was impacted by an artificially high set of payments being made. With these conditions, more lenders have opened their arms to supplemental data to make it easier to evaluate creditworthy consumers.

Alternative data sources such as cash and bank transaction data present a major opportunity for lenders as they navigate a tumultuous landscape and seek growth opportunities without taking on more risk. In the United States, we're seeing data that backs up these conversations around alternative data sources. According to Nova Credit's "The State of Alternative Data in Lending Report," 75% of lenders believe that traditional credit data and scores don't deliver a complete picture of a consumer's creditworthiness. As a result,

a significant number of lenders (59%) are turning to various forms of alternative data in their underwriting process to fill the gap.

The strength of new data and analytics methods has overwhelmingly proven to be accurate—and now the industry is positioned to effectively embrace and use these new sources and tools to solve the challenges facing credit-excluded consumers.

As I like to remind everyone, this isn't our first recession, and it definitely won't be our last. Beyond just improving underwriting, it's time for lenders to listen to consumers' needs and really get on the train so they can evolve with where the markets are going this year. If not, they risk getting left behind.

We are definitely in for a wild ride over the next few months, but one that will ultimately result in a much safer and inclusive lending environment for all. **MP**



# CHANGING THE CONVERSATION

Fannie Mae's Malloy Evans discusses how lessons learned from the 2008 housing crisis are being applied today toward the GSE's goal of keeping more Americans in their homes.

By ERIC C. PECK

Malloy Evans serves as Fannie Mae's EVP and Head of Single-Family, responsible for all facets of the company's Single-Family Division, including leading the teams responsible for maintaining Fannie Mae's single-family mortgage acquisition and servicing standards, providing liquidity to the single-family mortgage market, and facilitating equitable and sustainable access to homeownership and quality affordable rental housing across America.

Throughout his near-two decades with the government-sponsored enterprise (GSE), Evans has served in various roles, most recently as SVP and Single-Family Chief Credit Officer—responsible for first-line credit risk management from mortgage acquisition through disposition. He has also held other leadership roles overseeing risks across the Single-Family mortgage life cycle, including the credit, counterparty, operational, and

reputational risks and performance of Fannie Mae's Single-Family lenders and servicers, as well as the company's administration of the Treasury Department's Making Home Affordable (MHA) program.

He began his career with Fannie Mae as an attorney in the company's legal department, serving as the principal counsel supporting the GSE's implementation of government initiatives under the MHA program, and advising the business on the company's multi-class securitization program. He has a Bachelor of Science in chemistry from Davidson College and a Juris Doctor from Washington and Lee University School of Law.

MortgagePoint Magazine had the opportunity to speak with Evans about the GSEs' role in today's mortgage marketplace, and the knowledge both Fannie Mae and the industry learned from past major events impacting the overall mortgage marketplace.

## Q: How did you first get involved with Fannie Mae?

I started my career as an attorney, working with the law firm Hunton & Williams LLP in Washington, D.C. as a securitization associate. During my time at the firm, Fannie Mae was a client, and at the end of 2003, they needed assistance to get through end-of-year volumes. My first interaction with Fannie Mae was supporting the firm on securitization work. That turned into a permanent opportunity, and I officially joined Fannie Mae in April 2004.

## Q: What was the state of the housing industry when you first joined Fannie Mae back in 2004?

There was a lot more private capital competing with the government-sponsored enterprises (GSEs) through a very robust private-label securities market. There also were different mortgage products being offered to consumers that are not really prevalent in today's market, like Alt-A and subprime mortgages.

## Q: Having experienced the mortgage meltdown of the subprime crisis of 2007/2008, what lessons have you taken from that period that can be applied to today's housing market?

There are a couple ways to address that question. One is, when that event transpired, a large number of homeowners were impacted across the country—not only Fannie Mae homeowners, but across the broader housing ecosystem.

We wanted to help homeowners avoid foreclosure and learned we needed to reach them quickly and early in the process. If homeowners experienced a problem, it was critical to engage with them early in their delinquency, to ensure they were aware of their support options and the possibility of keeping their home. The longer a homeowner waits to seek help, the more likely they are to give up hope.

The second thing was to ensure borrowers had adequate options and make it easy for them to access those options. We undertook a wholesale restructuring of the loss mitigation solutions that were available, then created the infrastructure to deliver those

solutions to those who needed them.

Lastly, it all comes down to basic information sharing. We learned that Fannie Mae could be a trusted resource for people in a time of need. For instance, we could contact a borrower's Servicer on their behalf to start a productive conversation about their options, removing their fear that the Servicer only sought to collect payments. Also, publishing information from Fannie Mae was extremely helpful. At that time, we created our consumer-facing website, KnowYourOptions.com, so we could serve as a trusted source of information for struggling borrowers. We partnered with housing counselors and other types of advisors to provide additional support mechanisms, so borrowers could easily engage and receive the information and help needed.

There have been a lot of positive changes within the industry ecosystem, designed to enhance risk management across the entire loan life cycle. It has allowed lenders and investors to better manage through an economic downturn and also put borrowers in a better position for long-term success in their homeownership. For example, immediately following the crisis, there were updates to underwriting standards to support a mentality of long-term sustainability.

When you think about granting access to borrowers, you want to do it in a way that sets them up for success in homeownership, and over the long term. Letting people in the door just to let them in the door in the lead up to the 2008 crisis set people back generationally in their homeownership journey and their potential wealth building. We know that had a disproportionate impact on people of color, so it was important to shore up the system. To that end, underwriting standards were also improved to help ensure that the loan we think we're purchasing is the loan that we get.

**Q: How is Fannie Mae helping homebuyers navigate the current state of the market coming out of the pandemic?**

The philosophical approach that we take on the front end is focused on responsible and equitable access, as well as supporting sustainable homeownership. Maintaining a commitment to that is important in the current environment and, again, for setting up folks for long-term success in their homeownership journey.

The industry's commitment to loan quality has been important, and it continues to be in the current environment. To a certain extent, loan defects and manufacturing quality can be a canary in the coal mine for future problems.

As we think about Fannie Mae's mission, role, and responsibility in the market, it's not just about responsible access upfront. In times like these, it's about ensuring that we are leaning into supporting folks who may encounter a hardship affecting their ability to make their mortgage payment. This was tested during the COVID pandemic, engaging the muscle memory of what we'd learned on the loss mitigation side during the previous crisis. As a result, Fannie Mae was able to support more than 1.4 million borrowers through their financial challenges resulting from the pandemic, primarily through a new solution called payment deferral.

I think our current stats are that above 90% of those 1.4 million-plus homeowners who took advantage of forbearance during the pandemic have successfully exited and either paid off their mortgage or gotten back into current status. This is something we're very proud of and the investments we made and lessons learned from the previous crisis proved successful.

**Q: What advice would you give to first-time buyers in today's marketplace who are interested in jumping into the market?**

Affordability is very challenging right now—it's the triple-whammy of higher interest rates, higher home prices driven by supply constraints, and the impact of inflation on consumers' day-to-day expenses and cash flow.

These forces are putting pressure on low- and moderate-income folks who are being squeezed out of the opportunity to access the market. We announced pricing changes over the last year that are intended to better support low-income borrowers. We're also focused on the activities under our Equitable Housing Finance Plan, which, again, are aimed at addressing the long-standing and entrenched problem that has created a disparity between Black and Latino homeownership rates as compared to white homeownership rates.

We are always thinking about new ways to solve the problems that are preventing



**There have been a lot of changes made for the good of the industry infrastructure, designed to enhance risk management across the entire loan life cycle and to put the investors and loans in the primary market in a better situation to manage through an economic downturn.”**



**We are always thinking about new ways to solve the problems that are preventing folks from being able to access the market. One of these issues is credit visibility. There are many individuals out there who are ready for homeownership but just aren't seen by the mainstream machine.”**

folks from being able to access the market. One of these issues is credit visibility. There are many individuals out there who are ready for homeownership, and fit within our credit standards, but just aren't seen by the mainstream machine. Back in the fall of 2021, we announced our Positive Rental Payment History capability, where we leverage bank account data to see rental payments that people were making to help improve their credit risk assessment during the underwriting process. We uncovered that people were not getting credit for the rental payments they were making, so we found a way to ingest that data to enhance their risk assessment.

In December, we rolled out a cashflow underwriting capability within Desktop Underwriter that's intended to support folks lacking a credit score by evaluating a borrower's monthly cash flow over a 12-month period. Again, this is a way to see people who are responsibly managing their money and provide them access where otherwise they wouldn't have had the opportunity.

Our Multifamily Team recently engaged with several lenders and borrowers on the multifamily side to encourage them to start reporting rental payments to the credit bureaus. Over 144,000 rental units are participating, and early data shows that about 7,000 renters have established credit scores as a result. For those who already had a credit score and saw an improvement, there was an average increase of 45 points to their score.

Attacking some of these problems differently allows us to grow the pie, if you will, without subjecting us or the borrower to excess credit risk.

We are working on other opportunities to improve equitable access, such as how to reduce closing costs, in partnership with other players in the industry because we know we cannot do this by ourselves. In the mortgage ecosystem, we need everybody to play their part in helping solve this problem, so are looking for partners to align with us in tackling these issues.

**Q: Can you describe the Treasury Department's Making Home Affordable Program, and the role Fannie Mae plays in that program?**

Making Home Affordable (MHA) was a government-sponsored housing relief program established in 2009. It was the Obama

Administration's response to the Great Recession and the housing crisis, and it was intended to provide foreclosure alternatives to homeowners impacted by the crisis.

MHA was intended to help struggling borrowers be able to modify their loans and avoid foreclosure. It also helped those who were continuing to pay their mortgages, but who were underwater as a result of the drop in home prices to provide a mechanism to refinance their mortgage.

Fannie Mae participated in the MHA in two distinct ways. One was as the program administrator for the Treasury Department for the overall MHA Program. We were administering the Home Affordable Modification Program (HAMP), which was intended to help borrowers receive a modification and avoid foreclosure. The Treasury program supported not only Fannie Mae loans, but also the broader market, and a lot of private-label security and bank portfolio loans flowed through the Treasury program.

The other role was our participation in HAMP and the Home Affordable Refinance Program (HARP), the refinance program for our borrowers and for the loans within Fannie Mae's portfolio. We served as both a program participant and program administrator for GSE loans.

**Q: What lies ahead for Fannie Mae?**

We're certainly excited about our opportunities to facilitate equitable and sustainable housing for both renters and homeowners. We are very focused on making sure that we do that safely and soundly so we can continue to support liquidity in the market, as we continue to support homeowners and their long-term homeownership success. **MP**

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# BROOKSTONE MANAGEMENT HELPS CLIENTS NEGOTIATE CHALLENGING MARKET

By PHIL BRITT

**T**he failures of Signature Bank and Silicon Valley Bank have raised concerns about the health of many other regional banks and will put a stronger focus on risk management throughout the financial services industry.

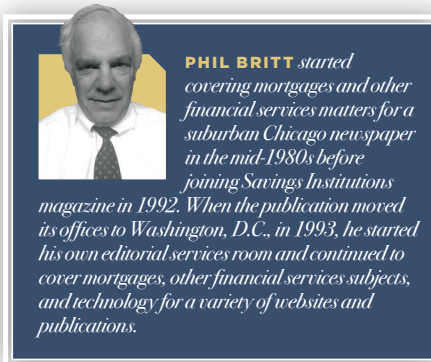
Those banks faced a run on deposits caused by concerns over continuing rising interest rates and the quickly increasing gap between the banks' investment in mortgages, long-term Treasuries, and other assets with low-single interest rate returns while the Federal Reserve was continuing to boost interest rates.

Before its March meeting, the U.S. central bank had raised interest rates by 4.5 percentage points since March 2022—the fastest pace since the 1980s.

Signature and Silicon Valley aren't the only financial institutions with a mismatch between the rates they are receiving on their mortgage loans and the rates they are paying.

"With lenders working to ensure they don't suffer the same fate as Silicon Valley and Signature, concerns may arise for other lenders over whether any properties they own are going to be neglected because they are failing to invest in them," said Sam Ingber, CEO of Brookstone Management LLC, a mortgage field services industry leader skilled at preserving and maintaining vacant, pre-foreclosure, and REO assets nationwide. The company's fundamental mission is delivering maximum-quality service so its clients can achieve the greatest return on their assets while limiting their exposure.

Homeowners and investors also share some of these property concerns. While the



current elevated mortgage rates may keep many potential homebuyers from seeking out new mortgages, it also means that refinancing a current mortgage to take cash out or adding a home equity loan won't provide much, if any, relief if they lose a job, have a large medical expense, or need financial help for any other reason, Ingber says.

Brookstone Management comes in to aid lenders, servicers, and subservicers, offering a full array of distressed-property services, including property inspections, property preservation services, REO maintenance, repairs, code compliance, and management of hazard insurance claims.

To help its national client base work through the challenges of today's market, Brookstone recently hired Pat Pannkuk as SVP of Development. Pannkuk brings nearly 14 years of industry experience to Brookstone, having held multiple positions at Wells Fargo, where he spent most of his time working on mortgage default servicing with a heavy emphasis on relationship management.

Pannkuk's focus on building trust and rapport with a myriad of contacts from across the spectrum will allow him to build confidence in those relationships and have them see the value in the services that Brookstone provides. Furthermore, his education and experience in business marketing and management will lend itself well to fostering, growing, and maintaining those relationships, says Abraham Goodman, President of Brookstone Management.

"Pat's rich history in this industry and his skill sets will bring strong value to our organization and allow for us to reach new heights both now and into the future," Goodman said.

"There's a heavy importance placed on risk, whether it's financial risk or reputational risk, whether you're servicing your own book or you're servicing on behalf of others," Pannkuk said. "Risk has never been unimportant, but it is a driver of all importance now."

The struggles of other financial institutions will mean that lenders, servicers and, subservicers need to be more focused on risk, Pannkuk adds.

Brookstone Management works closely with its clients to identify what properties need what type of investments and services.

With timeliness, maximum quality, and steady communication at the cornerstone of each property, Brookstone delivers seamless and immediate results to clients.

The company's hands-on approach, combined with a multilayer quality assurance and boots-on-the-ground program, tests and assures quality throughout all stages, upholding Brookstone's pledge that no property is left behind. **MP**



\*\*\*\*\* Q&A \*\*\*\*\*

# APPRAISAL MODERNIZATION AND WHERE VALUATIONS ARE HEADED

Dean Kelker, SVP and Chief Risk Officer for SingleSource Property Solutions, discusses appraisal modernization and what's ahead for the valuation industry.


## Q: What can you tell us about the focuses and goals of appraisal modernization?

Ultimately, appraisal modernization is about using new technologies and tools to make mortgages easier and more efficient to originate. This includes using additional technology to further speed up the appraisal process, especially at times when appraisal demand surpasses a lender's ability to produce a new loan. It's also an attempt to lower the cost of collateral risk management. While appraisal modernization is a hot topic right now, its roots go back at least a decade when Fannie Mae first began digitizing and standardizing appraisal data.

## Q: What is one of the biggest issues facing the valuation industry?

Certainly, one of the biggest concerns is the declining number of practicing appraisers. Most appraisers are in their mid to late 50s, which means a significant number will be retiring in the near future. At the same time, it currently takes a substantial amount of time and money for someone to learn the profession, so there aren't enough new people currently coming into the industry.

As a result, there has been a movement to change the training and experience requirements for becoming an appraiser. For instance, new types of coursework and testing methods could be used that allow people to learn appraising through a virtual classroom, as well as different types of mentoring programs that make it easier for appraiser candidates to earn while they train. Adding real estate valuation classes at the college level could be very helpful as well.



**DEAN KELKER** is the SVP and Chief Risk Officer at SingleSource Property Solutions, where he is responsible for managing regulatory, compliance, and financial risks. Kelker has over 30 years of real estate finance experience managing collateral, credit, and compliance risks for lenders, credit risks for a mortgage insurer, and mortgage default investigations for a due diligence firm. He is also currently a board member for the Real Estate Valuation Advocacy Association (REVA), having previously served as board president in 2020. Kelker has also volunteered and served as a board member for Habitat for Humanity of Greater Pittsburgh. He can be reached at [dkelker@singlesourceproperty.com](mailto:dkelker@singlesourceproperty.com).

## Q: How might a more streamlined education curve impact diversity, equity, and inclusion?

First, it opens more doors for potential appraisers to get into the business, which has historically not been very diverse and overwhelmingly male. Many appraisal companies were also family-owned businesses that were passed down from one generation to the next generation. If your father was an appraiser, he had the resources and time to teach you the business. But if you didn't have that direct connection to the industry, it was much more challenging to enter the industry. Creating new on-ramps to an appraisal career broadens the opportunities to become an appraiser, which would also create a more diverse group of participants in the business.

By increasing the entry points to becoming an appraiser, a more diverse group of people will be able to join the profession. As a more diverse group of appraisers enters the marketplace, the probability of valuation bias declines as there is a broader based understanding of

what drives real estate values with a greater focus on the property as opposed to who's living in the property.

## Q: How can the financial hurdles to becoming an appraiser be overcome?

For starters, people who are learning the business often function as unpaid interns during their training. Currently, appraisal candidates spend many hours in the field learning the profession under the supervision of a full-time appraiser, but they often aren't being paid because initially they add little economic value to the process. In addition, in many cases, lenders do not allow the use of trainees for the appraisal process. If lenders were to allow the use of trainees under the direct supervision of fully licensed or certified appraisers, the trainee would begin to make his or her supervisor more productive and therefore be able to earn some economic value for their efforts.

## Q: What is ahead for appraising?

On the valuation front, I think we'll see more use of data products in residential valuations rather than a full appraisal involving complete documentation. This is already becoming the norm on rate-term refinances, and the number of appraisal waivers granted on purchase loans has grown significantly since pandemic-era lockdowns. New alternatives to traditional appraisals, at least for lower risk transactions, will also make the mortgage process much faster and less expensive. Of course, on more complex valuations and higher risk transactions, an appraisal with a physical inspection and full documentation will still be required. However, the trend has already started, and given how difficult it can be for lenders to get valuations during periods of high demand, the trend will likely continue. **MP**

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## Expert Insights

# FINDING ORIGINATIONS SUCCESS IN 2023

**Ron Vaimberg**, President of Ron Vaimberg International, speaks about the keys to origination success in today's challenging economic environment.

If you ask mortgage originators why they're having problems generating business these days, many will blame the economy and higher mortgage rates. Yet some originators are still doing quite well. Is there more to why some LOs perform better than others in a down market?

Ron Vaimberg is an international success strategist and a trainer and coach of sales professionals for the mortgage industry. A former top-producing loan originator and real estate agent, he has coached loan officers and brokers who have ranked in the top 1% in loan production and earned over \$1 million annually. Vaimberg began his career in 1983 as a real estate sales professional on the North Shore of Long Island. In 1995, he created the New York Mortgage Institute, one of the nation's first successful training programs for mortgage originators.

*MortgagePoint* spoke with Ron Vaimberg, President, Ron Vaimberg International, about

the keys to origination success in today's challenging economic environment.

**Q: What are loan originators who are having success in this market doing differently from others?**

Simply put, the originators who are finding success in today's market are those who never took their eye off the ball and continued developing relationships with referral partners, Realtors, attorneys, accountants, and financial planners. Realtor relationships are particularly critical because these folks are generally the first line in the homebuying process, while relationships with financial people, like accountants and financial planners, can help generate more refinance business.

There are also originators who have not yet established many strong relationships with these professionals. But because they are now out there aggressively prospecting to

build these connections, they are beginning to see success. I have some clients who've never even prospected for Realtors or financial partners before, but they're now doing it and starting to see more preapprovals and more contracts coming in. It does work, but you must put in the effort.

Additionally, successful originators are not casting judgment on their Realtor partners' current production numbers. Over the last six months or even a year, these numbers have contracted with the market. If an originator is only determining whether to build a relationship with someone based on their most recent volume, I'll ask if they'd like to be judged by their production over the last six months. The answer is always no. My advice to them is to keep focusing on relationship building, and good things will happen. However, it's wise to focus on the agents that are in the business for the long term and in which real estate is their career, not a hobby.

**Q: What can lenders do to better prepare their sales force for economic times like what we are currently experiencing?**

Every time a refinance boom starts, loan officers abandon their purchase business and Realtor partnerships. In fact, if you ask Realtors what happens every single time a refi boom happens, they'll say the loan officers disappear.

Lenders need to ensure their LOs don't make this mistake and hold their salespeople accountable by measuring what they're doing between purchases and refinances. This entails being more hands-on with their sales teams—not necessarily babying them, but simply paying attention to where the business is coming from. I'm not saying it's easy. But even in today's market, there are still people buying homes and taking out home equity loans, so someone is getting that business. Why shouldn't it be your team?

**Q: How does the current market differ from what LOs faced in 2007-2008?**

My opinion is that what we experienced in 2007-2008 is very different from what we're going through today. The Great Recession was triggered by the housing market and bad loans that were made to people who couldn't afford them. People began defaulting on their



mortgages, and then more people began strategically defaulting. The mentality was, “If my neighbors are not paying, then why should I?” This created a snowball effect that ultimately caused the entire market to crash. Today, housing is not the issue. Yes, home prices and affordability are a problem, and prices are coming down in some areas, but the market is still relatively stable. We also have very low inventory, which is keeping home prices elevated.

There is a big difference in loan volume, too. Today’s volume is the lowest it’s been in over two decades. People back in 2007-2008 were still looking to take advantage of what was happening in that market. Because of elevated home prices and mortgage rates, that’s not happening today.

I have no fear or concern about the current market. I know some people are talking about a possible crash if prices go down 20%. Every time someone says to me the market is going to crash, I respond with, “Please define ‘crash’ for me.” I never get a clear answer to this question.

My thinking is that home prices have been unrealistic since the pandemic started and are heading back towards a more balanced level. However, as long as inventory continues to remain tight, the reduction in home prices will likely not be what the



**The big lesson from the past is to never be complacent. Chasing low hanging fruit and not prospecting can often destroy many originators’ careers when rates rise.”**

market naysayers believe it will be. We are already seeing an increase in purchase contracts in the first few weeks of the year. This means that buyers are accepting current interest rates and that sellers are not being forced to radically lower their prices back to pre-pandemic levels. This flies in the face of what the media is reporting, although we know headlines are often misleading and never tell the whole story. We have a healthy economy and employment, and if this continues, home prices will remain strong and stable and not “crash.”

### **Q: What lessons can be learned from the former crisis?**

The big lesson from the past is to never be complacent. Chasing low hanging fruit and not prospecting can often destroy many originators’ careers when rates rise. Complacency will only lead to failure when the market shifts. Instead, continue prospecting and honing your skills so you’re always prepared for future changes. And I’m not just saying this because I’m a sales trainer. The originators who are doing well are constantly prospecting, whether it’s a purchase or refinance market, so they’re able to thrive in any market. Unfortunately, many originators do not see it this way and are very transactional, which results in them only being focused on what’s currently in front of them, not preparing for the future.

### **Q: What are three things you’d recommend LOs do to increase their business in 2023?**

If predictions from the MBA, Fannie Mae, and others are accurate, this year is going to be

worse than 2022 for home purchases. I’m even hearing declines of 19% to 25% in loan volume. We don’t know if these predictions will be correct, but I’m recommending LOs to prepare as if the market is going to get tougher by being relentless in their prospecting.

LOs need to master their skills and be better than their competition. A mindset of “this is what we do” and “I’m going to give good service” is not enough. They must know how to sell and get noticed. Based on my training and coaching experience, I’d say over 90% of originators do not possess these skills. While it’s still possible to get business from the relationships they’ve already built, when you have the top skills and strategies, you can win more relationships and business much faster. The market is extremely competitive. Being average in this market is not going to lead to average results—it will result in struggle. LOs must step up their game to thrive.

LOs also need to understand sales lag. Most LOs want instant gratification for their efforts, either because they are used to it or because their current financial situation demands it. Sales lag occurs when, even after putting in significant effort, LOs do not see a result for 30, 60, 90, or even 120 days (about four months). There are times when you can get instant results. However, going into prospecting without the understanding and commitment to keep pursuing until the seeds you plant take hold almost always results in an LO abandoning a proven strategy before they give it a chance to yield results. LOs must stay organized, stick with their plan, have the resolve to follow through, and not let the market derail them. **MP**



payments.

- » High housing costs and inflation. 6%-plus mortgage rates, still-high home prices, and inflation are hitting homebuyers' pocketbooks hard. Buyers don't have as much money to allocate to a down payment because monthly housing payments are higher than before; they may also be putting more cash toward a mortgage-rate buydown instead of their down payment. Additionally, buyers may be inclined to hold onto as much cash as possible in these uncertain economic times.
- » Lower home prices equal lower dollar down payments. Home prices remain stubbornly high, but they have fallen more than 10% from their May 2022 peak and 1.5% from a year ago. A 10% down payment on a \$400,000 home equals \$40,000; if that same home was worth \$450,000 in May, the buyer would have needed \$45,000 for a 10% down payment.

"One silver lining of high mortgage rates and economic turmoil is that they've slowed competition," Redfin Senior Economist Sheharyar Bokhari said. "That means buyers are often able to purchase a home without facing a bidding war and don't need to fork over a huge portion of their savings for a down payment to grab sellers' attention. Today's buyers are also able to save money in other ways: Nearly half of sellers are offering concessions, like helping pay for a mortgage-rate buydown or covering closing costs, to attract buyers."

One-third (32.1%) of home purchases were paid in full with cash in January 2023, up 29.7% year over year, and stands at its highest rate in nine years. According to Redfin, buyers are choosing to pay in cash to avoid taking on a high-rate mortgage.

In addition, FHA and VA loans are more prevalent as home seekers try to find ways to purchase a home in this economy. About 16% of mortgaged homes used an FHA loan, up from 13.3% last year at the highest rate seen since April 2020. The share of mortgaged sales using VA loans rose to its highest level in more than two years, climbing to 7.5% from 6.1% a year earlier.

Conventional loans are still by far the most common type. More than three-quarters (76.3%) of borrowers used a conventional loan—but that's the lowest share since June 2020.

## » Lending/Originations

### COOLING MARKET IS PUSHING BACK ON HIGH DOWN PAYMENTS

**D**own payments, something usually necessary for a traditional mortgage, have eased off post-pandemic highs by 10% in January 2023 to an average of \$42,375 per new origination. The median down payment was down 35% from the peak it reached in June, but still up more than 30% from pre-pandemic levels.

At January's levels, the median down payment was equal to 10% of the agreed-upon purchase price, down 3.6% year over year. Median down payments peaked most recently at 17.5% in May 2022. The last time

down-payment percentages were this low was in early 2021 before the pandemic home-buying boom drove buyers to put more money down to make their offers more attractive.

Down payments are falling for several reasons, according to Redfin, who has published their most recent findings:

- » The housing market is slow and there's not much competition. Most offers for homes written by Redfin agents don't face bidding wars anymore. That's a stark difference from the hyper-competitive housing market of 2021 and early 2022. Buyers no longer need to offer a big down payment to prove their financial stability and stand out from the crowd. Now that buyers often have the upper hand, they can offer an amount that works best for their individual circumstances. Diminished competition is also allowing more buyers to use FHA and VA loans, which typically allow for much smaller down

# “Consumers also should have access to clear and reliable information about the financial consequences of cash-out refinancing.”

—Mike Calhoun, President, Center for Responsible Lending



## CASH-OUT REFIS COULD TRAP MANY BORROWERS

**R**isky loans were a key player in the leadup to the 2008 housing crisis, and according to a research brief from the American Enterprise Institute (AEI) and the Center for Responsible Lending (CRL) borrowers should be wary of cash-out refinance mortgages—even those backed by the government—because using your home as an ATM can trap borrowers and worsen their financial stability for years to come.

These loans, which can sometimes target lower-income borrowers of color, show that cash-out refinancing in the current high-interest rate environment can lock homeowners into higher monthly payments, raising concerns that government guarantee policies are promoting irresponsible lending to vulnerable parties. Borrowers with credit scores below 660 constitute an increasing share of FHA and VA cash-out refinance borrowers.

According to the AEI and CRL, cash-out refinances in today’s higher-rate mortgage market can make borrowers worse off finan-

cially because extra interest will be tacked onto the original mortgage.

“Many lenders offer cash-out refinance loans to give consumers a quick infusion of cash to consolidate and pay off debt, meet everyday living expenses, or make repairs,” AEI said. “However, the AEI Housing Center and CRL warn that many cash-out refinancing offers, including for government-guaranteed mortgages, may pose risks for borrowers, including:

- » Monthly payments up to 37% higher from refinancing the old mortgage into a higher rate loan
- » Tens of thousands of dollars of additional interest paid over a typical mortgage holding period (based on a 30-year fixed rate loan at about 6.5% today, vs 3%-4.5% in 2015).”

“Low wealth, lower credit score, and veteran homeowners deserve better alternatives for borrowing cash through accessing their home equity in today’s high interest rate environment without eroding their long-term financial health,” said Mike Calhoun, President of CRL. “Consumers also should have access to clear and reliable information about the financial consequences of cash-out refinancing.”

“A broader availability of HELs and HELOCs at risk-based, market interest rates will save consumers money and preserve

their equity while opening up a new line of business for financial institutions,” said Ed Pinto, Director of the AEI Housing Center. “Even at interest rates closer to credit card rates, HEL and HELOC loans allow FHA or VA borrowers to access their home equity at a lower overall cost than the cash-out refinance loans currently being marketed by nonbank lenders.”

## INDEPENDENT MORTGAGE BANKS REPORTED NEARLY \$3K LOSS ON NEW ORIGINATIONS

**I**ndependent Mortgage Banks (IMBs) and other mortgage subsidiaries of all chartered banks during Q4 2022 experienced a net loss on every mortgage origination, reporting they lost \$2,812 on every loan according to the Mortgage Bankers Association. This number is down by \$624 from Q3 2022.

“For the third consecutive quarter, the average pre-tax net production income was in the red, reaching a new survey low of 99 basis points of loss in the final three months of 2022,” said Marina Walsh, CMB, MBA’s VP of Industry Analysis. “Fourth-quarter results were abysmal. Basis-point revenues dropped to levels not seen since the fourth quarter of 2011. Production costs reached their highest levels since the inception of MBA’s report, and production volume has now declined for eight consecutive quarters.”

Added Walsh, “This has been a challenging time for mortgage originators, with cost-cutting measures, including layoffs, not being enough yet to turn the tide. Even when all business lines are considered—both mortgage production and mortgage servicing—only one in four companies were profitable in the fourth quarter of 2022.”

Walsh further noted that average loan balances dropped by 4%, indicative of a moderation in home-price growth. Based on MBA’s latest forecast, total industry volume is expected to pick up starting in the second

# AFFORDABILITY, WARMER METROS CONTINUE TO ATTRACT HOMEBUYERS

For many homebuyers nationwide, affordability, job opportunities, and outdoor amenities are major driving factors for relocation. A previous analysis from CoreLogic showed that homebuyers who relocated to another metro in recent years often chose metros adjacent to their current location and/or had a lower cost of living.

Although homebuyers were weighing these considerations before COVID-19, the migration rate to cities featuring these factors grew during the pandemic. With the combination of low for-sale inventory, low interest rates, and a shift to a more flexible working environment, more people moved out of expensive metros in search of affordability, outdoor amenities, and warmer weather.

However, homebuyers' location choices may shift again. As more employees returned to offices, homes sold for higher prices, interest rates climbed, and uncertain economic conditions prevailed, these external economic forces may have influenced homebuyers' decisions in 2022.

Austin made the list in 2022. In 2019 and 2020, more people moved into Austin than moved out, but that trend flipped in 2021 and 2022 as Austin became less affordable for many potential homebuyers. Los Angeles ranks as the top out-migration among all the metros in 2022. New York had the second highest out-migration followed by San Francisco and San Jose, California. These four metro areas have ranked as top out-migration markets since at least 2019.

In contrast, Figure 2 shows the IN/OUT ratio for the top 15 metros with the highest in-migration loan application activity. Almost without

exception, in-migration metros are more affordable compared to the ones presented in Figure 1. Although California cities like Riverside and Stockton may not be affordable from a national perspective, relative to adjacent coastal California metros, they are more affordable.

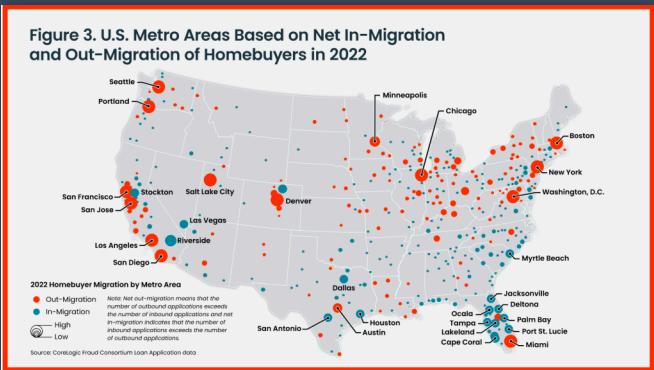
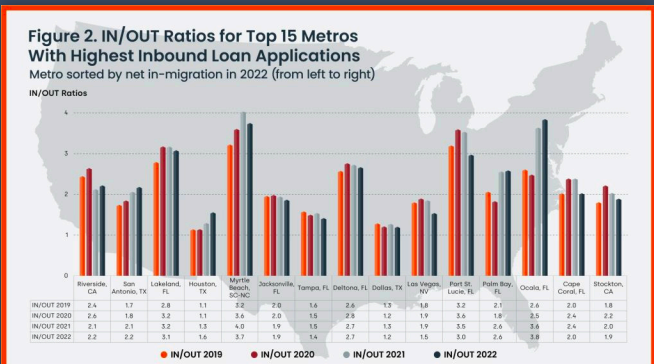
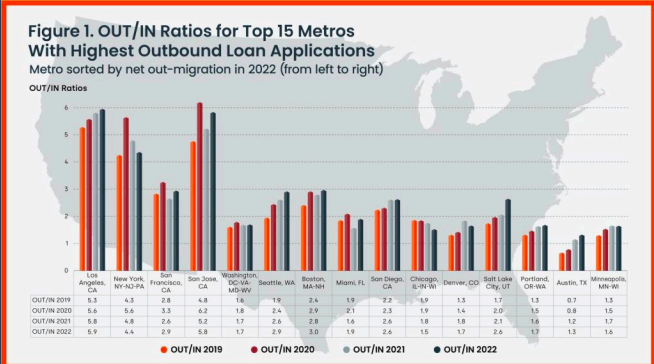
The metros in Figure 2 are sorted left to right by net in-migration in 2022, meaning that more people moved into these metros than moved out. Riverside, California, had the highest in-migration activity followed by Lakeland, Florida; San Antonio, Texas; and Houston, Texas. In general, metros in Florida tend to have relatively more incoming applications than outgoing ones.

Figure 3 shows a map labeling the top 15 U.S. metros with the largest net in-and-out migration.

In 2022, homebuyers continued to seek affordable metros both adjacent to their current place of residence as well as out of state. This is a trend that we observed in prior years and that has persisted since the pandemic.

Thanks to the flexibility of remote work, more people moved into affordable states such as Florida, Texas, and South Carolina compared to pre-pandemic. However, the ratios of in-migration to out-migration for all these states were higher in 2022 compared to pre-pandemic levels.

Since remote work reduced the need to live near an employer, families have been able to broaden their homebuying search and consider affordability and other external amenities, a trend that accelerated homebuyers' migration rate. As affordability continues to be an important consideration for homebuyers, we are likely to see more applicants buying in less expensive markets going forward.





quarter. The 30-year fixed mortgage rate is forecast to decline as the year progresses.

Key findings of MBA's Fourth-Quarter 2022 Quarterly Mortgage Bankers Performance Report include:

- » The average pre-tax production loss was 99 basis points (bps) in Q4 2022, down from an average net production loss of 20 bps in Q3 2022, and down from a gain of 38 basis points one year ago. The average quarterly pre-tax production profit, from Q3 2008 to the most recent quarter, is 50 basis points.
- » Average production volume was \$436 million per company in the fourth quarter, down from \$578 million per company in the third quarter. The volume by count per company averaged 1,395 loans in the fourth quarter, down from 1,819 loans in the third quarter.
- » Total production revenue (fee income, net secondary marketing income, and warehouse spread) decreased to 317 bps in the fourth quarter, down from 326 bps in the third quarter. On a per-loan basis, production revenues decreased to \$9,637 per loan in the fourth quarter, down from \$10,392 per loan in the third quarter.
- » The purchase share of total originations, by dollar volume, increased to a study high of 88% in the fourth quarter from 86% in the third quarter. For the mortgage industry as a whole, MBA estimates the purchase share was at 83% in the fourth quarter.
- » The average loan balance for first mortgages decreased to \$322,225 in the fourth quarter, down from \$335,940 in the third quarter.
- » Total loan production expenses—commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations—increased to a study-high of \$12,450 per loan in the fourth quarter, up from \$11,016 per loan in the third quarter of 2022. From Q3 2008 to last quarter, loan production expenses have averaged \$7,068 per loan.
- » The average number of production employees per company declined from 443 production employees in the third quarter to 390 production employees in the fourth quarter (on a repeater company basis).
- » Servicing net financial income for the fourth quarter (without annualizing) was at \$37 per loan, down from \$102 per loan in the third quarter. Servicing operating income, which excludes MSR amortization, gains/loss in the valuation of servicing rights net of hedging gains/losses, and gains/losses on the bulk sale

of MSRs, was \$104 per loan in the fourth quarter, up from \$95 per loan in the third quarter.

- » Including all business lines (both production and servicing), 25% of the firms in the study posted pre-tax net financial profits in the fourth quarter, down from 46% in the third quarter.

## SINGLE FEMALE HOMEOWNERSHIP GAINS DRIVING OVERALL HOMEOWNERSHIP RATE GROWTH

Since 2019, the number of single, female-headed households (including widowed, separated, or divorced) has increased by 1.4 million, one million of whom are homeowners.

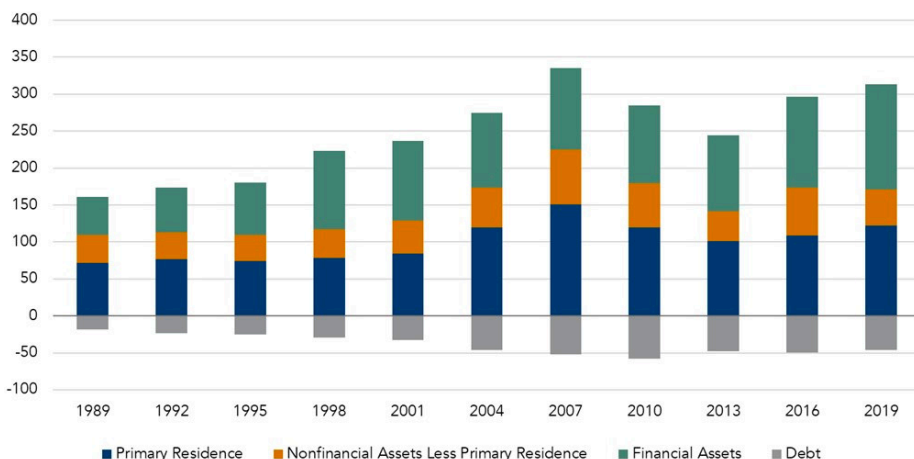
The overall homeownership rate declined in the aftermath of the Great Recession but has since rebounded, in part due to the growth in single female homeownership. According to an analysis of anonymized household-level survey data, the homeownership rate among single, female-headed households surpassed 52% in 2022, recovering from a post-Great Recession low point of 50% in 2016. Single women's homeownership rate outpaced that of single men by approximately two percentage points. There is good reason to celebrate this rebound, as housing wealth is a primary driver of wealth creation in the United States.

### Homeownership Drives Wealth Creation

Analysis of the 2019 Survey of Consumer Finances data (the latest available), a triennial survey that collects detailed accounts of U.S. household finances, reveals that homeowners had 40 times the household wealth of a renter—the majority of which came from their home. Between 2016 and 2019, housing wealth was the single biggest contributor to the increase in net worth across all income groups, a period during which annual house price appreciation averaged 5.5%.

## Components of Women's Wealth

Average Asset Values by Type for Single Women (Thousands of 2019 Dollars)



Source: Survey of Consumer Finances, 2019

For single women, housing has always made up a large share of total assets. Over the last 30 years, the average single woman's wealth has increased 88% on an inflation-adjusted basis, from just over \$142,000 in 1989 to \$267,000 in 2019, and housing has remained the single largest component of their wealth. In the latest available 2019 data, housing made up 49% of total assets for the average single, female-headed household, up from 44% three years prior. Housing has likely generated further wealth gains for single women since 2019, given that house prices increased over 40% between 2020 and 2022.

Typically, the lower the income of a home-owning household, the greater the share of its wealth that stems from homeownership. This pattern is no different for single, female-headed households. Housing wealth made up 68% of total assets in 2019 among single women in the lowest income quintile, while it made up only 22% among single women in the top income quintile.

The difference in the composition of wealth means that fluctuations in home prices will have a much bigger impact on the wealth of lower-income, single, female-headed households. However, there are several benefits of homeownership that, despite the potential downside risk from volatility in house prices, result in greater wealth accumulation when compared with renting.

Homeowners benefit from wealth accumulation from house price appreciation over time and the equity gains generated by monthly mortgage payments, which become a form of forced savings for homeowners. While house price growth may stall, or even decline, in the near term, historically housing has been a key driver of wealth creation and single women are taking note.

## U.S. MORTGAGE CREDIT AVAILABILITY SLIPS

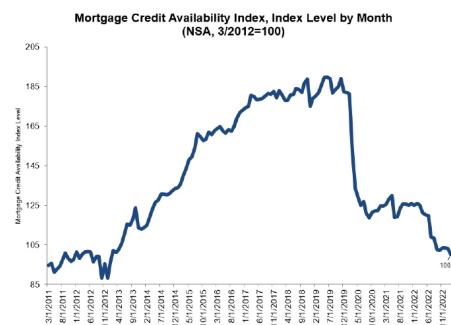
**M**ortgage credit availability decreased in February according to the Mortgage Credit Availability Index (MCAI), a report from the Mortgage Bankers Association (MBA) that analyzes data from ICE Mortgage Technology.

The MCAI fell by 3% to 100.1 in February. 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 by 4.4%, while the Government MCAI decreased by 1.6%. Of the component indices of the Conventional MCAI, the Jumbo MCAI

decreased by 4.4%, and the Conforming MCAI fell by 4.3%.

### Conventional, Government, Conforming, and Jumbo MCAI Component Indices

"Mortgage credit availability decreased to its lowest level since January 2013 with all loan types seeing declines in availability over the month," said Joel Kan, MBA's VP and Deputy Chief Economist. "The conforming subindex decreased 4.3% to its lowest level in the survey, which goes back to 2011. This decline was driven by the ongoing trend of shrinking industry capacity as mortgage rates stayed significantly higher than a year ago. Additionally, in this volatile rate environment and potentially weakening economy, there was also a reduction in refinance programs offered for low credit score and high-LTV borrowers."



## BORROWERS TAKING OUT MORE ARMS TO OFFSET RISING RATES

**A**ccording to the latest Originations Market Monitor covering the month of February, Black Knight said demand dips are causing the real estate market to lose some steam as rate lock applications dropped as loan production shifted toward jumbos, which offer more favorable rates than Government Sponsored Enterprises (GSEs) can.

"Mortgage rates ticked up again in February after a brief respite, showing once again just how rate-sensitive the market continues

to be,” said Kevin McMahon, President of Optimal Blue, a division of Black Knight. “Conforming rates dipped below 6% early in the month but finished it up 52 basis points from January. Even though the number of rate locks was down month over month, dollar volume increased due to a rate environment that favored jumbo and ARM loans over GSE products. Essentially, though, the story remains the same—one of a market facing significant interest rate-driven headwinds. As Black Knight reported last week in our latest Mortgage Monitor, there were clear signs of buy-side demand when rates neared 6%—it just quickly pulled back when rates began to climb again.”

“As rates resumed their upward trajectory in February, borrowers responded predictably, moving toward more rate-favorable offerings,” McMahon continued. “That included a shift to jumbos, ARMs, and other nonconforming products in the month. With refinance activity basically at a floor, all eyes are on the purchase market. And yet such lock volumes remain more than 40% down from last year’s level, with the triple-threat of rate, affordability, and inventory challenges still looming large for the foreseeable future.”

Other notable data revealed in the report include:

- » Rate lock dollar volumes rose 2% month over month in February, although the number of locks dropped, as loan production shifted toward jumbos, which offered more favorable rates than GSE products
- » Purchase lock volumes rose 4%, driven by seasonal tailwinds, while cash-out refinance volumes fell 11% on rising interest rates and rate/term locks remained near record lows
- » The refinance share of the market fell back to 14% of overall activity, the low point in this cycle first reached in October
- » Despite the month-over-month gains, purchase lock counts—which exclude the impact of home price changes—are well below both last year’s (-42%) and pre-pandemic (-35% against 2020) levels
- » Nonconforming loans—including jumbos and expanded guidelines—picked up share relative to all other loan products (12.2%), while conforming (56.6%), FHA (18.4%), and VA (12.0%) products all lost share
- » Likewise, the ARM share of lending popped back above 10% in February as

“As rates resumed their upward trajectory in February, borrowers responded predictably, moving toward more rate-favorable offerings.”

—Kevin McMahon, President, Optimal Blue



the rise in rates pushed borrowers to consider alternatives to fixed-rate loans

- » Optimal Blue Mortgage Market Indices from Black Knight showed 30-year rates dipped below 6% for the first time since September, before rising 52 basis points to finish the month at 6.68%
- » The spread between the 10-year Treasury and 30-year conforming mortgage rate widened by 12 basis points as Agency

MBS sold off relative to Treasuries in response to revived inflation concerns

- » The average loan amount rose from \$340,000 to \$349,000, while the average purchase price climbed from \$421,000 to \$434,000
- » Credit scores remained essentially flat for cash-out refis and purchases but dropped 7 points for the limited number of rate/term refi locks



# » Mortgage Servicing

## FORBEARANCE RATE FALLS ACROSS ALL INVESTOR TYPES

The Mortgage Bankers Association's (MBA) monthly Loan Monitoring Survey revealed that the total number of loans now in forbearance decreased by four basis points from 0.64% of servicers' portfolio volume in the prior month to 0.60% as of February 28, 2023. The MBA estimates that approximately 300,000 homeowners are still in forbearance plans.

"The forbearance rate decreased for both independent mortgage bank and depository servicers across all investor types in February," said Marina Walsh, CMB, MBA's VP of Industry Analysis. "Even with the fewer days in the month—which often causes a drop in timely monthly payments—overall servicing portfolio performance declined only slightly to 95.8%, while performance of post-forbearance workouts stayed essentially flat at 76%."

The share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased two basis points from 0.30% to 0.28%. Ginnie Mae loans in forbearance decreased nine basis points from 1.37% to 1.28%, and the forbearance share for portfolio loans and private-label securities (PLS) decreased five basis points from 0.83% to 0.78%.

By stage, 34.9% of total loans in forbearance were in the initial forbearance plan stage, while 51.8% were in a forbearance extension. The remaining 13.3% reported were

forbearance reentries, including reentries with extensions.

Of the cumulative forbearance exits for the period from June 1, 2020, through February 28, 2023, at the time of forbearance exit:

- » 29.6% resulted in a loan deferral/partial claim
- » 18% represented borrowers who continued to make their monthly payments during their forbearance period
- » 17.6% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet
- » 16.1% resulted in a loan modification or trial loan modification
- » 10.9% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance
- » 6.6% resulted in loans paid off through either a refinance or by selling the home
- » The remaining 1.2% resulted in repayment plans, short sales, deeds-in-lieu, or other reasons

"The February results on mortgage performance is welcome news, given recent increases in delinquencies for other credit types such as credit cards and auto loans," Walsh added. "However, with the possibility of a recession this year, we may see some deterioration in performance—particularly for government loans."

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

- » Washington

- » Idaho
- » Colorado
- » California

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

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

The U.S. Bureau of Labor Statistics (BLS) reported that for February, total nonfarm payroll employment rose by 311,000, and the unemployment rate edged up to 3.6%. Notable job gains were reported in leisure and hospitality, retail trade, government, and health care. Employment declined in information and in transportation and warehousing. "The unemployment rate increased to 3.6%, partly driven by another increase in labor force participation, but remained well below historical averages. We expect the unemployment rate to increase over the course of this year as the economy cools, reaching 4.8% at the end of the year," MBA VP and Deputy Chief Economist Joel Kan said. "The housing market typically benefits from strong employment conditions, but as monetary policy has tightened to combat inflation, bringing about higher rates and tighter financial conditions, homebuyers have pulled back over the past year. We expect the economy to go into a mild recession this year, and with that a cooling in home prices and lower mortgage rates, which should help affordability conditions and bring a gradual recovery in housing activity."

## CFPB REPORTS ON FEES LEVIED BY MORTGAGE SERVICERS

The Consumer Financial Protection Bureau (CFPB) has released a special edition of its Supervisory Highlights that reports on unlawful junk fees uncovered

in the mortgage servicing space, student loans, payday lending, and in financial institutions via deposit accounts. As described in the Supervisory Highlights, the CFPB continues rooting unlawful fees out of consumer financial markets.

"For years, junk fees have been creeping across the economy," CFPB Director Rohit Chopra said. "Our report describes a host of illegal junk fee practices that the CFPB has uncovered across the financial services sector."

The CFPB publishes Supervisory Highlights reports to promote transparency and to stop potentially unlawful practices, as well as to help educate families, advocacy groups, and other law enforcement agencies about these practices.

The CFPB's prior supervision work led the agency to issue guidance in October 2022, on the longstanding problem of surprise overdraft fees. As of today, after the CFPB's focus on surprise overdrafts, at least 20 of the largest banks in the United States, which hold 62% of the volume of consumer deposit accounts subject to the CFPB's supervisory authority, do not charge surprise overdraft

fees. Additionally, banks that the CFPB has examined thus far will refund roughly \$30 million to about 170,000 account holders who were assessed surprise overdraft fees.

In the mortgage loan servicing sector, the CFPB recently identified illegal fees being charged in the mortgage servicing market, and, in November 2022, took action against a mortgage servicer for cheating homeowners out of CARES Act rights.

CFPB examiners have identified old and new ways that mortgage servicers attempt to run up unlawful fees that are charged to homeowners. Specifically, CFPB examiners found that some mortgage servicers charged:

- » **Excessive late fee amounts:** Mortgage servicers charged the top late fee amount allowed by relevant state laws, even when homeowners' mortgage contracts capped late fee amounts below state maximums.
- » **Fees for unnecessary property inspections:** Some servicers charged consumers \$10 to \$50 fees for every property inspection visit to addresses that were known to be incorrect. Servicers continued to pay

inspectors to go to the known incorrect addresses and continued to charge consumers for those visits.

- » **Fake Private Mortgage Insurance (PMI) premium charges:** Servicers included monthly PMI premiums that homeowners did not owe in their monthly statements.
- » **Failure to waive fees for homeowners entering some loss mitigation options:** CARES Act mortgage forbearance covered not only a mortgage's principal and interest but also stopped servicers from charging late fees during the period of forbearance. The U.S. Department of Housing and Urban Development (HUD) put further protections in place for homeowners that exited forbearance and went into permanent COVID-19 loss mitigation options, including waiving certain fees or other charges that accrued outside of forbearance periods. However, CFPB examiners found that some servicers failed to adhere to HUD's additional protections and charged homeowners late charges,

## Default Spotlight

### DEFAULTS EXPECTED TO RISE, YET REMAIN MANAGEABLE



According to University Financial Associates (UFA) mortgage default risk numbers of late are rising but should still be manageable by lenders and servicers in the grand scheme of things due to the better

quality of loans that have been issued since the Great Recession.

In their latest index report, UFA found the index came in at a score of 147 for the first quarter of 2023—lenders and investors should expect defaults on loans originated in the first quarter to be 47% higher than the average of similar loans originated in the

90s due solely to the local and national economic environment. The index was initially benchmarked to 100 in 2003.

"With prices beginning to decline in selected metro areas and many more to follow over the next couple years, mortgage lenders and investors will have to tighten underwriting standards and increase selectivity until house prices bottom," said Dennis Capozza, who is Professor Emeritus of Finance in the Ross School of Business at the University of Michigan, and a founding principal of UFA. "Mortgages rates have more than doubled in the last year while house prices have increased at double-digit rates since the pandemic making homeownership much less affordable."

"To date delinquencies remain very low. Most homeowners have gained considerable equity as prices have risen and if stressed can sell to realize that equity rather than default," Capozza continued. "UFA does not expect a 'nuclear winter for housing' as some observers are expecting. Current economic conditions are much better positioned than in the Great Recession."

"Although house prices have risen very fast in response to pandemic-driven demand, the excesses of the prior cycle are not present. Permits and stats remain well below the prior peak levels," Capozza concluded. "Demand remains high with many homeowners needing to adjust housing consumption due to changes arising from the pandemic and technological innovations like work from home."

fees, and penalties that should have been waived.

The CFPB also reported on the payday and title lending markets and illegal fees charged to consumers in that realm as well. Last year, the CFPB released a research report on free repayment plans offered in many states for payday loans that often go unused by borrowers. In July 2022, the CFPB filed a lawsuit against ACE Cash Express for concealing free repayment plans from its borrowers who ended up paying hundreds or thousands of dollars in unnecessary re-borrowing fees.

In this special edition of Supervisory Highlights, the CFPB reveals the ways that other short-term, high-cost payday and title loan lenders have been profiting from unlawful fees. Specifically, CFPB examiners found that payday and title lenders charged:

Vehicle repossession and property retrieval fees: Some borrowers were charged repossession fees, as well as fees to retrieve personal property found in repossessed vehicles, which sometimes included lifesaving medical equipment. The borrowers' loan agreements did not allow the lenders to charge these fees.

Vehicles being repossessed with fees tacked on despite prior payment arrangements: Lenders that repossessed vehicles despite having entered into payment agreements with borrowers to allow them to avoid repossession. When borrowers went to reclaim their vehicles, they were forced to pay repossession fees as well as forced to refinance their debts—a practice that generally adds new costs to the initial title loan principal.

## FORECLOSURE FILINGS UP 18% YOY

**F**oreclosures are a given in any market conditions, but as rates rise and the cost to borrow money becomes more expensive, foreclosures are becoming a much more common occurrence.

According to a new report from ATTOM Data, they reported a total of 30,528 American properties with some sort of foreclosure filing against it, up 18% year over year.

"Foreclosure activity finally started to stabilize in February after 21 straight months of increases," said Rob Barber, CEO at ATTOM. "The numbers don't yet show a clear trend toward fewer foreclosures, partly because February is a short month. But with historically high levels of home equity flowing from a decade of rising values, we may be seeing a growing number of delinquent mortgage payers with at least the option to sell before facing foreclosure."

Overall, lenders repossessed 3,831 properties in February 2023, dipping 2% from January, but up 45% from last year.

Foreclosure starts decreased monthly as lenders started the foreclosure process in 20,360 properties in February, down 2% but up 23% from a year ago.

All this boils down to a nationwide figure of 1-in-4,574 homes with a foreclosure filing against it. States with the highest foreclosure rates were New Jersey (one in every 2,271 housing units with a foreclosure filing); Maryland (one in every 2,390 housing units); Illinois (one in every 2,443 housing units); Nevada (one in every 2,854 housing units); and Indiana (one in every 2,956 housing units).

## Q4 2022 DELINQUENCY RISK HELD STEADY

**C**onsulting and actuarial firm Milliman has released the findings of its fourth quarter 2022 Milliman Mortgage Default Index (MMDI) finding that the latest monthly estimate of the lifetime default risk of the average U.S.-backed mortgages held steady from the third quarter of 2022 at 3.53%.

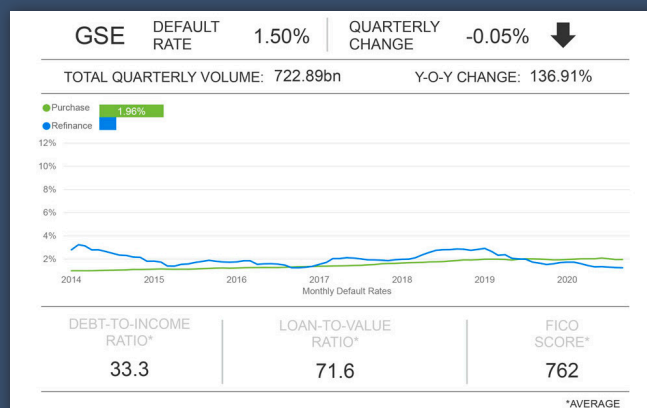
This number means that for mortgage loans that were originated in the fourth quarter, the expectation based on current market conditions is that 5.53% will miss more than six consecutive payments and enter delinquency (180 days or later) over the lifetime of the loan.

According to Milliman, mortgage originations are at their lowest levels since 2019 along with refinance originations which are at their lowest levels since 2014. This is the fourth consecutive quarter that originations have decreased.

Breaking down risk into its individual components, borrower risk decreased from 1.61% to 1.57% in the fourth quarter. Loans during that quarter had better FICO credit scores and better loan-to-values than reported in previous quarters. Economic risk inched up from 1.90% in Q3 2022 to 1.96% in Q4 2022 overall, though newer originations may face a steeper increase.

"The slight uptick in economic risk from Q3 to Q4 2022 was

offset by a decrease in borrower and underwriting risk, leading to the overall default risk remaining flat," said Jonathan Glowacki, a Principal at Milliman and author of the MMDI. "We also expect to see a drop in future home price growth, which is contributing to a fairly sharp increase in economic risk for newer mortgage loans."





## HUD AWARDS OVER \$54M TO COMBAT HOUSING DISCRIMINATION

The U.S. Department of Housing and Urban Development (HUD) awarded \$54 million to 182 fair housing organizations across the country under its Fair Housing Initiatives Program (FHIP). The grants will provide \$28,200,000 to support the efforts of national, state, and local fair housing entities working to address violations of the Fair Housing Act and helping to end discrimination in housing. In addition, HUD provided \$26,350,000 in funding to its second- and third-year Private Enforcement Initiative grantees to continue fair housing enforcement efforts nationwide.

“Far too many families in our country still face unconscionable prejudice, both as renters and homeowners,” HUD Secretary Marcia L. Fudge said. “The Fair Housing Initiatives Program puts money into communities to help them root out discrimination in housing. I am pleased to provide our state and local partners with the resources they need to combat inequity and build a fairer, more inclusive country for all.”

The awarding of these funds precedes the first anniversary of the Biden-Harris administration’s Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) Action Plan—led by U.S. Department of Housing and Urban Development (HUD) Secretary Marcia L. Fudge and White House Domestic Policy Advisor Ambassador Susan Rice. The PAVE Action plan represents the most wide-ranging set of commitments ever announced to advance equity in the home appraisal process. Eligible activities for the funding awarded today included testing for appraisal bias and educating local communities on the issue.

The grant funding will allow the grantees to provide fair housing enforcement by conducting investigations, testing to identify discrimination in the rental and sales markets, and filing fair housing complaints with HUD or substantially equivalent state and local agencies. In addition, grantees will conduct education and outreach activities to inform the public, housing providers, and local

## Government

### THREE-JUDGE PANEL VALIDATES CFPB'S INDEPENDENT FUNDING

Ahead of an expected ruling by the U.S. Supreme Court, a three-judge panel for the U.S. Court of Appeals for the Second Circuit has ruled that the Consumer Financial Protection Bureau (CFPB) independent funding through the Federal Reserve is constitutional.

The unanimous ruling further solidifies provisions of the Dodd-Frank Act. The CFPB was created in 2008 with the passage of the Dodd-Frank Act and is funded by the Federal

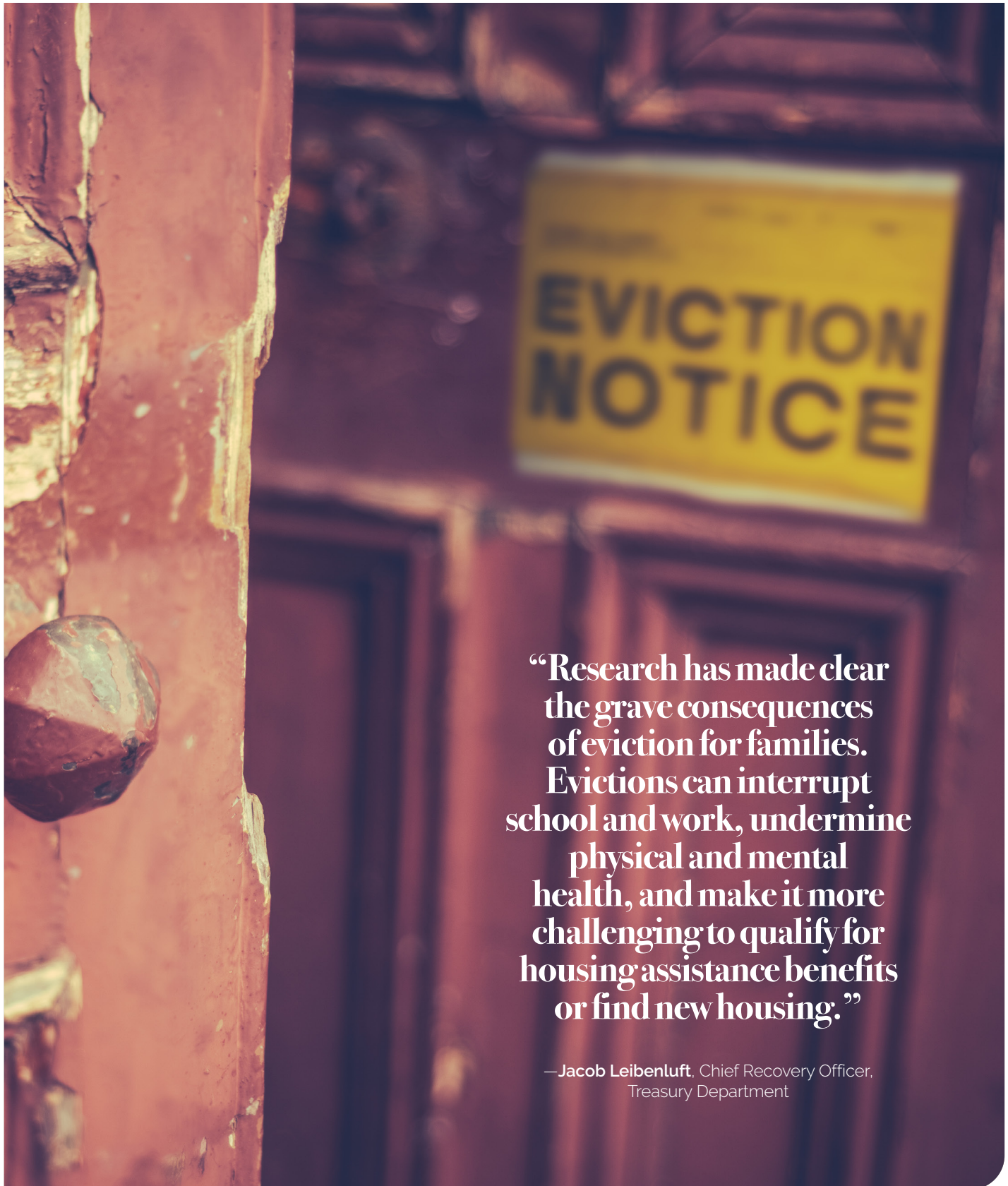
Reserve, not Congress. Since its inception, the CFPB has recovered approximately \$15 billion for customers, including a recent record \$1.7 billion civil fine, in addition to \$2 billion in mandated customer reimbursements, imposed by the CFPB on Wells Fargo for abuses related to customer accounts.

The case at hand deals with the Law Offices of Cristal Moroney PC, a debt collection law firm out of New York, which is attempting to get around a civil subpoena issued against them in 2017. Previously, a lower court ruled in the CFPB’s favor in August 2020.

SCOTUS is expected to hear the case on its October 2023 schedule.

The Court of Appeals for the Fifth Circuit previously ruled that the CFPB’s funding violates the Constitution and should be subject to Congressional appropriations.

In its ruling, the Second Circuit found that there is no supporting evidence to grant validity to the Fifth Circuit’s ruling.



**“Research has made clear the grave consequences of eviction for families. Evictions can interrupt school and work, undermine physical and mental health, and make it more challenging to qualify for housing assistance benefits or find new housing.”**

—Jacob Leibenluft, Chief Recovery Officer,  
Treasury Department

governments about the rights and responsibilities that exist under the Fair Housing Act.

“The programs and services provided by the Fair Housing Initiatives Program are vital to eliminating housing discrimination that too many in this country endure,” said Demetria L. McCain, HUD’s Principal Deputy Assistant Secretary for Fair Housing and Equal Opportunity. “As we prepare to recognize the fifty-fifth anniversary of the Fair Housing Act next month, we know we have more work to do in the fight against housing discrimination. But, efforts of our fair housing partners through the years have made a significant contribution, helping thousands of people and families. The funds provided today will ensure that our state and local partners have the financial resources they need to continue educating the public and opposing discriminatory practices in the communities they serve.”

HUD is awarding grants in the following categories and amounts:

#### **Private Enforcement Initiative (PEI):**

This initiative funds non-profit fair housing organizations to carry out testing and enforcement activities to prevent or eliminate discriminatory housing practices.

- » HUD is awarding \$14,575,000 to new organizations to conduct intake, provide testing, and investigate and litigate fair housing complaints under the Fair Housing Act.
- » HUD is awarding \$26,350,000 to second- and third-year FY 2020 and FY 2021 PEI Multi-year grantees. This multi-year award will allow grantees to continue fair housing investigations, testing, and other fair housing enforcement activities.

**Education and Outreach Initiative (EOI):** This program offers support for fair housing activities that educate the public and housing providers about equal opportunity in housing and compliance with the fair housing laws.

- » HUD is awarding \$9,425,000 to organizations that educate the public and housing providers about the Fair Housing Act. These grants will also support state and local organizations that enhance fair housing laws that are substantially equivalent to the Fair Housing Act.

#### **Education and Outreach Initiative Test**

**Coordinator Training (EOI-TCT):** The Fair Housing Initiatives Program is a significant source of funding for FHIP grantees that conduct fair housing testing in local communities across the country. Fair housing testing refers to the use of testers who, like “secret shoppers,” pose as prospective renters or buyers of real estate to determine whether housing providers and others are complying with the federal Fair Housing Act.

- » HUD is awarding \$500,000 to one organization to support fair housing training courses specifically in fair housing testing.

**Fair Housing Organizations Initiative (FHOI):** This program provides funding that builds the capacity and effectiveness of non-profit fair housing organizations by providing funds to handle fair housing enforcement and education initiatives more effectively. FHOI also strengthens the fair housing movement nationally by encouraging the creation and growth of organizations that focus on the rights and needs of underserved groups, particularly persons with disabilities.

- » HUD is awarding \$3,700,000 to equip nonprofit organizations to conduct fair housing enforcement-related activities. The award will also establish and support a new organization to engage in fair housing enforcement work, particularly in unserved and underserved jurisdictions.

## TREASURY: NEARLY 11 MILLION PAYMENTS MADE TO HELP PREVENT EVICTIONS

**D**eputy Secretary of the Treasury Wally Adeyemo has announced new data from the U.S. Department of the Treasury through December 31, 2022, shows that nearly 10.8 million Emergency Rental Assistance (ERA) payments were made to households at risk of eviction while

investing in projects to support long-term housing stability.

“This new Emergency Rental Assistance data reflects an intentional effort to make sure that rental assistance got into the hands of those who needed it most, and those who might otherwise have faced the devastating consequences of eviction,” said Deputy Secretary of the Treasury Wally Adeyemo during remarks at the National Low Income Housing Coalition’s 2023 Housing Policy Forum. “Today’s data illustrates how ERA funds have kept millions of families in their homes. But beyond that, it underscores that we must build on the legacy of the ERA program and help communities make long-term, durable investments in eviction prevention, homeowner assistance, and the construction and preservation of affordable housing.”

Combined, ERA has made \$46.55 billion available to promote housing stability. In addition, a report the Treasury Department released earlier this month found that state, local, Tribal, and territorial governments have also used \$15.9 billion in State and Local Fiscal Recovery Funds (SLFRF) for more than 2,100 projects to meet housing needs, including over \$5.4 billion committed to affordable housing development and preservation.

“The Emergency Rental Assistance Program along with the federal eviction moratorium formed the most important federal housing policy in the last decade,” said Matthew Desmond, author of *Evicted*, and founder of Princeton University’s Eviction Lab. “These combined initiatives were the deepest investment in low-income renters the federal government has made since the nation launched its public housing system.”

ERA grantees nationwide have successfully used housing stability services to support outreach to various communities, to fund eviction prevention and diversion efforts, and to support relocation and re-housing efforts. While eviction diversion programs were uncommon before the pandemic, at least 180 jurisdictions across 36 states have launched or strengthened eviction diversion programs with ERA.

“Research has made clear the grave consequences of eviction for families. Evictions can interrupt school and work, undermine physical and mental health, and make it more challenging to qualify for housing assistance benefits or find new housing,” said

Treasury Department Chief Recovery Officer Jacob Leibenluft in a recent blog post titled “Emergency Rental Assistance: Supporting Renting Families, Driving Lasting Reform.” Eviction can cause tenants to lose possessions or face food insecurity. As the pandemic destabilized life for many Americans, these risks grew even more serious. But through the Emergency Rental Assistance (ERA) program—created as part of the Consolidated Appropriations Act, 2021 and dramatically expanded by the American Rescue Plan—the Biden-Harris administration put forward an unprecedented response to the eviction crisis the pandemic exacerbated. At the same time, ERA has helped lay the groundwork for lasting eviction prevention infrastructure and new investments in affordable housing.”

The Treasury’s ERA program has provided communities with significant resources to support housing stability throughout the pandemic, and studies have shown that the majority of ERA funds have gone to low-income and/or traditionally underserved renters of color. The demographic information included in the data release also shows that more than 85% of ERA beneficiaries are very low-income families and that funds have reached a diverse range of households.

## HUD REINSTATES 2013 “DISCRIMINATORY EFFECTS” RULE

**T**he U.S. Department of Housing and Urban Development (HUD) announced that it has submitted to the Federal Register for publication a Final Rule entitled Restoring HUD’s Discriminatory Effects Standard. The Final Rule rescinds the Department’s 2020 rule governing Fair Housing Act disparate impact claims and restores the 2013 discriminatory effects rule.

In the Final Rule, HUD emphasizes that the 2013 rule is more consistent with how the Fair Housing Act has been applied in the courts and in front of the agency for more than 50 years, and that it more effectively implements the Act’s broad remedial purpose of eliminating unnecessary discriminatory

**“Discrimination in housing continues today and individuals, including people of color and people with disabilities, continue to be denied equal access to rental housing and homeownership. Today’s rule brings us one step closer to ensuring fair housing is a reality for all in this country.”**

—Marcia L. Fudge, HUD Secretary



practices from the housing market.

“Discrimination in housing continues today and individuals, including people of color and people with disabilities, continue to be denied equal access to rental housing and homeownership,” HUD Secretary Marcia L. Fudge said. “Today’s rule brings us one step closer to ensuring fair housing is a reality for all in this country.”

The Fair Housing Act prohibits discrimination in housing and housing-related services because of race, color, religion, national origin, sex (including sexual orientation and gender identity), familial status, and disability. The discriminatory effects doctrine (which includes disparate impact and perpetuation of segregation) is a tool for addressing policies that unnecessarily cause

systemic inequality in housing, regardless of whether they were adopted with discriminatory intent. It has long been used to challenge policies that unnecessarily exclude people from housing opportunities, including zoning requirements, lending and property insurance policies, and criminal records policies. Accordingly, having a workable discriminatory effects standard is vital for the Biden-Harris administration to accomplish its goal of creating a housing market that is free from both intentional discrimination and policies and practices that have unjustified discriminatory effects.

HUD’s 2013 discriminatory effects rule codified long-standing caselaw for adjudication of Fair Housing Act cases under the discriminatory effects doctrine, for cases filed



administratively with HUD, and for federal court actions brought by private plaintiffs. Under the 2013 rule, the discriminatory effects framework was straightforward: a policy that had a discriminatory effect on a protected class was unlawful if it was not necessary to achieve a substantial, legitimate, nondiscriminatory interest or if a less discriminatory alternative could also serve that interest.

The 2020 rule complicated that analysis by adding new pleading requirements, new proof requirements, and new defenses, all of which made it more difficult to establish that a policy violates the Fair Housing Act and harder for entities regulated by the Fair Housing Act to assess whether their policies were lawful. HUD now returns to the 2013 rule's straightforward analysis.

This Final Rule will go into effect 30 days after it is published in the Federal Register. Due to a preliminary injunction staying the implementation of the 2020 Rule in *Massachusetts Fair Housing Center v. HUD*, the 2020 Rule never went into effect, and the 2013 Rule—which has been in place for nearly a decade—has been and is currently still in effect. Accordingly, regulated entities that were complying with the 2013 Rule do not need to change any practices they have in place to comply with this rule.

## CFPB SEEKS INPUT ON DATA COLLECTION FIRMS

The Consumer Financial Protection Bureau (CFPB) has launched an inquiry into companies that track and collect information on people's personal lives.

In issuing this new Request for Information, the CFPB wants to understand the full scope and breadth of data brokers and their business practices, their impact on the daily lives of consumers, and whether they are all playing by the same rules. This request is a chance for the public to share feedback about companies that play a significant role in people's lives and the economy. This feedback will shed light on the current state of an industry that largely operates out of public view and inform the CFPB's future work to

ensure that these companies comply with federal law.

"Modern data surveillance practices have allowed companies to hover over our digital lives and monetize our most sensitive data," CFPB Director Rohit Chopra said. "Our inquiry will inform whether rules under the Fair Credit Reporting Act reflect these market realities."

Congress passed the Fair Credit Reporting Act (FCRA) in response to concerns about data brokers assembling detailed dossiers about consumers and selling this information to those making employment, credit, and other decisions. People often have little choice about whether to enter into business relationships with these companies or whether they will be tracked, yet the data these companies collect may nevertheless play a decisive role in signif-

icant life decisions, like buying a home or finding a job. The FCRA provides a range of protections, including accuracy standards, dispute rights, and restrictions on how data can be used. The law covers data brokers like credit reporting companies and background screening firms, as well as those who report information to these firms.

The inquiry seeks information about business practices employed in the market today to inform the CFPB's efforts to administer the law, including planned rulemaking under the FCRA. The CFPB is interested in hearing about the business models and practices of the data broker market, including details about the types of data the brokers collect and sell and the sources they rely upon. The feedback received will help the CFPB gain a better understanding of the current state of business practices in this area.

**“Modern data surveillance practices have allowed companies to hover over our digital lives and monetize our most sensitive data. Our inquiry will inform whether rules under the Fair Credit Reporting Act reflect these market realities.”**

—Rohit Chopra, Director, CFPB





## HUD OVERHAULS ITS DISASTER RECOVERY ASSISTANCE EFFORTS

**T**he U.S. Department of Housing and Urban Development (HUD) has announced an overhaul of its disaster recovery efforts to better serve communities that face the direct impacts of weather-related disasters. HUD is establishing an Office of Disaster Management (ODM) in the Office of the Deputy Secretary, the Office of Disaster Recovery (ODR) within the Office of Community Planning and Development, the addition of dozens of new HUD staff members to help expedite recovery processes, and the allocation of more than \$3.3 billion in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds.

These steps will streamline HUD's disaster recovery and resilience work by increasing coordination, reducing bureaucracy, and increasing the capacity to get recovery funding to communities more quickly by facilitating collaborative, transparent disaster recovery planning with communities earlier in the process.

HUD Secretary Marcia L. Fudge made the announcement at HUD's new office in Jackson, Kentucky, as the state received nearly \$300 million in aid, while HUD Deputy Secretary Adrienne Todman made the announcement in Ft. Myers, Florida, as communities throughout Florida will receive more than \$2.7 billion statewide.

"HUD is committed to helping underserved communities in hard-hit areas recover from disasters," HUD Secretary Fudge said. "We know that far too often, not-so-privileged households bear the brunt of weather-related disasters. We will ensure they have access to the resources they need to rebuild and recover, equitably. Today's announcement sends a strong message: equity is elemental to the disaster recovery work of HUD and the Biden-Harris administration."

HUD's announcement follows the first time the Department has asked the public for feedback on how to simplify, modernize, and more equitably distribute critical disaster recovery funds: Community Development Block Grant Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT). Given the increased role as the lead federal agency for housing recovery and the impact of disasters on the Department's portfolios, a pronounced need has emerged for enhanced coordination Department-wide, as well as with other federal, state, and local partners to assist impacted communities and families.

The allocated funds will help communities in Alaska, Florida, Illinois, Kentucky, Missouri, Oklahoma, and Puerto Rico recover from disasters and build resilience, with a specific focus on low- and moderate-income populations. The funds are specified to be used for disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation, in the most impacted and distressed areas.

Over the last two decades, an increasing number of major disasters have impacted the nation and highlighted the importance of effective disaster management at the federal, state, and local levels of government. HUD plays a role in preparing relocations of populations, addressing disaster-related housing needs, supporting FEMA with evacuation, sheltering HUD-assisted residents, developing interim housing solutions, and leading planning and supporting long-term, sustainable community recovery.

Equitable disaster recovery and resilience is a priority of HUD's Climate Action Plan, which notes that the Department is committed to advancing the goals of Executive Order 13985. This requires HUD to allocate resources in a manner that equitably invests in underserved communities, particularly in communities of color.

The CFPB is also interested in hearing about people's direct experiences with these companies, including when individuals attempt to remove, correct, or regain control of their data.

The request for information will be published in the Federal Register, and the public will have until June 13, 2023, to submit their comments.

## HUD ADDRESSES HOUSING GOALS IN PRESIDENT'S 2024 BUDGET

**T**he U.S. Department of Housing and Urban Development (HUD) has released details about its fiscal year 2024 budget request.

The Biden administration released the President's Budget for Fiscal Year 2024, the President's blueprint to grow the economy from the bottom up and middle out, lower costs for families, protect and strengthen Medicare and Social Security, and reduce the deficit by ensuring the wealthy and big corporations pay their fair share—all while ensuring no one making less than \$400,000 per year pays more in taxes.

"The President's 2024 Budget directly supports this historic Administration's goal of building a better America for all. For those of us at HUD, that means addressing homelessness with urgency and ensuring everyone in this country has access to quality affordable housing," HUD Secretary Marcia L. Fudge said. "The Budget invests in Americans at every station in life—from those seeking to purchase a home to those who receive HUD rental assistance—and will ensure families across the country can live in communities that are safe, affordable, and resilient."

The 2024 President's Budget requests \$73.3 billion for HUD, approximately \$1.1 billion more than the 2023 enacted funding level. In addition, it requests \$104 billion for new mandatory affordable housing investments.

Specific housing-related goals in Biden's fiscal year 2024 budget include:

» **Expand the Housing Choice Voucher (HCV) Program and Enhance House-**

**“The President’s 2024 Budget directly supports this historic Administration’s goal of building a better America for all. For those of us at HUD, that means addressing homelessness with urgency and ensuring everyone in this country has access to quality affordable housing.”**

—Marcia L. Fudge, HUD Secretary



**hold Mobility:** Biden's FY 2024 Budget provides \$32.7 billion, an increase of \$2.4 billion over the 2023 enacted level, to maintain services for all currently assisted families and to expand assistance to an additional 50,000 households, particularly those who are experiencing homelessness or fleeing, or attempting to flee, domestic violence or other forms of gender-based violence. It provides further expands assistance to another 130,000 households with funding from HCV program reserves and \$25 million for mobility-related supportive services to provide low-income families with greater options to move to higher-opportunity neighborhoods.

» **Increase Affordable Housing Supply to Reduce Costs:** To address the critical shortage of affordable housing in communities throughout the Nation, the Budget provides \$1.8 billion for the HOME Investment Partnerships Program (HOME), an increase of \$300 million over the 2023 enacted level, to construct and rehabilitate affordable rental housing and provide homeownership opportunities. In addition, the Budget provides \$258 million to support 2,200 units of new permanently affordable housing specifically for the elderly and persons with disabilities, supporting the Administration's priority to maximize independent living for people with disabilities.

» **Advance Efforts to End Homelessness:** To prevent and reduce homelessness, the Budget provides \$3.7 billion, an increase of \$116 million over the 2023 enacted level, for Homeless Assistance Grants to meet renewal needs and expand assistance to approximately 25,000 additional households, including survivors of domestic violence and homeless youth. These targeted resources would support the Administration's recently released Federal Strategic Plan to End Homelessness. The Budget also provides \$505 million for Housing Opportunities for Persons with AIDS, serving a population with a disproportionately high rate of homelessness and providing a critical link to services.

**Advance Equity by Preventing and Redressing Housing Discrimination:** The Budget provides \$90 million to support state and local fair housing enforcement organizations and to further education, outreach, and training on rights and responsibilities under Federal fair housing laws.

**Reduce Costs for New Homeowners and Expand Access to Homeownership:** To make homeownership more affordable for underserved borrowers, including first-time, low- to moderate-income and minority homebuyers, the Federal Housing Administration (FHA) is reducing the annual mortgage insurance premiums new borrowers will pay by about one-third. This action, effective in 2023, will save the average FHA borrower approximately \$800 in the first year of their mortgage loan. The Budget also includes \$100 million for a HOME down payment assistance pilot to expand homeownership opportunities for first-generation and/or low-wealth first-time homebuyers and \$15 million to increase the availability of FHA small balance mortgages.

Recently, Sen. Sherrod Brown, Chair of the Senate Committee on Banking, Housing, and Urban Affairs, led 17 Senate Committee Chairs and Majority Leader Chuck Schumer in a letter to President Biden requesting that the federal government utilize a "whole-of-government" approach to address our nation's housing needs.

"Our nation's housing is an essential piece of our infrastructure, but it is a sector that remains in crisis," wrote the Senators in the letter. "With the Bipartisan Infrastructure Law, CHIPS and Science Act, and the Inflation Reduction Act, decisive steps have been

taken to address many of our nation's infrastructure deficiencies. However, more must be done to address the challenges facing the housing sector, where lagging production coupled with aging housing stock are making housing more expensive and unable to meet the needs of all Americans."

## HUD EXTENDS LOAN MOD OPTION TO 480 MONTHS

**T**he U.S. Department of Housing & Urban Development (HUD) has published a Final Rule in the Federal Register its intent to increase the maximum allowable term for Federal Housing Administration (FHA)-insured loan modifications from 360 months to 480 months (40 months). The new rule will become effective Monday, May 8, 2023.

On April 1, 2022, the FHA published a Proposed Rule in the Federal Register to solicit public comments on a proposal to allow mortgage servicers to provide a stand-alone 40-year loan mod option for struggling homeowners.

Increasing the maximum term limit to 480 months will allow mortgagees to further reduce the borrower's monthly payment as the outstanding balance would be spread over a longer time frame, providing more borrowers with FHA-insured mortgages the ability to retain their homes after default. This change will also align FHA with modifications available to borrowers with mortgages backed by Fannie Mae and Freddie Mac. This final rule adopts HUD's April 1, 2022, proposed rule without change.

"Adding the 40-year loan modification to FHA's loss mitigation toolkit creates better alignment across the government and with Fannie Mae and Freddie Mac, a long-standing MBA priority that we most recently recommended in our new White Paper on the future of loss mitigation," Mortgage Bankers Association (MBA) President and CEO Robert D. Broeksmit, CMB said. "Better alignment will improve consumer experience and lead to consistency and simplicity when addressing adverse market conditions,

national emergencies, and natural disasters."

Public feedback during the public comment period supported the proposal, stating that a 40-year loan modification option would be a valuable tool, providing significant relief for struggling borrowers. Commenters added that extended maximum loan terms allow lenders to further reduce monthly mortgage payments, thus assisting struggling borrowers in retaining their homes and avoiding foreclosure. One of the 20 commenters noted that borrowers who re-default after utilizing other loss mitigation methods (such as a partial claim) have few options for retaining their homes. Commenters felt that the current 30-year term maximum loan modifications are sometimes insufficient to provide affordable monthly payments for defaulting borrowers.

Prior to the Proposed Rule, HUD's regulations allowed mortgagees to modify an FHA-insured mortgage by recasting the total unpaid loan for a term limited to 360 months to cure a borrower's default.

Earlier this year, the FHA expanded its loss mitigation options to all eligible borrowers who fell behind on their mortgage payments, regardless of the cause of their delinquency.

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

As published in the Federal Register, HUD recognized that, since the Proposed Rule was published last April, interest rates have increased to edge toward the 7% mark. HUD cited that the increase in rates may decrease the effectiveness of a modification in providing significant payment reduction, because the modified loan may be at a higher interest rate than the original loan. HUD believes that this rule will provide a critical home retention tool for borrowers as interest rates change over the long term.

"MBA appreciates FHA's engagement with mortgage servicers and other indus-

try stakeholders on this issue—especially from the onset of the pandemic through the upcoming end to the national emergency,” Broeksmit added. “We will continue to work with FHA and Ginnie Mae to ensure effective solutions and favorable outcomes for distressed borrowers, while also protecting the Mutual Mortgage Insurance Fund and ensuring secondary market certainty.”

## NEIGHBORHOOD HOMES INVESTMENT ACT TO EXPAND AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES

Senators Ben Cardin (D-Maryland) and Todd Young (R-Indiana) introduced legislation to create a new tax incentive that would produce 500,000 starter homes in under-resourced communities over the next decade. The Neighborhood Homes Investment Act (Neighborhood Homes) would address the needs of families throughout the country who are struggling to purchase homes as costs continue to rise and the supply of homes remains limited.

“Everyone deserves a safe and affordable place to call home. Our bipartisan tax credit will drive housing investments and revitalize neighborhoods across Maryland while keeping them affordable for low- and moderate-income families,” Sen. Cardin said. “This credit will allow individuals in these communities to build equity and wealth for their families. We must continue to make it more attractive to invest in the communities that need it most.”

In many areas, the cost to build or rehab a home exceeds the price at which the home could be sold once completed. The new tax credit would help fill that “value gap”—up to 35% of eligible development costs for new homes—thus reducing the developer’s risk of loss and encouraging investments in new and rehabbed housing. This will result in making homeownership more feasible and

# “Everyone deserves a safe and affordable place to call home.”

—Ben Cardin (D-Maryland)



support broader revitalization and economic development strategies in disinvested urban and rural communities.

“Across Indiana, we have seen once-vibrant neighborhoods struggle under poor economic conditions and lack of investment. The Neighborhood Homes Investment Act would help restore these communities by directing private capital into neighborhoods in low-income census tracts, bridging the gap between the cost of renovation and neighborhood property values,” Sen. Young said. “This legislation also includes important guardrails to ensure that tax incentives target the families that need it most, continuing the work to avoid the negative and lasting consequences that a lack of safe, affordable housing has on Hoosier families.”

Joining Sens. Cardin and Young as original co-sponsors of the legislation were Sens. Ron Wyden (D-Oregon), Jerry Moran (R-Kansas), and Sherrod Brown (D-Ohio). Similar legislation introduced in the previous session of Congress was co-sponsored by 133 Members of the House and Senate from 37 different states, from Delaware to North Dakota to California.

### Under Neighborhood Homes:

- » Tax credits would be awarded to project sponsors through statewide competitions administered by state housing finance agencies.
- » Sponsors, which could include developers, lenders, or local governments, would use the credits to raise capital for their projects, and investors would claim the credits against their federal income taxes.
- » The credits can only be claimed for homes developed or rehabilitated in eligible low-income communities and only

after the homes are sold and occupied by lower or middle-income families.

“It is vital that we, as a country, make equitable investments in our housing infrastructure—both for the stability of our economy and the well-being of families and communities across the country,” said Kris Siglin, VP of Policy and Partnerships for the National Community Stabilization Trust. “Neighborhood Homes encourages private investments in communities that would not otherwise have access to this kind of capital, creating new opportunities for families to put down roots in their own homes, strengthen their communities and build wealth for the future.”

The Neighborhood Homes Coalition estimates that the legislation would support a substantial economic impact over the next 10 years.

### The 500,000 homes that would be developed or rehabbed would:

- » Spur \$125 billion in total development activity.
- » Support 861,000 jobs in construction and construction-related industries.
- » Create \$56 billion in wages and salaries.
- » Produce \$26 billion in federal and \$12 billion in state and local tax revenues and fees.

“Neighborhood Homes is particularly important right now given the nation’s deepening affordable housing crisis, much of which is the result of insufficient housing investments in recent decades,” said Matt Josephs, Senior VP for Policy for the Local Initiatives Support Corporation. “This legislation is the first step in mitigating the devastating impact that the crisis—worsened by last year’s record inflation rates—has had on first-time and minority home buyers across the country, especially those in marginalized communities.”

# SOUTHWESTERN COUNTIES DUBBED SAFEST PLACES TO LIVE

CoreLogic has announced the results of its “Safest Place to Live” study which details the least risky places to live in the U.S. from a natural hazard perspective. While severe convective storms and flooding pose risks to most homes in the U.S., McKinley County, New Mexico, emerged as the least risky county to live in due to its lack of hurricane and earthquake risk. Additionally, five counties in Colorado rank in the top 10 for lowest-risk areas for natural catastrophes.

CoreLogic deployed its Climate Risk Analytics: Composite Risk Score (CRA Composite Risk Score) solution to identify counties that are currently at low risk and stress-tests natural disaster risks over the next 30 years across various future climate scenarios. The climate scenarios include a base climate where conditions do not

change, and a progressively worsening climate noted as “Scenario 8.5.”

RCP 8.5 is one of a suite of scenarios (Representative Concentration Pathways) that describe several potential future scenarios. The RCP 8.5 climate change results discussed here represent a projection of climate-related risks to residential properties assuming that CO2 emissions continue to rise throughout the 21st century.

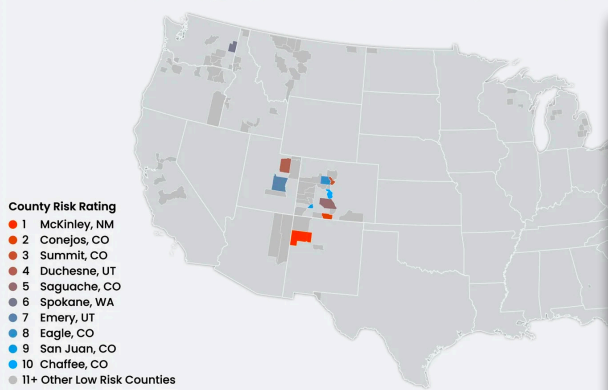
CoreLogic analyzed wildfire, inland flood, severe convective storm, winter storm, earthquake, and hurricane perils and applied its analytics capabilities to its extensive property datasets to provide deep insights into natural hazards, climate risks, and the resulting impacts on the property landscape. As a result, the top 10 counties safest from natural disasters are:

- » McKinley, New Mexico
- » Duchesne, Utah
- » Conejos, Colorado
- » Emery, Utah
- » Summit, Colorado
- » Pondera, Montana
- » Saguache, Colorado
- » Uintah, Utah
- » Mesa, Colorado
- » San Miguel, Colorado

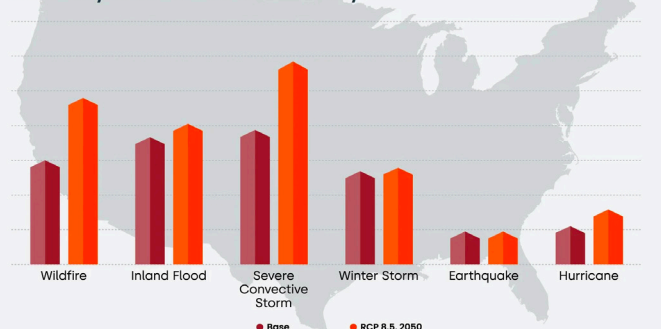
In examining a progressively worsening climate, the safest counties in 2050 become:

- » McKinley, New Mexico
- » Conejos, Colorado
- » Summit, Colorado
- » Duchesne, Utah
- » Saguache, Colorado
- » Spokane, Washington
- » Emery, Utah
- » Eagle, Colorado
- » San Juan, Colorado
- » Chaffee, Colorado

**Ranking of Least-Risky Counties – 8.5 Climate Scenario**  
Counties with very low aggregate risk according to CoreLogic’s Climate Change Risk Models



**Least Risky Counties Risk Distribution by Peril**





## Market Trends

### RISKY FIRE PRACTICES DECREASING NATIONWIDE

The Hartford Home Fire Index, published by The Hartford, a property and casualty insurance provider, has released its third index tracking the probability of home fires in the top 150 metropolitan areas, along with other data from the U.S. Census Bureau and the U.S. Fire Administration National Incident Reporting System (NFIRS).

The index, which also polls adults about their fire safety practices, revealed that behaviors known to cause home fires markedly

declined since the months immediately preceding the pandemic including:

- » Leaving a lit candle near drapes or other flammable household items (75% decrease).
- » Falling asleep with a fire burning in a fireplace (64% decrease).
- » Leaving matches and lighters in the open with children present (55% decrease).
- » Overloading electrical outlets (45% decrease).

The survey also noted that more respondents are taking proactive steps that can prevent or limit a fire should one occur than the last time the survey was conducted. Smoke detector use increased by 46%, regular battery changes increased by 27%, and having a home escape plan increased by 16%.

“While we are encouraged by the improvements we have seen in fire safety and prevention, we know there is still work to be done,” The Hartford’s Chief Marketing & Communications Officer Claire Burns said. “The Hartford is committed to reducing the frequency and impact of home fires in the United States through marquee educational initiatives like our Junior Fire Marshal Program that equips children with lifesaving lessons about fire safety. Children play a significant role in keeping homes safe from fire, and we are proud to provide parents and educators with the tools and resources they need to teach the next generation about reducing fire risk.”

According to the index, ranking the top 150 U.S. cities with the highest home fire risk, the top five cities are Modesto, California; Shreveport, Louisiana; Fresno, California; Montgomery, Alabama; and Memphis, Tennessee.

This is the third Home Fire Index from The Hartford. Previous versions of the index were released in 2017 and 2020. Significant changes in the 2023 rankings compared to 2020 include:

City	2020 Ranking	2023 Ranking
Fresno, California	99	3
Nashville, Tennessee	128	7
Grand Rapids, Michigan	125	18
Detroit, Michigan	1	99
Toledo, Ohio	12	122

According to The Hartford, a home fire is reported in the United States every 93 seconds. The Hartford's Junior Fire Marshal program, one of the country's oldest corporate-sponsored public education programs, has committed \$1.5 million over the next three years to local fire departments and will educate 1.5 million kindergarten through third-grade students on fire safety and prevention. The funding and resources will go to the 150 U.S. cities identified in The Hartford's Home Fire Index.

## HOME PRICES FALL, ENDING 131 MONTHS OF GROWTH

**E**xisting-home sales, an important measure of the real estate market ahead of the conclusion of the next Federal Reserve Open Market Committee meeting, have reversed a 12-month slide of falling numbers by increasing 14.5% month over month to a seasonally adjusted annual rate of 4.58 million units.

While the monthly increase was the largest recorded since July 2020 by the National Association of Realtors (NAR), on a yearly basis sales fell 22.6% from a seasonally adjusted rate of 5.92 million units sold in February 2022.

"Conscious of changing mortgage rates, home buyers are taking advantage of any rate declines," NAR Chief Economist Lawrence Yun said. "Moreover, we're seeing stronger

sales gains in areas where home prices are decreasing and the local economies are adding jobs."

Inventory by the end of February was 980,000 units, an identical number from January 2023 and up by 15.3% from one year ago when inventory levels were about 850,000 units. This represents a 2.6-month supply at the current sales rate, a rate which is down 10.3% from January, but up from 1.7 months in February.

"Inventory levels are still at historic lows," Yun added. "Consequently, multiple offers are returning on a good number of properties."

Looking at the median price of existing homes for the month, the median home was valued at \$363,000, a decline of 0.2% year over year—this downturn, however minute, has ended a streak of 131 consecutive months of year-over-year increases, the longest streak on record. In addition, the average home was sold within 34 days of hitting the market while the majority (57%) sold in less than a month.

First-time buyers represented a market share of 27%, down from 31% last month and 29% year over year.

Small investors or those who purchase a second home accounted for 18% of the homes sold in February while distressed sales represented 2%.

"Sales of existing homes gained significant ground in February, increasing 14.5% to an annual rate of 4.58 million homes as buyers flocked to the market in response to slightly lower mortgage rates. This month's surge reversed a 12-month slide in existing home sales, increasing by the largest month-over-month margin since July 2020," said Hannah Jones, an Economic Data Analyst for Realtor.com. "Pent-up housing demand continues to be sensitive to mortgage rate changes as potential buyers take advantage of any improvement in affordability. Sales increased in all four regions month over month, ranging from a 4.0% increase in the Northeast to 19.4% in the West. Despite the month's progress, existing home sales are still down between 18.7% and 28.3% year over year in all four regions."

"Home sellers are still in a favorable position to cash in on home equity as prices remain elevated compared to last year, but the dwindling buyer pool makes the task more challenging. Home sales remain well

below last year's level, signaling that significant affordability gains must be made before buyers are able to return to the market en masse."

"For-sale inventory is recovering, and fewer buyers are in the market, shifting balance back toward home shoppers. Months' supply—the number of months it would take to sell all currently unsold homes at today's sales pace—fell slightly to 2.6 months, 10.3% lower than in January but up from 1.7 months one year ago. Notably, existing home prices notched a 0.2% decrease in February, the first decrease relative to the previous year in 131 months."

"The spring season is typically accompanied by a thaw in the winter housing market. Historically, both buyer and seller activity pick up as the weather warms and sellers approach the Best Time to Sell, the week that historically sees the best combination of buyer demand, time on market, price, and competition," Jones concluded. "As high prices and elevated mortgage rates continue to stifle buyer activity, this spring's market is expected to be toned down relative to the last couple of years. However, the housing market remains undersupplied, so well-priced, well-maintained listings are likely to draw buyer attention."

Bright MLS Chief Economist Dr. Lisa Sturtevant also commented on the report.

"The number of home sales surged in February, reflecting activity in January when falling mortgage rates enticed buyers back into the market to make offers on homes. There was a total of 4.58 million home sales on a seasonally adjusted annual basis, which is a 14.5% jump from a month ago. Despite the increase, sales of existing homes are down more than 30% from a year ago and remain below pre-pandemic levels.

"Home prices fell in February, the first year-over-year decline in the national median home price in more than two decades. Higher mortgage rates have eroded buyers' purchasing power and prices have taken a hit. But the drop in price is modest, and a lack of supply continues to prop up prices in many housing markets."

"At the beginning of the year, most signs pointed to a robust rebound and a busy spring housing market. However, economic whiplash has led to greater uncertainty about the spring market. Mortgage rates rose in February as the Federal Reserve signaled more rate hikes

**“The broader housing market didn’t fare nearly as well in 2022 as it did in 2021. Prices finally hit the wall, at least temporarily. But that appears to be benefitting the growing number of investors around the U.S. who rent out single-family properties.”**

—Rob Barber, CEO, ATTOM

to come. But the recent banking crises could lead to a pause on rate hikes and a reversal in mortgage rates. Prospective homebuyers will be watching rates closely, and we may see volatility in weekly contract activity as people react to ups and downs in mortgage rates.”

## THE BEST COUNTIES FOR BUYING SINGLE-FAMILY RENTALS

**A**s rentals continue their upward trend, ATTOM has released its Q1 2023 Single-Family Rental Market report, which ranks the best U.S. markets

for buying single-family rental properties in 2023.

The report shows that the average annual gross rental yield on three-bedroom properties, (annualized gross rent income divided by purchase price) among the 212 counties analyzed is projected to be 7.5% in 2023. That is up from an average of 6.7% in 2022 in those same markets and marked the first time since at least 2019 that the figure rose across the country.

The single-family rental yield is increasing from 2022 to 2023 in 91% of those counties, after declining from 2021 to 2022 in 72 percent of them.

With rental yields on the rise, rents are increasing faster than home prices across most of the country. From 2022 to 2023, three-bedroom rents rose more than single-family home prices in 192, or 91%, of the markets analyzed. Rents commonly have risen by around 5% to 20% over the past year,

while changes in home values have typically ranged from a 5% loss to a 5% gain.

“The broader housing market didn’t fare nearly as well in 2022 as it did in 2021. Prices finally hit the wall, at least temporarily. But that appears to be benefitting the growing number of investors around the U.S. who rent out single-family properties,” said Rob Barber, Chief Executive Officer at ATTOM. “Rents for single-family homes are growing while prices have flattened out, which has helped boost yields for landlords for the first time in at least several years.”

The improving scenario for single-family landlords has come following a year in which the U.S. housing market changed course. The nation’s 11-year price runup abruptly stalled as home-mortgage rates doubled to nearly 7%, consumer price inflation remained at 40-year highs and the stock market fell. All those factors cut into what prospective home buyers could afford, helping to lower the nationwide home price by 8% in the second half of 2022 but allowing rental yields to rise.

Additional price declines “could cut both ways for landlords,” Barber added. “They could raise yields even more but also rekindle super-heated demand for home purchases, away from rentals.”

### Top rental returns in Indian River, Collier, Wayne, Mercer, and Charlotte counties, as well as other parts of South, Midwest, and Northeast regions

Counties with the highest potential annual gross rental yields for 2023 are Indian River County, Florida, in the Sebastian-Vero Beach metro area (15%); Collier County, Florida, in the Naples metro area (14.7%); Wayne County, Michigan, in the Detroit metro area (13%); Mercer County, New Jersey, in the Trenton metro area (12.7%); and Charlotte County, Florida, in the Punta Gorda metro area (12%).

Aside from Wayne County, the highest potential annual gross rental yields in 2023 among counties with a population of at least 1 million are in Cook County (Chicago), Illinois (11.5%); Cuyahoga County (Cleveland), Ohio (10.1%); Oakland County, Michigan (outside Detroit) (9.1%); and Palm Beach County (West Palm Beach), Florida (8.5%).

Among the top 50 rental returns for counties analyzed in 2023, 29 are in the South, with another 13 in the Midwest and eight in the Northeast. None are in the West.

**Rental returns increase in most counties analyzed**

Potential annual gross rental yields for 2023 have increased compared to 2022 in 192 of the 212 counties analyzed in the report (91%). They are led by Orange County, California (outside Los Angeles) (yield up 42.7%); San Mateo County, California (outside San Francisco) (up 41.6%); Suffolk County (Boston), Massachusetts (up 41.2%); New Castle County (Wilmington), Delaware (up 40.5%); and San Francisco County, California (up 38.1%).

Aside from Orange County, the biggest increases in potential annual gross rental yields from 2022 to 2023 among counties with a population of at least 1 million are in Miami-Dade County, Florida (yield up 34.1%); Broward County (Fort Lauderdale), Florida (up 32.4%); Santa Clara County (San Jose), California (up 30.1%); and Palm Beach County (West Palm Beach), Florida (up 29.5%).

The only counties with a population of 1 million or more showing decreases in potential gross rental yields from 2022 to 2023 are St. Louis County, Missouri (yield down 19.8%); Nassau County, New York (outside New York City) (down 2.2%); and Collin County (Plano), Texas (down 0.4%).

**Lowest rental returns in San Francisco, San Jose, Provo, Honolulu, and Washington, D.C., metro areas, along with other western markets**

Counties with the lowest potential annual gross returns for 2023 on three-bedroom rentals are Santa Clara County, California, in the San Jose metro area (3.3%); San Mateo County, California, in the San Francisco metro area (3.7%); Utah County, California, in the Provo metro area (3.8%); Honolulu County in the Honolulu, Hawaii, metro area (4.2%); and Loudoun County, Virginia (4.2%).

Aside from Santa Clara and Honolulu counties, the lowest potential annual gross rental yields in 2023 among counties with a population of at least 1 million are in Alameda County (Oakland), California (4.3%); Fairfax County, Virginia (outside Washington, D.C.) (4.3%); and Montgomery County, Maryland (outside Washington, D.C.) (4.5%).

Among the bottom 50 potential rental returns for counties analyzed in 2023, 34 are in the West and 14 are in the South. The Northeast and the Midwest have just one each.

**Rents rising faster than wages in two-thirds of counties measured**

Rental amounts are rising faster than wages in 147 of the 212 counties analyzed (69%), including Los Angeles County, California; Cook County (Chicago), Illinois; Harris County (Houston), Texas; San Diego County, California; and Orange County, California (outside Los Angeles).

Wages are increasing faster than rents in 65 of the 212 counties analyzed (31%), including Maricopa County (Phoenix), Arizona; Dallas County, Texas; Clark County (Las Vegas), Nevada; Tarrant County (Fort Worth), Texas; and Hillsborough County (Tampa), Florida.

**Rents rising faster than home prices in 91% of the nation**

Rental amounts are rising faster than home prices in 192 of the 212 counties analyzed (91%). They include Los Angeles County, California; Cook County (Chicago), Illinois; Harris County (Houston), Texas; Maricopa County (Phoenix), Arizona; and San Diego County, California.

Home prices are going up faster than rental amounts in just 20 of the counties analyzed (9%), including Nassau County, New York (outside New York City); Collin County (Plano), Texas; Pima County (Tucson), Arizona; St. Louis County, Missouri; and Westchester County,

New York (outside New York City).

**Wages rising faster than prices in more than three-quarters of markets**

Wages are increasing faster than home prices in 169 of the 212 counties analyzed (80%), including Los Angeles County, California; Cook County (Chicago), Illinois; Harris County (Houston), Texas; Maricopa County (Phoenix), Arizona; and San Diego County, California.

Home prices are increasing faster than wages in 43 of the counties analyzed (20%). They include Collin County (Plano), Texas; St. Louis County, Missouri; Westchester County, New York (outside New York City); Hartford County, Connecticut; and Macomb County, Michigan (outside Detroit).

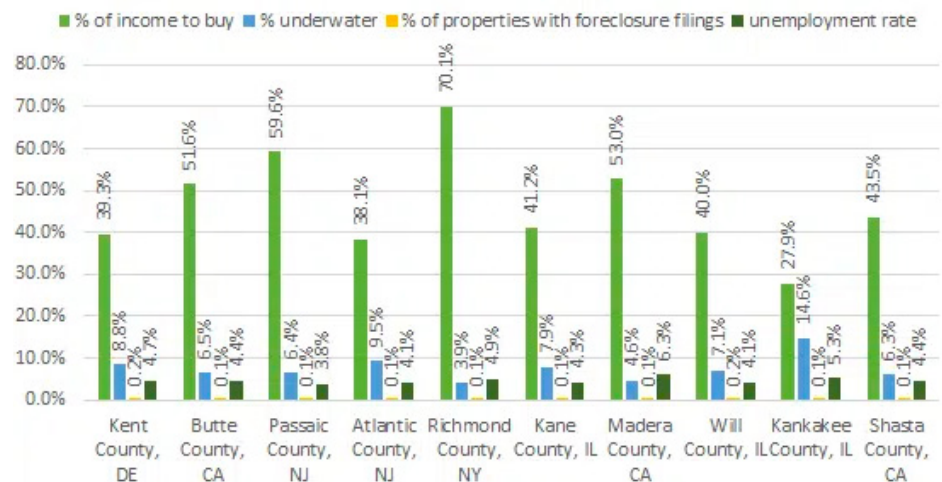
**Best SFR growth markets include Chicago, Detroit, and Cleveland**

The report identified 17 “SFR Growth” counties where wages grew over the past year and potential 2023 annual gross rental yields exceed 10%.

The 17 SFR Growth markets include Cook County (Chicago), Illinois; Wayne County (Detroit), Michigan; Cuyahoga County (Cleveland), Ohio; Shelby County (Memphis), Tennessee; and New Haven County, Connecticut.

**Top 10 U.S. Housing Markets Most Vulnerable to Declines**

in Q4 2022 **ATTOM**



## LARGE CITIES MOST VULNERABLE TO DECLINES

**H**ousing risk is once again becoming a hot topic of late as interest rates and home prices are still going up. Knowing this, ATTOM Data has released a study entitled Special Housing Risk Report which spotlights county-level housing markets that are more or less vulnerable to declines. This number is based on home affordability, foreclosures, and other measures recorded during Q4 2022.

Overall, California, Illinois, New Jersey, and Delaware were found to have the most at-risk markets throughout the country with Chicago and New York City standing at the front of the crowd.

According to ATTOM, fourth-quarter patterns found that New Jersey, Illinois, and California had 31 of the 50 counties most vulnerable to potential declines around the U.S. That was roughly the same as the 28 more-at-risk markets that were in those states in the third quarter of last year.

During a time when the broader U.S. housing market boom stalled, those concentrations dwarfed other parts of the country.

The 50 most at-risk included seven in the Chicago metropolitan area, five in and around New York City, three in or near Cleveland, Ohio, and 13 spread through northern, central, and southern California. The rest were clustered mainly in other parts of the East Coast, including two of the three counties in Delaware.

Outside of these clusters, the South, Midwest, and other western states outside of California have continued to have the largest share of markets considered by ATTOM to be the least resistant to falling housing markets.

“With the U.S. housing market cooling off considerably since the middle of last year, some areas of the country continue to show signs of being more at risk of a larger downturn than others. That’s based on several key factors that can either boost or damage local housing markets, including unusually high homeownership costs, foreclosures,

and relatively weak homeowner equity,” said Rob Barber, CEO at ATTOM. “It remains important to note that we are not identifying markets headed for an imminent fall, just those that look to be more exposed to market troubles. Heading into the peak buying season of 2023, we will keep monitoring those areas closely to see if anything changes.”

## HOME EQUITY GAINS EXPERIENCE SIGNIFICANT DECLINE FROM Q1 2022

**C**oreLogic has released the Homeowner Equity Report (HER) for Q4 of 2022, showing that U.S. homeowners with mortgages—which account for roughly 63% of all properties—saw equity increase by 7.3% year over year. This represents a collective gain of \$1 trillion for an average of \$14,300 per borrower since Q4 of 2021.

As U.S. home price growth continued its slow, steady decline in the final months of 2022, home equity trends naturally followed

suit. In Q4 2022, the average borrower earned about \$14,300 in equity year over year, compared with the \$63,100 gain seen in Q1 2022.

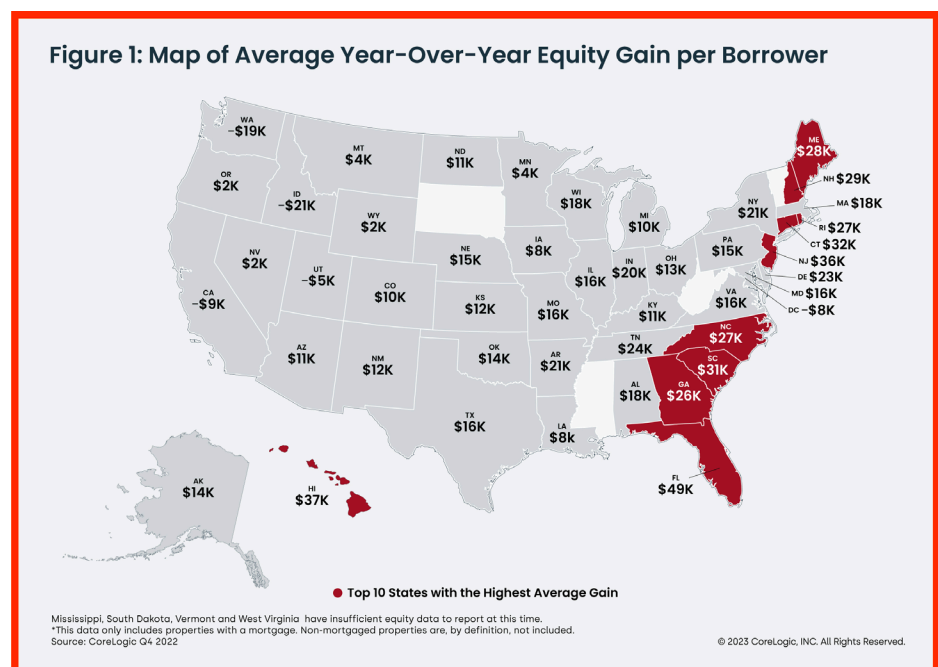
Four Western states and one district posted annual home equity decreases:

- » Idaho (-\$21,400)
- » Washington (-\$18,900)
- » California (-\$8,500)
- » Utah (-\$4,600)
- » Washington, D.C. (-\$8,300)

This partially mirrors trends recorded in CoreLogic’s latest Home Price Index (HPI), which found that Idaho, Washington, and Washington, D.C., saw home price growth decline slightly year over year in January 2023.

Meanwhile, Florida homeowners saw the highest annual equity growth in the fourth quarter, at \$49,000. Florida has posted the largest year-over-year home price gains in the country for the past year, according to HPI data, with prices up by 13.4% in January.

“While equity gains contracted in late 2022 due to home price declines in some regions, U.S. homeowners on average still have about \$270,000 in equity more than they had at the onset of the pandemic,” said Selma Hepp, Chief Economist at CoreLogic. “Even in Idaho, where borrowers were the most vulnerable to losses, the typical homeowner with a mortgage still has about \$250,000 in



remaining home equity.”

“Nevertheless, with 66,000 borrowers entering negative equity in Q4, the total number of underwater properties is now approaching levels seen at the end of 2021, which was the lowest since the Great Recession,” Hepp said. “The new hot spots for equity declines are largely markets that have seen the most significant home price deceleration, including Boise, Idaho; the San Francisco Bay Area; cities in Utah; Phoenix; and Austin, Texas.”

Negative equity, also referred to as underwater or upside-down mortgages, applies to borrowers who owe more on their mortgages than their homes are currently worth. As of Q4 of 2022, the quarterly and annual changes in negative equity were:

- » Quarterly change: From Q3 of 2022 to Q4 of 2022, the total number of mortgaged homes in negative equity increased by 6%, to 1.2 million homes or 2.1% of all mortgaged properties.
- » Annual change: From Q4 of 2021 to Q4 of 2022, the total number of homes in

negative equity declined by 2% to 1.2 million homes or 2.2% of all mortgaged properties.

Because home equity is affected by home price changes, borrowers with equity positions near (+/- 5%), the negative equity cutoff, are most likely to move out of or into negative equity as prices change, respectively. Looking at the Q4 2022 book of mortgages, if home prices increase by 5%, 145,000 homes would regain equity; if home prices decline by 5%, 215,000 properties would fall underwater.

## COMMENTARY: ZONING IS KEY TO IMPROVING AFFORDABILITY

Zoning is one of the most contentious issues in many jurisdictions across the country, no matter how big or

small, but one thing zoning officials should be considering is ways to address the ongoing affordability crisis in creative ways that benefit municipalities and their residents alike.

This information comes by way of Zillow’s Home Price Expectations Survey which polled 117 highly placed housing market executives and economists in December 2022.

Of those surveyed, zoning reform was an overwhelmingly popular answer to create more opportunities in existing and new neighborhoods in growing communities to effectively address affordability.

In addition, encouraging local governments to support and not deny affordable housing initiatives in zoning in the form of tax credits plays a big part in creating an image of opportunity for what some would call “low-income” housing.

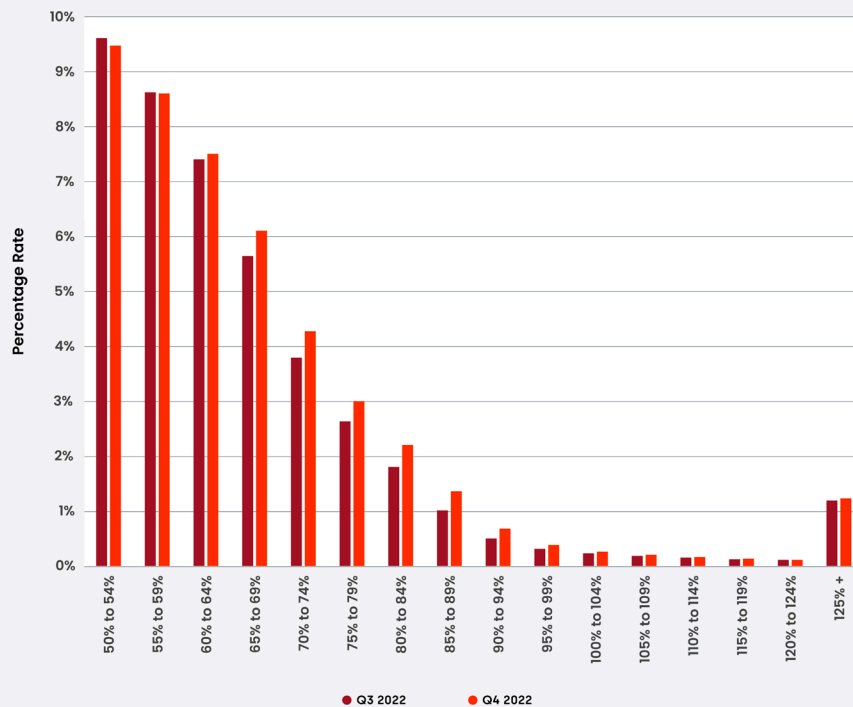
“It seems straightforward: We need to build more homes,” said Dr. Skylar Olsen, Zillow’s Chief Economist. “Changes through policies like modest densification will give us more ‘at bats’ to create density and help communities stay livable for everyone. Without a huge injection of new homes in the near future, affordability will continue to be a challenge for many—especially for first-time home buyers.”

The affordability of housing is considered by Zillow to be a defining feature of the current real estate market. Their latest data shows that monthly mortgage costs are just under \$1,600 for an average home, given a 20% down payment. This number is 46% higher than in January 2022 and \$754 higher than before the pandemic.

According to a study from Up for Growth, one of the key drivers of unaffordability has been the chronic shortage of new housing construction—which to this day has not recovered from the Great Recession—resulting in a 3.79 million-unit gap in home production.

“Restrictive and exclusionary zoning, artificial barriers, and NIMBY opposition have combined to create an unprecedented and persistent housing shortage,” said Mike Kingsella, CEO of Up for Growth. “Failure to address these issues will create lower economic output and fewer opportunities for everyone. Families and individuals will be forced to pay higher rents, the equity gap will widen, and transportation costs will rise as people are forced to travel greater distances for work and education.”

Figure 2: National Home Equity Distribution by LTV Segment



Source: CoreLogic Q4 2022

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# NAVIGATING THE HEADWINDS

In this month's Final Thoughts, *MortgagePoint* looks at how factors such as interest rates and rising housing demand are affecting the housing market, as well as the headwinds faced by homebuyers, home sellers, and homeowners amid affordability challenges and increasing homeownership costs.

## “homebuyers remain sensitive”

**Joel Kan**, MBA's VP and Deputy Chief Economist, on mortgage applications for new home purchases increasing just 1.2% compared from a year ago.



## “rates are down”

**Sam Khater**, Freddie Mac's Chief Economist, details recent mortgage rate declines following an increase of more than half a percent over five consecutive weeks.



## “struggling”

**Andrew Vallejo**, a Redfin real estate agent in Austin, Texas, discusses how higher interest rates have increased the cost of homeownership nationwide, making finding or selling a home more challenging for homebuyers and home sellers.



## “[remains] a challenge”

**Nick Bailey**, RE/MAX President and CEO, on the moderation of home prices and how housing demand remains strong, but a lack of available, affordable homes persists.



## “way more demanding”

**Elena Fleck**, a Redfin real estate agent in Palm Beach, Florida, discusses how homebuyers today are way more demanding and selective when and how they purchase homes.



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