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MortgagePoint

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DECEMBER 2023

Magazine

EYES ON THE HORIZON

As we approach a new year, *MortgagePoint* took the temperature of industry experts to see what lies ahead for a market that trudged through 2023 hampered by the convergence of rates reaching 20-year highs, a shortage of housing inventory, and inflated home values.



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THE EVOLVING DIGITAL FRONTIER

Mortgage tech advancements in 2024 will be transformative. Here's how.

FHFA SUPPLEMENTAL PARTIAL CLAIM: THE NEXT ITERATION

Taking a deep dive into Supplemental Partial Claims, the benefits and drawbacks they present in today's mortgage landscape, and other considerations.

NAVIGATING THE REAL ESTATE LOCK-IN EFFECT

Why are so many homeowners staying in place?

FIVE STAR ANNOUNCES LAUNCH OF MORTGAGE SERVICING EXECUTIVE ALLIANCE



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THAT'S A WRAP, AND WHAT'S IN STORE FOR '24?

The end of the year 2023 brings us time to reflect on the events of the past 12 months, while taking out the proverbial crystal ball and peering into what the year 2024 has in store for us all.

This past year has challenged many, as the swaying headwinds of high rates, a lack of housing inventory, and inflationary concerns have kept many potential buyers on the sidelines. But what will the new year bring to the market? While rates peaked to 23-year highs, will the recent slide in rates be enough to propel buyers back into the market? Will home builders be able to keep up with a new wave of demand? Will those experiencing the “lock-in” effect with rates be freed of the ties that bind?

To these and many other questions, for this month’s cover feature, we polled some of the industry’s top executives to gauge feelings on what lies ahead in the year 2024. From examining the overall state of the market, to weighing in on the usage of artificial intelligence, *MortgagePoint* shares the insight of thought leaders from across the mortgage finance spectrum to help guide you as we all embark on the path to 2024.

In another forecast into the future this month, Aneeza Haleem, VP of Technology at Planet Home Lending, examines the impact of technology on the industry changing landscape in her contribution, “The Evolving Digital Frontier.” Aneeza takes a closer look at the pioneering advancements that are poised to shape the digital future of the mortgage space in 2024 and beyond.


And as we head into a new year, one of the hurdles that the housing market had to deal with in 2023 was the “lock-in effect,” and the December issue of *MortgagePoint* features an article by Michael Gifford, CEO and Co-Founder of Splitero, titled “Navigating the Real Estate Lock-in Effect.” As Gifford explains, as interest rates stabilize and decrease, homeowners will become more willing to explore moving options, but until then, homeowners find themselves at a crossroads.

Also this month Joseph Smith, Managing Director at Stretto, delves into the FHFA’s Supplemental Partial Claims—their benefits and drawbacks in today’s mortgage landscape—in his contribution to *MortgagePoint*, “FHFA Supplemental Partial Claim: The Next Iteration.” And while the Supplemental Partial Claim can address a number of defaulted loans, it does not cover the spectrum like the HAMP program. Read through Joseph’s detailed article to discover more about this vital program.

In addition to all that I have mentioned, we will also feature our selection of the industry’s hottest books in our “Good Reads” column, as well as the industry’s latest news briefs, and tech trends and advancements.

I want to personally thank all of you for your support of *MortgagePoint* over the past several months since the launch of the publication. It is our hope that our magazine and web offerings serve as your daily companion to success in today’s marketplace.

Wishing you a very happy holiday season, and season’s greetings from our team to you and your family as we eagerly see what is in store for 2024.



David Wharton
Editor-in-Chief



MortgagePoint Magazine

EDITOR-IN-CHIEF

David Wharton

ART DIRECTOR

Jason Stone

MANAGING DIGITAL EDITOR

Eric C. Peck

REPORTERS

Kyle G. Horst
Demetria Lester

MAGAZINE CONTRIBUTORS

Michael Gifford
Aneeza Haleem
Joseph Smith

COPY EDITOR

Brandy Scott

ADVERTISING

214.525.6700

EDITORIAL ADVISORY BOARD

Benjamin Gottheim, Director, Mortgage Servicing Policy, Freddie Mac

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FANNIE MAE: INFLATION TO BLAME FOR WEAKENING HOMEBUYER SENTIMENT?



LENDESK HARNESSSES ARTIFICIAL INTELLIGENCE WITH LENDER SPOTLIGHT AI ASSISTANT

Lendesk Technologies, a part of Rocket Companies, unveiled the launch of its Lender Spotlight AI Assistant. The product sifts through a database containing thousands of mortgage policies from lenders across the country, delivering answers to intricate questions.

Lender Spotlight AI Assistant simplifies the complex world of mortgage policies by providing solutions to brokers' most challenging questions, showcasing mortgage options from various lenders that fit a client's specific needs.

"This product is designed to be an indispensable tool for mortgage professionals," said Carter Zimmerman, President of Lendesk. "Lender Spotlight AI Assistant is set to propel the mortgage industry into the age of artificial intelligence, with an initial focus on simplifying the complexities of mortgage policies. The tool offers unmatched insights, enabling mortgage brokers to swiftly identify policies ideally suited to their clients' specific needs. Instead of spending hours sifting through thousands of options or contacting lenders for information, brokers can receive immediate, accurate responses within seconds."

Traditionally, brokers manually read through numerous policies to find the appropriate product for their clients, taking away precious time from working directly with homebuyers and owners. Uncovering specific policies from lenders happens almost instantly with Lender Spotlight AI Assistant, enabling brokers to focus on the most important part of their job: building relationships and giving expert guidance to their clients.

Lender Spotlight AI Assistant can be utilized in a variety of ways, equipping brokers to customize their experience and search based on their needs. If a broker knows the specific product they are looking for and has a lender in mind, the Lender Spotlight AI assistant can scan

only that lender's programs and policies to offer solutions. If a broker is looking for a broader recommendation—for instance, how to account for spousal support, rental properties, or investments—or perhaps is not yet as familiar with niche policies from various lenders, the Lender Spotlight AI Assistant can do the work to offer a variety of solutions that might fit a client's parameters.

"As one of the first companies to test this transformative technology, we have been extremely pleased with the results," said Hash Aboulhosn, President of Rocket Mortgage Canada. "Our top priority is providing excellent client service; this tool helps lessen time spent searching through lender products, empowering our agents to streamline their workflow and assist clients more knowledgeably and quickly."

SUNDAE ANNOUNCES HOMEOWNER PORTAL TO PUT SELLERS IN CHARGE

Sundae announced the launch of its Homeowner Portal, designed to make Sundae's product offering more transparent, fair, and easier to use.

Selling your house as-is to a cash buyer is a manual, offline process. Homeowners are reliant on phone, text, and email communication with individual prospective buyers to navigate the process, one tedious step at a time. Sundae's new online portal keeps sellers informed as the company works to bring offers to homeowners who want to sell off-market.

"Sundae's Homeowner Portal puts sellers in the driver's seat," said Josh Stech, CEO and Co-Founder of Sundae. "In real time, sellers can see what often amounts to hundreds of competing offers. This gives sellers confidence that they got the fairest possible price for their home."

Key features of Sundae's new Homeowner Portal include:

- » Follow along as Sundae markets your property to hundreds of local property investors

- » Schedule a call with your dedicated Market Expert
- » Sundae collects photos, 3D tours, and home inspections (if applicable) via a property visit
- » eSign documents
- » View interest in your listing in real-time, including the number of views, number of total offers, number of investors who place offers, and offer dollar amounts
- » View recent Sundae home sales in your neighborhood, including the number of offers and investors who bid

"It's quick, it's easy, it's free, and now it's fully in your control," Stech said.

WOLTERS KLUWER LAUNCHES SMALL BIZ WIZ

Wolters Kluwer Compliance Solutions has launched Small Biz Wiz, a system designed to support new requirements in the collection, reporting, and analysis of small business lending data. Small Biz Wiz provides financial institutions with a new analytics tool for their small business lending portfolio.

It joins the list of software offerings that provide analytics insights for compliance with Fair Lending, the Home Mortgage Disclosure Act, and Community Reinvestment Act regulations.

Small Biz Wiz provides functionality for institutions in complying with final regulations issued by the Consumer Financial Protection Bureau (CFPB) that implement amendments to the Equal Credit Opportunity Act under Section 1071 of the Dodd-Frank Wall Street Reform and Protection Act. The solution is built on Wolters Kluwer's CRA Wiz SaaS and HMDA Wiz platform, enabling technology that integrates into a financial institution's data collection processes.

Small Biz Wiz supports the collection and reporting of all the small business loan data elements required by the CFPB's regulation, including application dates, loan amount, pricing information, details about the business, and informa-

tion about the race, sex, and ethnicity of the principal owners of the business.

Although Section 1071 compliance deadlines are currently stayed because of ongoing litigation, preparation for meeting the regulation's complex requirements remains essential. Wolters Kluwer officials describe the data collection requirements as not just an exercise in gathering and reporting on their small business lending activities, but a key part of the 2010 Dodd-Frank Act focused on promoting fair lending practices.

"Our solution will help institutions comply with a regulation designed to promote fair lending practices in the small business arena, allowing them views not only into possible risks—and where to mitigate those risks—but useful insights on their lending profile and potential growth areas for small business lending," said Vikram Savkar, EVP and General Manager for Wolters Kluwer Compliance Solutions. "Importantly, Small Biz Wiz will foster greater accuracy and speed in our customers' data collection, processing, and analysis efforts, enabling them to focus on higher-level activities while helping them achieve full compliance with the new small business data collection requirements."

Ultimately, the solution provides institutions the ability to manage, monitor, and mitigate their compliance exposure, improve data quality, and maximize lending efficiencies while supporting growth as they look to expand their lending footprints.

HOUSECANARY PARTNERS WITH ALLY ON INTEGRATED COMEHOME PLATFORM

HouseCanary, Inc. has announced a collaboration with Ally Financial Inc. to help Ally's customers navigate the housing market with its home search portal, ComeHome.

The relationship enables Ally to incorporate HouseCanary's co-branded ComeHome solution into its website, providing a resource for Ally's custom-

“Our solution will help institutions comply with a regulation designed to promote fair lending practices in the small business arena, allowing them views not only into possible risks—and where to mitigate those risks—but useful insights on their lending profile and potential growth areas for small business lending.”

—Vikram Savkar, EVP and General Manager, Wolters Kluwer Compliance Solutions



ers who are looking for their first or next home. The platform also allows customers to take advantage of any offers around first mortgages and provides access to numerous loan types and terms through Ally's website.

ComeHome can also be utilized by Ally's customers who are existing homeowners to understand the value of their home, which for many is one of their most valuable assets. Users can leverage HouseCanary's suite of brokerage services, including the homeowner dashboard and tools, to understand their current equity, see neighborhood sales, explore the home improvement calculator, and search for a new home or a second home.

Benefiting from industry insights from HouseCanary, Ally's clients will have the option to receive daily updates on new listings to support their buying process.

Jeremy Sicklick, Co-Founder and CEO at HouseCanary, commented: "Given the current market environment and

high rates, we want to ensure our customers feel confident they're making the most informed decisions. ComeHome has been built to enable consumers and lenders to efficiently navigate the homeownership journey, and we're delighted Ally's customers can rest assured that they're staying on top of market trends."

"We are committed to meeting consumers wherever they are on their homebuying journey, from dreaming and shopping to owning and managing," said Brandon Snow, Executive Director of Ally Home. "Our collaboration with ComeHome enables us to build on this mission, giving homebuyers and homeowners alike the ability to see a home's full potential in one seamless experience."

In addition to tracking the current value of homes, ComeHome allows Ally's customers to view their property's value history as well as gain insight into the local area's active listings and recently sold homes.

NAR UNVEILS FLOOD DISCLOSURE TRACKER

The National Association of Realtors (NAR) unveiled a state flood disclosure tracker, having worked with the Legal Research Center to conduct a thorough survey of existing state disclosure requirements. This tracker aims to educate the public and Congress as it considers the Federal Emergency Management Administration's (FEMA) legislative proposals to reform the National Flood Insurance Program (NFIP), including the unnecessary and misguided disclosure form proposal.

Under the proposed legislation, to qualify for the NFIP, states would be required to mandate a real estate-related disclosure form with specific flood-related questions. If passed, all but one state would be required to make significant amendments to its laws and regulations, significantly increasing states' administrative and enforcement burden for a limited benefit to homeowners, buyers, or renters.

Based on the research done by the Legal Research Center, all 50 states and D.C. already require the disclosure of known material property conditions or

facts, including prior flood damage. Most states have added flood-related disclosure forms and requirements developed by local authorities with unique knowledge and expertise, benefitted from decades of court decisions and interpretations of common law, and have been tailored to meet state-specific flooding concerns and enforcement.

"America's 1.5 million Realtors are in the business of streamlining processes to best serve all current and future homeowners across this country," said Tracy Kasper, President of NAR. "The proposed legislation would add unnecessary red tape to an already complex purchasing and selling process. Our research has found that every single state has flood disclosure requirements, and there is no need to have federal government involvement in a practice that each state knows how to handle best. The proposed FEMA form would not be useful to buyers and duplicative for sellers, virtually having them check the same box on a different form."

NAR engaged the Legal Research Center, which has decades of legal research and real estate expertise, to identify all flood disclosure requirements not identified in FEMA's study supporting this proposal. NAR asked the Legal Research Center to evaluate state disclo-

sure laws using three guiding principles: is it useful information for homebuyers, is it reasonable for sellers to provide, and is it feasible for states to administer and enforce?

The findings underscored that FEMA's proposal would require another disclosure form that does not provide useful information to buyers, duplicates form questions, will be difficult for sellers to complete fully, and could create new opportunities for frivolous lawsuits and technical paperwork.

"Our research reveals that states have a long history of tailoring and enforcing their respective disclosure requirements to meet state-specific flooding concerns," said Kevin Ritchey, CEO of the Legal Research Center. "The FEMA study solely considers whether specific questions are asked on a required disclosure form and ignores existing state laws, regulations, and court rulings addressing flood disclosure requirements. A one-size-fits-all approach of a federally required form fails to address local needs."

While opposing FEMA's disclosure form proposal, NAR does agree that the federal government can and should do more to help inform property buyers and renters as part of broader NFIP reform legislation. For example, NAR supports the Flood History Information

INTRODUCING

MortgagePoint Magazine

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





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Act, which requires FEMA to disclose its NFIP claims and disaster aid data directly to property buyers and renters. Property buyers and renters have the right to know, and the legislation would confirm FEMA's authority to disclose this information under the Privacy Act.

GUARANTEED RATE EMPOWERS AGENTS TO PROVIDE FLOOD QUOTES

Guaranteed Rate Insurance LLC, a national insurance broker, released its proprietary private flood insurance API connection through its CRM platform, which allows its agents to provide flood quotes in all zones from multiple private flood providers.

The quoting platform will present multiple flood quotes alongside homeowner quotes for properties in 48 states and Washington, D.C. The process of selling takes only a click from the agent, with confirmation of property details, coverages, and deductibles. In turn, the binding process takes only minutes.

This new platform provides Guaranteed Rate Insurance customers with an immediate way to receive and compare flood coverage as part of their homeowner's insurance policy, directly at the point of sale.

According to FEMA, "99% of U.S. counties have been impacted by a flooding event, and just one inch of water inside a home could cause \$25,000 or more in flood damage. Severe thunderstorms account for up to 70% of all insured natural catastrophe losses in the first half of 2023," the Swiss Re Institute estimates.

"Any agent who does not provide a flood quote is doing a disservice to their customer," said Jeff Wingate, EVP and Head of Insurance for Guaranteed Rate. "Our top priority is to equip our agents with the necessary tools to offer their customers a wide range of coverage options, empowering them to make informed decisions. Our technology team has done a tremendous job bringing these innovative tools to the market."



Flood coverage is excluded from all homeowner policies. With extreme weather events causing excess rainfall amounts across the country in areas that have never been prone to flood losses, Guaranteed Rate Insurance developed this solution to allow all customers to be given the option to purchase flood insurance, no matter their flood zone risk level.

For agents, it is now easier to provide flood insurance without the time-intensive and potentially error-prone process of manual data entry across multiple carrier sites. Customers will always have options to protect their properties from water and weather-related catastrophes, which is especially important in markets such as Florida, which will start to require flood insurance on a mandatory basis with certain carriers.

In the coming months, Guaranteed Rate Insurance is projected to look at how to further expand the new flood offering within its digital marketplace and will be marketing flood insurance to its existing customer base.

SINGLESOURCE'S SINGLEVUE TO SUPPORT FANNIE MAE'S VALUE ACCEPTANCE + PROPERTY DATA INITIATIVE

SingleSource Property Solutions has announced it now offers data collection suites and a proprietary mobile app, SingleVue, for the Fannie Mae Value Acceptance + Property Data Initiative.

By utilizing SingleSource's data collection solutions as part of the GSE's appraisal waiver initiative, lenders can achieve shorter loan cycle times, lower consumer costs, and an improved borrower experience.

"Historically, one of the most time-consuming parts of the loan process has been scheduling the appraisal," said Matt Stepanovich, VP of Appraisal Modernization and QC at SingleSource. "During the last refi boom, some appraisers were scheduling inspections as far as four to six weeks out, which was slowing down the entire loan transaction. As a Fannie Mae partner, SingleSource

can utilize a larger pool of trained data collectors, so that property inspections can now take place in a matter of days, not weeks."

SingleSource's products are supported by SingleVue, the company's new proprietary mobile application that offers a simple interface for quickly gathering the details and digital layout of a property. SingleVue features key tools from SingleSource's mobile data collection partnerships, including digital scans for producing floor plans.

These options give SingleSource clients the technology options currently available in the valuations industry, all in one location.

"We are proud to be one of a few service providers in the program that offer a full suite of mortgage services, including valuations, title and closing, inspections, field services, asset management, and document management solutions," said Ed Austin, COO at SingleSource. "For over 20 years, we have been supporting lenders and servicers across the entire loan cycle. As appraisal modernization continues to move forward, we are excited that our innovative offerings are being used to help transform the mortgage industry."

CORELOGIC INTRODUCES AUTOMATIQ BORROWER EMPLOYMENT/ INCOME VERIFICATION

CoreLogic has introduced enhancements to its AutomatiQ Borrower Verification of Employment and Income (VOE/I) to offer lenders more flexibility in employment and income verification.

With a combination of four different verification options, lenders can streamline operations by creating custom waterfall verification solutions to meet individual objectives around speed, coverage, and cost savings.

In addition to the existing verification options offered by CoreLogic—The Work

Number and manual verification—lenders can now leverage two additional options in AutomatIQ Borrower VOE/I:

- » **Experian Verify:** Instant access to income and employment information from Experian's growing network of payroll and proprietary employer data. The solution supports Day 1 Certainty from Fannie Mae and Loan Product Advisor asset and income modeler (AIM) from Freddie Mac.
- » **Borrower Assisted Payroll:** The consumer can input their payroll credentials on a vendor website allowing the vendor to quickly verify employment or income.

With the addition of Experian Verify and Borrower Assisted Payroll, lenders can choose different lending waterfall combinations to better serve their consumers and scale solutions. Additionally, duplicate orders within a 24-hour period are rejected, eliminating redundant verifications and unnecessary costs.

“By collaborating with CoreLogic to bring Experian Verify into AutomatIQ Borrower Verification, we can help streamline experiences for consumers while ensuring lenders can make data-driven decisions with confidence,” said John Tsefrikas, SVP and General Manager at Experian Verification Solutions. “Through this Experian Verify integration, CoreLogic's clients now have secure access to the latest advancements in technology and income and employment information available in real-time. Additionally, to realize cost efficiencies, lenders are only charged per report rather than per employment record.”

To help lenders ensure their application and verification process works within existing systems, AutomatIQ Borrower VOE/I integrates with leading industry tools and technologies. This also means that when troubleshooting challenges arise, lenders will have a network of support.

“People are at the heart of every mortgage transaction, and we want to ensure lenders are equipped with the most comprehensive solutions to bring clients a positive experience,” said Jay Kingsley, President of Mortgage Solutions at CoreLogic. “With accessibility to multiple

leading verification options and customization to select their order, the enhanced VOE/I solutions enable lenders to verify their way and make informed decisions.”

WELCOME HOMES OUTLINES FUTURE OF RESIDENTIAL HOMEBUILDING WITH AI-POWERED PRODUCTS

Welcome Homes announced an evolution of its homebuilding platform, introducing two new products: Make-an-Offer and AI-powered Land Vetting.

Using Welcome's AI-based land-vetting technology, customers can now view every buildable property within their desired area.

With the surge in mortgage rates over the last year, the price points between existing homes and new ones are starting to converge. As such, consumers in the market for their next home are going to more often opt for new construction, ensuring that they're extracting value and not making unnecessary concessions in the purchase process. This is why Welcome Homes is quickly innovating to bring the entire homebuilding process online, streamlining the journey from land selection to design to construction.

“The residential construction industry is missing crucial bridges between different stakeholders in the process,” said Alec Hartman, CEO and Co-Founder of Welcome Homes. “Homebuyers, contractors, civil engineers, and municipal authorities—incentives across these groups are not aligned. Our technology can be the throughline that eliminates friction and improves collaboration throughout the new home construction process, making it a more fruitful and less stressful endeavor for all parties involved. This is why we're aggressively adding innovations like our AI-powered land vetting and ability to make offers on new construction projects in seconds online. Technology is the key to eliminating the housing crunch.”

More about the two new Welcome Homes offerings, ushering in a second generation of its platform:

- » **Make-an-Offer** is a significant step in digitizing the onramp to building a new home. With this new feature, Welcome customers can submit an offer to purchase their land and construction directly within Welcome's online platform, making it easier than ever to buy a new home. The traditional process for building a new home entails weeks, sometimes months, of collecting quotes from builders and architects. Welcome's new offers feature simplifies this process down to a few clicks and puts the buyer in control from day one.

Once the offer is submitted, Welcome operates as a managed marketplace; the customer's offer is distributed to Welcome's network of local partner builders and matched to the most qualified builder for the job. Builders accept or reject offers online, much like gig drivers in rideshare apps. Welcome has onboarded builders into its offer network for all 60+ counties where it operates.

- » **AI Reviews** are the next evolution of Welcome's proprietary land-vetting technology. Using predictive, AI-powered models, Welcome can now automatically determine the buildability and estimated build cost for any given property. Welcome's AI models are trained on thousands of site assessments created by Welcome's in-house team of civil engineers.

Typically, without the support of Welcome's technology, the property-vetting process could take anywhere from three weeks to three months. Before the introduction of AI, Welcome's vetting process took three hours. With AI, properties are now vetted in seconds.

Welcome has over 19,000 buildable, pre-vetted properties available on its platform, a 2,500% increase since the introduction of AI. Welcome Homes is projected to leverage this AI technology to rapidly expand into new markets in late 2023 and early 2024.



LOCAL BUYERS CREATE BIG IMPACT

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94% of Auction.com buyers purchase 10 or fewer properties per year, allowing them to focus on homes and care about the communities they serve.

“Breathing life into a rundown property benefits the whole neighborhood. So far, I have done this twice.”

-David, Florida

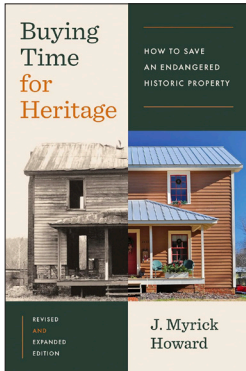


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**LET'S EXPAND
HOMEOWNERSHIP
TOGETHER**

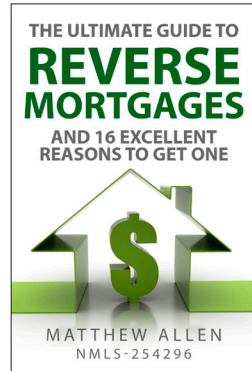




Buying Time for Heritage: How to Save an Endangered Historic Property

by J. MYRICK HOWARD

In his new book, author J. Myrick Howard asks the broad question, "What does it take to save endangered historic properties?" As new properties are being snapped up at record paces, many homeseekers are turning to buying historical properties with the intention of renovating them to bring them up to date, but many don't know that there are rules about modifying, renovating, and updating historical properties due to historical property preservation laws. While the author says that knowledge and passion are the most important things buyers need before undertaking any work, large sums of money are not necessary to save and update an endangered historical property. Drawing on 45-years of successful work leading Preservation North Carolina, Howard draws on case studies that are applicable coast-to-coast. Ripe with illustrations and detailed projects on how to remodel historical homes in in working-class neighborhoods, this book is an indispensable tome on how to save special places of our collective past.



The Ultimate Guide to Reverse Mortgages: And 16 Excellent Reasons to Get One

by MATTHEW ALLEN

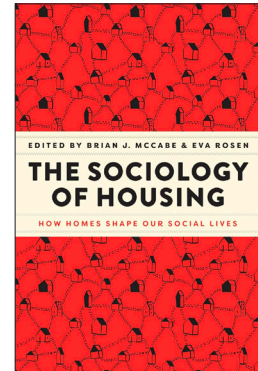
Curious about taking out a reverse mortgage but don't know the finer points of such an undertaking? Author and mortgage lender Matthew Allen demystifies the world of reverse mortgages, which is riddled with jargon, confusing terms, and complex decisions. The author's newest book is a clear, concise guide that will lay out the world of the inner workings of reverse mortgages, making it as simple as possible to understand. Every page is designed with the reader in mind no ensure that you are not just informed, but empowered to make the correct decision on whether a reverse mortgage is the right product for you. Typically, a single-family home is the largest asset most people own and a reverse mortgage can be the key to unlocking a more comfortable retirement, improve your cash flow, supplement your income, or even to just create a sizeable "rainy day" fund. This isn't just a book; it's a ticket to a more secure, informed, and brighter financial future.



Queens Of Real Estate — Chicago: S01-E01 Reigning In The Windy City (Queens Of Real Estate Chicago Season One Book 1)

by LEON BELLAMY

Author Leon Bellamy dives into the topic of women in housing by extensively interviewing four waymakers in the Chicago real estate market, which are deemed the "Queens of Chicago Real Estate." All being experts in their niche fields, Bellamy follows these four "fierce" females as they find and complete deals on a unique mix of properties, from magnificent mansions and condos, modest single-family homes, and modern properties in the Windy City. From high-rise condos with breathtaking views of Lake Michigan to sprawling mansions with lavish amenities in the suburbs, no challenge is too big or too small for these ladies. But they also face fierce rivalry from each other, as well as from other agents and clients who are ready to outsmart and outbid them at every turn. But these women are not just all about work; they find time to fit in their social lives, going to extravagant parties, chic clubs and bars. Find out how they deal with pressure and drama, family, and how they came out on top in this biographical book.



The Sociology of Housing: How Homes Shape Our Social Lives

by BRIAN J. MCCABE, EVA ROSEN

According to Authors Brian J. McCabe and Eva Rosen, in 1947 the President of the American Sociological Association, Louis Wirth, argued for the importance of the sociological study of housing. Now some 75-years later, this new field of sociology has not developed as Wirth had dreamed, but it is still being taken seriously as researchers, such as McCabe and Rosen, who conducted interviews on the importance of housing studies within the discipline of sociology by tackling topics like racially-based segregation, housing affordability and instability, the lack of affordable units, and the process of eviction and what that does to families. In doing so, the authors and contributors showcase the very best traditions of sociology: they draw on diverse methodologies, present unique field sites and data sources, and foreground a range of theoretical approaches to elucidate the relationships between contemporary housing, public policy, and key social outcomes. This book is a landmark volume that will be used by curious researchers and students alike to branch out this growing subfield of sociology.



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FANNIE MAE PRESIDENT DAVID BENSON TO RETIRE

Fannie Mae has announced a series of leadership changes following decisions by two veteran executives that they will soon retire from the company.



Benson

Fannie Mae President **David C. Benson** announced that he will retire in early to mid-2024 after 21 years of

service in a wide range of positions, including Interim CEO, CFO, EVP—Capital Markets, and Treasurer.



Hayward

In addition to Benson's retirement, Chief Administrative Officer **Jeffery R. Hayward** announced his intention to retire as of December 31, 2023, after 36 years with Fannie Mae during which he also led the company's Multifamily business and its National Servicing Organization.



Almodovar

Upon Benson's departure, CEO **Priscilla Almodovar**, who joined the company last year, will assume the additional title of

President. In this expanded capacity, she will directly manage the company's two business units: Single-Family, led by EVP Malloy Evans, and Multifamily, led by EVP Michele Evans.

"Dave Benson and Jeff Hayward have each brought an enormous amount of leadership and technical expertise to Fannie Mae in their decades of service," Federal Housing Finance Agency (FHFA) Director Sandra L. Thompson said. "Their many contributions have posi-

tioned Fannie Mae to excel in serving its mission of providing affordable and sustainable housing to creditworthy homeowners and renters while also ensuring the safety and soundness of the Enterprise. I am confident that Fannie Mae, under Priscilla's leadership, will build upon their efforts and effectively fulfill this mission, and I congratulate Terry and Danielle on their well-deserved new roles. I wish Dave and Jeff the best in their future endeavors, and I look forward to working with Fannie Mae's leadership to ensure a smooth transition."



Theologides

Fannie Mae has also announced Current General Counsel **Terry Theologides** will succeed

Hayward as Chief Administrative Officer, and **Danielle McCoy** will become the new General Counsel & Corporate Secretary. McCoy currently serves as SVP,



McCoy

Deputy General Counsel & Deputy Corporate Secretary.

Theologides has been General Counsel & Corporate Secretary for more than four years, and previously served in senior roles at CoreLogic and Morgan Stanley's mortgage businesses. As Chief Administrative Officer, he will be responsible for a broad range of Fannie Mae's operations, including Economic & Strategic Research, the ESG team, Government & Industry Relations, Legal, and Marketing & Communications.

"We're deeply grateful to both Dave and Jeff for their leadership and decades of service," said Michael J. Heid, Chair of Fannie Mae's Board of Directors. "As they depart, we are implementing our succession plans and streamlining our leadership structure to continue advancing our strategy and our mission to serve home-

owners, renters, and the housing market as a whole. The Board is very pleased that Priscilla will take on this greater role, drawing on her wide-ranging experience and proven commitment to our mission."

As President of the GSE, Benson is responsible for several corporate functions, including information technology, human resources, and communications. He also serves on the Board of Managers of Common Securitization Solutions, a Fannie Mae and Freddie Mac joint venture. From May 2022 until December 2022, Benson concurrently served as Fannie Mae's Interim CEO and President, and a member of the Board of Directors. Prior to being appointed Fannie Mae's President in 2018, Benson was EVP and CFO. Before joining Fannie Mae in 2002, Benson was a Managing Director in the Fixed-Income Division of Merrill Lynch & Co. During his 14-year tenure, he held leadership positions in risk management, fixed-income and currency trading, debt syndication, and e-commerce based in New York and London.

"I'm honored, and I'm excited about the path forward," Almodovar said. "Fannie Mae is well-prepared for these transitions thanks to thoughtful succession planning and the strong leadership corps that Dave, Jeff, and others have helped develop through the years. Dave's and Jeff's achievements have left a lasting imprint on our company and our industry, and we are grateful for their leadership and contributions. Our bench of leaders is deep, and I look forward to continuing to grow our talent and working with Terry and Danielle in their new roles."

In his role as Chief Administrative Officer, Hayward is responsible for all of Fannie Mae's mission-critical work on affordable housing and Environmental, Social, and Governance, and leads the Human Resources and Enterprise Workplace functions. He has held this position since August 2020. From 2012-2020, Hayward was Fannie Mae's EVP and Head of Multifamily, responsible for all of the company's multifamily business functions. Previously, Hayward was SVP—National Servicing Organization, responsible for the company's relationships with mortgage servicers, with a focus on curtailing credit losses.

Hayward also led Fannie Mae's Community Lending organization and was responsible for five business areas that provided debt and equity financing to help increase and preserve the nation's supply of affordable rental and for-sale housing. In this role, he managed the company's overall relationship with the Housing Finance Agencies and worked closely with the National Council of State Housing Agencies and its members. Additionally, he led this organization's efforts to create housing for the homeless, invest in rural and Native American communities, and rebuild along the Gulf Coast.

LANCE DRUMMOND NAMED CHAIR OF FREDDIE MAC'S BOARD OF DIRECTORS



Freddie Mac has announced that **Lance Drummond** will become Chair of its Board of Directors. A member of the Board since

2015, Drummond will succeed Sara Mathew, who will retire as Board Chair and as a Director in February 2024, as required by the company's bylaws.

"Freddie Mac's Board of Directors brings together outstanding leaders from across the country to advance the critically important work of providing liquidity, stability, affordability, and equity to the housing market," said Sandra L. Thompson, Director of the Federal Housing Finance Agency (FHFA). "The company is fortunate to have exceptional leaders, such as Sara Mathew and Lance Drummond, overseeing that effort."

Drummond is an executive-level business leader with multi-industry and international experience—traveled and worked in 52 countries. He specializes in business transforming strategy development and execution and organizational change for business-to-business and business-to-consumer *Fortune* 500 companies, with demonstrated success in manufacturing, technology, and financial services industries.

Drummond currently serves as an Independent Director on the Freddie Mac Board, and serves on the GSE's

“Freddie Mac’s Board of Directors brings together outstanding leaders from across the country to advance the critically important work of providing liquidity, stability, affordability, and equity to the housing market.”

—Sandra L. Thompson, Director of the Federal Housing Finance Agency (FHFA)



Audit, and Nominations and Governance Committees. In addition, he is also Chair of Freddie Mac's Technology Working Group. He is a Board Trustee at the University of Rochester, serving on the Compensation and Compliance, Executive, Strategy and Finance Committees. He also chairs the Human Resources Committee of the University.

From September 2015-May 2017, Drummond was the Executive-in-Residence at Christopher Newport University's Luter Business School, where he led and hosted the Luter Lecture Series. Additionally, he was a guest lecturer, advisor to the case competition team, provided career and professional development coaching to students and was senior advisor to the dean.

Drummond retired from TD Canada Trust in January 2015, where he was EVP of Operations and Technology, leading a team of associates who delivered personal and small business loan underwriting, funding, discharges, deposit operations, fraud management, collections, digitiza-

tion and image transformation, service quality (Lean Six Sigma), and project management office services for Canadian Banking including retail, business, and wealth.

Prior to joining TD, Drummond was EVP of Human Resources and Shared Services at Fiserv, Inc., where he led the human resources function for Fiserv's 20,000 employees. Additionally, he oversaw many of the company's shared services, including Fiserv Global Services' 2,800 employees, located in India and Costa Rica, Procurement and Corporate Real Estate.

Prior to Fiserv, Drummond was the Global Consumer and Small Business Banking eCommerce/ATM executive at Bank of America. Prior to his eCommerce/ATM role, Drummond was the Service and Fulfillment Operations executive for Global Technology and Operations. He led more than 19,000 associates who provided end-to-end operations support to 55 million consumer households, two million small business

relationships, 200,000 commercial clients, 6,100 banking centers, and 18,000 ATMs.

Drummond began his career at Eastman Kodak company, where he held several senior management positions including Divisional VP and General Manager of Dental Products, Divisional VP and Regional General Manager of Professional Products–Latin American region, Corporate VP and COO of the Professional Products Division.

He is also the Founder of Dreamseeds—a children’s performing arts program at YMCA of Greater Rochester. He was recipient of the Rochester Area Community Foundation Award in 2000, and Rochester Mayor Unsung Heroes Award in 2001. He also received the University of Rochester Simon Business School Distinguished Alumnus Award in 2005 and Charlotte American Diabetes Association Father of the Year in 2005.

LARRY E. THOMPSON
ELECTED BOARD CHAIR OF
THE FEDERAL HOME LOAN
BANK OF NEW YORK



The Federal Home Loan Bank of New York (FHLBN) has announced that **Larry E. Thompson** has been elected by its Board of

Directors to serve as Board Chairman for a two-year term that will commence on January 1, 2024.

Thompson is the former Vice Chair of The Depository Trust & Clearing Corporation (DTCC), and has served on the FHLBNY’s Board as an Independent Director since January 1, 2014. He currently serves as the Board’s Vice Chair, and as Chair of the Board’s Risk Committee. He is the Chair-Elect of the Council of Federal Home Loan Banks, which serves as the public voice of the Federal Home Loan Bank System.

“The critical importance of the FHLBNY’s foundational liquidity mission has been on full display throughout 2023, as has the vital role we play in providing reliable funding for our members and

“The critical importance of the FHLBNY’s foundational liquidity mission has been on full display throughout 2023, as has the vital role we play in providing reliable funding for our members and dependable and consistent support to communities across New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands.”

—Larry E. Thompson, Board Chairman, Federal Home Loan Bank of New York



dependable and consistent support to communities across New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands,” Thompson said. “It is a true honor to serve as chair of this cooperative, and I thank my fellow Directors for the trust they have put in me. The Board and management look forward to continuing to strengthen our franchise and further enhance the positive impact our cooperative makes in the lives of so many across our region.”

Thompson was Vice Chair of DTCC through the end of 2018, and previously served as Chief Legal Officer/General Counsel of the firm since 2005. He has more than 30 years of experience as a Senior Executive in corporate law, risk management and regulatory affairs. In his role as DTCC Vice Chair, Thompson

served as a Senior Advisor to DTCC and was responsible for all legal and regulatory activities of the company and its subsidiaries. He regularly interfaced with government and regulatory agencies on issues impacting the company.

Thompson was also Chair of the Board of DTCC Deriv/SERV LLC and former Chair of the DTCC Operating Committee. He was a member of the DTCC Management Committee, which is comprised of the company’s executive leadership. In addition, Thompson was a member of the DTCC Management Risk Committee, where he helped oversee and assess a broad range of issues related to market, capital, and operational risks facing the corporation. Thompson previously served as Chair of a DTCC Board Subcommittee charged with reviewing the potential risk

impacts of high frequency trading and algorithmic trading as a result of the Knight Capital market event of 2012.

Thompson began his legal career with DTC as Associate Counsel in 1981 and was elected VP and Deputy General Counsel in 1991, SVP in 1993, General Counsel of DTC in 1999, and Managing Director and First Deputy General Counsel of DTCC in 2004. Previously, he was a Partner in the New York law firm of Lake, Bogan, Lenoir, Jones & Thompson.

Thompson began his legal career at Davis Polk & Wardwell and previously served on the Board of Directors of New York Portfolio Clearing, a former joint venture derivatives clearinghouse owned by NYSE Euronext and DTCC. He is currently on the Board of Directors of LedgerX LLC, a digital currency futures and options exchange and clearinghouse. In addition, he also served as former Chair of the Securities Clearing Group and former Co-Chair of the Unified Clearing Group.

The FHLB NY is a Congressionally-chartered, wholesale bank, and is part of the Federal Home Loan Bank System, a national wholesale banking network of 11 regional, stockholder-owned banks. As of September 30, 2023, the FHLB NY serves 334 financial institutions in New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands, with a mission to provide members with reliable liquidity in support of housing and local community development.

» Lenders/Serviceers

JASON BIRNBAUM APPOINTED PRESIDENT OF FLAGSTAR'S PRIVATE BANK



Flagstar Bank N.A., the bank subsidiary of New York Community Bancorp (NYCB), has announced the appointment of

Jason Birnbaum to EVP and President of the Private Bank, effective immediately.

In his new role, Birnbaum will be responsible for the day-to-day management and oversight of all private client banking teams. He joined Flagstar earlier

this year from First Republic Bank after a 16-year tenure where he led a team of private bankers, catering to a wide variety of clients, including high-net worth individuals and their businesses. With more than 25 years' experience in private banking, he is a well-respected industry veteran with a proven track record in winning and growing businesses.

Birnbaum succeeds Senior EVP and President of Commercial and Private Banking, Eric Howell, who will transition to a nonexecutive advisory role for the company.

Flagstar's Senior EVP and President of Banking Reggie Davis will assume responsibility and oversight of the Private Banking Group, with Birnbaum reporting directly to him.

"The Private Banking Group is a core business at Flagstar, with talented and dedicated teammates, who deliver tremendous value to their clients, and that will not change," said Davis. "I look forward to working with Jason in developing a best-in-class single-point-of-contact private client model with a one bank, one team client-focused approach."

Late last year, NYCB completed its acquisition of Flagstar Bancorp, creating a regional banking franchise which is ranked among the top 25 banks in the country based on total assets.

"I am thankful to Eric for his contribution and commitment to helping clients and teammates succeed during his short time at Flagstar," added NYCB President and CEO Thomas R. Cangemi. "I look forward to his continued contributions as a valued advisor and everyone at the company wishes him continued success."

Flagstar Bank operates 436 branches nationwide, including strong footholds in the Northeast and Midwest and exposure to high growth markets in the Southeast and West Coast. Flagstar Mortgage operates nationally through a wholesale network of approximately 3,000 third-party mortgage originators. In addition, the Bank has 134 private banking teams located in over 10 cities in the metropolitan New York City region and on the West Coast, which serve the needs of high-net worth individuals and their businesses.

LOANDEPOT PROMOTES DAVID SMITH TO VP OF NATIONAL VA LENDING



loanDepot Inc. (LDI) has announced that VA lending expert **David Smith** has been appointed to the new role of VP of National VA Lending.

Smith, a former sergeant in the U.S. Army, will drive the company's national VA lending strategy and will lead loanDepot's VA Council, a dedicated group of loanDepot originators who are often veterans themselves, specializing in serving fellow veteran and active-duty military personnel from a position of personal knowledge and trust.

Smith will continue to advance loanDepot's extensive outreach to both the military community and industry professionals (both originators and Realtors) to help them better understand and utilize VA mortgage products. Over the last several years, Smith has trained more than 28,000 real estate agents and consumers on the nuances and benefits of the VA's powerful home loan program.

"As a purpose-driven lender, loanDepot is incredibly proud to make the dream of homeownership a reality for thousands of military families each year," LDI Mortgage President Jeff Walsh said. "We've developed a core strength in serving this particular community and now, with David's expertise and leadership, we are poised to expand our positive impact."

With a career spanning more than 20 years, Smith joined loanDepot in 2022 and has held mortgage, real estate, sales, and training roles with companies such as Prudential Real Estate, USAA, Wells Fargo, and Mutual of Omaha.

"Serving my fellow veterans by helping them purchase their homes and build generational wealth is incredibly meaningful and personal for me," Smith said. "Unfortunately, too many veterans, as well as too many real estate professionals, don't have the understanding they need to successfully utilize VA loans. Our mission is to inform and empower so that more of our country's

servicemembers—who have sacrificed so much on behalf of our country—can take advantage of the powerful benefits of the VA mortgage program.”

ARC HOME APPOINTS BRIAN DEVLIN PRESIDENT AND CEO



Non-QM and nonagency whole-sale and correspondent lender Arc Home LLC has named **Brian Devlin** as its new President.

In addition, Devlin will assume the role of CEO following a transition period with current CEO, Richard Bradfield, who is leaving Arc Home to embark on new opportunities.

With more than two decades of diverse mortgage industry experience, Brian’s extensive background in product development, capital markets, and the non-QM space position him as the ideal leader to steer the company during its next phase of growth.

“Brian is an exceptional leader with a background and strategic vision that align perfectly with the goals of Arc Home,” said Nicholas Smith, a Managing Director at Angelo Gordon, Manager of Arc Home’s parent company. “We are confident that under Brian’s guidance, the company will continue to excel and provide unmatched solutions and service to our clients. Also, I’d like to thank current CEO Richard Bradfield for his dedication to Arc Home over the last five years, bringing it to a top-10 non-QM lender.”

“Joining Arc Home is an incredible opportunity to work with some of the best professionals in the mortgage industry,” Devlin said. “I’m looking forward to collaborating with our dedicated team to provide the best non-QM and nonagency products, processes, and service to our valued clients.”

As President and CEO, Devlin will lead an executive team that also includes CFO Massimo Monaco; COO Suzy Lindblom; Chief Production Officer Shea Pallante; Chief Information Officer Nazim Ahmed; Chief Credit Officer Tish Divirgilio; EVP & General Counsel Lee Kaplan; EVP & Head of Marketing Ge-

rard McGeever; Chief Human Resources Officer Michael Rivera; and EVP of Capital Markets Mark A. Schaefer.

» Service Providers

CHRIS LEWIS PROMOTED TO DIRECTOR OF SALES AT DOCMAGIC



DocMagic Inc. has promoted **Chris Lewis** to the role of Director of Sales, tasked with building on the company’s success as a market

leader, while also driving strategic sales initiatives for DocMagic’s new innovations.

As the Director of Sales, Lewis will be spearheading a pivotal initiative. His primary goal is to lead a team of subject matter experts in offering a consultative approach. This approach assists lenders of all sizes in realizing the cost-saving benefits and operational efficiencies of eClosings, which are becoming more prevalent in the industry. Furthermore, Lewis and his team are committed to highlighting the exceptional document generation and compliance capabilities offered by DocMagic.

“Chris’ outstanding leadership style and extensive experience make him the ideal choice to support DocMagic as we strive to deliver best-in-class mortgage technology solutions for lenders,” said Dominic Iannitti, President and CEO of DocMagic. “We are delighted to welcome Chris into this strategic role, as we seize unique opportunities in the marketplace and expand our innovative offerings in digital lending.”

Lewis has been a member of DocMagic’s sales team since 2016, amassing more than 25 years of industry experience. His extensive background equips him with a rare combination of deep domain knowledge and a profound understanding of how to deliver meaningful value to lenders.

“I am eager to offer our comprehensive solutions to clients, striving to provide a genuine partnership experience that

enhances overall client engagement,” Lewis said. “With DocMagic’s history of leadership in the market spanning over 35 years and the growing prevalence of eClosings, I eagerly anticipate collaborating with lenders to create increased value for both themselves and their borrowers.”

CENLAR PROMOTES DAVID SCHNEIDER TO PRESIDENT



Ewing, New Jersey-based mortgage loan subservicer Cenlar FSB has appointed **David Schneider** President of the

company, leaving his most recent role as Cenlar’s CFO.



John Mezzasalma—previously Cenlar’s SVP of Finance—has been named acting CFO, and **James “Jim” Daras** will continue to

serve as Cenlar’s CEO.



“I want to congratulate both David and John,” Daras said. “David is an accomplished and highly regarded mortgage bank-

ing executive with deep financial and mortgage servicing expertise, and John is a proven financial executive with more than 17 years of experience in corporate and operational accounting, audit, internal controls, taxes, and finance. These moves are simply another acknowledgment of the importance of elevating expertise and strength from within our organization.”

Schneider manages Cenlar’s Banking, Financial, Client Management, Core Operations, Default Operations, Borrower Operations, Transfer Operations and Project Management businesses.

Prior to joining Cenlar as CFO this year, Schneider served in executive leadership positions for three mortgage companies, two of which are backed by major private equity firms—President of CitiMortgage, President of WaMu



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Home Loans, CEO of Lone Star-backed Vericrest, President of Ditech, and CEO of Blackstone-backed Stearns Lending, as well as head of JPMorgan's National Servicing and Default Operations.

Mezzasalma joined Cenlar in 2015 as VP and Chief Accounting Officer, and was promoted to SVP three years ago. Prior to Cenlar, he was a Senior Manager with KPMG. As acting CFO, John will work closely with Schneider and Daras to lead Cenlar's financial team.

ROBERT HOWERTON NAMED CIO OF DOVENMUEHLE MORTGAGE



Mortgage subservicing company Dovenmuehle Mortgage has added **Robert Howerton** to the organization as Chief Information

Officer (CIO), responsible for maintaining and expanding Dovenmuehle's current information technology (IT) infrastructure.

"Robert has an impressive history of information technology experience and a proven record of strategically implementing technology," Dovenmuehle SVP of IT George Mynatt said. "Today's tech-driven mortgage environment demands a leader of Robert's caliber who can balance thoughtful innovation with maintaining a sound, safe and compliant operating environment."

Howerton brings more than 20 years of IT experience, including an expansive track record of working with cloud solutions, development, infrastructure data centers and strategic implementation of automation strategies.

Most recently, Howerton was the Leader Platform Security Engineer at IBM, where he modernized the company's technology infrastructure and led the development and execution of an enterprisewide IT strategy. These efforts resulted in a 30% increase in operational efficiency and a 30% reduction in infrastructure costs.

His career history also includes experience as the Head of IT Operations and Engineering at Santander Consumer

USA, VP of Infrastructure at Mr. Cooper, and Technology Architect and Global Operations Leader at The Kraft Heinz Company.

"I have a passion for being at the forefront of technology advancements, which has led me to work with cloud solutions, development and infrastructure data centers, and appreciate the art of automation," Howerton said. "Implementing these systems for organizational benefits across the board is extremely rewarding. I'm pleased to join the team and eager to contribute to Dovenmuehle's mission of delivering best-in-class mortgage servicing."

MAUSAM BHATT PROMOTED TO CHIEF PRODUCT AND TECHNOLOGY OFFICER AT REALTOR.COM



Realtor.com has promoted **Mausam Bhatt** to the role of Chief Product and Technology Officer, responsible for developing and

executing on an innovative product strategy and roadmap that leverages and optimizes the company's technology infrastructure to deliver an enhanced consumer experience and more growth opportunities for customers.

"Since joining Realtor.com, Mausam has sharpened our customer focus and accelerated the momentum of our product launches in both pace and predictability. He has worked closely with our technology function, and has brought about important innovation and improvements in consumer experience, as well as enhanced sell-side products, including RealChoice Selling and most recently, Listing Agent Toolkit," said Damian Eales, CEO of Realtor.com. "I am excited for Mausam to continue to build on the success he has already achieved in this important and expanded role."

Mausam joined Realtor.com in October 2022 as Chief Product Officer, leading the company's product strategy, collaborating with the company's technology and growth teams to drive a

vision for product priorities, and leading the teams who design, build and market the site experiences and tools offered to renters, buyers, sellers, and real estate professionals.

"I'm excited to take on this new role leading the technology and product teams at Realtor.com and helping innovate and evolve the products we offer to deliver a trusted and superior experience for consumers and business growth for our customers in a rapidly evolving housing market and industry," Mausam said.

Mausam is a seasoned product executive who has helped companies scale globally and built several market-leading products from the ground up. He previously led Google's commerce initiatives, where his team developed and accelerated transaction growth on the Google Shopping platform, serving billions of users and global merchants ranging from *Fortune* 500 retailers to micro direct-to-consumer brands. Before joining Google, he was Chief Product Officer for RetailMeNot, leading teams that diversified the company's product line from primarily a coupons-only marketplace to a modern offering with cash-back wallet, credit card-linked offers, prescription healthcare savings, and gift cards marketplace.

Mausam will be based in Realtor.com's Santa Clara, California, office, and he holds an MBA from Duke University, and an MS in computer science from the University of Arizona.

RE/MAX HOLDINGS NAMES ERIK CARLSON CEO



RE/MAX Holdings, parent company of RE/MAX, has appointed **Erik Carlson** as CEO and a member of the RE/MAX Holdings

Board of Directors.

Carlson was most recently President and CEO of DISH Network Corporation, a *Fortune* 200 connectivity company, where he ran DISH's two largest businesses, DISH TV and SLING TV. In that role, he oversaw the company's day-to-day operations, managing over \$15 billion in

revenue, and was instrumental in successful acquisitions, including that of Boost Mobile. He also serves on the DISH Board. Carlson succeeds Stephen Joyce, RE/MAX Holdings CEO, who served on an interim basis. Joyce will remain on the company's Board of Directors.

"Erik is the ideal executive to take over as the new RE/MAX Holdings CEO, having excelled in various operational, customer-centric and sales roles at DISH," RE/MAX Holdings Chairman of the Board and Co-Founder Dave Liniger said. "He is a strong, well-rounded leader with decades-long experience overseeing large businesses and managing high-performance teams in a disruptive industry, with a self-described 'obsessive focus on the customer,' all of which makes him uniquely qualified to lead RE/MAX Holdings through its next phase of growth."

During Carlson's tenure as President and CEO, DISH won recognition for customer satisfaction for six consecutive years. He also was a key driver behind the DISH Cares initiative, DISH's corporate citizenship effort focused on "Our People, Our Communities and Our Planet." Prior to becoming President and CEO of DISH in 2017, Carlson held several other leadership roles at the company, including President and COO, overseeing day-to-day operations and managing DISH's In-Home services and customer

service centers. Early in his career, he led DISH's indirect sales operations. Carlson is a DISH veteran of more than two decades, having joined the company in 1995 after graduating from Bradley University.

"I am excited to start this next chapter in my career as CEO of RE/MAX Holdings, and I am honored to be part of the all-time global leader in its industry, a company whose entrepreneurial spirit I have long admired," Carlson said. "Dave and Gail Liniger founded and have built an enduring real estate institution with great brands and highly productive networks that span the world. I look forward to joining the RE/MAX Holdings team and applying my operational expertise as well as my experience working with local businesses and serving local communities to further extend the Company's success."

MMI NAMES BRIAN MCKRAY VP OF PRODUCT



Mobility Market Intelligence (MMI), a provider of market insight tools for the mortgage and real estate industries, has promoted **Brian McKray** to the role of VP of Product.

McKray joined MMI in March of this year as the Director of Product. His

efforts in spearheading the development and implementation of MMI's user insights tool and custom dashboard hub have fueled this promotion. Using these customer insights, MMI is actively building improved in-app onboarding and support tools.

"The creation of this role exemplifies MMI's evolution. We're moving from a sales-driven product focus to a customer-driven product focus and have been actively improving our structure to create better tools for our individual customers and teams," McKray said. "Our user insights tool allows us the structure to create necessary improvements and focus on customer needs for each of our individual products."

In addition to developing the integration between the MMI Data Center and Bonzo post-acquisition, McKray has led internal efforts to bring two new products to market for MMI's customers: Property Intelligence—a homeowner-focused tool that lets loan officers (LOs) provide real value to their clients while staying top of mind after closing; and IN. box: a suite of intelligent notifications for LOs, covering items such as listing alerts and credit inquiry alerts, that provide fresh opportunities for outreach and fostering enduring borrower relationships.

"As we've built MMI throughout the years, we've focused on making our tool

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



“Everyone from my team up through the senior executive level has extensive experience within the mortgage industry, and I look forward to working with such a talented team with so much depth.”

—Cari Gordon, Chief Audit Officer, Fay Financial



the strongest and best it can be,” MMI Founder and CEO Ben Teerlink said. “Now that it’s established, we are honing in our individual offerings to users and MMI’s customizable capabilities.”

FAY FINANCIAL ADDS CARI GORDON AS CHIEF AUDIT OFFICER



Fay Financial has announced that **Cari Gordon** has joined the firm as Chief Audit Officer.

In her new role, Gordon will lead the strategy and operation of Fay Financial’s Internal Audit team and oversee a comprehensive, integrated, risk-based audit plan. The plan and the team’s continuous monitoring of results help to ensure Fay’s business practices are rigorously scrutinized and appropriately adapted in today’s rapidly changing environment.

“We were so fortunate to find someone with Cari’s incredible experience in the mortgage industry, in addition to audit, to lead our Audit team,” said Howard

Cohen, COO at Fay Financial. “She’s a wonderful addition, and we look forward to working with her.”

Gordon comes to Fay Financial with more than 11 years of leadership experience in internal auditing and nearly 30 years of experience in the mortgage and banking industry.

She began her mortgage career at Freddie Mac with roles in REO, vendor management, technology, and servicer oversight before transitioning to internal auditing at Fannie Mae. Most recently, she was the Internal Audit Director with USAA.

“I’m immensely excited about joining Fay,” Gordon added. “Everyone from my team up through the senior executive level has extensive experience within the mortgage industry, and I look forward to working with such a talented team with so much depth.”

Fay Financial is based in Tampa, Florida, and has offices in Chicago, Illinois; Tulsa, Oklahoma; and Farmers Branch, Texas. The company offers customers and clients a range of products and services to navigate the opportunities of residential real estate while helping both build toward their long-term financial goals.

» Attorneys

WARD GRAHAM JOINS WESTCOR LAND TITLE AS UNDERWRITING COUNSEL



Westcor Land Title Insurance Company has added **Ward Graham** as an Underwriting Counsel in the New England region.

“I am thrilled to have Ward Graham, one of the premier title insurance underwriters in Massachusetts, join Westcor,” Dawn Pereyo, New York and New England Regional Agency Manager, said. “Ward is well respected and liked among the Massachusetts title industry, and our agents are excited and eager to work with him. We look forward to continuing our growth throughout New England.”

Graham has been an Underwriting and Claims Counsel in the title insurance industry in Massachusetts for nearly 40 years. He is a graduate of Tufts University and Suffolk University Law School. After a tour of duty as a U.S. Naval Judge Advocate, Graham spent several years in private practice, concentrating in the areas of real estate conveyancing and probate before entering the title insurance industry. Over the course of his career, Graham has presented or participated in numerous continuing legal education seminars on topics of real estate law and title insurance for several organizations. He was also a repeated guest lecturer for the real estate litigation course at Suffolk University Law School in the early 2000s.

Graham has been a very active member of the Real Estate Bar Association for Massachusetts’ Title Standards and Legislative Committees for more than 25 years. He has participated in drafting and revising numerous title standards as well as drafting several bills enacted by the legislature amending statutes dealing with title issues.

Graham is also a Past President of the New England Land Title Association, a former long-time member of the Abstract Club, and a former contributing author to the Massachusetts continuing legal education publication *Real Estate Title Practice*.

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» Industry Update

BETTER INTRODUCES 'BETTER INSURANCE' TO PROVIDE ONLINE INSURANCE EXPERIENCES FOR HOMEOWNERS

Better Home & Finance Holding Company announced the launch of Better Insurance, an end-to-end, white-label solution that allows customers to purchase homeowners' insurance through a fully online experience.

Better Insurance is provided through the company's insurance arm, Better Cover, a digital insurance agency dedicated to providing a transparent insurance-shopping experience across a wide range of offerings.

"Insurance is a key component of the homebuying process that comes with its own unique set of risks and challenges. At Better, we are focused on leveraging technology to make products available that can reduce pain points across all facets of the homebuying experience, and insurance is no exception," said Vishal Garg, CEO and Founder of Better. "As a public company, we are more motivated than ever to continue addressing timely issues for homeowners through our

robust product offerings, and the Better Cover team is leading the charge with the launch of a more seamless, consumer-first insurance product."

Better Insurance was created in collaboration with Sure, a global insurance technology company that unlocks the potential of digital insurance, and Toggle, a member of the Farmers Insurance family, which provides digital home, renter, and auto insurance solutions designed for modern consumers. Sure managed the end-to-end configuration and APIs to enable Better to seamlessly integrate its embedded insurance infrastructure technology into Better Insurance, while Toggle provided the underwriting and insurance expertise to design and build the product.

"We're excited to partner with Better to provide homebuyers with a frictionless, personalized insurance solution during this difficult time in the market," said Wayne Slavin, CEO and Co-Founder of Sure. "At Sure, our mission is to unlock the potential of digital insurance, and partnering with a leading digital homeownership company like Better is a natural fit to expand our reach and provide consumers with seamless access to insurance at a time when they need it most."

Better Insurance is currently available in Arizona, Oregon, and Illinois, with plans to expand to additional states in the coming months. The platform is

the latest innovation from Better Cover, the company's full-service digital insurance agency, which offers a full range of products from top carriers at the lowest prices across other areas, including auto, life, and more.

LENSURE UNVEILS INNOVATIVE REVERSE 1031 EXCHANGE FOR REAL ESTATE INVESTORS

LendSure Mortgage Corp. has introduced the Reverse 1031 Exchange with Bridge Loan program to its comprehensive non-QM loan solution toolkit. This innovative addition underscores LendSure's commitment to providing tailored financial solutions that assist brokers in better serving their investor clients.

The new program addresses a significant need in the industry, providing a pathway for borrowers to finance new investment properties without the immediate requirement to sell their existing assets.

"The addition of the Reverse 1031 Exchange with Bridge Loan to our solution toolkit is an exciting development in the changing market," said Joseph Lydon, Co-Founder and Co-Managing Director of LendSure Mortgage Corp. "By utilizing our 1031 Exchange solution, investors can seamlessly transition sale proceeds into new, similar investments, effectively deferring taxes on capital gains, providing a considerable strategic advantage for their financial growth."

Adding to the program's allure is the inclusion of a LendSure Bridge Loan. The bridge loan, requiring no payments until the maturity or sale of the relinquished property, provides investors with the necessary capital for down payments on replacement properties.

This not only gives investors more flexibility but also helps them avoid missing out on potential replacement properties that may only be available for a short time.

The Reverse 1031 Bridge Loan program is designed to safeguard the tax

benefits of a 1031 Exchange. While still subject to the same identification and exchange periods as a traditional 1031 Exchange, a Reverse 1031 Exchange with Bridge Loan allows investors to ride the wave of continuous rent collection without the burden of mortgage payments.

Additionally, it provides investors with the breathing room to make any property improvements and to get the best price possible for their old property.

NEWREZ, KELLER WILLIAMS BERGEN COUNTY PARTNERS LAUNCH NEW JOINT VENTURE LENDER

Newrez LLC unveiled the launch of a new joint venture mortgage company, Carnegie Mortgage Partners, LLC, in partnership with Keller Williams Bergen County Partners.

This partnership brings homeowners in the state of New Jersey a vast network of real estate agents that can offer a mortgage product suite from Newrez and Newrez Ventures.

“The joint venture value proposition is a commitment of excellence in customer service not only to its clients but its referring partners as well,” said Margaret Bernabei, President of Carnegie Mortgage Partners. “I am thrilled to be part of such an incredible enterprise between two partners who are experts in their industries and understand how to grow and succeed in this model.”

Specializing in residential purchase mortgage lending, Carnegie Mortgage Partners is headquartered in Ridgewood, New Jersey, and will focus on serving borrowers across the state.

“We are excited to partner with Newrez because their vision and, more importantly, their values fit nicely with our own,” said Al Donohue, Operating Principal of Keller Williams Bergen County Partners. “We feel that bringing mortgage operations in-house will allow us to provide a one-stop-shop that will provide an enhanced experience for our agents and their clients.”

This latest joint venture partnership marks another major milestone in Newrez Ventures’ commitment to bringing affordable housing to borrowers nationwide, following the recent addition of Onward Home Mortgage to their Joint Venture network.

“Carnegie Mortgage Partners’ unwavering commitment to continued growth and exceeding customer expectations aligns seamlessly with the Newrez way,” said Randy Vanden Houten, SVP Joint Venture & Retail Lending at Newrez. “We look forward to working with such a strong and experienced partner.”

JETTY EXTENDS THE POSITIVE RENT PAYMENT PILOT WITH FANNIE MAE

Jetty announced the extension of its work with Fannie Mae to give renters more opportunities to establish or improve their credit history with Jetty Credit, a service that reports rent payments to all three credit bureaus.

As part of the extension and to encourage adoption of Fannie Mae’s Positive Rent Payment pilot, Fannie Mae is offering more multifamily property owner-operators the opportunity to participate through December 2024 by collecting and disseminating rent payment data for a 12-month period.

The program, which launched in late 2022, aims to alleviate the financial challenges renters face and position them for a brighter financial future by rewarding consistent and on-time rent payments. It also strives to make rent reporting more widely available at Multifamily properties.

“Jetty Credit gives renters the opportunity to build and improve credit for the rent they’re already paying,” said Mike Rudoy, Jetty’s Co-Founder and CEO. “Working with Fannie Mae to offer Jetty Credit as a part of our existing financial platform has allowed us to reach a wider audience of renters, and we’re delighted to extend our partnership.”

Alongside the Fannie Mae pilot, Jetty will continue to offer Jetty Credit across

its entire partner network, as well as the broader property ecosystem.

CBC MORTGAGE AGENCY REDUCES INTEREST RATES ON DOWN PAYMENT ASSISTANCE SECOND MORTGAGES

CBC Mortgage Agency (CBCMA) announced it is reducing its interest rate on repayable second mortgages used for its down payment assistance (DPA) program. For underserved and first-time homebuyers, the rate reduction will minimize the dual impact of significantly higher first mortgage interest rates and increased home prices to help create more homeownership opportunities.

The rate reduction aligns with the company’s mission to support families on their journey to homeownership. Lowering the cost of owning a home, especially on financing costs, can make a difference for many borrowers, especially those in low- to moderate-income communities.

“We looked hard and long at how we could help solve the affordability problem in housing, which is locking many would-be homebuyers out of the market,” said CBCMA President Miki Adams. “Among the measures within our control is the note rate on our portfolio seconds. By meaningfully reducing our rate, more borrowers stand a better chance at qualifying.”

Down payment assistance is essential for many families, and CBCMA’s programs offer an alternative to those who do not have access to other forms of assistance, such as gifts from relatives.

“Homebuyers who are borderline eligible may find that even a small cut in their monthly housing payments is enough to shift from being renters to owners, opening the door to wealth accumulation through home equity,” said CBCMA’s COO, Steve Stein.

Ultimately, the company hopes to facilitate more homeownership opportunities nationwide by lowering the interest rate on second mortgages.

EYES ON THE HORIZON

As we approach a new year, *MortgagePoint* took the temperature of industry experts to see what lies ahead for a market that trudged through 2023 hampered by the convergence of rates reaching 20-year highs, a shortage of housing inventory, and inflated home values.

By ERIC C. PECK

In its initial report on mortgage rates to kick off the year 2023, Sam Khater, Freddie Mac's Chief Economist, wrote of rates, which stood at 6.48% as of January 5, 2023: "Mortgage application activity sunk to a quarter-century low this week as high mortgage rates continue to weaken the housing market. While mortgage market activity has significantly shrunk over the last year, inflationary pressures are easing and should lead to lower mortgage rates in 2023."

Sadly, for prospective buyers and mortgage-seekers in 2023, lower rates were not in the cards. Instead, they rose 81 basis points to close out 2023 (as of November 22) at 7.29%.

Peaking at 7.79% in October, the 30-year, fixed-rate mortgage rode a seven-week upswing to a 23-year high, leading to subdued buyer demand amid continued affordability concerns.

"Affordability challenges and too few homes for sale remain the one-two punch that is keeping many prospective buyers on the sidelines," Mortgage Bankers Association (MBA) President and CEO Bob Broeksmit observed. "We expect mortgage volume to decline nearly 30% this year to \$1.64 trillion, before an expected 19%



rebound in 2024, as rates finally start to trend downward."

With rates hovering around the 8% mark for a good balance of Q3 and Q4, the pause in rate hikes by the Federal Reserve began to bring more aspiring homebuyers off the sidelines and back into the marketplace.

As we get set to enter a new year, *MortgagePoint* took the opportunity to poll several industry execs from across the mortgage finance spectrum—from tech providers to C-suite execs, servicers, and GSE representatives—to gauge their feelings on the year

we're about to leave behind and what lies ahead for the industry in 2024.

Q: What's in store for the housing market as we enter 2024? What are some of the headwinds that the industry will be faced with in the coming year?



Bryan Bolton, Chief Administrative Officer and SVP, U.S. Bank's Consumer Business Banking Operations:

Continued limited inventory and only a slight uptick in foreclosures. Borrowers have a lot of equity and are more engaging with their servicers. More streamlined programs and online accessibility have made it easier for borrowers to get help faster and easier. Even if rates come down, they will still be much higher than the rates a lot of these borrowers currently have. If they sell their property and take their equity to get into another property, they are dealing with high housing prices and higher rates, and may not find another home. With the higher rates, it is harder to give them meaningful payment relief if they can get any. That is going to increase redefault rates.





Sandra Madigan, EVP of Product Strategy-Servicing Technology, ICE Mortgage Technology:

Mortgage forbearance programs established to aid homeowners through the COVID-19 pandemic will wind down in 2024. In response, new initiatives aimed at providing continued support for homeowners will likely be introduced by entities such as the FHA, VA, Fannie Mae, Freddie Mac, and HUD. Concurrently, I expect to see regulators update loss mitigation strategies to keep people in their homes.

A housing inventory shortage will continue exacerbating affordability challenges, especially for first-time homebuyers. The demographic landscape is undergoing a notable transformation, with many empty-nester baby boomers now contemplating downsizing. Leveraging their accrued equity, older homeowners may gravitate towards smaller starter homes—the very segment that Generation Z aspires to enter as first-time homeowners. This intergenerational dynamic will compound the challenge of providing affordable housing options for new entrants into the market. It will also create an opportunity for lenders to help older homeowners put their equity to work.



Michael Merritt, SVP, Mortgage Default Servicing, BOK Financial:

I think we will continue to see volatility in the housing market, driven by higher interest rates and low inventory. Affordability will continue to be a headwind for the industry in 2024. Higher rates impact origination volumes and options and present challenges in the loss mitigation space. Another potential headwind is an increase in defaults from macroeconomic factors. Servicers are prepared to meet this challenge and help homeowners with assistance options.



Stanley C. Middleman, President and CEO, Freedom Mortgage: My overall impressions, looking out at 2024, are as follows:

There will be minimal changes next year. I expect most of the year will look

and feel like this year. The first and second quarters should be the most challenging, with a little bit of pick-up at the end of Q2, and into Q3, during the buying season.

Although it is widely anticipated that rates will be slightly lowered in 2024, I believe that the tangible impact of that rate change will not be significant. I would expect a return to last year's (2022) level, with the biggest positive in the second half of the year. This minor pick-up in origination will not greatly alter the impact on the general health of the originator marketplace.

There is also some room for larger and more stable gains on sale numbers around securitization activity, but not enough to solve the existing excess capacity in the industry. I am expecting the early vintages of servicing will continue their strong returns with continued subdued prepayment speeds, keeping the value of that servicing high throughout the year.

All in all, 2024 should, industrywide, be a slightly better year than 2023. The wild card in this would be geopolitical impact beyond our current understanding.



Jason Obradovich, Chief Investment Officer, New American Funding:

Overall, the housing market will face varying degrees of challenges in 2024. Higher rates are certainly testing each geographic area unevenly. The markets that will thrive are those with a continued lack of supply and persistent demand. However, affordability remains a concern given the runup in prices over the past few years, coupled with much higher rates than we have seen in over a decade.

One of the unintended consequences of the FOMC's recent actions is a situation where homeowners are effectively stuck in their current mortgage because the cost to move to another home at a much higher rate would be unaffordable, if not impossible.

This has broken the housing market to a point where the normal supply of homes and exchange of homes is not happening. When you combine higher rates, record prices, a lack of supply that could last years, if not decades, with current homeowners' inability or unwillingness to sell,

you have a broken housing market.

Breaks are rarely even, and there will be markets that face many more challenges than others. Some markets that relied on somewhat weak demand during COVID-19 and/or rely on investor activity to push prices higher could see a weakening in prices if demand drops even a little bit. Meanwhile, other markets have suffered a shortage in supply for years before COVID-19 and do not rely on outside investors. Those markets will continue to see strong demand, with the only challenge being interest rates and affordability. Once the FOMC (Federal Open Market Committee) reverses policy and brings rates lower, those markets will certainly see price increases continue.

At its core, the housing market is on a solid foundation, but dealing with some noise related to the current high level of interest rates that likely will be corrected in the next year or two.



Lee Smith, Senior EVP & President of Mortgage, Flagstar Bank: I feel 2024 is going to continue to be a tough year for

mortgage originations.

Right now, Fannie Mae, Freddie Mac, and the MBA all forecast the market at more than \$2 trillion, but I think that gets revised downward if rates stay higher for a longer period and the Fed continues to sell mortgage-backed securities (MBS) into the market.

Capacity still needs to be right-sized across the industry, and I think the tougher market will force that to happen. Combine all of this with limited inventory, and it becomes a perfect storm.



Toby Wells, President, Cornerstone Servicing:

Even if interest rates ease, the total cost of homeownership will continue to rise due to inflation, rising property values amid low inventory, higher property taxes, and skyrocketing insurance premiums in some regions. With rising homeownership costs, combined with the end of COVID-era relief programs, mortgage delinquencies are expected to tick upward from the historic lows of 2023.

Organizations with the agility to evolve according to homeowners' needs will be positioned for growth in a more challenging environment.

Servicers are already feeling pressure to ramp up their support for homeowners as more household budgets are squeezed. Some are beginning to step up their default operations now to prepare, while those who did this proactively in 2023 are already in a better position to handle potential delinquencies. This has been a priority for my team. We have also been expanding our proactive efforts to help homeowners keep up with their mortgage payments. For example, we have coupled continuous monitoring of escrow activity with timely engagement to soften the impact of year-over-year changes in escrow activity. We are going the extra mile to help homeowners understand why, how, and when their mortgage payments may increase due to higher tax or insurance expenses. Our goal is to give them ample time to prepare before a payment change takes effect. More broadly, this higher level of support and partnership can help homeowners keep their mortgages healthy throughout the loan term.



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

The housing market is strong for homeowners who locked in low mortgage rates and have more equity in their homes due to rising home prices. Yet, homebuyers, especially consumers looking to buy their first home or those of modest means, are burdened by high home prices, limited supply, and high mortgage rates.

According to Fannie Mae's November Home Purchase Sentiment Index[®], a survey-record 85% of consumers indicated that it's a "Bad Time" to buy a home, with most respondents citing high home prices and high mortgage rates as the primary reasons. By comparison, only 37% believe it's a "Bad Time to Sell a Home." With housing supply still at historically low levels, particularly the inventory of existing homes for sale, overall housing activity will likely remain relatively subdued for the foreseeable future.

Despite this challenging economic backdrop, we remain committed to working with lenders to support renters and homeowners and advance equity within the housing and mortgage markets. This includes driving the efforts outlined in our Equitable Housing Finance Plan; bringing to market HomeView[®] and HomeView en Español, our free-of-charge online homeownership education course to help consumers confidently navigate the mortgage and homebuying process; developing innovative enhancements to Desktop Underwriter[®], such as positive rent payment history and cashflow underwriting; advancing valuation modernization efforts; and reducing appraisal bias to create a more inclusive mortgage credit evaluation process.

Q: With the factors of high rates, high prices, and limited inventory working against today's prospective buyers, which of these factors will be the first to break or bend to provide relief to the marketplace?



Greg Austin, EVP, Mortgage Lending, Carrington Mortgage Services:

This is a three-way "chicken or the egg" dilemma. There is no indication that home prices will fall enough to have any material difference on the market. As long as rates remain high, buyers will be stagnant, especially those that hold a 2.75% to 3.5% current mortgage, hence listings will remain low. The only thing that can open the market up will be a meaningful reduction in interest rates. Once rates come back down, activity will certainly pick up.

Bolton: High interest rates and stubborn inflation will remain a challenge for consumers in 2024. It is not only keeping the housing market extremely tight, but locking people into very high rents, massive credit card debt, and an inability to maintain or build reserves. I think the Fed is showing more of an inclination to slow down increasing interest rates. That is a good indication rates will stabilize or come down slightly in 2024, providing some relief to consumers.

“This is a three-way ‘chicken or the egg’ dilemma. There is no indication that home prices will fall enough to have any material difference on the market.”

—Greg Austin, EVP, Mortgage Lending, Carrington Mortgage Services

Merritt: Rates will be the first to bend based on the pressure from other economic factors. The Fed has kept rates consistent recently, and it is easier to see circumstances that would lead to lowering rates in the near term. Once rates begin to lower, we will see some relief in affordability.

Q: Are there any trends in technology you are witnessing being employed by the industry to streamline operations?

Madigan: There are four major trends I am seeing: eNote adoption, APIs (application programming interfaces), automation, and Big Data.

I have seen an enormous shift in lenders' willingness to adopt technologies that support eClosing, like eSigning, eVaults, eNotarization, eRecording, and eNotes. The ability to electronically record eNotes and securely store loan documents in a centralized repository creates a single source of truth from origination to servicing, offering greater convenience for consumers and huge efficiency gains for lenders. Storing electronic documents in a unified vault creates a continuous lineage, simplifying access for servicers and attorneys in the event of foreclosure.

Lenders are becoming increasingly tech-savvy, strategically integrating APIs into various aspects of their operations. Technology providers are responding in kind, making APIs available to lenders so they can seamlessly connect with different channels and capabilities. In addition to enhancing operational efficiency, API (application programming interfaces) adoption helps save money by eliminating the need for developing custom software workarounds. It also allows the lender to adopt and implement new solutions quickly.

Automation tools will play a more significant role by allowing faster exception management in tasks and workflows. Increased computing power assists with the development of more sophisticated rules, allowing systems to complete more work in the background without human intervention.

A prevailing trend is the increasing utilization of Big Data. As an industry, we are becoming more adept at extracting

meaningful insights from the vast amount of data available and translating them into actionable strategies. When analyzed cleverly, the insights derived from data are nearly limitless. They can support tangible efforts like enhancing customer retention, identifying prospective clients, and delivering better solutions to the end consumer.

Wells: For mortgage servicers, cross-platform data integration is becoming more important as machine learning and automation present opportunities to improve the customer experience, operational efficiencies, compliance, reporting, and everything in between. For our company, having a fully integrated technology platform has helped us see the cumulative value these tools offer for both homeowners and our subservicing clients.

On the default side, for example, a module within our homeowner portal guides customers through the mortgage assistance application process step by step. If they have trouble finding or completing the application, they can tap our virtual assistant for quick help 24/7. Integration with our loss mitigation system allows us to automate processes that match homeowners with assistance plans based on their unique situations and mortgages. Our claims and loss analysis technology, which identifies and prioritizes advances eligible for reimbursement and processes claims, integrates with our loss mitigation and foreclosure systems, as well as our system of record.

In addition to timely and compliant claims submissions, this degree of data integration supports full transparency for our subservicing clients with real-time analytics and reporting. When technologies across a servicing platform talk to each other, AI offers unlimited opportunities to streamline and improve processes across the board.

Williamson: Through digital tools, Fannie Mae is committed to providing more upfront certainty and reducing risk for lenders, such as Day 1 Certainty[®], which helps lenders verify borrower income, employment, and assets. In an analysis of our single-family loan data, we found that when lenders take advantage of at least one Fannie Mae digital tool, a

loan is 33% less likely to produce defects compared to a loan with no form of validation. And if multiple tools are used, the defect risk is reduced by 50% to 70%.

These tools include Collateral Underwriter[®], which uses appraisal data and advanced analytics to help identify and research appraisals with overvaluation, undervaluation, and appraisal quality.

We continue to invest in Collateral Underwriter, as well as other tools and initiatives to make the home valuation process more efficient and accurate. For decades, there was just one way to confirm the property value for home purchase or refinance loans: an appraiser visited the property armed with a clipboard, tape measure, and camera, then performed an analysis and submitted a report. In recent years, the gear might have been upgraded to a tablet computer and laser measuring device, but the process was the same.

Earlier this year, Fannie Mae made valuation modernization updates to our Selling Guide to leverage technologies, data, and analytics to enhance the management of collateral risk, making the process more efficient for lenders, borrowers, appraisers, and secondary-market investors. This transition offers a spectrum of options to establish a property's market value, with the option matching the risk of the collateral and the loan transaction, and leverages technology to foster a more efficient, understandable, and impartial valuation system.

This included a new valuation option—Value Acceptance + Property Data—which utilizes property data collection by a professionally trained and vetted third party, such as an insurance inspector, real estate agent, appraiser, or even a trainee appraiser, who conducts interior and exterior data collection on the subject property guided by an application on a hand-held device. Upon completion, the lender or its representative delivers the data to our application programming interface. This technology-based process reduces origination cycle time and may reduce borrower costs while promoting safety and soundness by obtaining current observations of the subject property.

In addition, the adoption of cutting-edge technology, digital transformation, and process updates are changing the

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way appraisers work and offering different career opportunities to a new generation of appraisers. While appraisers can still choose to go out into the field, it is now possible to complete appraisals by primarily working in an office or from home by accessing multiple online data sources along with property information collected or facilitated by other parties using technology such as 3D scans and purpose-built mobile applications. This evolution presents intriguing new opportunities for appraisers to work in a variety of different ways, providing flexibility regarding working hours and location. Appraisers can also spend less time booking and traveling to appointments, especially in rural areas, and more time doing what they are trained to do: analyze property data and form an expert opinion of value.

Q: As artificial intelligence (AI) and machine learning (ML) continue to advance and evolve as everyday tools for the industry, will we ever be able to rely 100% on these tools, or will the human touch always be a necessary part of the process?



Paul Hurst, Chief Innovation Officer, First American: While advances in AI and ML offer great promise for

driving efficiency in real estate transactions, we believe the human touch will always be a necessary part of the origination process.

Getting a mortgage and buying a home is not like ordering a taxi or groceries. It's most likely the largest transaction a consumer or business will make in their lives, and while people want the process to be seamless, they also rely on mortgage and real estate professionals, as well as title professionals, to provide certainty and trust in the process.

While there are many rote manual tasks in the transaction that can and should be automated, people are required to manage the myriad of edge cases that machines can't handle and, most importantly, help buyers navigate the emotional aspects of buying a home. People want to buy and live in their dream home. AI and ML will

“While AI and ML advancements have undoubtedly improved industry processes, relying solely on these tools is not realistic and presents new risks. The ability to connect with a person who empathizes, understands difficulties, and provides guidance is irreplaceable.”

—Sandra Madigan, EVP of Product Strategy—Servicing Technology, ICE Mortgage Technology

★★★★★

enhance the origination and transaction process, but people will remain central to helping buyers achieve their goals.

Madigan: While AI and ML advancements have undoubtedly improved industry processes, relying solely on these tools is not realistic and presents new risks. The ability to connect with a person who empathizes, understands difficulties, and provides guidance is irreplaceable. It is also important to understand that decisions, influence, traceability, and auditability are essential components of any successful AI or ML implementation that meets industry and regulatory/oversight needs.


While AI and ML can streamline processes and even help employees work through difficult cases, the need for a human touch in customer interactions, especially during financial hardships, will likely persist. The goal is not to eliminate human involvement but to leverage technology to optimize the overall mortgage management process, ensuring that human connections are prioritized where they matter most.

Obradovich: There will always be a place for AI and ML in the industry, but it's incredibly new and untested at this point.

The housing and mortgage industry relies so heavily on humans, but I do see opportunities for these tools to make processes much more efficient. However, the housing and mortgage industries need humans to make certain decisions or perform certain activities that are not easily transferred to this technology. Beyond that, historically, the industry has been very slow to adapt to these types of tools or technology in general.

Smith: I think AI and technology can and will play an important role in improving the mortgage industry, whether that be through a better customer experience or improving processes and efficiencies in the back office. I do think there will always be customers who prefer that personal experience, and there will always be edge or more complex loans that cannot be entirely automated and need that personal touch.

Williamson: While there will always be a need for some level of human



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involvement in the valuation process, we have already seen the benefits of AI and ML in the appraisal space. Since the introduction of the Uniform Appraisal Dataset standards in 2015, we have been digitally gathering appraisal data as part of our mortgage acquisition process. These data include photographs of the subject and comparable properties used in the property valuation process, which are typically unlabeled image files linked to the appraisal document.

Recently, Fannie Mae trained three deep-learning models using more than 200,000 labeled images by experienced reviewers and moved to production of these computer vision models. Using these models, we have evaluated two billion property images, and every day, we are scoring four million more such images. As a result, we have been able to incorporate this image-recognition technology into our internal Collateral Insight tool to display property images for subject and comparable sales side-by-side for easy comparison of a given room type. This tool enhancement saves the time of our Appraisal Quality Control reviewers, improving their efficacy and further automating their processing.

We also introduced an appraisal text-scanning review process in 2021. With it, we used a combination of natural language processing and machine learning to scan the commentary sections of millions of appraisal reports for prohibited and subjective terms including references to race, ethnicity, or religion, and eliminate false positives to ensure these results are accurate and timely reviewed. We then sent letters to every appraiser who had multiple findings, reminding them that such language may be evidence of a non-objective valuation process or discriminatory bias.

We repeated our text-scanning process in 2022, and the results were encouraging, as 78.6% of the appraisers who received a letter in 2021 had no new text findings on appraisals submitted after the letter date. The total number of appraisers with findings declined from 3,193 to 1,557, and the overall rate of appraisal reports with findings decreased from 0.15% to 0.11%.

While we continue to enhance the technology that supports our appraisal text-scanning review process, this is just

one illustration of how technology has the potential to improve valuation accuracy, reduce discretion in the valuation process, prevent human error, and better detect mis-valuation.

Q: Do you feel an industry expansion or contraction lies ahead in 2024?

Merritt: A small expansion is the most likely outcome in 2024. I think we will continue to see consolidation across the industry with the headwinds we are facing.

Obradovich: Given the recent inflation data, it appears the FOMC will no longer need to keep raising interest rates, which will allow the housing market to slowly adjust to a new reality. If rates fall further from here, the market may expand in 2024, given its current trajectory and the fact that demand continues to grow at a greater rate than supply. If inflation unexpectedly continues to rise for some reason, then the FOMC will be forced to slow the economy down much more aggressively, and that could hurt market expansion.

Smith: A contraction. Capacity still needs to be right-sized, and the higher-for-longer interest rate environment, together with a lack of inventory, will force that to happen. I think it will occur through mergers and acquisitions, companies finishing their pipelines and locking the door, and mortgage professionals self-selecting out and moving to a different industry.

Q: As the need arises for skilled professionals in the mortgage space, what incentives are being offered to retain these valued individuals and attract them to your company?

Austin: The incentive to come to Carrington Mortgage Services, as well as our ability to retain current talent, is the company itself. We are, first and foremost, an asset manager, which has allowed us to grow to over \$144 billion of servicing balance. Carrington provides its associates with the stability others do not offer. Associates are not working at just another monoline mortgage lender. We

have multiple business revenue streams. Beyond that, we offer a wide range of FHA, VA, USDA, GSE, and non-QM products.

Bolton: This is a challenge in an environment where banks need to focus on capital and nonbanks are focusing on liquidity. With revenue being stressed, institutions will default to expense reductions to keep efficiency ratios in line. So, there isn't a lot of excess money for retention packages, etc., which will default to ensuring your compensation programs are recognizing high performers and ensuring they are rewarded appropriately.

Merritt: Talent is the primary focus of our organization, both from a recruitment and retention standpoint. We are focused on protecting our positive culture, and our mission of delivering for our customers by investing in the right technology and tools, creating development and enrichment opportunities, and flexible work arrangements for our employees. We believe that engaged and motivated employees deliver better service, which leads to happier customers.

Wells: Competitive salaries, benefits, and perks remain important, but team member retention starts with finding the right people. Filling our organization with team members who exemplify Cornerstone's culture of service and excellence helps us maintain a happy and productive environment. When team members want to come to work and be part of the team, they stay happy, collaborative, and engaged. From there, we champion team members who demonstrate Cornerstone Servicing's mission to make a positive difference for others by recognizing their successes and investing in their growth. Offering ongoing opportunities for mobility and incentive programs structured around our shared, organizational goals is very impactful for us.

Williamson: Fannie Mae employees are driven by our mission to advance equitable and sustainable access to homeownership and quality, affordable rental housing for millions of people across America. Every day, our employees are working on complex policies, programs, and solutions

“Many factors will strain household budgets and place more homeowners at risk of default and foreclosure. In general, mortgages originated before 2023 under higher lending standards will be at lower risk, as rising property values add to their equity.”

—Toby Wells, President, Cornerstone Servicing



to broaden and deepen inclusion policies and initiatives for current and aspiring homeowners and renters.

This year, Fannie Mae was named a Top Workplace by *The Washington Post* and *The Dallas Morning News*, entirely based on employee feedback, and underscores the dedication of our workforce to our mission. We also received the Best in Values award from *The Dallas Morning News*, having the highest employee response of companies surveyed to the statement: *This company operates by strong values.*

We know our central role in the housing economy demands that we recognize and reward the hard work and achievement that our people deliver. We strive to be an employer of choice and offer competitive, life-encompassing benefits that align with our mission. Our Live Well program focuses on health, finances, career, work-life fit, and community because each component plays an important role in how we show up for work and deliver on Fannie Mae’s mission. We offer benefits, programs, and resources that help during moments that matter—such as buying a first home, continuing education, caring for loved ones, and much more.

In 2023, we updated leave programs to include enhanced vacation leave, 12 weeks of paid caregiver leave, home catastrophe leave, and grandparents leave, and we expanded our paid parental leave to 12

weeks. Our focus on finance includes opportunities for employees to achieve future financial goals through programs and a competitive compensation structure. Examples include our student loan repayment program and an up to \$10,000 grant after closing on a home purchase for eligible employees.

As a Top Workplace, Fannie Mae is committed to serving our communities. When natural disasters affect a community, the impact can be significant. With the goal of reducing the time it takes for a family to return to a safe and stable home after a disaster, our Disaster Rebuild Deployment program provides opportunities for our employees to participate in clean-up activities as well as home repairs and rebuild efforts. We provide eligible employees with 37.5 hours of paid disaster relief volunteer leave annually to enable them to serve in disaster-stricken communities.

We also support employees’ self-led giving and volunteering. Fannie Mae matches up to \$5,000 per year in charitable gifts to eligible U.S.-based nonprofit organizations and offers employees up to 10 hours of paid volunteer leave per month to give their time and talents to causes they support individually. Through the company’s Matching Gifts program, employees, board members, and the company collectively donated \$4.1 million to eligible nonprofits in 2022.

Q: With household savings rates below normal levels, student loan payments resuming, the price of oil on the rise, and lending standards tightening, how will these factors play into the foreclosure landscape?

Wells: Many factors will strain household budgets and place more homeowners at risk of default and foreclosure. In general, mortgages originated before 2023 under higher lending standards will be at lower risk, as rising property values add to their equity.

In contrast, 2023 was marked by peak interest rates and relatively less stringent underwriting standards. Borrowers with less excess cash to cover the rising costs of homeownership will be more likely to struggle with mortgage payments. Further, those with a high loan-to-value ratio will have less equity to leverage if times get tough.

The upside: mortgage servicers can make a positive difference for homeowners with proactive engagement and personalized support. The key is building relationships with homeowners long before a first missed payment. Homeowners will be more likely to entrust their servicer for help in the face of hardship, and tech-savvy servicers will have more data to detect hardships early and provide relevant resources to help them stay on track.

Q: What are some strategies used to cater to and attract business from emerging markets?

Austin: The non-QM opportunity continues to be one of legitimate long-term growth. A quality non-QM loan provider must meet the demands of the market, and by this, I mean in terms of strategic programs and products. The programs need to be as unique as the borrowers who require them. Alternative income documentation such as bank statements, profit and loss, and 1099 loans are just a few examples. Loans that not only run up the FICO bands but also run down into lower FICO bands.

In a time where contract workers, consultants, self-employed, 1099 wage earners, and the gig workforce are all growing, sound non-QM lending will be needed. **MP**

THE EVOLVING DIGITAL FRONTIER

Mortgage tech advancements in 2024 will be transformative. Here's how.

By ANEEZA HALEEM

As we stand on the precipice of 2024, the technological landscape is rapidly evolving, with some trends promising transformative effects on the mortgage industry. Here's a deep dive into the pioneering advancements that are poised to shape our digital future in 2024 and beyond.

Generative AI for the Mortgage Industry

Foundation models are massive neural networks trained on petabytes of unlabeled data through unsupervised learning methods. In other words, take a deep learning model, feed it a library of data, and let it create datasets of what it believes to be related/similar data.

When questioned, it then samples these datasets to craft a response that maintains the core integrity of the dataset. Your basic generative model with encoders (dataset creators) and decoders (dataset samplers) have been around for years and are used extensively in financial modeling, statistics, etc. What took this to the next level is Google Labs' Transformers—a mechanism to parallel process text so a general model could be created and then fine-tuned for a specific task.

Earlier language interpreters, like Recurring Neural Networks, processed one word at a time. Transformers, on the other hand, not only process entire sentences but have the capability to understand grammatical rules, positional context, and even relationship context, thereby far



expanding the scope of data it can understand without human intervention.

This, of course, begs the question: what trust can we put in AI-generated output? With large foundational models, this can still be a gray area. Earlier ChatGPT models confidently spouted facts as fiction, but this will improve with time as technology scales. Prompt Engineering and Reinforcement Learning from Human Feedback are human supervised learning methods that are gaining in popularity to enhance AI's black box learning styles.

These large foundation models can cost a fortune to train—for example, the training for Chat GPT 4 cost an estimated

\$100 million. But there is an advent of smaller, nimble models that cost significantly less that can be focused on a specific knowledge base. Think protein identification for cancer research, smart grid configuration and maintenance, or supply chain management.

For the mortgage industry, this opens up a slew of use cases—portfolio/pool analyses for the secondary market, default and foreclosure support to gain insights into profitability, and fraud prevention in Know Your Customer and Anti-Money Laundering spectrums.

It could even mean enhancements of existing products, for example, adding even more insight to an already robust Ask Poli. In addition to links to Fannie's guides, perhaps we'll see a summarized version that reads out as Steve Irwin. ("Crikey! That LTV seems awfully high for that credit score. You may want to approach carefully so as not to startle the compliance guidelines.")

For today, it's using AI-enhanced Google for more insightful searches or ChatGPT to fix code (maybe an Excel macro?). Baby steps to a (hopefully) well-regulated, AI-powered future.

Custom Data Endpoints

More and more institutions are getting into the practice of exposing specific data points through APIs. In the past, information was shared as paper only, which was clunky, slow, and insecure. With APIs becoming more prevalent, institutions can





My data is my data, not our data—and definitely not your data. We say this out loud, we may even believe it at times, but in our heart of hearts, we know that privacy is but an illusion.”

—Aneesa Haleem, VP of Technology,
Planet Home Lending

share data in real-time with confidence in who they are sharing it with and exactly what is being shared.

For the mortgage industry, this can mean not needing to strain your eyes over the fine print of a 4506T or an appraisal while still getting all the information needed to make an informed decision.

For a consumer, this means not having to share more information than needed. Take a corporate tax return submitted as part of a personal loan qualification, for example. The return may include information about business partners not tied to the deal at hand, or a divorce decree that exposes the ex-spouse's information.

All currently required documents for the loan origination process may contain unnecessary data points. Back in 2018, as part of a privacy blockchain article, I wrote about zero-knowledge proofs, a method by which information being requested can link back to a verifying person or institution without conveying any additional information except that about which they are being asked. One of the examples I gave then was of a car rental agency needing to verify if you were over the age limit. They don't need to know your exact age, your birthday, etc.—just a yes/no response from a trusted agency. This is the future we should expect.

Privacy and Transparency

My data is my data, not our data—and definitely not your data. We say this out loud, we may even believe it at times, but in our heart of hearts, we know that privacy is but an illusion. Data brokers have been selling our most private thoughts, our late-night Google searches, and our locations for years. We are a willing/unwilling open e-book.

But government agencies are stepping up to put an end to this—or at least to provide guard rails. Last year, the Federal Trade Commission sued Kochava over selling sensitive location data. The CFPB wants to hold data brokers more accountable. Even the turbulent economic environment of 2022 did not take away from privacy spending by institutions. The average spending was \$2.7 million, up significantly from \$1.2 million just three years ago.

Data management—the entire spec-

trum of data scientists, data analysts, data reporters, data handlers—is a continuously growing area. Data mesh—which is the concept of decentralizing data, so we have specific data owners for specific data sets, removing silos and constraints—allows for data to be seen as a business product, thereby controlled through business-level access yet structured enough for easy self-service. All of these are moves to not only protect our data but also provide more transparency on what is known about us and by whom.

I believe this uptick in vulnerability assessments, security controls, and data management will continue and only get stronger. Expect nimble, narrow-AI powered solutions.

The Thinking Machine

Between sociopolitical unrest, economic turmoil, COVID-19 variants, and deep-fakes, who knows what 2024 will unravel for us? The one constant, like time, is the digital bits that power our world—always a zero or a one—relentlessly blinking away, connecting us, disconnecting us, but always ticking on. **MP**

The views and opinions expressed in this article are those of the author and do not necessarily reflect or represent the views, policy, or position of Planet Home Lending, LLC.

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FHFA SUPPLEMENTAL PARTIAL CLAIM: THE NEXT ITERATION

Taking a deep dive into Supplemental Partial Claims, the benefits and drawbacks they present in today's mortgage landscape, and other considerations.

By JOSEPH SMITH

From policies implemented following the 2008 financial crisis to mortgage relief programs put in place during the COVID-19 pandemic, the mortgage industry has seen many innovations in how distressed mortgages are resolved. As distressed homeowners today are facing new challenges associated with a high-rate, high-value real estate market, the Supplemental Partial Claim is one tool that may help mortgage professionals and homeowners manage through these difficult times.

As a standalone tool that has been around for many years, it is functional in certain circumstances and can address a number of defaulted loans. While it has some limitations, it can serve as a pathway to new workout solutions. Mortgage professionals and homeowners can benefit from a deeper understanding of how Supplemental Partial Claims work, the benefits and drawbacks they present in today's mortgage landscape, and other considerations.

How Supplemental Partial Claims Work

The basic premise for Supplemental Partial Claims is that 30% of the unpaid principal balance (UPB) of the mortgage will become the source of funds to offset the arrearage and create a balloon balance due at the end of the loan. Any funds left over after the arrearage will be used to calculate the amount and period of time—up to 60 months—that the prin-



cipal portion of the monthly payment will be reduced at a 25% rate. At a minimum, there will be a 5% reduction in payment.

A series of calculations is conducted to determine if the partial claim principal reduction lasts for up to 60 months (if less than 36 months, there is a 5% payment reduction) and to determine "excess" equity after the arrearage to be used to calculate a reduced principal payment. The goal is to reduce the principal portion by up to 25% maximum monthly principal reduction (Max MoPR) for up to 60 months, based

on the difference between the arrearage and the MaxMoPR.

The Federal Housing Finance Agency (FHFA) and the Department of Housing and Urban Development (HUD) have provided a worksheet that can be automated either in Excel or in an application to run loan scenarios to evaluate loans for eligibility. Based on most calculations, it appears that the Supplemental Partial Claim will create lower payments in response to a number of defaulted loans and provide some hope in this high-rate environment.

Potential Drawbacks

While there are many advantages to Supplemental Partial Claims, there are drawbacks to consider as well. Not all loans will qualify for the payment reduction, even at 5%. Furthermore, variable rate loans and prior bankrupt loans that did not reaffirm are ineligible. More mature loans will have a lower maximum partial claim due to the pay-down of the principal balance. Additionally, there are multiple calculation points for potential errors. What is clear is that the greater the UPB versus the arrearage, the greater and longer the savings.

The Supplemental Partial Claim appears to only work with agency and government loans, as it's unclear whether the same interest rate can be maintained with nonagency or nongovernment loans. Furthermore, it's not widely understood by the general population and is not offered nationally.



The high-rate, high-value mortgage environment is a two-edged sword. Many say those who have defaulted on their loans can sell at the elevated rate but are stopped because they cannot afford to rent after selling.

Within bankruptcy, it is unclear how the Supplemental Partial Claim will be accounted for by the trustee or mortgagor. There is also a question of extension of new credit instead of a modification of existing credit for the bankruptcy court.

The Issue of Increased Payment in Today's High-Rate, High-Value Environment

Created in the wake of the financial crisis, the Home Affordable Modification Program (HAMP) was a revolutionary change to save the mortgage industry from losing all of its value through distressed sales. These mortgage modifications were based on rate and term changes to re-amortize the arrears with the principal. This led to "proprietary" modifications for nongovernment/agency mortgages and streamlined modifications for Fannie Mae and Freddie Mac mortgages.

These modifications had several characteristics in common. The new rate environment was lower than when the mortgages were originated, with modifications as low as 2%. Furthermore, the arrears were re-amortized using a reduced interest rate and extended terms. The result was a lower payment than before and a current loan balance.

Today, the issue stems from the inability to achieve the lower payment that one would typically see from HAMP in a lower interest environment. The increase in interest rates to over 7%, when mortgage rates are in the 3% range, makes it almost impossible to modify a loan to a decreased payment. It would be necessary to extend the term considerably. The supplemental partial claim suggests extending the term to 480 months, or 40 years. Unfortunately, that only addresses a small percentage of interest rate change and certainly not the 3-4% rate change over the past three years. As a result, FHFA and Freddie have been working on the Supplemental Partial Claim to address the loan resolution with a lower payment.

The high-rate, high-value mortgage environment is a two-edged sword. Many say those who have defaulted on their loans can sell at the elevated rate but are stopped because they cannot afford to rent after selling. We see this issue in the

Bankruptcy Mortgage Loss Mitigation Program. People who are back to work and can afford to pay more are denied a modification because the payment went up a few dollars. Most people expect to pay something more when they get behind and need to catch up. In bankruptcy, you pay the regular payment plus one-sixtieth (1/60) of the arrears each month—or in other words, an increase for a normal repay plan.

For some reason, the mortgage industry has decided that all workouts must be at a reduced payment, ignoring the details of it making sense. It certainly is easier to explain and get borrower support when you lower the payment, that holds doubly true when rates are artificially low. But with rates up and workouts down, values will start to drop. Once that happens, the 30% UPB maximum partial claim starts to become a 40-50% partial claim. At what point does it become an unrealized loss when marked to market?

Conclusion

The Supplemental Partial Claim can be beneficial in certain circumstances and will address a number of defaulted loans. It will not cover the spectrum like HAMP, and in the event of a major housing reset, it will not stop the downward slide in market value. However, allowing some workouts with Supplemental Partial Claims is good for the market and will help with losses. There are also advantages to working out a few loans with increased payments. Together, they form the first review for defaulted loans. The strength in working out loans is based in the underlying knowledge of the basics of the loan and in evaluating the ability to repay. To repeat, it is based on re-underwriting the loan and its affordability, not just saying the payment must be reduced. We have seen too many borrowers with new jobs and increased pay rejected because the payment did not go down far enough. We need to keep that in focus as we determine possible workout solutions. **MP**

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NAVIGATING THE REAL ESTATE LOCK-IN EFFECT

Why are so many homeowners staying in place?

By MICHAEL GIFFORD

Homeownership has long been associated with a sense of security and stability. While this is generally still true, homeowners are starting to feel “locked” into their homes due to the interplay of their low-rate mortgages, rising interest rates, rising home prices, and the lack of inventory.

These factors are creating what is known as the real estate “lock-in effect,” but it’s not all negative. This effect also increases home equity which homeowners can access to renovate homes, save for retirement, and pay off debt.

The Lock-In Effect Defined

The term “lock-in effect” refers to a situation in which someone feels trapped or constrained by their current choices or circumstances, making it difficult to make changes or switch to alternative options.

In the case of homeownership, homeowners feel stuck in their existing properties due to unfavorable economic conditions. Today, the main driving forces behind this effect are the combination of homeowners with historically low-rate mortgages, the recent surge in interest rates, and the lack of available housing inventory to buy if they sell.

The Impact of Interest Rates

Low-interest-rate mortgages have been a boon for homeowners, allowing



them to secure favorable loan terms and lower monthly payments for over a decade. However, with a rapid increase in interest rates rise—as we have seen over the last year—a problem arises. Selling their home and trading in their historically low mortgage rate pushes homeowners to stay put, even if their circumstances or preferences have changed.

In the past 20 months, the Fed has raised interest rates the quickest in history—11 times since March 2022. They paused rate hikes in June but increased them in July, going from 5%-5.25% to 5.25%-5.5%. Rates have remained steady—but still elevated—at the last two Federal Open Market Committee meetings as inflation cools. The next meeting

is December 12-13, which will determine if the rates increase, decrease, or remain the same.

Consequently, the number of available homes for sale has plummeted. In October, home sale transactions were down 14.6% compared to a year ago, according to the National Association of Realtors.

Low Housing Inventory: A Compounding Factor

While interest rates are pivotal, they are not the only factor in the lock-in effect. The lack of inventory and scarcity of homes for sale has reached unprecedented levels.

Various reasons contribute to this shortage, including demographic shifts, construction labor shortages, and the lingering effects of the COVID-19 pandemic on housing supply chain constraints and material costs.

Housing starts, a measure of new-home construction, dropped drastically in 2020 when the pandemic started and hasn't caught up to accommodate the demand of a growing population.

Housing starts climbed to a seasonally adjusted annual rate of 1.372 million in October 2023, according to the U.S. Census Bureau. The number of units started was up 2% from September 2023 and 4.2% below October 2022.

Builder sentiment rose this year as demand increased but high mortgage rates since the end of August continue to



One positive aspect emerges amid the complex web of factors contributing to the lock-in effect—homeowners have accumulated an incredible amount of equity.



dampen builder confidence as mortgage rates reach nearly 8%.

The limited availability of homes amplifies the lock-in effect, as the need for more suitable options dissuades homeowners who might have considered selling and relocating.

A Source of Anxiety

The feeling of being locked in is genuine, and some homeowners see some adverse side effects. For example, growing families need to find a larger home but can't afford it due to current interest rates. Usually, people are trying to step up and find somewhere better to live in those scenarios, and that's certainly difficult. The rental market feels this pressure as these starter homes are not being transitioned to first-time homebuy-

ers, resulting in increased competition for rentals and a flight to quality.

This sense of being financially constrained within their current living situation has left many grappling with the conflicting desire for more space and the harsh reality of limited options. The prevailing economic conditions have added an unexpected layer of stress to what would otherwise be considered routine decisions, leaving families to carefully navigate the balance between their aspirations and the practical constraints of the market.

A Silver Lining: Increased Homeowner Access to Equity

One positive aspect emerges amid the complex web of factors contributing to the lock-in effect—homeowners have accumulated an incredible amount of equity. As home prices soared due to the imbalance between supply and demand over the last few years, existing homeowners see their properties appreciate. Recent reports suggest homeowners have approximately \$12 trillion in accessible home equity.

Accessing their equity provides financial security and enables homeowners to use this newfound wealth for various purposes, such as home improvements, debt payoff, or future investments. New products are available to access that home equity, including home equity investments that provide homeowners with lump sums of cash in exchange for a share of their home's future appreciation with no monthly payments or additional debt.

So how do we stop the lock-in effect? It will require a combination of factors to change, including stabilizing interest rates, as one of the primary drivers of the lock-in effect is the fear of losing historically low-interest rates. If interest rates stabilize and decrease, homeowners may be more willing to explore moving options.

Increasing the housing supply through various means, such as incentivizing new construction or changing building permit regulations, could alleviate pressure on available housing options and give homeowners more choices.

The lock-in effect, driven by the

interplay of low-rate mortgages, rising interest rates, and a scarcity of homes for sale, has become a prominent feature of today's real estate market. Homeowners find themselves at a crossroads, torn between the desire to keep their favorable mortgage terms or the potential benefits of moving. As the housing market evolves, proactive decision-making, guided by a thorough understanding of these dynamics, will be crucial for homeowners seeking the best choices for their futures.

Future Outlook to Stop the Lock-In Effect

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Navigating the Lock-In Effect

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As the housing market evolves, proactive decision-making, guided by a thorough understanding of these dynamics, will be crucial for homeowners seeking the best choices for their futures. **MP**



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It is critical for leaders to recognize that effective, best-in-class DEI strategies are deliberate and driven by bottom-line benefits, rather than exercises in compliance that "check the box."

—Michael Ruiz, Director, Supplier Diversity, Fannie Mae

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Five Star Announces Launch of Mortgage Servicing Executive Alliance

The Five Star Institute, parent company of *MortgagePoint*, has announced the launch of a mortgage industry trade group—the Mortgage Servicing Executive Alliance (MSEA). Intended as a forum to facilitate progress, collaboration, mentorship, and networking for mortgage industry executives, the MSEA joins Five Star’s National Mortgage Servicing Association (NMSA) as a group that represents thought leadership and best practices in mortgage servicing.

Leadership of the MSEA will be headed by its first Chairperson, Timika Scott. With more than 25 years of

experience in mortgage servicing and banking, Scott has held significant senior leadership roles within some of the nation’s top banks. Currently, she serves as SVP at U.S. Bank, where she leads a team responsible for multiple departments within the Mortgage Division.

Scott is also a Champion for Diversity, Equity, and Inclusion at U.S. Bank, supporting the organization’s Enterprise and the Operations team. She is a former Executive Sponsor for the Virtual Black Heritage BRG, a 2019 recipient of the Catalyst Award for Council for Inclusion in Financial Services, and a 2018 nominee for the Women in Housing Awards.

“I’ve had the privilege of working with Timika for the past decade, during which time, I have been inspired and encouraged by her leadership qualities,” said Ed Delgado, Chairman Emeritus of Five Star Global and Managing Director of Mortgage Policy Advisors. “Timika brings a sense of ‘can do’ before the mortgage industry, making her the perfect choice to lead MSEA.”

In addition, Five Star announced the full lineup of the MSEA’s Executive Leadership Council:

- » Vice-Chair: **Michael Merritt**, SVP, BOK Financial
- » Council Member: **Kellie Basher**, SVP, M&T Bank
- » Council Member: **James Braxton**, VP, Servbank
- » Council Member: **JoAnne Gonzalez**, VP, Servbank
- » Council Member: **Mark Hale**, SVP, LoanCare
- » Council Member: **Lucas Byers**, SVP, Computershare

“Having spent time with the MSEA Executive Council, I am excited for the future of this organization and the transformative leadership they will bring in the years ahead,” Delgado said. “My heartfelt congratulations to the MSEA council and their newly appointed Chairperson.”

The MSEA will form several committees focused on advancing advocacy and education related to specific sectors of the industry. Leadership positions for the following MSEA committees will be announced soon:

- » Government & Industry Relations
- » Community Relations
- » Communication & Planning
- » Cultural Affairs

Industry organizations participating in MSEA include Bank of America, BSI Financial, BOK Financial, Carrington, LoanCare, M&T Bank, MidFirst Bank, Midland Mortgage, Servbank, ServiceMac, SLS, Truist Bank, and U.S. Bank. Corporate Member organizations include Altisource, Auction.com, and Xome. **MP**



**MORTGAGE SERVICING
EXECUTIVE ALLIANCE**
A NATIONAL MORTGAGE SERVICING ASSOCIATION GROUP

Meet MSEA Chair Timika Scott

Q: Could you speak about why MSEA membership is important and what MSEA hopes to contribute to the industry and to its members?

I'm particularly excited about this new role because it offers the opportunity to collaborate with some exceptional industry leaders; this is a dynamic and transformative space to be a part of. Together, we can influence, motivate, and elevate the overall mortgage industry experience, whether it's through policy changes, educational initiatives, or fostering connections between servicers, banks, investors/insurers, and vendors. Our primary objective is to elevate the customer's experience in homebuying and servicing of their mortgage, all while welcoming and mentoring fresh talent and leadership into the industry.

I hope MSEA can bring innovative ideas beyond the boardroom, aiming to inspire and enhance the overall mortgage servicing experience. Our overall mission

is to build a platform to mentor and engage current and upcoming leaders in the mortgage industry to drive change within our industry and communities we serve. I hope to present and partner with other mortgage organizations in this space as well.

Q: Are there any specific MSEA initiatives or programs you can speak to, even if it's just a "wish list"?

Although I'm excited to hear from my Executive Council on what they deem as actionable initiatives/programs, I do have a few ideas: finding innovative ways to streamline FHA servicing process, simplifying loss mitigation strategies, assisting in the partial claim recovery strategy, being at the forefront of AI and how it will be used in origination and servicing processes, and connecting Five Star and the communities we serve at a broader level while creating a training environment for leaders in the industry.

Q: How has your past involvement with other Five Star events and organizations prepared you for this leadership role?

Engaging in past events and panel discussions provided a platform to meet, connect, and collaborate with prominent government and industry leaders, facilitating discussions and strategies for emerging issues.

Q: What are some goals you hope to have achieved by the end of your tenure as MSEA Chair?

I hope to establish a sustainable framework that empowers individuals to contribute to transformative changes in the industry and leave a lasting impact.



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Miki Adams

President
CBC Mortgage Agency

Miki Adams, President at CBC Mortgage Agency, discusses how performance on FHA-insured loans is impacted when down payment assistance is utilized.

Miki Adams is the President of CBC Mortgage Agency (CBCMA), a nationally chartered housing finance agency and a source of down payment assistance for first-time homebuyers. She joined the Cedar City, Utah-based company in November 2016 as EVP and was promoted to President in January 2021. She has 30 years' mortgage lending experience and has managed companies through calm and tumultuous markets. Her background includes credit and collateral underwriting, secondary marketing and portfolio asset management, regulatory compliance, and regulatory audit and examination management.

Q: How has loan performance changed over the past 10 years on FHA-insured loans that were originated with DPA?

It's pretty interesting. In 2013, when we launched CBC Mortgage Agency, the average serious delinquent rate on purchase money FHA loans was 8%, according to figures reported by HUD. At the time,

HUD reported the DPA serious delinquency rate only on loans that had Seller-Funded DPA, which was 22.89% at the time. Since then, FHA has added the delinquency rates and categories for Government Entity and Relative, which today are 5.03% for Government and 5.34% for Relative.

Another very significant change is in the cost of FHA's Annual MIP, which is applied to the borrower's monthly housing expense and impacts borrower total DTI. The decrease in the annual MIP from 1.35% in May of 2013 to .55% has a major impact on borrowers' ability to qualify.

Q: What do you attribute the improvement to?

A big part of the improvement in serious delinquency rates came just prior to 2013, from restrictions HUD imposed on FHA transactions that prevented sellers from providing down payment assistance to buyers. While home sellers can still help fund certain costs for FHA borrowers, these contributions are now capped, and sellers can no longer contribute to the borrower's down payment. Before this change, sellers in such transactions would typically increase the purchase price of their property to cover their DPA to buyers. This led to inflated home values and loans that borrowers could not afford, so HUD put a stop to this practice. It is fair to say the drop in delinquency rates is at least partially attributable to greater scrutiny of loans originated with down payment assistance.

As for the change in the cost of FHA's annual MIP, FHA periodically reevaluates MIP pricing based on the state of the MMI Fund and on housing and economic conditions, and the robustness of the MMI Funds capital ratio today was the catalyst for reducing the annual MIP fee to

borrowers in 2023. In 2013, the MMI Fund capital ratio was -.11%. By FY2022, the capital ratio had reached a high of 11.11%.

Q: Does the source of DPA impact FHA loan performance?

Yes. While the average serious delinquency rate of FHA loans where government DPA provided was 5.03% in August for Government Entity, the average serious delinquency rate for loans in which a relative helped out with the borrower's down payment was 5.34%. I think this reflects the stricter eligibility requirements and criteria that come with most government DPA programs, which borrowers must meet to qualify for assistance.

Q: How does CBCMA work to help FHA loan performance?

Yes. As a first priority, we make every effort to monitor the performance of our loans on a continual basis, noting any observable trends and adjusting our credit policy accordingly to mitigate poor loan performance. We are firm believers in borrower education and equipping everyone who receives DPA through the Chenoa Fund with the knowledge and skills they need to successfully navigate the complexities of homeownership. So, we pay for counseling.

Our pre-purchase homebuyer courses serve as a practical roadmap to homeownership and understanding the responsibility of owning a home, such as the need to create a budget and plan for ongoing maintenance costs and other needs. There's a rich body of research that supports the fact that borrowers who complete these types of courses before taking out a mortgage are less likely to default down the road. Just as importantly, we also provide all our Chenoa Fund recipients post-purchase counseling through HUD-approved counselors through the first 18 months of homeownership, which we feel leads to more successful, sustainable outcomes in supporting borrowers in their homeownership journey. **MP**





James Braxton

VP of Collections
Servbank

James Braxton serves as VP of Collections at Servbank. He has been with Servbank—and with its previous incarnation, The Money Source, Inc.—since September 2016. Over those years, Braxton advanced through multiple roles, including VP of Customer and Call Center, and SPOC Manager. He earned a bachelor's degree in sociology from Arizona State University.

MortgagePoint recently spoke with Braxton about meeting customers where they wish to be met, how COVID forced the industry to evolve, and working to develop the next generation of mortgage industry leaders.

Q: Tell me a little bit about your role at Servbank.

My official title is VP of Resolutions (collections), and of course with that role, I dedicate a large portion of my time to driving results while looking at the landscape of our industry to make sure we not only exceed expectations, but stay ahead of the curve for both Servbank and our clients. In addition to those important items, we try to approach servicing a little bit differently here at Servbank. We ensure that sufficient time is dedicated every day to developing the future leaders of the company.

For example, we routinely have impactful leadership development sessions with management teams in addition to

one-on-ones, and skill-based development we have with our people. We invest heavily in many initiatives to develop the next generation of leaders, while continuing to deliver the highest quality level of service and performance results. We've found that the more time spent developing and engaging team members has a direct impact on our people taking personal ownership of quality of service, the KPI results, and the customer experience.

Q: You said that Servbank approaches servicing "a little bit differently." Could you unpack that for me? What does that look like?

We are obsessed with the customer experience. Servicing is a highly regulated and rigid world, so in many aspects, the mechanics behind servicing remain the same, but where we can make a difference is in the customers' experience with us.

From a customer's perspective you usually do not contact your mortgage servicer unless you have an issue, and more often than not, when you do, it's not a high-quality experience. As I stated, we are obsessed with ensuring that does not occur. We want to make sure that when our customers interact with us, they leave with an experience that is unlike anything else. And I can say unequivocally that we do, and we have the receipts to prove it.

Our Net Promoter Score is 85%, our Customer Satisfaction is 98%, and One Call Resolution is 92%. Not only are these all best-in-class numbers, but they are also not normal in this industry. We take great pride in our achievements statistically, but even more importantly, how it translates to our customers and clients. These are things most servicers don't put a big emphasis on. We are not sure why, maybe it's cost, maybe it's some other measurable, I don't know. But for us, it is the priority. We operate at a highly compliant level, and we do it in a way that our customers have an experience that always exceeds both their and our own high standards.

Q: One topic we hear about a lot is how customer expectations for their servicer have changed in the wake of the pandemic and a general shift to more digital, more self-service. How have the past few years changed your approach or your philosophy, if at all?

COVID challenged us to innovate new ways to continue to operate at a high level not only in the office but outside of the traditional work setting. We have always had a stringent process to find the best talent, but given the large scale remote dynamic, it forced us to review all our existing processes, procedures, and our communication for any and every potential area to improve.

Primarily, we had to tailor the way we engaged our people. Things like gamification, digital team building events, feedback and discovery sessions, enhanced communication, etc. were all new additions.

Our culture is what makes us who we are and perform the way we do, and we had to make sure we kept that culture alive by finding new ways to export it to our remote people. We had people dealing with personal and family issues, working at home from their kitchen table, stuck in the house with no friends or family outside of work for months. This was not the same level of personal interaction that our people were used to, not to mention the mental stress and challenges they were experiencing, so we wanted to bring our culture home with them.

Not only did these innovations help us during the crisis, but we were able to



utilize a lot of them during the return to the office. And as I noted before, when we invest in our people it translates into better results all around, which is why we have continued to see our already best-in-class numbers continue to rise.

Q One area we've heard servicers suggest there is room to innovate is in the mobile experience. Is that a focus area for Servbank as well, or are there other tech or innovation areas that are being prioritized right now?

Servbank has always been on the cutting-edge of technology, and we haven't stopped. We are tireless in the efforts we put into these endeavors.

We are always looking for ways to best meet the customer where they are at, or rather, where they want us to be. We continue to expand the ways we can provide for customers to self-serve, and not only is that a positive for us resource-wise and timewise, but most of the customers, quite frankly, prefer to communicate with us in this manner.

Anything that we can offer our customers to make their lives easier, to help them communicate in a way they feel comfortable with—whether that be text messages, email, notifications on our customer website, or our mobile app—we want to make sure that the customer is communicated with in a way that they feel most comfortable with.

I must confess, I am that customer. I do not like talking on the phone outside of

work. I cherish that time to spend with my family, so if there is something I can jump onto a mobile app or website to handle, I am going that route.

Q You mentioned your focus on developing leaders. What does that look like? What are the programs or practices that you are leveraging to empower that goal?

One of our four core values at Servbank is “Inspiring Leadership.” It's infused in our DNA and critical to what we do and what we want to achieve.

Every leader within Servbank is empowered and given the latitude to have a strong focus on developing the next line of leaders. We host unique events like our Women's Leadership Forum that meets monthly to discuss various topics unique to our women's leaders. The Forum includes members that are both from the company's leadership, as well as non-leadership. Everyone has a voice and participates. Obviously, I'm not invited to those. [laughs] (as I reference before, we are always investing in our people).

As you know, having quality future leaders starts with the way that you hire. As such, we hire team members who live our core values first and foremost. We hire for character and train for skill. When you hire that way, we find that most of our people strive for more, to be the best version of themselves, that they desire to elevate. It is not uncommon to hear our approach and come to us directly and say “I live these core values. I live inspiring leadership. I

want to develop myself into that next level of leadership.”

That part is on our current leaders to pour back into them. Just from a supervisor level, to give you an example, my expectation is that they spend the majority of their day doing coaching or some type of coaching activity. That can be anything from doing one-on-ones to just meeting and mentoring people on their team, but it is the emphasis on coaching from every level. For myself, for the managers, and for the people whom I report to, time is put into every level of development for everybody. When that effort is put in on all levels, we get the results I outlined above. Our clients get a level of collaboration and service that is outstanding.

And the key to this is that it starts with and is reinforced from the top. That is why our Chief Servicing Officer, Jason Kwasny, personally holds both companywide and department-based development forums. He also holds direct development one-on-ones. This consistent investment in leadership trickles down from there. I hold them with my managers and supervisors, and so on. It is just part of the fabric of what we do, because if we value our investment in our team members, you not only get your next wave of leaders, but have happy team members. We know that happy, engaged, and caring team members translates into happy customers and an unmatched overall experience. **MP**



» Lending/Originations

HOMEBUYERS FINDING RELIEF IN HOME PRICE DROPS

A new analysis from Redfin has found that nearly 7% of homes for-sale posted a price drop during the four weeks ending October 29, on average, the highest portion on record.

The record comes as mortgage rates hover at elevated levels, according to Freddie Mac, hitting their highest level in 23 years and cutting deep into buyers' budgets. High rates have forced some sellers to lower their asking price to make up for high interest rates on monthly payments.

Redfin reports that prospective buy-

ers are getting a bit of temporary relief, as economic events sent daily average mortgage rates downward to 7.76% as of November 2, 2023, led by the Federal Reserve's second consecutive pause in increasing the nominal interest rate.

Despite the slight dip in rates, home sale prices are still up 3% year over year, partly due to sale-price data as a lagging indicator, reflecting deals that went under contract a month or two ago. Growth in sale prices may slow in the coming months as it starts to reflect sales that went under contract as mortgage rates hit 8% in October.

"Some sellers are pricing too high because they have FOMO after their neighbor's house sold well over asking price two years ago," Seattle Redfin Premier Agent Patrick Beringer said. "While low inventory is driving some competition and relatively affordable homes in popular neighborhoods are still selling

fast, they're getting two or three offers as opposed to 20 offers at the height of the market. With mortgage rates in the 7.5% to 8% range, buyers simply don't have the budget they would have had two years ago or even one year ago."

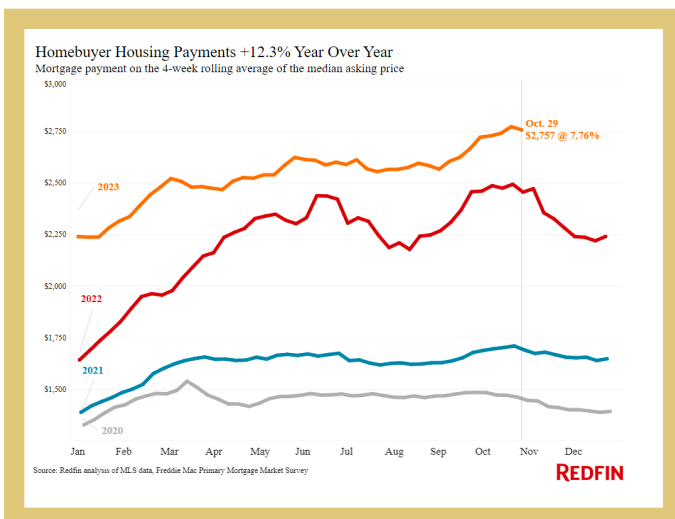
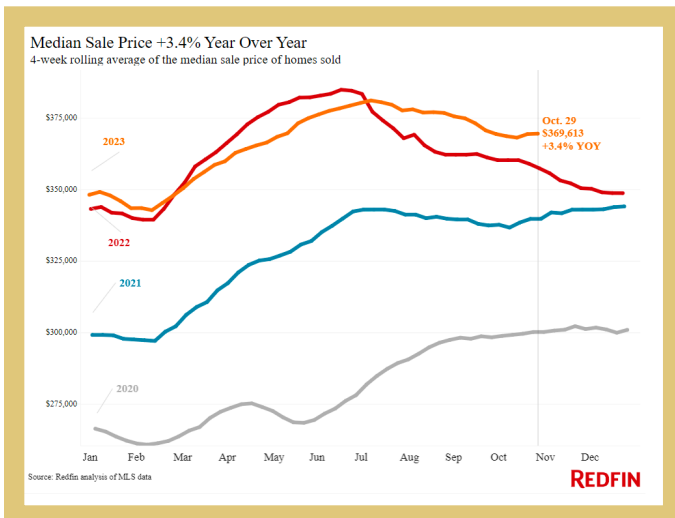
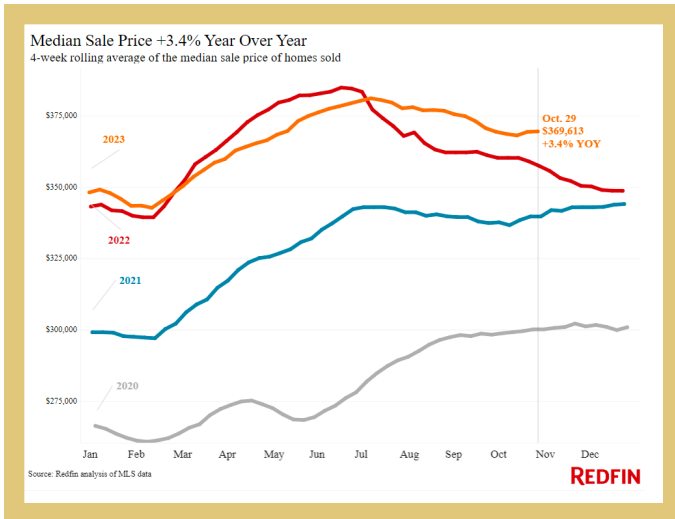
Redfin cites that another reason for the rise in sale prices is that despite slow demand, low inventory continues to prop up prices. The total number of homes nationwide for sale is down 10% year over year, with new listings up 1% from just one year ago—just the second increase since July 2022.

In the Seattle metro, for instance, the typical homebuyer's monthly mortgage payment is \$232 more than it would have been a year ago. It's nearly \$2,000 more than it would have been two years ago.

The Mortgage Bankers Association (MBA) reported that homebuyer affordability improved slightly in the month of September, with the national median payment applied for by purchase applicants decreasing \$15 monthly from \$2,170 in August 2023 to \$2,155 in September. The national median payment applied was up \$214 from one year ago, an 11% year-over-year increase.

Key highlights reported by Redfin for the four weeks ending October 29, 2023, include:

- » The median U.S. home sale price averaged \$369,613, up 3.4% year over year, as prices were up partly due to elevated mortgage rates hampering prices during this time last year.
- » The median U.S. asking price was \$383,200, up 5.4% year over year, marking the biggest increase in a year.
- » The median monthly mortgage payment averaged \$2,757 at a 7.76% mortgage rate, up 12% year over year, which was \$16 shy of the all-time high set a week earlier.
- » Pending sales nationwide stood at 68,693, down 8.8% week over, week.
- » New listings averaged 79,906 nationwide, up just 1.1% year over year, marking the second year-over-year increase since July 2022. The increase is partly due to new listings falling at this time last year.
- » Active listings stood at 858,570, down 10.2% year over year, marking the



- » The nation's monthly home supply stood at 3.7 months, up 0.3 points, marking the highest level reported since February 2023. A four to five months of supply is considered balanced, with a lower number indicating sellers' market conditions.
- » The median days homes spent on the market was 33 days, down two days year over year.

IS AI THE END-ALL SOLUTION TO MORTGAGE LENDING INEQUITIES?

A new article jointly authored by the Federal Home Loan Bank of San Francisco and the Urban Institute takes a look at new research on the effects Artificial Intelligence (AI) in helping level the playing field for minorities and borrowers of color with the ultimate goal of advancing racial equity in homeownership.

According to the authors, the Black/white homeownership gap is wider today than it was at the height of segregation in the 1960s, coming in at nearly 30 percentage points higher, but that number may be at a crossroads due to the rapid adoption of AI.

Sourcing information from a new research paper entitled "Harnessing AI for Equity in Mortgage Finance," explores how AI could be the solution to shifting the mortgage and homeownership industry toward promoting greater equity in the mortgage financing process and close the homeownership gap which has been perpetuated by long-standing bias (or unconscious biases) that persist in the wealth-building capabilities of people of color.

The authors also cite a report from the FHL Bank of San Francisco called "Racial Equity Accelerator for Homeownership" which considers the benefits of AI on the mortgage finance industry—but cautions that adoption is still in its infancy, and the time to set goals, standards, and biases of this new technology is now before it's adopted on a larger scale and amplified to every facet of lending.

"AI and the potential disruption in its wake have been the subject of many conversations, and this latest paper underlines the importance of getting ahead of the technology and harnessing it to advance equitable outcomes in our society," said Janneke Ratcliffe, VP of the Housing Finance Policy Center at the Urban Institute. "We cannot afford to wait and see how stakeholders will implement AI in their processes; we should act now to establish guidelines and guardrails to ensure that Black and Latino households are supported in their pursuit of homeownership."

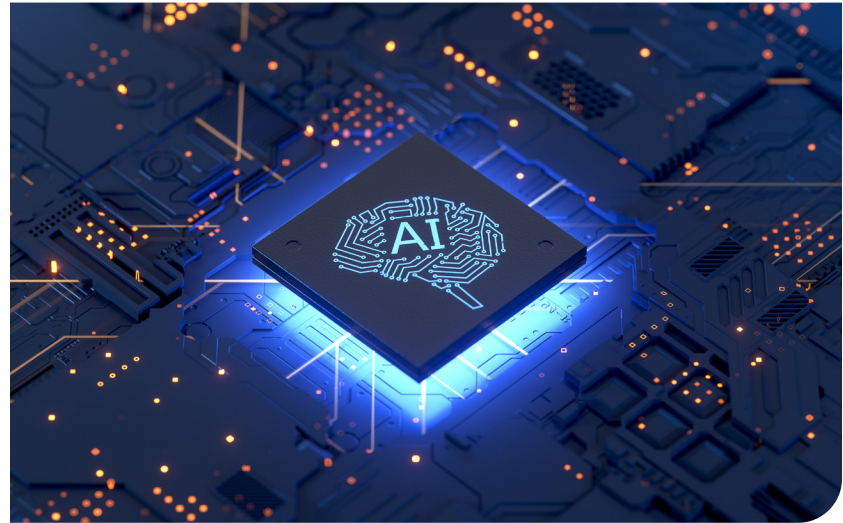
Teresa Bryce Bazemore, President and CEO of

FHLBank San Francisco, agrees: “AI has the potential to revolutionize processes in the mortgage finance industry, not only introducing greater efficiency and customization but also promoting greater equity in homeownership. However, it will only deliver the desired results if, and only if, data and algorithms are free of bias. If not, Black and Latino individuals and families will continue to be at a disadvantage when it comes to building equity and stability and, ultimately, intergenerational wealth. That outcome is simply unacceptable.”

The authors of the paper gathered their information from nearly 50 individuals in the Federal Government, financial technology firms, mortgage lending companies, consumer advocacy groups, and research organizations. In the report, the authors describe AI’s penetration across mortgage application process and around the mortgage industry ecosystem. The adoption of AI was found to vary within the mortgage finance industry, with larger mortgage lenders, fintech firms, and government-sponsored enterprises already implementing AI in functions such as underwriting, property valuations, fraud detection, and marketing. In contrast, adoption is lower among smaller and mission-oriented lenders, such as minority depository institutions (MDIs) and community development financial institutions (CDFIs).

The authors conclude, that based on their findings in the mortgage finance ecosystem, they provide three distinct recommendations: First, increased regulatory guidance is recommended to establish clear guidelines on applications and protect the rights of consumers. Second, intentional design must be the backbone of any AI model to ensure algorithms are free of bias and centered on equity. Finally, pilot programs should be implemented to test models and ensure that industry and consumer outcomes are consistent with intentions and support equity in homeownership.

“Harnessing AI for Equity in Mortgage Finance” is the last in a series of four reports developed through a two-year, \$1.5 million collaboration between the Urban Institute and FHLBank San Francisco. Previous reports examined



incorporating alternative data into mortgage underwriting, mitigating the impact of student loan debt on Black homeownership, and using mortgage reserve accounts to help sustain homeownership.

COMMERCIAL AND MULTIFAMILY LOAN ORIGINATIONS PLUMMET

According to the Mortgage Bankers Association (MBA), commercial and multifamily loan originations were 49% lower in the third quarter of 2023 compared to the third quarter of 2022—a number which is also down 7% from the second quarter of 2023—according to the MBA’s Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations.

“Borrowing backed by commercial real estate properties declined again in the third quarter,” said Jamie Woodwell, MBA’s Head of Commercial Real Estate Research. “Borrowing and lending were down for every property type and capital source from one year ago. However, compared to this year’s second quarter, volumes were more stable, and some sectors—including industrial properties and life company lenders—showed an uptick in volume.”

“Year-to-date, CRE mortgage borrowing has fallen 44%, driven by questions about some properties’ fundamentals, un-

certainty about property values, and higher and volatile interest rates,” Woodwell added. “Greater certainty around those conditions is a key prerequisite to breaking the logjam of transaction activity.”

This drop of 49% also means a decrease in dollar volume when compared year over year; in those terms, there was a 76% year-over-year decrease in the dollar volume of loans for healthcare properties, 52% decrease for hotel properties, 51% decrease for retail properties, 50% decrease for multifamily properties, 49% decrease for office space, and finally a 35% decrease for industrial properties.

Among the different types of investors, the dollar volume of loans originated for depositories decreased by 73% year over year, investor-driven activity dropped by 55%, and Government-Sponsored Enterprises (The GSEs or Fannie Mae and Freddie Mac) loans dropped by 27%, a 5% decrease for commercial mortgage-backed securities, and a 4% decrease in the dollar volume of life insurance company loans.

According to the MBA, on a quarterly basis, third-quarter originations for healthcare properties decreased by 28% compared to the second quarter of this year. There was a 20% decrease in originations for retail properties and a 16% decrease for multifamily properties. Originations for hotel properties increased by 2%, originations for office properties increased by 4%, and originations for industrial properties increased by 36%.

Finally, the MBA reported that

among investor types, between the second and third quarter of 2023, the dollar volume of loans for CMBS decreased 21%, loans for depositories decreased 19%, originations for investor-driven lenders decreased 13%, and loans for GSEs decreased 4%. The dollar volume of loans for life insurance companies increased by 18%.

PURCHASE APPLICATIONS WANE AS HOUSING AFFORDABILITY REACHES 39-YEAR LOW

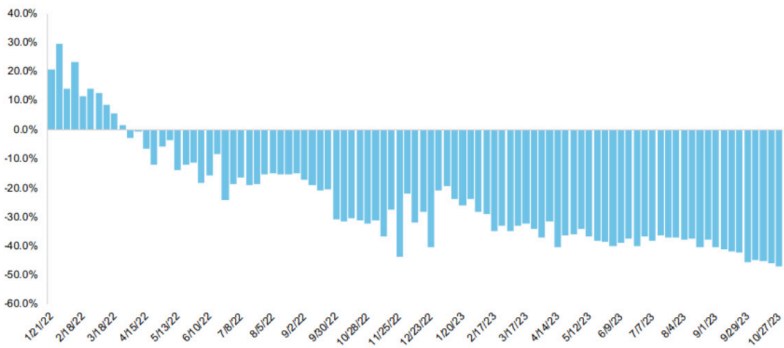
Intercontinental Exchange, Inc. (ICE) has released its latest ICE Mortgage Monitor Report, based on the company's mortgage, real estate, and public records data sets. Interest rates continue to put significant pressure on affordability, which in turn is affecting homebuyer and borrower demand.

As ICE VP of Enterprise Research Andy Walden said, "October was a particularly challenging month for prospective homebuyers from an interest rate perspective."

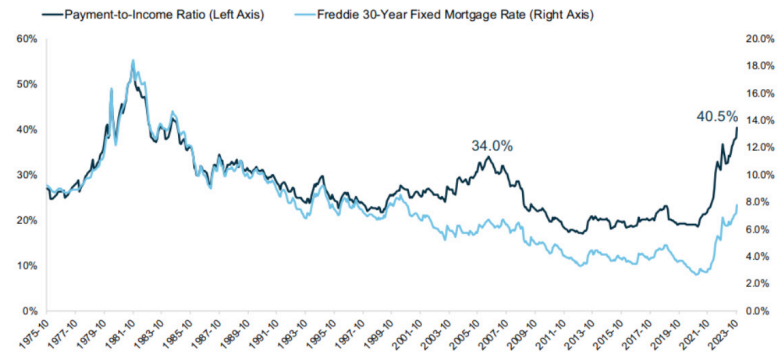
"For all but a single day, interest rates spent the entire month of October above 7.5%, topping out at 7.80% on October 25, according to our ICE U.S. Conforming 30-Year Fixed Mortgage Rate Lock Index," Walden said. "Mortgage rates haven't been that high in 23 years, which continues to hammer affordability. The situation was already dire, but recent weeks have seen rates climb to where it now takes nearly 41% of the median monthly income just to make the P&I payment needed to purchase the median-priced home.

That payment has risen by \$144 over the past 30 days and now sits above \$2,500 a month for the first time in history. Keep in mind that the record-high payment doesn't include taxes, insurance, or any HOA fees that may be part of the homeowner's monthly expenses.

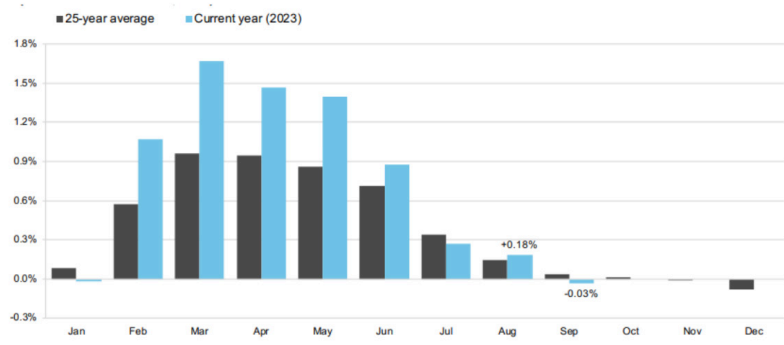
Mortgage applications to purchase a home
Change from 2018-2019 same-week average



National payment-to-income ratio*



1-month change in home prices
(ICE Home Price Index, NSA)



For the last 35 years, the share of income needed to cover P&I has averaged below 25%. Affordability pressure is not coming from interest rates alone, though. The last time affordability was this bad was in the '80s, rates were in the double digits, and the average home was about 3.5 times the median income, in stark contrast to today's price-to-income ratio

of nearly 6-to-1."

Key highlights from the ICE Mortgage Monitor Report:

- » Rising rates and home prices have pushed the principal and interest (P&I) payment needed to purchase the median-priced home up \$144 per month over the past 30 days to more

- than \$2,500 for the first time.
- » It now takes 40.6% of the median household income to cover monthly P&I—after averaging less than 25% over the past 35 years—making for the least affordable housing market since 1984.
- » As a result, purchase-mortgage applications fell to 47% below pre-pandemic levels the week of October 26—the weakest they’ve been since rates began to rise.
- » Further, annual home price growth continued to accelerate to +4.3% in September, though the monthly gain (+0.39%) was the weakest since January and a marked downshift from August’s revised +0.61%.
- » However, with rates above 7.5%, affordability is at a 39-year low, and purchase applications are waning; given these conditions, it’s fair to expect prices to weaken later in 2023.
- » Rising prices have brought mortgage-holder equity to within 2% of last year’s record highs in Q3 at \$16.4 trillion, \$10.6 trillion of which is available for homeowners to borrow against while keeping a 20% equity stake in the home.
- » The bulk of refinance activity is equity-driven, but retention of consumers post-refi is at its lowest in 17 years, due to an inability to identify and effectively market to those most likely to transact in this market.

“Historically tight inventory levels have been further bolstering prices, which hit yet another all-time high in September, with the annual growth rate accelerating to 4.3% from effectively flat just four months before,” Walden noted. “That said, the pace of monthly gains slowed to +0.39% in September, marking the smallest seasonally adjusted gain since January. Rates are up 75 basis points from when September’s closed sales went under contract, which has cut consumer buying power by another 8% in the time since. Now, with rates above 7.5% and affordability at a 39-year low, it’s fair to expect prices to weaken later in 2023.”

While price growth cooled in 49 of the 50 largest U.S. markets in September (Cleveland the sole exception), seasonally adjusted prices declined in just

“Historically tight inventory levels have been further bolstering prices, which hit yet another all-time high in September, with the annual growth rate accelerating to 4.3% from effectively flat just four months before.”

—Andy Walden, VP of Enterprise Research, ICE



two—Austin (-0.31%) and New Orleans (-0.14%)—with prices holding flat in much of Texas and Oklahoma. Ohio, benefiting from comparatively strong home affordability, continues to see some of the highest home price growth rates in the nation. Cincinnati led all markets with prices rising +0.83% in the month, followed by Cleveland at +0.79% and Columbus at +0.72%. Miami, while one of the least affordable markets in the United States, saw the third-strongest monthly growth in September at +0.75%, with inventory still 47% below pre-pandemic averages.

Other strong markets included: Atlanta, Detroit, Providence, Charlotte, and Orlando, while Houston, Dallas, Memphis, Sacramento, Denver, and Nashville ranked near the bottom.

According to the report, consumer demand is already showing further signs of stress. Purchase-mortgage applications fell 47% below pre-pandemic levels the week of October 26—the weakest they’ve been since rates began to rise last year. Though purchase lending should remain lenders’ primary focus given that it has driven more than 85% of all volume in recent months, Walden noted that recent refinance activity has been primarily

equity-driven cash-out transactions.

“The rate/term refinance market is essentially nonexistent today,” Walden said. “The refinance market in general is but a shadow of what it once was. There are pockets of cash-out lending occurring among a particular set of borrowers, but even that has been a niche market. Given that homeowner equity has risen alongside home prices and is now within 2% of the peaks we saw in 2022, it makes sense that cash-outs would still appeal to some borrowers. Together, U.S. mortgage holders have some \$16.4 trillion of equity in their homes. Of that total, \$10.6 trillion is what we refer to as ‘tappable equity,’ meaning the amount a homeowner could borrow against while keeping at least a 20% equity stake in their property. Unfortunately, with borrower retention at a 17-year low, lenders are losing customers seeking to tap equity via cash-outs. What’s notable is that they are losing this business not due to their rate offerings but rather an inability to identify and market to those borrowers likely to transact in today’s market.”

Overall, annual home price growth rates rose in roughly 90% of U.S. markets, despite slower month-over-month growth in September.





Bureau of Labor Statistics (BLS) reported that unemployment rates were higher in September than a year earlier in 231 of the 389 metropolitan areas polled, lower in 131 areas, and unchanged in 27 areas. The BLS also reported that a total of 10 areas had jobless rates of less than 2% and four areas had rates of at least 8%. Nonfarm payroll employment increased over the year in 64 metropolitan areas, decreased in just one area, and was essentially unchanged in 324 areas. The national unemployment rate in September was 3.6%, not seasonally adjusted, up from 3.3% a year earlier.

MBA forecasts slower hiring and rising unemployment, with the unemployment rate rising to 5% by the end of 2024.

“The increase in unemployment will likely mean further increases in mortgage delinquencies, particularly for FHA borrowers,” Walsh said.

Key Findings of MBA’s Q3 National Delinquency Survey:

- » Compared to last quarter, the seasonally adjusted mortgage delinquency rate increased for all loans outstanding. By stage, the 30-day delinquency rate increased 28 basis points to 2.03%, the 60-day delinquency rate increased seven basis points to 0.62%, and the 90-day delinquency bucket decreased nine basis points to 0.98%.
- » By loan type, the total delinquency rate for conventional loans increased 21 basis points to 2.50% over the previous quarter. The FHA delinquency rate increased 55 basis points to 9.50%, and the VA delinquency rate increased by six basis points to 3.76%.
- » On a year-over-year basis, total mortgage delinquencies increased for all loans outstanding. The delinquency rate decreased by two basis points for conventional loans, increased by 98 basis points for FHA loans, and increased by five basis points for VA loans from the previous year.
- » The delinquency rate includes loans that are at least one payment past due but does not include loans in the process of foreclosure. The percentage of loans in the foreclosure process at the end of Q3 was 0.49%, down four

» Default Servicing

MORTGAGE DELINQUENCY RATE INCREASES ACROSS YOY, QUARTERLY TIME FRAMES

With the labor market having shown recent signs of weakening, and the unemployment rate rising to 3.9% in October, the Mortgage Bankers Association’s (MBA) latest National Delinquency Survey has found that the delinquency rate for mortgage loans on one-to-four-unit residential properties increased to a seasonally adjusted rate of 3.62% of all loans outstanding at the end of the third quarter of 2023.

The delinquency rate was up 25 basis points from Q2 2023 and up 17 basis points year over year in Q3. The percentage of loans on which foreclosure actions were started in Q3 rose by just one basis point to 0.14%.

“The national mortgage delinquency rate increased in the third quarter from the record survey low reached in the second quarter of this year, with an uptick in delinquencies across all loan types—conventional, FHA, and VA,” said Marina B. Walsh, CMB, MBA’s VP of Industry Analysis. “The increase was driven entirely by a rise in earliest-stage delinquencies—those 30-days and 60-days past due. Later-stage delinquencies—those 90 days or more past due—declined to the lowest level since the first quarter of 2020.”

Mortgage delinquencies and employment conditions continue to track very closely, according to Walsh, as the

“The increase in unemployment will likely mean further increases in mortgage delinquencies, particularly for FHA borrowers.”

—Marina B. Walsh, CMB, VP of Industry Analysis, MBA



basis points from Q2 2023, and seven basis points lower than one year ago, marking the lowest foreclosure inventory rate since Q4 2021.

- » The non-seasonally adjusted seriously delinquent rate, the percentage of loans that are 90 days or more past due or in the process of foreclosure, was 1.52%, the lowest level since 1984. It decreased by nine basis points from last quarter and decreased by 38 basis points from last year. The seriously delinquent rate decreased five basis points for conventional loans, decreased 37 basis points for FHA loans, and decreased 16 basis points for VA loans from the previous quarter. Compared to a year ago, the seriously delinquent rate decreased by 31 basis points for conventional loans, 92 basis points for FHA loans, and 52 basis points for VA loans.
- » The five states reporting the largest quarterly increases in their overall delinquency rate were: South Dakota (124 basis points), New Mexico (61 basis points), Hawaii (54 basis points), Mississippi (49 basis points), and Louisiana (49 basis points).

“The decline in later-stage delinquencies, along with a foreclosure starts

rate of 0.14%—which is well below the historical quarterly average of 0.40%—suggest that distressed homeowners may be utilizing available loss mitigation options that prevent a foreclosure start,” Walsh said. “Additionally, accumulated home equity may also be enabling some homeowners to sell their homes well before foreclosure becomes a possibility.”

VA ISSUES MEASURE TO PROTECT VETS FROM FORECLOSURE

The U.S. Department of Veterans Affairs has called on mortgage servicers to pause foreclosures until May 31, 2024.

The pause will provide VA borrowers with an opportunity to access the upcoming VA Servicing Purchase (VASP) program. Through VASP, the agency will modify and purchase qualifying loans in default to provide meaningful payment

assistance to VA borrowers in financial distress.

“The foreclosure pause is badly needed as veteran borrowers have had no meaningful alternatives to foreclosure for over a year,” said Steve Sharpe, Senior Attorney at the National Consumer Law Center (NCLC). “We applaud VA and the Biden administration for taking necessary steps to protect veteran families, and we look forward to the release of VASP.”

Consumer advocates at the NCLC and the Center for Responsible Lending (CRL), along with U.S. Senators Jon Tester, Sherrod Brown, Jack Reed, and Tim Kaine, had urged the VA to pause foreclosures until its VASP program is effective and widely available.

“The VA’s foreclosure pause is critically important for giving Veteran borrowers a path to avoid foreclosure. We now urge VA to ensure that VASP will be broadly available and provide relief that many VA borrowers need, especially in the current high-interest-rate environment,” said Kanav Bhagat, Consultant to the CRL. “The VASP program will give tens of thousands of active-duty servicemembers and veterans the assistance they have earned through their service, allow them to remain in their homes, and avoid foreclosures.”

Earlier this year, NCLC and CRL provided comments to the VA urging expansion of home retention alternatives for borrowers with VA-guaranteed loans who are facing financial difficulties. The comments explained that the VA’s current system fails to provide relief and will unnecessarily cause some active-duty servicemembers and Veterans to lose their homes. The comments also urged the VA to avoid placing unneeded and burdensome procedural barriers on borrowers trying to access the relief.

Senators Tester, Brown, Reed, and Kaine sent a letter to Denis McDonough, Secretary of the U.S. Department of Veterans Affairs, calling for foreclosure relief for veterans.

“[Tens] of thousands of veterans and servicemembers are left with no viable options to get back on track with payments and save their homes. Stories from across the country show that this is already having severe consequences for

veterans and their families,” the Senators wrote in their plea to the VA. “With each additional day that passes, risks mount for borrowers who are facing foreclosure while they wait for a solution from VA.”

Just last month, Sen. Brown, who serves as Chair of the Senate Committee on Banking, Housing, and Urban Affairs, and Sen. Mike Braun, introduced new legislation, the VA Home Loan Awareness Act of 2023, to help inform veteran homebuyers of their eligibility for the VA Home Loan Program.

The VA Home Loan Program serves as a tool for helping veterans and their spouses achieve the American Dream of homeownership—offering veterans perks for financing their home purchases, including no down payment, no private mortgage insurance (PMI), and oftentimes lower interest rates than conventional FHA loans. Despite these benefits, only 13% of veterans ever utilize their VA Home Loan benefit.

Among veterans who choose not to use the VA loan when purchasing a home, 33% of them said it was because they were not aware of the program. This rate is even higher among surviving veteran spouses, as 46.3% said they did not know they were eligible for a VA Home Loan at the time of their purchase.

CAN MORTGAGE FORBEARANCE HELP STABILIZE THE ECONOMY?

A new commentary from the Joint Center for Housing Studies at Harvard University authored by Sean Lee and Omeed Maghzi, poses the question, “Is allowing borrowers to suspend mortgage payments an effective way to stabilize the economy during a recession?”

To begin answering this question, they looked at programs started during the COVID-19 pandemic such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and its effect on the labor market stability during the pandemic and subsequent recession.

Overall, the authors found that those measures likely saved the economy and played an important role in boosting local demand during the following economic recovery.

These findings are significant for several reasons—limited household liquidity can depress aggregate demand during economic downturns. For example, during the Great Recession, the wave of defaults following the housing crisis had destabilizing effects on both local and aggregate economic activity, which persisted for several years.

Since then, policymakers and academics have actively discussed how to best prevent defaults and stimulate consumption among distressed borrowers to promote macroeconomic stability during times of crisis.

Looking back, the CARES Act provided for federally-backed mortgage borrowers to halt their payments—most importantly without fees or penalties for 18 months—and upon exiting forbearance, borrowers were typically given the option to defer repayment of their missed payments until the end of their mortgage as a second-lien loan.

Two distinct features of the mortgage forbearance program made it possible to identify the impact of the liquidity provision on local labor markets. First, despite the broad eligibility criteria, enrollment in mortgage forbearance was not automatic; households had to request forbearance. As a result, there were significant regional variations in the uptake of forbearance.

Second, in contrast to other forms of fiscal policy, the implementation of the program was carried out by mortgage servicers, who are responsible for collecting monthly payments and facilitating transactions with investors in mortgage-backed securities.

The authors found that there were significant differences in mortgage servicers’ propensity to provide forbearance. Using loan-level data for government-sponsored enterprise mortgages, they further showed that these differences cannot be fully explained by observable loan and borrower characteristics. Rather, servicers differed by as much as 7 percentage points in forbearance provision to observably similar borrowers.

Notably, the authors estimate that during the 18 months following statewide business reopenings, a one percentage point increase in the forbearance rate led to an approximately 30 basis point increase in monthly employment growth in “nontradable” sectors (retail trades, accommodations, and food services). This effect is large enough to suggest that when it was widely available, forbearance helped stabilize local economic conditions during the pandemic-era recession.

The authors further stated that households spent 67 cents of every dollar of liquidity provided through mortgage forbearance in the following year. Overall, their findings suggest that household liquidity provision through debt forbearance can be a cost-effective fiscal stabilization tool during economic downturns.

FORECLOSURE STARTS ROSE IN OCTOBER, BUT REMAINED AT HISTORICALLY LOW LEVELS

Intercontinental Exchange, Inc.—better known as ICE—has again released its monthly report highlighting mortgage performance for October 2023, which overall found that foreclosure starts rose by 33,000 during the month to their highest level in 18 months.

Serious delinquencies, or mortgages 90+ days past due, fell to 447,000, hitting numbers last seen during the 2006 calendar year.

Loans that were 30 days late also saw numbers improve, the first of such improvements in five months. Despite the improvement in delinquencies, foreclosure starts rose to 33,000 in October, hitting their highest levels in 18 months—while the number of foreclosure sales (completions) remained relatively flat.

In addition, ICE found that active foreclosure inventory inched up 3,000 to 217,000 but remains more than 25% below pre-pandemic levels. While foreclosure starts rose in October, the near-



term risk remains muted, with serious delinquencies historically low and more than 70% of such loans protected from foreclosure by ongoing loss mitigation efforts.

By the numbers as of October 31, 2023:

Total U.S. loan delinquency rate (loans 30 or more days past due, but not in foreclosure): 3.26%

- » Month-over-month change: -0.99%
- » Year-over-year change: -2.81%

Total U.S. foreclosure pre-sale inventory rate: 0.41%

- » Month-over-month change: 1.17%
- » Year-over-year change: -6.13%

Total U.S. foreclosure starts: 33,000

- » Month-over-month change: 30.43%
- » Year-over-year change: 32.85%

Monthly prepayment rate (SMM): 0.43%

- » Month-over-month change: -3.41%
- » Year-over-year change: -12.78%

Foreclosure sales: 6,400

- » Month-over-month change: 0.48%
- » Year-over-year change: 0.78%

Number of properties that are 30 or more days past due, but not in foreclosure: 1,734,000

- » Month-over-month change: -15,000
- » Year-over-year change: -22,000

Number of properties that are 90 or more days past due, but not in foreclosure: 447,000

- » Month-over-month change: -8,000
- » Year-over-year change: -135,000

Number of properties in foreclosure pre-sale inventory: 217,000

- » Month-over-month change: 3,000
- » Year-over-year change: -11,000

Number of properties that are 30 or more days past due or in foreclosure: 1,951,000

- » Month-over-month change: -12,000
- » Year-over-year change: -32,000

Top 5 States by Non-Current Percentage

- » Mississippi: 7.91%

- » Louisiana: 7.46%
- » Alabama: 5.60%
- » Indiana: 5.11%
- » Arkansas: 5.03%

Bottom 5 States by Non-Current Percentage

- » California: 2.14%
- » Idaho: 2.14%
- » Montana: 2.02%
- » Washington: 2.01%
- » Colorado: 1.91%

Top 5 States by 90+ Days Delinquent Percentage

- » Mississippi: 2.11%
- » Louisiana: 1.81%
- » Alabama: 1.43%
- » Arkansas: 1.24%
- » Georgia: 1.17%

Top 5 States by 12-Month Change in Non-Current Percentage

- » Alaska: -17.16%
- » Rhode Island: -14.59%
- » Vermont: -12.28%
- » Iowa: -11.08%
- » Maine: -10.14%

Bottom 5 States by 12-Month Change in Non-Current Percentage

- » Idaho: 10.84%
- » Louisiana: 6.94%
- » Hawaii: 6.61%
- » South Dakota: 5.68%
- » Delaware: 3.69%

MORTGAGE BALANCES, DELINQUENCIES UP IN Q3

Mortgage balances in America rose in the third quarter of 2023 from \$11.7 trillion to \$11.8 trillion, representing a 3% year-over-year increase. Along with overall rising consumer debt, delinquencies on those loans are also climbing. This is detailed in TransUnion's third-quarter study on personal debt in America.

When it comes to mortgage loans, quarterly TransUnion studies have

shown six consecutive quarters of delinquency increases. They are inching closer to pre-pandemic levels, Joe Mellman, SVP at TransUnion said. Non-payments increased across all stages—early, mid, and late, and on all loan types.

Mellman says record levels of home equity could prove to be “a viable solution to ease debt pressures” in the midst of increasing non-mortgage debt and delinquencies. Tappable homeowner equity inched up 1% for the year to \$19.7 trillion.

Mortgage originations were down 37% annually, falling to 1.2 million, which is comparable to volumes last seen in Q2 2014, according to TransUnion analysts.

Purchases made up 87% of the volume in Q2, down 28% from Q2 2022's 1.5 million.

Refinance was down 64%, 425,000 to 151,000, with rate and term and cash-out refinance originations falling 63% and 65% respectively.

In the Q3 2023 Quarterly Credit Industry Insights Report, TransUnion found that high interest rates and higher-than-expected costs for goods and services “continue to squeeze the wallets of American consumers.”

Thus, many Americans continue to leverage their existing credit account lines more than ever, analysts pointed out.

“At the same time, affordability challenges for homes and automobiles, as well as growing concerns over rising debt service costs, have resulted in consumers opening fewer new credit accounts,” the authors added.

A particular note in TransUnion's debt report is the overall balance share of millennials, which has now surpassed that of baby boomers. Only Generation X holds higher balances.

The average per-consumer balance also increased by double digits for the year, up 11%, to \$6,088. That's the highest average balance per consumer in the last 10 years.

Charlie Wise, SVP of Global Research and Consulting at TransUnion, says that in the face of elevated costs, consumers have increasingly turned to their existing available credit lines.

“It will be worth watching how those balances are further impacted as some consumers begin feeling the pinch of the resumption of student loan payments.”





» Government

HUD ANNOUNCES \$50M TO ADDRESS YOUTH HOMELESSNESS, IMPROVE HOUSING PLACEMENTS

The U.S. Department of Housing and Urban Development (HUD) is making \$50 million in Youth Homelessness System Improvement (YHSI) grant funding available to communities nationwide.

HUD has announced new resources, technical assistance, and regulatory flexibilities to support their efforts to address homelessness, including among youth, people in unsheltered settings, and people in rural areas.

The grants will focus on systemic change to either improve or create response systems for youth at risk of or experiencing homelessness by funding projects that create and build capacity for Youth Action Boards; establish regional committees on youth homelessness to direct efforts across multiple systems including education, justice, and child welfare; collect and use data on at-risk youth and youth experiencing homelessness; develop strong leaders within a community; and improve the coordination, communication, operation, and administration of homeless assistance projects to better serve youth, including prevention and diversion strategies.

“HUD knows that ending homelessness requires commitment from many partners. Through HUD funding and technical assistance, HUD is cutting some of the red tape to help communities make tangible plans and take actionable steps

to address homelessness among youth, people in unsheltered settings, and in rural areas,” Secretary Marcia L. Fudge said. “The Biden-Harris administration is taking a whole-of-government approach toward ending homelessness. We encourage our state and local partners to join us in this critical effort and leverage unprecedented levels of federal resources and flexibilities available to address this crisis.”

HUD is engaged in a multi-pronged technical assistance strategy to assist 62 Continuum of Care (CoC) communities and 139 Public Housing Authorities (PHAs) that received resources to address rural and unsheltered homelessness. The technical assistance will improve the coordination of programs and services, support people with lived experience to serve in advisory roles, improve their engagement with people in unsheltered and rural settings, and improve connections to permanent housing with supportive and health services.

To further encourage and support PHAs to assist people experiencing homelessness, HUD issued a letter to PHAs encouraging them to take full advantage of HUD resources and regulatory flexibilities to support their work to address homelessness.

While other HUD and federal funds focus on specific housing and service needs of youth experiencing or at risk of homelessness, Youth Homelessness System Improvement (YHSI) grants will help communities build a strong, resilient, and equitable homelessness response system that is less siloed and will break down barriers for youth in crisis.

Recognizing that systemic change is often larger than one Continuum of Care, HUD is opening this \$50 million notice of funding opportunity to include additional points for statewide or cross-community project proposals to emphasize the need for coordination across communities. The maximum amount of funding for each award type will be doubled for applications that cover geographic areas in two or more Continuums of Care (CoCs), or if the CoC covers the entire geography of the state.

YHSI Grants will add to the suite of HUD initiatives that support young people in gaining and maintaining stable

housing, including the Youth Homelessness Demonstration Program (YHDP), the Foster Youth to Independence (FYI) Initiative, and the Family Unification Program (FUP).

In 2023, HUD awarded 62 communities with a package of resources to address homelessness among people in unsheltered settings and in rural areas. This package includes \$486 million in grants to 62 Continuums of Care (CoCs) to fund permanent housing programs, homeless outreach and housing navigation, housing-related supportive services, data improvements, and system coordination, as well as \$45 million to allocate over 3,300 Stability Vouchers to 135 public housing agencies that are partnering with the 62 CoCs.

Stability Vouchers can serve people experiencing or at risk of homelessness, including those fleeing or attempting to flee domestic violence, dating violence, sexual assault, or human trafficking.

The technical assistance strategy supports this funding by providing assistance, including:

- » Housing Central Command: A select number of communities will be provided intensive support to implement Housing Central Command, an approach that uses emergency management structure and processes to resolve homeless encampments.
- » Direct and Peer-to-Peer Technical Assistance for Grantee Communities Addressing Unsheltered Homelessness: All communities that received grants and vouchers to address unsheltered homelessness will receive a robust package of direct technical assistance, monthly community-to-community knowledge and practice exchange convenings, and trainings and expertise around specific topics.
- » Technical Assistance on Use of Stability Vouchers to Assist People Experiencing Homelessness: HUD will provide the 135 PHAs and their partners with a series of webinars to support the use of Stability Vouchers to assist people experiencing homelessness.
- » Tailored and Direct Technical Assistance to Grantees Communities

“Consumers expressed even greater pessimism toward the larger economy this month, in addition to their ongoing frustration with the housing market.”

—Doug Duncan, Senior VP and Chief Economist, Fannie Mae



Addressing Rural Homelessness.

- » Federal Interagency Support with the United States Interagency Council on Homelessness (USICH) to ensure that all grantee communities are leveraging other federal programs and resources to support their efforts.

FANNIE MAE: INFLATION TO BLAME FOR WEAKENING HOMEBUYER SENTIMENT?

The Fannie Mae Home Purchase Sentiment Index (HPSI) remained largely flat in October as consumer frustration toward housing unaffordability and an economy battling inflation continued to depress overall sentiment.

Despite improvement in the share of consumers expressing greater job secu-

rity and improved household income, an astounding 78% of respondents believe the economy is on the “wrong track,” up 7 percentage points from last month, with the vast majority once again pointing to inflation as the top reason for that belief.

A survey-record 85% of consumers indicated that it’s a “bad time” to buy a home, with most respondents citing high home prices and high mortgage rates as the primary reasons. By comparison, only 37% believe it’s a “bad time” to sell a home. Overall, the full index is up 8.2 points from its all-time low last year.

“Consumers expressed even greater pessimism toward the larger economy this month, in addition to their ongoing frustration with the housing market,” said Doug Duncan, Fannie Mae Senior VP and Chief Economist. “Via our October National Housing Survey, 78% of respondents told us the economy is on the ‘wrong track’—up from 71% last month—and they overwhelmingly cited inflation as the primary reason why. Across all income groups, inflation has consistently driven the ‘wrong track’ belief since the end of last year, suggesting

consumers are fed up with the high prices of many goods and services. Although the labor market is strong and wages have risen in the past year, consumers may believe that their purchasing power has not kept up with prices, as 69% of consumers say their incomes are 'about the same' compared to the previous year. We expect this tightness in household finances, along with high home prices and elevated mortgage rates, to prolong the affordability challenges facing many would-be homebuyers."

Home Purchase Sentiment Index: Component Highlights for October

- » Good/Bad Time to Buy: The percentage of respondents who say it is a good time to buy a home decreased from 16% to 15%, while the percentage who say it is a bad time to buy increased from 84% to 85%. As a result, the net share of those who say it is a good time to buy decreased by 2 percentage points month over month.
- » Good/Bad Time to Sell: The percentage of respondents who say it is a good time to sell a home remained unchanged at 63%, while the percentage who say it's a bad time to sell remained unchanged at 37%. As a result, the net share of those who say it is a good time to sell remained unchanged month over month.
- » Home Price Expectations: The percentage of respondents who said home prices would go up in the next 12 months decreased from 42% to 40%, while the percentage who said home prices would go down remained unchanged at 23%. The share of people whose home prices will stay the same increased from 35% to 36%. As a result, the net share of those who say home prices will go up in the next 12 months decreased by 2 percentage points month over month.
- » Mortgage Rate Expectations: The percentage of respondents who say mortgage rates will go down in the next 12 months decreased from 17% to 16%, while the percentage who expect mortgage rates to go up increased from 46% to 47%. The share of people who think mortgage rates will stay the same

decreased from 37% to 36%. As a result, the net share of those who say mortgage rates will go down over the next 12 months decreased by 1 percentage point month over month.

- » Job Loss Concern: The percentage of respondents who say they are not concerned about losing their job in the next 12 months increased from 75% to 78%, while the percentage who say they are concerned decreased from 23% to 21%. As a result, the net share of those who say they are not concerned about losing their job increased by 5 percentage points month over month.
- » Household Income: The percentage of respondents who say their household income is significantly higher than it was 12 months ago increased from 18% to 20%, while the percentage of respondents who say their household income is significantly lower decreased from 13% to 10%. The percentage of people who say their household income is about the same increased from 68% to 69%. As a result, the net share of those who say their household income is significantly higher than it was 12 months ago increased by 5 percentage points month over month.

Fannie Mae's Home Purchase Sentiment Index (HPSI) increased in October by 0.4 points to 64.9. The HPSI is up 8.2 points compared to the same time last year.

FHA REVISES APPRAISAL REQUIREMENTS FOR MANUFACTURED HOMES

The Federal Housing Administration (FHA) has published updated appraisal requirements for the valuation of manufactured homes certified under Fannie Mae's MH Advantage and Freddie Mac's CHOICEHome programs.

Federal Housing Commissioner Julia Gordon announced the news at the Manufactured Housing Institute's

National Communities Conference Fall Leadership Forum in Chicago.

The updates in Mortgagee Letter 2023-18 align FHA appraisal requirements with those of other industry participants and will improve the valuation of these homes for borrowers seeking FHA-insured mortgages. These changes also contribute to FHA's efforts to increase the availability and affordability of manufactured housing as part of the Biden administration's Housing Supply Action Plan.

"Increasing the supply of affordable homes in this country will require us to use every tool available to us. That includes innovative solutions like manufactured housing," HUD Secretary Marcia L. Fudge said. "The critical step we're taking today ensures HUD is in alignment with our industry partners, and it will make more quality affordable housing available to people across the country."

Effective immediately, FHA's updated policy for the valuation of manufactured homes certified under the Fannie Mae and Freddie Mac programs requires appraisers to use the most appropriate site-built-home comparable sales when there are less than two comparable sales of these certified manufactured homes available.

Manufactured homes certified under the government-sponsored enterprise (GSE) programs, also known as Cross-Mods, include design features that make them nearly indistinguishable from many site-built homes and address regulatory barriers in effect in some jurisdictions that have historically restricted the placement of manufactured homes.

"Updating FHA appraisal requirements to align with the Fannie Mae and Freddie Mac certification programs supports our comprehensive efforts to increase both the supply and affordability of manufactured homes," Federal Housing Commissioner Gordon said. "Today, we've removed another roadblock limiting the effectiveness of FHA programs in serving buyers of these manufactured homes. We hope it will facilitate the continued growth and adoption of this important source of affordable and energy-efficient housing."



FHA EXTENDS FORECLOSURE PROTECTIONS TO VICTIMS OF MAUI WILDFIRES

The Federal Housing Administration (FHA) has extended its existing disaster-related foreclosure moratorium in Maui County, Hawaii, through May 6, 2024, for borrowers with FHA-insured single-family mortgages, including seniors with Home Equity Conversion Mortgages (HECMs).

This extension by the FHA, as outlined in Mortgagee Letter 2023-19, provides additional time for borrowers in the process of recovering from the unprecedented challenges of the catastrophic Maui wildfires to consult with mortgage servicers and housing counselors and to access federal, state, and local housing resources without also having to contend with the burden of an impending foreclosure action.

“When I visited Maui in September, I saw firsthand the damage inflicted by the devastating wildfires. The people of Maui are resilient, but they will need support for years to come to rebuild and recover,” HUD Deputy Secretary Adrienne Todman said. “With today’s announcement, we are assuring homeowners in Maui that HUD is here to support them as they navigate next steps with their family.”

FHA implemented an automatic 90-day foreclosure moratorium that required mortgage servicers to halt the initiation or completion of all foreclosure actions in Maui County on August 10, 2023, when the disaster occurred. The moratorium was originally set to expire on November 8, 2023.

In addition to extending the foreclosure moratorium through May 6, 2024, in Mortgagee Letter 2023-19, FHA is also extending the deadline dates for servicers to perform certain legal actions related to foreclosure for an additional 180 days following the end of the foreclosure moratorium.

“We remain committed to doing everything we can to help the residents of Maui as they begin to rebuild their homes and lives,” said Federal Housing Commissioner Julia R. Gordon. “The last thing any FHA borrower there should have to worry about right now is foreclosure.”

In late August, HUD awarded \$1.3 million to the state of Hawaii to support people experiencing homelessness—those living in an emergency shelter, transitional housing, or a place not meant for human habitation—and people at risk of homelessness through HUD’s Rapid Unsheltered Survivor Housing (RUSH) program. The funding was awarded to assist communities in Maui in the wake of recent wildfires.

According to NPR, authorities in Hawaii have adjusted the number of deaths from the Maui wildfires down to at least 97 people, as officials previously said they believed at least 115 people had died in the fire. Further testing showed they had multiple DNA samples from some of the

victims. The number of those who were missing fell from 41 to 31, Maui Police Chief John Pelletier said.

Estimates from CoreLogic found that more than 3,100 residential homes with an excess of \$1.3 billion in total reconstruction cost value within preliminary wildfire perimeters were damaged.

CFPB EXAMINES STATE COMMUNITY REINVESTMENT LAWS

The Consumer Financial Protection Bureau (CFPB) has published a new analysis on state Community Reinvestment Act (CRA) laws, *State Community Reinvestment Acts: Summary of State Laws*, highlighting how states ensure financial institutions’ lending, services, and investment activities meet the credit needs of their communities.

The CFPB’s report examined the laws of seven states (Connecticut, Illinois, Massachusetts, New York, Rhode Island, Washington, and West Virginia) and the District of Columbia, and found that many of those states adopted laws similar to the federal Community Reinvestment Act in decades following the 1977 passage of the landmark federal anti-redlining law.

“The financial market has changed considerably since the passage of the Community Reinvestment Act, and nonbanks are now capturing a large share of the mortgage market,” CFPB Director Rohit Chopra said. “States have responded by creating reinvestment obligations for mortgage companies and have tailored state reinvestment requirements to meet the needs of their local communities.”

While the federal Community Reinvestment Act law applies strictly to banks, state reinvestment laws can apply to a wide range of financial institutions, including nonbank mortgage companies. Banks now originate and hold a much smaller share of outstanding mortgage debt than they did when the legislation was originally enacted. In 1977, banks held 74% of outstanding mortgage debt.

By 2007, this share had declined to just 28%. As of 2021, nonbank mortgage companies originated 64% of conventional home purchase mortgage loans, compared to the 25% originated by banks.

Key Findings of State *Community Reinvestment Acts: Summary of State Laws* include:

- » Some states conduct independent examinations of lending-, services-, and investment-related performance, while other states review federal CRA performance evaluations in conjunction with additional state-designated factors. In some states, performance evaluations are periodic, while other states review a financial institution's performance solely in response to an application for a merger, branch, license, or other activity.
- » Some states apply an affirmative lending, service delivery, and investment obligation to mortgage companies, in addition to deposit-taking institutions. Most state CRAs adopted shortly after the passage of the federal CRA in 1977 applied only to banks. Several states, including Massachusetts and New York, later expanded their CRAs to cover mortgage companies. Illinois included mortgage companies when it passed its state CRA in 2021. Additionally, some states apply CRA obligations to credit unions.
- » Some states collect and consider information beyond what is required under the federal CRA to evaluate lending, services, and investment performance in their state. Most states rely on existing data, such as Home Mortgage Disclosure Act (HMDA) data for mortgage lending, or federal CRA data for small businesses or small farms, to complete their evaluations. At least one state, New York, requires additional small business lending data reporting beyond what is required by the federal CRA. Additionally, some states have the authority to collect data from institutions that are not required to report federal mortgage, small business, small farm, or other data.
- » The most common enforcement mechanisms include limitations on mergers, acquisitions, branching activities, and licensing, but some states

have adopted additional measures. For example, a financial institution's CRA performance rating may be a factor in the ability to conduct certain types of activities, such as serving as a depository for public monies. Some states permit less frequent exams after an institution receives a higher performance rating or require corrective action for a lower performance rating. None of the state CRAs reviewed explicitly provide for the ability to issue civil monetary penalties or structural remedies for failing to meet state CRA requirements.

- » State CRAs have been amended from time to time in response to changing markets. Many state CRAs were initially passed shortly after the enactment of the federal CRA in 1977. Just as the federal CRA has been revised since its passage, state CRAs have been amended to cover additional types of financial institutions, collect additional data to better understand financial markets, and address other state-specific needs.

GINNIE MAE PORTFOLIO NETTED \$15B IN GROWTH DURING OCTOBER

According to a new news release from Ginnie Mae, their mortgage-backed securities portfolio (MBS) outstanding balance grew to \$2.492 trillion in October, a number that includes \$33.8 billion of total MBS issuance which has led to Ginnie Mae picking up a cool \$15 billion of net portfolio growth in a single month.

What did all of this money go towards? October's new MBS supported the financing of nearly 110,000 households, of which 53,000 were first-time buyers.

Approximately 75% of the October MBS issuance reflects new mortgages that support home purchases, because refinance activity remained low due to higher interest rates.

The October issuance includes \$32.5 billion of Ginnie Mae II MBS and more than \$1.3 billion of Ginnie Mae I MBS,

including approximately \$1.2 billion in loans for multifamily housing.

For the 2023 calendar year to date, Ginnie Mae supported the pooling and securitization of more than 520,000 first-time homebuyer loans.

For more information on monthly MBS issuance, Unpaid Principal Balance (UPB), real estate investment conduit (REMIC) monthly issuance, and global market analysis, visit www.ginniemae.gov.

In addition, supporting Ginnie Mae's mission to promote broader access to mortgage financing, the company has announced the launch of a "social bonds" label for single-family forward mortgage-backed securities supporting its mission-oriented work and communicating to investors the positive social impacts of its financing framework.

The launch will help increase investor awareness of the value proposition in Ginnie Mae securities, increasing opportunities to attract new sources of capital in support of lenders and borrowers Ginnie Mae ultimately serves.

The prospectus revisions highlight structural aspects of Ginnie Mae's programs that have a significant social impact by promoting broader access to mortgage financing for historically underserved communities.

With the revision to the prospectus, investors will have the choice, along with MBS pool level disclosure data, to independently determine Ginnie Mae MBS as "social bonds," meaning the underlying collateral is designed to support a positive social and affordable housing outcome. The new Social Impact and Sustainability Framework outlines the characteristics of Ginnie Mae's Social Bonds and broader portfolio.

FHFA RELEASES ANNUAL REPORT HIGHLIGHTING 2022 PERFORMANCE OF FHLBANKS

The Federal Housing Finance Agency (FHFA) has released its Annual Report on 2022 Federal

Home Loan Bank Targeted Mission Activities.

The report highlights the Federal Home Loan Banks' (FHLBanks) activities and performance in 2022 under the Affordable Housing Program (AHP), the Community Investment Program (CIP), and the Community Investment Cash Advance Program (CICA). The report also covers Community Development Financial Institution (CDFI) membership in the FHLBank System, the FHLBanks' affordable housing goals, and their purchases of Acquired Member Assets (AMA).

The FHLBanks provide loans (referred to as advances) or grants to their members or housing associates under these programs. These funds are then used to assist very low- and low- or moderate-income households and communities.

"The Federal Home Loan Banks assisted close to 45,000 low-and moderate-income households and supported more than 200 economic development projects in 2022 through grants and targeted economic development advances," Director Sandra L. Thompson said. "FHFA's comprehensive review of the Federal Home Loan Bank System has highlighted its long-term importance in both providing liquidity in the housing finance market and promoting housing affordability and community investment."

Key Takeaways:

- » The FHLBanks awarded approximately \$266.9 million in total contributions to the AHP in 2022, assisting more than 25,000 low- or moderate-income households, more than 12,000 of which were very low-income households.
- » The FHLBanks assisted another 20,000 low- and moderate-income households through the CIP and supported more than 200 economic development projects through CICA.
- » Nine FHLBanks purchased mortgages under AMA programs in 2022, and each FHLBank met the affordable housing goals governing such purchases.
- » More expansive information on voluntary FHLBank-targeted mission

activities and programs is highlighted in a new section of the report.

The FHLBanks also support the financing of low-income housing and community development through other activities, including advances to their non-depository CDFI members.

CDFIs assist underserved communi-

ties by promoting economic investment and affordable housing opportunities and providing community development financial services and other banking services. At the end of 2022, an estimated 70 FHLBank members were non-depository CDFIs.

Figure 2: 2021 FHLBank AHP Statutory Funding Allocations

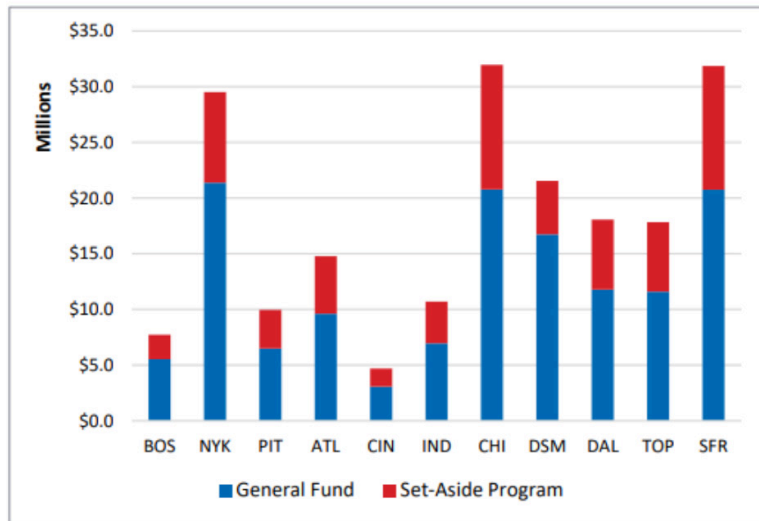
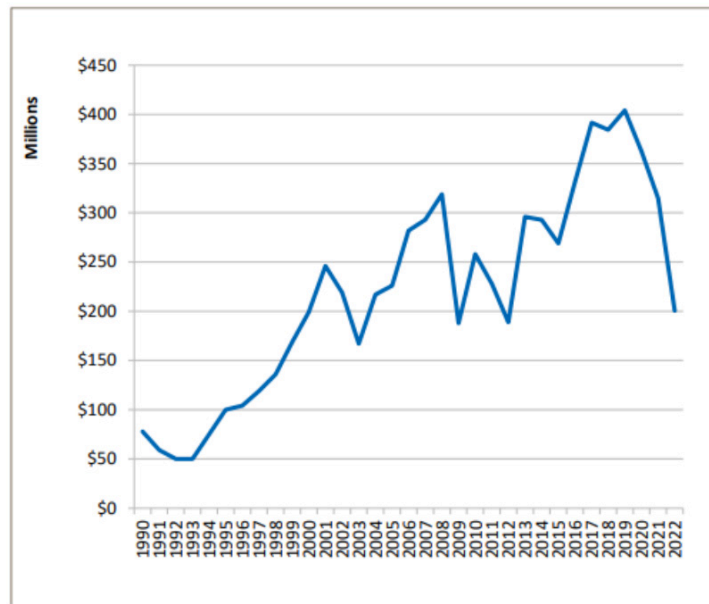


Figure 1: FHLBanks' AHP Statutory Funding Contributions (1990 – 2022)



Source: FHFA¹⁹



Market Trends

SHARE OF MORTGAGED HOMES CONSIDERED EQUITY-RICH DECLINED IN Q3

ATTOM has released its Q3 2023 U.S. Home Equity & Underwater Report, which shows that 47.4% of mortgaged residential properties in the United States were considered equity rich in Q3, meaning that the combined estimated amount of loan balances secured by those properties was no more than half of their estimated market values.

The portion of mortgaged homes that

were equity-rich in Q3 of 2023 decreased from 49.2% in Q2 2023—the largest quarterly decline since at least 2019. The latest figure was also down from 48.5% in Q3 2022. Those declines happened despite home values rebounding recently from a fallback that had lasted from the middle of last year to the early part of this year.

But while equity-rich levels dropped in the third quarter, the report also shows that the portion of mortgaged homes that were seriously underwater in the United States continued to improve.

Just 2.5% of all residential mortgages (one in 40) were considered seriously underwater in Q3 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. The seriously underwater level dropped from one in 36 homes in Q2 and one in 35 in Q3 2022, to the lowest

point in at least four years.

“By all measures, homeowner equity around the country remained strong during the third quarter as millions of households kept benefiting from the nation's extended runup in home values. At the same, though, we saw an unusual downturn at the equity-rich end of the spectrum,” said Rob Barber, CEO of ATTOM. “That could have just been a temporary blip. It also could have reflected an increase in long-time owners who had lots of equity built up selling their homes, or perhaps borrowing against their rising wealth and slipping out of equity-rich territory. The fourth quarter data should say more about whether residential equity in the U.S. has indeed topped out.”

The mixed equity patterns came as the U.S. housing market continued recovering from the downturn that had threatened to end the decade-long run of price and equity growth.

The median nationwide single-family home price rose 11% over the second and third quarters of this year, following an 8% drop from mid-2022 to early 2023. Values went back up as the job market remained strong, with the national unemployment rate below 4% and consumer price inflation down to less than half the level of a year earlier. A strong investment market also puts more money in the hands of potential homebuyers. An ongoing tight supply of homes put additional upward pressure on prices, along with a temporary lull in a two-year rise in home mortgage rates.

The potential for more uneven equity trends remains in place as mortgage rates rise toward 8% for a 30-year loan and the housing market heads into its annual slow season, which usually leads to smaller price increases or even small declines.

Equity-Rich Share of Mortgages Drops in Almost 30 States

The portion of mortgages that were equity-rich went down in 29 of the 50 U.S. states from Q2 2023 to Q3 2023, commonly by one to four percentage points.

The biggest declines came in the South region, led by:

» South Carolina (the proportion of

mortgaged homes considered equity-rich decreased from 50% in Q2 2023 to 43.7% in Q3 2023)

- » Florida (down from 60.4% to 54.4%)
- » Kentucky (down from 42.1% to 37.1%)
- » California (down from 63.3% to 58.5%)
- » Oklahoma (down from 36.5% to 32.5%)

Equity-rich levels rose in 21 states from Q2 to Q3 of this year, with the largest improvements concentrated in the Northeast region. The biggest increases were in South Dakota (up from 46.4% to 49.9%), Maine (up from 56% to 59.3%), Connecticut (up from 38.6% to 41.5%), New Jersey (up from 43% to 45.9%), and New Hampshire (up from 56.6% to 59.4%).

Seriously Underwater Mortgage Levels Improve in Most States

The portion of mortgaged homes considered seriously underwater dropped and remained historically low during Q3 2023 in 43 states. The biggest decreases were clustered in the Midwest and the Northeast, a region that has some of the nation's highest levels of seriously underwater mortgages.

The improvements were led by:

- » Indiana (share of mortgaged homes that were seriously underwater, down from 8.1% in Q2 2023 to 2.6% in Q3 2023)
- » Hawaii (down from 3.6% to 1.6%), South Dakota (down from 4% to 2.6%)
- » Missouri (down from 4.8% to 3.9%)
- » Maine (down from 2.7% to 1.9%)

States where the percentage of seriously underwater homes increased the most from the second to Q3 of this year were led by Wyoming (up from 3% to 5.9%), Mississippi (up from 5.8% to 7.4%), California (up from 1.1% to 1.6%), Idaho (up from 2.4% to 2.7%), and Louisiana (up from 10.5% to 10.8%).

Highest Levels of Equity-Rich Homeowners in the Northeast and West

The 10 states with the highest levels of equity-rich mortgaged properties around the United States during Q3 2023 were in the Northeast and West regions.

Those with the largest portions were:

- » Vermont (79.8% of mortgaged homes were equity-rich)
- » New Hampshire (59.4%)
- » Maine (59.3%)

- » Montana (59.1%)
- » California (58.5%)

Nine of the 10 states with the lowest percentages of equity-rich properties during Q3 2023 were in the Midwest and South. The smallest portions were in Louisiana (19.7% of mortgaged homes were equity-rich), Illinois (29.8%), Alaska (29.8%), West Virginia (30.5%), and North Dakota (30.7%).

Among the 107 metropolitan statistical areas around the nation with a population of at least 500,000, the West and South again dominated the list of places with the highest portion of mortgaged properties that were equity-rich.

All but three of the top 25 metros were in those regions during Q3 2023, led by:

- » San Jose, California (75% equity-rich)
- » San Diego (66.4%)
- » Los Angeles (66.4%)
- » San Francisco (64.1%)
- » Portland, Maine (63.5%)

The leader in the South region again was Sarasota-Bradenton, Florida (61.5%), while the top metro in the Midwest continued to be Grand Rapids, Michigan (54.3%).

The 10 metro areas with the lowest percentages of equity-rich properties in Q3 of 2023 were in the Midwest and South. The smallest levels were in Baton Rouge, Louisiana (15.1% of mortgage homes were equity-rich); New Orleans (26.4%); Little Rock, Arkansas (26.6%); Virginia Beach, Virginia (28.1%); and Jackson, Mississippi (29.5%).

The portion of mortgaged homes considered equity-rich declined from Q2 of 2023 to Q3 of 2023 in 79 of the 107 metro areas with sufficient data (74%), while the portion decreased from Q3 of last year to the same period this year by 61%.

Top Equity-Rich Counties Clustered in the Midwest, Northeast, and West

Among 1,732 counties that had at least 2,500 homes with mortgages in Q3 2023, the top 25 equity-rich locations were in the Midwest, Northeast, and West regions.

Counties with the highest share of equity-rich properties were:

- » Chittenden County (Burlington), Vermont (86.8% equity-rich)
- » Addison County (Middlebury), Ver-

mont (86.4%)

- » Benzie County (Beulah), Michigan (85%)
- » Presque Isle County (Rogers City), Michigan (83.4%)
- » Sawyer County (Hayward), Wisconsin (82.8%)

Counties with populations of at least 500,000 and the highest equity-rich rates were Santa Clara County (San Jose), California (76.2% equity-rich); San Mateo County, California (outside San Francisco) (73% equity-rich); Alameda County (Oakland) California (69.1%); Los Angeles County (67.4%); and San Diego County (66.4%).

Counties with the smallest share of equity-rich homes in Q3 2023 were Campbell County (Gillette), Wyoming (6.1% equity-rich); Iberville Parish, Louisiana (outside Baton Rouge) (8.1%); Vernon Parish (Leesville), Louisiana (8.3%); Ascension Parish, Louisiana (outside Baton Rouge) (9.3%); and Greenup County, Kentucky (11.8%).

Counties with populations of at least 500,000 and the smallest equity-rich portions were Baltimore City/County, Maryland (25.4% equity-rich); Cook County (Chicago), Illinois (28.4%); Prince George's County, Maryland (outside Washington, D.C.) (29.7%); Anne Arundel County (Annapolis), Maryland (30.9%); and Lake County, Illinois (outside Chicago) (31%).

The Largest Shares of Seriously Underwater Mortgages Remain in the Midwest and South

The Midwest and South regions had nine of the top 10 states with the highest shares of mortgages that were seriously underwater in Q3 of this year.

The top five were:

- » Louisiana (10.8% seriously underwater)
- » Mississippi (7.4%)
- » Wyoming (5.9%)
- » Kentucky (5.7%)
- » Iowa (5.2%)

The smallest shares were in Vermont (0.9% seriously underwater), New Hampshire (0.9%), Rhode Island (1%), Massachusetts (1%), and Florida (1.3%).

While most seriously underwater rates around the country changed by less than one percentage point from Q2 to Q3

of this year, the portion decreased in 82, or 77%, of the metro areas in the United States with enough data to analyze. Seriously underwater rates were down year over year in 63% of the metro areas analyzed.

More Than 20% of Residential Mortgages Are Seriously Underwater in Just 30 ZIP Codes

Among 9,067 U.S. ZIP codes that had at least 2,000 homes with mortgages in Q3 2023, there were only 30 locations where more than 20% of mortgaged properties were seriously underwater. Of those, 10 were in Cleveland or Philadelphia.

The top five ZIP codes with the largest shares of seriously underwater properties in Q3 2023 were 82716 in Gillette, Wyoming (50.8% of mortgaged homes were seriously underwater); 78041 in Laredo, Texas (46%); 78045 in Laredo, Texas (44.3%); 39601 in Brookhaven, Mississippi (43.1%); and 82718 in Gillette, Wyoming (40.5%).

Most Homeowners Facing Foreclosure Still Have Some Equity

Only about 258,900 homeowners nationwide were facing possible foreclosure in Q3 2023, or about one in every 242 mortgaged residential properties in the United States. Of those facing foreclosure, about 238,200 (or 92%) had at least some equity built up in their homes.

“Elevated equity levels continue to benefit even those homeowners facing possible foreclosure. They’re providing resources for most delinquent owners to help them refinance their mortgages or sell instead of just walking away and abandoning their properties,” Barber said. “That remains a powerful force working against blight, which can lead to vacant homes.”

States where the largest portion of homeowners facing possible foreclosure had equity in their properties in Q3 2023 included Utah (97% with equity), Massachusetts (95%), North Carolina (95%), Nevada (95%), and Maine (95%). States with the lowest percentages included Louisiana (76% with equity), Maryland (86%), Illinois (86%), Missouri (87%), and Alabama (88%).

MANY AMERICANS AREN'T OPTIMISTIC ABOUT 2024'S HOUSING MARKET

According to a new LendingTree survey of over 2,000 U.S. consumers, an estimated 44% of Americans think the housing market is at risk of crashing in the next year. On the other hand, with some non-homeowners believing a crash is the only way they could afford a home, it may not seem surprising that a grand 35% of Americans want the market to crash.

Key Findings:

- » Most Americans aren't optimistic about the housing market, with some hoping for a downturn. 44% of Americans think the housing market is at risk of crashing in the next year, with another 31% unsure. What's more alarming is that 36% of homeowners and 35% of Americans overall want the market to crash. And while 51% of homeowners don't want the market to burst, 15% of them say they want a crash to lower their property taxes and 15% believe it would lead to future stability.
- » Nearly a third of nonhomeowners think a crash is their only way to own a home. 32% of nonhomeowners believe this, but that rises to 39% among Gen Zers and 38% among millennials who don't own. Mortgage interest rates aren't helping: Across all Americans, 53% are worried they'll remain high. Separately, 79% expect rates to rise for at least another year. Looking ahead, 27% believe mortgage rates will be 8% or higher one year from now.
- » Those who have a locked-in low rate may be stuck in their homes. Half (50%) of homeowners say their current rate is keeping them in their houses. In addition, three-fourths (75%) of Americans are unsure if they'll ever see rates as low as in 2020 and 2021, and 11% of homeowners don't think they'll ever be able to buy a home again.
- » Whether you rent or own, home prices and values are top of mind—for

opposite reasons. When asked about their biggest housing market worries, nonhomeowners cite high home prices (48%), while homeowners cite decreasing home values (38%). All in all, though, 62% of Americans think home prices will increase in the next year, with two-thirds (66%) of them believing they'll rise by 5% or more.

Americans Believe a Housing Crash Is Coming, and Some Are Looking Forward to It

It's been a difficult year for consumers looking to buy a home, with 30-year mortgage rates reaching nearly 8.00% in October 2023—the highest since November 2000. Those figures are certainly weighing heavily on most Americans: In fact, 44% think the housing market is at risk of crashing in the next year, while another 31% are unsure.

Millennials (ages 27 to 42) are the most likely age group to believe a market crash is coming at 52%.

That's followed by:

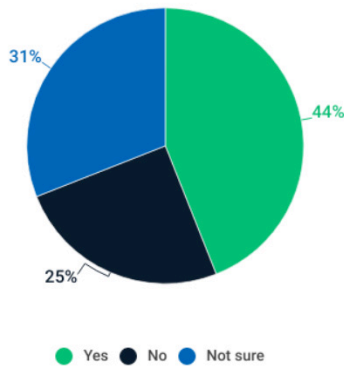
- » Gen Zers (ages 18 to 26) (48%)
- » Gen Xers (ages 43 to 58) (42%)
- » Baby boomers (ages 59 to 77) (30%)

In addition, those with children younger than 18 (55%) are more likely to expect a market crash than those without children (39%) and those with children older than 18 (35%). Meanwhile, homeowners (46%) are slightly more likely to think a market crash is coming than nonhomeowners (41%). Not everyone thinks a market crash would be bad, though: 36% of homeowners want the market to crash. Among this group, 15% of them say they want a crash to lower their property taxes and 15% believe it would lead to future stability.

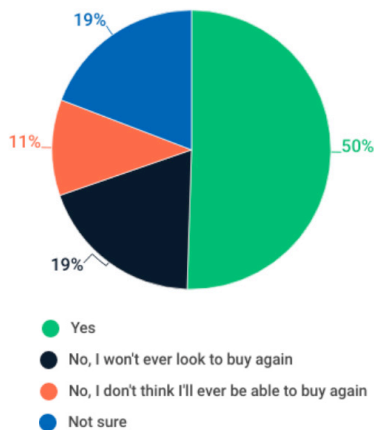
More broadly speaking, 35% of Americans want the market to crash. That's especially true among Gen Zers (53%), millennials (46%), and those with children younger than 18 (46%). On the other hand, baby boomers (18%) and those with children older than 18 (22%) are the least likely to share this feeling.

LendingTree Senior Economist Jacob Channel isn't surprised that so many people want the market to crash, but he's skeptical about whether they know what it would mean.

Do you think the house market is at risk of crashing in the next year?



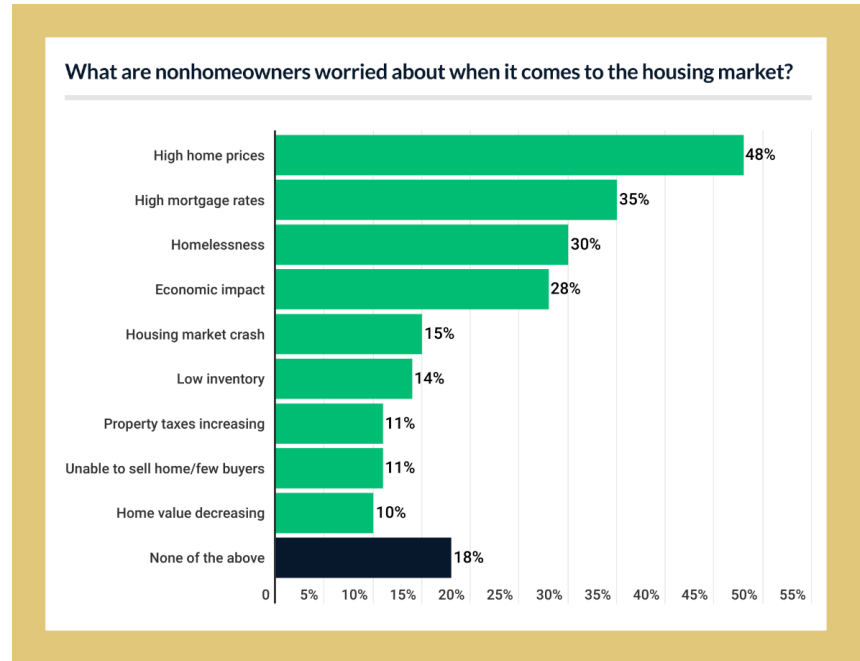
Do you think you'll ever be able to buy a home again in the future?



“Right now, home prices are high, as are mortgage rates,” Channel said. “With that in mind, I can understand why some might wish for a housing crash that brings lower prices. Unfortunately, if the national housing market were to crash, odds are that it would bring down the rest of the economy with it.”

However, Channel believes there’s hope for potential homebuyers.

“It’s not impossible for home prices to fall and make a given housing market more affordable,” he said. “It’s also not necessarily impossible for the housing market to outright crash next year while the rest of the economy remains relatively OK (though it’s very unlikely). But if



you’re hoping that the housing market will crash and make it easier for you to buy a house, you’ll probably be disappointed. Not only does data indicate the odds of a housing crash in the next few years are slim, the past shows that when the market crashes, it tends to hurt more people than it helps.”

Some Nonhomeowners Believe a Housing Market Crash Is the Only Way They Could Buy a Home

Despite the potential consequences of a market crash, 32% of nonhomeowners believe a downturn is the only way they could afford a home. That’s particularly true among young Americans—39% of Gen Zers and 38% of millennials who don’t own. Across all demographics, those earning \$50,000 to \$79,999 (41%) and those with children younger than 18 (39%) are also among the most likely to share this sentiment.

Mortgage interest rates likely play a large role, though nonhomeowners aren’t the only ones worried. The average rate for a 30-year fixed mortgage was 7.50% as of the week of November 9, and 53% of Americans are worried rates will remain high.

That’s particularly true among those with children younger than 18 (61%),

those earning \$75,000 to \$99,999 (60%) and millennials (59%). In addition, women (56%) are more worried about high interest rates than men (49%).

Separately, 79% expect rates to rise for at least another year, with 53% of this group believing rates will rise for over a year or longer. Regardless of how long they expect rates to rise, though, 27% of Americans believe mortgage rates will be 8.00% or higher a year from now. Beyond that:

- » Approximately 19% believe mortgage rates will be between 5.00% and 5.99%
- » Some 15% believe mortgage rates will be between 6.00% and 6.99%
- » Roughly 13% believe mortgage rates will be between 7.00% and 7.99%

Gen Zers are the most optimistic age group, with 21% thinking rates will be between 5.00% and 5.99%. Meanwhile, 21% of baby boomers think rates will be between 7.00% and 7.99%.

While it’s difficult to predict what mortgage rates will look like in the future, Channel reported there is reason to believe rates will go down next year.

“Across the board, interest rates have risen dramatically since the start of 2022, and mortgage rates are no exception,” he said. “Fortunately, just because rates have

risen over the last two years doesn't mean they'll continue to climb in 2024. On the contrary, there are encouraging signs, like cooling inflation, that could help bring down rates next year. If inflation continues to cool and the Fed starts cutting rates in 2024 (as they appear poised to do), rates should fall. They won't plummet, but they might end up closer to 6.00% or 7.00% than 8.00% or higher."

Some Homeowners With Low Mortgage Rates Are Feeling Stuck

It's not just nonhomeowners struggling with rising rates—homeowners believe they have implications for them, too. Among this group, 50% say their current rate is keeping them in their houses and they don't want to get financing on a new house. That's especially true for homeowners with kids younger than 18 and millennial homeowners, at 64% and 61%, respectively.

Overall, Americans believe 2020 and 2021, when mortgage rates were between 2.65% and 3.72%, was a once-in-a-lifetime opportunity for homebuying. Three-fourths (75%) of Americans say they aren't sure if they'll ever see rates as low as in 2020 and 2021—a figure that rises to 82% among those earning \$50,000 to \$74,999, 81% among women and nonhomeowners, and 78% among baby boomers and those without children.

With these beliefs in mind, 11% of homeowners don't think they'll ever be able to buy a home again and 19% are unsure.

"There's a chance that they could fall back to their 2020 and 2021 levels again at some point, just as there's a chance, they'll spike back up to their early 1980s levels," Channel said. "From where things stand, I'd say that either scenario is more unlikely than not."

While Channel believes rates will come down over the next few years, he says he'd be genuinely shocked if they fall to their height-of-the-pandemic record lows: "Unless something catastrophic—like another major pandemic or a meteor crashing into Manhattan—I think people are right to assume rates aren't going to fall to sub-3.00% levels anytime soon, if ever."

SPOTLIGHTING REGIONS FACING HOMEOWNERSHIP BARRIERS

Zillow Research has published new maps that shine a light on how a lack of credit access is keeping millions of people—particularly Black families—from homeownership, even as they pay relatively more each month in rent.

"Lack of credit access keeps people in a cycle of paying more in rent than they would pay each month for a mortgage on that same home," said Nicole Bachaud, Senior Economist at Zillow. "Communities of color, particularly Black families, see this play out, keeping a path to economic stability and wealth generation locked. Policymakers should take action to reasonably improve access to credit for millions of families."

Credit insecurity refers to the challenges individuals and households face in qualifying for credit, and is particularly prevalent in Black neighborhoods, where access to traditional and safe credit building is limited. As a result, many Black households are forced to remain renters in their communities, despite being able to afford a monthly mortgage payment. This is especially concerning considering that tenants nationwide spend \$600 billion on rent each year, yet these payments often do not help build credit for those who need it most.

In areas with more credit insecurity, homeownership rates are lower. Even so, a monthly mortgage payment would cost less than rent in these areas, even with mortgage rates at 22-year highs. This shows that a lack of credit access is as much a barrier to homeownership as affordability and highlights the urgent need to address disparities in credit access.

Zillow's analysis includes maps that show how credit-insecure census tracts are directly linked to the share of the population that is Black and to the areas where rent is more expensive than mortgage payments.

New Orleans is the city that most reflects this phenomenon, according to Zillow's research. Looking only at census tracts deemed credit insecure by the Federal Reserve Bank of New York, the income-adjusted gap between the cost of a typical rental and a mortgage payment on a typical home is the widest in New Orleans.

In New Orleans' credit-insecure census tracts—where 56.7% of the population is Black—a median renter household would spend 77.5% of its income on a typical rental, but a median household that owns its home would spend only 28.6% on a mortgage payment on the typical home. This means that residents in these areas, unable to secure the financing they need to buy a home, are stuck paying more for rent each month than they would expect to pay for a mortgage.

Zillow has also published a table that displays homeownership rate, the share of census tracts where it is cheaper to buy than rent, and the share of a typical homeowner or renter's income needed to pay for a typical mortgage or rental, sorted by the level of credit security.

The disparities in credit access are particularly impactful for communities with higher rates of credit insecurity, which tend to have larger populations of color, in particular, Black households. The legacy of redlining practices, though prohibited by law, continues to impact communities today, perpetuating racial disparities in homeownership and financial opportunities.

Policymakers could explore a number of solutions to help address this issue. Encouraging more financial institutions and landlords to report positive rent payments—and for government-sponsored agencies to consider this data—would help renters build credit, especially in areas where building a credit profile is so difficult. Improving awareness of down payment assistance can help more renters overcome the cash barriers they face when trying to purchase a home. And supporting policies that build more homes can help open more doors to homes that are affordable and accessible.



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FINAL THOUGHTS

In this month's Final Thoughts, experts highlight consumer sentiment within the housing market, outweighing demand vs. limited inventory, future challenges surrounding mortgage rates, and homebuying—in addition to inflationary pressures—as Americans nationwide continue to be discouraged in their pursuit of homeownership.

“fed up”

Doug Duncan, Fannie Mae SVP and Chief Economist, discusses the pessimistic consumer sentiment many are feeling toward the housing market, high home prices, and the increasing cost of living, citing inflation as their primary frustration.



“interest rate shock”

Jeremy Sicklick, Co-Founder and CEO of HouseCanary, discloses how difficult market conditions will be in the future for homebuyers, as interest rates continue to pose the biggest challenge in affecting new listing volume, turning many would-be buyers toward the rental market.



“high-rate environment”

Joel Kan, MBA's VP and Deputy Chief Economist, details the surge in U.S. purchase activity for newly constructed homes, which reached the ninth consecutive month of annual growth in November, as home builders continue to temper the market with buyer incentives.



“boom-and-bust cycle”

Dave Liniger, Co-Founder and Chairman of the Board of Real Estate Brokerage at RE/MAX, explains the ongoing problem with tremendous housing demand, limited inventory, and what would happen to home sales if interest rates began to decline.



“sting of high mortgage rates”

Sheharyar Bokhari, Senior Economist at Redfin, talks about how affluent Americans are the only demographic of consumers that are able to spend less on housing and avoid the overwhelming impact of elevated interest rates, as potential homebuyers nationwide continue to be priced out and sidelined from purchasing a home.



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