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MortgagePoint Magazine

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AUGUST 2023

Change Management

Ann Thorn, Wells Fargo's Head of Home Lending Servicing, discusses takeaways from her first two years on the job, and how her team is working to implement the bank's vision for a much-reduced servicing portfolio.

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EXPERT INSIGHTS

Rob Nunziata

CO-FOUNDER AND CEO AT ACTIVECOMPLY

HOW MORTGAGE COMPANIES HAVE BEEN IMPACTED BY THE PANDEMIC

TURNING TO LEADERSHIP IN THE FACE OF CRISIS

This month's issue of *MortgagePoint* magazine features an in-depth profile of Ann Thorn, Wells Fargo's Head of Home Lending Servicing and a former Five Star Lifetime Achievement Award winner. Thorn reflects on her 30-plus years in the industry, from her pre-mortgage finance industry days selling copiers out of the back of her car in South Chicago, to her current role leading one of the nation's largest mortgage servicers.

We are fast-approaching the final quarter of the year, and with it, brings the 2023 Five Star Conference and Expo, celebrating the 20th year of the event. Set for September 18-20 at the Hyatt Regency Dallas, the event serves as the premier mortgage conference in the nation, attracting top subject matter experts, 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.

The 20th Annual Five Star Conference and Expo serves as a one-stop shop for all of your industry needs—from revisiting old acquaintances, to being introduced to brand new opportunities via Five Star's networking opportunities—the Conference brings a multitude of business-enhancing opportunities under one roof. For more information and an updated agenda of events, visit fivestarconference.com.

This month, we also feature an article from John Wolfington, Principal of Exceler Building Solutions, who presents, "Investing in Opportunity Zone Funds for Business and Sustainable Construction." As Wolfington details, opportunity zones could represent a new avenue of revenue for some as by understanding the potential of investments in these zones, investors can maximize their returns and help promote green building initiatives.

Exploring yet another potential channel of business, Shannon Faries, Director of Strategic Relationships for Land Gorilla, examines construction-to-permanent loans in his article, "With the Right Tools, Construction Loan Opportunities Can Blossom." As Faries explains, the continued demand for housing supply and lack of existing inventory are two major factors contributing to the construction-to-permanent loan as a means to compensate for lost volume in today's evolving marketplace.

Steve Davis, CEO of Total Wealth Academy, mentors thousands each year on how to utilize real estate in order to build wealth. This month, Davis is sharing with the *MortgagePoint* audience his analysis of the 10 problems faced by buyers when seeking out rehab opportunities. As Davis explains, rehabbing a home for profit can be a lucrative proposition, but only if the project is treated like a business, as tight profit margins leave little room for mistakes.

Rounding out our features this month, Lloyd Booth, Enterprise Solutions Executive, and Steve Wolfe, SVP of Banking and Fintech of CI&T, share some cost-cutting measures that can be implemented in a time of crisis. In "A Playbook for Mortgage Lenders in Capital Preservation Mode," Booth and Wolfe discuss how analyzing internal systems and processes can identify hidden risks and opportunities, and lead to preservation of bottom line in the end.

We present all of this and much more within the pages of the August edition of *MortgagePoint*.

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AT THE FOREFRONT OF MORTGAGE TECHNOLOGY

ZILLOW INTRODUCES COST-OF-RENTING SUMMARY TO BRING TRANSPARENCY TO RENTAL EXPENSES

Zillow's new Cost of Renting Summary gives renters clear insight into the financial obligations of renting, making it easier than ever to understand the costs involved.

According to Zillow's Consumer Housing Trends Report (CHTR), 80% of renters said staying within their initial budget is highly important—more than any other factor in choosing a home. However, many renters may not be aware that their budget needs to account for more than just the monthly rent.

Zillow's latest CHTR report shows that the typical security deposit for renters who paid one was between $500 and $999. And for renters who paid an application fee, the typical amount was between $40 and $59. These one-time fees and any ongoing monthly charges can quickly add up, potentially pushing renters beyond their desired budget range.

The new feature was recognized by the White House in an announcement outlining President Biden's efforts to lower costs for renters. The administration's commitment to promoting transparent pricing aligns perfectly with Zillow's mission to bring clarity to renters.

"Renters should feel financially confident when applying for an apartment, no surprises included," said Christopher Roberts, SVP and General Manager of Zillow Rentals. "Transparency is at the core of our commitment to renters, and tools like the Cost of Renting Summary provide them with the comprehensive data to navigate the housing market and discover the perfect home within their budget."

The Cost of Renting Summary leverages available data provided by Zillow's multifamily partners to preload the tool with information about monthly costs, such as rent, parking fees, and pet fees, as well as one-time expenses like security deposits, application fees, and administration fees. Now renters can view the total cost of renting a specific unit they are interested in directly on the building's detail page, making it easier to assess affordability.

The Cost of Renting Summary is one of many products Zillow offers to create ease, address inequities and help renters save money. Others include:

- **Universal applications:** Zillow offers a streamlined online application process for both renters and housing providers. For a flat fee, renters can use a single form to apply to multiple participating properties on Zillow within 30 days. This saves renters time and money, as they no longer need to pay multiple application fees. The "soft" credit-pull feature allows landlords to check credit without impacting renters' credit scores.
- **Fair housing resources:** Rental listings on Zillow display available local legal protections, such as source-of-income and LGBTQ+ anti-discrimination laws. This ensures that renters are aware of their rights and helps housing providers understand their legal obligations.
- **Anti-discrimination tools:** Zillow utilizes technology to screen new rental listings and filter for discriminatory content based on federal, state, and local fair housing laws, including source-of-income and other anti-discrimination laws.
- **Housing Connector:** Zillow has partnered with Housing Connector to connect clients experiencing homelessness with available and affordable rental housing. This program has created a network of more than 73,000 rental units and has housed 5,000 people since its launch in 2020.
- **Help for renters to unlock homeownership:** Zillow displays down-payment assistance information on eligible for-sale home listings to help renters in their journey toward homeownership. A feature for veterans allows them to search for condos that accept Veterans Affairs loans, expanding affordable homeownership options. Zillow also provides buyers with an easy-to-use affordability calculator found on the Home Loans tab on Zillow's homepage, helping them determine their budget and connect with a loan officer to assess both their qualified mortgage amount and what they're comfortable paying.

HOW CRYPTOCURRENCY MAY TOKENIZE THE MORTGAGE INDUSTRY

According to a study from First American, cryptocurrencies, non-fungible tokens (NFTs), and tokenization may have lost their popular title due to the high-profile fall from grace of FTX founder Sam Bankman-Fried and ongoing turbulence in the valuation of cryptocurrencies. However, many Americans are watching where, and if, the tokenizing of non-fungible assets should be applied to other industries.

Justin Lischak Earley, Chief Innovation Underwriter at First American Title, studies the concept of tokenizing real estate assets and has published thought-provoking perspectives on what is real and what is not in terms of NFTs in real estate.

His thought leadership on the topic earned Justin an invite to a recent gathering of top economists, where he presented his in-depth research, "Bear With Me: The Bearer-Asset Dangers of Tokenizing Real Estate." Justin recapped some of the key points of his presentation.

"Some transaction formalities surrounding this vitally important life event are not a friction ripe for removing; they are safeguards worth preserving," Earley said.

Why are crypto enthusiasts eager to tokenize the real estate industry?

It is important to understand what technologists and crypto champions dislike about the existing system. In general, the complaint is that the real estate economy is full of needless waste and unnecessary red tape.

While some companies are making significant progress in creating a simple, fast, and transparent real estate transaction experience, complaints about the traditional paper-based nature of real estate are frequent, and many of those are well-founded.

The larger issue goes beyond real estate's historical reliance on physical paper documents. It speaks to a perception that the transfer of real estate is filled with unnecessary rituals that introduce delays and friction into the transaction.

The existing real estate system does indeed have rituals and checkpoints that can delay a transaction's consummation, but many of these are there to protect consumers.

Why are real estate transactions hard to integrate with "crypto culture"?

A faster and more liquid transaction does not necessarily mean a better or more secure transaction—especially when the purchased good involves high-value, non-fungible assets like single-family homes. Which are typically the largest purchase an ordinary person will make in their lifetime.

Significant transaction formalities have arisen around real property, and for good reason. Blindly removing these guardrails in the name of technological progress could have catastrophic consequences for consumers and the broader real estate economy.

For example, the more liquid an asset becomes, the more prone it becomes to fraud and theft. In standard real estate law, there are tripartite deed formalities of execution, delivery, and acceptance. These are error-prevention mechanisms that the law has created to help ward off fraudulent, accidental, or otherwise undesired conveyances before they happen.

What's so special about these formalities? If crypto technology can operate without them, what's the problem?

Just because a technology can do something does not mean that it should—especially when there are deep historical reasons why it should not. Should crypto enthusiasts build the "frictionless" system that they envision, they would soon find that they would have to rebuild new "friction-inducing" legal rules like those that they just tore down.

Rather than suffering through the consumer harm that could arise from this misguided path, we should invest in digitizing and modernizing the existing system of real estate transfer. This would offer the same long-standing protections of current real estate law, but with a superior consumer experience that leverages technology in ways recognized to be positive.

HIGHLIGHTING SERVICER SUCCESS AND THE UTILIZATION OF LOSS MITIGATION TECHNOLOGY

Black Knight, Inc. has announced the release of a new case study illustrating how self-service technology (SST) deployed by loan servicers during natural disasters can improve loss mitigation outcomes.

The COVID-19 pandemic significantly impacted the United States and its economy, as the percentage of unemployed Americans quickly spiked to double digits and millions of Americans were in a state of distress because they were laid off or otherwise unable to work. With the passage of the CARES Act and widespread adoption of forbearance options by servicers and borrowers, the potential for a foreclosure crisis to rival, or even eclipse, that of the Great Financial Crisis was largely averted.

"When borrowers face periods of financial hardship, they need seamless access to qualified assistance options," said Joe Nackashi, CEO of Black Knight. "The COVID-19 pandemic brought this fact to light

> "When borrowers face periods of financial hardship, they need seamless access to qualified assistance options. The COVID-19 pandemic brought this fact to light like never before, and as we expect to see an increasing number of natural disasters, it's in the best interest of both servicers and the homeowners they serve to stand prepared with self-service technology.
>
> —**Joe Nackashi,** CEO, Black Knight

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like never before, and as we expect to see an increasing number of natural disasters, it's in the best interest of both servicers and the homeowners they serve to stand prepared with self-service technology. For borrowers, capabilities that offer convenient access to assistance can make an impactful difference in helping them stay in their homes."

The "Helping Homeowners in Times of Financial Crisis" case study looks at borrowers who use Servicing Digital, Black Knight's consumer-facing responsive web and native app solution. Servicing Digital gives users 24/7 access to detailed, timely, and highly personalized information and helpful tools about their loan, including a devoted "Disaster" capability that can be activated by servicers and used to help them provide specialized assistance to consumers during times of exceptional need.

This additional functionality helps servicers provide a broad array of forbearance options to borrowers impacted by disasters. With this capability, servicers can respond quickly to anticipated spikes in payment assistance requests with appropriate solutions, including repayment plans, FHA partial claims, GSE payment deferrals, loan modifications, and more.

Initially developed in response to market needs from the 2017 hurricane season, the capability was activated for the COVID-19 pandemic to give borrowers a direct, familiar, and secure way to contact their servicer when it looked like they might miss or need to delay a mortgage payment due to economic hardship.

Black Knight collected disaster data from a representative selection of 21 clients from August 2020 to September 2022 and found that approximately 342,000 borrowers interacted with the "disaster" option to initiate a self-service loss mitigation request, with results including:

- Some 139,000 homeowners committing to new forbearance plans
- An estimated 49,000 extending existing forbearance plans
- Roughly 112,000 committing to final loan modifications

While most natural disasters affect a relatively small geographic region and a relatively small number of people, the COVID-19 pandemic provided an unusual opportunity to study the demand and efficacy of SST disaster assistance across a broad geography over an extended time. In addition to the positive borrower impact discussed above, Black Knight also discovered the following additional SST disaster assistance benefits based on its analysis of borrower actions:

- Accelerated borrower engagement, giving servicers more runway to work toward mutually beneficial mitigation solutions
- Configurable workflows allow for a rapid and adaptive response by servicers to borrower needs
- Increased borrower engagement during a time of high anxiety when many borrowers have been known, historically, to avoid contact with servicers due to stress, embarrassment, and fear of losing their homes

"While events like 2017's record-shattering hurricane season or the COVID-19 pandemic may not happen every day, natural disasters appear to be on the rise across the country," Nackashi said. "By proactively engaging homeowners who may be struggling to pay their mortgage and empowering them with tools that help them understand their options, servicers can expect positive outcomes that may include higher portfolio retention, increased customer satisfaction and loyalty, greater servicing efficiency, and fewer third-party collections."

THE IMPACT OF AI ON THE REAL ESTATE MARKET

Synergy, outsourcing, blockchain: all buzzwords and movements that businesses have navigated in the past—but the current thing everyone is talking about is Artificial Intelligence, better known as

AI, and it is looking like big changes may be coming in the future if the trend continues rocketing up as it has been since the first AI bots have been released.

According to STRATMOR, a mortgage consulting firm, there is no version of the future that does not include AI. In their words, “that genie is out the bottle, and the only thing that will determine whether it will be good or ill will be the wishes we make.”

But AI does not only serve the good; fraudsters will instruct AI to do their bidding as well, which unfortunately will make them more effective and more of a problem.

Knowing this, STRATMOR surveyed a group of experts on the trend, including the poster child of AI—ChatGTP. What emerged offers a glimpse into what may be our best-case scenario for how we will share the future with these powerful new technologies.

AI is a digital view into our future, according to STRATMOR. “At the risk of telling you something you’ve heard a few million times now, ChatGPT is a ‘language model trained to produce text’ that helps the user compose content, from emails to essays, in response to questions you ask it.”

“This AI is a result of OpenAI, a nonprofit organization funded by some of the wealthiest technology companies and leaders in the world, including Elon Musk and Microsoft. Together, they have spent billions on their digital child,” STRATMOR continued. “Their investments paid off, resulting in the fastest-growing consumer app in history. Today, users everywhere are using it for everything from creating complete software apps to authoring complete novels and screenplays to writing breakup letters.”

There are mountains to climb to implement AI in the mortgage industry. ChatGPT offered this shortlist:

» **Data Quality and Availability:** AI algorithms rely on high-quality and relevant data for training and accurate predictions. Ensuring data quality, integrity, and accessibility can be a significant challenge when implementing AI.
» **Regulatory Compliance:** Integrated AI systems must navigate compliance with laws such as fair lending practices, privacy regulations, and anti-discrimination laws.
» **Explainability and Interpretability:** Developing AI models that are interpretable and transparent is a challenge in the mortgage industry.
» **Change Management and Workforce Adoption:** Resistance to change, lack of AI literacy, and potential job displacement concerns can hinder the adoption and implementation of AI technologies.
» **Model Bias and Fairness:** Ensuring fairness and mitigating biases in AI models used for mortgage originations is essential to avoid potential legal and ethical issues. Developing bias-free models and addressing biases in data sources pose significant challenges.

“We talk about ‘automation’ and ‘AI’ as the same thing, which it is not,” STRATMOR Principal Jennifer Fortier said. “‘Automation’ means taking the human out of routine repetitive tasks and ‘AI’ means simulating human thinking. So, when we talk about AI features, my mind goes to ‘what human-like thinking is it doing?’”

No one can say how long it will take AI to move into the underwriter’s office, but we know that’s not where it will start. We know this because the AI takeover has already begun.

AUTOMATED VALUATION MODELS AND THE EFFECTS OF HISTORICAL REDLINING

Veros Real Estate Solutions has released new research that examined the potential for bias in home valuations generated by their VeroVALUE℠ Automated Valuation Model (AVM) when analyzed across boundaries in historical redlining maps.

Veros’ study examined AVM predictions for single-family properties in redlined versus non-redlined neighborhoods close to one another in Los Angeles, California. Veros’ economists used this approach because mortgage funds were historically abundant for non-redlined areas, while they were scarce or nonexistent for redlined areas. To enable proper testing, the areas selected for analysis had single-family homes on both sides of the boundaries.

Statistical multiple regression analysis was used to investigate which physical home attributes were responsible for the differences seen in the VeroVALUE AVM estimates. Of particular interest in this analysis was the role of a location variable (whether the residence was in a redlined area or not) as a determinant of housing prices.

“After controlling for the physical attributes of homes, the VeroVALUE AVM returned comparable estimates for properties on either side of the redline,” said Reena Agrawal, Veros’ Research Economist. “The research also found that a modern-day outcome of historical redlining is that homes in neighborhoods that were redlined generally have smaller lot sizes and living areas compared to homes in non-redlined areas, leading to lower median values than larger homes.” The homes valued lower on average in historically redlined areas are often the result of property characteristics such as smaller living areas and lot sizes, not due to a lingering bias due to historical redlining.

The study was designed to consider whether all valuation solutions are biased because of historical redlining, as some have suggested. AVMs offer a distinct benefit because they do not rely on any data related to historical redlining maps or demographic information concerning the parties involved in real estate transactions. However, there is the suggestion that any property valuation offering may be unwittingly influenced or biased through the injection of historically biased data rooted in decades-old discrimination.

“In an environment where housing finance stakeholders consider both accuracy and fairness across the entire valuation spectrum, our VeroVALUE AVM is a proven and invaluable tool to achieve both goals,” said Eric Fox, Veros’ Chief Economist.

> "We still need a human to do the thinking when the system cannot accommodate situations that are not a clean pass or fail. So, today, the most practical use of AI in the mortgage process is figuring out what the data is, which is a considerable benefit for efficiency, accuracy, and transaction speed."
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> —**Jennifer Fortier,** Principal, STRATMOR

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"Today, the most appealing feature AI is offering us is document and data point recognition—finding data and figuring out what it is," Fortier said. "Once data is identified, the system can then run a series of automated comparison checks or rules. When the rules fail, there is an exception task routed to a human user."

"We still need a human to do the thinking when the system cannot accommodate situations that are not a clean pass or fail," Fortier said. "So, today, the most practical use of AI in the mortgage process is figuring out what the data is, which is a considerable benefit for efficiency, accuracy, and transaction speed."

STRATMOR Senior Advisor Brett McCracken adds that AI could eliminate the dreaded "stare and compare" that, despite current automation efforts, still plagues the industry.

"AI can compare data fields across stored database values and information pulled from static documents uploaded from borrowers and third parties to run sophisticated rules from investor guidelines and internal overlays," McCracken said. "AI should be powerful in the near-term at handling the most mundane tasks being assigned to lower cost resources inside of lending organizations, especially for the work that follows a very predictable pattern."

The question now is when more lenders will embrace it.

DIGITIZATION MAY REDUCE GREENHOUSE GAS EMISSIONS, HELPING PEOPLE AGE IN PLACE

According to a new study from the Joint Center for Housing Studies (JCHS), Deputy Director David Luberoff reveals tools like Alexa, Google Home, and Siri have shown that digitalization is changing how we live in our homes.

While many of the changes are related to lifestyle, they also have the potential to reduce greenhouse gas (GHG) emissions and help older Americans safely age in place.

Two new working papers examine these opportunities but discuss the challenges associated with them, particularly concerning equity and privacy.

In "Empowering Up, Powering Down: The Evolution, Effects, and Efforts to Digitize Energy Controls and Digitalize Energy Information in US Homes" Carlos Martín, Project Director of JCHS' Remodeling Futures program, notes that the residential sector accounts for about 20% of all greenhouse gas (GHG) emissions in the United States.

Reducing those emissions requires managing residential energy consumption, and good management requires constant, consistent, and accurate information. Digitalization inside the home (programmable thermostats, smart appliances) and digitalization outside the home (smart meters) can provide that information.

The information could help households reduce their energy usage. But, in practice, the most significant reductions—as much as 10% of peak-period demand—require giving utility providers the ability to manage electricity usage in individual homes.

Achieving reductions is challenging. While almost two-thirds of all homes have smart meters, less than a quarter have programmable thermostats, and even fewer use the thermostat's key features. Moreover, many consumers want to retain control over their activities, and many do not want to give utility providers access to their personal data.

In addition, focusing on digitalization to reduce energy use raises a host of equity concerns. Absent efforts to incentivize uptake by households of modest means, more affluent households not only are more likely to acquire and use devices but also are more likely to reap the financial and health benefits.

Digitalization can also crowd out more cost-effective approaches to reducing residential energy uses among low- and moderate-income households, such as weatherization and replacing gas-powered furnaces, stoves, and water heaters with electric ones. Therefore, Martín argues, digitalization should be compared to those approaches. And if it emerges from those assessments as a preferred course of action, then it must be deployed in the actual ways that they use energy and energy-saving devices like smart thermostats.

Digitalization also has the potential to help older Americans safely age in place, note Jennifer Molinsky, Samara Scheckler, and Bailey Hu (researchers in the Center's Housing an Aging Society Program) in their paper, "Centering the Home in Conversations about Digital Technology to Support Older

Adults Aging in Place."

Spurred in part by regulatory changes during the pandemic, there has been significant growth in the use of in-home devices that allow caregivers and healthcare providers to monitor and respond to changes in health measures. In combination with other smart home technologies, this monitoring technology can help people be active longer, remain socially connected, and live independently for years.

However, three factors limit their effectiveness. First, they may not be helpful if the people using them live in physically inadequate housing, housing that does not meet accessibility needs, or that is unaffordable, conditions that affect millions of older adults and especially people of color, those with low incomes, and renters.

Second, the monitoring technologies could be so intrusive they change the positive feelings of safety and security that people often have about their homes into negative reminders of illness and frailty. Third, digital devices may extend how long people stay in their homes at the expense of burdensome care typically provided by family members and other unpaid caregivers.

For these reasons, it is critical that those developing new technologies "see the home as more than a box in which care and support occurs." Moreover, the introduction of new technologies should be accompanied by efforts to ensure that all older adults have access to housing that is safe, accessible, and affordable.

ARC HOME LAUNCHES TAVANT'S TOUCHLESS LENDING PLATFORM TO EXPAND WHOLESALE OPERATIONS

Tavant recently announced Arc Home LLC has successfully launched a new Broker platform: SPARC 2.0.

Leveraging Tavant's Touchless Lending Broker Experience platform, Arc Home now provides a fully automated, frictionless experience for its broker clients and the lending tools they need to be self-sufficient and effectively satisfy borrower expectations.

"At Arc Home, we have aggressive plans to accelerate growth in our Wholesale Lending channel, and our partnership with Tavant to enhance our new broker platform has put us on the right trajectory towards accomplishing these goals," said Nazim Ahmed, CIO of Arc Home. "Brokers require and deserve an excellent service experience and need partners that enable them to operate with speed and efficiency. Today's brokers have a different mindset—they not only understand technology but also embrace and demand it, which translates to a better experience for both the broker and the borrower. Tavant is equally committed to our success, and we consider them an extension of our team. Together, we have taken great strides to advance our digital lending capabilities, enabling brokers to operate quickly and efficiently while effectively managing their entire loan pipeline."

Arc Home provides a full assortment of proprietary non-QM and non-Agency mortgage solutions and products, filling a market void where borrowers may not be able to obtain traditional agency loans.

Arc Home partnered with Tavant to accelerate its digital transformation strategy and has successfully deployed Touchless Lending to supplement its SPARC 2.0 broker portal. This enables Arc Home to provide a fully automated lending process, including integrated third-party services and data-driven processes to ensure a more intuitive experience for brokers, boosting productivity and reducing loan cycle times.

"Our goal is to enable organizations, like Arc Home, to thrive in the wholesale business," said Hassan Rashid, Chief Revenue Officer at Tavant. "Our Touchless Lending platform alleviates several broker-specific challenges and improves its overall borrower experience, enabling Arc Home to continue its rapid expansion while helping brokers reduce turnaround times for closing loans."

SNAPDOCS LAUNCHES INTEGRATION TO STREAMLINE COORDINATION BETWEEN MORTGAGE LENDERS, SETTLEMENT COMPANIES

Snapdocs has launched Connected Closings, an integration between the Snapdocs Digital Closing and Notary

Scheduling platforms. With Connected Closings, Snapdocs customers reduce closing times by at least a day and a half, settlement companies return scan backs two times faster by eliminating manual tasks, and borrowers electronically sign documents before the closing appointment more than 90% of the time.

Snapdocs lender and settlement customers using Connected Closings include The Federal Savings Bank and BCHH, a provider of real estate title and closing nationwide.

"Lender and settlement workflows have historically been completely fragmented, resulting in errors and wasted time," Snapdocs Chairman and Founder Aaron King said. "This industry-first innovation is a win-win for both parties. Lenders feel more in control with visibility and access to the real-time information around the signing. Meanwhile, settlement can increase revenue opportunities by providing a digital experience lenders actually want to use. This results in more efficient closings and better business results for everyone. There's nothing on the market like it."

Connected Closings reduces unnecessary, back-and-forth communication by offering seamless data exchange, automatic document sharing between all parties, and real-time updates of the signing appointment, notary search, and closing documents. By unifying Snapdocs Digital Closing and Snapdocs Notary Scheduling workflows, Connected Closings ensures a perfect signing and closing experience every time.

"At a time when real estate transaction volumes have slowed, the ability to digitally collaborate with lenders gives us a valuable edge," said Melanie Miller, Sr. Operations Manager of BCHH. "It removes manual tasks and reduces errors, while automatically sending signing updates to ensure that the lender, our scheduler, and the notary are perfectly in-sync. It makes our jobs much easier and helps us stand out to our lenders."

For lenders, one of the largest hurdles for digital closing adoption is driving settlement adoption of new technology and workflows. Connected Closings provides an incentive for Title companies to become more engaged in digital closing due to its increased transparency, improved communication, and streamlined coordination.

"We've been using Snapdocs eClose for just under two years, and the addition of Connected Closings has been a game changer by improving our communication and real-time visibility with our settlement partners and notaries," said Desiree Kirkland, SVP of Closing Operations for The Federal Savings Bank. "The implementation of Connected Closings has also been paramount in coordinating with settlement partners, saving us time, money, and resources, while delivering the ultimate borrower experience."

ENCOMPASS LOS USERS CAN NOW ORIGINATE HELOCS AND HOME EQUITY LOANS IN DAYS

FirstClose has announced that its home equity origination platform, FirstClose Equity, is now integrated with Encompass by ICE Mortgage Technology to help ease the loan process. Through the new integration, Encompass users can seamlessly originate home equity lines of credit (HELOCs) and home equity loans (HELs) within their LOS and complete the application through the closing process in as few as 10 days versus the industry average of 45 to 60 days.

Encompass will continue to be the system of record because all data is secured through the LOS and stored there. Each call to action initiates a data map and an audit trail to Encompass.

FirstClose's one-of-a-kind home equity solution reduces operational touchpoints to elevate the overall customer experience for borrowers. The solution also enables lenders to automate data collection and verification and continue to order settlement services through FirstClose's existing order management module.

"Home equity lending has become a go-to option for millions of homeowners and is expected to be a significant growth opportunity for the foreseeable future," said Tedd Smith, CEO at FirstClose. "Our integration with ICE Mortgage's platform will give Encompass users a simple, efficient way to either enter this market or to differentiate themselves by significantly improving the customer experience that they are offering."

The end-to-end platform was built modularly so lenders can implement one, two, or all modules based on the approach that's right for their organization.

» **Point of Sale (POS):** A private-label borrower-facing point-of-sale solution with a unique borrower experience—single sign-on, workflow, and customized branding, including a domain that gives consumers instant online feedback on their home valuation, available home equity, and loan options, and delivers credit decisions in minutes. (Borrower eligibility is determined by the credit score and CLTV.)
» **Borrower Portal:** A borrower portal that lets consumers provide consents, upload

needed documents, interact with originators, select loan terms, and draw amounts. In parallel, the portal's backend is framed into Encompass, so loan originators never leave their LOS and are rewarded with a consistent process and streamlined functionality including title decisioning via the lenders' business rules and a credit decision that leverages EPPS and Encompass' Dynamic Data Management (DDM) to deliver findings in minutes.

» **Order Management:** Automated workflows, including triggers, enable the ordering of settlement services such as flood, title, valuation, and more.
» **Closing:** An option to support hybrid closings and recordings that are compliant with state regulations and lender guidelines.

"Our best-of-breed technology dramatically accelerates decision-making and connects lenders to a broad network of preferred providers with one contract, one bill, and one support team," said Craig Austin, EVP at FirstClose. "Lenders currently originating home equity products can onboard in as fast as 30 days; while new entrants can onboard in as fast as 60 days enabling lenders to pivot and capitalize on the current market which is a bright spot for our industry."

CORELOGIC RESTRUCTURES DATA ACCESS, INSIGHTS FOR MORTGAGE LENDERS

CoreLogic has announced an enhancement to the CoreLogic Discovery Platform. The cloud-based platform is known for its innovative data exchange, property analytics, and integration with major cloud and tech providers.

With the recent enhancement, the platform now offers predesigned solutions that assist mortgage lenders with turning data into valuable insights. This update allows for faster decision-making and improved business outcomes, providing clients with immediate access to actionable insights.

The "click-to-insight" capability highlights a commitment to usability and efficiency for lenders' data-guided decision-making journey.

> **"Discovery Platform was designed to be an industry-leading, unified solution that combines best-in-class data, enhanced analytics, and cross-functional collaboration capabilities to help enterprises understand, improve, and grow their business."**
>
> —**Devi Mateti,** President, Enterprise Digital Solutions Group, CoreLogic

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"Discovery Platform was designed to be an industry-leading, unified solution that combines best-in-class data, enhanced analytics, and cross-functional collaboration capabilities to help enterprises understand, improve, and grow their business," said Devi Mateti, President, Enterprise Digital Solutions Group, CoreLogic. "A year later, we are proud to continue evolving this transformative technology for more mortgage lenders, including those without access to data scientists, to enable them to compete more effectively in today's challenging marketplace," continued Mateti.

Prebuilt solutions within the CoreLogic Discovery Platform include:

» **Market Share:** Empowers lenders to assess their market share at a granular level, including geography and loan type, to know who their key competitors are.
» **Prospect Marketing:** Helps lenders optimize their marketing efforts by establishing specific "buy box" criteria. This allows them to focus on potential borrowers most likely to be in the market for a loan.
» **Lost Leads & Payoff:** Allows lenders to track their portfolio runoff and identify which competitors won their lost leads to improve their competitive positioning.
» **Collateral Risk:** Allows lenders to detect loans and regions with the highest risk of default, leveraging home price forecasts and identification of "underwater" loans.
» **Affordable Housing:** Helps lenders identify low-to-moderate income census tracts and compare their performance to the top lenders and loan officers in that area.
» **Climate Risk:** Delivers powerful climate-based insights by market and within a lender's portfolio.

RENTREDI ADDS CUSTOMIZATION FEATURES TO PROPERTY MANAGEMENT SOFTWARE

Landlords and property managers are now able to customize their pre-qualification and rental application processes to find the most qualified tenants, as RentRedi has added new customization features to its cloud-based property management software, further easing the rental process for both landlords and renters.

Using the new customizable options within the RentRedi platform, landlords and property managers can now build their own pre-qualification and application processes that best serve their individual needs and help them attract and identify more qualified tenants.

Using RentRedi's customization features, landlords can add supplemental questions that are conditional to answers to prior questions, such as requiring additional details about pets or prior rental history.

For example, a landlord can configure their application so that if a renter answers "no" to a question about having pets, they move on to the next question. However, if a renter answers "yes" that they have pets, follow-up fields will appear that require further information about the pet.

The new update provides landlords with a choice to either customize their application process through RentRedi's template builder or rely on RentRedi's standard application template if they prefer not to apply customizations. Landlords also have the option to either start a template from scratch or start by using RentRedi's default templates. From there, they can add or delete sections and decide whether to mark sections as required.

The customization option invites prospective renters to answer specific questions to collect information that can help landlords make better decisions. Finding tenants that are a better fit for rentals leads to less turnover and evictions. This provides landlords with peace of mind that their investments are protected and will generate steady income.

Landlords can also add supplemental questions that are conditional to answers to prior questions, such as requiring additional details about pets or prior rental history. For example, a landlord can configure their application so that if a renter answers "no" to a question about having pets, they move on to the next question. However, if a renter answers "yes" that they have pets, follow-up fields will appear that require further information about the pets.

This update also improves the renter's experience by eliminating the need for them to repeat answers to common questions. Applicant answers to repetitive information gathered from previous questions are stored in the RentRedi system, and the information automatically populates each time renters file applications with other landlords that use RentRedi.

"We aim to make landlords and their tenants' lives easier by giving them everything they need, and nothing they don't," RentRedi Co-founder and CEO Ryan Barone said. "Our custom applications are a result of direct feedback from real estate investors, independent landlords, and tenants."

CLEAR CAPITAL PARTNERS WITH BESMARTEE TO SPEED UP AND LOWER THE PRICE OF HOME VALUATIONS

Clear Capital, a national real estate valuation technology company, announced that it has entered into a strategic partnership with BeSmartee, a digital mortgage solution development company, to offer a cost-effective and efficient solution for mortgage and home equity origination property valuations.

Clear Capital's ClearAVM, a nationwide automated valuation model (AVM) that provides accurate estimates of market value for millions of properties, has been integrated with BeSmartee's Mortgage POS and HELOC product to provide users with value verification during the initial application and/or underwriting process on mortgage and home equity loans. This unique combination streamlines closing, while providing lenders with earlier access to leading property analytics.

Demand for home equity loans has risen significantly over the last year as an alternative to cash out refinances and with homeowners looking to take advantage of historic levels of equity in their properties. HELOCs allow homeowners to tap into the equity in their homes as a source of cash without the need to refinance.

By reducing the time it takes to properly evaluate a property's market value, BeSmartee provides efficient access to HELOCs giving homeowners credit they need.

"Our goal is to streamline different aspects of the valuation process, without introducing additional risk or compromise on accuracy," said Kenon Chen, EVP of Strategy and Growth at Clear Capital. "So, our mission is two-fold, to help lenders be more efficient in generating loans while also helping them make more informed decisions powered by our analytics. Our partnership with BeSmartee will allow Clear Capital's AVM to be utilized in more home equity transactions and provide greater value certainty for lenders and homeowners."

By implementing ClearAVM on the BeSmartee platform, lenders can be increasingly efficient with satisfying customer obligations while being even more confident of the data points they rely on. This partnership allows lenders to centralize the valuation process and access accurate value predictions on nearly every residential property in the United States with the goal of delivering mortgage and home equity loans faster.

"Our collaboration with Clear Capital brings us closer to our vision of a seven-day mortgage close," said Tim Nguyen, BeSmartee CEO and Co-Founder. "BeSmartee is committed to engaging with innovators who'll continue to streamline the mortgage process, and help people get into their dream homes or take advantage of the equity in their current homes."

FATHOM REVOLUTIONIZES FLOOD RISK INTELLIGENCE WITH NEW U.S. FLOOD MAP

Fathom, a company focused on water risk intelligence, has released a new U.S. Flood Map; a tool that provides comprehensive climate-driven

flood risk information for the United States.

Responding to the inconsistent and incomplete coverage of existing datasets, the U.S. Flood Map leverages the latest observation, terrain, and climate information to present a consistent view of flood risk for all major flood perils, climate scenarios, and time horizons, at 10m resolution.

Fathom's U.S. Flood Map empowers investment firms, data providers, and asset managers with invaluable resources to enhance risk assessment, regulatory reporting, and decision-making processes. With this comprehensive product, stakeholders can answer crucial questions about the flood risk to their portfolio, for the present day and in the future against numerous climate scenarios.

The United States has experienced a significant increase in the severity, frequency, and unpredictability of extreme weather events, due to factors such as climate change, natural variability, population growth, and urban development. The impact of these catastrophes is immense and, if not mitigated sufficiently, will continue to impact critical infrastructure and put communities at risk. Emerging technology now means that we have more information than ever before to effectively manage exposure to flood risk in the United States and prevent unorganized development in high-risk areas.

Notable features of the U.S. Flood Map include:

Comprehensive coverage: Fathom's U.S. Flood Map is the first to cover every river, stream, and coastline in the country, providing an unprecedented level of detail and accuracy.

Unrivaled terrain data: The most accurate U.S. terrain data in existence, thanks to an increase of LiDAR data collected since 2020 (now covering 336,681 square miles of the U.S.). Lower-quality elements of the publicly available data are supplemented by Fathom's bias-free global ground terrain map, FABDEM.

Unparalleled representation: With FEMA's coverage limited to major (approximately 60% of) river channels and prioritizing densely populated urban areas, Fathom's U.S. Flood Map offers a consistent and unified view of flood risk across the entire country and 100% of river channels.

Climate conditioned: By integrating Fathom's Climate Dynamics framework into the U.S. Flood Map, Fathom is the only firm able to demonstrate the impact of climate change on flood risk under all emissions scenarios, temperature changes, and time horizons up to the year 2100.

Updated methodology: A revised methodology provides the most complete flood defense dataset.

Dam simulation: Using a machine learning model trained on all available observations, Fathom has, for the first time, estimated the influence of all 84,000 dams on extreme flows nationwide. In addition, by applying detailed land use and building data to varying surface parameters, the new U.S. Flood Map explicitly simulates how land use impacts the flow of water across the entire country; an unrivaled feature.

Risk Scores: Distilling complex depth-frequency data into an easily digestible and consistent metric of how flood risk varies from one location to another.

The next evolution of modeling: Previous versions of Fathom's independently and collaboratively created U.S. Flood Maps, such as Fathom-US 2.0 are no longer being updated, and therefore, rely on outdated information. The new U.S. Flood Map harnesses the latest intelligence, with all model components that use observational data updated to 2022, for an up-to-date view of risk.

Dr Christopher Sampson, Chief Technical Officer at Fathom, said, "By leveraging advanced technology and state-of-the-art data, our U.S. Flood Map empowers stakeholders to make informed decisions to manage and mitigate financial losses and protect human lives. We remain committed to pushing the boundaries of flood risk intelligence and continue to publish our data and methodologies in peer-reviewed journals, exposing our methods to scrutiny and supporting scientific advancement on the topic, to ensure a safer and more resilient future for communities across the United States."

Traditional approaches to mapping flood risk are highly detailed but not scalable due to resource, time, and financial demands. Fathom's methodologies, independently validated by organizations like USACE and built upon an array of scientifically robust and peer-reviewed research by Fathom's scientists, enable efficient and robust flood hazard assessment without compromising accuracy.

A range of mechanisms can be used to access the data, including through a self-service API, on premises, and via the Fathom Portal, a user-friendly platform for companies or teams without in-house geospatial capabilities.

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

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The Millennial Real Estate Agent: Secrets, Selfies, and Sold Signs

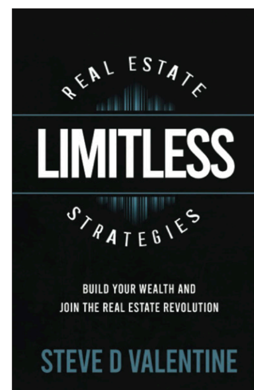
by **LEICHT STUDIO**

It's no secret that millennials are coming of age and will soon be running everything from the real estate markets to the country. If you're a millennial chomping at the bit for your turn at the helm, this hilarious yet informative guide could be your ticket to success in the competitive world of real estate using today's tools of augmented reality and social media. This book will teach you how to negotiate commission fees, explore cryptocurrency, and attract the valuable millennial market segment in a clever and relatable way through stories from those that have come out on top.

Tax Strategies for Real Estate Investors: Maximizing Returns, Minimizing Liabilities, and Navigating the Complexities of Real Estate Taxation

by **BANDRA BLUEPRINTS**

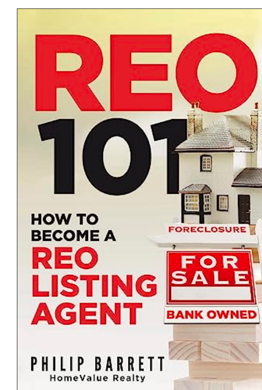
This comprehensive taxation guidebook equips readers with the knowledge and strategies necessary to optimize tax planning and compliance, whether they're seasoned investors or just starting out. Learn to understand the tax implications of rental income, common expenses, and the art of depreciation while also learning how to explore the benefits of tax incentives for investors. Using practical examples, case studies, and expert advice, this book will help you gain a solid footing by way of tax-planning techniques, entity structuring, leveraging tax credits, managing debt financing, navigating passive activity rules, and addressing state and local tax obligations.



Limitless Real Estate Strategies: Build Your Wealth and Join the Real Estate Revolution

by **STEVE D. VALENTINE**

Do you feel like you're on a financial roller coaster that just won't stop? This book may be the answer to securing your next commission in a more structured manner by teaching you how to build a desirable real estate portfolio, learn common myths and how to avoid them, build multiple income streams that aren't talked about enough, and reverse engineer a proven investment strategy that will provide the cash flow necessary to build your business when you need it. If you need a system to build on and tips to pay down debt and generally succeed in the market, this strategy-packed book may be the tool you need the most.



REO 101: How to Become a REO Listing Agent

by **PHILIP BARRETT**

Author Philip Barrett is the broker and owner of Home Value Realty, a residential and commercial REO brokerage in Southern Florida that has been operating for 22 years. Putting his experiences in writing for others to learn from, Barrett teaches how to forge relationships with lending institutions, local cities, governmental and non-governmental agencies, and hedge fund owners. Known for his extensive knowledge of all aspects of the REO process and properties, this book sets you up to handle all aspects of the bank-owned process from initial assignments to closing in a detailed manner that is both candid and easy to understand.

Movers & Shakers

Lenders/Servicers

ALLISON BATTS NAMED CENLAR'S VP OF EXECUTIVE CLIENT MANAGEMENT

Ewing, New Jersey-based mortgage loan subservicer Cenlar FSB has named **Allison Batts** as new VP of Executive Client Management.

A transformational leader with a passion for innovation, process reengineering, and devising strategies to accelerate growth, as VP of Executive Client Management, Batts will be responsible for collaborating with the client management team to improve and enhance the delivery of Cenlar's services to meet the needs of its client base.

"Allison has an extensive track record of leading organizations and creating solutions to help better manage relationships with external stakeholders," Cenlar SVP of Client Relationship Management Matt Detwiler said. "She will be an invaluable asset to Cenlar in identifying and resolving challenges that will strengthen our relationships with clients and enhance their experience."

Prior to joining Cenlar, Allison held multiple roles at Mr. Cooper, most recently as Managing VP of Client Delivery. She also held various roles at HSBC Finance, North America, including VP of Operations and Governance in the Corporate Affairs North America division of the bank.

"I look forward to partnering with the client management team and leveraging my expertise to develop processes and procedures for managing Cenlar client relationships," Batts said.

MELANIE GRAPER JOINS LOANDEPOT AS CHIEF HUMAN RESOURCES OFFICER

loanDepot has announced the appointment of **Melanie Graper** as the company's new Chief Human Resources Officer (CHRO), responsible for all aspects of the company's human capital function and critical organizational aspects of loanDepot's Vision 2025 plan. Graper, who succeeds Kevin Tackaberry, will report to loanDepot President and CEO Frank Martell and be based in the organization's Orange County, California, headquarters, along with other key executive leadership.

"We are extremely pleased to welcome Melanie Graper to team loanDepot," Martell said. "I know Melanie well, and she brings a combination of strong leadership and deep domain knowledge to the Company. She is a consummate HR professional with a recognized track record of developing high-performing talent and nimble and effective organizations, and I look forward to partnering with her as we continue to execute our Vision 2025 plan."

Graper most recently served as Chief Human Resources Officer of CoreLogic Inc. from 2019 to February 2023. As a member of CoreLogic's Executive Committee, she partnered with the executive team in pivoting to a more customer-centric and market-facing organization. She developed a human capital strategy to support change and elevate the employee experience through new reward and benefit programs, a global learning community and talent platform, and a more inclusive, empowered, and community-focused culture that was recognized as a "Great Place to Work."

"As we work to emerge from this challenging market cycle, the continued identification, development and retention of a diverse, high-performing team remains one of our most critical priorities to ensure our long-term growth and success," Martell added.

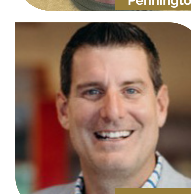
Graper has extensive experience in organization design, business transformation, and managing complex organizations with multiple lines of business. She is a passionate advocate of diversity, equity, and inclusion (DEI), as well as employee well-being.

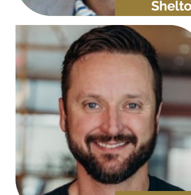
"I'm excited to be joining loanDepot at such a pivotal time in the industry and look forward to partnering with Frank and the executive team to deliver an exceptional experience for loanDepot employees, customers and shareholders," Graper said.

Prior to CoreLogic, Graper held senior leadership positions at the Irvine Company, J. Walter Thompson Worldwide, Mattel, and GlaxoSmithKline. Graper also serves on the board of the American Heart Association, Western Region, and served as Chair of the 2023 "OC Go Red for Women" campaign. Graper was recognized in the Orange County Business Journal as a "Women in Business Award" honoree in 2019.

SUMMIT FUNDING EXPANDS ITS EASTERN PRESENCE WITH THREE NEW ADDITIONS


Pennington


Shelton


Schoolfield

Summit Funding has expanded its East Coast footprint by hiring as divisional leaders based in North Carolina, **Deran Pennington**, **Chris Shelton**, and **Matt Schoolfield**, a trio of ex-Movement Mortgage execs who will bring more than half a century of industry experience recruiting and building successful mortgage sales teams.

The appointments of Pennington, Shelton, and Schoolfield significantly expand Summit Funding's presence in the Southeast, a bright spot in the housing market. According to the Q2 2023 VeroFORECAST from Veros Real Estate Solutions, North Carolina's Greensboro-High Point and Fayetteville markets were among the top 10 performing

"In spite of the challenging housing environment, we're continuing to build a team of the brightest minds in the mortgage industry."

— **Todd Scrima**, Founder and CEO, Summit Funding

housing markets nationwide. The Charlotte and Raleigh markets remain strong as well.

"In spite of the challenging housing environment, we're continuing to build a team of the brightest minds in the mortgage industry," said Todd Scrima, Summit Funding Founder and CEO. "Deran, Chris, and Matt embody our vision of relationship-focused lending and developing our people to achieve their very best lives. As we drive our growth and expansion in other areas of the country, their passion, dedication, and unwavering commitment to excellence will undoubtedly contribute to our continued success."

As one of the founding team members at Movement, Pennington spent 15 years with the company building and running high-performing sales teams as National Sales Director.

Shelton spent the past 11 years as a Divisional Leader at Movement Mortgage, where he specialized in coaching, mentoring, and training loan originators. He has nearly 20 years of mortgage experience.

Schoolfield has 24 years of mortgage industry experience and served eight years as Southeast Regional Director at Movement Mortgage before being promoted to divisional leader.

"Not only do Deran, Matt and Chris each have many years of experience building top-performing sales teams, they each embody our 'yes, you can' mindset and our commitment to helping everyone around us reach their personal and professional goals," Scrima added. "They know exactly what it takes to build an industry-leading mortgage company, which is exactly what we're doing."

LAURA CLAPPER PROMOTED TO CHIEF MARKETING OFFICER WITH NFM LENDING

NFM Lending has promoted **Laura Clapper** to the position of Chief Marketing Officer. Clapper has been with the company since 2020, serving as VP of Digital Strategy.

As VP of Digital Strategy, Clapper has led initiatives to raise the public profile of NFM Lending through targeted ads using social media and search engine marketing, as well as creating drip campaigns for borrowers at each stage of the lending process. Notably, Clapper has been instrumental in the growth of NFM's Influencer Division. Leveraging new features from CRM systems, she devised and scaled video messaging campaigns for 18 loan originator influencers. The strategy resonated with NFM's social media followers, and resulted in an average of 2,500 warm leads per month with zero direct advertising costs.

"It is an incredible honor to assume the role of Chief Marketing Officer at NFM Lending," Clapper said. "Having held the role of VP, Digital Strategy for the past three years, I have closely collaborated with our executives and sales leaders to shape marketing processes and support key initiatives. In this new capacity, I am committed to driving our marketing efforts and maintaining a strong focus on sales growth. NFM's innovative spirit, progressive culture, and unwavering dedication to pioneering new ways of helping homeowners is what makes me love being a part of this organization."

Clapper is a digital marketing veteran with 22 years of experience working in leadership roles within and outside of the mortgage industry.

"Laura is the most dynamic mortgage marketing person I have ever been around," NFM Managing Director Greg Sher said. "Her versatility and understanding of all things digital make her the perfect person to lead NFM's charge into the future. It's truly an honor to work with her every day."

SIMON CHEN APPOINTED PRESIDENT AND CEO OF ARRIVAL HOME LOANS

Arrival Home Loans (AHL) has appointed **Simon Chen** its new President and CEO, leading all aspects of the company's growth from early-stage market expansion to establishing a national footprint, and developing strategic partnerships. Chen brings more than 25 years of leadership experience in real estate, and brings deep experience in operations, technology, venture capital, and building world class culture.

"We're confident that Simon can guide Arrival through its next phase of growth and beyond. I can think of no one better than Simon to lead Arrival," said Nam Phan, COO and Board Member of parent company Pacific Private Money, Inc.

Prior to joining AHL, Simon was Managing Partner at August Hill, a leading global advisory firm for startups, capital providers, and industry partners, where he will stay on as an advisor.

Before August Hill, Simon held the position of EVP of Product and Innovation at Anywhere Real Estate, where he was responsible for product, strategic alliances, agent/broker learning, strategic marketing, corporate ventures, and consumer programs across all six Anywhere brands, which globally represent more than 340,000 residential and commercial real estate agents.

Prior to taking on that role, Simon was President and CEO of ERA, an Anywhere brand, with more than 40,000 agents worldwide. As Head of ERA, Simon drove key initiatives focused on culture, business intelligence, franchise development, and ancillary revenue streams such as mortgage and title. Simon spent the earlier parts of his career in technology and banking, earning him a reputation for driving profitable innovation at scale.

"I'm thrilled to be leading such a great organization with a shared passion to dramatically improve the home buying and selling processes through private money solutions," Chen added.

» *Service Providers*

ATTOM BOLSTERS ITS EXECUTIVE TEAM


Trevathan


Tang

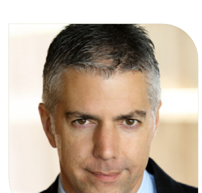
ATTOM has added two to its executive team, as **Lauren Trevathan** has been appointed new Chief of Staff, while **Karen Tang** joins the company as Chief Customer Officer.

With more than 15 years of experience in real estate leadership capacities, Trevathan will be responsible for driving companywide initiatives for ATTOM, as well as ensuring alignment and success across the organization as a whole. Based on Trevathan's extensive experience in cross-departmental collaboration, leadership, and notable achievements in organizational matters during her tenure at ATTOM over the past three years, she has emerged as a pivotal asset in driving the company's primary goals.

Tang, an industry veteran with extensive experience in customer success, customer operations, and customer experience, will be instrumental in building out a best-in-class customer experience organization aimed at improving both customer retention and expansion. Tang possesses a track record of constructing, expanding, and guiding sales, customer success, and supporting teams from the ground up. Prior to joining ATTOM, Tang was VP of Customer Success at ActiveCampaign, where she led and built teams focused on driving discovery and value throughout the post-sales journey.

"Lauren and Karen each bring a distinct and invaluable skill set that is absolutely vital to fueling the growth and success of ATTOM," said Rob Barber, CEO at ATTOM. "Their knowledge in the industry, versatile leadership acumen, and exceptional track records, as well as unique contributions, will undoubtedly propel ATTOM to new heights and reinforce its position as a one-stop shop for premium property data."

TRELIANT ADDS COMPLIANCE EXPERT DARCY ALLEN AS MANAGING DIRECTOR



Treliant has named **Darcy Allen** as Managing Director in the firm's Financial Crimes and Fraud Solutions practice. Allen's appointment continues to expand Treliant's client services and their focus on preventing financial crimes while protecting their organizations' operational integrity.

Allen has more than 25 years of financial crimes compliance experience spanning government, consulting, banking, and retail. His career roles have included serving as an Anti-Money Laundering (AML) Compliance Officer at Capital One, Citibank, and Canada's Financial Transactions and Reports Analysis Centre (FINTRAC), as well as a Senior Advisor at Promontory Financial Group.

"The costs of global financial crimes continue to mount in our industry: operational costs, reputational costs, and even opportunity costs have soared as companies divert resources and more focus is directed toward these unremitting risks," said John Arvanitis, Senior Managing Director of Treliant's Financial Crimes and Fraud Solutions practice. "Darcy's government, industry, advisory, and cross-border expertise offers our global clients a seasoned and comprehensive perspective on their efforts to de-escalate the risk of crime and money laundering on their organizations."

Allen most recently led a global team at Walmart responsible for overseeing the organizations AML and financial services compliance program. Darcy began his career with the Canada Border Services Agency (CBSA), where he oversaw a national team of

"The costs of global financial crimes continue to mount in our industry: operational costs, reputational costs, and even opportunity costs have soared as companies divert resources and more focus is directed toward these unremitting risks."

— **Todd Scrima**, Founder and CEO, Summit Funding

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customs intelligence and investigative officers working with several government organizations, as part of the Integrated Proceeds of Crime (IPOC) joint force operation. In this role, he participated in creating the Canadian government's Proceeds of Crime (Money Laundering) and Terrorist Financing Act and the establishment of FINTRAC.

"I've committed my career to tipping the scales against financial crime," Allen said. "I look forward to leveraging all I've done to help clients protect their organizations, from setting compliance strategy to streamlining risk management into day-to-day operations."

WOLTERS KLUWER PROMOTES VIKRAM SAVKAR TO EVP AND GENERAL MANAGER

Wolters Kluwer Compliance Solutions, a provider of risk management and regulatory compliance solutions and services to U.S. banks, credit unions, insurers, and securities firms, has named **Vikram Savkar** as its new EVP and General Manager.

In his new role, Savkar will oversee a growing business within Wolters Kluwer noted for its product innovation, technology advancements, and domain expertise. Wolters Kluwer Compliance Solutions has experienced strong organic growth in recent years, also acquiring leading businesses in the digital lending arena. The business is dedicated to helping financial institutions efficiently manage risk and regulatory compliance obligations, while gaining the insights needed to focus on better serving their customers and growing their business.

"I am thrilled that a capable, experienced leader with Vikram's strong skillset has taken the helm for our talented and growing Compliance Solutions team and am excited at the positive impact he will bring to the business and to our customers," said Steve Meirink, CEO of Wolters Kluwer's Financial & Corporate Compliance (FCC) Division. "Vikram will leverage his diverse experience across Wolters Kluwer to drive transformational initiatives that support our pursuit of accelerated growth—and our longstanding commitment to the delivery of impactful solutions to help the many professionals we serve."

Savkar joined Wolters Kluwer in 2012 as VP and General Manager of the company's Legal & Regulatory Division, helping accelerate the growth of its international legal business. In 2019, he joined Wolters Kluwer's Health Division as SVP and General Manager, where he was most recently responsible for the Medicine Segment of the Health Learning, Research & Practice business. During this time, Savkar oversaw product innovations that advanced the digital evolution of information and productivity solutions for medical researchers, clinicians, medical students, and faculty to inform evidence-based decisions on care and outcomes.

Prior to joining Wolters Kluwer, Savkar held senior positions at Nature Publishing Group and Pearson Education. He is a board member of the Association of American Publishers (AAP), as well as the International Association of Scientific, Technical and Medical companies (STM Association). He is also an Advisory Board Member for the Jumpstart organization, which promotes early literacy for students from challenged socio-economic backgrounds.

STEWART NAMES WILHELMINA KIGHTLINGER HEAD OF UNDERWRITING FOR NATIONAL COMMERCIAL SERVICES

Stewart Title announced that **Wilhelmina Kightlinger** has assumed the role of Chief Underwriting Counsel for National Commercial Services (NCS). Having previously filled the role of Deputy Chief Underwriting Counsel for National Commercial Services, Kightlinger succeeds former NCS Chief Underwriting Counsel Don Wade, who is stepping down to focus on mentorship and training, as well as continuing to serve as a member of the Underwriting Leadership Team for Stewart NCS and on the Senior Underwriting Committee.

"Don has been with Stewart for nearly 30 years, serving in the NCS Chief Underwriting Counsel role for the past five years," said Erin Sheckler, Head, National Commercial Services for Stewart. "We want to thank Don for his leadership and all he has done for Stewart and our underwriters as he will work closely with Wilhelmina to ensure a smooth transition. Commercial underwriting is already a noted strength of ours at Stewart, and Wilhelmina will continue to build upon the great foundation that Don and our other Senior Underwriting Committee leaders have lain."

Prior to joining Stewart, Kightlinger spent 13 years at Old Republic Title, based in Tampa, most recently as their General Counsel for the National Commercial Title Services Division. She had previously spent several years in private practice with DLA Piper US LLP representing commercial developers and lenders.

"Stewart has a very firm commitment to its future forward vision that includes a significant investment in the training and development of our next generation of best-in-class underwriters," Kightlinger said. "I'm honored to step into Don's role while also continuing to have the benefit of his counsel and guidance as we remain focused on strengthening our underwriting capacity. Partnering with our other underwriting leaders nationally, we'll continue to grow our footprint in markets where our unique expertise has previously been underrepresented. I'm excited about the challenges and opportunities ahead."

NOTARYCAM HIRES SUZANNE SINGER AS DIRECTOR OF SALES AND MARKETING

NotaryCam has named **Suzanne Singer** Director of Sales and Marketing, where she will be responsible for leading sales, and customer success efforts focusing on large strategic relationships in the mortgage and real estate sectors.

"We are delighted to welcome Suzanne to NotaryCam. She is highly respected throughout the mortgage industry and has a proven track record in developing strategic relationships and expanding the reach of any brand with which she is associated," NotaryCam President Brian Webster said. "I have known Suzanne for years and having worked with her as an industry partner, I am eager to see the impact she has at NotaryCam. Her experience and energy are exactly the right fit for us as we look to expand our footprint and increase eClosing and remote online notarization (RON) adoption in the mortgage and real estate industries."

Singer brings more than 30 years of experience in financial services to NotaryCam after serving as SVP of Capital Markets Sales at Solidifi. She has also recently held executive positions in business development and marketing at New Diligence Advisors, Clayton Holdings, and Auction.com.

"NotaryCam is a respected and recognized name in the mortgage industry, and I am honored to join this team and such a strong brand," Singer said. "I look forward to helping build off the strong foundation as NotaryCam and help our clients find new ways to increase operational efficiency with RON and our eClose platform."

PRETIUM ADDS MICHAEL CAMPBELL AS SENIOR MANAGING DIRECTOR, HEAD OF INTERNATIONAL REAL ESTATE

Pretium has added **Michael Campbell** as Senior Managing Director, Head of International Real Estate. In this newly created role, Campbell will lead the firm's efforts to expand its real estate investing to markets outside of the U.S. and support international relationships.

"Pretium has been a leader in single-family rental housing in the United States for over a decade," said Don Mullen, Founder and CEO of Pretium. "With the addition of Michael, our team is better positioned to explore international residential markets with attributes similar to the U.S. housing market, where we have been successful. We believe that our visionary and technology-driven investment approach applied to new global markets can unlock significant value for our stakeholders."

Campbell brings more than 30 years of experience launching and growing real estate investment management platforms on a global scale to Pretium, having previously held both institutional and entrepreneurial investment and advisory leadership roles across a variety of property sectors in North America, Latin America, Europe, the Middle East, and Asia.

Prior to joining Pretium, Campbell spent nearly a decade spearheading the global real estate investment platform at Mubadala, where he was responsible for all international real estate investment activities.

"Expanding to markets in Europe and outside of the United States is a logical extension of our business given the opportunity for institutional investment in residential markets across the developed world," said Josh Pristaw, Pretium's Senior Managing Director, Head of Real Estate. "Michael brings compelling global real estate investment experience and relationships with international investors to our team. We are confident Michael is the right leader to support these new efforts and help drive our next phase of strategic growth."

Prior to his role at Mubadala, Campbell was Managing Partner at Phene Capital, a real estate investment boutique. Previously, he served as COO and led all U.S. investment and operational activities at a European family office. He also served as a Managing Director and member of the real estate investment and operating committees at UBS Wealth Management, building and managing its diversified real estate investment management business, and as a Principal at JP Morgan as part of the original team to buildout its global private equity real estate businesses. He began his career at Ernst & Young and Arthur Andersen.

STEVE HARTSCHUH JOINS KRISS LAW/ATLANTIC CLOSING & ESCROW AS SVP/NATIONAL COMMERCIAL SALES

Kriss Law/Atlantic Closing & Escrow, a national, attorney-driven settlement services firm, has named **Steve Hartschuh** to serve as SVP/National Commercial Sales. In his new role, Hartschuh will assist with the continuing nationwide expansion of the company's Commercial Services Division, as well as supporting existing clients.

Hartschuh brings nearly two decades of

"Expanding to markets in Europe and outside of the United States is a logical extension of our business given the opportunity for institutional investment in residential markets across the developed world."

—**Josh Pristaw**, Senior Managing Director, Head of Real Estate, Pretium commercial title experience to Kriss Law/Atlantic Closing & Escrow. He was most recently VP–Senior Sales Executive with a top national title underwriter, and previously served in a growth-focused role with another leading national title insurer. Over the course of his career, he has worked closely with a number of leading commercial and consumer brands, including six Fortune 500 businesses.

"Steve's extensive experience building and maintaining strong relationships with major law firms, developers, lenders and REITs makes him an ideal fit for our team," said Len Franco, President of the Commercial Services Division for Kriss Law/Atlantic Closing & Escrow. "Our national clients have long expected from us not only world-class support, but a depth of knowledge, experience and expertise. Steve has demonstrated those elements at the highest of levels, and we look forward to having him aboard."

CBC MORTGAGE AGENCY HIRES MARK LESLIE AS CAPITAL MARKETS DIRECTOR

CBC Mortgage Agency (CBCMA) has hired **Mark Leslie** as its new Director of Capital Markets. Leslie has spent more than two decades as a mortgage trader, including senior trading positions at Stearns Lending, Guaranteed Rate and Caliber Home Loans.

"Mark's depth of experience as a mortgage trader at major lending institutions is a huge asset for us as we navigate the capital markets," CBC Mortgage Agency President Miki Adams said. "His strong risk management, hedging and agency MBS background were exactly what we were seeking to help us implement the next phase of CBC's growth strategy."

Leslie began his career as a Junior Mortgage Trader in 2001. He served as Trading VP at several prominent mortgage banking firms, including Stearns Lending, where he helped the company transfer trading operations from California to Texas, and Caliber Home Loans, where he was the main architect of the company's rate sheet pricing models.

"During my 22 years as a mortgage trader, I've worked through several extreme mortgage market cycles that taught me invaluable lessons that apply to today's high-rate environment," Leslie said. "I look forward to using this experience to help CBC continue to provide down payment assistance programs that enable low- to moderate-income families across America to achieve homeownership."

» *Attorneys*

TIMOTHY SAUNDERS NAMED ANGEL OAK'S GENERAL COUNSEL

Angel Oak Companies has hired veteran corporate attorney **Timothy Saunders** to serve as Chief Legal Officer and General Counsel for Angel Oak and its affiliates, Angel Oak Capital Advisors and Angel Oak Mortgage Solutions. In his new role, Saunders will be responsible for managing all of the firm's affiliates' legal affairs and regulatory compliance measures, as well as overseeing both Angel Oak Capital and Angel Oak Mortgage Solutions' legal, risk, compliance, and regulatory teams.

"Tim's legal acumen, strategic thinking, and industry experience make him an invaluable addition to our executive team as General Counsel," said Sreeni Prabhu, Managing Partner and Co-CEO of Angel Oak. "He has consistently demonstrated expertise in anticipating challenges and managing risks. We are confident that he will use this skill set to navigate the legal and strategic aspects of our business, driving our firm toward further success."

Saunders spent more than 20 years at Goldman Sachs, where he served as Managing Director and Associate General Counsel. In these roles, he oversaw legal and regulatory activity for the fintech, mortgages, commercial real estate, structured finance, and consumer finance business units.

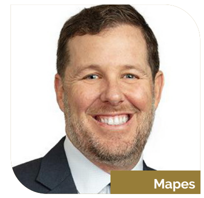
"I am excited to join Angel Oak's talented team and support the company's growth moving forward," Saunders said. "Given my background, I feel confident that I will make a significant impact for Angel Oak as we continue to execute across our asset management and mortgage origination businesses."

> **"Tim's legal acumen, strategic thinking, and industry experience make him an invaluable addition to our executive team as General Counsel."**
>
> —**Sreeni Prabhu**, Managing Partner and Co-CEO, Angel Oak

★ ★ ★ ★ ★

Most recently, Saunders served as General Counsel and Chief Compliance Officer for Reverence Capital Partners.

"Tim's exceptional legal experience will be instrumental in ensuring excellence in all regulatory and compliance affairs, which is critical to our success," said Mike Fierman, Managing Partner and Co-CEO of Angel Oak. "I have no doubt that Tim will make significant contributions that will support our growth."



BLANK ROME ADDS SEVEN ATTORNEYS TO ITS DALLAS OFFICE

Blank Rome LLP announced the opening of a new office in Dallas—the firm's 15th office and second in Texas—with the addition of seven attorneys.

Joining as Partners are: **Steven R. Block**, Dallas Office Co-Chair and Partner, Corporate, M&A, and Securities Group, who joins from Block & McNeill, LLP; **Jason S. Luter**, Dallas Office Co-Chair and Partner, Corporate, M&A, and Securities Group, who joins from Faegre Drinker Biddle & Reath LLP; **Mark W. Harris**, Partner, Finance Group, who joins from Alston & Bird LLP; **Justin G. Mapes**, Partner, Real Estate Group, who joins from Locke Lord LLP; **Christopher M. McNeill**, Partner, Corporate, M&A, and Securities Group, who joins from Block & McNeill, LLP; **Michael B. Thimmig**, Partner, Finance Group, who joins from Alston & Bird LLP; and **Robert C. Davidson** as Associate in the Corporate, M&A, and Securities Group from Block & McNeil, LLP.

"Dallas is a vibrant and thriving business community, and we are thrilled to open an office here and bring together such an outstanding group of attorneys to launch our efforts," said Grant Palmer, Blank Rome's Chair and Managing Partner. "Establishing an office in Dallas has been a strategic priority of our firm for some time to better serve our clients who are based in or do business in Dallas and North Texas. We have been committed to entering the market with a team of leading corporate, real estate, and finance attorneys who not only have exceptional experience and reputations locally and nationally, but also fit together as a cohesive and collaborative team. We are excited about Blank Rome's future in Dallas with our new colleagues and are looking forward to continued growth."

With more than 40 years of legal experience, Block has an established legacy in practicing corporate and securities law, with an emphasis on mergers and acquisitions, corporate governance, corporate contracts and counseling, licensing, hedge funds, project finance, and private equity.

Luter will advise Blank Rome clients on corporate ownership succession planning transactions involving employee stock ownership plans (ESOPs), including seller-financed and leveraged and nonleveraged buyouts, and provides ongoing legal counsel to ESOP-owned companies. In his new role, he will represent companies, business owners, financial institutions, and independent fiduciaries in their roles as sellers, lenders, and purchasers in ESOP transactions.

Harris represents specialty finance borrowers and lenders in connection with warehouse lines of credit, whole loan sales, participations, servicing and derivative transactions, strategic alliances, and corporate governance matters. His transactional experience also includes mergers and acquisitions and general corporate finance transactions, including representation of issuers and underwriters in public and private offerings of senior/subordinated debt securities and equity securities and representation of borrowers and lenders in secured and unsecured commercial credit facilities.

Mapes will serve Blank Rome as Partner in the Real Estate Group, and will focus his practice on real estate and commercial transactions with an emphasis on the financing, acquisition, development, management, and disposition of commercial real property, including multifamily properties, mixed-use developments, retail shopping centers, healthcare and medical office building developments, condominium projects, and hotels. He has represented major financial institutions, specialty lenders, and borrowers in numerous lending transactions, loan workouts, loan modifications, acquisition financing, mezzanine debt, remedy enforcement, and foreclosures involving a wide variety of collateral.

McNeill works with clients in a broad range of industries, including biotechnology, online gaming and social media, software and software as a service (SAAS) solutions, hospitality and entertainment, private equity, manufacturing, retail and distribution, logistics, construction and related services, and automotive sales and services. He assists clients at all stages of the corporate life cycle, including entity formation, corporate restructuring and expansion, securities financing (including private placements and private equity rounds), traditional commercial debt financing, and mergers and acquisitions.

Thimmig focuses his practice on structured finance, fintech, mortgage banking, and secured lending transactions. Recently, his practice has focused on structured warehouse credit facilities secured by consumers loans, small balance commercial loans, and merchant cash advances. His securitization transactions have involved various mortgage types including performing, distressed, and nonperforming mortgage loans, and real estate mortgage investment conduit (REMIC) and non-REMIC securitization structures.

Davidson's experience includes comprehensive counseling on a variety of debt financing matters and related corporate law matters across a broad spectrum of industries. He has guided companies through all stages of debt financing for the corporate life cycle, from formation to sale. His extensive debt financing and related corporate experience includes drafting, negotiating, and advising on a wide variety of revolving and term loan agreements, complex cross-border transactions, sophisticated for-profit/non-profit joint venture arrangements, dividend recapitalization, leveraged buyouts, minority investments and sales to both strategic and financial acquirers.

THE LEGAL LEAGUE ALL-STAR LINEUP

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LEGAL LEAGUE

Industry Update

GUARANTEED RATE INTRODUCES ONEDOWN MORTGAGE

Guaranteed Rate has introduced OneDown, a mortgage loan that features down payment options as low as 1% as well as an additional 2% contribution towards that down payment (or up to $2,000—whichever is lower). OneDown further offers borrowers a $1,000 contribution toward lender fees.

OneDown is available for real estate transactions involving Single Family Residences including condominiums. The program is especially intended for first-time borrowers or homebuyers with an AMI (Area Median Income) under 80%. No geographic restrictions apply.

"OneDown is Guaranteed Rate's response to the ongoing effect of stubborn inflation and higher interest rates," said Kate Amor, SVP and Head of Enterprise Products for Guaranteed Rate. "We want to not only make homeownership less intimidating but make it possible for more families by offering down payment options as low as 1%." According to a recent study covered by the New York Post, only 53% of Americans are confident in their ability to own a home someday.

Surprisingly, the same study also found that 40% of those surveyed felt that hitting the jackpot is their best chance to be able to afford homeownership.

By removing the need for a big lump sum in the form of a down payment, Guaranteed Rate helps to offer an affordable option to potential buyers that dream of homeownership.

Amor also notes that seller-paid temporary buydown options may be available for borrowers, offering additional flexibility through lower rates and payments in the early years of the mortgage. This program also boasts reduced mortgage insurance coverage to help lower payments and can be combined with community second programs for additional assistance for eligible borrowers.

Guaranteed Rate is dedicated to uplifting potential homebuyers and giving them the tools to build a brighter future for themselves and their families through financial security with affordability programs like OneDown.

MLSS JOIN CUBICASA TO ENHANCE REAL ESTATE LISTINGS

CubiCasa, a real estate software company, has announced the addition of 10 Multiple Listing Service (MLS) organizations to its rapidly growing MLS Program. This significant expansion reinforces CubiCasa's commitment to revolutionizing the real estate industry by making floor plans an integral part of every U.S. listing.

The latest MLS organizations to join the program, which launched in December, are Bay Area Real Estate Information Services, Colorado Real Estate Network (CREN), Central Jersey MLS, MiRealSource, Buffalo Niagara MLS, Classic MLS (Athens Area Association of Realtors), Big Sky Country MLS, Cooperative Arkansas Realtors MLS, St Augustine & St Johns County Board of Realtors, and the Central Texas Multiple Listing Service.

With these partnerships, CubiCasa's MLS Program has now reached more than 20 participating MLSs. The partner list includes some of the nation's largest MLSs, including Bright MLS, Georgia MLS, the Houston Association of Realtors, and many others.

"Consumers are better informed when they can visualize a property floor plan and its dimensions before making an offer," said Karen Holmgren, CEO and President of Bay Area Real Estate Information Services. "CubiCasa's technology empowers our agents and local real estate photographers to easily create floor plans and add them to their listings."

Central Jersey Multiple Listing Service CEO, Richard Steinberg, expressed his enthusiasm for the partnership, stating, "We're pleased to collaborate with CubiCasa and provide our subscribers with a user-friendly floor plan solution. With CubiCasa's innovative technology, our agents can effortlessly enhance their listings with floor plans via a five-minute smartphone scan."

CubiCasa's MLS Program offers participating members a range of exclusive benefits, including access to free floor plans generated by the CubiCasa app, discounted rates on optional add-on features, and a directory of trusted real estate photographers currently utilizing CubiCasa. Additionally, MLSs gain access to reliable and digitized property information, reinforcing their position as a central hub for local real estate markets.

"The idea behind CubiCasa's MLS Partnership Program is to provide benefits to MLS organizations and make home buying a simpler and more efficient experience," said Jeff Allen, President of CubiCasa. "By providing MLSs with free floor plans, discounted rates on add-ons, and access to real estate photographers across the nation already using CubiCasa, we're creating a more holistic real estate ecosystem for agents and buyers alike."

Real estate agents and professionals can download the CubiCasa app from the App Store and Google Play Store.

> "When residents have safe, stable, and affordable housing, that allows them to focus on all the other aspects of their lives and it creates stronger communities—that's what these funds will help us do."
>
> —**Muriel Bowser,** D.C. Mayor

LENDINVEST FOUNDER LAUNCHES F2 FINANCE

The co-founder of LendInvest has announced the launch of F2 Finance, a real estate private lending business—the first venture introduced by new fintech investment firm Faes & Co. F2 Finance partnered with best-in-breed technology partners to build a scalable platform to lend into the "fix & flip" short-term property market in the United States, which is estimated to be worth as much as $68 billion a year.

F2 Finance has been lending since April 2023, working with a select group of introducers, and while currently focused on markets in California, Texas, and Florida, F2 Finance is now launching to the wider market with the goal of becoming a nationwide bridging lender.

Entrepreneur Christian Faes, who moved to the United States to set up Faes & Co, co-founded LendInvest out of the financial crisis in 2008 and built it into one of the largest nonbank mortgage lenders in the UK. The company was listed on the London Stock Exchange in 2021, and Faes remains a major shareholder and chairman. LendInvest has approximately £3.7 billion in funds under management and funding from numerous institutions, including J.P. Morgan, Citibank, and Wells Fargo.

"We're looking forward to the challenge of building and scaling a short-term mortgage lender in the U.S.," Faes said. "It's a very large market going through a period of significant disruption, and we believe there's the opportunity for us to make a sizable impact here. With this, we will be launching a portfolio of unique and innovative products that sit outside the usual credit box and constraints that most of the market conforms to."

CARRINGTON MORTGAGE SERVICES OFFERS 40-YEAR LOANS AND TEMPORARY BUYDOWNS

Carrington Mortgage Services, LLC (CMS), one of the nation's largest privately held nonbank lenders, boasts a slate of loan offerings and services direct to consumers, investors, mortgage brokers, and mortgage bankers nationwide. To improve affordability for homebuyers, CMS has expanded its offerings to include 40-year loans and temporary buydowns.

Rising interest rates, decades-long home

price appreciation, and the tightening of credit availability have all combined to create a perfect storm of challenges for potential homebuyers—especially first-time homebuyers, buyers with challenged credit, and those with nontraditional income. With both a 40-year loan product and a temporary buydown program, Carrington provides solutions to offer greater affordability and availability for prospective homebuyers.

The Financial Flexibility of a 40-Year Loan: Although not available for conventional and government loans, the 40-year loan, a sensible option in recognition of prevailing homebuying trends, is available for all CMS non-QM products: Carrington Flexible Advantage, Carrington Flexible Advantage Plus, Carrington Prime Advantage, and Carrington Investor Advantage. The 40-year term is available for purchase transactions, as well as refinance transactions. For now, the 40-year term is only available on fixed-rate products, but Carrington plans to offer the extended term as an option for adjustable-rate products as soon as possible.

"Instead of the principal and interest payment being based on a 30-year term, the 40-year loan adds an additional 10 years to the term of the loan, taking the monthly payment down and improving affordability for homebuyers who need that longer term," said Greg Austin, EVP, Mortgage Lending for CMS. "We're able to qualify borrowers on the lower payment, so in addition to reducing their debt ratio, it helps them buy a little bit more property, or make sure they're not overextending themselves."

Temporary Buydowns Provide a Term of Reduced Payments: Carrington also has introduced temporary buydowns for homebuyers seeking government and conforming conventional loans. Temporary buydowns are when up-front funds paid by a seller are deposited into a reserve account to temporarily reduce the interest rate, as well as the effective monthly mortgage payment, for a specific period. For example: In a 2-1 temporary buydown, the rate is bought down for the first two years of the mortgage loan. If the note rate is 5%, then the rate is reduced to 3% for the first year, 4% for the second year, and then remains at the note rate (5% in this example) for the remaining life of the loan.

"A temporary buydown benefits homebuyers during the first couple years of the loan, providing them with a reduced payment," Austin said. "For potential homeowners who need more financial flexibility, a temporary buydown can help get these buyers into a home."

From a cashflow perspective, temporary buydowns can make a lot of sense. In addition to providing greater initial affordability, the temporary interest-rate reprieve can give homebuyers time for interest rates to drop a bit, at which time they might choose to refinance their home at a lower interest rate. And as the housing market transitions from a purely seller's market to more of a buyer's market, some sellers might offer to pay for a temporary buydown to incentivize buyers. For now, temporary buydowns are only available for government and conforming conventional purchase loans, although the company's plans include offering temporary buydowns for its non-QM loan products.

Diverse Solutions for Today's Homebuyers: In addition to Carrington's non-QM offerings, FHA, VA, USDA, and conforming conventional products, the company's products include ProcessIQ, where approved CMS wholesale brokers have the option of having Carrington process the loan as part of its underwriting. When an enrolled broker submits a loan, they can request that the Carrington ProcessIQ team handle all of the logistics and work directly with the borrower. In June 2022, CMS' Second Lien program began providing a welcome source of liquidity to existing CMS servicing customers who have seen an increase in the value of their homes, and who now face a rising-interest-rate market in which they may not see a benefit accessing their home equity by replacing a low first-lien rate to obtain a cash-out.

"At Carrington, it's our company's mission to enable a lifetime of simple and attainable homeownership," Austin said. "For homebuyers looking for greater affordability, our 40-year loan and temporary buydowns are options that we are proud to offer. These products are another demonstration of Carrington's unceasing commitment to homebuyers."

U.S. DEPARTMENT OF AGRICULTURE NAMES GUILD MORTGAGE A TOP GUARANTEED RURAL HOUSING LENDER FOR 2023

Guild Mortgage, a growth-oriented mortgage lending company originating and servicing residential loans since 1960, was recognized as a 2023 Top Guaranteed Rural Housing Lender in the Loan Origination category by the U.S. Department of Agriculture. Guild is the second largest originator of USDA loans nationally.

Guild provides special financing opportunities to homebuyers who live in or would like to purchase a primary residence in rural areas as defined by USDA. These loans, also known as Rural Development loans, are designed to assist rural families and individuals with low-to-average income for their area. Through these loans, USDA provides 100% financing with reduced mortgage insurance premiums and below-market mortgage rates to help open the door to homeownership for rural Americans.

"One of the many advantages of this government-backed loan is that it requires no down payment, which can help low-to-moderate income homebuyers overcome one of the most common hurdles to purchasing a home, which in turn helps provide stability for families and strengthens our rural communities," said David Battany, EVP of Capital Markets, Guild Mortgage. "While these loans are designed to assist homebuyers in rural areas, the USDA considers most of the country, including some suburban areas, as qualified rural areas. Guild remains dedicated to homebuyers who live or would like to live in rural areas and beyond, working with each of our customers to find the best solution for them."

Battany, who spoke to the U.S. Senate Committee on Banking, Housing and Urban Affairs in September 2022, urged policymakers to advance rural housing lending by addressing workflow, technology, and loan products.

"The rural market is constrained by limited housing supply, much of which is aging single-family housing," Battany said. "Although small relative to the scale of the multitrillion-dollar mortgage market, rural housing loans are meaningful lifelines to economic security for the individuals they help and the communities they bolster."

Headquartered in San Diego, Guild Mortgage is a leading national lender with an established history of offering a comprehensive array of loan products and partnering with government organizations to help deliver the promise of home in every neighborhood and community. Its loan professionals can serve the needs of any homebuyer, from helping first-time buyers achieve homeownership, often through government loan programs, to homebuyers looking for a jumbo loan. Guild also helps active duty and retired military personnel who qualify for VA loans with 100% financing and flexible qualifying standards. The company is consistently recognized for its impact on the communities it serves, commitment to customer service, strength in regulatory compliance, and workplace culture.

"The rural market is constrained by limited housing supply, much of which is aging single-family housing."

—**David Battany**, EVP of Capital Markets, Guild Mortgage

RISKSPAN TO DOUBLE HEADCOUNT IN INDIA TO SUPPORT ITS GROWING CLIENT BASE

RiskSpan, a technology company, data management, and analytics for mortgage and structured products, has announced its plan to grow its Chennai, India office, increasing headcount by 50% over the next 12 months through its captive entity, KGP Tech Solutions. This marks an important milestone for RiskSpan as the company seeks to strengthen its presence and tap into the talent available in India.

The India office will focus on supporting product development, client operations, analytics, and consulting services. With the expansion of its Chennai office, RiskSpan will be able to serve its customers more effectively with deeper analytics solutions and enhanced consultancy services that include data management, modeling, forecasting, and valuation, in addition to its comprehensive cloud-based Edge Platform.

Ganesh Prabu, RiskSpan's Managing Director of KGP Tech Solutions said, "We are extremely pleased to announce RiskSpan's expansion in India. In addition to our existing team of professionals, we are excited to welcome a new team that will focus on developing innovative solutions and services to provide our clients with the best possible risk management options."

More details about hiring for the Chennai hub will be announced later this year.

"As a leader in data and analytics for loans and structured finance solutions, RiskSpan is dedicated to meeting the needs of our customers wherever they are located," RiskSpan CEO Bernadette Kogler said. "We are excited about expanding our investment in the Chennai office, which will allow us to better serve our customers and help them achieve their objectives."

ALLY FINANCIAL COMMITS NEARLY $1 BILLION TO HOUSING INITIATIVES

Ally Financial Inc, the nation's largest all-digital bank, announced nearly $1 billion in giving and capital deployment in 2023 to address the wealth gap and barriers to economic mobility through housing initiatives. More than $4 million in grants and investments will be deployed in Ally's hometowns of Detroit and Charlotte to support affordable housing initiatives. Ally and the Ally Charitable Foundation will help 17 organizations across its hometowns provide underserved communities greater access to safe and affordable housing and create pathways to homeownership.

"Everyone deserves a safe place to live—yet home affordability is at its lowest point in history," said Ali Summerville, business administration executive at Ally and board chair of the Ally Charitable Foundation. "It's important we show up as an ally and support affordable housing and homeownership initiatives that create lasting, positive impact where we work, live, and serve."

To help increase access to affordable housing, the Ally Charitable Foundation made a $3 million equity investment in Housing Impact Fund II to acquire existing affordable housing properties in Mecklenburg County, North Carolina, which are also known as "NOAH" or naturally occurring affordable housing. HIF II renovates and adds deed restrictions to safeguard these properties as affordable havens for households with incomes ranging between less than 30% and 80% of the area median income.

The Ally Charitable Foundation is also investing $1 million in Charlotte Housing Opportunity Investment Fund II, managed by Local Initiatives Support Corporation (LISC) Fund Management in partnership with LISC Charlotte. The fund aims to lessen the growing affordability gap by investing in housing developments that serve residents in a range of incomes—including moderate, low, and extremely low-earning households. This builds on Ally's investment in the first Charlotte Housing Opportunity Investment Fund, which was part of a combined $70 million in land donations, grants, and reduced lending for developers. To date, CHOIF has supported almost 1,500 affordable homes (units) and 95% of these units are affordable for individuals or families earning 80% of the Area Median Income (AMI) or lower with 24% of these units at or below 30% AMI.

As part of a broader almost $2.2 million grant deployment across 84 organizations in Detroit and Charlotte in 2023, the Ally Charitable Foundation committed $440,000 in grants to 14 nonprofit organizations for affordable housing initiatives. Of the $440,000 investment in affordable housing initiatives, $100,000 will go to four local Detroit organizations and $240,000 will support nine local Charlotte organizations. Rebuilding Together, a leading national nonprofit in safe and healthy housing will receive $100,000 to support its efforts in Detroit and Charlotte.

"There are so many people in our own backyards who don't have the resources to maintain a healthy home, particularly after a natural disaster," said Chris Perry, VP of Development at Rebuilding Together. "We focus on the most vulnerable who need essential home repairs. Ally Charitable Foundation's grant will empower us to drive transformative change, ensuring safe homes for everyone we serve."

The full list of nonprofits receiving affordable housing grants in Charlotte, includes:

- Charlotte Family Housing—Support for working families experiencing homelessness
- Crisis Assistance Ministry—Provides stability services for families in crisis (rent and utility aid, financial coaching, clothes)
- Freedom Fighting Missionaries—Offers community support and advocacy for formerly incarcerated and criminal justice-involved individuals
- Roof Above—Provides affordable housing options to end homelessness
- Supportive Housing Communities—Offers permanent supportive housing and supportive services to unstably housed people
- The Harvest Center—A transitional housing program for homeless individuals and families
- The Relatives—Guides youth in crisis to safety, stability, and independence
- The Salvation Army—Offers emergency shelters for women, children and families
- United Way of Greater Charlotte—Supports communities through place-based philanthropy

The full list of nonprofits receiving affordable housing grants in Detroit, includes:

- Covenant House Michigan—Unconditional love, respect, and relentless support for young adults experiencing homelessness
- Pope Francis Center—Provides vital services and housing advocacy to people experiencing homelessness
- United Community Housing Coalition—Helping low-income Detroiters prevent eviction and foreclosure
- Vista Maria—Advocates for vulnerable youth and human trafficking survivors through restorative mental health treatment and transitional living programming

In addition to efforts taking place across Ally's hometowns, SoLa Impact, through its affiliated nonprofit, the SoLa Foundation, and with support from Ally as the title sponsor, is launching "Pathways to Homeownership." Pathways is a financial education, empowerment, and savings program designed to encourage renters to become homeowners. In addition, the program promotes economic mobility by providing low and moderate-income (LMI) households in South LA the tools to build generational wealth. SoLa Impact will use a combination of rent-forgiveness and savings match to help LMI Black, Hispanic, and Latino renters accumulate meaningful savings for a down payment. Working closely with Ally, Pathway's goal is to use financial tools, incentives, and workshops to help participants purchase

a new home after completing the multiyear program. Ally's initial $50,000 grant, which went toward building the program expands on its $25 million investment in SoLa's Black Impact OZ Fund, a fund administered by SoLa Impact, a leading Black-led developer of affordable and workforce housing.

Ally Bank's Community Reinvestment Act (CRA) efforts deploy approximately $1 billion in loans and investments annually around affordable housing. These activities include loans to intermediaries and equity investments in projects funded under the federal low-income housing tax credit (LIHTC) program. Ally recently invested $15 million in Enterprise's Equitable Upward Mobility Fund, a $190 million fund designed specifically to support economic mobility with a focus on racial equity. Many of these projects span outside of Ally's hometowns and into areas such as Utah, Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Washington, and Wyoming.

These initiatives complement Ally's existing relationships with organizations focused on homeownership like Homewise and ROC USA Capital, and nonprofits like Habitat for Humanity. Ally's giving strategy supports affordable housing, financial education, and workforce development to address the wealth gap and barriers to economic mobility.

BSI FINANCIAL EXTENDS SAGENT SOFTWARE PARTNERSHIP SEVEN YEARS

Sagent, a Warburg Pincus-backed fintech software company modernizing mortgage servicing for banks and lenders, has announced a seven-year partnership extension with BSI Financial Services to continue powering its enterprise mortgage servicing ecosystem. As BSI Financial rapidly grows its servicing portfolio to a goal of 1 million loans, it will continue to leverage the industry's only enterprise and default servicing platforms synced by real-time data.

"Renewing our Sagent partnership is a key part of our goal to grow to 1 million loans with operational precision and cost control," BSI Financial Founder and CEO Gagan Sharma said.

"We're firmly committed to promoting sustainable homeownership for every borrower, and Sagent enables us to provide proactive, informed customer service to borrowers throughout their homeownership lifecycles."

BSI Financial will continue to power scale servicing operations with Sagent's configurable, cloud-based platforms, including LoanServ (system of record), TEMPO (default management), Datascape+ (cloud-based data reporting and insights), and LoanBoard (originations-to-servicing onboarding).

"BSI Financial has earned its reputation as a leader in clean, day-one-compliant onboarding and an AI-led approach that ensures data integrity and compliance in their own $50 billion portfolio and in their clients' portfolios, and Sagent is honored to continue powering this industry-best experience," said Dan Sogorka, CEO and President of Sagent.

"BSI and Sagent have worked together to automate complex high-volume tasks for BSI, solve customer issues fast, and adapt in real-time to regulator and investor needs. Collaborative partnerships like this guide Sagent's roadmap for the future of servicing and help us to set the mortgage fintech pace with our cloud-native, open-API servicing platforms."

With over $2 trillion in outstanding mortgage balances on its platforms, Sagent and its customers collaborate on open-API models that ensure servicing operations are aligned with cost control, optionality, and real-time policymaking.

Sagent has the industry's only enterprise, default, and consumer mortgage servicing platforms synced by real-time data. This is the latest in a series of Sagent moves to transform the homeowner experience for financial orgs servicing millions of consumers with trillions in mortgage balances.

CHANGE MANAGEMENT

Ann Thorn, Wells Fargo's Head of Home Lending Servicing, discusses takeaways from her first two years on the job and how her team is working to implement the bank's vision for a much-reduced servicing portfolio.

By **DAVID WHARTON**

In September 2020, the Five Star Institute (parent company of *MortgagePoint*) awarded the annual Five Star Lifetime Achievement Award to Ann Thorn, then serving as EVP and Chief of Operations & Servicing for Caliber Home Loans, Inc. Normally, this award would have been handed to Thorn onstage at the Hyatt Regency Dallas, as part of the annual Five Star Conference & Expo. She would have taken the stage beneath a 300-foot bank of screens projecting a profile video featuring Thorn and testimonials about her career from various respected colleagues and mentors. All of it would have taken place in front of a crowd of applauding industry colleagues.

All of that would have happened in any other September. But I probably don't have to remind you that during September 2020, eight or so months into the global COVID-19 pandemic, very little was like "any other September." Instead, Thorn accepted her award on a number of much smaller screens, as attendees tuned in to watch her deliver her thank-you speech as part of the first-ever Virtual Five Star Conference, amid a turbulent global situation in which so many aspects of our daily lives had become encompassed by the boundaries of the laptop screen, the phone screen, the tablet screen.

It was a snapshot of the unprecedented challenges facing a mortgage industry attempting to navigate a world where the brakes had been slammed to the floorboards only half a year earlier: where millions were facing the loss of income or employment, where the entire mortgage ecosystem was, by necessity, forced to collaborate and innovate in ways it never had before, with millions of homeowners suddenly learning what the word "forbearance" meant. With one wave of COVID-19 spiking after another, even as the industry and government worked to help keep people in their homes, no one knew what the next year would look like, much less beyond.

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It's perhaps appropriate, then, that one year after the industry took a moment to appreciate and reflect on Ann Thorn's career during that broadcast, the next chapter of it began.

On September 7, 2021, Wells Fargo announced that Ann Thorn had been named head of the company's Home Lending Servicing operations. As described in the press release, in this role, Thorn was tasked with overseeing "the nation's largest mortgage servicing portfolio including loans with total unpaid principal balances of nearly $1.1 trillion as of June 30, 2021."

Needless to say, it was no small task, but it was one that Thorn was excited to tackle. As the months passed and the nation began to emerge from COVID-19's shadow and figure out just what "normal" looked like, Thorn and her team at Wells Fargo were, like all of the nation's servicers, tasked with helping homeowners as they reached the end of their forbearance period and worked to get back on track with their payments. According to a May 2022 report from the St. Louis Fed, about 16% of individuals with mortgages used forbearance at some point after April 2020. While the Fed's data notes that most of those homeowners only made use of forbearance for three months or less, that still leaves a lot of people in need of their servicer's help when it comes to figuring out what happens next.

Even with a global health crisis in the rearview mirror, the mortgage landscape is rarely stagnant and never boring. The refi

> "I like change. So, here I am, 30-some-odd years later and still in servicing because it is ever-changing. Every day is a challenge, and I learn something new every single day."

boom of the COVID-19 years emerged to collide with the realities of inflation, with the Federal Reserve beginning a series of rate hikes designed to slow the inflationary pressures, but which also put a damper on the originations sector. Potential homebuyers started considering their options as mortgage rates crept higher and housing inventory shortages, already a challenge before the COVID-19 years, became exacerbated even further as many homeowners felt reluctant to sell or move since that would mean leaving their old, much lower, rates behind.

In January 2023, Thorn's role at Wells Fargo faced a new development: the bank announced it would be stepping back from the multitrillion-dollar U.S. mortgage market amid regulatory pressure and the impact of higher interest rates. As part of this shift, Wells Fargo announced it would be shuttering its correspondent business and "significantly" shrinking its mortgage servicing portfolio through asset sales.

"We are acutely aware of Wells Fargo's history since 2016 and the work we need to do to restore public confidence," said Kleber R. Santos, Senior EVP and CEO of Consumer Lending for Wells Fargo. "As part of that review, we determined that our home lending business was too large, both in terms of overall size and its scope."

Now nearly two years into her role at Wells Fargo, Ann Thorn took some time to speak with *MortgagePoint* about her three-decade career in mortgage, how she and her team are working to achieve the bank's new vision for its servicing portfolio, and why it's critical to have the right people and processes in place, as, when it comes to mortgage servicing, "there is always a next crisis."

The View From Two (or 30) Years In

When asked if her career has shaped out the way she once envisioned it, Thorn laughs and responds, "I don't think you wake up one day and say, 'I'm going to be a mortgage servicer,' you know?"

Thorn's pre-mortgage career began in outside sales, selling copiers out of the back of her car in South Chicago. From there, she moved on to selling industrial chemicals, as she puts it, "pounding on the back doors of huge plants." Eventually, she decided she wanted something different. She eventually found work at Fleet Mortgage in Milwaukee, Wisconsin, making, as she recollects, around $11,000 a year.

"It just grew from there," says Thorn, "and I never got out of it."

Fleet Mortgage was acquired by Washington Mutual in 2001, and then eventually by JPMorgan Chase, but Thorn remained a constant at the organization through multiple changes of signs and stationery, rising to the rank of First VP of Default Services and eventually racking up more than 20 years with the company, finally leaving in June 2011, when she moved over to roles at Bank of America. Rarely a short-timer, she stayed with BofA for more than a decade before accepting a position with Caliber Home Loans, where she served as Chief Loan Administration Officer. That gig lasted about two and a half years—until Wells Fargo came knocking on her door.

One of the things Thorn most enjoyed about her career path through some of the biggest financial entities in the world was the opportunity to move around within the organizations, to learn the ropes for originations, servicing, and operations, both within the mortgage sector and even the automotive side of things.

"I like change," Thorn told *MortgagePoint*. "So, here I am, 30-some-odd years later and still in servicing because it is ever-changing. Every day is a challenge, and I learn something new every single day."

That was no doubt a useful philosophy to adhere to for someone stepping into managing Wells Fargo's massive portfolio amid and after the challenges of COVID-19, to say nothing of now being issued the task of shrinking and rethinking that very same portfolio to hew to the bank's new direction.

Even with Wells Fargo scaling back its mortgage commitment, there were still plenty of challenges to be managed as homeowners continued to exit forbearance and deal with an economy that industry soothsayers have been predicting would tip into a recession for months now.

When asked about how she prioritized her approach when she first joined Wells, Thorn said, "Some of the biggest items we had to tackle [involved] ensuring I had a servicing organization structured to handle the overarching issues. I needed to ensure we had the right talent in the right positions, and I spent the better part of the first 18 months ensuring that we had that structure and getting the right talent in place. It was no

"There's a lot of technology and effort put into the origination space, and that's neither unusual nor strange. [When it comes to servicing tech,] there's no silver bullet out there unless you're going to just stick to one type of loan and that's it."

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secret the regulatory items we were tackling. We needed to get ourselves situated in a very structured manner so we could tackle some of the overarching issues that were upon us."

Two years into that role, Thorn feels positive about the results, saying that she believes she has indeed put "the right people in place."

"We've set up that structure, we've set up the routines, we've set up all our partnerships internally. Our next big priorities are part of the announcements that we put out at the beginning of the year, [working on] simplifying and reducing our overall servicing portfolio," Thorn continued. "Now we're executing that plan so that, within our servicing environment, we can get down to a more simplified portfolio that becomes easier to manage, easier to service, and easier to serve our customers while also being flexible and nimble enough to make changes the investors, states, and so on require. Right now, we have a portfolio that [doesn't align with our] overall strategy, and so getting that narrowed and focused down is part two of where we need to go."

If she makes it sound simple, it's not. After all, Wells Fargo is the nation's second-largest mortgage servicer and one of the largest originators, having funded around $94 billion in mortgages through Q3 2023 (per *Inside Mortgage Finance*). Servicing is complex, expensive, extensively regulated work even on the best days. And if managing that nearly trillion-dollar portfolio was challenging, it would also be challenging to scale all of those moving parts back down to the level the bank now had targeted.

"Wells Fargo is a very, very large organization—we're the largest servicer in the country—so that adds complexity to what we have to do and what we have to deal with when changes are hitting us," Thorn said. "As with most servicing, there are a lot of complications with our overall technology that don't make it easy to shift. That was probably one of the biggest reasons why I had to make sure that we had the right strategy as we work toward that more simplified portfolio, just because of the size and scale of Wells Fargo."

As Thorn explained, "The more complex our portfolio, the more investors we have and the more we must change." The bank had over a million customers in forbearance at one point, and Thorn and her team needed to navigate a complex regulatory framework for helping those homeowners find a path forward.

"It's about being able to ensure that every one of our customer service agents, everyone within loss mitigation, knows every single rule that is out there," Thorn noted. "That's where the complexity comes in when you have such a large and diverse portfolio."

Next Steps

At the end of July 2023, the Federal Reserve hiked rates once again, settling (as of this writing) at a rate of 5.50%—a 22-year high. This often complicates mortgage servicers' jobs when it comes to finding workable solutions for struggling homeowners, as gone are the days when they could refi to a lower rate.

"There are going to be situations where our customers are sitting at 2%, 3%, and 4% interest rates, but they're still going to need a loan modification. So, then it becomes a question of what do we do and how are we going to work these programs—and are there programs? HUD has started to come out with some new programs, and that has provided an opportunity for the industry to come together because [some of these programs are] very difficult to implement."

Thorn says she's grateful for the industry dialog happening between HUD and other agencies and industry groups such as the National Mortgage Servicing Association or the Mortgage Bankers Association. But as she pointed out, when it comes to mortgage servicing, "there's always another crisis"—and Thorn is already thinking ahead to those possibilities.

"How are we going to address it if we get into a time where we have rising delinquencies and rising foreclosures again? Because we're not set up for that given the current interest rate environment."

Thorn told MortgagePoint she's trying to take a proactive approach.

"There are some proposals out there that we're trying to get our arms around, but that's going to be a big driver for us over the next couple of years in the servicing space," she said.

One area of focus is in automating what can be automated, working to remove inefficiencies or "stare-and-compare" tasks that can streamline things and make life easier for both the borrower and the servicer.

"Manually tracking and monitoring customer payments for three to five years on these programs is just not realistic," Thorn said. "Working with our servicing system providers and those agencies to avoid additional manual processing is going to become critical."

Of course, one complaint we hear often from the people we interview is that the servicing sector tends to often lag the originations half of the industry when it comes to both technological innovation and the budgetary support to implement it.

"There's a lot of technology and effort put into the origination space, and that's neither unusual nor strange," Thorn said, noting that when it comes to servicing tech, "there's no silver bullet out there unless you're going to just stick to one type of loan and that's it."

Rather than aligning multiple different applications for her team's purposes, Thorn said, "We are focused on getting back to using our core servicing system and getting that upgraded to a place where it is doing its job without needing all these applications around it. We are working to simplify it to where I don't have a huge diversity of different products and investors across the portfolio. That automatically helps you simplify what you need from a technological standpoint."

For Thorn, another key to navigating this maze lies in simply listening to the borrowers and ensuring customers are being given what they truly need, as well as being interacted with in the manner they prefer.

Thorn explained, "We may divert some of our technology budgets to digital, online, or IVR (interactive voice response) because that's how customers want to interact with us. Customers don't always want to pick up the phone and talk to a customer service rep. They want automation, they want to see that activity, so that has been driving discussions about how we can provide that service and technology."

'Communication and Authenticity'

When looking back on her three decades in mortgage, Ann Thorn ticks off a few important lessons. Maintain a sense of humor. Be patient and don't sweat the small stuff. But the more we dig into this topic, the more we come back to a few key tenets: building strong teams and communicating authentically.

Teambuilding has been at the heart of much of her most-important work since joining Wells Fargo two years ago, and Thorn reiterates it as one of the most useful skills she has acquired throughout her career.

"Building great teams is key to success and ensuring succession planning," she said.

When it comes to communicating with that team, Thorn recommends that you "keep it simple and communicate authentically. As a leader, I want to ensure that I've got trust in my team, they have trust in me, and we all have trust in the bigger organization. That, to me, is about good communication and authenticity. A lot of it truly comes down to talent and people."

This is also where we circle back around to Thorn's observation that in mortgage servicing, there's always a next crisis. And when that next crisis arrives, in whatever form it does, Thorn is adamant that it will be the strength of your team, and their ability to communicate and collaborate, that will carry you through to the other side.

"One of the most critical things to me is how you lead through crisis and how you're going to act in those crisis moments," Thorn explains. "When there's a fire drill or a COVID pandemic, how do you lead your team through that, whether that crisis lasts a day, three years, or anywhere in between? Because in mortgage servicing, there is always a next crisis."

"During those moments, who do you look to?" she continues. "You want to look to your leaders, the same as I did with my leaders, and know, are they supporting me? Are they helping me solve my problems? Are they helping me strategize and put a plan together? Or am I out on an island, all by myself? That makes a difference." MP

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WITH THE RIGHT TOOLS, CONSTRUCTION LOAN OPPORTUNITIES CAN BLOSSOM

Continued housing demand and a lack of existing inventory are just two of the forces that make construction-to-permanent loans an ideal opportunity to make up for lost volume in today's marketplace.

By **SHANNON FARIES**

In *The Book of Tea*, Japanese scholar and artist Kakuzō Okakura wrote, "The art of life lies in a constant readjustment to our surroundings." Truth be told, the "art" of originating mortgages isn't much different—especially nowadays, when higher rates are forcing lenders to think outside the box to stay in business.

While most banks and independent mortgage bankers are still in cost-cutting mode, construction-to-permanent loans represent an ideal opportunity to make up for lost volume. In fact, the future for this product segment has rarely been brighter.

Why the Timing Is Right for Construction Lending

There are several reasons why construction loan opportunities are growing, and why a growing number of lenders are already receiving positive results. Zillow reports that the United States needs 4.3 million more homes, and other sources estimate that number to be even higher. With inventory at an all-time low, homebuyers are increasingly finding that their best option to get into a home is with new construction.

In fact, builder confidence has started to rise, according to the National Association of Home Builders (NAHB), citing "solid demand, a lack of existing inventory, and improving supply chain efficiency" as the reasons that helped shift the June builder

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confidence index into positive territory for the first time in 11 months. The new home construction industry is beginning to thrive, creating an environment ripe with potential for independent mortgage bankers and mortgage lenders.

According to a recent S&P Global Market Intelligence report, this past year saw an 18% annual increase in residential construction loans, the largest annual jump since 2016. Meanwhile, U.S. Census Bureau data points to more good news: housing starts surged 21.7% between April and May, the fastest pace in over a year.

This confluence of trends presents a potent opportunity for lenders to essentially signal a green light for those considering launching or expanding their construction-to-permanent loan programs. It's not just a viable business opportunity, it is also a strategic move that could significantly boost a lender's portfolio—as long as they have the right tools and resources in place.

It is important to remember that while existing home mortgage origination volumes have increased slightly, it is still a seller's market. And with rates significantly higher than they were a year ago, fewer would-be sellers are keen to trade their 3% rate loan for a 7% rate. On the other hand, buyers of new construction do not have to settle for the low inventory that currently exists—plus they can avoid getting dragged into a costly bidding war for a home in need of renovation.

The U.S. is experiencing a housing shortage of epic proportions that has only grown more acute over the past year. Despite the building industry's optimism, research from the National Association of Realtors (NAR) has found that the United States is not building enough homes to keep up with new household formations. We are in a deficit, and it appears to only be getting deeper. In June, the group reported that the nation's low housing inventory is hurting middle-income buyers more than any other group.

In other words, a serious construction boom is not only very likely but incredibly necessary. Mortgage lenders who already

There is yet another problem lenders looking to boost volume with construction loans face: Navigating the constantly shifting landscape of regulations and guidelines involving construction lending, which is no small task.

have construction lending programs will be in the right position in the coming months. And those who do not still have time to learn about and begin construction lending, even though construction loans are not as simple as the average 30-year fixed product.

Considerations for Successful Construction Lending

There are many benefits to offering construction-to-permanent loans, including the ability to generate net interest income, which can be used to enhance profitability and generate more efficient operations and fuel other areas of a lender's business.

The problem? Traditionally, originating construction-to-permanent loans is both messy and risky, which often severely impacts the lender and the borrower's experience. This typically occurs because of a lack of mentors in the construction lending space and a missing understanding of the tools, processes, and software that would help construction programs to be successful.

For example, for a single construction loan, many lenders rely on a combination of software, spreadsheets, and email to manage draw requests, disbursements, project inspections, and other aspects of the construction process. This lack of cohesion often creates an overabundance of manual work, such as checking and rechecking to confirm when funds were sent and received. It also makes the origination process more frustrating and time-consuming for everybody—not just for borrowers, but for builders and other parties as well.

Take inspection reports, for example. In many cases, a lender's staff must log into multiple systems to order an inspection and then, when it comes in, they must manually cross-reference the report with the draw request and project budget. Often, they must use multiple computer screens. This type of scenario can add days and errors to the overall process.

Constantly Shifting Rules

There is yet another problem lenders looking to boost volume with construction loans face: Navigating the constantly shifting landscape of regulations and guidelines involving construction lending, which is no small task.

For example, Fannie Mae could revise the guidelines in its Sellers Guide for single-closing construction-to-permanent loans at any time, creating additional conditions that lenders need to know about, understand, and meet. While intended to ensure safe lending practices, these changes represent another bar to clear that demands constant monitoring, staff training, and shifts in processes.

Keep in mind that underwriting construction-to-permanent loans to GSE (government-sponsored enterprise) standards can be a useful strategy in case of a future liquidity crisis, as it reduces barriers for secondary mortgage market traders and investors. However, Fannie Mae's selling guide is already a bit confusing for lenders that sell construction loans. For example, it does not mention whether a licensed general contractor is needed, nor does it clearly define the cost of construction.

Meanwhile, the current Loan Estimate and Closing Disclosure lenders use to meet the TILA-RESPA Integrated Disclosure (TRID) rule are not very useful when applied to construction-to-permanent loans, as they do not adequately disclose the unique costs involved in these products and create confusion for borrowers and lenders. This barrier can actually discourage lenders and community banks from expanding their construction loan activity.

Fortunately, the Consumer Financial Protection Bureau (CFPB) is reviewing a draft proposal by the Independent Community Bankers of America (ICBA) for alternative mortgage disclosures for construction loans. The ICBA's Trial Mortgage Disclosure Sandbox Template proposal, which my company participated in putting together, would improve the disclosures by including new construction phase details, cost breakdowns, and more details about the borrower's permanent financing.

While it remains to be seen where the proposal will go, the effort underscores the complexity that TRID presents to lenders that originate construction loans, both in how these loans are presented to borrowers and how they are processed internally.

Technology Comes to the Rescue

These dynamics demonstrate how originating construction loans correctly and soundly is a continually moving target. Staying ahead of these changes, especially when relying on traditional, spreadsheet-based methods of managing construction loans, can be an almost herculean task. Lenders that wish to take advantage of the growing opportunity that construction loans represent must find new ways to effectively manage the origination process and provide a seamless experience for their borrowers.

Thankfully, a new breed of construction loan technology has emerged that can help lenders easily overcome these challenges while better serving borrowers and their builder partners. New end-to-end software is available that enables originators to digitize the entire construction loan process, including inspections and disbursements. And a growing number of lenders are now using these platforms to drastically reduce their draw turn times and empower their teams to work more efficiently while creating a more streamlined experience for everyone.

As just one example, Portland, Oregon-based Pacific NW Federal Credit Union recently used such technology to virtually eliminate all the manual work and staff hours spent processing draw requests by hand. In fact, the credit union was recently able to reduce its average draw times from 10 to 12 days to just two days, according to Diane Calvin, Pacific NW Federal's SVP and Chief Lending Officer.

The new platform now serves as Pacific NW Federal's system of record for all construction loans, allowing staff members to view and manage every aspect of a construction project in one place. Builders love it, too, since the platform is equipped with mobile and web apps that enable builders to fill out and submit draw requests online—instead of by email—and receive an instant notification when funds are approved. "What has really helped us is showing our builders that we improved their process, give them time back, support them, which in turn we receive more member referrals," Calvin said.

It bears mentioning that technology can also help lenders stay compliant in an environment where the rules are constantly changing. With the right technology partner, lenders looking to sell construction loans can also access additional tools and resources, including worksheets that enable them to better define actual construction costs and best practices for meeting GSE selling guidelines.

At the end of the day, there's very little any lender can do to control the ups and downs of the housing market. But they can certainly invest in new technology to make it faster and easier for borrowers to get the financing they need. And with the gates starting to swing open and new home construction beginning to take off, and with many sidelined buyers coming back to the market, there's no better time to do so than now. MP

INVESTING IN OPPORTUNITY ZONE FUNDS FOR BUSINESS AND SUSTAINABLE CONSTRUCTION

By understanding the potential of investments in Opportunity Zones, investors can maximize their returns, promote green building initiatives, and shape the future of the construction industry.

By **JOHN WOLFINGTON**

Opportunity Zones have gained recognition as a powerful investment tool for real estate development in economically distressed areas. However, the investment potential extends far beyond real estate. Businesses operating within these zones can also reap significant benefits, while investors have the opportunity to support their missions, especially firms that promote sustainable construction practices and contribute to addressing the global environmental crisis.

In this article, we will explore the advantages of investing in businesses within Opportunity Zones; how this strategy can generate higher returns for investors, while benefiting local communities and avoiding taxes; and highlight the benefits of sustainable construction. By understanding the potential of these investments, investors can maximize their returns, promote green building initiatives, and actively shape the future of the construction industry.

What Are Opportunity Zones Funds for Businesses

Opportunity Zones are designated economically distressed areas in the country where investors can enjoy preferential tax treatment on investments in businesses that meet specific criteria. To qualify, these businesses must be located within an Opportunity Zone, generate at least 50% of their gross income from active business conduct within the Zone, and have a substantial portion of their tangible property within the Zone.

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Investing in businesses within Opportunity Zones offers significant tax benefits, such as deferring capital gains taxes, reducing the tax basis, and even eliminating capital gains taxes on new investments if held for a specific period. This makes investing in Opportunity Zone businesses an attractive option for investors seeking to maximize their returns, while contributing to the economic growth of underprivileged communities.

How the Local Community Can Reap the Benefits

Investing in businesses in Opportunity Zones can have a transformative impact on local communities. By injecting much-needed capital into these areas, investors can help create new job opportunities, stimulate economic growth, and improve the overall quality of life for residents. Additionally, successful businesses within Opportunity Zones can attract more investors and entrepreneurs, creating a positive cycle of development and revitalization.

Why Investors Should Pay Attention to These Opportunities

Investing in businesses within Opportunity Zones can offer several benefits for investors:

- Tax advantages: Investors can defer their capital gains taxes by reinvesting them into an Opportunity Zone fund. Furthermore, the tax basis can be reduced by up to 15% if the investment is held for at least seven years, and any capital gains on the Opportunity Zone investment can be completely tax-free if held for at least 10 years.
- Higher returns: While real estate investments in Opportunity Zones can generate attractive returns, investing in businesses has the potential for even higher returns. As these businesses grow and succeed, their value can appreciate significantly, offering substantial profits for investors.
- Diversification: By investing in businesses

within Opportunity Zones, investors can diversify their portfolios beyond traditional real estate investments, reducing their overall risk and exposure to market fluctuations.

» Social impact: Investors have the opportunity to create a positive social impact by supporting businesses that contribute to the revitalization of economically distressed communities. Investing in sustainable and socially responsible companies can align their financial goals with their values, promoting a more equitable and sustainable future.

Maximizing Opportunity for Business Investments and Sustainable Construction

Investing in Opportunity Zone businesses that specialize in sustainable construction provides investors with financial advantages, while supporting green building practices, sustainability, and efforts to address the global environmental crisis. By allocating capital to companies that prioritize sustainable construction solutions, investors actively contribute to reducing waste, conserving resources, and promoting energy-efficient building practices.

By seizing this rare investment opportunity, investors align their financial goals with their commitment to creating a positive impact on the environment and promoting a greener and more sustainable environment.

Through Opportunity Zone funds, investors can maximize returns, support local communities, and actively shape the future of the construction industry. Together, we can harness the potential of Opportunity Zones, driving economic growth while addressing the pressing challenges of our time.

Although real estate investments within Opportunity Zones have garnered significant attention, business investments in these areas remain untapped potential for many investors and must be explored. By understanding the advantages of investing in businesses within Opportunity Zones, investors can unlock new opportunities for wealth creation and community development. **MP**

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APPRAISAL MODERNIZATION AND DATA

Matt Stepanovich, VP, Hybrid Valuations, at SingleSource Property Solutions, discusses appraisal modernization and big data's role.

Matt Stepanovich serves as VP of Appraisal Modernization and Quality Control for SingleSource Property Solutions, where he oversees the company's appraisal modernization initiatives. As a certified Residential Real Estate Appraiser with more than two decades of experience in the valuation and financial services industries, he has owned a successful real estate appraisal firm for over 15 years and has extensive knowledge and expertise in hybrid and alternative valuation products. He has also served as SVP of sales and operations for a regional real estate company and VP of sales for a national real estate inspection and hybrid valuation firm. He can be reached at mstepanovich@singlesourceproperty.com.

Q: When did Fannie Mae and Freddie Mac begin collecting data for property valuations?

The GSEs implemented the Uniform Appraisal Dataset and began collecting various appraisal data points back in 2010. At that time, appraisal data was somewhat fragmented and inconsistent. In fact, that was part of the goal, to standardize appraisal data points across the board. The initiative was instrumental as it marked the inception of a more data-driven, systematic approach to property valuations.

Q: What was the benefit of implementing UAD?

The most significant advantage was that it gave both GSEs the ability to start systematically tracking data on individual properties. All of the data was housed in one centralized hub. For the past five years, Fannie and Freddie have been able to monitor valuations and other data on specific properties. With that historical data in hand, requirements for the type of valuation that would be needed on specific transactions can be more easily determined.

The UAD also made the access, analysis, and utilization of property data significantly more efficient and reliable. This ultimately led to more precise, data-driven approaches to property valuations that reduced margins of error and provided a more nuanced understanding of the property's value.

Q: How is historical data utilized?

The use of historical data in the property valuation process has always been a critical part of determining current market value. If you think of each property as having its own unique story to tell, the historical data serves as the chapters of that story. When an appraiser is tasked with determining a property's value, the historical record of that property is crucial information for the appraiser. As they sift to analyze the data, they could be looking for clues in the form of data points that could be relevant to their current assessment. That might include details about past renovations, changes to the property's layout, value fluctuations, or other data. Collectively, each of these elements contributes to a broader understanding of the property's current value.

The same historical data can also help shed light on what the valuation requirements for the current report should be. For example, if the data points have a comprehensive and consistent history and the type of transaction qualifies, perhaps an inspection isn't needed. Conversely, if there are data gaps or inconsistencies, perhaps an inspection or full appraisal is needed. Basically, historical data can be both a guide and a foundation that ultimately enables a more accurate and efficient determination of value.

Q: Are there any other benefits to using data?

Absolutely. For instance, some of the appraisal bias issues that have been raised are being investigated through UAD data. The Federal Housing Finance Agency recently examined over 47 million appraisals from 2013 to 2021 to investigate potential appraisal bias. The agency developed a metric that identifies when properties appraise for less than a buyer's offer and found undervaluation to be more prevalent in certain metro areas in which expected appreciation, property condition, housing availability, and buyer demand were factors. In such cases, the appraiser will have no idea about the ethnicity of the homeowner.

UAD data is also a valuable resource for other academic and industry researchers studying housing markets, lending practices, and appraisal practices and methodologies.

> "If you think of each property as having its own unique story to tell, the historical data serves as the chapters of that story."

It's used to understand real estate market trends and dynamics on a micro and macro level, which can be helpful for making strategy planning, policymaking, and investment decisions. And financial institutions and third-party vendors can leverage UAD data to develop proprietary models for property values and loan pricing.

Q: What type of data is collected by property inspectors for valuations?

Inspectors are able to collect a wide range of information that is important to the appraiser's valuation. For example, they can provide a floor plan to help identify functional concerns related to the interior layout of the dwelling. The floor plan breaks down each level of the structure while indicating the interior walls, staircases, and flow of rooms. The digital floor plan is also used to help understand the structure's gross living area. The inspectors also report the quality and condition of the dwelling's interior and exterior for updates/damages, identify any marketability or location issues, and provide photos of all rooms from multiple angles. Inspectors can capture virtually everything about the current condition of the property, including details about finishes, the type of flooring, the condition of the walls and windows, and any unique features. All of this data can then be relayed back to the appraiser to form an accurate and comprehensive valuation of the property, often in a much faster timeframe than a full-scale appraisal.

Q: How do you think the appraisal process might evolve over time?

As technology improves, one likely possibility is that artificial intelligence (AI) will be utilized to analyze data stored from the subject property as well as local neighborhood data and specific street metrics in order to come up with valuations. As we accumulate more and more data about properties, neighborhoods, and markets, AI also has the potential to play a transformative role in how we analyze and forecast housing market trends.

However, it's important to note that even the most powerful technologies are still only tools. Human expertise will always be critical in the appraisal process to ensure every valuation makes sense and meets the needs of all parties involved.

MORTGAGE FINTECH WARM-UP TOOK 13 YEARS. NOW FOR SOME RESULTS.

By **DAN SOGORKA**

DAN SOGORKA *is the President and CEO of Sagent, America's second-largest loan servicing software company, serving top bank and nonbank servicers. Sogorka has led digital transformation in housing for two decades. Before joining Sagent, Sogorka served as CEO of digital mortgage point-of-sale provider Cloudvirga, President of EXOS Technologies, EVP of ServiceLink, a $1 billion revenue subsidiary of Fidelity National Financial, and Division President at mortgage servicing and data giant Black Knight. As CEO of Sagent, Sogorka plays a vital role in reinventing how banks and lenders power the homeownership and consumer lending experience for millions of borrowers.*

Mortgage fintech narratives are mostly about cool new innovations coming to market, but one key thread has held all narratives and innovations together since the beginning: regulatory compliance. Let's recap the mortgage innovation timeline to show the role of regs and compliance, then let's review how servicing fintech will deliver industry-changing results in 2024 and beyond.

How Policymaking Drove Mortgage Innovation During the Post-2008 Era

The digital mortgage era began 13 years ago this summer when the post-2008 crisis Dodd-Frank re-regulatory bill was enacted July 21, 2010.

This body of laws created the Consumer Financial Protection Bureau (CFPB), which announced its first major initiative—new consumer mortgage disclosures—on May 18, 2011.

You all know this as TILA-RESPA Integrated Disclosures, aka TRID, and it fueled the biggest mortgage innovation wave of the modern era.

That tech race to the October 3, 2015, TRID compliance deadline led to the Rocket Mortgage launch, as well as creating the entire Point of Sale fintech category.

This did two things. First, it helped modernize the rest of the originations tech stack. Second, the "do it all on your phone" approach to innovation led to a total overhaul of the consumer experience from paper to digital.

Then came Day One Certainty (D1C) from Fannie Mae October 24, 2016, and Freddie Mac's Asset & Income Modeler (AIM) shortly after. D1C and AIM use investor policies to drive lender adoption of digital loan origination tools in exchange for risk relief. This paved the way for rapid innovation in the $2 trillion per year originations sector until the pandemic hit.

Then pandemic policy—most notably the CARES Act signed into law March 27, 2020—led to rapid innovation in the $13 trillion servicing sector.

Defining the Role of Servicing Fintech in a 2023-24 Context

I assumed the CEO role of Sagent that same month, and we began by defining the role of mortgage servicing fintech in two ways. We said Sagent-powered customers:

1. Must have real-time platforms for real-time markets and regulations.
2. Must be best-in-class on three key Cs: Customer, Cost, and Compliance.

We review this often, and it's holding up well in a 2023-24 context.

By "Customer," we mean transforming the consumer experience. We often call the endgame here "homeowner-first servicing modernization." This includes applying all the do-it-on-your-phone advances in originations to the servicing space. The tech must enable consumers to self-serve for almost any scenario and get immediate human help when needed—and those human advisors must see exactly what the consumer sees. It's even more important in servicing because servicing is where customer relationships are nurtured, grown, and retained via new originations or attentive hardship resolution.

By "Cost," we mean lowering not just IT cost but servicing operations cost. This is a critical distinction that's especially important in servicing. We're the only major servicing software player with core, default, and consumer platforms that are all synced by real-time data, cloud-based, and open API. This means a few key things: servicers can streamline ops by needing fewer ancillary systems. They can configure (rather than code) for real-time investor and regulator changes. And they can easily build their own processes for custom use cases across core, default, and consumer servicing. All of this lowers IT and especially operations cost, and the latter is where servicers beat competitors on service and profitability.

By "Compliance," we mean ensuring every compliance detail is innately built into every user action—regardless of whether that user is a consumer or a servicing employee. This is where Sagent's three Cs and "real-time platforms for real-time markets and regulations" approach comes

together. With all core, default, and consumer platforms synced by real-time data, anyone—consumer or servicing employee—touching any Sagent platform is seeing the latest customer, investor, and compliance information. Which, of course, leads to better customer experience and more efficient operations. And in a bigger compliance sense, it also means avoiding enforcement risks and penalties.

How Regs & Servicing Fintech Will Fuel Industry-Changing Results in 2024

Now that we've defined the role of mortgage servicing fintech in a 2023-24 context, let's bring it home by recapping how the March 2020 CARES Act led to rapid servicing innovation.

In my last piece for *MortgagePoint* magazine, I noted how unemployment spiked from 3.5% to 14.8% early in the pandemic, and CARES was a crucial bright spot that ultimately helped 7.8 million people keep their homes.

When CARES forbearances and other hardship relief became effective, Sagent-powered servicers were ready on day one because they simply configured (rather than coded) for each compliance nuance CARES homeowner hardship relief enabled. This meant being able to offer forbearances, payment deferrals/partial claims, and extended-term modifications to struggling homeowners immediately—and not missing a beat on compliance.

The same goes for being ready when FHFA recommitted to CARES payment deferrals this year. And if next year's election results in more policy changes, servicers will be ready for that too. The same goes for servicer readiness for the next bank crisis, recession, or other sudden exogenous event. It's all powered by real-time platforms for real-time markets and regulations. And it all builds off fintech progress over the last 13 years.

So, to end where I began: with cool new innovations. Please connect with me and Sagent on LinkedIn to see what we're bringing to market in 2H23 and 2024. Spoiler alert: it's industry-changing results on Customer Experience, Cost Control, and Compliance. Please reach out and let's keep this thread going.

ANALYZING 10 PROBLEMS BUYERS FACE WHEN LOOKING FOR REHAB PROPERTIES

Rehabbing a home for profit can be an extremely lucrative proposition, but only if the project is treated like a business, as tight profit margins leave little room for mistakes.

By **STEVE DAVIS**

The processes involved in renovating a fixer-upper into a forever home, and flipping a rundown house on a six-month time schedule are not at all similar, and confusing the two can lead to tens of thousands down the drain and blown budgets. Rehab projects can be extremely lucrative, but only if you treat them like a business, as tight profit margins tend to leave no room for mistakes.

Here are the top 10 pitfalls in the space, and what you can do to avoid them.

1. Getting emotionally involved with the rehab property

Successful home flippers look for "Hair on the Deal"—the hairier, the better. In other words, the ugliest piece of garbage promises the deepest discounts.

Flipping is a business, but people treat it like a personal hobby by overbuilding and designing homes they would want to live in. I've seen people who live in million-dollar homes put the fixtures, finishes, and appliances they have at home on $400,000 rehab properties. Inevitably, this pushes the budget beyond what the property can stand.

2. Overpaying for the rehab property

Many people get into property flipping without the ability to evaluate a property's value. They say, "The tax record shows the property is worth $400,000, and six other homes in the neighborhood are listed for $400,000, so that means this property is worth $400,000."

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However, none of that information has anything to do with a property's value. Find out what the last five, six, or seven homes similar to your flip property recently sold for, and base your numbers on the average of those sales.

To find accurate data, subscribe to an online service offering comparable sales. You can get the numbers from your real estate agent, but remember that agents have skin in the game, too. They can work the numbers to push that average up, and make your rehab property look like it is worth more than it actually is.

3. Moving too slowly on a rehab property

Good deals do not last. When I hear about a deal, I typically make an offer within five minutes. My agent calls and says, "Look, this house is worth $400,000, it needs $100,000 in rehab, and they'll sell it for $200,000."

So, I will hang up, run comparable sales, and analyze the numbers. If the average sales price of other similar homes is really $400,000, I call the agent back and write up an offer.

To be comfortable making an offer so quickly, I embed a five- to seven-day option period into the contract, which gives me enough time to investigate the property. If I find something I do not like, I can get my earnest money back. Adding an option period to your contract costs between $100-$150. You will not get that money back, but it protects your earnest money, and allows you to control the deal quickly.

Be ready to move before you even hear about a deal. Get preapproved from your mortgage company before you look at your first rehab property, and have your insurance contact and general contractors lined up and ready to go.

4. Failing to obtain a written bid for the repairs before the contract

Sometimes, a seller will not give you an option, no matter what. In this case, your earnest money will be extremely hard to get back from day one, since you will not get it back if you back out of the deal.

To move quickly, people take the Realtor's rehab estimate as fact. If the agent estimates $100,000 in rehab, flippers assume that is correct and put up earnest money, but this is a bad idea. Instead, you need a written bid. That $100,000 estimate could easily come back to $120,000, and ultimately, kill a deal.

In my experience, an agent's estimate is always low. In a pinch, add 50% to their estimate. If that number works, then go ahead with the deal.

There is a big difference between high-quality parts and ego-based parts. If you are doing a $1.5 million rehab, use ego products like a Viking or Sub-Zero in the kitchen, but high-quality parts are what you want to use in most of your flips.

★ ★ ★ ★ ★

5. Failing to vet contractors

Anyone can slap a sign on a truck, but not all contractors are created equal. You may pay $30,000 upfront on your $100,0000 project, start off with six workers at your house, then pay the second $30,000 a few weeks later, but find only two workers at your house. This means that your contractor has taken another job and moved four workers somewhere else.

Check references before signing contractors, and make sure those references are recent. You are looking for referrals from clients who have seen the contractor's work in the last six to nine months and who can answer the hard questions, like "Did contractors finish on time, and did they perform quality work, or did they nickel and dime you?"

6. Neglecting to agree on a penalty if contractors do not finish on time

Give your contractors hard deadlines and penalties for not meeting them. When you allow contractors to procrastinate and pull workers to other jobs, three-month rehabs drag into six-month projects with no end in sight.

To prevent this, build a penalty directly into the contract. For example, if a contractor tells me that a $100,000 rehab will take three months. I say, "Great, I'm going to give you three-and-a-half months. After that, there's a $200 penalty for each day beyond that three-and-a half-months."

7. Overbuilding for the neighborhood

When you get excited about a property, it is easy to start what I call nesting, which causes you to overspend. The next thing you know, your $100,000 rehab has become a $130,000 project, and your margins have evaporated. You were set to make $60,000 on the deal, but now you are only making $30,000.

To avoid nesting, keep track of your numbers religiously. Calculate the total cost for your project, and if you are tempted to make a sudden change in fixtures or finishes, see how the math impacts your running total.

8. Trying to sell a rehab property for over the neighborhood average

When you price your rehab property high, you slow the sale and increase holding costs. The longer a property sits on the market, the more you pay.

To avoid this, run a comparable price on your rehab. The service will give you a low price where the property is likely to sell in 30 days, an average price where it should sell in 45 days, and a high price that will keep it on the market for 90 days or more.

While the home is on the market, you are on the hook for insurance, tax, and mortgage payments, meaning every month that passes without a sale eats into your profits. You will always make more in the long run by asking an average price rather than holding out for a top dollar offer that may not come.

9. Using the wrong type of mortgage

I see so many people take loans against their home or 401(k) because they cannot use a conventional mortgage. A conventional mortgage will not finance a rehab house.

Remember, we are talking about houses with a lot of hair on the deal—missing windows, missing doors, trashed cabinets, no flooring, etc.—and you cannot get a conventional loan for that kind of home. If Fannie Mae goes in and there is no carpet in one of the bedrooms, you will not get a loan.

To keep out-of-pocket costs low, finance your rehab property with a bridge loan or a hard money loan, which lump the sale price and rehab money together. In addition, down payments on these loans are far lower, meaning you spend less upfront and obtain funding for repairs. You can access these loans more easily by joining a local real estate investor club.

10. Using low-quality parts to save money

If you skimp when you rehab a home, people will notice. Picture a gorgeous white designer gown with a minuscule spec on the hem—that is where your eyes will gravitate to. For an anecdotal example, I remember a woman once walking right under an $18,000 chandelier to point out a slightly misaligned piece of crown molding.

You always want to show a home built with high-quality parts, but keep in mind the other side of this problem about getting emotionally attached to your rehab property and overbuilding. There is a big difference between high-quality parts and ego-based parts. If you are doing a $1.5 million rehab, use ego products like a Viking or Sub-Zero in the kitchen, but high-quality parts are what you want to use in most of your flips.

The knowledge behind successfully flipping homes, rehabbing rentals, and owning apartment complexes fills entire bookshelves. These 10 tips are merely just the tip of the iceberg. Before you go out and look at a flip property, educate yourself. Take the time to read a book, pick a mentor's brain, and attend some seminars to equip yourself with knowledge you will not regret! MP

RISING FORECLOSURE STARTS: NAVIGATING THE CHALLENGES AND LEVERAGING INNOVATIVE SOLUTIONS

By **TRAVIS BRITSCH**

Over the past few years, foreclosure rates dramatically decreased artificially due to various federal mortgage relief programs and moratoriums on foreclosures created in response to the COVID-19 pandemic. Recent data from ATTOM Data Solutions' Mid-Year 2023 U.S. Foreclosure Market Report reveals an increase in foreclosure starts to pre-pandemic levels across the country, heralding potential challenges and opportunities for servicers, trustees, and attorneys.

One of the major challenges lies in the capacity to scale staff efficiently. With the surge and fluctuations in foreclosure starts, the need for increased personnel to handle the rising demand is imminent. However, scalability is a double-edged sword. While the need for more staff increases during a rise in foreclosure starts, during quieter times it becomes economically unviable to maintain a large staff. Thus, this unpredictable variability poses a daunting challenge for trustees and attorneys.

Moreover, with increased foreclosure starts comes the amplified risk of potential errors, compliance issues, and oversights. Minimizing these risks amidst the rising volume of cases requires a robust, dependable, and efficient solution.

In response to these challenges, innovative solutions to outsource back-office functions to firms like Altisource Trustee Services emerge as an invaluable resource to trustees and attorneys looking to maximize the potential revenue from increased foreclosure starts

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by streamlining processes and optimizing operations. The outsourcing of back-office services, whether off-shore or on-shore, can help to minimize the risks associated with maintaining a dedicated in-house staff as foreclosure-file volumes ebb and flow (or surge!).

An increase in foreclosure starts doesn't always lead to a similar volume increase in actual foreclosure sales, especially today where most homes in foreclosure may have significant positive equity. Homeowners today have options including a loan modification, refinance, or even an arm's-length traditional sale prior to the foreclosure sale, all of which generate more positive results for the owner, lender, and even the community. Unfortunately, "most" does not equate to "all," and we may soon start seeing the number of foreclosure sales significantly increase nationwide. This will require not only the opening of a foreclosure file and a resolution prior to foreclosure but also the marketing of a foreclosure sale to help drive third-party sales (TPS). Ultimately, asset management of properties reverting to the beneficiary is needed as these hit the market as REO and CWCOT.

Maximizing recovery for beneficiaries and minimizing deficiencies for homeowners can be accomplished by aggressively marketing properties to sell as a TPS in auctions at trustee and foreclosure sales. A marketplace like hubzu.com offers an effective platform to market foreclosure sales and REO/CWCOT that did not sell as a TPS. This auction-marketing model facilitates transparency, efficient transactions, and potential for higher sales prices, providing an ideal solution for managing an increased volume of foreclosure properties. With an increase in foreclosure starts, an increase in REO volume should follow. Hubzu's online auction marketing is a proven way to maximize returns on REOs while minimizing the risks associated with an increase in default properties on a lender's portfolio.

On the other hand, Altisource Trustee Services steps in to alleviate the operational strain and risk management concerns for trustees and attorneys. As a comprehensive provider of foreclosure trustee services, Altisource's offering extends to foreclosure processing, bankruptcy processing, and eviction management. Its services ensure full compliance with regulations, thus helping you reduce risks.

Perhaps the most significant advantage that Altisource Trustee Services offers in this dynamic environment is its scalability. With its ability to manage large volumes of foreclosure-related proceedings, Altisource empowers trustees and attorneys to adapt their operations to the market's demands without bearing the cost and challenges of scaling their proprietary staff up and down. Altisource can also provide an end-to-end solution providing field services, vendor management, portfolio management, and more.

The rise in foreclosure starts presents both obstacles and opportunities. As we navigate this evolving landscape, services such as hubzu.com and Altisource Trustee Services are essential tools for managing these changes. Now is the time for stakeholders to prepare and react to the resurgence of foreclosure starts by leveraging outsourcing to mitigate risks, optimize processes, and seize opportunities with confidence.

The rise in foreclosure starts presents both obstacles and opportunities. As we navigate this evolving landscape, services such as hubzu.com and Altisource Trustee Services are essential tools for managing these changes.

A PLAYBOOK FOR MORTGAGE LENDERS IN CAPITAL PRESERVATION MODE

As workforces are cut, the use of technology to automate specific workflows can be benficial, while establishing a playbook for when it's time to go back on the offense.

By **LLOYD BOOTH** & **STEVE WOLFE**

Since the Fed began hiking interest rates, many mortgage lenders have been forced to dramatically cut headcount. Despite these reductions, the latest Mortgage Bankers Association's (MBA) Annual Mortgage Bankers Performance Report found that mortgage processing costs hit $10,624 in 2022, for an average per-loan loss of $301.

Unfortunately, it's no easier to call the bottom (or top) of the mortgage market than any other complex market. So, now is not the time to make wholesale changes to your technology stack. However, you can use technology to automate specific workflows while establishing a playbook for when it's time to go back on offense. A practical playbook contain three major parts:

» An assessment of current processes and technology

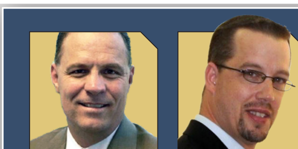
» Identification of risks and opportunities to achieving peak performance when the next wave of refinancings or purchase mortgages arrives

» Trigger points for when to start implementing each upgrade based on your strategic objectives

Let's take a closer look at what each of those parts entails.

Phase 1: Assess Current Processes and Technology

Because of the feast/famine cycle of the mortgage industry, many lenders have



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evolved wildly inefficient tech stacks: outdated instances of loan origination systems, point solutions that fit clunkily together, manual workarounds, and emergency fixes that have become permanent.

There's no time to update technology when you can barely handle the volume of applications, as many lenders experienced in 2020 and 2021. And there's no appetite to invest in new technology when revenue slows to a trickle.

But at some point, most lenders realize they must address skyrocketing tech costs and process inefficiencies.

Current market conditions provide an excellent opportunity to take the first step: deeply analyze your systems and processes. The goal is to identify hidden risks and opportunities.

Assess each solution's capabilities and determine whether you need to maintain every feature or subscription to keep your current functionality. Lenders can often reduce the number of solutions they're paying for and simplify processes.

It's also a great time to examine configuration rules, vendor and custom integrations, and data requirements, which can reveal opportunities to increase efficiency and reduce spending.

Phase 2: Rank Priorities by Cost and Impact

Once you've identified the opportunities and risks that your current technology and processes present, it's time to prioritize them by cost and impact.

The theory here is simple, pursue projects with the highest impact and lowest cost first.

For example, suppose a lender knows their loan officers rely on many manual workarounds with their current origination software. They know this is inefficient, but they're hesitant to adopt a new system, which would introduce a painful learning curve that could be disastrous if the market picks up.

A savvy partner can point to alternatives—refactoring the existing platform to introduce new functionalities and features (like e-sign and e-notarization) and eliminate common workarounds. Refactoring tends to be less risky than adopting a new platform (smaller learning curve) and less expensive.

Another way an external partner might help as lenders rank the cost and impact of technology upgrades is by helping assess the total cost of various implementation strategies, incuding offshore, onshore, near-shore, or off-shore supplemented by experienced consultants overseeing the work.

When you start with a deep dive and overview of risks and opportunities, you can also include opportunity cost in your calculations. For example, suppose an internal team

can complete a project in nine months, but a hyper-experienced external one takes three. In that case, you must factor in the opportunity cost of that six-month lag along with the outsourcing fees.

Phase 3: Identify Timelines for Implementing Upgrades

Even though it's challenging (read impossible) to forecast significant inflection points in the market with precision, your FI still uses scenarios that include a base case for planning purposes. You're also watching markets to identify opportunities—for new products, lines of business, etc.

So, start with your long-term strategic objectives and determine the technology required to achieve them, their cost, and their implementation times. At that point, you can approximate a start date for a particular project.

For example, suppose a strategic objective is to improve the mortgage application customer experience to boost your close rate, cut operating costs, etc. You may need to implement a new application portal, which can take at least 90 days. So, if you believe the market will turn about a year from now, then several months from now, you should start choosing and implementing an application.

Similarly, if your strategic objective is to enter a new line of business—mortgage servicing or expanding the menu of loan programs, for example—then that will require technology and processes you'll need to implement that will take time to accomplish.

You Can't Predict the Market, but You Can Prepare for It

If the last three years have taught mortgage professionals anything, we never know what's next. In a cyclical industry like this, any relative lull is an excellent opportunity to take stock and make plans. We're in one of those lulls right now.

As we wait to see where interest rates go next and how many other mortgage market variables play out, now is a great time to identify your organization's most significant opportunities and define the conditions that will trigger action to seize those opportunities.

Expert Insights

HOW MORTGAGE COMPANIES HAVE BEEN IMPACTED BY THE PANDEMIC

Rob Nunziata, Co-Founder and CEO at ActiveComply, discusses how the mortgage industry was impacted by the pandemic, the liabilities that a work-from-home staff bring, and how home lenders and servicers are managing this risk.

Rob Nunziata is the Co-Founder and CEO of ActiveComply, a provider of cloud-based solutions that help companies in highly regulated industries stay compliant. He is also the Co-CEO of Orlando, Florida-based FBC Mortgage LLC, one of the nation's largest retail home lenders. Before joining FBC more than 17 years ago, he worked at First Horizon National Corp. Nunziata majored in business, finance, and marketing at the University of Florida's Washington College of Business. Contact Nunziata at rob@activecomply.com.

Q: Why is any compliance monitoring needed for employees who want to work from home?

The biggest reason is the fact that the mortgage industry has become much more heavily regulated since the 2008 financial crisis. Depending on where they do business, lenders must meet a variety of federal and state requirements regarding what their employees can and cannot do—requirements that involve everything from marketing to how sensitive consumer data is handled. In addition, lenders need to ensure their employees have safe and compliant working conditions wherever they work, including at home. These requirements apply whether employees are working in the office or from home, but monitoring employees for compliance is obviously much harder if they're not in a company's offices.

The other reason is that lenders and servicers with employees who started working remotely during the pandemic are now being held accountable to agencies and regulators, so monitoring is not an option.

Q: How did the pandemic change things?

Almost overnight, real estate finance firms had many or all of their employees transition from their offices to working from home. In the meantime, many states lifted rules and guidelines that would normally prevent mortgage companies from operating entirely remotely. Since then, a number of states have enacted regulations that enable originators and servicers to use remote workers permanently. Many mortgage companies now offer remote work as a perk, which enables them to recruit from a larger pool of talent.

Q: What challenges did this present to lenders?

There were multiple challenges. For starters, mortgage companies had to figure out if their employees' network access was secure and if they had adequate internet speeds to perform their jobs unimpeded. They also had to make sure that the remote employees were complying with agency and government guidelines, requirements and regulations, especially those regarding customer privacy. For example, if an employee is working with borrower data, they shouldn't be using an at-home printer or working from a public library where others may have access to that information. Most lenders have no idea whether their employees are doing these things unless they have the right tools in place.

Q: What precedent did mortgage employers have to draw on when they made the widespread shift to work-from-home models?

There really wasn't any precedent. It's important to understand that the vast majority of mortgage industry professionals, like most Americans, had never experienced working from home. Until recently, working from home was something you could only do if you were a freelancer or a consultant. For the past 60 years, people have primarily commuted to offices, retail stores, manufacturing facilities, or other locations. When 2020 hit, suddenly you had practically the entire industry working from home at once. It was a huge shift that happened so fast that regulators are only now beginning to catch up.

In fact, the "rulebook" for having remote employees is still being written. For instance, the MBA recently created proposed model legislation to help individual states make the flexibility they offered lenders during the pandemic permanent. The trade group also expects regulators will eventually require lenders to keep lists of all their remote employees as well as the hardware they're using and a security log of remote logins. There are no precedents for any of these things.

Q: How can mortgage companies efficiently address all of these concerns without the travel expense associated with recurring on-site inspections?

Thankfully, recent technological advancements have made it possible for companies to perform inspections of an employee's home office or their branch offices remotely. Through tools such as the geo-tracking function on the employee's own phone, remote verification of the employee's IP address and internet connection speed, and secure video technology combined with employee input, mortgage organizations can confidently confirm that their team members are safe and working in a compliant manner, no matter where they are.

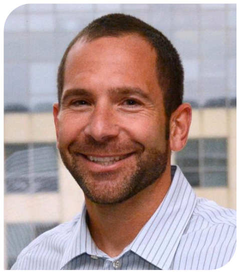
In addition to helping lenders stay compliant, remote inspection technology enables lenders to continue to safely recruit and maintain a distributed workforce, which helps bring their overall operating costs down. At a time when every lender is looking to trim costs to offset the impact of higher rates on their loan volume, that's an enormous advantage.

Q: How does the need for verification of work-from-home staff vary between mortgage lenders and other companies?

Every company that operates a remote workforce needs to monitor what their employees do, but we have found the most demand for remote office inspections comes from the most highly regulated industries. So, mortgage companies, real estate firms, banks, wealth managers, and other financial service providers are most interested in the services we are offering.

In the mortgage industry alone, the rules about what employees can and cannot do are so specific that they're often taken for granted. For example, if you have someone working with an FHA borrower from their home office, HUD policies demand that the employee's computer screen not be visible to anyone else in order to keep the borrower's data safe. With the right technology, lenders no longer have to take an employee's word that these things aren't happening—they're able to know for sure.

> "For the past 60 years, people have primarily commuted to offices, retail stores, manufacturing facilities, or other locations. When 2020 hit, suddenly you had practically the entire industry working from home at once."
>
> —**Rob Nunziata**, Co-Founder and CEO, ActiveComply



Lending/Originations

MORE PROSPECTIVE BUYERS TURN TO NEWLY BUILT HOMES IN JUNE

The Mortgage Bankers Association (MBA) Builder Application Survey (BAS) data for June 2023 shows mortgage applications for new home purchases increased 26.1% compared to a year ago. Compared to May 2023, month overmonth, mortgage applications decreased by 5%.

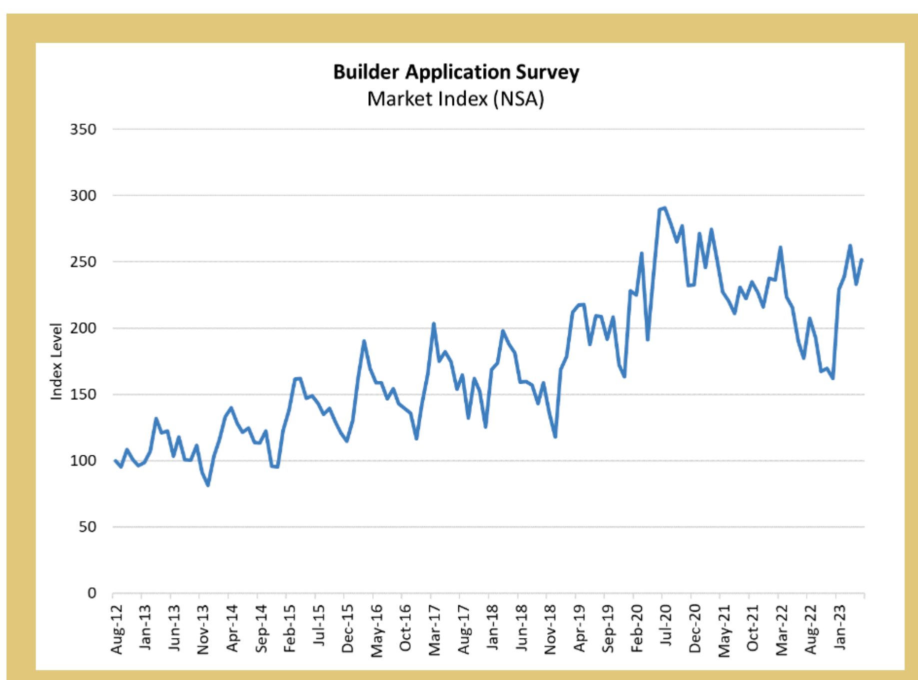
"New home purchase activity continues to be a bright spot, as both new home applications and home sales were up on an annual basis," said Joel Kan, MBA's VP and Deputy Chief Economist. "With existing inventory still held back by homeowners, prospective buyers have turned to newly built homes instead. Rising mortgage rates in June likely caused some pullback in purchases over the month, as the 30-year fixed rate averaged close to 6.8%. However, applications for new home purchases have now shown annual increases for five consecutive months."

MBA estimates new single-family home sales, which has consistently been a leading indicator of the U.S. Census Bureau's New Residential Sales report, is that new single-family home sales were running at a seasonally adjusted annual rate of 687,000 units in June 2023, based on data from the BAS. The new home sales estimate is derived using mortgage application information from the BAS, as well as assumptions regarding market coverage and other factors.

The seasonally adjusted estimate for June is an decrease of 9% from the May pace of 755,000 units. On an unadjusted basis, MBA estimates that there were 60,000 new home sales in June 2023, a decrease of 6.3% from 64,000 new home sales in May.

By product type, conventional loans composed 65.5% of loan applications, FHA loans composed 24.1%, RHS/USDA loans composed 0.3%, and VA loans composed 10%. The average loan size of new homes decreased from $403,581 in May to $400,281 in June.

MBA's Builder Application Survey tracks application volume from mortgage subsidiaries of home builders across the country. Utilizing this data, MBA is able to provide an early estimate of new home sales volumes at the national, state, and metro level. This data also provides information regarding the types of loans used by new home buyers. Official new home sales estimates are conducted by the Census Bureau on a monthly basis. In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application.



SMALL SINGLE-FAMILY HOMES RANK THE RAREST TO FIND

Another post-pandemic record has been set—just 1% of homes have changed hands this year, the lowest share in a decade—according to Redfin who further reported that this number meant 14 of every 1,000 homes sold during the first six months of 2023. This number is down from 19 of every 1,000 during the same period in 2019 which means the first half of 2023 reported the lowest turnover rate in at least a decade.

In 2018, Freddie Mac (a GSE) estimated that about 2.5 million homes needed to be built in order to meet demand, with the main lack of construction of single-family homes.

The pandemic homebuying boom of 2020 and 2021—mainly driven by record-low mortgage rates and remote work—depleted already low inventory levels. Finally, 2022's soaring mortgage rates—average rates nearly doubled from January to June—exacerbated the shortage by handcuffing homeowners to their comparatively low rates.

"The quick increase in mortgage rates created an uphill battle for many Americans who want to buy a home by locking up inventory and making the homes that do hit the market too expensive. The typical home is selling for about 40% more than before the pandemic," Redfin Deputy Chief Economist Taylor Marr said. "Mortgage rates dropping closer to 5% would make the biggest dent in the affordability crisis by freeing up some inventory and bringing monthly payments down. But there are a few other things that would boost turnover and help make homes more affordable. Building more housing is imperative, and federal and local governments can help by reforming zoning and making the building process easier. Financial incentives, like reducing transfer taxes for home sellers and subsidizing major moves with tax breaks, would also add to supply."

The suburbs reported the most shrinkage as 16 of every 1,000 large suburban houses have changed hands this year—two-thirds as many as 2019. House hunters searching for larger homes in the suburbs have seen the steepest drop in options; just about 16 of

Average-priced and median sized homes were the hardest to find in the first half of the year; smaller houses in the city have the lowest turnover rate of all home types in Redfin's analysis.

every 1,000 four-bedroom-plus suburban single-family homes sold in the first half of this year, down from 24 of every 1,000 that sold in the same period in 2019. That means buyers of that home type have 33% fewer houses to choose from.

"New listings normally hit the market on Thursdays, and I have buyers who are excitedly checking their Redfin app Thursday mornings, only to find nothing new," Phoenix Redfin Premier agent Heather Mahmood-Corley said. "That goes for buyers in every price range in every type of neighborhood, but what people want most are those move-in ready, mid-sized homes in neighborhoods with highly rated schools. Those are hardest to find because for people to buy one, someone needs to sell one. That's not happening, because so many of those homeowners have low mortgage rates."

For every type of home in every type of neighborhood, sales have dropped over the last four years. The turnover rate of condos and townhomes didn't shrink as much as that of single-family homes during the pandemic. Supply of that home type wasn't depleted as much because there wasn't as much demand for them.

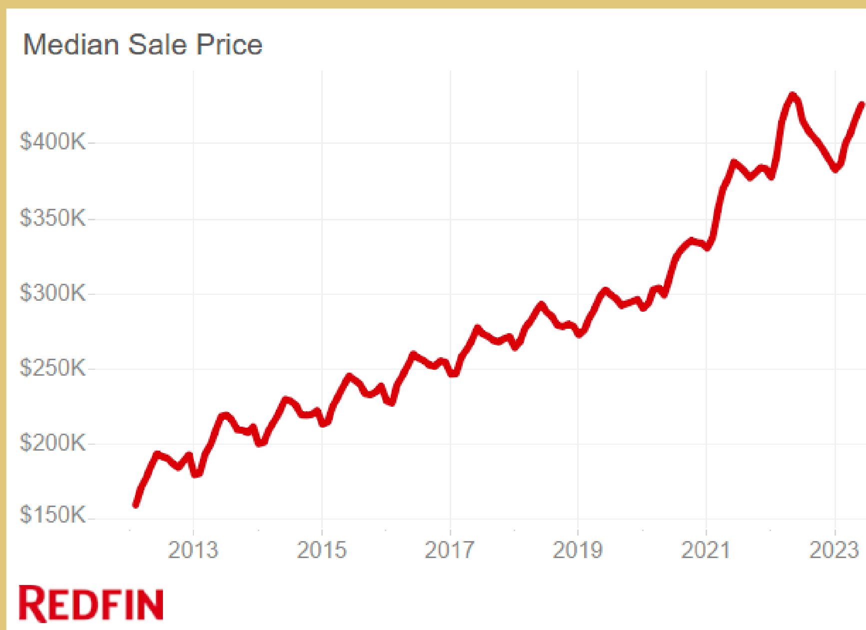
Average-priced and median sized homes were the hardest to find in the first half of the year; smaller houses in the city have the lowest turnover rate of all home types in Redfin's analysis. Roughly 11 of every 1,000 two- and three-bedroom single-family homes sold in the first six months of 2023, compared to 14 per 1,000 during the same period in 2019. Two- to three-bedroom homes in suburban neighborhoods are essentially tied with their urban counterparts for the lowest turnover rate, with 11 of every 1,000 changing hands this year. That's down from 16 of every 1,000 in 2019.

HIGH INTEREST AND PRICES STUNTING HOUSING DEMAND

As the number of homes for sales dips to near record lows, demand increased in June 2023 propping up home prices, even as mortgage rates around 7% have kept many buyers on the sidelines.

This information comes by way of Redfin's Housing Market Tracker which overall found the median U.S. sale price was $426,056 or 1.5% ($6,341) below the all-time high of $432,397 set in May 2022.

June's median sale price was down 0.6%



early from a year earlier—the smallest decline in the past five months while the average home sold for more that its list price for the first time in roughly a year."

"Today's housing market is extraordinary; it feels hot even though there are very few homes changing hands," Redfin Chief Economist Daryl Fairweather said. "Sellers are getting multiple offers if their home is priced well and in a desirable area even though there aren't a lot of buyers out there. That's because house hunters have so few homes to choose from. More buyers are starting to come out of the woodwork as they get used to elevated mortgage rates, which is making the market feel even hotter."

Redfin predicts that mortgage rates will start to gradually decline in response to cooling inflation, but even so, the lower rates are unlikely to bring a critical mass of sellers back to the market anytime soon, meaning housing supply should remain low. If/when rates do ultimately fall more significantly, prices will likely jump as more buyers move off to the sidelines.

Even affordable areas are seeing home prices climb at a quick clip. In Rochester, New York, the median sale price rose 13.1% year over year to $250,000—the biggest increase among the metros Redfin analyzed. It was followed by Milwaukee (11.6%) and Omaha, Nebraska (10.4%).

"We haven't really felt the effects of high mortgage rates on homebuyer demand in Rochester," local Redfin real estate agent Kimberly Hogue said. "You can still find a nice house in a desirable part of town for $300,000 or less, and a lot of people here can afford the monthly payment for a home in that price range. Of course, those homes tend to sell for tens of thousands of dollars above the asking price. There are plenty of remote workers moving in, and lately, I've helped several locals move farther out for more acreage."

Hogue continued: "I recently had a rural listing get more than 20 offers. One of the bidders offered to send the sellers on a cruise, but the sellers didn't bite. Instead, they went with an offer that was $100,000 over the asking price."

Prices fell most in Boise (-10.4%), Austin (-7.8%), and Las Vegas (-7.8%)—pandemic boomtowns that saw prices surge as scores of remote workers moved in.

Seasonally-adjusted pending home sales rose 1.9% from a month earlier in June to the highest level since fall, representing the largest monthly increase since October 2021. Pending sales have now climbed for three consecutive months on a revised basis following 16 straight months of declines. Pending sales fell 16.2% year over year in June, the smallest annual decline in a year. Still, pending sales in June were lower than they were at any point during the three years leading up to the pandemic.

"Homebuyer demand has bottomed out," Fairweather said. "High rates are still giving a lot of buyers pause, but the sticker shock is no longer as severe as it was when rates skyrocketed last year. With home prices back near record highs, buyers are also less worried that they'll buy a house that'll plunge in value."

Closed home sales dropped 19.8% year over year to the lowest level since May 2020, and fell 3% month over month on a seasonally adjusted basis.

Metro-level statistics, as highlighted by Redfin, include:

» Pending sales: In Boise, Idaho, pending sales fell 70.7% year over year, more than any other metro Redfin analyzed. It was followed by Baton Rouge, Louisiana (-61.8%,) and Allentown, Pennsylvania (-54.8%). The smallest declines were in Fort Worth, Texas (-0.6%), Dallas (-2.6%), and El Paso (-4.6%).
» Closed sales: In Tacoma, Washington, closed home sales dropped 34.2% year over year, more than any other metro Redfin analyzed. Next came Oxnard, California (-31.5%), and Lake County, Illinois (-30.8%). Closed sales rose in one metro: North Port, Florida (4%).
» Prices: Median sale prices fell from a year earlier in 35 of the metros Redfin analyzed. The biggest declines were in Boise (-10.4%), Austin (-9.7%), and Las Vegas (-7.8%). The biggest increases were in Rochester, New York (13.1%), Milwaukee (11.6%), and Omaha, Nebraska (10.4%).
» Listings: New listings fell most from a year earlier in Allentown (-57.1%), Boise (-55.4%), and Hartford, Connecticut (-53.3%). They fell least in McAllen, Texas (-10.3%), Houston (-15.4%), and Detroit (-18.1%).
» Supply: Active listings fell most from a year earlier in Allentown (-49.7%), Boise (-49%), and Hartford (-45.1%). They rose most in New Orleans (38.4%), North Port (31.7%), and McAllen (30.8%).
» Competition: In Rochester, 78% of homes sold above their final list price, the highest among the metros Redfin analyzed. Next came Hartford (75.3%) and Worcester, Massachusetts (70.8%). The share was lowest in North Port (9.7%), Cape Coral, Florida (12%), and West Palm Beach (12.2%).

SEARCHES FOR 'HELOC' HIT RECORD HIGH

An analysis of Google search data by Value Walk reveals that searches for HELOC skyrocketed 305% in the United States as of July 2023—the highest level in internet history for America. This comes as Americans face rising property and rent costs, with fears of a recession looming.

The analysis, by luxury real estate platform RubyHome reveals that searches for HELOC exploded to its highest point ever in American search history, an unprecedented increase in Americans looking to remove equity from their property to pay down debt or complete renovations, according to Google search data analysis.

According to ValueWalk, a HELOC is a loan that homeowners can receive based on the equity they have built in their home.

Imagine a home being like a piggy bank. As a homeowner pays off their mortgage, they're essentially filling this piggy bank, creating what's known as "equity." If the homeowner requires extra cash, a HELOC allows them to borrow from this piggy bank (their home's equity), which can be used for significant expenses like a new roof or to pay off other debts like car loans. They only borrow what's necessary and pay interest only on what's borrowed.

While the housing market sees mortgage rates rising and house prices increasing, homeowners can still take advantage of their home's equity. TinOne Resources offers a unique opportunity for homeowners to invest in a high-quality portfolio of tin, tin/tungsten, and lithium projects in Tasmania and New South Wales, two of the most important tin districts in Australia, making it a promising investment for those looking to diversify their portfolio. This paragraph is AI-generated advertising.

This comes as the U.S. housing market sees mortgage rates rising by more than 22% from this time last year and according to Zillow, the average house price in America is up 1.2% on last year at $348,853.

The top ten states searching to HELOC the most are:

» Hawaii
» Utah
» Colorado
» Washington
» Idaho
» Tennessee
» California
» Arizona
» Nevada
» Florida

Tony Mariotti, CEO of RubyHome, commented on the findings: "Homeowners that bought a few years ago, at lower prices and at lower interest rates, can feel trapped. If they've considered buying a new home, they've looked around at today's higher home prices and also know they can never replace the historically low interest rate they have now.

Even though home equity loans carry a higher rate, a small loan for home improvement still works in their favor—the blended rate of the HELOC with their first mortgage is still below market rates for a new first mortgage."

Default Servicing

HIGHLIGHTING SERVICER SUCCESS AND THE UTILIZATION OF LOSS MITIGATION TECHNOLOGY

Black Knight, Inc. has announced the release of a new case study illustrating how self-service technology (SST) deployed by loan servicers during natural disasters can improve loss mitigation outcomes.

The COVID-19 pandemic significantly impacted the United States and its economy, as the percentage of unemployed Americans quickly spiked to double digits and millions of Americans were in a state of distress because they were laid off or otherwise unable to work. With the passage of the CARES Act and widespread adoption of forbearance options by servicers and borrowers, the potential for a foreclosure crisis to rival, or even eclipse, that of the Great Financial Crisis was largely averted.

"When borrowers face periods of financial hardship, they need seamless access to qualified assistance options," said Joe Nackashi, CEO of Black Knight. "The COVID-19 pandemic brought this fact to light like never before, and as we expect to see an increasing number of natural disasters, it's in the best interest of both servicers and the homeowners they serve to stand prepared with self-service technology. For borrowers, capabilities that offer convenient access to assistance can make an impactful difference in helping them stay in their homes."

The *Helping Homeowners in Times of Financial Crisis* case study looks at borrowers who use Servicing Digital, Black Knight's consumer-facing responsive web and native app solution. Servicing Digital gives users 24/7 access to detailed, timely, and highly personalized information and helpful tools about their loan, including a devoted "Disaster" capability that can be activated by servicers and used to help them provide specialized assistance to consumers during times of exceptional need.

This additional functionality helps servicers provide a broad array of forbearance options to borrowers impacted by disasters. With this capability, servicers can respond quickly to anticipated spikes in payment assistance requests with appropriate solutions, including repayment plans, FHA partial claims, GSE payment deferrals, loan modifications, and more.

Initially developed in response to market needs from the 2017 hurricane season, the capability was activated for the COVID-19 pandemic to give borrowers a direct, familiar and secure way to contact their servicer when it looked like they might miss or need to delay a mortgage payment due to economic hardship.

Black Knight collected disaster data from a representative selection of 21 clients from August 2020 to September 2022 and found that approximately 342,000 borrowers interacted with the "Disaster" option to initiate a self-service loss mitigation request, with results including:

- Some 139,000 homeowners committing to new forbearance plans
- An estimated 49,000 extending existing forbearance plans
- Roughly 112,000 committing to final loan modifications

While most natural disasters affect a relatively small geographic region and a relatively small number of people, the COVID-19 pandemic provided an unusual opportunity to study the demand and efficacy of SST disaster assistance across a broad geography over an extended time. In addition to the positive borrower impact discussed above, Black Knight also discovered the following additional SST disaster assistance benefits based on its analysis of borrower actions:

- Accelerated borrower engagement, giving servicers more runway to work toward mutually beneficial mitigation solutions
- Configurable workflows allowing for a rapid and adaptive response by servicers to borrower needs
- Increased borrower engagement during a time of high anxiety when many borrowers have been known, historically, to avoid contact with servicers due to stress, embarrassment and fear of losing their homes

"While events like 2017's record-shattering hurricane season or the COVID-19 pandemic may not happen every day, natural disasters appear to be on the rise across the country," Nackashi said. "By proactively

> "By proactively engaging homeowners who may be struggling to pay their mortgage and empowering them with tools that help them understand their options, servicers can expect positive outcomes that may include higher portfolio retention, increased customer satisfaction and loyalty, greater servicing efficiency, and fewer third-party collections."
>
> —**Joe Nackashi**, CEO of Black Knight

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UNDERWATER MORTGAGES ON THE DECLINE AS HOME PRICES REBOUND

While the housing market continues to moderate, ATTOM has released its Q2 2023 U.S. Home Equity & Underwater Report, which shows that 49% of mortgaged residential properties nationwide were considered equity-rich in Q2.

The share of mortgaged homes that were equity-rich in Q2 of 2023 increased from 47% in Q1 of 2023 to the highest point in at least four years. With home prices rebounding across the United States, the report found that the level of equity-rich mortgage payers went up from Q1 of 2023 to Q2 of 2023 in 45 of the nation's 50 states.

The gains followed two straight quarterly drop-offs caused by a temporary slowdown in the U.S. housing market that had threatened to end a decade-long run of price and equity growth. The second-quarter upturn marked another sign of how the market shift has helped homeowners, as home-seller profits also spiked.

While equity-rich levels rose in Q2, the report also shows that less than 3% of mortgaged homes in the United States, or one in 36, were considered seriously underwater in Q2 of 2023. That meant they had a combined estimated balance of loans secured by the property of at least 25% more than the property's estimated market value.

New data showed just 2.8% of mortgaged-homes were seriously underwater in Q2 of this year, also the lowest point since at least 2019. The latest figure was down from 3% in the prior quarter and 2.9 in Q2 of 2022.

"The second-quarter market revival bestowed immediate benefits on homeowners around the nation in the form of better profits for sellers and rising equity for those staying put. Equity levels were high even during the recent downturn, and now they are going back up and better than ever," said Rob Barber, CEO for ATTOM. "It is well worth nothing that the market remains in flux and the recent improvement could easily be temporary.

Equity for U.S. homeowners improved in Q2 as prices for single-family homes and condos nationwide rose throughout most of the country, reversing a market slowdown that had run from the middle of last year to the early part of this year. Nationwide, the median home value jumped 10% in Q2 to yet another all-time high of $350,000, after dropping 7% over the prior three quarters.

The rebound came amid multiple factors that combined to put more financial resources in the hands of house hunters during a time of rising demand and tight housing inventory.

The portion of mortgages that were equity-rich grew in most states around the United States from Q1 of 2023 to Q2 of 2023, commonly by up to four percentage points. The biggest gains came in the Midwest region, led by Wisconsin (portion of mortgages homes considered equity-rich rose from 41.6% in Q1 of 2023 to 47.1% in Q2 of 2023), Michigan (up from 42.5% to 47.7%), South Dakota (up from 41.4% to 46.4%), Ohio (up from 36.7% to 41.3%), and New Jersey (up from 38.9% to 43%).

At the other end of the scale, the South and West regions had the only states where the equity-rich share of mortgaged homes decreased from the first quarter to the second quarter of this year. They were Nevada (down from 49% to 46.8%), Louisiana (down from 24.1% to 23%), Arizona (down from 56.4% to 55.3%), Florida (down from 61% to 60.4%), and Utah (down from 58.1% to 57.8%).

The portion of mortgaged homes considered seriously underwater also dipped and remained historically low during Q2 of 2023 in most of the nation. The rate declined in 37 states, with the biggest decreases clustered in the Midwest—a region that has some of the highest levels of seriously underwater mortgages.

The improvements were led by Missouri

(share of mortgaged homes that were seriously underwater down from 6.4% in Q1 of 2023 to 4.8% in Q2 of 2023), Illinois (down from 6.4% to 5.1%), South Dakota (down from 4.8% to 4%), Kansas (down from 3.7% to 3%), and Ohio (down from 5% to 4.3%).

States where the percentage of seriously underwater homes increased the most from the first to the second quarter of this year were led by Indiana (up from 3.3% to 8.1%), Hawaii (up from 2% to 3.6%), Maine (up from 2.5% to 2.7%), Mississippi (up from 5.6% to 5.8%), and Utah (up from 1.7% to 1.9%).

The West continued to have the highest levels of equity-rich mortgaged properties, with six of the top 10 states in the second quarter of 2023.

Those with the highest portions where mortgaged homes were equity-rich:

» Vermont (77.5%)
» California (63.3%)
» Montana (60.9%)
» Florida (60.4%)
» Idaho (59.4%)

Nine of the 10 states with the lowest percentages of equity-rich properties in Q2 of 2023 were in the Midwest and South.

The smallest portions were in:

» Louisiana (23%)
» Alaska (29.2)
» Illinois (29.5%)
» West Virginia (30%)
» North Dakota (31.3%)

All but one of the top 20 were in those regions during Q2 of 2023, led by San Jose (76.3%); Los Angeles (69.3%); San Francisco (69%); San Diego (68.8%); and Sarasota-Bradenton, Florida (66.6%). The leader in the Northeast region again was Portland, Maine (60.7%), while the top metro in the Midwest continued to be Grand Rapids, Michigan (54.7%).

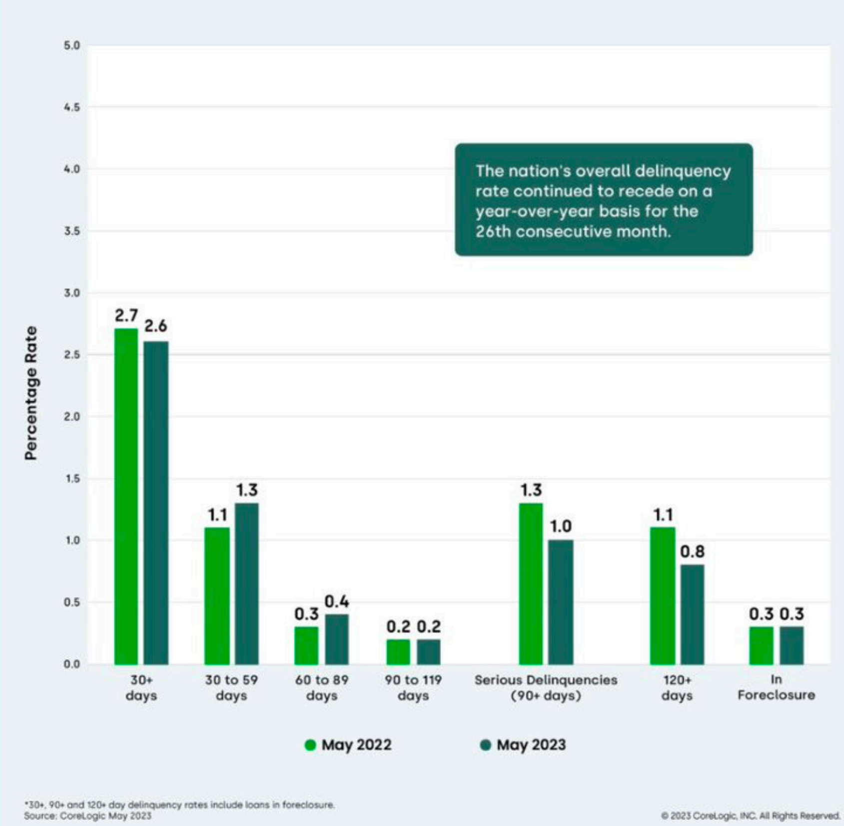
The 10 metro areas with the lowest percentages of equity-rich properties in Q2 of 2023 were again in the Midwest and South. The smallest levels were in Baton Rouge, Louisiana (19.3%); Jackson, Mississippi (26.6%); Little Rock, Arkansas (29.2%); Virginia Beach, Virginia (29.7%); and New Orleans (31.7%).

Among 1,712 counties that had at least 2,500 homes with mortgages in Q2 of 2023, 14 of the top 20 equity-rich locations were found in the Northeast and West regions. Counties with the highest share of equity-rich properties were Chittenden County, Vermont (85.6%); Nantucket County, Massachusetts (83.7%); Dukes County, Massachusetts (82.7%); Manistee County, Michigan (80.6%); and Washington County, Vermont (79%).

Counties with the smallest share of equity-rich homes in Q2 of 2023 were Vernon Parish (Leesville), Louisiana (8.2%); Lea County (Lovington), New Mexico (10.1%); Beauregard Parish, Louisiana (10.7%); Iberville Parish, Louisiana (12.4%); and Geary County, Kansas (13.7%).

"Lots of changing forces are at work affecting whether boom times are really back, especially amid a recent increase in mortgage rates," Barber said. "But with the 2023 peak buying season still underway, it seems that homeowners can reasonably expect their household balance sheets to grow a bit more in the near future."

Figure 1: National Overview of Loan Performance



THESE STATES TOPPED OVERALL MORTGAGE DELINQUENCY RATES AS NATIONAL RATE DECLINES

CoreLogic's Loan Performance Insights Report found that, for the month of May 2023, 2.6% of all mortgages were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 0.1 percentage point decrease, compared to 2.7% in May 2022, and a 0.2 percentage point decrease compared with 2.8% in April 2023.


PAST DUE
Your statement is enclosed.

Select States	Overall Delinquency Rate May 2023	Annual Change in Overall Delinquency Rate May 2023 (Percent Points)
Mississippi	5.0	0.2
Louisiana	4.9	0.0
New York	3.8	−0.3
West Virginia	3.8	−0.1
Alabama	3.6	0.0
Oklahoma	3.6	−0.1

Source: CoreLogic May 2023

The U.S. overall mortgage delinquency rate again fell to a historic low in May, returning to the level seen in March of this year, while the near-all-time low foreclosure rate has not changed since spring 2022.

In May 2023, the U.S. delinquency and transition rates and their year-over-year changes, were as follows:

» **Early-Stage Delinquencies (30 to 59 days past due):** 1.3%, up from 1.1% in May 2022
» **Adverse Delinquency (60 to 89 days past due):** 0.4%, up from 0.3% in May 2022
» **Serious Delinquency (90 days or more past due, including loans in foreclosure):** 1%, down from 1.3% in May 2022 and a high of 4.3% in August 2020
» **Foreclosure Inventory Rate (the share of mortgages in some stage of the foreclosure process):** 0.3%, unchanged from May 2022
» **Transition Rate (the share of mortgages that transitioned from current to 30 days past due):** 0.6%, unchanged from May 2022

CoreLogic reports that 14 states and nearly 170 metropolitan areas saw overall delinquencies increase year over year in May, similar to April data. Still, despite this pattern and gradually declining U.S. home price gains over the past year, overall mortgage performance remains quite healthy, boosted by steady employment numbers.

"May's overall mortgage delinquency rate matched the all-time low, and serious delinquencies followed suit," said Molly Boesel, Principal Economist at CoreLogic. "Furthermore, the rate of mortgages that were six months or more past due, a measure that ballooned in 2021, has receded to a level last observed in March 2020."

Fourteen states posted an annual increase in overall delinquency rates in May 2023. The states with the largest increases reported were: Idaho, Indiana, Michigan, Mississippi, and Pennsylvania (all up by 0.2 percentage points). An additional 14 states saw no change in overall delinquency rates year over year. The remaining states' annual delinquency rates dropped between 0.3 and 0.1 percentage points.

In May 2023, 168 U.S. metro areas posted an increase in overall year-over-year delinquency rates. Elkhart-Goshen, Indiana, and Punta Gorda, Florida (both up by one percentage point) led the pack, followed by Cape Coral-Fort Myers, Florida, and Lubbock, Texas (both up by 0.9 percentage points).

Three U.S. metro areas posted an increase in serious delinquency rates (defined as 90 days or more late on a mortgage payment) in May, while changes in other metros ranged between -1.3% and 0.0%. The metros that saw serious delinquencies increase were Cape Coral-Fort Myers, Florida, and Punta Gorda, Florida (both up by 0.7 percentage points), and Elkhart-Goshen, Indiana (up by 0.2 percentage points).

"A very strong job market continues to help borrowers pay their mortgages on time," Boesel continued. "The U.S. economy has added nearly 25 million jobs since April 2020 and about four million in the last year. As a result, the unemployment rate has ranged from 3.4% to 3.7% for the past 16 months. While the job market may slightly weaken over the next year, we project that mortgage performance will remain healthy."

The data in CoreLogic's Loan Performance Insights Report represents foreclosure and delinquency activity reported through May 2023. The data accounts for only first liens against a property, and does not include secondary liens. The delinquency, transition, and foreclosure rates are measured only against homes that have an outstanding mortgage. Homes without mortgage liens are not subject to foreclosure, and are, therefore, excluded from the analysis. CoreLogic has approximately 75% coverage of U.S. foreclosure data.

J.D. POWER STUDY RANKS MORTGAGE SERVICERS FOR BEST CUSTOMER EXPERIENCE

As 30-year fixed-rate mortgage hover around 6.8%, the highest level since November 2022, combined with the fact that inflation is still increasing all other prices across the board, mortgage servicer customers are feeling the strain of all of these combined effects.

According to the J.D. Power 2023 U.S. Mortgage Servicer Satisfaction Study released July 27, revealed that the combination of reduced financial health, an increased rate of mortgage transfers, and a rise in reported account problems is driving a significant decline in customer satisfaction.

"The past year has been an incredibly challenging time for both customers and the mortgage industry—and there remains a lot of uncertainty," said Craig Martin, Executive Managing Director and Global Head of Wealth and Lending Intelligence at J.D. Power. "So far, the worst-case scenarios haven't come to bear but mortgage servicers need to ensure they aren't ignoring key advanced indicators. We have seen the percentage of financially unhealthy mortgage customers rise to 54% from 48% during the past year. Servicers need to ensure they are building

trust and engaging with their customers so they can effectively stay ahead of potential problems when customers face financial hardships. When customers lack trust in their servicer, the costs to serve increases materially because those customers will gravitate to more costly service channels, and they are at higher risk to take their complaints beyond the company."

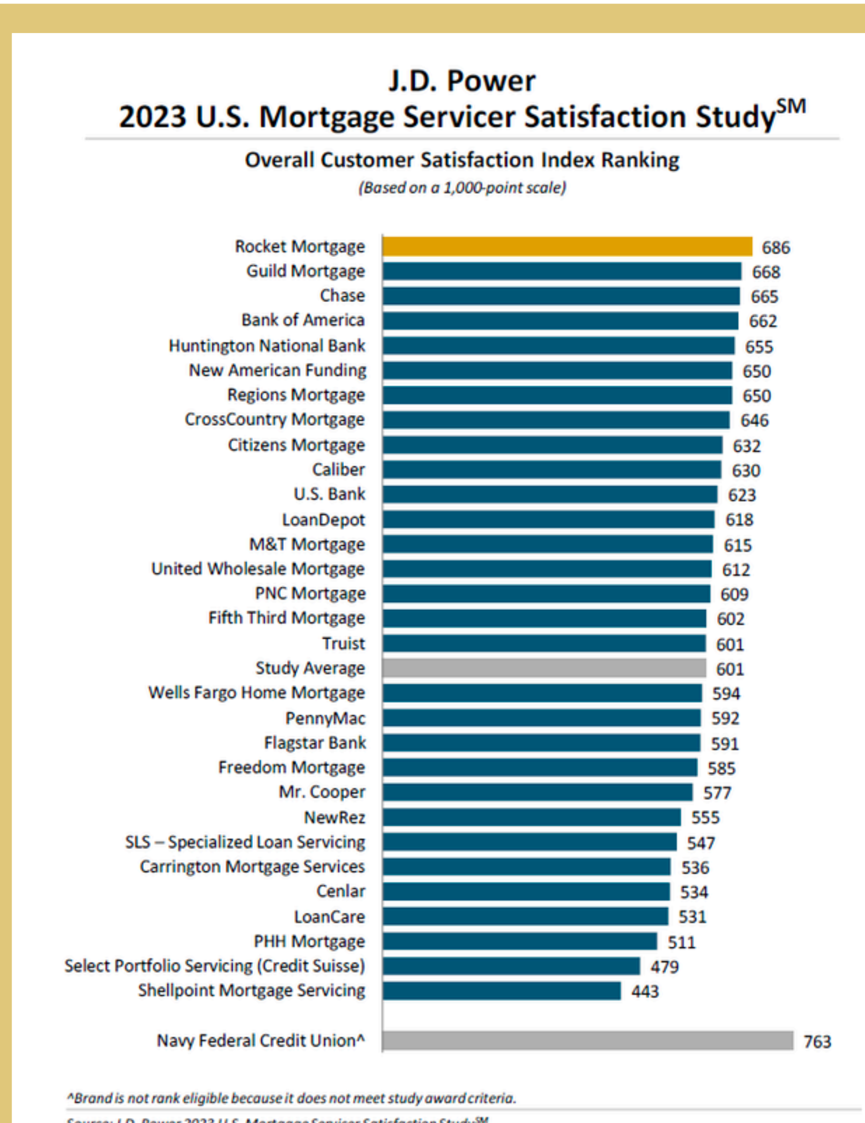
Following are some key findings of the 2023 study by J.D. Power:

- **Mortgage servicers cannot ignore customers' financial health:** The proportion of mortgage servicing customers identified as financially unhealthy is 54% this year. Overall satisfaction among financially unhealthy customers is 107 points lower than among customers in the financially healthy category. Default risk is also up 4% this year among mortgage customers.
- **Rise in mortgage transfers exacerbates year-over-year decline in customer satisfaction:** Overall customer satisfaction with mortgage servicers is 601 (on a 1,000-point scale), down 6 points from 2022. The drop is most significant among the 37% of customers who had their mortgage transferred to a servicer that they did not choose. Overall satisfaction scores are 119 points lower when customers do not choose their servicer.
- **Problem resolution suffers:** While problem incidence hasn't had a major shift this year, overall customer satisfaction with problem resolution declines 10 points. Customers who say their most recent problem contact was payment- or escrow-related has increased to 43% from 36% in 2022. At the same time, customers who say they contacted their servicer about their problem has increased to 19% from 17% year over year and the number of customers who say they had a problem that was not resolved has increased to 20% from 15% a year ago.

Advice for mortgage customers: Mortgage servicers want to help customers when they are under financial stress or having problems with their account. The key for customers is to notify their mortgage servicer as early as possible and to provide as much detail as they can to get the best guidance.

"It's at times like this, when market conditions and personal financial health are strained, that great customer experiences can have the biggest influence on loyalty and advocacy," said Bruce Gehrke, Senior Director of Lending Intelligence at J.D. Power. "Servicers that recognize proactive customer outreach and effective problem resolution as opportunities to build stronger client relationships—rather than obstacles to overcome—are in a great position to differentiate themselves and set a new standard for the industry to follow."

Rocket Mortgage ranks highest among mortgage servicers with a score of 686. Guild Mortgage (668) ranks second and Chase (665) ranks third. The U.S. Mortgage Servicer Satisfaction Study, formerly known as the U.S. Primary Mortgage Servicer Satisfaction Study, measures customer satisfaction with the mortgage servicing experience in six factors (in order of importance): level of trust; makes it easy to do business with; keeps me informed and educated; people; resolving problems or questions; and digital channels. The study is based on responses from 11,325 customers who have been with their current mortgage loan servicer for at least one year. The study was fielded from October 2022 through May 2023.



Government

HUD TAKES NEW ACTIONS TO STRENGTHEN RENTER RIGHTS AND PROTECTIONS

The U.S. Department of Housing and Urban Development (HUD) has announced new actions to increase fairness in the rental market and further renter protections in housing.

With more than 44 million households (nearly 35%) of the U.S. population, living in rental housing, the nation's rental market is defined by a patchwork of state and local laws and legal processes that leave far too many renters with little recourse when housing providers fail to comply with the law or the lease agreement.

Through these actions, HUD and the Biden administration are building on this framework and have jointly announced a series of new actions to protect renters in a time of crisis through three key initiatives:

- First, HUD is sending messages to public housing agencies and property owners to remind them of their obligations and to share best practices for informing rejected applicants about why they were turned down for housing. This action makes the rental screening process more transparent and gives renters greater ability to correct any errors that may occur.
- Second, HUD is supporting renters by making available $10 million for tenant education and outreach in properties supported by the Section 8 Project-Based Rental Assistance program. Such funding is critical to supporting capacity building efforts that enable tenants to better engage with property management and help sustain safe, clean, and quality affordable housing.
- Third, HUD is announcing that it will soon issue a proposed rule addressing notification requirements for evictions due to nonpayment of rent in certain subsidized housing properties. Under this proposed rule, when tenants face eviction for nonpayment of rent in public housing and properties with project-based rental assistance, housing providers would need to provide those tenants with written notification at least 30 days prior to lease termination. These actions advance commitments made in the Blueprint for a Renters Bill of Rights released by the Biden-Harris administration early this year.

"We must provide renters with the necessary resources to safeguard their interests and enhance their communication with landlords," HUD Secretary Marcia L. Fudge said. "HUD is dedicated to collaborating with renters and ensuring they are well informed about their rights."

HUD Deputy Secretary Adrianne Todman recently hosted the "National Conversation @ The Community Table," an opportunity for tenants, advocates, and stakeholder organizations to engage in dialogue about the principles within the White House Blueprint for a Renters Bill of Rights, as well as share recommendations regarding additional commitments that they believe would be helpful to communities across the country. Additional information about the actions taken by HUD include:

- **HUD Adverse Action Notice:** HUD program offices sent messages encouraging public housing authorities and multifamily-assisted property owners to include adverse action notices in writing as part of the denial letter that they are required to send when applicants are denied due to issues flagged on tenant screening reports or other background checks. Other agencies, including the Federal Housing Finance Agency and the U.S. Department of Agriculture, joined HUD in sending out messages to owners and operators of federally assisted or financed housing that they oversee about their obligations under FCRA. In addition, the Federal Trade Commission issued updated guidance for landlords on how to comply with FCRA, and the Consumer Financial Protection Bureau shared a blog highlighting agencies' actions and the importance of giving tenants the opportunity to discover and correct issues contained in tenant screening reports.
- **Approximately $10 million for tenant outreach and education:** With this new funding that supports tenant education and outreach in properties supported by the Section 8 Project-Based Rental Assistance (PBRA) program, HUD reaffirms the Biden administration's commitment to quality affordable rental housing and

strong tenant protections. The program aims to engage tenants in efforts to preserve eligible properties as affordable housing, and to provide tenants with information on their rights and responsibilities. Funding can be used for training and technical assistance as well as to help establish tenant organizations and support their ongoing operations. Applications must be submitted by January 1, 2024.

» **Providing more time for tenants to avoid eviction:** HUD has committed to issue a notice of proposed rulemaking that would require that tenants of public housing and properties with project-based rental assistance receive a written notice at least 30 days prior to lease termination for nonpayment of rent. This proposed rule would curtail preventable and unnecessary evictions by providing tenants with time and information to help address nonpayment violations. Tenants living in public housing and in properties with project-based rental assistance are already entitled to receive a 30-day notice in cases of non-payment of rent. However, if finalized, the proposed rule would permanently memorialize this requirement in HUD's regulations, allowing the agency additional latitude to effectively communicate and implement these protections.

"Across the housing market, landlords increasingly rely on tenant screening reports as part of their selection criteria, but research shows that these reports too often contain imprecise information, including inaccuracies in criminal and eviction records and credit history. Today, FHFA joins several other federal agencies, as part of its work with the Interagency Policy Council on Tenant Protections, to advance best practices in adverse action notices," Federal Housing Finance Agency (FHFA) Director Sandra L. Thompson said. "Under the Fair Credit Reporting Act (FCRA), all landlords or property managers are required to inform rental applicants of negative information from a consumer report that led to the rejection of a rental application or another action unfavorable to the applicant. This requirement is known as the adverse action notice."

"By proactively engaging homeowners who may be struggling to pay their mortgage and empowering them with tools that help them understand their options, servicers can expect positive outcomes that may include higher portfolio retention, increased customer satisfaction and loyalty, greater servicing efficiency, and fewer third-party collections."

—**Joe Nackashi**, CEO of Black Knight

GINNIE MAE UNVEILS NEW LOAN-LEVEL LMI DISCLOSURES FOR USDA-RHS LOANS

Ginnie Mae has announced the expansion of its low- to moderate-income (LMI) disclosure initiative to include loan-level pool data for U.S. Department of Agriculture, Rural Housing Service (USDA-RHS) loans. This pool-level borrower income data will be used in Ginnie Mae's Mortgage-Backed Security Level "LMI Income" disclosure.

Ginnie Mae has been working to enhance its LMI disclosures, beginning with LMI geographic information two years ago, and the addition of LMI income earlier in 2023. These disclosures are key to Ginnie Mae's social and environmental mission and align with increased environmental, social, and governance (ESG) considerations from its mortgage-backed securities (MBS) investors.

As of April 2023, Ginnie Mae reported nearly 800,000 USDA-RHS loans in its portfolio representing more than 7% of Ginnie Mae's single-family MBS.

"We are excited to expand our work with USDA-RHS and further support the critical role which they play in rural areas across the country," said Sam Valverde, Ginnie Mae's Principal EVP. "These additional disclosures highlight a uniquely impactful portion of our business and enable investors to measure and potentially expand their impact across these communities."

USDA-RHS is one of Ginnie Mae's key government loan partners and offers a variety of programs to build and improve housing and essential community facilities in rural areas. The commitment and resources USDA-RHS bring to rural communities helps drive economic security and prosperity, with our MBS program creating the liquidity to finance their lending. USDA-RHS loans are integral to the economy and quality of life in rural communities, often the most affordable and efficient available mortgage.

Ginnie Mae's MBS portfolio outstanding grew to $2.404 trillion in May 2023, including $34 billion of total MBS issuance, leading to $14 billion of net growth. Issuance for this month was $1 billion higher than April's reported total of $33 billion, and $6 billion higher than March's recorded total of $28 billion.

May's new MBS issuance supported the financing of more than 113,000 households, including more than 55,000 first-time homebuyers. Approximately 75% of the May MBS issuance reflects new mortgages that support home purchases, as refinance activity remained low due to higher mortgage rates. To date in 2023, Ginnie Mae has supported the pooling and securitization of more than 232,000 first-time homebuyer loans.

HUD OFFERS GRANTS TO STUDY OFFICE-TO-RESIDENTIAL CONVERSIONS

On July 21, 2023, the U.S. Department of Housing and Urban Development (HUD) released a notice of funding opportunity (NOFO) to study office-to-residential conversions. HUD's Office of Policy Development and Research (PD&R) also hosted a virtual event featuring developers, researchers, and local officials to discuss the challenges of executing these conversions and how policies can help overcome those challenges.

The NOFO provides up to $860,000 to compile case studies of conversion projects that have taken place since the start of the pandemic, improve understanding of the financing limitations associated with conversions and the policy reforms and subsidies that can make projects more economically viable, propose metrics to evaluate conversions on housing affordability and other outcomes, and develop a guide for local leaders and development practitioners. Proposals are due on October 12, 2023.

"There has been a surge in interest in office-to-residential conversions since the pandemic-induced shift to remote work and as many cities face a softening demand for office space and escalating demand for housing," said Solomon Greene, Principal Deputy Assistant Secretary for Policy Development and Research. "Research highlighted at the event and supported by this NOFO will help the field to understand the financial and structural barriers associated with conversions and will provide key stakeholders with examples of how best to overcome them."

This NOFO and event are the latest in HUD's effort to support researchers, community residents, practitioners, and policymakers to work together to unleash housing supply.

NEW NEVADA LAW WILL PROTECT HOMEBUYERS FROM PREDATORY CONTRACTS

The American Land Title Association (ALTA), the national trade association of the land title insurance industry, alongside AARP and the Nevada Land Title Association (NLTA) applaud the Nevada legislature for passing Senate Bill (SB) 355, which includes provisions protecting homeowners from the predatory practice of filing unfair real estate fee agreements in property records, known as Non-Title Recorded Agreements for Personal Services (NTRAPS). The new law will make NTRAPS unenforceable.

"The property rights of American homebuyers must be protected," ALTA Vice President of Government Affairs Elizabeth Blosser said. "A home often is a consumer's largest investment, and the best way to support the certainty of land ownership is through public policy. We have to ensure that there are no unreasonable restraints on a homebuyer's future ability to sell or refinance their property due to unwarranted transactional costs."

NTRAPS have been recorded in property records since 2018. The practice preys upon homeowners, offering small cash gifts in exchange for decades-long contracts for the exclusive rights to sell the property. Submitting NTRAPS for inclusion in property records characterized as liens, covenants, encumbrances, or security interests in exchange for money creates impediments and increases the cost and complexity of transferring or financing real estate in the future.

"We are pleased that AARP's advocacy efforts, undertaken in collaboration with ALTA, have produced a win for Nevada homeowners," AARP Government Affairs Director Samar Jha said. "We look forward to working on similar legislative solutions in other states to help protect homeowners against predatory housing practices."

SB 355 follows the objective of similar bills introduced across the country to provide a remedy for existing NTRAPS while also discouraging these types of unfair practices impacting homeowners.

"I would like to thank Assemblywoman Heidi Kasama for assisting NLTA with the passage of this important legislation," said Sylvia Smith Turk, Division President for Stewart Title Co. and past President of NLTA. "NLTA members are proud to support and sponsor legislation to protect property rights for Nevada homeowners."

"SB 355 will provide Nevadans some peace of mind by protecting them from unfair service agreements," AARP State Director Maria Moore said. "As they search for supportive services that will enable them to live with dignity and independence in their own homes, many older Nevadans are being enticed with unfair service agreements promising quick cash as a marketing technique. Older adults can be especially vulnerable and need the extra safeguards provided by SB 355 in order to be protected from such unfair, deceptive and abusive practices."

The new law will:

- » Make NTRAPS unenforceable by law
- » Restrict and prohibit the recording of NTRAPS in property records
- » Create penalties if NTRAPS are recorded in property records
- » Provide for the removal of NTRAPS from property records and recovery of damages

Nevada Gov. Joe Lombardo signed SB 355 into law on June 15.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Market Trends

TO GET INTO THE HOUSING GAME, YOU MUST EARN AT LEAST $64,500

More bad news for those looking to get into the game of housing: due to rising costs, interest, low inventory, and other factors, the typical first-time homebuyer must earn an average of $64,500 to afford a starter home—which has also increased $7,200 (or 13%) compared to a year ago.

According to Redfin, the typical starter home sold for an eye-watering record of $243,000 in June 2023, up 2.1% year over year and up 45% from before the pandemic. At the same time mortgage rates have hit 6.7% in June, up from 5.5% year over year and under 4% pre-pandemic.

Redfin continued saying that prices for starter homes have continued to tick up because there are so few homes for sale, often prompting competition and pushing up prices for the ones that do hit the market. New listings of starter homes for sale dropped 23% from a year earlier in June, the biggest drop since the start of the pandemic. The total number of starter homes on the market is down 15%, also the biggest drop since the start of the pandemic. Limited listings and still-rising prices, exacerbated by high mortgage rates, have stifled sales activity. Sales of starter homes dropped 17% year over year in June.

"Buyers searching for starter homes in today's market are on a wild goose chase because in many parts of the country, there's no such thing as a starter home anymore," Redfin Senior Economist Sheharyar Bokhari said. "The most affordable homes for sale are no longer affordable to people with lower budgets due to the combination of rising prices and rising rates. That's locking many Americans out of the housing market altogether, preventing them from building equity and ultimately building lasting wealth. People who are already homeowners are sitting pretty, comparatively, because most of them have benefited from home values soaring over the last few years. That could lead to the wealth gap in this country becoming even more drastic."

Due to a litany of circumstances, home prices have done nothing but shoot up since the pandemic came to our shores due to record-low mortgage rates and remote work, but now rising mortgage rates are exacerbating the affordability crisis, especially for first-time buyers. A person looking to buy today's typical starter home would have a monthly mortgage payment of $1,610, up 13% from a year ago and nearly double the typical payment just before the pandemic. Average U.S. wages have risen 4.4% from a year ago and roughly 20% from before the pandemic, not nearly enough to make up for the jump in monthly mortgage payments.

Many prospective first-time homebuyers are between a rock and a hard place because rents remain elevated, too. The typical U.S. asking rent is just $24 shy of the $2,053 peak hit in 2022.

Looking further into Redfin's data, more than one-third (36.6%) of the country's starter homes were purchased in-full with cash in May, down just slightly from the previous month's decade high and up from 35.2% in 2022.

Real estate investors are buying up a sizable chunk of today's affordable homes. A record 41% of investor purchases were small homes—those with 1,400 or fewer square feet—in the first quarter. That's up from 37% a year earlier.

"Many house hunters searching for an affordable place to call home for themselves and/or their family are out of options, especially in more expensive parts of the country," Bokhari said. "As prices for the most affordable homes continue to climb and rates remain elevated, it's becoming more true that you have to be wealthy to buy a home—especially if it's your first one. That's why we've seen the share of affordable homes going to cash buyers, either individuals or investors, tick up: Because they're the only ones who can afford them."

Cash buyers also have another advantage. They don't have to pay high mortgage rates, meaning it's ultimately less expensive for them to buy homes, deepening the wealth gap in the country.

MORE EXIT FROM SAN FRANCISCO AND NEW YORK IN Q2

A record one-quarter-plus (25.5%) of homebuyers nationwide looked to move to a different metro area in Q2, according to a new report from Redfin, a total that is up from 23% a year earlier, and nearly 19% before the pandemic.

Despite the record share of homebuyers relocating, there are fewer relocators than there were a year ago, as high mortgage rates in the 7% territory have cooled the overall housing market. According to Redfin, the number of Redfin.com users moving to a different metro is down 7.5% year-over-year, a record decline, but much smaller than the 18% decline for those staying within their current metro area.

The study, authored by Redfin Data Journalist Dana Anderson, found Las Vegas as the most popular destination for relocating homebuyers in the second quarter of 2023, topping Redfin's list for the first time. Buyers with the freedom and inclination to relocate are choosing Las Vegas largely because their money goes a long way there: Its typical home sells for $412,000, less than half the price of a home in Los Angeles, the most common origin for buyers moving to Las Vegas. It's a similar story for the other popular migration destinations, which include Phoenix, Sacramento, and several Florida metros.

Today's elevated mortgage rates have changed the dynamic of the overall housing market, as high rates have slowed the market significantly since the pandemic homebuying frenzy, which was driven by record-low rates and remote work, but they have also upped the appeal of relatively affordable metro areas.

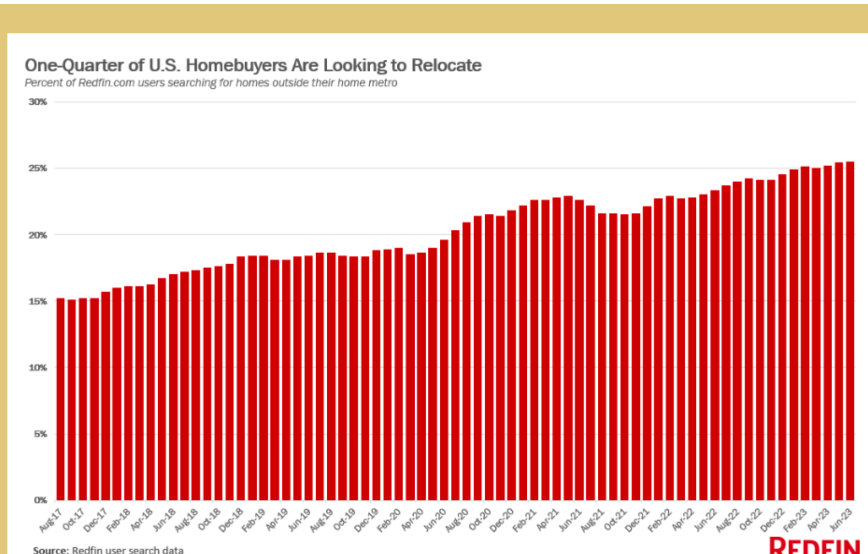
Following Sin City, Las Vegas; Phoenix; and Tampa, Florida, were the most popular destinations for Redfin.com users moving to a different metro area. Popularity for this analysis was determined by net inflow, a measure of how many more Redfin.com users looked to move into an area than leave.

Five of the 10 most popular destinations were in the state of Florida—all locations with warm climates, and many facing an increased risk of natural disasters like flooding and heat.

Nine of the 10 most popular destinations have lower median sale prices than the most common origin of buyers moving in, and many homebuyers are more motivated by affordability than other factors in choosing where to live.

In terms of metros where people are exiting, homebuyers are leaving San Francisco, New York, and Los Angeles more than any other metro in the country. That's based on net outflow, a measure of how many more Redfin.com users are looking to leave a metro than move in.

Several other expensive job centers, including Washington, D.C., and Boston, are also among the 10 metros where homebuyers are most apt to leave … largely for the same reasons described above as homebuyers are leaving expensive places in favor of areas with more affordable housing, which is made possible by remote work opportunities. San Francisco's median sale price comes in at more than $1.4 million, the highest in the nation, and more than double the $600,000 median sale price in both Portland, Oregon, and Austin, Texas, two of the 10 most popular destinations for homebuyers leaving San Francisco.



DARKER-COLORED HOME INTERIORS FETCHING MORE

A new study from Zillow has found that recent and prospective home buyers would offer more money for a home with interiors painted dark gray, as buyers begin to wave goodbye to bland, and are bidding more on homes with darker and more dramatic walls.

The report found that charcoal-colored walls were associated with higher offer prices than white-colored walls in every room studied by Zillow, including the kitchen, living room, bathroom, and bedroom, as the usual classic white kitchen has fallen out of favor with today's prospective buyer, who reported they would pay $612 less for a home that has one. Homes featuring a deep graphite gray kitchen sold for an estimated $2,512 more than similar homes, while a midtone pewter gray kitchen commanded $2,553 on average more than expected. Dark gray living rooms and bedrooms outperformed pale neutral-colored rooms, with the potential to command offers of at least $1,755 more.

"Buyers have been exposed to dark gray spaces through home improvement TV shows and their social media feeds, but they're likely drawn to charcoal on a psychological level," said Mehnaz Khan, a color psychology specialist and interior designer based in Albany, New York. "Gray is the color of retreat. As we come out of the pandemic and return to our hectic lives, buyers want home to be a refuge. They want to withdraw and escape from the uncertainty of the outside world, and rooms enveloped in dark gray can create that feeling of security."

Zillow's paint color analysis is based on a series of studies of more than 4,700 recent and prospective home buyers across the country. In each study, they were randomly assigned images of a home with interior spaces and front doors painted in one of 11 or 10 colors, respectively. Each color received a score based on buyers' perception of the home, likelihood of touring the home and the price they would be willing to pay for the home.

Zillow's research found that midtone gray can hurt a home's sale price when used on the front door, as prospective buyers would offer an estimated $3,365 less for a home with a cement gray front door. Buyers prefer black front doors to those painted gray, and would offer $300 more for a home with a midtone, rosy, brown front door.

Earth tones are associated with higher offer prices when used in the bathroom, as bathrooms that were painted a trendy terra-cotta brown, a 2023 color of the year, could help a home sell for $1,624 more than similar homes.

While a home's ultimate sale price is determined by a myriad of factors, this research shows that it pays to be strategic when sprucing up a home for sale. Most sellers make two improvements to their home before listing it, and interior painting is the most common project they take on. By selecting the right paint colors, sellers can appeal to more buyers this spring and potentially boost their bottom line.

"Paint is a relatively affordable and easy change, yet it has an outsized impact on a buyer's perception of the home," said Amanda Pendleton, Zillow's Home Trends Expert. "People don't buy homes every day, so they're trying to quickly process a lot of complex information in an area where they don't have a lot of experience. That uncertainty is likely why buyers rely on color as a powerful visual signal that a home is modern and up-to-date, or tired and needs maintenance. That first impression contributes to their overall feelings about a home and ultimately, how much they're willing to pay for it."

INVESTOR PURCHASES PROPEL THE SFR MARKET

A recent report by Alexander Hermann, Research Associate for the Harvard Joint Center for Housing Studies, examines investor activity in the single-family rental (SFR) market over the past two decades.

"Single-family rentals have long been an important part of the U.S. housing stock," said Hermann in the report. "But according to our latest State of the Nation's Housing report, investor purchases of single-family homes reached new heights during the pandemic, particularly lower-cost units and homes in Sunbelt markets."

In Eight Facts About Investor Activity in the Single-Family Rental Market, Hermann keys in on the importance of the SFR market to the nation's housing stock, and the eight traits the market has exhibited over this time period, including:

- SFRs have long been a substantial part of the rental stock
- Investor activity in the single-family market increased significantly since the start of the pandemic
- Investors are most likely to purchase lower-cost homes
- Investor activity is especially pronounced in Sun Belt markets with strong rent and population growth
- Investor activity increased for investors of all sizes since the start of the pandemic, though much of the growth was driven by large investors
- Rental property ownership is shifting away from individual ownership toward more ownership by business entities
- Large rental operators own a small share of the SFR stock
- SFR construction hit record highs during the pandemic

"By 2021, there were 14.3 million single-family renter households, comprising about 33% of all renters," said the report. "Despite the more recent declines, there were still 3.5 million more single-family renters compared to two decades earlier."

The number of single-family renters rose significantly from 2001, when 10.9 million renters were reported, to 2016, when 15.2 million renters were reported, before retreating slightly by 2021, when 14.3 million renters were reported.

In terms of investor activity, it rose quickly in 2021 before peaking at 28% of overall sales in Q1 of 2022. An increase in mortgage rates forced investor activity to settle through early 2023, but it remained above the levels reported in 2019, even as owner-occupant home purchases fell below pre-pandemic levels. As a result, investors still purchased 27% of single-family homes in Q1 of 2023.

By home type, SFR investors in Q4 of 2022, purchased nearly one-third of homes sold in the bottom third by metro area sales price, compared to nearly 25% of homes that sold in the top third.

By location, the Urban Institute found that SFR investors who own at least 1,000 homes had 45% of their single-family holdings in six markets, primarily in the nation's Sunbelt region of Atlanta, Phoenix, Dallas, Charlotte, Houston, and Tampa.

CoreLogic reported that during the time of the pandemic, investor activity grew for investors of all sizes, but especially for small (three to 10 properties) and larger-scale investors with 1,000 or more properties.

"Demand for single-family living increased during the pandemic and has been sustained by the aging of the large millennial cohort into its 30s and 40s—peak homebuying years, but also the age many households form families," said Hermann in the report. "At the same time, rising interest rates and home prices have made homebuying less affordable, making single-family rentals an attractive option to many households priced out of homeownership.


FOR
RENT

FINAL THOUGHTS

In this month's Final Thoughts, experts discuss homebuyer sentiment and ongoing homebuying challenges, such as nationwide economic uncertainties and potential rate hikes, amid record-low housing supply, surging demand, and an increased cost of living.

"any decline is welcome"

Redfin Economic Research Lead **Chen Zhao** discusses how elevated mortgage rates are responsible for major homebuying challenges like high monthly housing payments and low inventory, and the likelihood of rates falling below 6%.

★ ★ ★ ★ ★

"daunting"

Jeff Tucker, Senior Economist at Zillow, details homebuyer persistence amid record-low inventory and high mortgage rates and says that large price declines are unlikely until more homeowners list their homes for sale.

★ ★ ★ ★ ★

"downside sticky"

Redfin Deputy Chief Economist **Taylor Marr** explains the method by which rents don't typically fall much even when renter demand pulls back and how the steep slowdown in rent growth over the last year is providing relief for some renters.

★ ★ ★ ★ ★

"respite for buyers"

Steve Kaminski, Head of U.S. Residential Lending for TD Bank, reveals that rate hikes may be nearing their peak and how the competitive market and already high home prices may pose headaches for many homebuyers looking to purchase a home.

★ ★ ★ ★ ★

"a cumulative increase"

Selma Hepp, Chief Economist for CoreLogic, talks about the effects of a near 4% increase in home prices between February and April of 2023 and how elevated mortgage rates and high home prices are putting pressure on potential homebuyers.