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MortgagePoint

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Keeping Afloat

MortgagePoint speaks with mortgage servicing execs from **BOK Financial**, **Carrington**, the **NMSA**, **PHH Mortgage Corporation**, and **Servbank** about the unusual times and unusual opportunities the industry faces midway through 2023.

TIME TO DOUBLE DOWN ON THE CONSUMER EXPERIENCE

The sales numbers may not be where lenders would like to see them yet, but people do want to buy, according to new research. Here's what homebuyers are saying and what lenders can do to win their business.

WHEN A SERVICER CAN TAKE POSSESSION OF A PROPERTY

Attorney Joseph T. McCormick details a recent Ninth Circuit opinion on when a servicer can take possession of a property under the Oregon Unlawful Trade Practices Act.

COLORADO SUPREME COURT WEIGHS IN ON BANKRUPTCY & FORECLOSURE

A recent Colorado Supreme Court decision held that a discharge in bankruptcy does not trigger the statute of limitations on a claim to foreclose based on a deed of trust.

RON & FRAUD: THERE'S MORE TO THE STORY

While a small fraction of RON transactions may involve fraudulent activity, we have advanced tools at our disposal to stay ahead of bad actors.



MortgagePoint

Experts you trust. People you know. News you want. *MortgagePoint* is putting essential mortgage market news at your fingertips with our new digital edition, now available online via your smartphone, tablet, or computer. Enjoy the magazine at your desk, and tap into *MortgagePoint* Digital's easily accessible platform anywhere, anytime. Committed to giving originators, servicers, and all lending professionals access to smarter perspectives, *MortgagePoint* believes it's time to think differently about the mortgage industry. Because the American Dream is evolving . . . are you?

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THE STATE OF THE INDUSTRY, HALFWAY THROUGH 2023

For this July edition of *MortgagePoint*, we wanted to pause and take stock of where the industry is and what challenges we are facing as we reach the halfway point of this year. From aiding the remaining homeowners still exiting forbearance to navigating economic headwinds and the ongoing impact of the Fed's attempts to combat inflation, it's been a complicated six months.

For this month's cover story, "Keeping Afloat," *MortgagePoint* spoke with mortgage servicing execs from BOK Financial, Carrington, the National Mortgage Servicing Association, PHH Mortgage Corporation, and Servbank to gauge the state of the industry as it enters the second half of 2023.

This month's lineup of feature articles continues with "Time to Double Down on the Consumer Experience," from Matthew Woodhouse, Managing Director, Valuations at ServiceLink. The sales numbers may not be where lenders would like to see them yet, but people do want to buy, according to new research. This feature looks at what homebuyers are saying and what lenders can do to win their business.

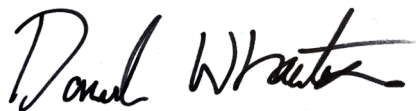
In the first of a pair of legal articles, Caren Castle and Jennifer Rogers of IDEA Law Group, LLC, bring us a piece entitled "Colorado Supreme Court Weighs in on Bankruptcy & Foreclosure." A recent Colorado Supreme Court decision held that a discharge in bankruptcy does not trigger the statute of limitations on a claim to foreclose based on a deed of trust. This feature breaks down everything you need to know about the case.

Next up, Brooke Adams, General Counsel, Chief Compliance Officer, and Corporate Secretary of Stavvy, brings us "RON & Fraud: There's More to the Story." In her feature, Adams argues that, while a small fraction of RON transactions may involve fraudulent activity, there are advanced tools available to help stay ahead of bad actors.

"When can a servicer take possession of a property?" That's the question at the heart of a piece from Joseph T. McCormick, Esq., an Associate Attorney at Wright, Finlay & Zak's Washington office. McCormick details a recent Ninth Circuit opinion on when a servicer can take possession of a property under the Oregon Unlawful Trade Practices Act.

Finally, be sure to check out our new Five Star Memberships section, which will bring you looks at the work and people involved in the Five Star Institute's (parent company of *MortgagePoint*) industry Memberships groups, including the National Mortgage Servicing Association, Legal League, Federation of REO-Certified Experts (FORCE), American Mortgage Diversity Council, and Property Preservation Executive Forum. This month's installment brings you an introduction to the Legal League's Publications Committee.

You'll find all of this and more inside the pages of this July edition. Welcome to this month's installment of *MortgagePoint*.



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The Legal League Publications Committee discusses, authors, and gathers content for the Legal League Quarterly Newsletter featuring articles, letters, member highlights, and relevant communications.

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THE POINT

Featured Conversations With Mortgage's Best and Brightest Taylor Marr, Deputy Chief Economist, Redfin



DIALING INTO THE DIGITAL GENERATION

The following companies are taking tech advancements in the mortgage space to the next level in simplifying and advancing the overall mortgage process and home lending experience.



BLACK KNIGHT LAUNCHES NEW AI-POWERED VALUATION APP

Black Knight, Inc. announced the launch of Validate, a mobile application that helps borrowers themselves take part in expediting the valuation and loan approval process, saving time and money for all involved.

The Validate app allows homeowners to submit property photos as part of their application for a HELOC or home equity loan, which helps to accelerate the loan approval process. Following a series of prompts, homeowners are guided to take and submit photos of specific areas of the interior and exterior of their home. Validate uses geofencing and time stamps to confirm that photographs are contemporaneous and accurately reflect current property condition. Validate uses artificial intelligence (AI) to estimate the property's current condition and quality, then compares it with similar homes using the Black Knight Complexity Profiler to create a condition-adjusted value estimate. Equity is calculated by deducting any outstanding mortgage liens, as identified in Black Knight's public records data.

"Validate streamlines HELOC and home loan applications by providing a collateral valuation and property-condition report much earlier in the loan process," said Ben Graboske, President of Black Knight Data

& Analytics. "Since actual photographs and AI extrapolations are used, the accuracy of the AVM is more attuned to the property's unique condition. Homeowners create their own verifiable property condition report—in a lender-accepted format—that is combined with other tools, such as Black Knight's AVMs and Complexity Profiler, to greatly accelerate the HELOC decision-making process. Achieving a shorter time-to-close is essential in today's rapidly shifting market, particularly for equity-based lending. Validate goes a long way toward helping lenders achieve that goal."

After borrowers submit current property photos, they are asked to complete a short questionnaire to verify public record data and select from a menu of value-enhancing amenities. Validate also asks homeowners to specify any repairs that need to be performed and to certify that the information submitted is accurate. Results are presented to the lender via a loan origination system-integrated API or an easy-to-read PDF report.

ATTOM LAUNCHES NEW NEIGHBORHOOD SEARCH TOOL

ATTOM has announced the launch of Neighborhood Navigator, a solution that empowers various industries to offer their clients comprehensive information on community, school, local

amenities, and home values nationwide.

Neighborhood Navigator enables companies to implement valuable neighborhood data into their website using an iFrame or a stand-alone company branded instance with logo. The iFrame supports mapping at the ZIP and city geo levels for existing website integrations, while the stand-alone link guides users to a separate web page to perform address and location searches.

"Our goal with this newest solution is to enhance our clients' decision-making process, empower their strategies, and provide exceptional services utilizing Neighborhood Navigator," said Todd Teta, Chief Product & Technology Officer at ATTOM. "Clients can uncover unparalleled insights into communities, schools, amenities, home values, and beyond."

Neighborhood Navigator includes updated market data, including:

- » Community Information: This includes demographics, community characteristics, environment, weather, crime, and more available at ZIP code, city/town, and neighborhood levels.
- » School Information: Covers most public, private, and parochial schools across the nation with school and district profiles, along with state test scores for all grade levels.
- » Nearby Establishments: Locates the closest nearby amenities.
- » Recent Home Sales: Offers insights on sale trends and provides access to recent actual sale transactions within the targeted search area.
- » Home Value Estimates: Provides an estimate for the value of a property, including



a confidence score and range of high and low values using ATTOM's proprietary AVM.

Real estate professionals can implement Neighborhood Navigator directly on their website, giving end users access to hyperlocal community information when shopping for a home to buy or rent. Similarly, relocation companies can utilize Neighborhood Navigator to provide clients with community insights, enabling individuals to make informed decisions about their move and feel more comfortable and familiar with their new surroundings.

REDFIN LAUNCHES CHATGPT PLUGIN

Redfin has launched a ChatGPT plugin to help people find homes that are an ideal fit for them. The Redfin ChatGPT plugin was built with OpenAI, an AI research and deployment company, and is available now for eligible ChatGPT users to install and enable from the

Plugin store.

People can use the Redfin ChatGPT plugin to describe their ideal home and neighborhood in everyday terms and find listings that suit their needs. For example, "I'm moving to Houston for a new job with a \$150,000 salary. Show me three-bedroom homes for sale with private outdoor entertaining space in neighborhoods with trendy restaurants." The Redfin ChatGPT plugin will answer with a list of homes that fit the bill. Users can click the links to the redfin.com listing pages, where they can book an on-demand tour with an experienced, local Redfin agent.

Redfin-invented, map-based real estate search and has developed machine learning models to recommend listings and estimate home values, transforming the way people find homes to buy or rent. Now with the advancement of large language models, Redfin will use AI to make that search even more personalized.

"I think the most powerful way the Redfin ChatGPT plugin can make buying a home easier today is by suggesting homes and neighborhoods that would not have been uncovered via a map-based real estate search," said Ariel Dos Santos, Redfin's VP of Product.

"Through a simple conversation with the Redfin ChatGPT plugin, a homebuyer can get suggestions of homes for sale in nearby neighborhoods with similar amenities they might not otherwise have considered. This could also help home sellers get their listings in front of a wider audience of serious buyers. We're just getting started, and the Redfin ChatGPT plugin is getting more powerful every day. We're excited to find new ways to use it to make buying, selling, or renting a home simpler and more affordable."

GINNIE MAE UPDATES ELECTRONIC SIGNATURE, RON POLICY

Ginnie Mae has announced in All Participants Memorandum (APM) 23-09 that it is extending the use of electronic signatures in conjunction with Remote Online Notarization (RON) to include power of attorney (POA) mortgage documents.

All Ginnie Mae Issuers can now use RON to execute POA documents when necessary to obtain single-family government-insured or guaranteed loans on "paper" mortgages. By extending digital capabilities to include POA mortgage documents, Ginnie Mae is modernizing its mortgage-backed securities (MBS) program with flexibility that benefit Issuers and borrowers.

"We are pleased that this extended program feature will benefit service member borrowers on overseas duty and other borrowers who cannot execute loan documents in person," Ginnie Mae EVP and COO Sam Valverde said. "Ginnie Mae is committed to meeting the homeownership needs of households who cannot access the traditional brick and mortar process."

Issuers must continue to follow all insuring or guarantying agency guidance regarding POA eligibility and requirements, including the circumstances under which a borrower is permitted to use an attorney-in-fact to obtain single-family government-insured or guaranteed loans. By using RON for POA, Issuers are subject

to the electronic signature and notarization requirements outlined in Chapter 24 of the MBS Guide.

BIG PURPLE DOT UNVEILS RECRUITING SOLUTION POWERED BY CORELOGIC

Big Purple Dot (BPD) has announced the launch of BPD Recruit, as suite of recruiting software powered by CoreLogic, designed to empower mortgage professionals by transforming their talent acquisition strategies and unlocking exceptional results.

Big Purple Dot offers a solution with continuous syncing with a CRM (Customer Relationship Management) system, allowing BPD Recruit Search Intelligence to seamlessly integrate with BPD Recruit CRM, ensuring a unified and streamlined workflow. The continuous syncing feature eliminates manual data entry, enhances efficiency, and enables real-time access to candidate information, empowering recruiters to make informed hiring decisions swiftly.

Big Purple Dot has exclusively aligned with CoreLogic, and by harnessing the power of CoreLogic's robust technology, BPD Recruit delivers industry-leading data quality and insights, enhancing the recruitment process and equipping decision makers with the information needed to identify top talent effectively.

"We are thrilled to be redefining the landscape of talent acquisition in the mortgage industry," said Roxana Davidoff, Founder and CEO of Big Purple Dot. "BPD Recruit sets us apart from our competitors and empowers our clients to take their recruitment strategies to new heights and build high-performing teams. We are proud to offer a software solution that provides a unique advantage in the market."

BPD Recruit's intuitive user interface and customizable features ensure a seamless user experience throughout the entire recruitment

“Around a quarter of American homeowners cannot access their own equity in their homes because of strict lending restrictions, and we have teamed up with New American Funding to service these communities.”

—Jarred Kessler, CEO and Founder, EasyKnock



journey that aligns with the unique organizational requirements. The software provides comprehensive analytics and reporting capabilities, delivering valuable insights that enable data-driven decision-making and continuous improvement in the recruitment process.

Mortgage recruiters and hiring managers gain access to an array of powerful tools and features tailored to their unique needs, including:

- » One-seamless solution: Intelligent search and powerful CRM combined with continuous sync for unparalleled real-time data
- » ChatGPT integration: Empowering recruiters to handle recruiting objections effortlessly and navigate recruiting conversations effectively
- » Turnkey solution: BPD Recruit PRO offers pre-built campaigns with branded templates
- » Data analytics: Analyze, predict, and forecast recruiting pipeline to make swift decision making
- » Automated marketing: CRM automation with video MMS, SMS, email, voicemail drops, targeted social and digital ads, handwritten cards, and automated gifting solution
- » Ease of use and adoption: Built for end-users in mind with beautifully designed UI/

UX with premium support for increased user adoption and engagement

FIRST AMERICAN ENHANCES ITS FRAUDGUARD SOLUTION

First American Data & Analytics, a provider of property-centric information, risk management and valuation solutions and a division of First American Financial Corporation, has announced that its FraudGuard fraud risk detection and decisioning tool now includes enhancements that help lenders reduce home equity lending and compliance risk, and further improve loan quality and increase efficiency.

The new features include the integration of the First American Precision AVM suite, and the additions of a senior-lien review module designed for home equity lending and a military status verification module.

"In today's lending environment, reducing risk, improving loan quality, and increasing underwriting productivity are top of mind for lenders, and our latest Fraud-

SHOWINGTIME+ ANNOUNCES UPGRADES

A brand of Zillow Group Inc., the new enhanced Appointment Center by ShowingTime+ combines personal showing service with powerful data and reporting tools.

The new Appointment Center by ShowingTime+ is a software package that offers more tools at a lower price to create everyday value and help agents and brokers succeed. According to ShowingTime+ research, agents value efficiency and time savings above all else when determining which tools to use in their business. The Appointment Center by ShowingTime+ enables agents to streamline their business so they can focus on delivering client experiences that lead to more business.

Agents can gain access to key products and reports that help them efficiently determine pricing strategy and simplify showing and offer management for their listings. The Appointment Center by ShowingTime+ includes around-the-clock support from experienced Appointment Center specialists, Offer Manager for simple communication between parties, the Target Market Analysis Report to help set the right list price, and the Pricing Benchmark Report to adjust list price when needed.

The Appointment Center acts as a busy agent's virtual assistant, answering calls requesting showings in 20 seconds on average. This gives agents direct and immediate scheduling support that frees them from the tedious back-and-forth of setting showing appointments. Appointment Center specialists are ShowingTime+ employees trained to support agents 24 hours a day, 365 days each year, so that a listing agent's business appears to be open

at all times and buyers' agents can make showing requests whenever it works best for them and their clients.

ShowingTime+'s Offer Manager, available in select markets, is a productivity and organizational tool that simplifies communication between listing agents, sellers and buyers' agents during the offer process. Fully integrated within ShowingTime's scheduling platform, Offer Manager enables listing agents to send a professionally formatted side-by-side comparison of all offers received on a home to a seller, from a phone or laptop, all in about 30 seconds.

The Target Market Analysis report gives agents a full view of the price ranges that are generating the most showings in their market, so agents can pinpoint the perfect list price to bring in offers. This helps their clients avoid being among the roughly one in every five sellers this year who has had a price cut.

If the time comes for a price reduction conversation, agents can leverage the Pricing Benchmark Report to help explain why their client's listing is sitting on the market longer than the neighbor's house down the street. The Pricing Benchmark Report highlights how a listing compares to the competition and enables agents to see their listing's relative pricing, showing activity, days on the market and more. This report is available in select markets.

"Tougher times mean that every dollar an agent spends toward their business counts," said Mike Lane, VP of Sales and Industry Affairs for ShowingTime+. "We want to give agents tools that save them time and money, while helping them build the trust with their clients that is key to getting more referrals and more business."

Guard enhancements help our lender clients address those priorities," said Paul W. Harris, General Manager, Mortgage Analytics for First American Data & Analytics. "These enhancements add to FraudGuard's already robust capabilities. Now, FraudGuard's smart analytics provide an even more effective, intuitive solution for critical underwriting decisions in first mortgage and home equity lending."

FraudGuard's integration with the Procision AVM suite provides users access to automated property values to help expedite lending functions, such as underwriting and collateral reviews for first and second mortgages, as well as home equity lines of credit. The Procision AVM suite uses a state-of-the-art blended ensemble modeling approach to deliver an exceptional level of accuracy. First American Data & Analytics runs Procision AVM valuations on every residential property in the United States every day, and the company also updates the underlying data that fuels the Procision AVM suite daily. An automated surveillance system constantly

monitors both data and valuation quality and performs extensive testing to validate the accuracy of the valuations produced by the Procision AVM suite for various property types in various geographic markets.

Designed to support home equity lending, the senior-lien review module identifies ineligible first liens that could prevent a lender from moving forward with a second lien. For example, the new feature will alert a lender to a private mortgage originated within the last 12 months, first mortgages with negative amortization, balloon loans with a due date before the second lien, or a reverse mortgage. The module can also identify payment deferrals and loans in forbearance.

The military status module verifies an applicant's status—active, retired, or a survivor of military personnel—under the Servicemembers Civil Relief Act (SCRA). In addition to mortgage lending, the new module can be leveraged in credit and automobile lending. Both the senior-lien review and military status modules are available as standalone API integrations.

FHA OFFERS NEW MULTILINGUAGE RESOURCES

The Federal Housing Administration (FHA) is making available in Chinese, Korean, Spanish, Tagalog, and Vietnamese, more than 30 single-family mortgage documents and related resources used in the origination of FHA-insured mortgages. The educational resources are accessible from FHA's new language access web page and are intended to assist lenders, servicers, housing counselors, and other FHA program participants in explaining information related to FHA-insured mortgages to those with limited English proficiency prior to borrowers executing legal documents in English, as required by law.

This first set of translations is part of ongoing efforts by FHA to remove language access barriers for consumers whose preferred

language may not be English and a part of HUD Secretary Marcia L. Fudge's commitment to making equity a leading compass within the Biden-Harris administration.

"Understanding the products, processes, and documents associated with a mortgage transaction is vital to a borrower's ability to become a successful homeowner," Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon said. "These new resources will help prospective homebuyers better understand their transaction and make more informed decisions before they are at the closing table."

The translated documents include the HUD Addendum to the Uniform Residential Loan Application (HUD 92900-A) required for all FHA-insured single-family mortgages; model documents, including mortgage notes and riders used in FHA forward and Home Equity Conversion Mortgage (HECM) transactions; and required borrower disclosures. In addition, FHA now has newly translated versions of some of its most widely used single family homebuyer education materials and information resources, including its Save Your Home, Tips to Avoid Foreclosure brochure, its disaster relief and recovery options information card, and FHA "myth busters" question and answer cards.

GUILD LAUNCHES 1% DOWN PAYMENT PROGRAM

Guild Mortgage has announced the launch of its 1% Down Payment Advantage program, a new 1% down and 1% interest rate buydown (for the first year of the loan) to aid low- to moderate-income borrowers in today's tight market.

For conventional loans, the typical down payment is 3%, Guild's new program allows homebuyers to purchase a home with a minimal down payment of 1% with the other 2% being covered by Guild to meet the 3% minimum.

In addition to the low-down payment and interest rate buydown the program offers, borrowers will still have the flexibility to refinance with Guild at a later point with an

added benefit of no lender fees under the company's Payment Protection program.

"Guild is committed to providing innovative solutions that meet the current and future needs of homebuyers. No matter what is happening in the housing market, we want to get people into homes and help keep them there," said Mary Ann McGarry, Guild's CEO. "With our new 1% Down Payment Advantage program, we are meeting our clients where they are and addressing head on the accessibility challenges so many Americans are facing in today's housing market."

The 1% Down Payment Advantage program builds upon Guild's Payment Advantage program—introduced in December of 2022—and has helped homebuyers achieve their homeownership goals. The program is available to first-time and repeat homebuyers purchasing single-family homes with income equal to or less than 80% of the area median income.

David Battany, Guild's EVP of Capital Markets, emphasized the importance of addressing the three key areas that impact homeownership: the cost to get into the home, the monthly cost to stay in the home,

and the ability to handle unexpected emergencies in the first five years of owning a new home. The 1% Down Payment Advantage program addresses all three.

"We know that accessibility to homeownership goes beyond just lowering the down payment. It's about ensuring long-term sustainability by tackling the three critical financial challenges of buying and maintaining a home: upfront costs, monthly expenses, and financial resilience after purchasing a home," Battany said. "With our 1% Down Payment Advantage program we support homebuyers in all three of these areas. By putting an extra two points of cash into their reserves on day one and offering a 1% one-year interest rate buydown that reduces their monthly mortgage payment, we assist borrowers to more quickly build up their cash reserves which helps sustain them in their new home during their critical first five years of homeownership when most first-time homebuyers typically have low cash savings reserves. This sets the stage for a successful homeownership journey, arming them with the confidence and means to handle life's unexpected surprises."

"We know that accessibility to homeownership goes beyond just lowering the down payment. It's about ensuring long-term sustainability by tackling the three critical financial challenges of buying and maintaining a home: upfront costs, monthly expenses, and financial resilience after purchasing a home."

—David Battany, Guild's EVP of Capital Markets



HUD PARTNERS WITH TERNER LABS ON NEW EDUCATION INITIATIVE

U.S. Department of Housing and Urban Development (HUD) Secretary Marcia L. Fudge has announced a new partnership between the Department and the Turner Housing Innovation Labs at UC Berkeley (Turner Labs) to convene an event series focused on the implications of new technologies for housing supply, access, equity, and affordability.

HUD and Turner Labs will gather leaders from the public sector, housing experts, researchers, technologists, entrepreneurs, practitioners, and others to explore technological advances at the forefront of the housing industry. The series will highlight emerging technological innovations and the opportunities they present to advance HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. The series will also identify the challenges that new technologies present and

ways that public- and private-sector leaders can work together to accelerate progress and mitigate risks.

"HUD's Innovative Housing Showcase spotlights promising technological advances in building construction," said Solomon Greene, the Principal Deputy Assistant Secretary for Policy Development and Research at HUD. "This event series will complement the Showcase by examining the impacts of technology on other facets of the housing market."

Turner Housing Innovation Labs, Inc. is a registered 501c3 tax-exempt organization whose mission is to formulate bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Established in 2015, the Turner Center has become a voice in identifying, developing, and advancing innovative public and private sector solutions to the nation's most intractable housing challenges. The Center's work provides timely analysis and data-driven research to support policy and innovation for policymakers, practitioners, and advocates in addressing with urgency the multiple, layered crises of housing affordability, entrenched inequities, and climate change, providing actionable, pragmatic paths based in evidence to bring together a coalition to make change.

"In light of recent advances in the technology landscape and increasingly dire housing affordability challenges, the timing

could not be better for this event series," said Ben Metcalf, CEO of Turner Labs. "We need to harness emerging innovations and incorporate new technology if we hope to ensure that housing is available and accessible for as many Americans as possible."

Events in the HUD/Turner Center series will be held in locations across the country over the next year, culminating with a gathering that will take place next year as part of HUD's 2024 Innovative Housing Showcase.

ACES UNVEILS REGULATORY COMPLIANCE TESTING TOOL

ACES Quality Management has added ACES PROTECT, a suite of automated regulatory compliance tests, to its flagship ACES Quality Management & Control quality control (QC) auditing platform. ACES PROTECT enables lenders to reduce audit time and improve oversight by incorporating automatic compliance testing into their overall QC auditing environment.

"Given the nature of originations right now, calculation errors and other compliance

"We need to harness emerging innovations and incorporate new technology if we hope to ensure that housing is available and accessible for as many Americans as possible."

—Ben Metcalf, CEO of Turner Labs



missteps are even more costly,” ACES CEO Trevor Gauthier said. “ACES PROTECT gives our clients an added layer of compliance protection that is seamless and cost-effective, enabling them to significantly increase audit productivity while still independently validating loan eligibility calculations.”

Through ACES PROTECT, ACES users can easily access a suite of compliance checks within the ACES platform, including certification of loan estimate/closing disclosure calculations, high-cost mortgage and high-price mortgage loan testing, TRID fee tolerance, Qualified Mortgage (QM) tests, and other critical compliance tests. ACES users can quickly and easily run compliance tests without leaving the system and automate tasks and exceptions for any alerts, significantly increasing audit productivity.

ACES PROTECT provides complete visibility into its calculations via detailed loan-level reporting that clearly communicates a loan’s compliance status. Users can select and pay for only the tests they need and automate tasks and exceptions for any alerts to control costs while increasing productivity and ensuring compliance.

“ACES PROTECT has allowed us to automate several of our manual fee compliance tests using a fully supported application, giving us greater efficiency, improved accuracy, and better reporting,” said Anthony DeAngelo, Director of Sourcing and Procurement for USAA’s Managed Services Department. “With ACES PROTECT, we’re able to test using the parameters we set in ACES PROTECT and, if needed, change them on the fly. All of this gives us improved confidence when sharing our results with management, auditors, and regulators.”

ZILLOW LAUNCHES NEW APARTMENT SEARCH TOOL

Apartment hunters using Zillow can now see the exact location of available units—and even what their view would be—at thousands of participating properties.

Zillow Rentals’ new integration with



Engrain’s interactive map platform lets renters understand what floor an available apartment is on; if it’s facing a shared outdoor space, like a garden or pool; or if the view is of a street or parking lot. The interactive maps also allow renters to click on available units to book a tour or request to apply, in much the same way they would select concert tickets when buying online.

Engrain’s Unit Map technology is currently used on more than 3,600 apartment building pages on Zillow and available to renters using Zillow on their desktop or through the mobile app.

“Regardless of how detailed the apartment description is or how beautiful the listing photos are, a renter can’t get a full grasp of the surroundings until they take the time to do an in-person tour, until now,” says Michael Sherman, VP of Zillow Rentals. “For renters who have specific preferences like wanting a nice view or being away from the busy elevator bank, Unit Maps are a major time-saver. They can help a renter narrow down which units they want to see in

person.”

Zillow’s integration with Engrain is another example of how the company is meeting renter demand for digital tools. Zillow features like 3D Home tours, and other building information such as Walk Score and Bike Score help renters quickly narrow their options and avoid wasting time touring apartments that are not a good fit.

When renters are ready to commit to the in-person tour, they can do it with the click of a button. Zillow recently announced automated tour scheduling for apartment-seeking renters, allowing them to book a tour in the same way they book a restaurant reservation.

“We are investing in integrations and products to make the apartment hunt easier and help people get into their next home more seamlessly,” Sherman said. “Renters want and deserve as much information as possible during their search, and by the time they’re ready for an in-person tour or to apply, the property managers will know they’re working with a renter who’s serious about their move.”

MMI LAUNCHES NEW CUSTOM DASHBOARD HUB

Mobility Market Intelligence (MMI) has launched its new Custom Dashboard Hub and expanded the business intelligence (BI) tools available on its platform, increasing users' ability and ease in developing strategy, recruiting, nurturing talent, and discovering new opportunities.

"With our new Custom Dashboard Hub, users can tap into MMI's deep well of mortgage and real estate data in a faster, more visual format," MMI Founder and CEO Ben Teerlink said. "And with an ever-increasing amount of granularity of data, MMI clients have access to competitive analyses and insights of greater specificity and accuracy than ever before."

The expanded dashboard capabilities will allow users to:

- » Analyze the market to find hidden pockets of opportunity and gain a competitive advantage at a local market level;
- » Delve deeper into their organization's existing data to uncover hidden trends;
- » Align sales strategies with overall business goals, including affordable lending initiatives;
- » Determine where to adjust pricing to maximize performance in a particular metropolitan statistical area (MSA);
- » Develop business development and/or

operational strategies using current market data to stay ahead of the curve;

- » Recruit using up-to-date production metrics;
- » Provide quantitative feedback on loan originator (LO) performance; and
- » Identify top overall growth opportunities.

Market analysis tools allow users to locate and track high-performance real estate and mortgage markets in their area and show nationwide trends. Up-to-date benchmark statistics enable LOs to quickly compare their performance to their peers nationally and locally. Users can manipulate criteria and filter data on their own—from county to loan type and more—to quickly visualize results relevant to their business. MMI is constantly developing new dashboards in response to the mortgage industry's needs and continuous user feedback and requirements.

"I've found MMI to be beyond insightful in providing data to expand market share and capture new referral partners and recruiting targets," said John Meussner, Production Manager at Mason-McDuffie Mortgage. "With the granular data provided through MMI's updated dashboards, I can focus on targets with whom I know I'll achieve a high success rate, making my efforts more efficient. Best of all, MMI allows me to put more time toward other money-saving activities."

Teerlink added, "Enterprise mortgage companies no longer need to feel compelled to purchase and manage their own BI tools. Instead, they can opt to work with MMI to compile the data they need within their own custom dashboard(s). The Custom Dashboard Hub is a one-stop shop for lenders and LOs looking to supercharge their existing BI."

"Enterprise mortgage companies no longer need to feel compelled to purchase and manage their own BI tools."

—Ben Teerlink, Founder and CEO, MMI



MORTGAGE CADENCE INTEGRATES SITUSAMC'S COMPLIANCEEASE TRID MONITOR INTO LOS

ComplianceEase's TRID Monitor is now integrated with the Mortgage Cadence Platform (MCP), the cloud-based digital lending platform from Mortgage Cadence. The integration helps mortgage lenders monitor loans for TRID errors and correct them before they cause costly delays.

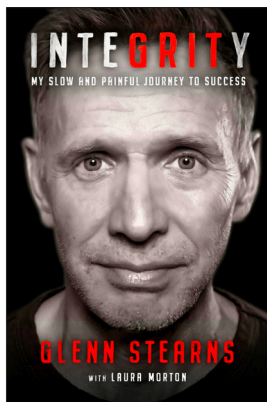
ComplianceEase, an industry-leading automated mortgage compliance system from SitusAMC, ensures TRID compliance by monitoring and auditing loan terms at each point in the lifecycle, including Loan Estimate (LE) and Closing Disclosure (CD) timing, sequencing and tolerance testing, changed circumstances and reasons for redisclosures, and post-consummation cure analysis. ComplianceEase can be seamlessly integrated into loan origination systems and other workflows—with one-click data delivery of audit results to investors and regulators.

"We are excited to announce the availability of ComplianceEase's TRID Monitor in MCP 3.0. The integration allows for further efficiency and seamless multidisclosure compliance visibility for lenders on MCP," said Jim Rosen, EVP of Services at Mortgage Cadence.

MCP is a modern, flexible, and intuitive cloud-based LOS designed with an open architecture to meet the needs of a wide range of lenders, across all products and channels.

"We are delighted to see the successful integration of ComplianceEase TRID Monitor into Mortgage Cadence's LOS," said Scott McNulla, Managing Director of SitusAMC. "This provides invaluable assurance to lenders using MCP that loans originated are compliant with TRID regulations, providing peace of mind to investors and secondary market participants when loans are tested and evaluated prior to purchase and securitization."

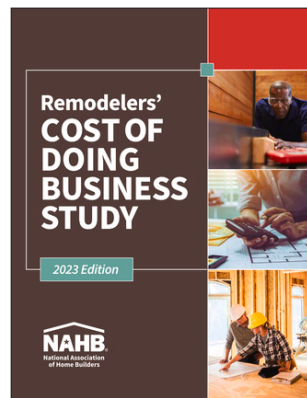
EXPAND YOUR SKILLS, GAIN INSIGHT, AND GET INSPIRED WITH THESE TOP PICKS



InteGRITy: My Slow and Painful Journey to Success

by GLENN STEARNS

Coming from a family who lived a less than fortunate life in the low-income suburbs of Baltimore to becoming a billionaire, author Glenn Stearns has written a highly-praised memoir that takes readers on a journey from his upbringing, his battles with alcoholism, to getting scrappy and beating the odds stacked against him. Motivated by stories of people who took risks, in under 10 years after graduating college, he formed his own mortgage firm, Stearns Lending, LLC, and a settlement company, Carriage Escrow. Soon after, his settlement company became the largest HUD contractor in the country earning him Earnst & Young's "Entrepreneur of the Year" award.



Remodelers' Cost of Doing Business Study, 2023 Edition

by NAHB REMODELERS

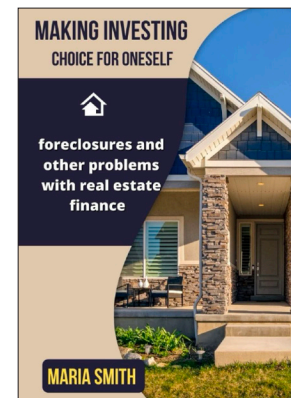
The National Association of Home Builders, a Washington-based trade association who is affiliated with over 700 associations across the country has published a new book on the state of the 2023 remodeling market. Teaching readers how to figure out what projects you should be focusing on for the best return and comparing benchmarks to what you should expect to earn, this book can also compare your business to other remodeling firms with the industry as a whole. If you want to uncover gross and net profits, assets and liabilities, owner's equity, and financial ratios, this book will help you generate indicators of how you and other remodelers are doing.



The House That She Built

by MOLLIE ELKMAN (AUTHOR),
GEORGIA CASTELLANO
(ILLUSTRATOR)

A book written for the NAHB aims to bridge the gap of the building skilled labor shortage by exposing children and young adults to STEAM and construction careers with the goal of elevating women in the industry. Inspired by a group of women who built a one-of-a-kind home in Utah, the book has already received the prestigious IBPA Benjamin Franklin Award and is making headway by creating a new badge for the Girl Scouts, hosting activities with the Boys and Girl Clubs of America, and being featured at national conferences and building shows. This book is only the beginning of inspiring diversity and inclusion for future generations of the skilled workforce for the housing industry.



Making Investing Choices for Oneself: Foreclosures and Other Problems With Real Estate Finance

by MARIA SMITH

If you're a budding investor, or already have a real estate career or business, author Maria Smith aims to fully prepare you to find off-market leads, uncover sellers' motivations, negotiate with confidence, closing more deals than you thought possible, and building a team of go-getters. Claiming to have everything you need to go from nothing to a millionaire with nothing but your own capital, this is a step-by-step book for seeking excellence in not just your profession, but in your life as well. The book also helps readers navigate the recent real estate market downturn and how to purchase a home after foreclosure.

Movers & Shakers

» Government

FANNIE MAE APPOINTS CHETLUR S. RAGAVAN TO ITS BOARD



Fannie Mae has appointed **Chetlur “Chet” S. Ragavan** to its Board of Directors, and will serve on the Risk Policy and Capital Committee and

Nominating and Corporate Governance Committee.

Ragavan brings decades of enterprise risk management and financial services expertise to Fannie Mae’s Board, which guides the company’s mission to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America.

“Chet is an accomplished industry executive whose significant risk oversight and financial services acumen will greatly contribute to Fannie Mae’s Board of Directors and help continue the company’s strong corporate governance and focus on risk management,” said Michael J. Heid, Chair of the Board of Directors for Fannie Mae.

Ragavan is Founder and Principal of Risk Response, LLC, which provides risk advisory and consulting services to global financial institutions. Previously, Ragavan was EVP and Chief Risk Officer of Voya Financial, Inc. (formerly known as ING U.S., Inc.) from January 2014 until his retirement in April 2019. From 2008-2014, he served as Managing Director and Chief Risk Officer for Voya Investment Management. Prior to joining Voya Financial, Ragavan was Managing Director and Co-Head of the Portfolio Analytics Group for BlackRock from 2006-2008. He began his career at Merrill Lynch in 1980 and held several senior leadership roles during his 26-year career with the company, including as Managing Director and Global Head of Fixed-Income Research of Merrill Lynch Investment Managers from 2000-2006 and as Managing Director and Head of Risk Man-

agement of Merrill Lynch Asset Management from 1992-2000.

“We’re pleased to welcome Chet to our accomplished Fannie Mae Board of Directors,” said Priscilla Almodovar, CEO of Fannie Mae. “We will benefit from his guidance and extensive risk management experience as we continue to support sustainable access to affordable mortgage credit and provide liquidity to the U.S. housing sector safely and soundly.”

Ragavan has served on the Board of Directors of CNO Financial Group, Inc. since May 2021, where he is currently Chair of the Audit and Enterprise Risk Committee, and as a member of the Investment Committee of the Board. He also serves on the Board of the Council for Economic Education. Ragavan is a Chartered Financial Analyst.

» Lenders/Serviceers

LOANDEPOT NAMES DAVID HAYES NEW CFO



As part of its Vision 2025 plan, loanDepot, Inc. has announced organizational changes expected to improve operational efficiency, simplify the company’s

leadership structure, and move certain key executive leadership positions to its Orange County, California, headquarters. As part of the changes, **David Hayes**, a senior finance executive with more than 25 years of financial management, treasury, corporate finance, and mortgage industry experience, has been appointed CFO. Hayes, who will be based out of the company’s headquarters in Irvine, California, will be responsible for managing loanDepot’s financial functions, including its accounting, treasury, tax, corporate finance, and investor and lender relations activities. Hayes joins loanDepot from CoreLogic, where he most recently served as Executive, Finance, and Treasurer. He succeeds Patrick Flanagan, who will be departing the company after a transition period.

“As we continue to advance our Vision 2025 plan, we expect to drive automation and operating leverage and invest in customer-facing tools and solutions, as well as implement operational and structural changes to optimize and streamline our business and position loanDepot for long-term growth and success,” loanDepot President and CEO Frank Martell said. “We welcome David Hayes to Team loanDepot as our new Chief Financial Officer. David brings a combination of strong leadership and deep mortgage industry knowledge to loanDepot. David is a consummate professional with significant financial leadership experience in our sector, and I look forward to partnering with him as we continue to execute our Vision 2025 plan.”

Hayes joins loanDepot from CoreLogic, Inc. where he served in senior finance roles for the past 13 years. He was most recently Executive, Finance, and Treasurer, where he oversaw financial management of CoreLogic’s business operations including budgeting and forecasting, strategic planning, M&A, pricing, and capital expenditures. He also managed global enterprise liquidity, cash flow forecasting, investments, debt and capital markets, hedging, banking relationships, and corporate insurance. Prior to joining CoreLogic in 2010, Hayes held various senior leadership positions across finance, treasury, and interest rate risk management at Prospect Mortgage, LLC, and IndyMac. He has served on the Boards of Directors of ComplianceEase and Symblity.

In addition, the company will further streamline its management structure, announcing the departures of Chief Accounting Officer Nicole Carrillo and Chief Human Resources Officer Kevin Tackaberry, who each will be leaving after a transition period.

“On behalf of the Board and the executive team, I want to express our gratitude to Pat for his leadership and commitment to loanDepot,” Martell added. “Pat successfully helped steward the company from private to public ownership and helped guide loanDepot through the initial phases of the market downturn. Pat, along with Nicole, Kevin, and Zeenat have been valued colleagues, and we wish them the very best in their future endeavors.”

loanDepot also announced the consolidation of LDI Digital (including mellohome) into its existing production channels, under the leadership of LDI Mortgage President

Jeff Walsh. This action is expected to further integrate the company's digital products and unify its customer offerings. As a result of this organizational change, LDI Digital President Zeenat Sidi will be transitioning out of the organization.

PHIL SHOEMAKER ASSUMES ROLE OF THE LOAN STORE'S CEO



The Loan Store, Inc. has named **Phil Shoemaker** to the role of CEO. Shoemaker was named incoming CEO on April 7 when it was announced that

The Loan Store had entered into a definitive agreement to acquire certain assets of Homepoint's wholesale originations channel. Mark Lefanowicz, who has served as The Loan Store's president and CEO since 2019, will continue as Chairman of the Board.

Shoemaker is a 26-year veteran of the

mortgage industry, and joins The Loan Store after most recently serving as President of Originations at Ann Arbor, Michigan-based Homepoint for the past five years. There, he successfully guided Homepoint from a start-up into a top-10 nonbank mortgage lender and the nation's third-largest wholesale mortgage lender for four consecutive years.

"Phil Shoemaker is a proven builder, and we are thrilled to have him leading The Loan Store into its next chapter," Lefanowicz said. "Phil has consistently been one of the foremost voices in promoting and expanding the wholesale channel, and he has an outstanding track record of developing companies from new entrants in wholesale lending into well-known, perennial top performers. His vision and leadership will help drive sustainable growth for The Loan Store and wholesale mortgage lending overall."

Previously, Shoemaker was a founding executive at Caliber Home Loans, an organization he helped scale into one of the top wholesale lenders in the nation.

"Leading the team at The Loan Store is a

dream opportunity for me, and I'm excited to work with so many talented people who are passionate about making a positive impact in mortgage lending," Shoemaker said. "We're in expansion mode and focused on enhancing our platform to make The Loan Store a sustainable and reliable option for wholesale loan originators."

Shoemaker taking on leadership of The Loan Store following the Homepoint acquisition signals a significant growth point for the young company, which was founded in 2019. At the time of the acquisition, The Loan Store enhanced its partner services by onboarding approximately 100 of Homepoint's top-performing sales and operations personnel. The company also expects to expand its state licensing footprint to nearly all 50 states and roll out several unique product offerings within the next few months.

"The wholesale channel benefits from having multiple lenders that loan originators can consistently rely on," Shoemaker said. "Our goal at The Loan Store is to combine a best-in-class sales and operations team with an easy-to-use process, competitive rates, and a unique product mix so that we're a top choice for wholesale loan originators looking to win clients and real estate agents."

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— Phil Shoemaker, CEO, The Loan Store, Inc.



LAMONT WATSON NAMED GUILD MORTGAGE'S VP OF DIVERSE TALENT DEVELOPMENT



Guild Mortgage, an independent mortgage lender and member of the American Mortgage Diversity Council (AMDC), a subsidiary of Mort-

gagePoint's parent company Five Star Global, has announced the appointment of **Lamont Watson** as the company's first VP of Diverse Talent Development. In this new role, Watson will spearhead Guild's initiatives to recruit, develop, and empower a diverse workforce, while fostering an inclusive environment where Guild employees feel valued and supported.

Watson brings a wealth of experience and expertise to his new position, having spent the past 11 years with Guild Mortgage, serving clients in South Carolina, managing

“My personal experience as a Black man working in the mortgage industry for the past two decades has given me insights and experience to draw from that I’m ready to put to work to help create an environment that supports and empowers Guild’s diverse workforce.”

— **Lamont Watson**, VP of Diverse Talent Development, Guild Mortgage



five branches, and earning a spot in the top 15% of production at the company, first as a producing Sales Manager and then as a producing Branch Manager. Prior to joining Guild Mortgage, Watson was a Loan Officer with JPMorgan Chase and Bank of America.

“Through Lamont’s leadership, Guild will continue to build a diverse and inclusive organization that thrives on the strengths and talents of its employees, where borrowers and employees feel welcomed and supported,” said Mary Ann McGarry, CEO of Guild Mortgage.

“My personal experience as a Black man working in the mortgage industry for the past two decades has given me insights and experience to draw from that I’m ready to put to work to help create an environment that supports and empowers Guild’s diverse workforce,” Watson said. “I think this is a pivotal role, and I’m proud that Guild tapped me to bring my personal perspective as someone who has successfully overcome cultural differences and achieved a high level of success within the mortgage industry to foster diversity and inclusion.”

With nearly 20 years of success in the mortgage space, Watson has demonstrated his commitment to helping families achieve homeownership and financial goals. Since 2004, he has helped more than 2,500 families, and in 2020, his team surpassed the \$50 million volume milestone in service of Guild Mortgage clients.

“With this new role, one big area of focus is to build strong relationships and collaborations with internal stakeholders and external diversity-focused organizations,” Watson added. “To attract and retain diverse talent, we will improve our talent development processes, including mentorship and career advancement opportunities.”

NEW AMERICAN NAMES NEW EVP OF NATIONAL SALES



New American Funding has added industry veteran **Andy Pettola** as EVP, National Sales, bringing more than 30 years of mortgage industry experience to his new role with the company.

Over the course of his career, Pettola has served in senior executive leadership positions in wholesale, retail, and correspondent channels and has built out sales and operational platforms both locally and nationally. While serving in those roles, Pettola set multiple corporate milestones in production, divisionally and nationally in multiple channels. Earlier in his career, Pettola was the owner of a retail broker shop for seven years and spent time in both processing and underwriting.

“We are thrilled to welcome Andy to our company,” New American Funding President Christy Bunce said. “Throughout his career, he’s shown the ability to balance growth, profitability, and operational support, all while providing best-in-class service to his sales teams and clients alike. We are confident that Andy will use his expertise to take our sales organization to the next level.”

In his new role, Pettola will focus on growing sales and scaling operations in key strategic markets, as well as developing growth, competitive, and profitability strategies globally.

CENLAR ADDS THOMAS DONATACCI AS SVP AND INVESTOR RELATIONS OFFICER



Ewing, New Jersey-based mortgage loan subservicer Cenlar FSB has named **Thomas Donatacci** as its new SVP and Investor Relations Officer.

A well-known leader in the mortgage sector, Donatacci has extensive experience in servicing transactions and subservicing, due diligence, as well as mergers and acquisitions. In his new role with the company, he will be responsible for strengthening relationships with Cenlar’s stakeholders—primarily agency investors, shareholders, clients, and rating agencies.

“Tom brings invaluable industry insights to Cenlar in addition to a solid track record of delivering results,” Cenlar CEO and President Jim Daras said. “Having such deep knowledge of the industry and building relationships, I am confident that Tom will further strengthen our market presence, as well as inform all stakeholders of our strategic vision and improvements to the company as we’re striving every day to be the very best partner to our clients and their homeowners.”

Prior to joining Cenlar, Donatacci was EVP of Business Development for The Money Source Inc. and was also Chief of Staff at Impac Holdings Inc., EVP of Special Servicing at Selene Finance, and EVP of Clayton Holdings, LLC.

“I am excited to be joining Cenlar, the leading subservicer in our industry, at this point in the evolution of the company and my own career,” Donatacci said.

UNION HOME MORTGAGE NAMES LINDA THOMAS REGIONAL MANAGER



Union Home Mortgage (UHM) has announced that **Linda Thomas** would become Regional Manager of the company's Florida operations, focusing on

recruitment of loan officers across the state. A 25-year veteran of the mortgage industry, Thomas joined UHM through its acquisition of Amerifirst Home Mortgage. Linda had been leading growth in the Tampa market as a district manager for the last four years.

She began her career in Maryland in 1998. Since then, she's held a variety of roles of increasing responsibility, but has always been focused on delivering the best result for clients.

"Everyone wants a career where you can make a difference. I found that in the mortgage industry, and I am thrilled it's now my job to introduce that opportunity to so many," Thomas said. "I am honored to take on this role, and I look forward to leveraging my experience to drive excellence across Florida. In the Sunshine State, no one shines brighter than UHM."

UHM is a full-service retail, wholesale, and consumer direct independent mortgage banking company with more than 200 branches across the United States.

"Florida has always been a key focus for us. We're thrilled to have a talented, natural leader like Linda spearheading what's next," said Jim Ferriter, UHM's SVP of Retail Sales. "Linda is well-respected and valued by everyone around her because she prioritizes the growth and experience of those she works with. We're happy to have her on the team."

DAVID SMITH APPOINTED HEAD OF TRUIST MORTGAGE



Truist Financial Corporation has announced that **David Smith** has been named Head of Truist Mortgage. Todd Chamberlain will

continue to assist with the transition and retire from Truist July 31.

Headquartered in Charlotte, North Carolina, Truist reported total assets of \$574 billion as of March 31, 2023.

In his new role, Smith will lead strategy and execution for all areas of mortgage including originations, fulfillment, nationwide direct channels, correspondent, warehouse lending, and servicing for more than 1.2 million clients. In his new role, Smith will report to Dontá Wilson, Truist Chief Retail and Small Business Banking Officer.

"David's experience and accomplishments as a leader in the mortgage industry position Truist to reimagine the future of Truist Mortgage for our clients," Wilson said. "As we mark David's installment as leader, I want to also express my gratitude for Todd Chamberlain's leadership to help make the American dream of homeownership come true for millions of clients—truly building better lives and communities."

Smith's experience includes leading the mortgage lending, insurance, and title businesses affiliated with Keller Williams, providing him with a unique view into the current, purchase-heavy real estate market. Prior to Keller Williams, he was the President and CEO of CitiMortgage, a subsidiary of Citibank. Smith's experience also includes successfully navigating key exposures for CitiMortgage during the financial downturn of 2008 and, prior to his role with CitiMortgage, serving as COO of Retail Banking and Mortgage with Citibank. Beyond these roles, Smith has served in a variety of leadership roles in originations, servicing, and support functions.

"I'm proud of our mortgage team and excited for our continued opportunity to provide a distinctive and successful homeownership experience for our clients," Smith said. "Together, we have an opportunity to combine the caring, human touch we've always delivered with an innovative, digital-first client experience to help even more clients bring their dreams into reality and achieve financial happiness."

» Service Providers

JEREMY HOFMANN PROMOTED TO CFO OF ZILLOW GROUP



Zillow Group Inc. has promoted **Jeremy Hofmann** to the role of CFO, a position he is taking over from Allen Parker, who will transition to an

advisory role with the company into the first quarter of 2024.

In his new role, Hofmann will oversee Zillow's finance, corporate development, strategy, and investor relations teams, and will report to Rich Barton, Zillow Co-Founder and CEO.

Hofmann joined Zillow Group nearly six years ago and most recently served as SVP of Corporate Development and Strategy, with experience in strategy, finance, budgeting, and operations rigor, investor relations, mergers and acquisitions and partnerships. As SVP of Corporate Development and Strategy at Zillow, Hofmann has led many critical workstreams, including driving the launch and execution of Zillow's Housing Super App strategy in early 2022; deploying a cross-functional team to drive budgeting and operating efficiency measures in 2019, which have since been realized across the business; has driven effective capital management programs since 2019 to support organic and strategic growth, while also returning excess capital to shareholders; raising in excess of \$2.5 billion of equity capital over the past five years to support prior growth strategies; and initiating a \$1.8 billion share repurchase program in late 2021.

"Jeremy has been an integral part of Zillow's growth since he joined the company," Barton said. "He's at the center of our strategy to capture a greater share of customer transactions in real estate while making it easier for more and more people to get home. Jeremy is key in driving progress on our growth strategy with operational and financial discipline, and I'm looking forward to him having an even bigger hand in shaping the future of Zillow as our CFO."

Allen Parker was named CFO of Zillow Group in 2018.

"Allen brought an operating mindset and

focus on processes through a changing macroeconomy and Zillow's strategic shift toward the transaction," added Barton. "We're very grateful for Allen's leadership over the past five years, and for his continued support of the team over the next few quarters to ensure a smooth transition."

Prior to joining Zillow, Hofmann spent nearly 10 years in financial services, predominantly at Goldman Sachs, where he was a VP of Investment Banking, closing more than \$40 billion in transactions.

"Being part of Zillow's growth over the last six years has been incredibly rewarding," Hofmann said. "Zillow has always been a leader in delivering transformative tech-enabled solutions for customers and partners in real estate, and I couldn't be more optimistic about the opportunity in front of us. I'm excited to take on this new challenge, leading our business with a strong focus on driving revenue and prudently managing costs on behalf of our shareholders."

DAN KELLET TAPPED AS NEW FIRSTCLOSE CTO



Austin, Texas-based fintech provider FirstClose, Inc. has named **Dan Kellett** as the company's new Chief Technology Officer (CTO),

bringing more than 10 years of experience as a software engineer and leader of development teams in SaaS organizations to the role.

In his new role as CTO of FirstClose, Kellett will be responsible for overseeing the company's information technology and strategy spanning applications, data, cybersecurity, and infrastructure. With many lenders looking to capitalize on the nearly \$28 trillion home equity market, Kellett will play a pivotal role in the delivery of FirstClose's full suite of solutions, including FirstClose Equity for lenders and FirstClose Gateway for settlement services providers, as well as the buildout of future solutions.

"We're pleased to welcome Dan to the FirstClose team. His skillset and knowledge of the latest technology trends will be invaluable as we continue to innovate, grow, and expand our product suite," said Tedd Smith, CEO of FirstClose. "Dan has been charged with raising the bar on quality, scalability,

performance, and security, and we are delighted to have him on board."

Kellett brings more than a decade of engineering and information security expertise to FirstClose, most recently as Head of Technology and Architecture at Blink UX, where he was responsible for designing software systems, collaborating with senior leadership on strategic initiatives, and providing technical guidance to the product development teams. Previously, Kellett was CTO of MarcomCentral, a marketing software firm.

"It's exciting to join FirstClose at this time of immense change, challenges, and innovation in the mortgage industry," Kellett said. "FirstClose's focus on providing a true digital home equity experience makes this a unique opportunity, and by expanding the ecosystem leveraging our platforms and provider network, we'll increase our speed of adoption which will keep us at the forefront of mortgage innovation."

DONNA CICHANI AND GAURAV JAIN JOIN VALID SYSTEMS



VALID Systems, an account-based decisioning and machine learning model provider that works with banks to improve the customer experience and reduce risk, has added **Donna Cichani**, a former executive with JPMorgan Chase, as SVP of Product Management, while



Gaurav Jain, a former Senior Product Manager at Capital One, has joined as SVP of Credit and Product Innovation.

Cichani will be responsible for overseeing the enhancement of VALID's solutions, including the company's revolutionary IntelliFUNDS offering, which enables instant, risk-free check deposits. She began her career at KPMG before spending three years at Chase as VP and Lead Product Manager.

"When I saw VALID's amazing technology and how it is revolutionizing banking, I knew that I wanted to be part of this transformative company and help bankers be more successful," Cichani said.

Jain will oversee the alignment of

"When I saw VALID's amazing technology and how it is revolutionizing banking, I knew that I wanted to be part of this transformative company and help bankers be more successful."

— **Donna Cichani**, SVP of Product Management, VALID Systems



VALID's account-level decisioning and machine-learning capabilities around new-use cases and will identify new solutions, including how to best utilize bank account data for credit-risk decisioning. Jain began his career as a risk analyst intern for Deutsche Bank. Prior to joining VALID, he spent 11 years at Capital One, most recently as Head of Product Marketing and Analytics and Senior Product Manager. "I'm excited to work with such an incredible team whose mission is to help the nation's banks deliver a better customer experience while managing risk," Jain said.

VALID Systems CEO John Templer, said, "We are delighted to add two true innovators in the banking industry to our team. Donna's deep expertise in product management will ensure we continue to provide value to our customers, while Gaurav's experience using advanced technology will keep us on the forefront of banking innovation. I couldn't be happier to welcome them aboard."

» Attorneys

USMI APPOINTS CHRISTINA BROWN AS VP AND SENIOR COUNSEL

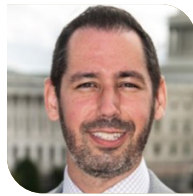


U.S. Mortgage Insurers (USMI) announced that **Christina Brown** will serve as VP and Senior Counsel for the association. Prior to joining USMI, Brown

worked in a senior legal role at a mid-size independent mortgage bank and on regulatory and policy matters related to residential mortgage lending and servicing for a large depository institution. Brown previously served as Acting Principal Deputy General Counsel at the U.S. Department of Housing and Urban Development (HUD).

Brown is a dedicated attorney with significant mortgage, real estate, legal, regulatory, and operations experience across law firms, the federal government, and the private sector. At HUD, she served as the primary advisor to the General Counsel and supported the Department's senior leaders including the Secretary and Deputy Secretary. She also led multiple administrative reform efforts identified in HUD's Housing Finance Reform Plan and collaborated with the Federal Housing Finance Agency (FHFA) and other government agencies on cross-cutting legal and regulatory issues, including legislative initiatives related to the COVID-19 National Emergency and HUD's responsibilities under the CARES Act.

"We are thrilled to have Christina join our team and share her deep knowledge of the mortgage industry, the housing finance system, and the regulatory process to support our members as they enable access to affordable homeownership, while strengthening the safety and soundness of the housing finance system," said Seth Appleton, President of USMI. "Christina's background and experience in legal and regulatory matters in the federal government and private sectors provide a unique perspective that will allow us to better serve and advocate for the borrowers and taxpayers who benefit from low down payment mortgages backed by private capital."



USMI has also announced that **Brendan Kihn** is being promoted to VP of Government Relations. Kihn has worked with USMI for 7 years,

previously serving as Senior Director of Government Relations. He represents the association in front of lawmakers, regulators, and housing industry stakeholders in Washington, D.C., where he aids in the development of legislative and regulatory strategies to advocate on behalf of the private MI industry on issues focused on increasing sustainable and affordable homeownership, strengthening the housing finance system, and tax policy.

"During his tenure at USMI, Brendan has enabled the association to be nimble and effective on advocacy initiatives with policymakers, housing industry stakeholders, and consumer advocate organizations," said Appleton. "Brendan's promotion recognizes his critical role at USMI and is a reflection of the important work that he will continue to do to strengthen USMI through advocacy efforts that benefit millions of low down payment borrowers and the housing finance system."

KRISS LAW/ATLANTIC CLOSING & ESCROW ADDS ANDREW BRAMHALL TO COMMERCIAL DIVISION



Kriss Law/Atlantic Closing & Escrow has appointed industry veteran **Andrew Bramhall** to serve in the role of SVP, National Commercial

Underwriting Counsel. He will be asked to help grow the company's established Commercial Services Division, as well as supporting clients and facilitating complex transactions. Bramhall will be based in the firm's Needham, Massachusetts-based headquarters.

Bramhall has nearly two decades of experience underwriting commercial real estate transactions. He has served as national counsel for the country's largest title insurers, including Chicago Title's New York and

Washington, D.C., National Commercial Services direct offices as well as First American's Washington, D.C., National Commercial Services operation. He has helped facilitate settlements in nearly every state, from single-site office buildings to multistate industrial and hospitality portfolios.

"We are pleased to have Andrew join our team," said Len Franco, President, Kriss Law/Atlantic Closing & Escrow Commercial Services Division. "The experience, industry knowledge, and customer focus he brings will provide our clients with an unparalleled underwriting experience."

"We are pleased to have Andrew join our team. The experience, industry knowledge, and customer focus he brings will provide our clients with an unparalleled underwriting experience."

— **Len Franco**, President, Kriss Law/Atlantic Closing & Escrow Commercial Services Division





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JPMORGAN CHASE ANNOUNCES NEW COMMITMENTS TO HELP CLOSE HOUSING AFFORDABILITY GAPS

JPMorgan Chase announced new philanthropic and expanded business commitments as part of its firmwide approach to addressing the housing affordability gap. This includes:

- » **New philanthropic commitments totaling \$7.65 million** to support three nonprofits working to improve housing affordability and stability for underserved households, including Black, Latino, and Hispanic households in Washington D.C.;
- » **Expanded Chase Home Lending’s \$5,000 Homebuyer grant**, a part of its Special Purpose Credit Program (SPCP), to include 16 additional mark reserved households. Since 2021, JPMorgan Chase has deployed more than \$224 million in low-cost loans, equity investments, and grants to 153 organizations across the U.S. to help close the housing affordability gap. This work has helped preserve or create more than 12,500 housing units, serve more than 46,000 households, and leverage an additional \$680 million in capital.

The Washington D.C. region’s housing crisis is one of affordability and inventory. According to the Metropolitan Washington Council of Governments, the region needs 320,000 additional units of housing by 2030 to accommodate burgeoning demand. The result is too many people chasing after too few homes. Additionally, according to the U.S. Census Bureau, in Washington D.C., the homeownership rate for Black and Hispanic households is 50% compared to 70% for white households.

New philanthropic commitments support programs that aim to increase the supply of affordable, climate-friendly housing and increase homeownership and wealth for

» Industry Update

PLANET EXPANDS SERVICING PORTFOLIO WITH \$10 BILLION MSR ACQUISITION

Planet Home Lending, LLC solidified its position as a mortgage servicing rights (MSRs) investor with a \$10 billion bulk acquisition from Village Capital & Investment LLC, Henderson, Nevada.

In the second half of the year, Planet

plans to continue acquiring MSRs through bulk and co-issue transactions.

“Planet continues to be a liquidity provider to mid- and smaller-tier issuers,” said Michael Dubeck, CEO and President of Planet Financial Group, parent of Planet Home Lending. “Our robust MSR desk capably handles bulk deals of any size. Sellers like to close transactions with us because we’re transparent, reasonable on terms, and competitively priced.”

The Village portfolio consists of 45,000 home loans securitized by Ginnie Mae. As of June 2023, Planet’s servicing portfolio stood at \$94 billion. The acquisition further strengthens Planet’s position in the industry and increases its MSR book by 10.6%.

underserved households, including Black, Latino, and Hispanic households in the D.C. region. They include:

- » **\$4.45 million to Coalition for Non-Profit Housing and Economic Development (CNHED).** CNHED will lead a collaborative, that includes National Housing Trust, Medici Road, Housing Counseling Services, LISC DC, Mi Casa, and Douglas Community Land Trust, which aims to increase and preserve the supply of affordable, small buildings (<50 housing units) and supporting residents becoming small building owners to build wealth. This commitment is informed by the firm's participation in the Connecting Capital and Community (3C) initiative led by the Center for Community Investment at the Lincoln Institute of Land Policy to advance more equitable housing results in five U.S. cities.
- » **\$3 million to National Housing Trust (NHT).** NHT will use this commitment to promote decarbonization efforts in affordable housing by providing technical assistance to owners to retrofit buildings to improve resident health outcomes, and to engage community members, decision-makers, and lenders to make public resources more accessible and aligned to electrify affordable housing. This work aims to save tenants \$1,200 in estimated average monthly rent savings and is informed by JPMorgan Chase's collaboration with the Urban Institute to test and scale innovative housing models across the U.S.
- » **\$205K to Manna.** The funding will support Manna's focus on increasing homeownership for underserved households, including people of color through property acquisition, affordable housing renovation, and community engagement. Manna will use this commitment to help address barriers in supply by advocating for dedicated resources to create and renovate units. Manna has developed more than 1,500 affordable for-sale units and will complete an impact study exploring actual results and outcomes in economic mobility, stability, and wealth-building from homebuyers.

Affordable, sustainable homeownership is essential to building strong communities and intergenerational wealth. Businesses, community leaders, and policymakers must work together to address housing stability

“When residents have safe, stable, and affordable housing, that allows them to focus on all the other aspects of their lives and it creates stronger communities—that’s what these funds will help us do.”

—Muriel Bowser, D.C. Mayor



and affordability to fundamentally change the housing market,” said Mark O’Donovan, CEO of Chase Home Lending. “We hope these new commitments will provide meaningful impact for people who need it most in the Washington D.C. region, and we’ll continue to partner with the public sector to ensure that’s the case.”

“When residents have safe, stable, and affordable housing, that allows them to focus on all the other aspects of their lives and it creates stronger communities—that’s what these funds will help us do,” said D.C. Mayor Muriel Bowser. “We also know that for many families, homeownership is a critical tool for building and passing on wealth, and we are grateful that JPMorgan Chase is partnering with local organizations to help more Washingtonians become homeowners.”

Helping to Increase Housing Affordability, Wealth Creation, and Sustainable Homeownership Across the U.S.

Nationally, the housing crisis has been exacerbated by a shortage of affordable

homes for purchase, coupled with high interest rates and increased home prices. This has put sustainable homeownership out of reach for many underserved households.

Two years into the firm’s \$400 million philanthropic commitment, JPMorgan Chase has deployed loans, equity, and grants to 153 organizations to advance housing affordability and stability in underserved communities across the U.S. For example, JPMorgan Chase has committed funds to support innovative models that tackle the barriers to accessing homeownership and the lack of single-family supply, including:

- » A \$2.5 million commitment to the Center for Community Self-Help to scale its mortgage innovations to support low- to moderate-income borrowers, including people of color. This includes the Equity Boost mortgage—a 97-100% loan-to-value mortgage product paired with zero interest down payment assistance loan, and SAFE mortgage savings account that incentivizes saving for financial emergencies or urgent home repairs. Now Equity Boost and SAFE

are available in North Carolina, South Carolina, Florida, Illinois, California, Wisconsin, and Washington. One year into the three-year program, Self-Help has served more than 350 individuals through financial coaching, preparing them to increase emergency savings, reduce debt, and build credit to prepare for homeownership.

- » A \$3 million commitment to the Housing Partnership Network to support the Community Aggregators Group—a group of nonprofits that bid on government-owned home mortgages, acquire and rehab homes, and make them available primarily to first-time, low-income homebuyers at affordable prices. The group has won 230 bids to date—preserving those units for affordable homeownership. JPMorgan Chase’s commitment also supports the Equitable Homeownership Collaborative, comprised of CDFIs who aim to increase homeownership opportunities for people of color.
- » A \$2.5 million commitment to Atlanta Neighborhood Development Partnership (ANDP) to increase the supply of affordable, single-family homes. The investment will help ANDP develop affordable homes for sale and lease and provide down payment assistance to qualifying low- and moderate-income homebuyers, including those in predominately Black neighborhoods in metro Atlanta. ANDP is also committed to investing in minority and women-led developers and contractors to develop more homes. These efforts combined are anticipated to impact at least 507 metro Atlanta families. To date, the support has contributed to 210 ANDP affordable homes completed or under construction and nearly \$21 million invested in small, Black-owned developers and real estate-affiliated businesses.

“Today’s commitment is part of our holistic, firmwide approach to combatting the housing crisis,” said Tim Berry, Global Head of Corporate Responsibility, JPMorgan Chase. “We are combining our unique resources including business, philanthropy, research, and policy expertise to help increase access to capital and inventory of sustainable housing opportunities. We are committed to creating tangible solutions that help everyday Americans.”

BNCCORP, INC. COMPLETES SALE OF MORTGAGE BANKING UNIT

BNCCORP, INC. (BNC), which operates community banking and wealth management businesses in North Dakota and Arizona, announced that it has completed the sale of its mortgage banking business to First Federal Bank.

“We are pleased to have completed the sale of our residential mortgage business,” said BNCC Chairman Michael Vekich. “The transaction lets us focus more intently on our core banking activities to the benefit of our shareholders and the communities that we serve. I particularly want to thank our mortgage business employees for the contributions the unit made over the years and wish them well as they move forward as a part of First Federal.”

As part of its community banking activities, BNC Bank will continue to arrange or facilitate residential mortgage loans for its bank and wealth management customers.

FIRST FEDERAL BANK ACQUIRES MORTGAGE DIVISION FROM BNC NATIONAL BANK

First Federal Bank announced the acquisition of assets and employees of BNC National Bank’s mortgage division and welcomed the new team.

The new team will augment the legacy First Federal markets, serving customers from locations in Overland Park, Kansas, Moline, Illinois, and Bismarck, North Dakota locations and in the Phoenix, Arizona market. First Federal Bank originates loans nationwide with mortgage processing centers in Georgia, Wisconsin and Florida.

As a community-based mutual institution

headquartered in Lake City, Florida, the bank is owned by its customers rather than stockholders, and has 25 branches in the Southeast and operations in the Midwest.

“With the acquisition, First Federal gains a nationwide consumer direct mortgage platform and offers the benefits of community banking, customer service, and stability to the expanded customer base in new markets,” says John Medina, President and CEO of First Federal Bank. “Since 1962, it has been our mission is to provide solutions from a financially stable institution. This acquisition expands our commitment to customers and the residential mortgage sector. We look forward to serving the new mortgage customers with the same excellence they enjoyed from the BNC team.”

The acquisition of BNC National Bank’s mortgage division enables First Federal to better serve the customers of both organizations, offering additional technology tools and an expanded product offering. “We welcome the new employees to our Residential Lending Team and look forward to helping more customers enjoy the benefits of home ownership” says Paul Ottendorf, Division President.

The new customers will transition to a First Federal brand immediately. “BNC National Bank’s mortgage division team looks forward to offering new and enhanced products to our customers as First Federal Bank Mortgage Lenders” says Doug Brendel, President Mortgage Banking. With the expanded product offering and strong digital tool set, First Federal will continue to be lauded as one of the best small banks.

CLIMATE VAULT SOLUTIONS LAUNCHES TO MEET GROWING DEMAND FOR DATA-DRIVEN CLIMATE ACTION

Climate Vault Solutions, a climate solutions provider that provides a comprehensive solution for verifiable and immediate carbon calculations, reductions, and removals, launched after



closing its Series A funding round for \$9.4 million. The funding will be used to further drive carbon measurement, reduction, removal, and reporting as Climate Vault Solutions amplifies the mission started at Climate Vault, Inc., an award-winning nonprofit, to provide organizations with an all-inclusive climate partner.

“Carbon action and meaningful sustainability initiatives that make a real-world difference are no longer optional for today’s businesses,” said Jason Grant, President and COO of Climate Vault Solutions. “We’ve already reduced nearly one million metric tons of CO₂ emissions as Climate Vault, Inc. through government-regulated compliance carbon markets and support from our partners. Today’s launch of Climate Vault Solutions is the logical next step to help us substantially increase our impact while equipping organizations with the tools to take direct action against the climate crisis in a verifiable, quantifiable, and transparent way.”

The round was led by the Inclusive Capital Partners Foundation, a private foundation based in San Francisco, with additional

investment from King Philanthropies, Valor Siren Ventures, and ThirdStream Partners.

True system change requires forces of government, business, and philanthropy to work together. We are excited about Climate Vault Solution’s mission for carbon reduction,” said Lee Seward, Chairman of the Inclusive Capital Partners Foundation board. “We look forward to working closely with management to help scale their innovative solutions.”

“I am thrilled to work with visionaries and value creators like the Inclusive Capital Partners Foundation team. This investment will allow Climate Vault Solutions to achieve escape velocity toward our mission of reducing climate damages,” said Michael Greenstone, Chairman of the Board for Climate Vault Solutions and Milton Friedman Distinguished Service Professor of Economics at the University of Chicago. “My co-founders and I first launched Climate Vault, Inc. as a nonprofit in 2021 to fix a broken supply chain in the voluntary carbon offset market and to spur innovation in carbon dioxide removal. Since then, we’ve already helped the planet avert an estimated \$190 million of climate

damages. This investment allows us to satisfy the demand from world-leading organizations that have already partnered with us to neutralize their carbon footprint, like Northern Trust Bank, Morningstar, T. Rowe Price, Cleary Gottlieb, and DRW, as well as launch new collaborations.”

Investments in climate solutions have been steadily on the rise in recent years as a fifth of the major companies on the Forbes Global 2000 list and 61% of the world’s countries have made net-zero commitments. In a report from PWC, climate tech investment in the 12 months to Q3 2022 represented more than a quarter of every venture dollar invested, a greater proportion than 12 of the prior 16 quarters. In addition, according to Axios Pro, when compared to other SaaS sectors which are experiencing market turbulence and decreased investments, climate tech has actually seen an increase in seed and Series A fundraising. Businesses with a focus on carbon capture, monitoring and reporting, energy storage, or alternative fuels have received the greatest share of new funding.

“We are honored to support Climate Vault Solutions and its compelling innovation in the carbon market,” said Kim Starkey, CEO of King Philanthropies. “Its exciting win-win solution will mitigate climate change while improving livelihoods globally for the most vulnerable.”

“We believe there is a significant opportunity to improve carbon measurement software tools and carbon removal innovation efforts,” said Jon Shulkin, Co-President of Valor Equity Partners and Fund Manager for Valor Siren Ventures. “We’re grateful to partner with the Climate Vault Solutions team as they expand their climate measurement software and launch new carbon removal tools, which we believe will help to tackle many of the challenges in the sustainability measurement and carbon reduction sectors.”

Climate Vault Solution’s integrated reduction and removal program leverages government-regulated compliance carbon markets to knock out carbon in days, not decades, to make the environmental impact that today’s employees, stakeholders, and customers care about and increasingly expect from organizations. Its data-centric solutions will enable organizations to measure, reduce, remove, and report their operational carbon footprints, plus the impacts from their products, employees, portfolios, and events.

KEEPING AFLOAT

MortgagePoint speaks with mortgage servicing execs from BOK Financial, Carrington, the NMSA, PHH Mortgage Corporation, and Servbank about the unusual times and unusual opportunities the industry faces midway through 2023.

By ERIC C. PECK

When assessing the state of the mortgage servicing space midway through 2023, several factors come into play. Forces are pushing and pulling at the housing industry from multiple angles as buyers struggle with affordability issues amid ongoing fears of an economic recession.

The Mortgage Bankers Association's (MBA) latest Loan Monitoring Survey revealed that the total number of loans now in forbearance decreased by two basis points from 0.51% of servicers' portfolio volume in April 2023 to 0.49% as of May 31, 2023. According to the MBA, an estimated 245,000 U.S. homeowners remain in forbearance plans. And since March 2020, mortgage servicers have provided forbearance opportunities to approximately 7.9 million borrowers.

Collaboration between the servicing industry and government agencies proved to be successful for many Americans in providing home retention solutions during the time of the pandemic. A recent white paper from Legal League 100's Special Initiatives Working Group (SIWG), entitled *The Homeowner Assistance Fund: The Current Status of the HAF Program in Select Jurisdictions*, examined how the Homeowner Assistance Fund (HAF) provided relief for homeowners in U.S. states, U.S. territories, and Tribal governments during the time of the pandemic.



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

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

On March 11, 2021, President Joe Biden signed The American Rescue Plan Act of 2021 into law, which established the HAF, which was to provide up to \$9.961 billion in financial relief for struggling homeowners nationwide. HAF's purpose was to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. It has been found that HAF assistance extended to a broader range of economically vulnerable and traditionally underserved homeowners than prior federal mortgage assistance and foreclosure prevention programs.

Fitch Ratings recently reported that from Q3 2022 to Q4 2022, bank and nonbank servicers reported a continuing decrease in loan modifications quarter over quarter, reaching 25% from 31%, and 16.5% from 17%, respectively. Borrower assistance programs accounted for 44% of monthly loss mitigation workout volume for bank servicers in Q4 2022, an increase from 2.39% over Q3 2022, while nonbank servicers reported a 9% decline from the previous quarter to 20.55% in Q4 2022.

In mid-June, the Federal Reserve paused its series of aggressive rate hikes in its goal to ease inflation. However, as First American Deputy Chief Economist Odeta Kushi noted that the Fed's actions may not be achieving their intended goals:

"Inflation and the labor market are not responding as the Fed expected, according to the FOMC's latest Summary of Economic Projections," Kushi noted. "The unemployment rate ticked up to 3.7% in May, while the March FOMC projections expected the unemployment rate to reach 4.5% by the fourth quarter of 2023. The Fed also expected core PCE (Personal Consumption Expenditures) to decline to 3.6% year over year by the fourth quarter, yet it remained at 4.7% as of April. In both cases, nearly an entire percentage point for each indicator is a wide gulf to cross in the next six months and unlikely to hap-



pen at the current pace of change without a significant shift in economic conditions. The Fed remains data-dependent. More months of above-expectation economic indicators increases the likelihood that more rate hikes are ahead.”

As we reach the midway point of the year, *MortgagePoint* magazine gathered several industry experts to discuss the state of the mortgage servicing marketplace through mergers and acquisitions; new tech enhancements to bolster workflows; and preparing for future trends, among other topics discussed. Many thanks to **Michael Keaton**, SVP, Default Subservicing for PHH Mortgage Corporation; **Jason Kwasny**, Chief Servicing Officer for Servbank; **Jocelyn Martin-Leano**, Chair of the National Mortgage Servicing Association (NMSA); **Michael Merritt**, SVP, Customer Care and Mortgage Default Servicing for BOK Financial; **Candace Russell**, VP-Post Sale for Carrington Mortgage Services, LLC for sharing their insight and expertise with our readers.

Q: How would you assess the current state of the mortgage servicer marketplace?



Michael Keaton: The state of the mortgage servicing marketplace is strong. Originators and investors in mortgage servicing rights

(MSRs) have many different servicing options. That said, we have seen more consolidation in the last 12 to 18 months than we did in the period before COVID-19. Servicing is not easy, as margins are thin, and accuracy and precision are critical. Owners of MSRs need a strong and competent servicer who pays exceptional attention to detail, delivers on their commitments, and treats their homeowners as key customers.



Jason Kwasny: The current state of the mortgage servicing marketplace is in flux. After the massive growth seen under the low interest rate-fueled

originations boom, we are seeing a slowdown of new loans overall coming in upstream, along with an increase in interest rates.

We are also seeing an elevated number of loans being service-transferred as an increasing number of originators are selling their

MSRs to free up liquidity. This has placed a great deal of stress on the broader industry, more specifically on a mortgage servicer’s ability to properly and efficiently transfer loans with minimal customer disruption. Like any industry, when companies are placed under stress, their weaknesses are exposed. As a result, you get to see who has the proper processes and procedures and skilled personnel in place to handle the high volume of transfers.

At Servbank, we have the loan-transfer process down to a science with a fully assisted, stress-tested transfer process that is entirely transparent. We are obsessed with and truly care about the customer and client experience, so whether those loans are coming to us or leaving, through our processes and actions, we make transferring loans a seamless and worry-free process for our clients and customers.



Jocelyn Martin-Leano: The cost of servicing defaulted loans has gone up and loss mitigation has been challenging in an elevated rate

environment. Fortunately, the combination of strong borrower equity positions and government programs to keep borrowers in their homes have kept delinquencies and foreclosures at pre-pandemic levels. That said, technology improvements that brought about productivity—such as AI usage in call centers—have helped offset costs.

The adoption of disruptive technology like AI and machine learning (ML) continues to be constrained to smaller-use cases than larger-scale applications due to the complexity of getting servicer data “AI-ready.” Large platform providers are not digital native, and that causes solutions that are hybrid legacy with bolt-on AI solutions.



Michael Merritt: Most servicers are working through the final group of COVID-19-impacted borrowers to ensure they receive the right

workout after their forbearance plans end to get the customer back on track. There are still loans where servicers have been unable to reach the customer and default activity is continuing, leading to elevated volumes.

The industry is also moving into the “lessons learned” process from COVID-19 to

prepare for any future increase in defaults. One of the common hurdles I hear about is how to deliver loss mitigation workouts in a high-interest-rate environment since traditional mods would increase the customer’s rate significantly. The industry is partnering with the GSEs and agencies to plan for more effective loss mitigation options to help with this issue.



Candace Russell: Servicing has always been, in my opinion, a specialty market, especially default servicing. With the current rate

environment, servicing is not only necessary but also an unexpected place of stability for some players. Data from the Mortgage Bankers Association (MBA) shows us that servicing is stabilizing shops right now. The marketplace is full of opportunity in that being good at servicing, regulatory change management, and loss mitigation is a very specific formula, and when done well, can make you valuable in the current ecosystem. Carrington Mortgage Services realizes the importance of being a trusted servicer and has opened opportunities such as being selected to assume the Master Servicer position for the Reverse Mortgage Funding portfolio. Unusual times present unusual opportunities.

Q: What pain points, if any, have you experienced to date?

Kwasny: As a company that is obsessed with experience and driven by a mission to create excellence, our pain points exist where we do not have full control over the entire process. This usually exists where we use vendors or must rely on other servicer’s execution. These are the points that allow for opportunities for there to be something other than an optimal outcome.

For example, in terms of escrow ... it is one of the most common complaint areas in servicing. Aside from it being a subject that is complex to customers, most servicers, including us, have to rely on vendors. As we know with vendors, execution can be subpar at times, even when we attempt to hold our vendors to the highest of standards.

Another example is service transfers. Some servicers are better at it than others, and it is the ones who aren’t very good at it

or simply do not care about their customer or client experience that cause the biggest headaches.

The transfer data is inconsistent, lacking key information, or in some cases just wrong altogether. Meanwhile, their communication with customers about the transfer is like the data ... it is inconsistent, lacking key info, or in some cases, just wrong. We do not just assume that our vendors and other subservicers will operate with perfection. In the end, we own the relationship with the customer and clients, so we must engineer solutions to ensure our customers and clients still get the best experience.

As such, we put what we call “bubble wrap” around those points that exist where we do not control the entire process, such as with vendors or other subservicers, to protect the experience we want to deliver. This “bubble wrap” consists of extra layers of oversight, more frequent calibration meetings, triple data validation checks, or in some cases, taking an entire process in-house where we feel the vendor cannot meet our standards. It is a perpetual “trust but verify” philosophy on steroids. This approach allows us to definitively say that, regardless of the situation or circumstance, we still deliver a frictionless, top-quality experience for our customers and clients.

Martin-Leano: The proliferation of state guidelines has challenged platform-system providers to keep up with industry changes. Most of these state rules require implementation during short timeframes, thus causing servicers to create inelegant, manual-based solutions until service providers can keep up.

Vendors who serve the origination space have been challenged as well. These challenges impact their capabilities to deploy capital to invest in their product offerings for servicing.

Russell: Carrington Mortgage Services experiences the industrywide “sprinters pace and marathon length” of the attempt to support customers through loss mitigation changes, which came fast and furious, and are still being enacted and retooled three years later. Beyond industrywide experiences, as a successful asset manager, we have not experienced quite as many pain points given the self-hedged nature of our platform, which is critically important in the current

“The marketplace is full of opportunity in that being good at servicing, regulatory change management, and loss mitigation is a very specific formula, and when done well, can make you valuable in the current ecosystem. ... Unusual times present unusual opportunities.”

—Candace Russell, VP-Post Sale, Carrington Mortgage Services, LLC



environment. Our origination and servicing businesses complement and support each other through any undulation in the markets.

Q: What trends are you seeing in the servicer space?

Martin-Leano: Employee engagement and hybrid work situations continue to evolve and affect the servicing space.

Origination excess labor capacity has little room for absorption in servicing as loss mitigation, a typical spot for displaced LOs has low demand. These tend to be symbiotic; instead, both are moving in parallel with no countercyclicality.

Q: How has inflation impacted your volume?

Keaton: We have not seen inflation impact our subservicing and origination volumes per se, but like most nonbank servicers and originators, we have felt the pinch of higher interest rates. Industry origination volumes are down compared to 18 to 24 months ago, which hurts originations. However, prepayment speeds are also down, which is a boost for servicing.

Merritt: Inflation has had an interesting impact on volumes, really leading to volatility in the marketplace. With higher rates, there has been less run-off of the servicing

“Rumors of large servicers that are for sale and few large players that have the wherewithal, capital, and appetite to acquire may lead to concentration of servicing in the hands of a few players. Is the industry prepared for its own version of ‘Too Big to Fail?’”

—Jocelyn Martin-Leano, Chair of the National Mortgage Servicing Association (NMSA)

portfolio. However, there is less inflow from originations as well.

MSR values have been strong with the higher rates, but many companies have used the increase in those valuable assets for liquidity help in a tightening credit environment, making some transactions more difficult to price effectively. These factors have led to some of the consolidations we have seen this year in the servicing industry.

Q: Have you seen an expansion or contraction in the servicing industry?

Kwasny: With the upstream pipeline of newly originated loans slowing down and the resulting downstream movement of loans themselves due to MSR sales, it has led to some consolidation. With more loans being placed with fewer servicers, this is impacting the quality of service.

From that broader perspective, I would say that we are in a fluctuation phase for the servicing industry. Of course, this is not on the scale that is occurring with originators, for obvious reasons, but there is fluctuation, nonetheless.

Martin-Leano: Rumors of large servicers that are for sale and few large players that have the wherewithal, capital, and appetite to acquire may lead to concentration of servicing in the hands of a few players. Is the industry prepared for its own version of “Too Big to Fail?”

Banks may be moving loans out of their portfolio especially should a downturn occur, and I am seeing fewer special servicers because of the strong economy.

Russell: The origination side of the house has seen some contraction due to the nature of the current rate environment. As for servicing, after three-plus years of focusing heavily on COVID-19 solutions, I have noticed a contraction in third-party vendor solutions/options, but only a minor consolidation in active servicing-focused shops.

Q: What are some of the ways in which your company retains and attracts top talent?

Keaton: We place significant focus on our people through fostering and measuring

employee engagement; committing to comprehensive Diversity, Equity, and Inclusion (DEI) initiatives; and developing a working environment and culture that fosters our company values. We regularly measure employee engagement—our employees’ pride, energy, and optimism that fuels their effort—and implement action plans that respond to employee feedback.

We are committed to being a globally diverse and inclusive workplace where every voice is heard and valued. Our affinity groups like the Ocwen Global Women’s Network (OGWN), LEAP Black professionals’ network, FREE (Freedom, Respect, Expression, Equality) an affinity group for LGBTQ+ employees, and mentoring programs, when coupled with a culture of appreciation and collaboration, help provide a comprehensive ecosystem for our team to flourish.

Our programs support employee needs for both work and life, including Fun@Work events, paid time off for volunteering, and wellness programs for physical, mental, and financial health. Additionally, many of our roles are also eligible for hybrid telecommuting opportunities.

Merritt: We are focused on our culture and believe it is a differentiator. A major element of our culture is offering enrichment opportunities for our employees. We offer LinkedIn Learning and other tools to allow our employees to learn new skills in a variety of fields.

COVID-19 also showed the importance of transparent communication about our goals, priorities, and results. To meet this need, we have added additional meeting cadences and communication tools to ensure our employees are plugged into our mission.

We have incorporated a hybrid work arrangement based on employee feedback. We have optimized our schedule to create collaboration opportunities for teams when they are in the office. We have also implemented a nesting period to help new employees integrate with the company and their teams successfully.

Q: Are there any new tools you and your company are utilizing to enhance your business?

Keaton: In servicing, we continue to strive to enhance the homeowner experience. These new tools fall into two broad

categories: providing the homeowner with additional self-service tools, and optimizing the way we communicate with them. We have rolled out a new series of personalized custom videos to help homeowners understand key events, such as loan transfers and annual escrow analysis. We have also released our new natural speech chatbot that allows homeowners to ask us freeform text questions, and they receive real-time answers while fulfilling their requests.

Kwasny: Servbank has always been at the leading edge of technology in the servicing space, both in our internal and external systems and offerings. All those offerings are part of our SIME (Servicing Intelligence Made Easy) platform and within that ecosystem. This proprietary servicing platform gives our clients a fully transparent, 100% accessible, real-time, on-demand view of their portfolio, along with access to 100-plus customizable reports, the ability to listen to

recorded customer calls, get escrow analysis, and more. They can access predictive, current, and historical data, allowing for complete oversight and precise risk management, enabling them to learn from the past, adapt to the present, plan for the future, and more.

For our customers, this platform powers the mobile app, simple-to-navigate website, and suite of self-service options, so our customers can manage their accounts and rapidly get the answers they need when they want them. But technology is only half the story. We fully believe in the human experience just as much, which is why at Servbank, we heavily invest in our fleet of experienced and caring agents that leverage our technology to deliver the one-call customer experience that exceeds industry standards.

As noted earlier, we are obsessed with the customer experience and understand how critical it is for our clients and for us as a servicer to build that loyalty with customers. As a result, we leverage every interac-

tion, whether over the phone, on the web, or through our app, as an opportunity to deepen the relationship with customers.

Merritt: A top priority has been to continue improving and evolving our communication with borrowers. We are looking at each communication channel to eliminate pain points and expand self-service options to better serve customers where they want to communicate.

Another area we are focused on is better serving our customers. We are taking a multifaceted approach by using screen pops with key information for phone agents, a library of articles, job aids for all employees, and are using better AI tools to help improve self-service options.

Russell: We continually look at new technology and are continually upgrading where it makes sense. Any opportunity to meet our customers' needs and preferences is always being considered.

Conversations About QC

Hosted by Kristin Broadley

What You Need to Know: Mortgage Loan Originator Rules

*A conversation with Laura LaRaia, The Money Store's
Chief Legal Officer & Chief Enterprise Risk Officer*

Watch at go.qcally.com/LOComp

Presented by:

QC Ally

Q: The Mortgage Bankers Association has forecast an economic slowdown and an increase in unemployment later this year and into 2024. How will your company prepare for this shift in the market, and what measures are being taken in advance of this possible shift?

Keaton: It is reasonable to assume that delinquencies may begin to increase later this year, depending on the economic climate. Enhancing self-service tools and simplifying loss mitigation processes helps ensure that homeowners needing assistance have a hassle-free experience and get the support that they need. We believe our broad servicing capabilities, particularly our proven leadership and experience in special servicing, position us well for this scenario.

Kwasny: Regardless of the forecast of the MBA, if you are worth your salt as a servicer, you should be prepared for any change in the economy.

For example, in the case of an economic slowdown, where delinquencies would be expected to rise, you should already have robust and dynamic collections and loss mitigation infrastructure in place that can scale to meet that demand.

Conversely, if the economy starts going gangbusters or rates drop and originations heat up, you should be in a position to be able to handle that influx of new customers while still delivering a top-notch customer experience.

Regardless of the environment, you need to be able to do it compliantly. Not just because the CFPB is lurking, but because it is the right thing to do. In other words, as a servicer, you need to always be in a position to deal with

any short-term market shift or longer-term change in market trends. At Servbank, we unambiguously understand this, which is why we are continually investing so much in our technology, our people, and our processes. Our customers and clients expect superior service, which is why we operate on a footing that is prepared for any eventuality. This is how we have and continue to deliver a 91% one-call resolution rate, 99% customer satisfaction rate, and an industry-leading 84% Net Promoter Score. Not to mention our delinquency and loss mitigation metrics are better than the industry averages.

To my earlier point about servicers being able to handle all eventualities, we were able to deliver these numbers even during the height of the pandemic. So, as a servicer, if you cannot confidently say you are ready for what is next, regardless of what that next is, then it is time to get to work!

“It is reasonable to assume that delinquencies may begin to increase later this year, depending on the economic climate. Enhancing self-service tools and simplifying loss mitigation processes helps ensure that homeowners needing assistance have a hassle-free experience and get the support that they need.”

—Michael Keaton, SVP, Default Subservicing, PHH Mortgage Corporation



Russell: Carrington Mortgage Services has a history of being a well-situated and trusted servicer. One unique quality may be that we will not have to “shift,” because we have been in preparation for these possibilities for years. The ability to look forward and make decisions based on what the long-term environment is going to look like, and not just make adjustments due to more immediate concerns, has set us up for success for the current and future economic environments.

Q: What is your assessment of the servicing landscape for the remainder of 2023 and beyond?

Martin-Leano: The deployment of technology continues to be a challenge. Will there be a disruptive player that can take technology to the next level?

In terms of loss mitigation programs mandated by the government, will they impact capital markets’ appetite, especially in the private mortgage space?

How will the upcoming elections affect housing policy and the depth and extent of the programs to keep people in their homes? These are the primary questions being asked as we moved forward through 2023 and beyond.

Merritt: With the current macro-economic factors, I would expect the next 12 to 18 months will continue to be challenging in the servicing space. These economic pressures will most likely lead to increased default volumes. I expect a variety of new loss mitigation programs that will be released by the GSEs and agencies to give additional tools to offer programs in a high-rate environment. The good news is that the servicing industry has a proven track record of meeting these types of challenges and will be ready to help homeowners that are impacted.

Longer term, the mortgage servicing industry is ripe for a technological revolution. Key systems, vendors, and tools are all exploring ways to utilize AI to streamline processes and deliver more consistent results and better customer experiences. I think we will make great strides in delivering new and impactful ways for our customers. **MP**



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TIME TO DOUBLE DOWN ON THE CONSUMER EXPERIENCE

The sales numbers may not be where lenders would like to see them yet, but people do want to buy, according to new research. Here's what homebuyers are saying and what lenders can do to win their business.

By **MATTHEW WOODHOUSE**

It's a challenging time for consumers to buy a home. Mortgage rates have continued to tick back up toward the 7% mark, with the 30-year fixed rate at 6.79% as of June 1, and even in regions where home prices are coming down (primarily the South and West, according to the National Association of Realtors (NAR)), fierce competition among prospective homebuyers is pushing those figures higher.

Inventory scarcity continues to be an obstacle as well, although the news of a 7.2% month over month (1% year over year) increase posted at the end of April holds the promise of kicking off a new upward trend following eight months of decline. Even more promising is the resilience homebuyers have demonstrated by turning to new construction in the face of limited inventory: while NAR reports that existing home sales decreased 3.4% month over month (23.2% YOY) in April, the U.S. Census Bureau and the Department of Housing and Urban Development report a 4.1% increase (11.8% YOY) in new home sales.

That's the kind of intrepid spirit reflected throughout the 2023 ServiceLink State of Homebuying Report (SOHBR). Released in May, this report features data from a survey of 1,000 individuals who either purchased or tried to purchase a home within the past three years. Its findings reflect a remarkable level of consumer optimism. For example, more than half (52%) of respondents surveyed



said they would be open to purchasing a home in this challenging climate, and 44% of homeowner respondents said they plan to take out a home equity loan this year.

The question for lenders is how to ensure they capture a sizable piece of this action to maximize their origination volume in 2023. According to the SOHBR, the key lies in connecting with these enthusiastic homebuyers and homeowners where they are and providing the kind of mortgage experience they crave—an experience where technology, transparency, and education play central roles.

Homebuyer Behaviors, Attitudes, and Generational Trends

Having a firm grasp of who customers are and what they want and need, lays a solid foundation for lenders to evaluate their current customer experience and identify opportunities for improvement. Beginning with who they are, the SOHBR uncovered some interesting trends:

- » Millennials (born 1981-1996) top the list of consumers considering purchasing a home or taking out a home equity loan. A majority of millennials surveyed—61%—said they will consider purchasing a home this year. Forty-nine percent said they plan to take out a home equity loan in 2023.
- » Other generations are interested in home equity loans, too. Forty-four percent of Gen X (born 1965-1980), 41% of Gen Z (born 1997-2012), and 12% of baby boomers (born 1946-1964) say they plan to tap into their home's equity this year. Home equity continues to be a potential strong revenue driver for lenders.
- » Although smaller in numbers than the millennial generation, Gen Z is emerging as another mighty force in the real estate market. These younger buyers are eager to secure homes and are poised to make their mark on the industry.
- » Even as younger generations continue to make their mark on the homebuying market today, it is the members of Gen X who are serving as thought leaders in the growing auction space. Nearly half (46%) of Gen X respondents said they would consider buying at auction (compared with 39% of millennials and Gen Z, and 30% of baby boomers). Gen X's confidence in taking a nontraditional approach to buying may stem from their years of experience in the real estate space.



3 Ways to Elevate the Customer Experience

Now let's look at what homebuyers want and need. Overall, respondents to the SOHBR survey shared a desire for a faster, easier, more transparent mortgage process. Lenders looking to win consumers over are incorporating a variety of technology tools and self-serve options to satisfy this need. They recognize that by providing a seamless, tech-enabled homebuying process, they improve their appeal.

Still, while technology is a huge factor, it's not the only factor. Homebuying decision-makers also expressed that they'd like more education from their lenders and real estate agents. If they're going to buy a home or take out a home equity loan in today's challenging market, they want to make sure they're doing it right.

1. Infusing technology: The relentless pressure on lenders to speed up processes, get borrowers to the closing table faster, and reduce costs can be eased simply through technology. Advances in self-serve apps and other digital tools—online mortgage applications, electronic document signing, remote closings, and digital self-scheduling capabilities, to name a few—make it quick and convenient for borrowers to progress through key milestones in their mortgage process.

What are borrowers looking for in their home purchase process? Tech-enabled experiences. Here are the top benefits of technology in the home purchase process, as told by SOHBR respondents:

- » Convenience and ease of use (63%)
- » Time savings (59%)
- » Flexibility to make progress on their own schedule (51%)
- » Transparency into the process (49%)
- » Cost savings (40%)

As lender momentum toward incorporating digital solutions into their processes continues to accelerate, homebuyers appear to be delighted. SOHBR findings reflect their quick adoption of these digital options:

- » 53% of respondents said they had applied for a mortgage online
- » 48% eSigned their application or closing documents
- » 25% conducted an appraisal remotely via a virtual platform
- » 25% scheduled an appraisal or closing digitally

What are borrowers looking for in their home purchase process? Tech-enabled experiences.



2. Improving transparency: Visibility = peace of mind. When asked what they would change about their mortgage experience, 48% of SOHBR respondents said they want more transparency into the steps of the process as well as the fees involved. Lenders that leverage technology in consumer-facing origination platforms can empower borrowers to track milestones and overall progress, communicate important information via push notifications, and, through digital education tools, explain what they should expect.

3. Providing relevant education: Buying a home can be complex and anxiety-inducing even when conditions are just right. Less conducive conditions, such as high interest rates and home prices, put even greater pressure on potential buyers, who consequently have a larger stake in any deal they make. Buyer's fatigue is real: almost half (49%) of SOHBR respondents said they had considered buying a new home in the past 12 months but ultimately decided against it. Compare this with just 24% who said the same in the 2022 report.

These consumers are looking for relief—support to make the homebuying process easier. This presents one more opportunity for lenders to shine. Giving homebuyers easy access to information and education empowers them with the knowledge they need to make sound decisions whether they are buying their first, second, third, or subsequent home. In fact, 43% of SOHBR respondents

said they would like more education from their lender or real estate agent.


What type of education is most helpful? Anything that helps answer frequently asked questions—for example:

- » How much house can I afford?
- » How do I calculate my monthly payments?
- » Which type of loan is best for me?
- » How does the homebuying process work?
- » What are my options for buying a home?

This final question is particularly relevant right now, as more and more homebuyers are considering auction as a source of their next home: 40% of SOHBR respondents said they would consider buying at auction but haven't done so yet, with 50% of those buyers saying they would use it as a primary residence. That compares with just 33% who considered auction in 2022, 29% of whom said they would use it as their primary residence. More education about how the auction process works could help make this option accessible to more buyers.

Where to Go from Here

Regardless of the market's next fluctuations, twists, or turns, lenders can strengthen their stances by providing an extraordinary consumer experience. That experience begins by simply understanding where homebuyers are and delivering precisely what they need. **MP**



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WHEN A SERVICER CAN TAKE POSSESSION OF A PROPERTY

Attorney Joseph T. McCormick details a recent Ninth Circuit opinion on when a servicer can take possession of a property under the Oregon Unlawful Trade Practices Act.

By **JOSEPH T. MCCORMICK, ESQ.**

On July 15, 2022, the U.S. Court of Appeals for the Ninth Circuit issued an unpublished opinion in the case *Santoro v. Ocwen Loan Servicing, LLC*, 2022 U.S. App. LEXIS 19667, 2022 WL 2764751, in which the Court held that a borrower can sustain a claim for damages against a mortgage loan servicer for violation of Oregon's Unlawful Trade Practices Act (UTPA), where the servicer takes possession of occupied property before completing foreclosure while the borrower still occupies the subject property.

The Court found that Paragraph 9(a) of the subject Deed of Trust (DOT), which purported to grant a right of entry to the property in the event of a default, conflicted with Oregon Statute (ORS) 86.010, which precludes a mortgagee or its agent from taking possession of mortgaged property without completing a foreclosure sale; accordingly, Paragraph 9(a) was void. Because the entry provision of the DOT was void, it did not protect the servicer against a claim for damages under UTPA when the servicer took action to secure the property after sending a single letter to the property to determine whether it was still occupied. The Court held that a jury could reasonably find that the servicer should have known that additional investigation was needed before the property was abandoned, and based on this, reversed the lower court's grant of summary judgment in favor of the servicer.

In reaching this conclusion, the Court found guidance in a Washington case, *Jordan*



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v. Nationstar Mortg., LLC, 185 Wash. 2d 876, 374 P.3d 1195 (2016), which concerned a similar factual and statutory context. In *Jordan*, the Supreme Court of Washington held that provisions of a Deed of Trust that purported to allow a servicer to take possession of vacant property conflicted with Washington Statute RCW 7.28.230(1); therefore, the entry provisions of the Deed of Trust were void. Because ORS 86.010 is substantially similar to RCW 7.28.230, the Court reasoned that an Oregon court would likely reach a similar conclusion to that reached in *Jordan*.

Following the *Jordan* ruling, the state of

Washington enacted RCW 7.100.030, which now provides a mechanism by which a servicer may enter and secure the property if the property is abandoned and in foreclosure if certain requirements are met. Before Washington enacted the new statute, creditors' firms sought, often successfully, to protect the value of their collateral and themselves from liability by seeking injunctive relief from courts. The petitions sought to allow servicers to enter and take possession of real property, supported by inspections showing abandonment and deteriorating property condition, to show a likelihood of irreparable harm. State courts frequently granted these orders when a proper showing was made, which provided servicers with an additional level of protection against civil liability under the CPA.

Santoro is an unpublished opinion; moreover, it is a federal court construing state law, so it would not be mandatory authority in Oregon state court even if it were published. Additionally, the holding is not identical to *Jordan*; the Ninth Circuit appears to have left open the possibility that the servicer can still take possession to secure the property if it is abandoned; of note, the Court did not consider the abandonment argument under Paragraph 9(c) of the DOT.

Following remand, the servicer has moved for summary judgment of dismissal on an agency theory, arguing that the contractor who secured the non-abandoned property was not the servicer's "agent" for purposes of vicarious liability and that there was, therefore, no



“willful” violation by the servicer; the motion is pending a ruling as of this date.

However, as the Ninth Circuit noted, both cases involve similar facts and statutory schemes, so an Oregon state court in the future may well find a servicer liable under UTPA if it takes possession of the property before completing the foreclosure.

Unless and until Oregon passes a statute similar to RCW 7.100.030, servicers should consider taking a similar approach to what was used in Washington before the statute was passed: obtain multiple inspections showing that property is abandoned and in deteriorat-

ing condition constituting a health hazard or nuisance and file a complaint for injunctive relief to allow entry onto the property. Additionally, if the servicer’s agency theory does not prevail in the district court, then this could indicate that servicers can still be liable for the torts of property preservation contractors even if the contractors are not acting in accordance with the servicer’s directives.

Whether an Oregon court will deem an abandonment provision of a Deed of Trust to be unenforceable is an open question. The immediate takeaway from *Santoro*, however, is that if a lender seeks to secure a property

before completing foreclosure in Oregon, the safest approach is to exercise greater diligence than sending a single letter; multiple inspections should be performed, preferably over several weeks, before making that determination. Additionally, obtaining a court order as cover may be the best practice for avoiding liability in similar circumstances. **MP**

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

COLORADO SUPREME COURT WEIGHS IN ON BANKRUPTCY & FORECLOSURE

A recent Colorado Supreme Court decision held that a discharge in bankruptcy does not trigger the statute of limitations on a claim to foreclose based on a deed of trust.

By **CAREN JACOBS CASTLE** and **JENNIFER ROGERS**

IDEA Law Group, along with lenders, borrowers, and debt collectors, have been closely monitoring the Colorado Supreme Court for a decision on *U.S. Bank Nat'l Ass'n v. Silvernagel*. The Colorado Appellate Court had previously ruled that discharge of a debtor in bankruptcy triggered the statute of limitations on a claim to foreclose based upon a deed of trust. On April 24, 2023, the Colorado Supreme Court unanimously reversed the decision of the Colorado Court of Appeals and held that a discharge in bankruptcy does not trigger the statute of limitations on a claim to foreclose based on a deed of trust. *U.S. Bank Nat'l Ass'n v. Silvernagel*—P.3d—Case No. 21SC836, 2023 WL 3049067 (Colo. Apr. 24, 2023)

Over the last five years, the issue of when the statute of limitations is triggered has arisen in borrower complaints for declaratory judgment and quiet title actions in Colorado, Arizona, and Washington courts. The complaints generally allege that the date of the bankruptcy discharge starts the statute of limitations clock and therefore limits the lender's right to foreclose. This important decision clarifies that discharge does not start the running of the statute of limitations clock.

Pursuant to Colorado Revised Statute 13-80-103.5(1)(a), a lender has a six-year period to enforce rights set forth in a debt instrument securing the payment of any debt. This limitations period is applicable to most promissory notes, security agreements, and



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JENNIFER ROGERS

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deeds of trust. Generally, C.R.S. 13-80-108(4) dictates that the six-year period begins to run when a claim accrues. A claim under an instrument securing or evidencing any debt accrues when each installment becomes due. If an agreement provides for installment

payments, a separate cause of action accrues each month that a payment is not made. This results in some claims being expired and others that have not accrued and therefore remain within the six-year statute of limitations.

The Plaintiff in *Silvernagel* argued that the bankruptcy discharge automatically accelerates the accrual of the cause of action. In bankruptcy, the discharge provides the debtor/borrower with the discharge from personal liability to the lender. As a result, the lender cannot pursue the debt from the borrower personally; rather the debt can only be enforced by foreclosing on the property, an *in rem* action.

In *Silvernagel*, the Colorado Court of Appeals held that even though the lender never took any action to accelerate the note, the discharge in bankruptcy alone automatically caused the accrual of the cause of action, which triggered the six-year period to foreclose on the property secured by the deed of trust. The bankruptcy discharge, according to the Colorado Court of Appeals' decision, begins the statute of limitations clock running regardless of the intentions of the borrower or the lender. According to the Court of Appeals decision, the discharge in bankruptcy of the borrower's personal obligation on the debt was the equivalent of the note maturing and triggering the statute of limitations.

The Colorado Supreme Court relied on settled case law to reverse the decision of the



Court of Appeals. The final ruling is clear that a borrower cannot unilaterally accelerate their obligation under a note or security agreement. Even if the loan agreement contains an optional acceleration clause, the lender must accelerate and affirmatively invoke the acceleration clause in order to begin the statute of limitations clock. As the Supreme Court noted, allowing the borrower to unilaterally accelerate the due date through a bankruptcy discharge was essentially inserting a new provision into the contract.

The Colorado Supreme Court disagreed. The Court's decision allows borrowers to continue to make payments on their mortgage, if they choose to do so, and allows a borrower to use more of their income for secured debt payments by discharging unsecured debt. This decision also prevents the lender from being forced to pursue foreclosure to prevent the debt from becoming time-barred, most importantly in those situations in which the borrower is making post-discharge loan payments.

The Colorado Supreme Court's holding that a bankruptcy discharge does not automatically accelerate or trigger the statute of limitations for the remaining outstanding payments clearly is beneficial to both borrowers and lenders. It allows borrowers in

bankruptcy to keep their homes by continuing to make their monthly payments, as opposed to being forced to pay the debt in full. Additionally, as a result of the decision, lenders are no longer forced into a choice

of initiating foreclosure within six years of discharge regardless of the status of monthly payments, or risk forfeiting the ability to ever recover the property. It is a win-win decision for all. **MP**

The Court's decision allows borrowers to continue to make payments on their mortgage, if they choose to do so, and allows a borrower to use more of their income for secured debt payments by discharging unsecured debt.

RON & FRAUD: THERE'S MORE TO THE STORY

While a small fraction of RON transactions may involve fraudulent activity, we have advanced tools at our disposal to stay ahead of bad actors.

By BROOKE ADAMS

Remote online notarization (RON) has been a game-changer in the real estate industry, bringing convenience, efficiency, and security to the closing process. Despite a few incidents of attempted fraud highlighted in the media, RON continues to gain popularity and recognition for its many benefits and added security protections.

While it is important to shed light on attempted fraud, it is equally important to keep things in perspective. Isolated incidents of fraud represent only a tiny fraction of the many successful real estate transactions conducted using RON each year.

RON closings provide many additional identity verification safeguards than conventional in-person notary transactions, especially when using the right platform and when best practices are followed.

Putting RON Fraud Into Context

Instances of fraud related to Remote Online Notarization technology may typically involve criminals utilizing a public database to identify unoccupied or unencumbered properties, obtaining the owner's identity from public records, and impersonating the owner while working with an unsuspecting real estate agent.

In such scenarios, the fraudulent seller often fabricates an urgent need to sell the property and may accept below-market value offers, particularly if paid in cash. The criminal often insists on a remote closing and may have arranged their own remote notary outside of a conventional platform.

However, the issue with focusing on these



isolated incidents is that they are often presented without the necessary context. While addressing these incidents is important, it's also crucial to understand that they don't necessarily reflect a system's overall safety and success.

The same holds true for real estate transactions. The real estate market is known for its high transaction volumes, with millions of deals conducted each year. While a small fraction of these transactions may involve fraudulent activity, we have advanced tools at our disposal to stay ahead of bad actors.

Enhanced Safety Measures in Remote Closings

RON provides a plethora of identity verification safeguards that go beyond what is typically available in conventional in-person notary transactions. Although concerns have been raised about their safety, we can be assured that it is, in fact, the safest option when closing, especially when (and if, as it keeps being introduced) federal legislation passes that establishes clear rules and regulations.

However, since we are currently working in a patchwork landscape, the laws vary by state, which can create confusion and uncertainty. Despite this, RON should still be

regarded as the safest option available due to the advanced security verification tools and safeguards that closing platforms incorporate. These measures far exceed the security provided by a notary checking someone's ID during an in-person notarization.

During an in-person signing, the notary only verifies the seller's identity by checking their ID and making a notation. However, with RON, the notary verifies the seller's ID by asking them to present it to the camera for credential verification and answer a dynamic "Knowledge-Based Assessment" quiz of five questions based on the identity of the purported signer.

This dynamic Knowledge-Based Assessment will generate a set of five random questions that only the target individual will know the answers to, as they are based on public data, credit reports, and other records databases specific to the individual. RON platforms require every signer to complete this test in under two minutes and pass with a score of at least 80%. If an individual fails, then they may retake it one more time, but then if they fail, they are locked out for 24 hours, meaning the notary cannot use this method to verify the identity for the notarization.

The credential verification assesses the ID card for authenticity against independent data sources and looks for signs of tampering and illegitimate documents. In this scan of the ID, the closing platform captures the front and back of the ID, and the data is verified against the issuing state or authority's template, and advanced forensics detect signs of tampering or other fraudulent activity. The



notary can review the data from these assessments and determine more accurately the identity of the person signing.

Meanwhile, the closing platform employs an additional dynamic authentication process that uses various criteria, such as phone numbers, addresses, and facial recognition, to verify the seller's identity. Furthermore, the entire transaction is recorded, providing investigators with a video recording of the transaction and evidence of any fraudulent activity.

Lessons From Electronic Medical Records

Many of us can recall the old days when a visit to the doctor's office involved physical papers crammed into manila folders and piled up in overflowing file cabinets. Our private information was wedged between the worn-out charts of other patients, all stored in a massive wall of files behind the reception desk.

With the federal legislation known as the Affordable Care Act, the medical industry was finally pushed into the 21st century, and paper-based systems became a thing of the past. Those who remember this transition might recall the uncertainty that such a change would bring, largely around the question of security. However, we've all accepted this and welcomed it into our lives, realizing the ease it takes to have information at our fingertips with these advancements.

Thanks to the adoption of electronic medical records, patients now have access to a level of convenience and flexibility that was once impossible. Of course, patients can still go into an office or clinic when appropriate, but it's not always necessary.

For example, a quick video chat with your provider and an electronic prescription can address a minor concern without requiring an in-person visit to the office. In addition, with prescriptions electronically sent and easily picked up, patients can focus on their day rather than spending hours in the waiting room.

The Transition to RON

As the transition to RON gains momentum, it's worth noting that it bears some resemblance to the shift to electronic medical records. The industry has looked at these models and anticipated and addressed the concerns, as the platform is equipped with advanced tools and safeguards that improve efficiency and convenience and provide a level of security that surpasses anything seen before. Providing lenders with the flexibility to choose fully remote and hybrid options is the backbone of RON and electronic notarization. Doing so while also protecting consumer information and mitigating fraud is the new gold standard.

We are on the precipice of incredible change in the mortgage industry. I encourage everyone to explore RON and the flexibility it provides. Let's embrace our digital future! **MP**

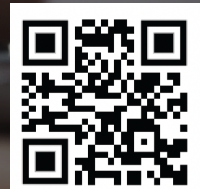
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NRBA BROKERS ARE GOOD AT WHAT WE DO, AND BETTER AT DOING GOOD

Here's one real life example that proves it's more than just a slogan.

Those who see foreclosure as a predatory practice likely base their perceptions on stories about rogue actors in the REO industry. But the National REO Brokers Association (NRBA) doesn't see the REO process as one that begins and ends with displacing homeowners.

Far from it.

Instead, the REO process starts with an opportunity to educate and assist struggling homeowners. It's an opportunity to save the American Dream for borrowers who may have encountered life difficulties. Should foreclosure become the only option, it's also a chance to grow owner-occupancies in blighted or deserted neighborhoods, as well as to compassionately assist displaced owners in finding new homes and getting them back on the path to future homeownership.

We hear the stories about homeowners who may have been victimized by botched or nefarious default and foreclosure practices. But the public rarely gets to see the good that great REO professionals do. The go-to resource for the industry's most successful REO

brokers, NRBA is proud of the good works our members routinely do. That's why we'd like to share one of the many examples of our brokers doing what they do best: giving back to the community and helping homeowners stay in their homes.

An Amazing Story About Great Brokers Doing Good

This email recently came to us from San Diego real estate broker John Costigan, who was marketing his services with fellow NRBA member Sandy Miller...

"...We started to door knock on homes with recorded Notices of Default (NOD) a few months ago. Last Thursday, we knocked on a door in a senior, 55-plus community. The county records showed a NOD had been filed. An older woman answered the door and asked us to come inside.

When we door knock, we never mention a NOD. I usually introduce myself and my colleague, then say 'We're real estate brokers looking to offer our services to your community and we're wondering if you have any real estate

needs or questions we can help you with.'

In this case, the owner told us she had tried to contact her bank but was having trouble reaching them. She showed us the NOD filed by her mortgage servicer. She said she'd had back surgery and had been in and out of the hospital for four years.

Hearing this, we asked her if she had paid her property taxes. She thought she had, but wasn't sure. She was sitting in a wheelchair and we could tell moving was painful for her. She also had no cell phone and often couldn't get to her ringing landline before the call went to voicemail. So we offered to call the County Tax Assessor for her to verify that she had paid her taxes.

The county told her that a reverse mortgage lender had made her payments only in 2020 and 2023. She was upset to hear this. So we offered to help her find out what she needed to do to reinstate her loan.

Next, we called the lender and were told to contact the servicer directly to get the amount due to reinstate the loan. Because it was already 4:30 pm PST, it was too late to call

the servicer on the east coast. So we offered to return the following Monday to help her.

Both of us live at least an hour from where she was. But it didn't cross our minds at the time.

Going Above and Beyond

On Monday, we arrived and called the servicer. We asked to speak with a supervisor, and the homeowner gave them verbal authorization for us to join her on the call. The supervisor advised us on the amount due, and where it needed to be sent.

Because the homeowner does not drive, we offered to drive her to her local bank to obtain the certified funds and then to the Post Office to mail by Priority Mail with a tracking number.

In fact, at the bank, we discovered that the homeowner had an expired license. The bank would not issue a check for more than \$3,000. We immediately brought in the supervisor and emphasized that the homeowner was at risk of losing her home if the funds weren't mailed immediately. Fortunately, the supervisor then agreed to cut two checks for the total amount.

After all of this, the grateful homeowner asked me what we charged for this service. I told her nothing. I only asked her to refer us to her neighbors and remember us if and when the time came for her to sell. I also told her I would keep in touch and remind to make her next property tax payment.”

Foreclosure Is a Tool of Last Resort

The NRBA strongly believes that foreclosure is a tool, not a predatory act. Most lenders and servicers manage their default processes with discretion and compassion. We know that most agents and brokers, especially NRBA brokers, spend as much time helping homeowners who might be past due with their payments to stay in their homes, rather than seeking their evictions. And when there's no other option but foreclosure, our members work hard to help relocate the displaced and set them on the road to becoming homeowners again.

That's why when we say “We're good at what we do, and we're better at doing good,” it's more than an ad message to us. It's a way of life.

To find an NRBA broker like John and Sandy, go to nrba.com.

“After all of this, the grateful homeowner asked me what we charged for this service. I told her nothing. I only asked her to refer us to her neighbors and remember us if and when the time came for her to sell. I also told her I would keep in touch and remind her to make her next property tax payment.”

— John Costigan and Sandy Miller, San Diego-area NRBA brokers



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ROBERT D. FORSTER, II

Managing Partner, BDF Law Group



Robert D. Forster, II, is the Managing Partner of the BDF Law Group and is based in the Addison, Texas, location. The BDF Law Group is composed of

the following firms: Barrett Daffin Frappier Turner & Engel, LLP, (Texas and Georgia); Barrett Daffin Frappier Treder & Weiss, LLP (California, Nevada, and Arizona); and Barrett Frappier & Weisserman, LLP (Colorado). The BDF Law Group provides a full range of legal services to creditors on defaulted commercial and residential mortgage loans.

Since joining the firm in 2006, Forster's practice has primarily consisted of real estate, mortgage banking, and probate matters throughout Texas. He is a frequent speaker at continuing legal and title education programs on mortgage banking, title, probate, and creditor's rights-related topics and has authored numerous articles and publications, including serving as a co-author of the Texas State Bar's Foreclosure Manual (3rd Edition and 2017 Supplement), as well as the 26th Annual Advanced Real Estate Drafting Course for the State Bar of Texas; the 49th, 50th, 51st, 52nd, and 54th Annual William W. Gibson, Jr. Mortgage Lending Institute by the University of Texas School of Law; and the 25th Annual Robert C. Sneed Texas Land Title Institute. He has also participated in panels hosted by the ALFN, USFN, the Five Star Institute, the Legal League 100, IMN, and TMBA.

In 2017, Forster was awarded the Suzanne Kelly New Member of the Year Award by the United Trustee Association, has been named as a "Super Lawyer – Rising Star" several times, and actively serves on the Mortgage Bankers Association State Legislative and Regulatory Committee.

Born and raised in Little Rock, Arkansas, Forster received his B.S. from the W.P. Carey School of Business at Arizona State University and his J.D. from Southern Methodist University's Dedman School of Law. He is licensed to practice law with the State Bars of Texas, Arizona, and Georgia, all United States District Courts in Texas and Arkansas, and the United States Supreme Court.

JEFFREY S. FRASER

Partner, Albertelli Law



Jeffrey S. Fraser is a Partner at Albertelli Law and focuses his representation on secured creditors and ensuring that their interests are protected

in all chapters under the Bankruptcy Code. He handles contested litigation, including valuation hearings, adversary proceedings, sanction hearings, and any other disputed matters in bankruptcy court. As partner of his firm's national bankruptcy department, he works closely with each state's managing attorneys as it relates to training, legal strategy, and all facets of the firm's bankruptcy practice.

Fraser is an active participant in the Southern District of Florida's bankruptcy bar and was the 2019 Chair of the Local Rule Committee and an inaugural member of the district's Lawyer Advisory Committee, serving as the committee's Chair in 2020 and 2021. He has worked closely with South Florida bankruptcy judges and lawyers in reviewing local practices and rules; participating as a panelist for various district programs; assisting with the drafting of the district's Model Chapter 13 Plan and Mortgage Modification Mediation procedures and guidelines; and addressing other matters or concerns for the South Florida bankruptcy community.

Fraser was born in Jamaica and feels compelled to be a voice for the South Florida community, even though he represents creditors. Fraser is a past President of the Jamaican-American Bar Association and has helped the organization create mentorship relationships with local law students. He also served as a panelist at a commercial law seminar in Kingston, Jamaica, discussing the 2014 Jamaican Insolvency Act. He has also organized foreclosure and bankruptcy workshops, spoken on numerous CLE panels, and guest-appeared on South Florida radio.

He was selected by Super Lawyers as one of its "Florida Rising Stars" for 2019-2023. He was named a 2017 Blackshear Fellow by the National Conference of Bankruptcy Judges, a 2020 ABI "40 Under 40" honoree, and has published articles on consumer bankruptcy issues in the American Legal & Finance Network and *DS News*. Fraser has achieved the highest rating in both legal and ethical ability by Martindale-Hubbell.

MATTHEW E. PODMENIK

General Counsel and Managing Partner (Southwest), McCarthy & Holthus, LLP



Matthew E. Podmenik is the General Counsel and Managing Partner (Southwest) for McCarthy & Holthus, LLP. He received a Master of Business

Administration and Juris Doctorate degrees from the University of Toledo and a Bachelor of Science in business administration from the University of Dayton. Podmenik has received an AV Preeminent® rating from Martindale Hubbell, ranking at the highest level of professional excellence for legal knowledge, communication skills, and ethical standards.

Podmenik has been featured in *San Diego Magazine* as a Top Lawyer in San Diego since 2016. He has authored articles involving lenders' rights for the California Real Property Law Reporter, Legal League, California Mortgage Finance News, American Legal Financial Network, and the United Trustee Association. Podmenik is admitted to practice in the state of California, the United States District Court in the Eastern, Central, Northern, and Southern Districts of California, the Ninth Circuit Court of Appeal, and the United States Supreme Court.

Reported cases that he has worked on include *Obduskey v. McCarthy & Holthus, LLP* 139 S. Ct. 1029 (2019); *In Re Salazar*, 470 B.R. 557 (S.D. Cal. 2012); *Mabry v. Superior Court* (2010) 185 Cal. App.4th 208; *Vasquez v. Saxon Mortg., Inc.*, 228 Ariz. 357; *Pro Value Properties, Inc. v. Quality Loan Service Corp.*, 170 Cal. App. 4th 579; *Jenkins v. JP Morgan Chase Bank, N.A.*, 216 Cal. App. 4th 497; and *Bardasian v. Superior Court*, 201 Cal. App. 4th 1371.

MICHAEL J. WOODS, EVP

Managing Attorney, Potestivo & Associates, P.C.



Michael J. Woods joined Potestivo & Associates, P.C. in 2006. He is the firm's Executive Vice President (EVP) and is based out of the Rochester, Michigan,

office. As the firm's EVP, he oversees the day-to-day operations of the firm and works to promote efficiency across all firm departments and processes. Prior to his current position, Woods previously served the firm in the capacity of the Supervising Attorney of the Foreclosure and Loss Mitigation Departments and later as an Assistant Vice President.

Through years of service in the real estate finance industry, Woods has accumulated a vast amount of default servicing knowledge. He understands the power of communication and believes that superior results can be effectively achieved through direct communication with our clients and their customers, helping to reduce the costs associated with the legal process for both parties. He understands that all clients have a unique way they do business, and he focuses on utilizing strong legal principles and efficient processes to achieve detailed solutions and satisfactory results for each client.

Woods graduated from Central Michigan University with a Bachelor of Science in political science, and a concentration in public administration. He earned his Juris Doctor degree from the University of Miami School of Law.

Woods is active in a number of various industry and professional associations, including the Michigan Mortgage Lenders Association, the Default Attorney Group, and the Legal League 100. He works collaboratively with these and other industry professionals as well as state and federal elected officials in reference to legislative efforts to voice his clients' concerns and speak to their interests.



Taylor Marr is the Deputy Chief Economist on the Research Team at Redfin. He is passionate about housing and urban policy and is an advocate for increased mobility and affordability. He laid the framework for our migration data and reports and diligently tracks the housing market and economy. Before Redfin, Marr built financial market index funds for Vanguard at the University of Chicago. Marr went to graduate school for international economics in Berlin, where he focused on behavioral causes of the global housing bubble and subsequent policy responses. Marr's research has been featured in the *New York Times*, the *Wall Street Journal*, and the *Economist*. He was also recently the President of the Seattle Economics Council and collaborates frequently with the Fed, HUD, and the Census Bureau.

MortgagePoint recently spoke with Marr to pick his brain on the current real estate market, the reports he authors, where the market is heading in the next six months, and the possibility of a recession. Marr also touches on happenings with the Federal Reserve and gives renters some welcome news.

Q: To start, you laid the framework for many of the reports which are now industry standards starting a little over seven years ago. Are you happy with the progress you've made? Is there anything else you would like to cover?

I am happy with some of the progress for sure. In particular, I'm passionate about migration and mobility overall of people being able to relocate, find a better home, find a better neighborhood, and some of the work that we've done tracking migration and tracking housing markets. I think that paved the way for a lot of interest in more migration products and research that we've seen come out since then. I would like to do more in terms of local migration—where and what neighborhoods people are choosing, what ones they're priced out of, and how it relates to opening up different areas of opportunity that might become more expensive. Mobility within a metro is equally

as important for building homeownership and where families can grow up.

I've been looking forward to getting more into the rental market as well. [Redfin] has started to track what's going on in the rental market for a few years now, and we've acquired the rental company Rent. That's been a big plan to focus research on. There's a lot more we can do there in terms of investigating where rental housing is that's affordable and what policies are leading towards that. That's a big area of opportunity.

Q: Based on current reports, where do you think the market is headed over the next six months?

We're in uncertain times because mortgage rates are fluctuating quite a bit. What is clear, though, is that the market was weakest about six months ago in November 2022 when rates were over 7% and prices were starting to pull back quickly. They were decelerating at some

of the fastest paces in over a decade last fall.

At the same time, sales were rapidly falling; they bottomed out in January, and we've started to see a bit of a rebound, perhaps inklings of a recovery beginning. However, we don't anticipate much more growth this year. In fact, 2023 is going to be overall one of the worst years in more than a decade in terms of sales, in addition to prices declining for the first time since the Great Financial Crisis of 2007-2008.

Overall, looking forward to the remainder of the year, we should see a little bit of stability in terms of sales, which are no longer declining rapidly, but they're also not going to recover too much. We still anticipate about 4.3 million sales for the year, which is about the rate that the National Association of Realtors (NAR) just reported in early June. We did anticipate downward pressure on mortgage rates where they would fall from about six and a half closer to the low sixes.

I think that's an uncertain estimate [from NAR], because right now, the Fed may be done hiking, but they may have more room to grow. There's a lot of pressure. We had the new banking crisis that was putting some downward pressure on rates for a while but that seems to be resolved. Overall, there's still a lot of economic growth weakening on the horizon, and the labor market is still expected to cool further on the horizon. Both of those things could help with downward pressure on mortgage rates, pulling them closer to 6% as we anticipate, but right now rates have been shooting in the other direction as the economy has been more resilient while inflation has not come down as much. So, that's complicated our outlook.

Overall, the outlook we set forth six months ago seems to be still in play, and we've been just tracking right alongside that with how sales have progressed, and what's happened with prices. They seem to have not necessarily bottomed out, but they also haven't fallen much further. They fell about 3% back in March and April, and they've been steady since then according to our weekly data that's been tracking this. So, the projections we put forth at the end of last year, we've been tracking right along that, and we'd still probably agree with that outlook for the rest of the year—that price prices aren't going to fall too much further, they might even steadily increase in the back half of the year while sales will improve slightly. It depends a lot on what the Fed decides to do over the next couple of months at their July and September meetings.

Q: Earlier in May, Fed Chair Powell reiterated that he is still expecting a soft landing for the economy this year and that appears slightly more likely, given the latest data. Do you predict further rate hikes above the 5% mark at the Federal Open Market Committee's next few meetings?

I don't know. The Fed has raised rates at the fastest pace in more than four decades. That is sufficient to wait and see the effects of that in terms of a cooling labor market. Market cooling and overall consumer demand are helping with bringing inflation down.

There is widespread disagreement in terms of what the outlook is for the Fed. Some people want much more aggressive cuts, and some committee members themselves are predicting two or more hikes. So, odds have increased lately that the Fed has more hiking to go, but I would still place my bet that they're going to pause. I predict we'll see the cumulative effects lag, and that's what Jerome Powell said at the last press conference: that once you consider the lag that takes place from how rates are hiked, and when you see that overall impact on the economy and inflation, it takes some time to see how those changes will unravel.

[When it comes to] comments about a soft landing still being a possibility this year, I'm in the optimistic camp with them. The latest data seems to be pointing in that direction. All the recession calls [from Fannie Mae and the like] have been pushed out every three months, further and further. It's been a year now that the majority of people have been expecting a recession within the next 6-12 months, and those estimates just keep getting pushed out. I think people underestimated how resilient the American consumer is and how resilient the labor market is. Few anticipated that the unemployment rate would fall further last month, rather than start to creep up, which is quite remarkable.

Q: How is the "lock-in effect" impacting the market? Should we be worried about this in the long term?

The lock-in effect is certainly playing a big role in terms of people deciding whether or not to sell their home when they feel they need to move, or whether they move at all. How large of a role it's playing is hard to say.

Certainly, new listings are down about 25% right now, year over year, and overall, more than four out of five existing mortgage holders have a rate that's well below 5%. They are locked into that lower rate. But there are other factors at play beyond just the lock-in effect that, even with rates at or above 6%, we could still see some increased supply hit the market. A lot of people moved during the pandemic. A lot of moves were "pulled forward," demand was pulled forward, and people listing their homes for sale were pulled forward.

So, right now, a record level of people—I think it's three-in-five, more than half of households—have moved within the last four years. And that number is significantly elevated. That's just because so many people moved during the pandemic, whether they moved across the street or the country. Many of those moves mean that a lot of people now are not planning to move for several years; they'll probably stay in their homes, so the shorter tenure of existing homeowners is also going to be a drag on supply alongside the lock-in effect.

We also have a lot of new construction that is still coming down the pipeline. You need that additional supply to create options for people who would otherwise move. A lot of homeowners might have a low rate, but what they're complaining about is available inventory. More new construction and more people listing their homes for sale could cause them to jump into the game of musical chairs and switch homes. Without those new chairs being added or other people moving, they're also going to be locked into their homes, not just because of rates but because of [the lack of] inventory.

All three of those factors are holding back supply right now. All of them are concerning. But the interest rate factor has been the most salient for people when you do the math on a 3% mortgage versus a 6% mortgage. That has held back supply this year.

Q: What are the most important trends you see in the housing market?

Well, building off the last two concepts, one has been supply; that's been very concerning, that new listings are down 25%. That's a huge drop, and it's holding back sales, even if demand is strong or we see a wave of demand rushing to the market when rates drop even a little bit.

Ultimately, a lot of those homebuyers end up hitting a wall when they don't find a home

"... because so many people moved during the pandemic, whether they moved across the street or the country. Many of those moves mean that a lot of people now are not planning to move for several years; they'll probably stay in their homes, so the shorter tenure of existing homeowners is also going to be a drag on supply alongside the lock-in effect."

“Now, the most important thing to take away is that most American households own their home, and higher home prices have given trillions of dollars of equity to American households over the last five years. That extra equity has been remarkable in terms of how it’s supported the American economy.”



to buy, so the lack of supply has been a big challenge for the housing market. This is also true in the rental market. There is progress that has been made, but then the other challenge is mobility: people freezing in place because of a challenging housing market, both with high rents and high mortgage payments because of high rates.

[This] incentivizes people just stay in place when households are less mobile and less likely to move across the country to take a new job. It makes the American economy less dynamic. It also does not bode well for opening up areas of opportunity for upward economic mobility, like for people moving into a better neighborhood for their children to get into a better school district.

If those moves are held back because of fluctuations in interest rates and available supply, that’s a big concern. So, the lack of mobility has been a top issue for the housing market, especially right now because of interest rates. But it’s also been a long-standing one where we’ve been in basically five decades of declining mobility, with people being less mobile each year as a share of moves per household.

Q: What are some of the most important factors that influence home prices?

Well, supply pulling back is an important factor because that means that even though demand has fallen, many buyers have gotten priced out of the market. A lot of sellers pulling back and not listing their homes for sale has kept prices pretty resilient overall.

If you were just looking at how rates change and how much you need prices to fall because of that change in rates, you would have expected prices to be down more than 30% by now, to keep people’s mortgage payments in line with their income or what you would expect. But prices haven’t fallen 30%—they’ve barely fallen 3%. And so, the most important factor behind that is just that supplies have pulled back almost as much as demand. The other factor here is that finding a baseline for what prices should be is incredibly difficult for housing. A lot of people might compare how prices have risen from 2019 to 2021, and they expect prices to revert to that average or to just automatically fall.

But there’s been also a big boost in affordability, not only from low rates, which pushed up prices quite a bit. We certainly shouldn’t return to what we would expect from pandemic-era 3% rates. But also, there was a lot of pandemic stimulus money that went into the housing market, and all the billions of dollars that were directed to households and increased the budget that people could spend on housing. In addition, suspended student loan payments increased the number of first-time homebuyers that might be willing to spend on

a mortgage. The work-from-home phenomenon shifts how much you’re willing to spend as a share of all your income on housing versus on other things like your commute.

There have been a lot of fundamental shifts in terms of demand that have pushed up prices in the long term. That means that prices don’t necessarily need to fall back to pre-pandemic levels. That increased demand and decreased supply. Both of those are just fundamentals that, long term, have pushed prices up overall.

Now, the most important thing to take away is that most American households own their home, and higher home prices have given trillions of dollars of equity to American households over the last five years. That extra equity has been remarkable in terms of how it’s supported the American economy. As people have refinanced their mortgages, the Fed recently put out a research paper showing how much [has been saved in monthly payment savings], as well as people cashing out from that equity to pay down debt. That’s a huge stimulus for the economy that is under-appreciated.

Higher home prices create challenges with affordability for first-time homebuyers. And Redfin has looked at that, but overall, on net, there’s also been a big gain for the typical American household that might not even be moving but has benefited from refinancing by tapping into that equity and having either lower housing payments or getting some money that they’ve been able to pour into to other things.

Q: What do you think is the biggest misconception about the housing market?

In part, doubling down on what I just said, one of the biggest misconceptions I see is when people post these charts like price-to-income or how housing has outstripped inflation. Oftentimes, what these charts are trying to imply is that housing is either in a bubble that will fall 50% to come back in line with how prices were as a ratio to rents or incomes back in 1980, or something along those lines.

So, focusing on over-indexing of home prices, and what that means for where they’re supposed to be and overlooking all these fundamental shifts of demand, and also not appropriately adjusting for mortgage rates. What matters more is not the home price but the mortgage payment, and the typical mortgage payment has not been concerning, even with higher rates right now. They’re certainly

elevated year over year, but there's been a lot of things that people have been able to do such as obtain adjustable-rate mortgages or refinance pain points on a loan to get a lower rate.

These mortgage payments that the typical buyer has right now, even on recent home purchases, have been more in line with incomes. The Mortgage Bankers Association (MBA) tracks how much mortgage payments are for people going into contract on a loan, and overall, it's tracked fairly well with incomes. People have not been over-leveraged in housing, and they haven't been stretching their budgets significantly for housing since the [mid-2000s] housing bubble.

Q: What advice would you give to someone who is looking to buy or sell a home right now?

My advice is to stay aware of mortgage rate changes, find a good local lender, and shop around for rates so you know who's giving you the best rate. Stay in constant communication with them as the situation evolves. Rates have been extremely volatile over the last year, and as you know, the chances that you could save hundreds of dollars on your mortgage payment in just one day compared to a week ago is pretty significant.

It's more important than ever to stay in close communication with your lender and be

aware of mortgage rates as those big changes happen. It opens opportunities for how much home you can afford, what housing options you might have, and what things you need to do to mitigate those higher payments when rates do increase. Buyers need to be aware of those risks. There's also been a lot of schemes that people have used to help with these rates.

For example, many builders have offered rate buy-downs, and you can ask sellers to give some concessions in a lot of places in the country to help mitigate those higher rates. Don't give up as a buyer, even if you're discouraged, but try to stay on the sidelines and stay in communication with lenders to see what opportunities are out there. And it never hurts to make a lowball offer if that's what you can afford or if that's what you think the home is worth to you.

Q: A recent report from Redfin found that the average rent is over \$1,967. Is there any good news for renters? Is this sustainable long term?

The good news for renters is the increase in asking rents has slowed down significantly. It was growing closer to 17% about a year ago. That pace slowed to basically stopped growing entirely in many markets. Rents are declining year over year, especially in the ones where rent is most expensive, like Austin or Seattle.

So, the good news is that things have stabilized. You're also getting a lot more bargaining power right now as a renter; you have more options and oftentimes, landlords are having to give kickbacks to renters such as a free month's rent, a free parking space, or other types of deals, even if your asking rent is the same, and we're seeing more renter power in the market overall.

Now, there are still places where rents are growing, and if you're moving, you are still likely to pay more in rent than you did a couple of years ago. But overall, the direction has been favorable and the most hope I can give is that there are a record number of apartments that are under construction right now. These multi-family units are under construction ... there are millions of [unfinished units] in the pipeline that are set to hit the rental market across the country. As that new supply becomes available, it will continue to help push rents down.

In some places, it's helping with affordability, and there's more of that to come over the next 6-12 months from what we can see in the permits and what's been started and is under construction. But yeah, overall, we're not expecting major rent declines nationally. You probably aren't going to save a ton, but at least you can expect stability, which means that, if you're waiting to move in six months, you're not going to face hundreds of dollars more in rent than moving right now, which was the case a couple of years ago. **MP**

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MortgagePoint Magazine

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» Lending/Originations

MORTGAGE RATE LOCKS TO REMAIN A CHALLENGE

According to a forecast update by realtor.com, mortgage rate lock-ins will be a major challenge in the housing market for the remainder of 2023. While prices posted a marginal improvement, higher rates are hurting affordability, and many of those who already own a home are being impacted by the lock-in effect and are disincentivized to list their homes for fear of taking out a new mortgage at a higher rate.

As a result, total home sales are projected to be down 15.8% to 4.2 million units, the lowest point since 2012 because of smaller-than-expected mortgage rate lock-ins. They are also predicting that inventory levels will slip 5% for the year, and not the growth projected in the initial forecast. Home price growth is also now expected to decline (instead of increasing) by around 0.6% by year-end.

On the rental side of the market, prices are expected to drop by less than 1% as unusually strong multifamily construction is providing more for-rent units. In addition, the challenging housing market will keep

many people renting. Despite the forecasted pullback, rent is still \$350 more on average than it was compared to pre-pandemic levels.

“High inflation and the Fed’s actions to curb it have had a significant impact on the housing market this year. And while inflation has begun to ease, the sustained spike in mortgage rates was enough to stifle the housing market after several years of low rates and strong activity,” realtor.com Chief Economist Danielle Hale said. “The housing market has really seen a double whammy in 2023, with a retrenchment in the number of homes for sale coupled with still-high prices and mortgage rates that have kept both first-time and repeat buyers on the sidelines.”

Also, affordability is improving but still has a long way to go. Persistent underbuilding relative to population growth over the last decade has accelerated the problem which is compounded by low affordability. As a result, realtor.com now expects a modest decline in home prices of 0.6% for the year. The expectation is that mortgage rates will also be slightly lower than originally anticipated, but not low enough to bring down buying costs until the end of the year. “As inflation is expected to cool gradually, we expect that mortgage rates will start to do the same beginning mid-year and nearing 6% by the end of the year,” Hale said.

For the year as a whole, the cost of a

mortgage is expected to be up 10.5% compared to 2022.

“The vast majority of homeowners locked in low rates during the pandemic and aren’t particularly excited to give them up in order to buy a new home, unless they really need to move for personal reasons,” Hale said.

Despite the Fed’s tightening, the economy and labor markets have shown resilience. And while paychecks haven’t kept pace with inflation, Americans have dipped into pandemic savings and continued to spend money. While this is boosting the current economy, it could have an impact in the future if consumers burn through savings and need to rely on high-interest debt.

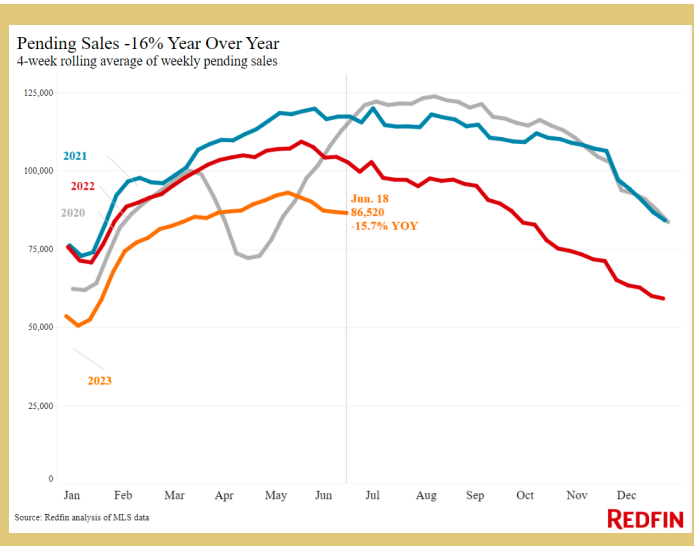
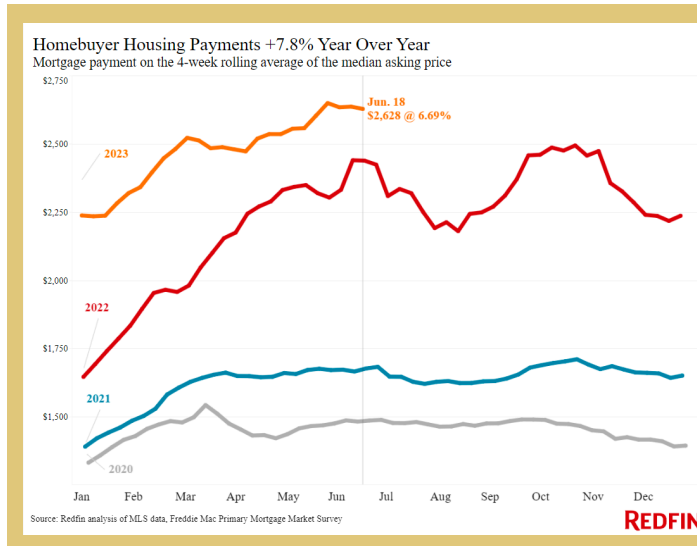
TYPICAL U.S. MONTHLY HOUSING PAYMENT NEARS RECORD HIGHS

While spring is traditionally a hot homebuying season, it didn’t come to fruition in 2023, according to a new report from Redfin. This year, instead of the calendar determining the homebuying season, the Federal Reserve is dictating when people buy and sell. And so far, the Fed’s actions are suggesting they wait.

New data found pending home sales fell 16% from a year earlier during the four weeks ending June 18. But even though sales are relatively cool, Redfin’s Homebuyer Demand Index—a measure of requests for tours and other early-stage buying services from Redfin agents—is up 11% year over year.

Additionally, there are more house hunters than there are homes hitting the market. New listings of homes for sale are down 24% from a year ago, and the total number of homes for sale is down 8%, representing the biggest drop in over a year.

Elevated mortgage rates are responsible for the drops on both the demand and supply sides. With average rates sitting above 6% all spring, pushing the typical U.S. monthly housing payment up near record highs, many would-be buyers are sitting on the sidelines, waiting for rates to come down. And the buy-



ers who are out there are having a hard time finding listings, with many prospective sellers staying put, hanging onto their relatively low rates: Nearly all homeowners with a mortgage have a rate below 6%.

“There are two things that would jumpstart the housing market: A big drop in mortgage rates and/or a big surge of new listings,” Redfin Deputy Chief Economist Taylor Marr said. “Neither of those things happened this spring; instead, rates rose and new listings dropped to record lows. And with one or two more interest-rate hikes expected this year, mortgage rates are likely to remain elevated at least through the summer, continuing to limit both demand and supply.”

Leading indicators of homebuying activity:

- » The daily average 30-year fixed mortgage rate was 6.9% on June 21, down from a half-year high of 7.14% a month earlier. For the week ending June 15, the average 30-year fixed mortgage rate was 6.69%, down slightly from 6.71% the week before but still close to the highest rate since November.
- » Mortgage-purchase applications during the week ending June 16 rose 2% from a week earlier, seasonally adjusted, marking the second straight week of increases. Purchase applications were down 32% from a year earlier.
- » The seasonally adjusted Redfin Homebuyer Demand Index was down slightly from a week earlier during the week ending June 18. It was up 11% from a year earlier, the fourth consecutive annual increase.

Demand was dropping at this time in 2022 as mortgage rates rose.

- » Google searches for “homes for sale” were up 13% from a month earlier during the week ending June 17, and down about 11% from a year earlier.
- » Touring activity as of June 18 was up 14% from the start of the year, compared with a 4% decrease at the same time last year, according to home tour technology company ShowingTime. Tours increased slowly during this time last year as mortgage rates shot up.

The continuing inventory shortage is bolstering home prices. The median U.S. home sale price dropped just 1% year over year this week, the smallest decline in more than three months. On a local level, prices have started leveling off: They fell in 25 of the 50 most populous metros, compared with 29 a month ago. In San Jose, California, for instance, the median sale price is up roughly 2% year over year, marking the first increase after eight straight months of declines.

“Even though there wasn’t much of a spring homebuying season this year, there was a spring building season,” Marr said. “That means there’s hope for more listings somewhat soon, with homebuilders working to fill the inventory bucket. Builders broke ground on more single-family homes in May than almost any month in nearly two decades, which could expand buyers’ options by the end of the year.”

Key housing market takeaways for 400+ U.S. metro areas:

- » The median home sale price was \$382,861, down 1% from a year earlier, the smallest decline in more than three months. Price declines have been shrinking for the last two months.
- » Home-sale prices declined in 25 metros, with the biggest drops in Austin, Texas (-11% YoY); Las Vegas (-9.1%); Detroit (-8%); Los Angeles (-7.1%); and Phoenix (-6.8%).
- » Sale prices increased most in Fort Lauderdale, Florida (8.6%); Miami (8.5%); Providence, Rhode Island (5.5%); Milwaukee (5.2%); and Virginia Beach, Virginia (5.1%).
- » The median asking price of newly listed homes was \$397,225, up 0.3% from a year earlier.
- » The monthly mortgage payment on the median-asking-price home was \$2,628 at a 6.69% mortgage rate, the average for the week ending June 15. That’s down slightly from the record high hit three weeks earlier but up 8% (\$190) from a year earlier.
- » Pending home sales were down 15.7% year over year, continuing a 13-month streak of double-digit declines.
- » Pending home sales fell in all metros Redfin analyzed. They declined most in Milwaukee (-28% YoY); Providence (-26.3%); Seattle (-25.6%); Portland, Oregon (-24.8%); and San Diego (-23.4%).
- » New listings of homes for sale fell 24% year over year, roughly on par with the declines over the last two months.
- » New listings declined in all metros Redfin analyzed. They fell most in Las Vegas

(-42.3% YoY); Phoenix (-42%); Oakland, California (-38.8%); Seattle (-37.4%); and San Diego (-36.2%).

- » Active listings (the number of homes listed for sale at any point during the period) dropped 8.1% from a year earlier, the biggest drop in over a year. Active listings were up slightly from a month earlier; typically, they post month-over-month increases at this time of year.
- » Months of supply—a measure of the balance between supply and demand, calculated by the number of months it would take for the current inventory to sell at the current sales pace—was 2.5 months, the lowest level in nearly a year. Four to five months of supply is considered balanced, with a lower number indicating seller's market conditions.
- » An estimated 32.9% of homes that went under contract had an accepted offer within the first two weeks on the market, down from 36% a year earlier.
- » Homes that sold were on the market for a median of 27 days, the shortest span since August. That's up from a near-record low of 19 days a year earlier.
- » Some 36.3% of homes sold above their final list price. That's the highest share since last August but is down from 53% a year earlier.
- » On average, 5.3% of homes for sale each week had a price drop, up from 4.8% a year earlier.
- » The average sale-to-list price ratio, which measures how close homes are selling to their final asking prices, was 100%. That means homes are selling for exactly their asking price, on average, for the first time in 10 months. That's down from 102.2% a year earlier.

HOUSING MARKET POTENTIAL INCREASED MODESTLY IN MAY

First American Financial Corporation released First American's proprietary Potential Home Sales Model for May 2023. The Potential Home Sales Model measures what the healthy market level of home sales should be based on economic,

demographic, and housing market fundamentals.

May 2023 Potential Home Sales Overview

For May, First American updated its proprietary Potential Home Sales Model to show that:

- » Potential existing-home sales increased to a 5.30 million seasonally adjusted annualized rate (SAAR), a 0.19% month-over-month increase. This represents a 52.1% increase from the market potential low point reached in February 1993.
- » The market potential for existing-home sales decreased by 5.7% compared with a year ago, a loss of 319,000 (SAAR) sales.
- » Currently, potential existing-home sales are 1,486,600 (SAAR), or 21.9%, below the peak of market potential, which occurred in April 2006.

Chief Economist Analysis: Despite Supply Challenges, Housing Market Potential Increased Modestly in May

"Our Potential Home Sales Model, which measures what a healthy market for home sales should be based on the economic, demographic, and housing market environments, increased modestly in May, but is still down 5.7% from a year ago," said Mark Fleming, Chief Economist at First American. "The primary factor limiting housing market potential is existing homeowners staying put."

"Traditionally, existing homes make up nearly 90% of the total inventory of homes for sale nationally. Since the start of the pandemic, existing homes have made up on average 75% of all homes for sale," Fleming said. "In April, the most recent data available, that share fell further to 71%. The persistent lack of existing-home inventory holds back housing market potential. You can't buy what's not for sale."

Existing Homes: A Scarce Good

"One way to measure existing-home inventory is to track inventory turnover—the supply of existing homes for sale as a percentage of the total occupied residential inventory. Prior to the start of the pandemic in February 2020, existing-home inventory averaged 2.2%. In other words, 220 in every 10,000 existing homes were for sale," Fleming said. "Inventory turnover hit a historic

low of 0.77% in February 2022 and has made little progress since then. As of the most recent data available in April 2023, approximately 84 homes in every 10,000 were for sale, well below the historic average.

"Rising tenure length, a measure of the time someone lives in their home, can help to explain why existing-home inventory remains so constrained. Before the housing market crash in 2007, the average length of time someone lived in their home was approximately five years," Fleming said. "Average tenure length grew to approximately eight years during the aftermath of the housing market crisis between 2008 and 2016, in part because homeowners who were underwater on their mortgage needed to wait for their home to appreciate before they sold."

"The most recent data shows that the average length of time someone lives in their home reached a record high of 10.8 years in May 2023. One of the primary reasons that tenure has increased is due to the higher mortgage rate environment," Fleming said. "Higher mortgage rates keep existing homeowners feeling rate-locked into their homes. Additionally, existing owners are reluctant to sell because they don't think they can find a better home to buy in a limited inventory market."

Will Existing-Home Inventory Rise?

"Despite the headwinds facing the housing market today, it's important to note that the decision to buy and sell is more than just a financial calculation. An existing homeowner may choose to sell for lifestyle reasons, even if it means losing their low mortgage rate. Additionally, 42% of homeowners own their home free-and-clear, so they are not deterred by higher mortgage rates," Fleming said. "Finally, existing homeowners are sitting on near historic levels of equity. For some of those equity-rich homeowners, moving and taking on a higher interest rate may not hinder their decision to sell—especially if they move to a more affordable place. Yet, in a higher mortgage rate environment where existing homeowners stay put and limit the supply of homes for sale, housing market potential will remain constrained. As a result, the new normal for existing-home sales will be lower than during the pandemic boom years.

"While recency bias may have caused



many to forget, the pace of sales in late 2020 and 2021, which averaged over 6 million at a seasonally adjusted annualized rate (SAAR) of sales, was anything but normal,” Fleming said. “The pre-pandemic historic average pace of sales is closer to 5 million SAAR and, while the housing market today remains below that level, it is primarily a reflection of the historically low levels of inventory.”

MAY'S HOUSING STARTS RISE ABOVE EXPECTATIONS

The numbers are in from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development (HUD) and the news is good, at least on a short-term scale.

According to the joint report, privately owned housing units authorized by building permits in May were at a seasonally adjusted annual rate (SAAR) of 1,491,000, 5.2% above

April's number of 1,417,000, but is down 12.7% year over year when it stood at a rate of 1,708,000. Single-family authorizations in May were at a rate of 897,000; this is 4.8% above April's SAAR revised figure of 856,000. Authorizations of units in buildings with five units or more were at a rate of 542,000 in May.

Looking at housing starts, privately owned housing starts in May were at a recorded annual rate of 1,631,000. This is 21.7% (with a margin of error of +/-14.8%) above the revised April estimate of 1,340,000 and 5.7% above the May 2022 rate of 1,543,000. In addition, single-family housing starts in May were at a rate of 997,000; this is 18.5% above the revised April figure of 841,000—for buildings with five or more units or more was 624,000.

On the topic of housing completions according to the report, privately-owned housing completions in May were at a SAAR of 1,518,000 or 9.5% above the revised April estimate of 1,386,000 and up 5% year over year from 1,466,000. Single-family housing completions in May were at a rate of 1,009,000; this is 3.9% above the revised April rate of 971,000. The May rate for units in buildings with five units or more was 493,000.

“In interpreting changes in the statistics

in this release, note that month-to-month changes in seasonally adjusted statistics often show movements which may be irregular,” the Census Bureau wrote in the report.

“It may take three months to establish an underlying trend for building permit authorizations, six months for total starts, and six months for total completions.”

First American Economist Ksenia Potapov had this to say on May's housing starts report:

“U.S. housing starts in May came in above consensus expectations at a seasonally adjusted annual rate of 1.63 million, which is 21.7% above the revised April estimate of 1.34 million and 5.7% above the May 2022 rate of 1.54 million,” Potapov said.

“Single-family construction surged, with starts up 18.5% month over month, which means more groundbreaking on new homes. Completions, which represent more supply added to the housing stock, were up 3.9% month over month, and permits, a leading indicator of future starts, were also up 4.8% month over month.”

“Homebuilder sentiment increased above 50 in June for the first time since July 2022, meaning builders consider conditions to be ‘good’ overall. All three components of the index—current sales conditions, sales expectations in the next six months, and buyer traffic—increased.”

“This is the sixth consecutive month of increasing sentiment, a leading indicator for starts,” Potapov continued. “Builders have good reason for a positive outlook. Existing-home inventory remains limited as the majority of homeowners are rate-locked into their homes.”

“While affordability constraints weigh on demand, it is a lack of supply that is the limiting factor in today's housing market. There is plenty of demand on the sidelines, and prospective buyers are increasingly turning to homebuilders. As a result, new homes, which have historically made up approximately 11% of total inventory, now make up nearly 30%.”

“Builders don't even need to break ground on new homes to deliver more supply,” Potapov concluded. “In May, there were 164,000 more single-family homes under construction than in February 2020—a 31% increase. As builders chip away at the backlog of homes under construction, single-family completions should continue to trend higher.”



»» *Default Servicing*

SERIOUS DELINQUENCIES CONTINUED TO IMPROVE IN MAY

According to Black Knight, reversing much of April's calendar-driven spike, the national delinquency rate fell 11 basis points in May 2023 to 3.10%—the lowest reported total rate since March 2023's record low of 2.92%. The number of borrowers who were a single payment past due improved by 94,000 (-9.5%), erasing nearly half of the prior month's increase.

Serious delinquencies (loans 90 or more days past due) continued to improve nationally, sliding by 18,000 (-3.7%) from April 2023's reported total, putting the population of such loans down more than 200,000 (nearly 30%) since May of 2022.

In terms of foreclosures, Black Knight reported that foreclosure starts increased to 25,400 for the month (+2.2%), remaining near April's six-month low, and 41% below the same period reported in 2019, the last comparable May before the pandemic. Foreclosure actions were started on 5.1% of serious delinquencies in May 2023, up only marginally from April, and still more than a

full percentage point below the March 2020 recorded rate at the outset of the pandemic. The number of loans in active foreclosure improved by 4,000 in May and is now down 41,000 (-15%) from March 2020's reported total, with foreclosure sales (completions) rising 5.5% from April 2023 to 6,800.

The top five states reporting the highest noncurrent percentage (a combination of foreclosures and delinquencies as a percentage of active loans in that state) include:

- » Mississippi: 7.34%
- » Louisiana: 6.78%
- » Alabama: 5.33%
- » West Virginia: 4.87%
- » Pennsylvania: 4.84%

The five states reporting the lowest noncurrent percentage (a combination of foreclosures and delinquencies as a percentage of active loans in that state) include:

- » Oregon: 2.09%
- » Montana: 2.02%
- » Idaho: 2.01%
- » Colorado: 1.96%
- » Washington: 1.92%

The top five states ranked by 90-plus days delinquent include:

- » Mississippi: 2.21%
- » Louisiana: 1.81%
- » Alabama: 1.55%
- » Arkansas: 1.34%
- » Georgia: 1.23%

The top five states by 12-month change in noncurrent percentage (a combination of foreclosures and delinquencies as a percent of active loans in that state) include:

- » Alaska: -24.21%
- » Connecticut: -15.19%
- » Vermont: -12.33%
- » New York: -11.87%
- » North Dakota: -10.76%

The bottom five states by 12-month change in noncurrent percentage current (a combination of foreclosures and delinquencies as a percent of active loans in that state) include:

- » Idaho: 14.44%
- » Utah: 6.09%
- » Arizona: 5.84%
- » Michigan: 5.62%
- » Georgia: 3.35%

SERVICERS' FORBEARANCE VOLUME DIPS TO THREE-YEAR-LOW

The Mortgage Bankers Association (MBA) latest Loan Monitoring Survey for May 2023 revealed that the total number of loans now in forbearance decreased by two basis points from 0.51% of servicers' portfolio volume in the prior month to 0.49% as of May 31, 2023.

The MBA estimates that 245,000 homeowners are in forbearance plans and that servicers have provided forbearance opportunities to approximately 7.9 million borrowers since March 2020.

By loan type, the share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased one basis point from 0.24% to 0.23%, while Ginnie Mae loans in forbearance decreased five basis points from 1.11% to 1.06%. The forbearance shares for portfolio loans and private-label securities (PLS)

decreased three basis points from 0.61% to 0.58%.

“The number of loans in forbearance is reaching levels not seen since the beginning of March 2020, prior to the passage of the CARES Act,” said Marina B. Walsh, CMB, MBA’s VP of Industry Analysis. “Today, more than 96% of homeowners are current on their mortgages, thanks to the favorable jobs market and the success of loss mitigation options over the past three years.”

By stage, 34.9% of total loans in forbearance were in the initial forbearance plan stage, while 52.6% were in forbearance extension. The remaining 12.5% represented forbearance re-entries, including re-entries with extensions. Total loans serviced that were current (not delinquent or in foreclosure) as a percentage of servicing portfolio volume increased to 96.12% in May 2023 from 95.89% in April 2023 (on a non-seasonally adjusted basis).

Total completed loan workouts from 2020 and onward (repayment plans, loan deferrals/partial claims, loan modifications) that were current as a percent of total completed workouts increased to 74.93% in May from 74.39% month over month.

Of the cumulative forbearance exits for

the period from June 1, 2020, through May 31, 2023, at the time of forbearance exit:

- » 29.6% resulted in a loan deferral/partial claim.
- » 17.9% represented borrowers who continued to make their monthly payments during their forbearance period.
- » 17.8% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
- » 16.1% resulted in a loan modification or trial loan modification.
- » 10.8% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
- » 6.6% resulted in loans paid off through either a refinance or by selling the home.
- » The remaining 1.2% resulted in repayment plans, short sales, deeds-in-lieu, or other reasons.

The five states reporting the highest share of loans that were current as a percent of servicing portfolio included:

- » Washington
- » Idaho
- » Colorado

- » California
- » Oregon

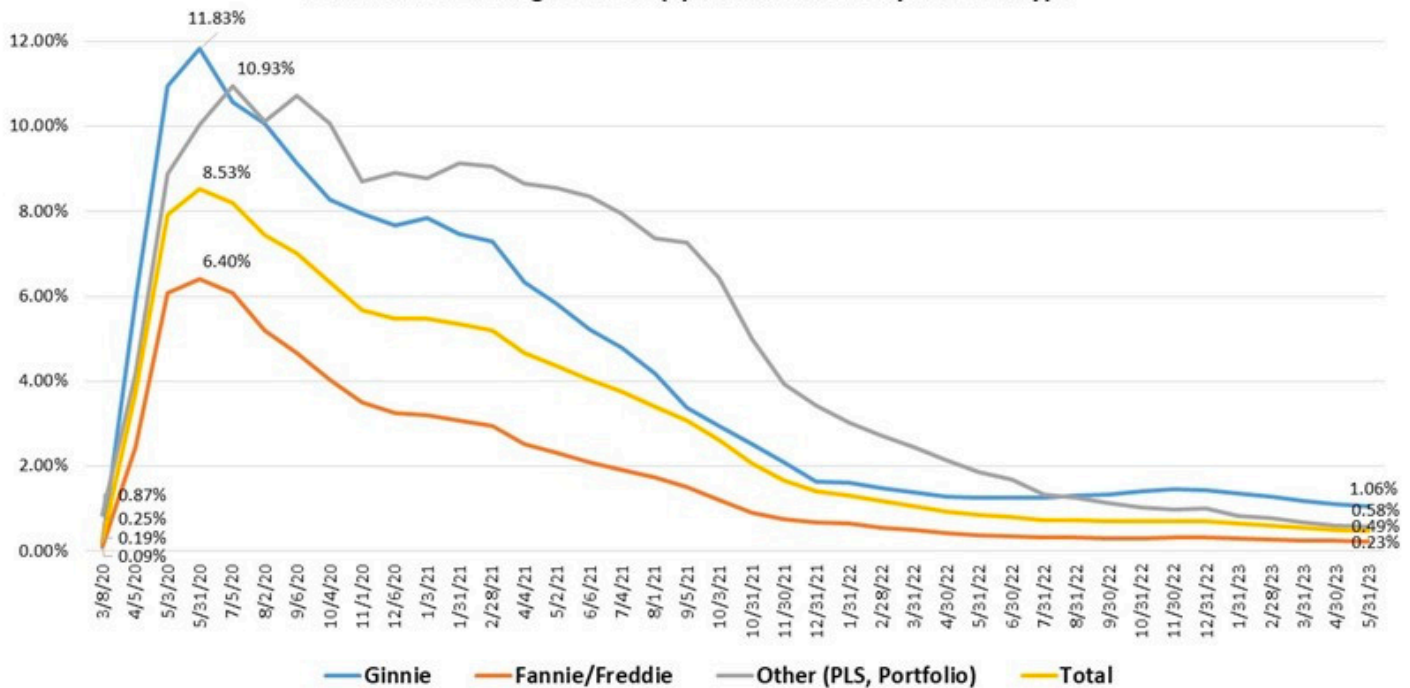
The five states with the lowest share of loans that were current as a percent of servicing portfolio included:

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

According to the U.S. Department of Labor (DOL), for the week ending June 10, the advance figure for seasonally adjusted initial unemployment claims was 262,000, unchanged from the previous week’s revised level. The previous week’s level was revised up by 1,000 from 261,000 to 262,000.

The four-week moving average was 246,750, an increase of 9,250 from the previous week’s revised average—marking the highest level for this average since November 20, 2021, when it was 249,250. The advanced seasonally adjusted insured unemployment rate was 1.2% for the week ending June 3, unchanged from the previous week’s unrevised rate.

Percent of Servicing Portfolio (#) in Forbearance by Investor Type



CRITICAL DEFECT RATE FALLS TO UNDER 2%

ACES Quality Management, a provider of enterprise quality management and control software services for the financial services industry, has released its 2022 year-end Mortgage QC Industry Trends Report which found overall that the critical defect rate at the end of the fourth quarter of 2022 declined 25.5% over Q3 2022, ending the year at 1.84%.

But as averages work, two consecutive quarters that had defect rates over 2% in 2022 meant that the average defect rate for the entire calendar year came out to be 2.07%.

According to ACES, of the four major underwriting categories, credit improved considerably over the third quarter, while liabilities achieved a more modest improvement. Both assets and income & employment increased significantly, ending income & employment's multiquarter trend of decline. Income & employment remained the leading category of defects reported, with assets and borrower and mortgage eligibility completing the top three categories of defects cited.

Appraisal defects also increased during the fourth quarter, ending another run of multiquarter declines. Purchase share remained high during the quarter, with the industry achieving defect parity for the quarter.

ACES further said that despite declining in terms of review share, FHA defects increased for the second consecutive quarter, as did conventional loans. USDA and VA loan defects continued to improve.

"After last quarter's historic high of 2.47%, the reduction in Q4's critical defect rate to a sub-2% level is encouraging and illustrates just how much the precipitous drop in origination volumes impacted lending operations," ACES EVP Nick Volpe said. "However, lenders are starting to see the GSEs take an aggressive stance on repurchase requests for loans with curable defects. In addition, HUD has yet to complete its reviews of some vintage FHA loan production, an area notorious for defects. All of this may spell trouble for lenders that are already financially strapped due to declining volumes."

"Loan defects are one of the greatest sources of financial risk to lenders in today's tight origination market," ACES CEO Trevor Gauthier said. "The best defense against this kind of threat is a robust QC auditing platform like ACES, which helps lenders retain the value of their loan production by identifying the point of origin for loan defects within the manufacturing process and uncovering defect trends to help resolve these issues before they become the impetus for a repurchase request or sale on the scratch-and-dent market."

PANDEMIC POLICIES REDUCED EVICTION FILINGS BY NEARLY 60%

According to a new study from The Eviction Lab, pre-COVID-19, one in every six renters faced an eviction filing each year in a typical high-eviction neighborhood. That fell to only one in twelve renters risking eviction during the pandemic.

As millions of people were laid off over just a few weeks in the spring of 2020, COVID-19 lockdowns were put in place nationwide. Job losses were concentrated

in industries that employ a large number of renters, especially the retail, service, and tourism sectors. With few jobs available and limited savings, these tenants were at immediate risk of eviction if they could not pay next month's rent. Evictions in turn raised the prospect of more households ending up homeless or doubled-up with friends or relatives, conditions that fostered the spread of COVID-19.

Responding to the unfolding emergency, policymakers at the federal, state, and local levels enacted a range of new policies. These included eviction moratoria to prevent immediate displacement, stimulus payments, and expanded unemployment insurance that allowed many tenants to stay current on rent, and emergency rental assistance (ERA) to help them catch up if they fell behind.

These policies drove eviction filing rates to historic lows. The Eviction Lab observed 800,000 fewer eviction cases filed than normal in 31 cities analyzed, representing a reduction of 57.6%. In a research article published in *RSF: The Russell Sage Foundation Journal of the Social Sciences*, experts tracked these patterns in 31 cities across the United States.

The Lab assesses the cumulative effects of pandemic-era policies, analyzing changes in eviction filing patterns over the first two years of the COVID-19 pandemic. They pay particular attention to what these policies did to address socioeconomic, racial/ethnic,

Figure 1. Eviction filings relative to historical average, by month

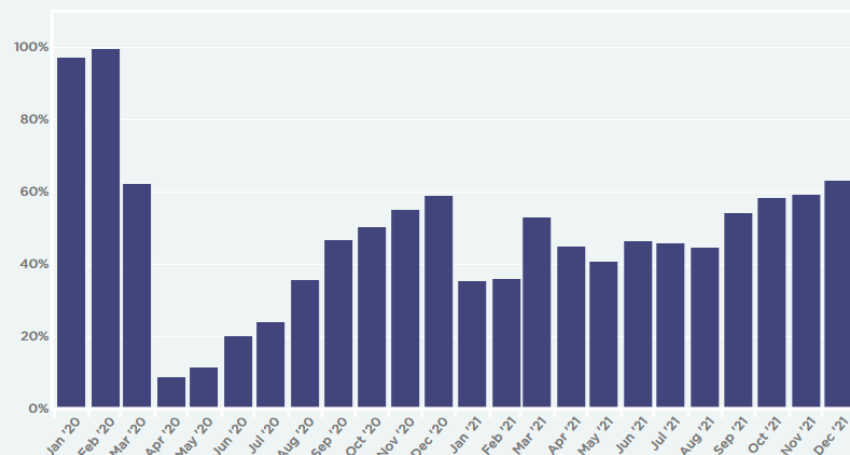
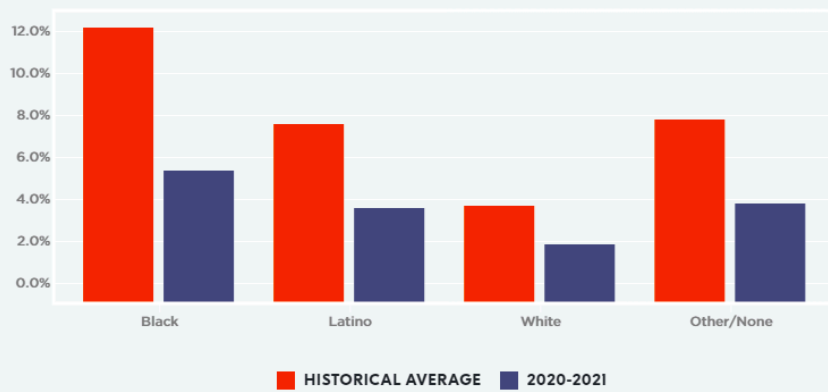


Figure 3. Median eviction filings rates prior to and during the COVID-19 pandemic by neighborhood racial/ethnic majority



and gender disparities in eviction risk that predated the pandemic.

In the article, experts draw on the records of eviction case filings from cities across the country that were collected through the Eviction Tracking System. Those include five of the ten largest cities in the United States—Dallas, Houston, New York City, Philadelphia, and Phoenix—but also several smaller places like Gainesville, Florida, and Wilmington, Delaware. All of these cities were covered by some form of local eviction moratorium at the start of the pandemic, often closing courts due to public health concerns.

However, many state and local governments began rolling back protections in mid-2020: half of these cities had no meaningful emergency eviction protections in place after August 31, 2020.

Between the start of the pandemic and the end of 2021, The Eviction Lab recorded the filing of almost 600,000 eviction cases in these 31 cities. Under normal circumstances, over 1.4 million cases were expected to be filed over the same timeframe.

Filings were reduced most dramatically in the early months of the pandemic, dropping as low as 8.6% of the historical average in April 2020. By fall 2020—with the CDC eviction moratorium in place nationwide—this rate had increased to approximately 50% of the historical average. Filings remained around this level throughout the CDC moratorium and increased slightly after it was struck down by the U.S. Supreme Court in late August 2021.

Eviction filings were reduced much more in some cities than in others. Differences in how county courts interpreted and implemented federal eviction moratoria—as well as the establishment of additional state- or local-level protections—led to a lot of variation in eviction filing rates. Case filings ranged from 78.2% of the historical average in Las Vegas to 15.2% in Austin.

Based on where they lived, a tenant struggling to pay rent was at much greater risk of receiving an eviction filing in Columbus, Ohio, than in New York. For example, except under exceptional circumstances, landlords in Minneapolis-St. Paul could not start the eviction process between March 16, 2020, and June 30, 2021. Over the full study period, eviction filings fell by 81.7% in the Twin Cities.

Experts also explored what effect these protections had in different sorts of neighborhoods. One way of doing that was to look at neighborhoods that normally see lots of eviction cases and those that see relatively few. Pre-COVID-19, one in every six renters faced an eviction filing each year in a typical high-eviction neighborhood. That fell to one in twelve renters risking eviction during the pandemic.

Reductions in eviction filings were much larger in these neighborhoods that normally see the most eviction cases. Eviction filings fell by almost two-thirds in high-eviction neighborhoods and only one-third in low-eviction neighborhoods. Of the 800,000 eviction cases that were avoided during

this period, over 475,000 of them—almost 60%—were missing from the one-fifth of neighborhoods that normally see the most cases filed.

The largest reductions in eviction filings were found in predominantly Black neighborhoods. Under normal, pre-pandemic circumstances, the typical majority-Black neighborhood in our sample had an eviction filing rate of 12.2%, 8.5 percentage points higher than that in a majority-white neighborhood (3.7%). That gap narrowed to 3.5 percentage points during the pandemic. Still, the typical majority-Black neighborhood had a filing rate during the pandemic that was higher than the typical white neighborhood pre-pandemic (5.3% vs. 3.7%). Even with filing rates cut by more than half, the risk of eviction in majority-Black neighborhoods was greater than the equivalent risk in majority-white spaces before the pandemic.

Findings highlight both the potential and the limitations of public policies aimed at reducing the prevalence of eviction. New data shows that an unprecedented combination of restrictions to the eviction process, income supports, and direct ERA (Electronic Remittance Advice) payments to landlords and tenants resulted in a significant reduction in eviction caseloads for a prolonged period.

In the 31 cities analyzed, it was found that 57.6% fewer eviction cases than normal were filed between March 15, 2020, and December 31, 2021. This reduction in filings was concentrated in neighborhoods that normally see the most eviction cases. Filing rates were cut by more than half in majority-Black neighborhoods and neighborhoods with the lowest median income. Overall, Black women saw the largest absolute reduction in eviction filing rates.

Despite these massive reductions, inequalities in eviction risk remained, both between and within cities. During the pandemic, a tenant in Minneapolis struggling to pay rent would have been much better protected from the threat of eviction than an equivalent tenant in Las Vegas. While the absolute reduction in case filings was largest in majority-Black and lower-income neighborhoods, these changes did not eliminate inequalities that existed before the pandemic. Lower-income neighborhoods still saw much higher rates of eviction filing than more-affluent neighborhoods.



» Government

HUD ESTABLISHES INDEPENDENT OFFICE OF MANUFACTURED HOUSING

The U.S. Department of Housing and Urban Development's (HUD) Office of Housing has announced the formation of the Office of Manufactured Housing Programs as an independent office reporting directly to Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon. The Office was previously organized under the Office of Housing's Office of Risk Management and Regulatory Affairs.

HUD's actions acknowledge the key role of manufactured housing in meeting the nation's affordable housing needs, as manufactured housing has figured prominently in the Biden-Harris administration's efforts to increase the supply of affordable housing.

The Office of Manufactured Housing Programs is part of HUD's Office of Housing and will administer the Manufactured Home Construction and Safety Standards, commonly referred to as the HUD Code. The HUD Code establishes federal standards for

the design and construction of manufactured homes to assure quality, durability, safety, and affordability. The Office enforces standards directly or through state agencies that have partnered with HUD, inspects factories and retailer lots, regulates installation standards for homes, and administers a dispute resolution program for defects. The Office also oversees a Manufactured Housing Consensus Committee, a federal advisory committee composed of 21 producers, users, and general interest and public officials to advise HUD.

"This organizational change represents a recognition of the critically important role that manufactured housing plays in our country's housing market," Assistant Secretary for Housing and Federal Housing Commissioner Gordon said. "Thanks to the work executed by our Office of Manufactured Housing Programs over the last two years, we have made significant progress to support the availability of modern and affordable manufactured homes."

Over the past two years, HUD's Office of Manufactured Housing Programs has worked to facilitate widespread changes that will support long-term growth in the availability and acceptance of manufactured homes, including:

- » Supporting the continued production of manufactured homes despite COVID-19

supply chain challenges: The Office supported the ongoing production and availability of manufactured homes by issuing the first-ever industrywide Alternative Construction Letters to alleviate COVID-19 supply chain challenges.

- » Implementing the first major changes in almost a decade to the Manufactured Home Construction and Safety Standards (HUD Code): HUD's final rule for the manufactured housing third set of standards became effective in July 2021 and added provisions to the HUD Code such as attached garages and carports; zero-lot-line townhome-style housing; and requirements for carbon monoxide alarms.
- » Initiating the largest set of proposed changes to the HUD Code in over two decades: Through its combined fourth and fifth set of standards proposed rule published in July 2022, HUD is proposing to bring the HUD Code in line with more recent manufactured housing industry standards, including allowing materials that facilitate modern design approaches and improve quality; allowing certain ridge roof designs; adding provisions for multifamily manufactured homes of up to three units; updating requirements for open floor plans, truss designs, and specifications for attics; and accessibility improvements; and others.

FANNIE MAE EXECUTES CIRT TRANSACTIONS ON \$26.6B OF SINGLE-FAMILY LOANS

Fannie Mae announced that it has executed its sixth and seventh Credit Insurance Risk Transfer (CIRT) transactions of 2023. CIRT 2023-6 and CIRT 2023-7 in aggregate transferred \$789 million of mortgage credit risk to private insurers and reinsurers. These transactions were brokered by Aon plc and sub-brokered by certified minority business enterprise (MBE) Protecdiv.

"We appreciate the continued support

“Protecdiv’s mission is to improve society through insurance, and we are accomplishing this through the fulfillment of the risk transfer and the supplier diversity goals of large U.S. businesses and public entities.”

—Kael Coleman, Founder and CEO, Protecdiv



of the 21 insurers and reinsurers that have committed to write coverage for these deals,” said Rob Schaefer, Fannie Mae VP, Capital Markets. “We’re also pleased to continue our long-standing partnership with Aon and begin a new partnership with their new sub-broker, Protecdiv, a company focused on bringing exceptional service and diverse ideas to its clients and partners. We hope their participation will help draw more diverse-led firms into this space.”

The covered loan pool for CIRT 2023-6 consists of approximately 30,000 single-family mortgage loans with an outstanding unpaid principal balance of approximately \$9.65 billion. The covered pool includes collateral with loan-to-value (LTV) ratios of 60.01 percent to 80% acquired between April 2022 and August 2022. The loans included in this transaction are fixed-rate, generally 30-year term, fully amortized mortgages and were underwritten using rigorous credit standards and enhanced risk controls.

The covered loan pool for CIRT 2023-7 consists of approximately 51,000 single-family mortgage loans with an outstanding unpaid principal balance of approximately \$16.9 billion. The covered pool includes collateral

with loan-to-value (LTV) ratios of 80.01% to 97.00% acquired between July 2022 and September 2022. The loans included in this transaction are fixed-rate, generally 30-year term, fully amortized mortgages and were underwritten using rigorous credit standards and enhanced risk controls.

“Aon has proudly served Fannie Mae since 2014, supporting the development and brokering of their innovative mortgage credit risk transfer transactions with reinsurers,” said Joe Monaghan, Global Growth Leader for Aon’s Reinsurance Solutions and Chief Executive Officer of Aon’s Public Sector Partnership. “We are delighted to collaborate with Protecdiv as we continue to deliver on a shared commitment to greater equity, inclusion, and impact.”

“We are delighted that our work supports Fannie Mae’s mission to improve diversity in housing finance and look forward to working with them to support the company’s efforts in the future,” said Kael Coleman, Protecdiv Founder and CEO. “Protecdiv’s mission is to improve society through insurance, and we are accomplishing this through the fulfillment of the risk transfer and the supplier diversity goals of large U.S. businesses and public entities.”

With CIRT 2023-6, which became effective May 1, 2023, Fannie Mae will retain risk for the first 130 basis points of loss on the \$9.65 billion covered loan pool. If the \$125 million retention layer is exhausted, 20 reinsurers will cover the next 405 basis points of loss on the pool, up to a maximum coverage of \$391 million.

With CIRT 2023-7, which became effective May 1, 2023, Fannie Mae will retain risk for the first 155 basis points of loss on the \$16.9 billion covered loan pool. If the \$262 million retention layer is exhausted, 20 reinsurers will cover the next 235 basis points of loss on the pool, up to a maximum coverage of \$398 million.

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

From inception to date, Fannie Mae has acquired approximately \$25.2 billion of insurance coverage on \$850 billion of single-family loans through the CIRT program, measured at the time of issuance for both post-acquisition and front-end transactions. As of March 31, 2023, approximately \$1.17 trillion in outstanding UPB of loans in our single-family conventional guaranty book of business were included in a reference pool for a credit risk transfer transaction.

TRIO OF BILLS INTRODUCED TO ADDRESS AFFORDABLE HOUSING

Rep. Maxine Waters (D-CA) has reintroduced a legislative housing package aimed at tackling the affordable housing crisis, ending homelessness, and eliminating the racial wealth and homeownership gaps nationwide.

As U.S. home prices have skyrocketed by nearly 40% since 2020, more than 582,500 people are living without a home, and first-time homeownership has reached its lowest level on record.

The Housing Crisis Response Act of 2023 would provide more than \$150 billion in fair and affordable housing investments, representing the single largest investment in affordable housing in our nation's history. These funds would create nearly 1.4 million affordable and accessible homes, help nearly 300,000 households afford their rent, and address the racial wealth gap through the first-ever national investment in homeownership for first-time, first-generation homebuyers. The Housing Crisis Response Act of 2023 is similar to the housing title of the Build Back Better Act, which the House passed last Congress.

Cosponsors for the Housing Crisis Response Act of 2023 include Reps. Juan Vargas, Suzanne Bonamici, Emanuel Cleaver, Sylvia Garcia, Gwen Moore, James McGovern, Ritchie Torres, Al Green, Mark Pocan, Gregory Meeks, Steven Horsford, Nikema Williams, Stephen Lynch, Sydney Kamlager Dove, Rashida Tlaib, Salud Carbajal, Joyce Beatty, Henry C. "Hank" Johnson Jr., Adam Smith, Grace Meng, Eleanor Holmes Norton, Morgan McGarvey, and Brittany Pettersen.

The Ending Homelessness Act of 2023 seeks to end homelessness and reduce poverty in America by transforming the Housing Choice Voucher program into a federal entitlement so that every household that qualifies for assistance would receive it. The Ending Homelessness Act of 2023 would also ban housing discrimination based on source of income and veteran status.

Cosponsors for this bill include Reps. Juan Vargas, Suzanne Bonamici, Emanuel Cleaver, Sylvia Garcia, Gwen Moore, James McGovern, Ritchie Torres, Al Green, Mark Pocan, Gregory Meeks, Steven Horsford, Nikema Williams, Stephen Lynch, Sydney Kamlager Dove, Rashida Tlaib, Salud Carbajal, Joyce Beatty, Henry C. "Hank" Johnson Jr., Adam Smith, Grace Meng, Eleanor Holmes Norton, Morgan McGarvey, and Brittany Pettersen.

The third bill introduced by Rep. Waters is the Downpayment Toward Equity Act of 2023 which would help address the U.S. racial wealth and homeownership gaps by

providing \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their first home. This would include assistance for down payments, closing costs, and to help buy down mortgage interest rates. The lead cosponsors of this bill include Reps. Al Green, Ayanna Pressley, and Sylvia Garcia.

Other cosponsors for this bill include Reps. Juan Vargas, Suzanne Bonamici, Emanuel Cleaver, Sylvia Garcia, Gwen Moore, James McGovern, Ritchie Torres, Al Green, Mark Pocan, Gregory Meeks, Steven Horsford, Nikema Williams, Stephen Lynch, Sydney Kamlager Dove, Wiley Nickel, Rashida Tlaib, Salud Carbajal, Joyce Beatty, Henry C. "Hank" Johnson Jr., Adam Smith, Grace Meng, Eleanor Holmes Norton, Morgan McGarvey, and Brittany Pettersen.

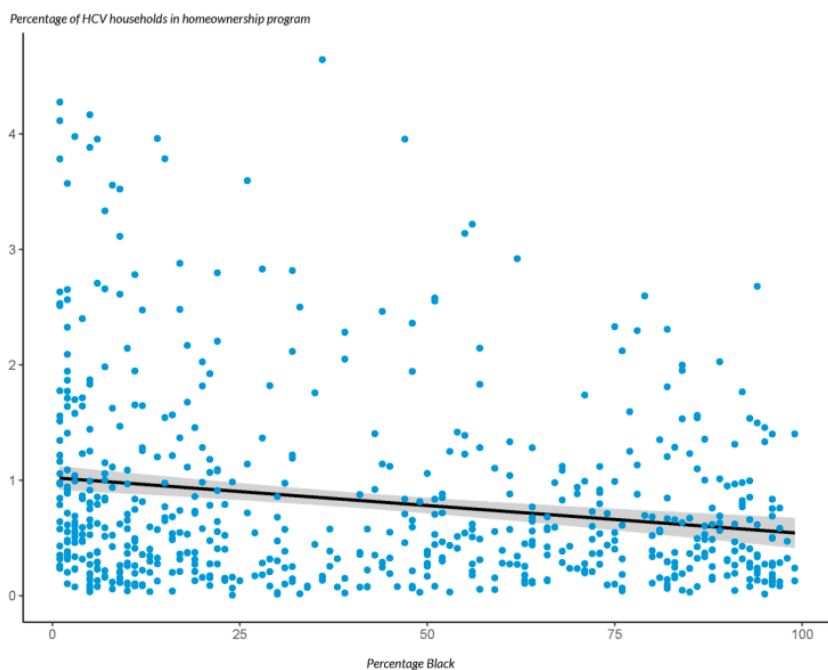
Last Congress, Rep. Waters fought to include these pieces of legislation in the Housing Title of Build Back Better, which passed in the House but did not pass in the Senate.

HOUSING VOUCHERS COULD BE KEY TO REDUCING RACIAL HOMEOWNERSHIP GAPS

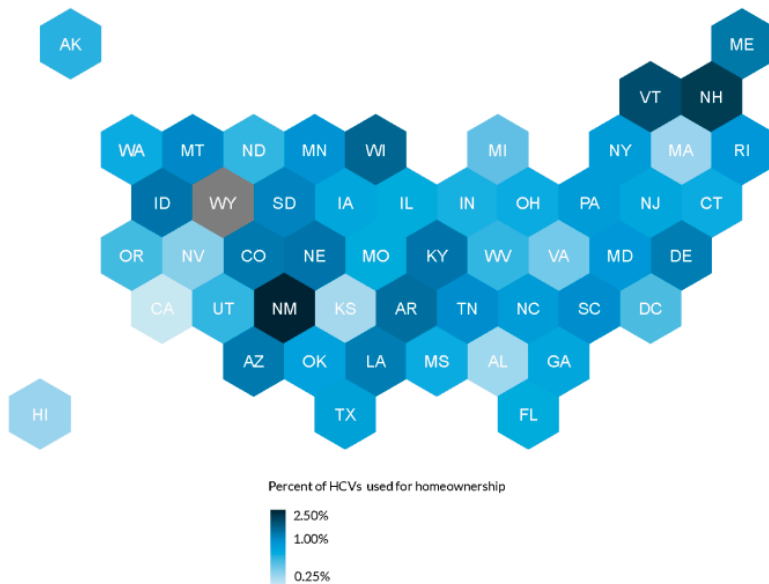
A new study from the Urban Institute finds that increased use of Housing Choice Vouchers (HCV) could significantly reduce the racial gap between Black and white homeownership.

The study—conducted by The Urban Institute in partnership with Urban Strategies Inc. (USI) and funded by JP Morgan Chase—found that more HCVs may help reduce the racial disparity in homeownership, which now sits at its highest in 50 years. A key change would

Percent of Housing Choice Voucher Households in the Homeownership Program Compared to Percent of HCV Households with a Household Head who is Black and not Hispanic, by Public Housing Agency



Share of Housing Choice Vouchers Used for Homeownership, by State (2021)



HUD ANNOUNCES FUNDING TO SUPPORT SMALL COMMUNITIES

The U.S. Department of Housing and Urban Development (HUD) announced a Notice of Funding Opportunity (NOFO) of \$2 million through the HOPE VI Main Street Program. This grant program provides assistance to communities looking to create affordable housing in central business districts (Main Street areas) that are undergoing redevelopment. HUD is looking to target Main Street areas in cities with this funding opportunity.

“HUD recognizes that cities are in need of revitalization across the country,” HUD Secretary Marcia L. Fudge said. “We want to support city governments in their efforts to restore economically crucial business districts by providing housing in these areas.”

- The main program objectives are to:
- » Redevelop Main Street areas
 - » Preserve historic or traditional Main Street area properties by replacing unused commercial space in buildings with affordable housing units
 - » Enhance economic development efforts in Main Street areas
 - » Provide affordable housing in Main Street areas

Eligible applicants are limited to Units of General Local Governments with a population of 50,000 or less and 100 or fewer public housing units within its jurisdiction. The application deadline is 10/12/2023.

allow households with an HCV to use it for mortgage payments rather than rent.

One major contributor is the disproportionate burden that mortgage costs place on Black potential homebuyers. Inequity in income, along with structural racist policies, leads to nearly half of all of the vouchers going to Black non-Hispanic households.

A summary concluded that successful implementation requires collaboration between housing agencies, lenders, and other first-time homebuyer programs.

Historically, discrimination has caused a disparity in access to home ownership and its benefits. Living in inadequate housing requires more upkeep and paying relatively more in property taxes. Legacies of redlining and current discriminatory lending have also hampered Black households’ efforts to gain access to quality housing.

Key findings of the study include:

- » The HCV home ownership program is limited in size and scope.
- » The use of homeownership vouchers is higher in places with lower housing costs and lower fair market rent.
- » Public housing authorities that use the highest share of vouchers for

homeownership tend not to have majority Black non-Hispanic clientele. However, four out of five of the PHAs with the most participants serve majority Black non-Hispanic households in their programs: Philadelphia, Chicago, New Orleans, and Louisville.

- » Foreclosures and non-payment are uncommon.

Strategies that the study said could help close the voucher gap include higher income limits for participants, the creation of a distinct class of vouchers earmarked for homeownership, extending the length of subsidy allowed in the HCV homeownership program, and more funding for the lump sum and/or down payment option.

No one policy or program is likely capable of closing the Black-white homeownership gap, which will take adding nearly five million African American homeowners nationwide. Researchers and policymakers are therefore exploring policies to make housing more affordable, strengthen government mortgage programs, and reduce renters’ barriers to homeownership.

SENS. REINTRODUCE MIDDLE CLASS MORTGAGE INSURANCE PREMIUM ACT

U.S. Senators Maggie Hassan of New Hampshire and Thom Tillis of North Carolina have reintroduced a bipartisan bill, the Middle Class Mortgage Insurance Premium Act, that would cut taxes for middle-class homeowners by restoring and permanently extending an expired tax deduction for middle-class homebuyers with mortgage insurance (MI), as well as expanding the number of families who can qualify for the tax deduction.

“Homeownership is increasingly out of reach for many families in the Granite State and across the country. This bipartisan bill would cut taxes for middle-class families, helping them to buy a house and afford their mortgage,” Sen. Hassan said. “I will continue working to address the housing crisis in New Hampshire.”

Most homebuyers who cannot make a 20% down payment are required to buy MI. Between 2007 and 2021, homeowners could take a tax deduction for premiums paid on MI. In 2020, middle-class homebuyers got an average mortgage insurance deduction of \$2,100 according to IRS data, but this tax cut expired in 2021.

The bipartisan Middle Class Mortgage Insurance Premium Act would restore and permanently extend the MI tax deduction and expand the deduction to more taxpayers by increasing the income limit from \$100,000 to \$200,000 per family.

“With housing prices at record highs and rising interest rates to combat inflation, homeownership has become more unaffordable than ever,” Sen. Tillis said. “I am proud to co-sponsor this bill to provide tax relief for middle-class families so more Americans have an opportunity to own a home.”

The Middle-Class Mortgage Insurance Premium Act was originally introduced in February of 2022 by Sen. Hassan and Roy Blunt of Missouri.

“We thank Sens. Hassan and Tillis for reintroducing legislation that will make permanent and enhance the ability of middle-class homeowners to deduct private and government MI premiums on their individual federal income tax returns,” said Seth Appleton, President of U.S. Mortgage Insurers (USMI). “This targeted tax cut helps make homeownership more affordable, which is especially important in today’s low inventory, higher interest rate housing market. Millions of homeowners have benefited from this deduction since 2007, resulting in critical tax relief for first-time, low- to moderate-income, and minority homeowners. USMI urges swift passage of this bipartisan legislation.”

Last November, USMI joined a coalition of housing finance organizations, including the American Bankers Association (ABA), Mortgage Bankers Association (MBA), National Association of Home Builders (NAHB), and National Association of Realtors (NAR) in sending a letter to the Senate Finance Committee Chairman Ron Wyden urging his Committee to support existing homeowners and prospective homebuyers by modifying current law to make the MI premium tax deduction permanent and increase its income phaseout.

According to USMI, data through tax year 2020 shows that an average of 3.3 million homeowners claimed the deduction annually and received an average deduction of \$1,427. In aggregate, the MI tax deduction has been claimed 43.2 million times, totaling \$61.6 billion of tax relief for American families between 2007 and 2020.

HUD ISSUES FINAL STANDARDS FOR ASSISTED AND INSURED HOUSING

The U.S. Department of Housing and Urban Development (HUD) announced the pending publication of the Final Inspection Standards Notice for the National Standards for the Physical Inspection of Real Estate (NSPIRE) in the Federal Register.

The notice details inspectable items

at HUD-assisted and multifamily-insured properties. This includes a classification of which conditions are considered life-threatening, severe, moderate, or low-risk by item and inspectable area. Additionally, the Notice commits HUD to review standards at least every three years.

“These strengthened standards show HUD places the health and safety of residents first and foremost,” HUD Secretary Marcia L. Fudge said. “As we put their needs first, we are not only doing the right thing, we’re also innovating and becoming more responsive in our Department’s practices across the board.”

“The NSPIRE standards do two things really well. They bring consistency across programs, which is important for housers, and they bring much-needed focus to the areas where residents spend most of their time and conditions that most directly affect their well-being,” Office of Public and Indian Housing Principal Deputy Assistant Secretary Richard J. Monocchio said. “I’m incredibly proud of the team and the Department for the clarity and purpose represented by the Final Inspection Standards Notice.”

NSPIRE improves HUD’s oversight by aligning and consolidating inspection regulations used to evaluate HUD housing across multiple programs. NSPIRE strengthens HUD’s physical condition standards, formerly known as the Uniform Physical Condition Standard (UPCS) and the Housing Quality Standards (HQS).

The new three-year notice review cycle allows HUD to be more responsive to evolving industry standards and the changing needs of the public housing portfolio. This also creates the opportunity for the public to comment and propose changes at regular intervals.

The NSPIRE Standards were tested during the NSPIRE Demonstration and were opened for public comment on June 17, 2022. The final standards were published with changes considering feedback HUD received and additional testing in the field during the NSPIRE Demonstration.

Major changes include:

- » Addressing life-threatening and severe deficiencies within 24 hours. All other deficiencies must be addressed within 60 days or a reasonable period
- » Making the Smoke Alarm Standard con-

sistent with the National Fire Protection Association (NFPA) Standard 72

- » Creating a Fire Door Standard detailing the specific function, operability, and structural integrity requirements for fire doors
- » Requiring carbon monoxide alarms to be installed in compliance with the 2018 International Fire Code
- » Setting minimum temperature requirements during the colder months and requiring a permanent heating source.
- » Including criteria for when guardrails and handrails are required
- » Establishing infestation deficiencies based on discrete levels of observations with clarification on citable pests
- » Developing deficiencies based on observed

mold conditions or elevated moisture levels measured using a moisture meter

- » Including a deficiency for an enhanced visual assessment for deteriorated paint in units where children under 6 years of age reside to document potential lead-based paint hazards. Specifying Ground-Fault Circuit Interrupter (GFCI) protection as a requirement
- » Including affirmative habitability requirements for bathrooms, kitchens, and other rooms utilized by residents

HUD published the final NSPIRE rule on May 11, 2023, that made changes to inspections for the Public Housing and Multifamily Housing programs.

“The NSPIRE standards do two things really well. They bring consistency across programs, which is important for housers, and they bring much-needed focus to the areas where residents spend most of their time and conditions that most directly affect their wellbeing.”

—Richard J. Monocchio, Principal Deputy Assistant Secretary,
Office of Public and Indian Housing



HUD MAKES \$75 MILLION IN FUNDING AVAILABLE TO TRIBAL COMMUNITIES FOR COMMUNITY DEVELOPMENT

The U.S. Department of Housing and Urban Development (HUD) announced that it will make available \$75 million through the Indian Community Development Block Grant (ICDBG) Program. Grant funds may be used for infrastructure, community facilities, housing rehabilitation, public services, economic development, and more to support Native American and Alaskan Native families on Indian reservations and in other Indian areas.

“Investing in our Tribal communities is essential. HUD is committed to ensure support so these communities have access to essential resources.” HUD Secretary Marcia L. Fudge said. “The purpose of these grants is to create more equitable outcomes for Tribal residents.”

The ICDBG program is a competitive program that provides grants to Tribes to carry out a broad range of eligible activities in Tribal areas primarily for the benefit of low- and moderate-income Native American families. Eligible activities include housing rehabilitation, land acquisition, roads, water, and sewer facilities, single or multipurpose community buildings, and public services. Applicants must complete and submit their application on www.grants.gov by September 5, 2023.

“We all know how critical upgrading infrastructure is to all communities, and Tribes take this responsibility seriously,” said Richard J. Monocchio, Principal Deputy Assistant Secretary for Public and Indian Housing. “Tribes are making innovative investments in their communities, and I look forward to seeing some of this great work in person when it is completed.”



Market Trends

HOW MANY AMERICANS ARE LIVING IN MULTIGENERATIONAL HOMES?

A new Rocket Mortgage analysis shows that in the last five decades, the number of Americans living with multiple generations under one roof has quadrupled, according to the Pew Research Center.

More than 59 million people live in multigenerational households or homes that include two or more adult generations. Whether it's parents and adult children or a "skipped generation" consisting of grandparents and their grandchildren, these homes offer a unique dynamic that can be both rewarding and challenging.

Most Multigenerational Homes Today Are Made Up of Parents and Adult Children

When asked about the familial makeup of the people in their homes, respondents said parents and adult children were the most common familial roles represented.

Those who participated in the survey were able to choose multiple answers, revealing an interesting trend in the data. Adults living in a multigenerational home may identify with multiple familial roles, like adult child and sibling.

While many family members may take on the responsibility of multiple familial roles, everyone plays an important part in living communally. Of those surveyed, 60.9% identified their primary role as a parent or parental figure, and 35.6% identified as an adult child. Just 3.5% of those surveyed identified their main role as a grandparent or grandparental figure.

On average, multigenerational homes consist of about four people. As you can imagine, the age range within these households can be quite diverse, with an average age gap of almost 40 years between the oldest and youngest members. Often, as many as four generations live together in one home.

Many individuals surveyed have been living in multigenerational homes for a significant portion of their lives, with 31.7% of respondents reporting a lifelong experience in this type of living situation. It's evident that multigenerational living is not limited to any particular age group but encompasses individuals from various stages of adulthood.

Almost Half of Multigenerational Homes Today Are Driven by Financial Need and Benefit

Those who participated in the survey were able to choose up to three answers when asked why they live in a multigenerational home. The following are the top three reasons from respondents.

Some 48.8% said home affordability and saving money were their main concerns when choosing where and how to live.

Roughly 31.2% of those surveyed said they wanted to spend more time with family.

An estimated 27.9% said providing care for older family members was a significant factor.

Of the 48.8% who said financial reasons were the main reason for multigenerational living, housing costs were the predominant concern. Some 40.2% of those respondents attributed their decision to share a home with family to either: the expensive housing market in their area (21.6%) or the need for multiple incomes to afford their home (18.6%).

Meanwhile, 33.9% said saving money is too difficult without the additional support of multiple incomes supporting the household. Interestingly, only 5.2% of those surveyed cited the reduced cost of older adult care as a primary factor, and just 2.5% cited childcare as their main motivation (7.7% in total).

Living in a Multigenerational Home Can Come With Challenges

Living in a multigenerational home has its advantages and challenges, like any other type of housing situation. If you're new to sharing your living space with multiple people under one roof, communication will be key to finding common ground and living in relative peace—pun intended.

While those in a multigenerational living situation did find benefits of doing so, some 56.5% of survey respondents said they would prefer to live alone in their own home or with their immediate family only if given the choice.

When it comes to challenges, 26.4% of respondents said privacy concerns are common. Additionally, 19.9% chose differences in opinions and beliefs as their primary frustration when living in a large family home. To manage privacy and personal space in daily life, 47.6% of those surveyed emphasized the importance of respecting each other's privacy.

POTENTIAL HOME SAVINGS DRIVING MORE CALIFORNIANS TO TEXAS

Some 111,000 people—an estimated 300 people a day—exchanged the sunny Californian skies for Texan ones in 2021, the peak period of the last decade and a whopping 80% increase compared to 2012 figures, according to a new analysis from StorageCafe.

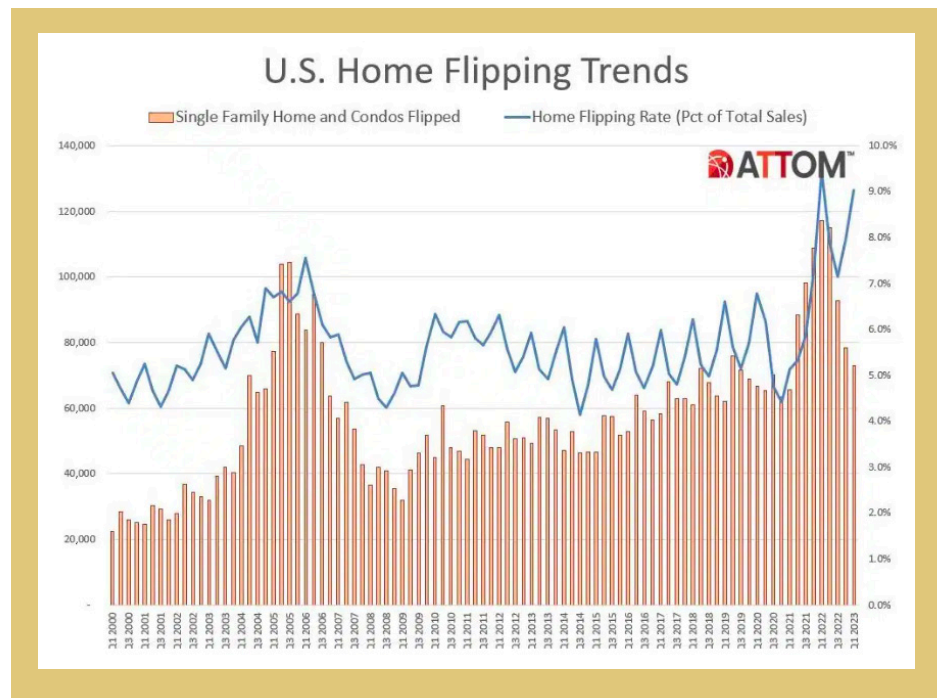
Not only is California to Texas migration not slowing down but the route is also getting more crowded. This route is not a one-way street, but Texans tend to move to California in much smaller numbers. In 2021, a total of 33,000 Lone Star residents made California their home.

Key Findings:

- » California to Texas is the most popular interstate relocation route in the U.S., only challenged by New York to Florida, with 93,000 people making the move
- » 2021 was a record-breaking year in terms of California-to-Texas move-ins, with roughly 111,000 people taking the route
- » In 2021, about 1 in 2 people who migrated from California to Texas were millennials
- » Santa Clara to Dallas County brings in the most savings if you want to buy a home, with a 258% difference in listing prices (\$410,000 vs. \$1,467,000)

The reasons behind a California-to-Texas move are varied, but affordability and job options are major incentives that support the decision to swap one state for another. Among the things that help lure people to Texas are the no-income tax policy, the lower cost of living, and the robust employment opportunities significantly bolstered by the tech and energy sectors.

The remote work trend is further fueling the movement, as many people who are no longer tied down to an office can easily choose friendlier housing markets, sometimes without letting go of their considerable Californian paychecks. In addition to lower housing costs, transplants also get somewhat



larger living spaces, with single-family homes in Texas being 17% bigger than Californian residences. Utilities are generally cheaper in Texas as well, roughly 20% less than in California.

Texas has actively pursued an economic strategy that includes creating a business-friendly environment that helped not only to retain businesses but also attract new ones, including some high-profile movers such as Elon Musk and Joe Rogan, who relocated some of their activities here. As it turns out, over 100 companies have moved their headquarters to Texas since 2020, with 40% of them coming from California.

Millennials With Above-Average Incomes Drive California-to-Texas Migration

Most people moving from California to Texas are millennials, making up 46% of those decamping to Texas. Gen Xers are also jumping on the bandwagon, with 21% of those who moved to Texas being 40- to 55-year-olds. Baby boomers and Gen Zers are also joining in but in much smaller numbers.

The millennials who moved to Texas come with a household income of \$114,000 per year, 21% more than what millennials bring home overall at a national level (\$94,000 per year).

LA County to Collin County Gets Mov-

ers 62% Bigger Houses, While Homebuying Savings Could Reach \$1 Million When Choosing Dallas Over San Jose

Californians have been moving to Texas in droves for over a decade now. But not all locations have the same appeal, especially since California is not an easy-to-let-go state.

Benefitting from historically friendly fundamentals, Texas offers cheaper housing options than California. But for how long remains to be seen, as the massive demand that put an extra strain on the market, particularly on in-demand locations, caused substantial price increases. Based on Zillow data, the median home value in Texas has increased by 54% in the last five years, whereas California's median home values went up by 42% during the same period.

However, overall, Texas still stands out as a great destination for those who seek a more relaxed housing landscape while benefiting from a sound job market in an amenity-laden environment. And for some of those taking the route from California to Texas, the perks can amount to amazing financial savings as well as more living space at home.

Californians Following Two Moving Routes Can Save Over \$1 Million When Buying a Home in Texas

Moving from California to Texas is good news if you're contemplating becoming a

homeowner in the Lone Star State and can say goodbye to Golden State prices. Homes cost, on average, about \$282,000 less here compared to California, amounting to a 70% price tag difference.

Zooming in on county-to-county migration patterns, two moving routes can result in savings of over \$1 million. Buying a home in the Dallas area as opposed to one in San Jose can result in savings of over \$1 million, on average, as the home price difference between Santa Clara and Dallas counties is a whopping 258%.

The second-biggest difference in listing prices is between San Mateo and Travis counties, at 243%, giving homebuyers a chance of nearly \$1.3 million on average in savings.

Most Californians Can Save Over \$1,000 in Rent When Moving to Texas

Renters can easily afford to live in the 25 most popular Texas destinations without shelling out more than 25% on rent, except for the San Diego to Dallas County moving route. Moreover, on 18 of the moving routes, they can save over \$1,000 a month in Texas as compared to their California county of origin.

They can also make hefty savings if they switch from renting in one state to another. Except for the Los Angeles County to Collin County route, renters pay over 50% more in California versus their Texas destinations.

The Los Angeles County to El Paso County move yields the highest savings, as the difference in rents sits at 154%. Renters can pocket close to \$1,580 a month if they make the switch. The second-best savings go to those moving from the San Diego area to San Antonio, with a 110% difference in rental rates, a saving of roughly \$1,470 on rent per month.

FLIPPERS ACCOUNTED FOR 9% OF Q1 HOME SALES NATIONWIDE

ATTOM's Q1 2023 U.S. Home Flipping Report shows that 72,960 single-family homes and condominiums in the nation were flipped in the first quarter of the year—representing 9% of all sales nationwide. Year over year, this read-

“Home-flipping investors across the U.S. may have finally halted the decline.”

—Rob Barber, CEO, ATTOM



ing was down from 9.4% of all home sales in the nation during Q1 of 2022 but was still up from 8% in Q4 2022, hitting the second-highest level this century.

The report also revealed that while flipping activity rose, mixed trends emerged for raw profits and profit margins. Profits and investment returns both increased slightly from Q4 2022 to Q1 2023, but both also remained near low points over the past decade, reflecting ongoing financial struggles for home flippers.

The quarterly gain in the typical profit margin, of 22%, represented a modest reversal of fortune for investors following three years of nearly continuous declines that began well before a slowdown in the broader U.S. housing market last year.

“Home-flipping investors across the U.S. may have finally halted the decline,” said Rob Barber, CEO of ATTOM. “In the first quarter, profit margins showed a slight upward turn after an extended slump, while interest in flipped homes continued to rise among buyers. However, investors shouldn’t assume they’re out of the woods just yet. Home-flipping carrying costs can easily erase a 22% return on gross profits, and it’s possible

that the recent gain is merely a temporary blip. Nevertheless, the first-quarter trends offer some hope for investors indicating that brighter times may lie ahead.”

Among flips nationwide, the gross profit on typical transactions (the difference between the median purchase price paid by investors and the median resale price) increased to \$56,000 in Q1 2023, down 20% from the \$70,000 reported in Q1 2022, and still stood at one of the lowest points since the U.S. housing market began recovering in 2012 from the Great Recession that struck in the late 2000s.

Nevertheless, the total profit of typical flips nationwide was up 4.7% from \$53,500 in Q4 2022.

The typical gross flipping profit of \$56,000 in Q1 2023 translated into a 22.5% return on investment (ROI) compared to the original acquisition price. While the typical margin remained down from 26.9% in Q1 2022—and was still less than half of the 51.5% level recorded in the middle of 2020—it inched up from 21.7% in Q4 2022.

Profits and profit margins turned around a bit in Q1 2023, as median resale prices on



flipped homes went up slightly faster than they were rising when investors were buying homes.

Specifically, in Q1 2023, the typical resale price on flipped homes increased 1.7%, from \$300,000 in Q4 2022 to \$305,000 in Q1 of this year—better than the 1% increase in the median price that recent home flippers were commonly seeing when they originally bought their properties.

The recent profit turnaround—modest as it was—continued an unusual pattern of home-flipping fortunes running counter to the broader housing market nationwide. For the prior three years, investment returns were mostly dropping. That was happening despite prices and profits for traditional sellers soaring during an extended, decade-long boom period for the overall market.

Home flips as a portion of all home sales increased from Q4 2022 to Q1 2023 in 128 of the 172 metropolitan statistical areas around the United States with enough data to analyze (74%). The increases were mostly by less than two percentage points. Among those metros, the largest flipping rates during Q1 2023 were found in:

- » Macon, Georgia, where home flips comprised 16.8% of all home sales
- » Atlanta, where home flips comprised 15.3% of all home sales
- » Jacksonville, Florida, where home flips comprised 15.2% of all home sales
- » Memphis, where home flips comprised 14.4% of all home sales
- » Clarksville, Tennessee, where home flips comprised 14.3% of all home sales

Aside from Atlanta, Jacksonville, and Memphis, the largest flipping rates among metro areas with a population of more than one million were found in Phoenix (13.9%) and Charlotte, North Carolina (13.2%).

The smallest home-flipping rates among metro areas analyzed in Q1 were found in:

- » Indianapolis (4%)
- » Wichita, Kansas (5%)
- » Bridgeport, Connecticut (5%)
- » Madison, Wisconsin (5.2%)
- » South Bend, Indiana (5.3%)

The median \$305,000 resale price of homes flipped nationwide in Q1 2023 generated a gross profit of \$56,000 above the median investor purchase price of \$249,000. That



resulted in a typical 22.5% profit margin, up from 21.7% in Q4 2022. Profit margins rose quarterly in 103 of the 172 metro areas analyzed (60%), although they were still below levels from Q1 2022 in 132, or 77%, of those markets.

Some of the biggest quarterly increases in the typical profit margin during the early months of 2023 came in:

- » Shreveport, Louisiana (ROI up from 38.6% in Q4 of 2022 to 92% in Q1 2023)
- » Lafayette, Louisiana (up from 25.5% to 72.8%)
- » Savannah, Georgia (up from 14.3% to 56.8%)
- » South Bend, Indiana (up from 8.5% to 49.4%)
- » Peoria, Illinois (up from 40.7% to 75.7%)

Despite the quarterly gains, typical flipping profits remained less than 30% in 81 of the 172 metros with enough data to analyze in Q1 2023 (47%) slightly better than the level in Q4 of last year, but it still was worse than the level of a year earlier, when profit margins on median-priced home flips fell below 30% in just a third of those metro areas.

Three years ago, typical investment returns were that low in only a quarter of the same metro areas.

Markets with the largest returns on investment for typical home flips completed during Q1 2023 were found in:

- » Scranton, Pennsylvania (121.9% return)
- » Pittsburgh (109.8%)
- » Flint, Michigan (94.9%)
- » Shreveport, Louisiana (92%)

- » New Orleans (84.6%)

Aside from Pittsburgh and New Orleans, the largest investment returns in Q1 among metro areas with a population of at least one million were in Philadelphia at 78.8%, Baltimore at 69.9%, and Detroit at 68.6%.

Metro areas reporting the weakest returns on typical home flips in Q1 2023 were found in:

- » Austin, Texas (10.2% loss)
- » Phoenix (2.4% loss)
- » Ogden, Utah (0.5% loss)
- » Las Vegas (0.3% loss)
- » Boise, Idaho (0.8% profit)

Examining home flip sales by loan type, of the 72,960 U.S. homes flipped in Q1 2023, 11% were sold to buyers using loans backed by the Federal Housing Administration (FHA), marking the third consecutive quarterly gain. The latest portion was up from 9.8% in the prior quarter, and 7.8% a year earlier.

Among metro areas with a population of at least 200,000 and at least 50 home flips in Q1 2023, those with the highest percentage of flipped properties sold to FHA buyers (typically first-time home purchasers) were found in:

- » Modesto, California (32%)
- » Bakersfield, California (25.7%)
- » Visalia, California (24.4%)
- » Stockton, California (23.8%)
- » Lakeland, Florida (22.2%)

MAY'S EXISTING-HOME SALES POST MINOR GAINS

An improvement is an improvement, no matter how small, and that is the case with May's existing-home sales numbers from the National Association of Realtors (NAR) as sales increased by 0.2% to a seasonally adjusted annual rate of 4.3 million units.

However, May's gain is on a month-to-month basis—year-over-year existing-home sales are down by a massive 20.4%.

Among the four major regions of the country, sales were mixed; the South and West posted improving numbers while the Northeast and Midwest reported sales declines. On a yearly basis, sales decreased in all four regions.

According to the NAR, total existing-home sales numbers include completed transactions for single-family homes, townhomes, condominiums, and co-ops.

"Mortgage rates heavily influence the direction of home sales," NAR Chief Economist Lawrence Yun said. "Relatively steady rates have led to several consecutive months of consistent home sales."

Total for-sale housing inventory at the end of May rose to 1.08 million units, or 3.8%, from April—but on a yearly basis, this number is down 6.1% from one year ago when inventory stood at 1.15 million units. At the current sales pace, that is a three-month supply, up from 2.9 months in April and 2.6 months year over year.

"Available inventory strongly impacts home sales, too," Yun added. "Newly constructed homes are selling at a pace reminiscent of pre-pandemic times because of abundant inventory in that sector. However, existing-home sales activity is down sizably due to the current supply being roughly half the level of 2019."

Looking nationally at the big picture, the median existing-home sales price for all types of housing declined 3.1% year over year from \$408,600 in May 2022 to \$396,100 this May. Prices grew in the Northeast and Midwest but fell in the South and West.

The typical time a home remained on the market in May was 18 days, down from 22 days in April, but up from 16 days over the

“Newly constructed homes are selling at a pace reminiscent of pre-pandemic times because of abundant inventory in that sector. However, existing-home sales activity is down sizably due to the current supply being roughly half the level of 2019.”

Lawrence Yun, Chief Economist, NAR



same period last year. Seventy-four percent of homes sold in May were on the market for less than a month.

An important segment of the market, first-time buyers, were responsible for 28% of sales in May, down 1% from April, but up from 27% last year. All-cash sales accounted for 25% of transactions in May, down 3% from April; year over year this number was unchanged.

Individual investors or second-home buyers, who make up many cash sales, purchased 15% of homes in May, down from 17% in April and 16% the previous year.

Distressed sales—foreclosures and short sales—represented 2% of sales in May, virtually unchanged from last month and the prior year.

Looking specifically at single-family and condo/co-op sales, this number dipped to a seasonally adjusted annual rate of 3.85 million in May, down 0.3% from April and 20% year over year. The median existing single-family home price was \$401,100 in May, down 3.4% from May 2022. Condo and

co-op sales posted a seasonally adjusted annual rate of 450,000 units in May, up 4.7% from last month, but down 23.7% year over year. The median existing condo price was \$353,000 in May, nearly identical to the prior year (\$353,100).

"A temporary capital gains tax reduction on a sale of investment property can lead to a boost in housing inventory, home sales, and the economy," said NAR President Kenny Parcell, a Realtor from Spanish Fork, Utah, and broker-owner of Equity Real Estate Utah. "Policymakers need to seriously consider the measure."

Looking at the data on a regional basis according to the NAR:

- » Existing-home sales in the Northeast declined 2.0% from April to an annual rate of 500,000 in May, down 25.4% from May 2022. The median price in the Northeast was \$439,000, up 2.5% from one year ago.
- » In the Midwest, existing-home sales faded 2.9% from one month ago to an annual rate of 990,000 in May, decreasing 20.8% from

the previous year. The median price in the Midwest was \$298,000, up 1.1% from May 2022.

- » Existing-home sales in the South expanded 1.5% from April to an annual rate of 2.02 million in May, sliding 16.5% from the prior year. The median price in the South was \$361,400, down 2.7% from May 2022.
- » In the West, existing-home sales rose 2.6% from the previous month to an annual rate of 790,000 in May, down 25.5% from one year ago. The median price in the West was \$596,500, down 5.7% from May 2022.

Realtor.com Chief Economist Danielle Hale commented on the NAR's report:

"Sales of existing homes steadied in May, increasing 0.2% to a pace of 4.30 million as gains in the South and West offset mild declines in the Northeast and Midwest. The pace of home sales continues to exceed the 4 million sales low reached in January, yet it still lags year-ago sales by a considerable 20.4%."

"Mortgage rates in April were relatively steady, and the median home sale price continued to decline modestly, dropping 3.1% from May 2022. This gave buyers time to shop without fear of having to reset their housing budgets while on the hunt. Nevertheless, nearly 4 in 5 (78%) home shoppers surveyed this spring thought it at least somewhat likely that they would be priced out of the housing market if home prices and rates continue to rise."

"A dearth of newly listed homes has made it challenging for buyers to find a good match if their criteria are too specific. Although total inventory in May was up 3.8% from April, it was down 6.1% from one year ago, and the number of newly listed homes fell 22.7% behind last May. Nevertheless, a market rendered slightly less competitive amid high costs is opening doors for some buyers. The first-time buyer share dipped from April but was up to 28% in May from 27% one year ago."

"With fewer homeowners poised to become sellers in 2023, buyers have a tough road ahead. Our revised 2023 outlook expects that there will be some positives, namely, a gradual decline in mortgage rates beginning midyear and a continued softness in home prices that will start to stabilize high housing costs. On net home sales are expected to tally roughly 4.2 million in 2023, their lowest annual total since 2012."

BIDDING WARS ARE BACK DUE TO LOW INVENTORY

It looks like the typically hot summer buying and selling season may be in trouble according to a new Redfin report which found the number of homes for sale in May 2023 fell 7.1% to 1.4 million units on a seasonally adjusted basis, which equates to the lowest level in Redfin's history and the first annual decline since April 2022.

In comparison to pre-pandemic numbers, there were 2.2 million homes for sale over the same period in May 2019, meaning that the housing supply is 38.6% below where it previously was.

Housing stock has evaporated due to the lack of people selling their homes due to the lock-in effect. New listings of homes for sale declined 25.2% year over year in May to the third lowest level on record on a seasonally adjusted basis, as homeowners were handcuffed by high mortgage rates.

Due to ultra-low interest rates, the market saw during the pandemic, nearly every homeowner with a mortgage refinanced to get an interest rate below 6%. The average 30-year-fixed mortgage rate in May was 6.43%, up from 5.23% a year earlier and a record low of 2.65% in 2021.

Due to the low inventory levels, the median U.S. home sale price was \$419,103 in May. That's down just 3.1% from a year earlier when prices hit a record high of \$432,311. While home prices fell in May, they posted a smaller decline than they did in April, when prices dropped 4.2% from a year earlier—the largest decrease on record except for January 2012.

"It's too early to say that price declines have bottomed out," Redfin Chief Economist Daryl Fairweather said. "Prices may have room to fall because mortgage rates could still rise. The Federal Reserve just signaled that it is likely to continue raising interest rates this year. That could further hamper homebuyer demand and cause home prices to fall in the near term, though the drops would be minimal. We're unlikely to see double-digit price declines like we did during the 2008 housing crisis."

Fairweather continued: "Many people think it's a bad time to buy a home because mortgage rates are high, but they should keep in mind that when rates do ultimately fall, many buyers waiting on the sidelines could jump back in. That could lead to more bidding wars since there aren't enough homes for sale, and heightened competition could push up prices, offsetting some—or all—of the benefit of lower interest rates."

According to Redfin, the average sale-to-list price ratio, which measures how close homes are selling to their final asking prices,

	May 2023	Month-Over-Month Change	Year-Over-Year Change
Median sale price	\$419,103	2.8%	-3.1%
Pending sales, seasonally adjusted	376,413	-0.2%	-21.4%
Homes sold, seasonally adjusted	421,067	-1.2%	-19.8%
New listings, seasonally adjusted	465,109	0.9%	-25.2%
All homes for sale, seasonally adjusted (active listings)	1,373,089	-5.8%	-7.1%
Months of supply	1.8	-0.4	0.2
Median days on market	31	-5	14
Share of for-sale homes with a price drop	14.5%	1.8 ppts	3.6 ppts
Share of homes sold above final list price	37.5%	3.9 ppts	-21.5 ppts
Average sale-to-final-list-price ratio	100%	0.5 ppts	-3.1 ppts
Share of home offers written by Redfin agents that faced competition, seasonally adjusted	46.7%	-1.1 ppts	-9.4 ppts
Pending sales that fell out of contract, as % of overall pending sales	14.4%	1 ppt	2.2 ppts
Average 30-year fixed mortgage rate	6.43%	0.09 ppts	1.2 ppts

was 100% in May, meaning the typical home that sold was purchased at its list price. That's down from 103.1% a year earlier but is the highest level of any May on record prior to the pandemic and follows nine straight months of sub-100% sale-to-list price ratios.

Closed home sales are falling, but not as quickly as they were at the start of the year—sales fell by 19.8% year over year in May, the smallest drop in nearly a year and an improvement from the 35.3% decline in January. Pending home sales performed similarly. They fell 21.4% year over year on a seasonally adjusted basis in May, the smallest drop since last summer and an improvement from the record 36.1% decline in November. Pending sales were down 16.1% from May 2019 levels.

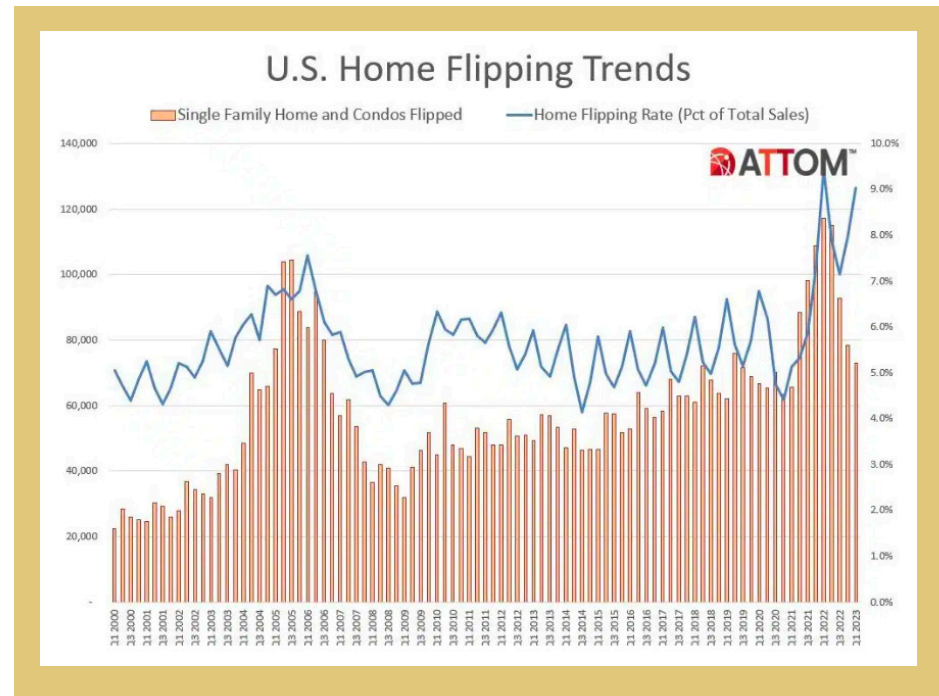
HOMEOWNERSHIP RATE CONTINUES TO GROW AMONG BELOW-MEDIAN INCOME FAMILIES

It may be a hard pill to swallow, but the U.S. economy is stalling as higher interest rates are weighing on rate-sensitive sectors like housing and credit. However, the economy remains resilient, and the broader economy has weathered several adverse shocks since the COVID-19 pandemic and has yet to reach recession conditions.

Housing activity has slowed, to be clear, but favorable demographic tailwinds from first-time home buyers have bolstered the housing market and led to surprising news: the total homeownership rate can be attributed to the strong growth in the below-median income homeownership rate, which has increased from 48% to 53.4% since 2016.

Looking at the economy, the U.S. Bureau of Economic Analysis reported that the Gross Domestic Product (GDP) was up by 0.2% to an annualized rate of 1.3% during the first quarter of 2023. This marks the third consecutive quarter of positive GDP growth, but the pace is slowing. This number is also influenced by Gross Domestic Income (GDI), which decreased by 2.3% during the first quarter of 2023.

According to Freddie Mac, in theory, GDP and GDI should be identical as aggregate expenditures always equal income. However, research has shown that the GDI measure



can be more predictive of future output growth than GDP.

Despite the potential contraction in activity indicated by GDI, the labor market remains resilient. The unemployment rate did increase in May by 0.3 percentage points to 3.7%; the largest month-over-month increase since the onset of the COVID-19 pandemic.

However, an increase in job openings caused the ratio of job openings to unemployed persons to jump up to 1.79 in April 2023 from 1.67 the month before. Despite the rise in the unemployment rate reported in the household survey, the establishment survey reported that nonfarm payrolls increased by 339,000 in May.

In addition, average hourly wages increased 0.3% over the month, and 4.3% year over year, to \$33.44/hr.

Looking specifically at the housing market, per the National Association of Realtors (NAR), existing home sales pulled back by 3.4% in April to a seasonally adjusted annual rate of 4.28 million.

In addition, a separate report from the U.S. Census Bureau and the Department of Housing and Urban Development found that new home sales increased 4.1% in April. Since the beginning of the year, existing home sales have averaged a seasonally adjusted 655,000 sales, a 2% increase year over year. The simultaneous decline of existing

home sales and increase of new home sales has shifted the composition of the home sales market toward new home sales.

Citing a NAR report, Freddie Mac reported that as of April, there is 2.9 months' supply of existing homes based on the current rate of sales. Existing homes typically sold in 22 days in April. Looking at new homes, there is a 7.6 months' supply according to the Census Bureau.

Overall, the total number of single-family homes available for sale remains low at 1.3 million units, only 8.1% above its all-time low in February 2022. Furthermore, as the number of existing homes available for sale has dwindled while available new homes are relatively higher, the share of active for-sale inventory of new homes has reached nearly 30%.

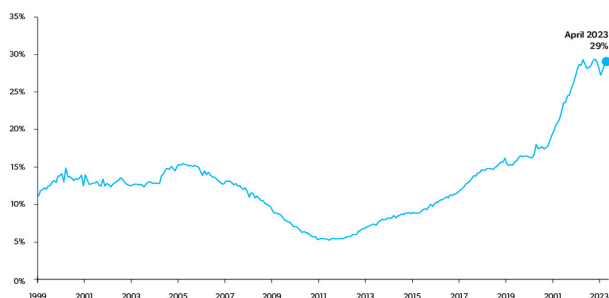
Freddie Mac says the divergence between the new and existing home sales markets are suggestive of the lock-in effect because homeowners with lower rates on their mortgages have a lower propensity to list their home due to today's elevated interest rates.

Among recent developments in the mortgage market, the standard 30-year fixed-rate mortgage has begun to increase, recently coming in at 6.79%, the highest reading since November 2022.

Originations in the first quarter of 2023 totaled \$344 billion, the lowest quarterly total

EXHIBIT 3

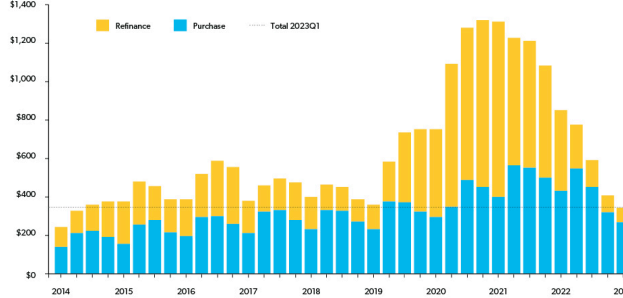
New home inventory as % of total for-sale inventory



Source: National Association of Realtors, U.S. Census Bureau and U.S. Department of Housing and Urban Development

EXHIBIT 4

Quarterly U.S. single-family mortgage originations (\$ billion)



Source: Freddie Mac Economic & Housing Research group

since the second quarter of 2014, as higher mortgage rates are dampening mortgage application activity.

Purchase applications were down 6.9% during the last week of May, while refinance applications dropped 11% after seasonal adjustment. Due to seasonality in the housing market, mortgage originations will likely increase in the second quarter, but full-year 2023 originations will almost certainly be below 2022 levels.

Still, mortgage performance remains strong, especially when compared to other types of credit. According to data from Transunion, the share of loans 60 days or more past due fell 0.01 percentage points from Q1 2021 to Q1 2023 for mortgages, while it increased by 0.36 percentage points for autos, 0.80 percentage points for Bankcards and 1.1 percentage points for unsecured personal loans over the same period.

“Overall credit performance remains solid for higher credit quality borrowers, but that is in an economy with unemployment rates below 4%,” Freddie Mac said in their report. “If the labor market outlook darkens, mortgage performance could weaken, and rising delinquency rates spread to higher credit quality borrowers.”

Looking ahead, Freddie Mac says the future of the housing and mortgage markets remains uncertain; while Freddie Mac is not forecasting a recession in their baseline outlook rather a slowdown in growth and an uptick in unemployment as the most likely scenario.

MIDWEST TOPS LIST OF MOST POPULAR CITIES FOR RENTERS

As high home prices and the peak rental season bring out more renters looking for apartments, renting has become the new buying, according to RentCafe’s June Rental Activity Report.

The new reports find that the Midwest is the most popular region for renters, followed by the South. Overall, the South claims 12 entries in our June ranking—the most out of all regions. The Midwest follows with 10 spots, including the top four. Atlanta (#7) goes on as the highest-ranking city in the South for the third consecutive month.

Kansas City, Missouri, is June’s most desired city by renters, maintaining its top spot from last month. Neighboring Overland Park, Kansas, comes next, followed by Minneapolis in third place. Apartment listings in these cities saw the most engagement this month on rentcafe.com due to high rates of rental properties saved to favorites, personalized searches, scarce unit availability, and overall high listing views.

Nearly half of this month’s most sought-after top 30 cities are located in the South, after six new locations in the region entered our ranking. For example, North Carolina tech hub Charlotte made it to the 20th spot, while neighboring college town Greensboro is this month’s 30th most in-demand city for renters.

Further north along the East Coast, New York City’s most affordable borough, the Bronx, jumped three more places to

#14 in this month’s ranking. At the same time, Queens, New York; Philadelphia; and Chicago all fell a few positions but are still among the nation’s most sought-after places by renters in June.

South Claims Most Cities in Top 30 but Midwest Takes Highest Spots

The top 30 most sought-after cities by renters in our June rental activity report include 12 cities in the South after a wave of new entries from the region. But the Midwest dominates the top five with Kansas City, Overland Park, Minneapolis, and Cincinnati occupying the first four spots.

Another Midwestern city on our list is Indianapolis, which jumped an impressive 13 spots to #13. More precisely, views of apartment listings in the city increased by 13% compared to last June. At the same time, Indianapolis rentals on rentcafe.com became more popular this month as apartment hunters saved 25% more personalized searches.

However, what’s more impressive is that renters favored seven times more properties than a year ago, showing more determination to move to a new place in the city.

To the north, Chicago dropped seven spots to #22 but nevertheless remains sought-after by renters. Specifically, there were 7% fewer listings available this month versus last June as the number of apartments added to renters’ favorites list nearly tripled. Madison, Wisconsin (#23), and Columbus, Ohio (#24), complete the list of Midwestern hubs in the top 30.

Meanwhile, the Bronx is the Northeast’s highest-ranking location at #14 after climbing three spots since last month. New York City’s most affordable borough saw an impressive



Top 10 Cities for Rental Activity in June



46% year-over-year decline in the number of apartments available for rent, reflecting high demand from renters. Traffic on listings pages for the borough rose by nearly 50%, and the number of apartments favorited by renters doubled in that same timeframe. However, Queens (the other NYC borough in the top 30) fell to #25.

Similarly, Philadelphia (the third Northeastern urban hub on our list) dropped six spots to #19 but remains a highly desirable place for renters. Rentals in Philly get filled up fast, which is reflected in the 9% decrease in available listings this month versus last June. Plus, the number of personalized searches saved by renters doubled as the number of favorited listings quadrupled.

Vibrant Cities in the South Infuse Top 30

June's rental activity report saw the highest number of new entries thus far: One-third of the most in-demand cities this month made the list for the first time.

Overland Park is June's highest-ranking newcomer at #2, followed by Omaha, Nebraska, at #11. It's worth noting here that Nebraska's largest city climbed a whopping

32 places as listings in the city attracted 12% more views this month versus last June. Although the number of available apartments for rent remained virtually unchanged compared to one year ago, renters saved 32% more personalized searches and favorited six times as many apartments. This shows that this city's great balance between the cost of living and job opportunities is attracting renters' attention.

Florida's Hialeah joins Orlando (#8) and Fort Lauderdale (#18) in the ranking at #17. Located within the hot Miami metro, Hialeah is buzzing with rental activity. In particular, high rental demand led to 26% fewer available listings this month compared to last June, while online traffic for rentcafe.com rental pages in the city increased by 12%. Additionally, renters saved 70% more personalized searches for apartments in the city compared to one year ago.

North Carolina tech hub Charlotte (#20) and college town Greensboro (#30) are also part of our top 30 most in-demand cities for renters for the first time. Charlotte climbed 12 spots as renters favorited three times as many listings this month versus last June and saved

23% more personalized searches. Similarly, Greensboro made it on our list after jumping 17 places as the number of favorited apartments tripled.

Not to be outdone, Little Rock, Arkansas, ranks 21st after pulling off a notable climb of 56 spots. Renters are often drawn to Little Rock due to its small-town vibe and big-city amenities.

As a result, Little Rock apartment listings on rentcafe.com attracted 46% more views compared to one year ago. Plus, apartment hunters favorited triple the properties in that same timeframe, thereby pushing the city up in the ranking.

Madison, Wisconsin; Glendale, Arizona; Birmingham, Alabama; and Richmond, Virginia; round out the list of new entries in the June rental activity report.

June's rental activity report saw the highest number of new entries thus far: One-third of the most in-demand cities this month made the list for the first time.



FINAL THOUGHTS

This month's Final Thoughts quotes examine current market conditions, builder and homebuyer sentiments, and how homeowners locked into low rates continue to fuel the nationwide housing supply shortage.

“a double whammy”

Redfin Deputy Chief Economist **Taylor Marr** discusses how high mortgage rates are discouraging both homebuyers and sellers, predicting the likelihood that mortgage rates may not drop below 6% before the close of 2023.



“borrowers are unwilling”

Joel Kan, MBA's VP and Deputy Chief Economist, speaks on the rate at which refi applications remain more than 40% behind last year's pace, as elevated mortgage rates have spurred a surge in borrowers that are unwilling to give up their lower rates.



“sitting on the sidelines”

Redfin Economics Research Lead **Chen Zhao** explains how potential homebuyers are waiting for rates to decline before jumping into a market short on inventory.



“a sizeable jump”

Nick Bailey, RE/MAX President and CEO, details the increase in May home sales, which signaled the start of the peak selling season, and how the lack of inventory throughout the U.S. remains a major obstacle for prospective buyers.



“a high-stakes version of the game musical chairs”

Zillow Senior Economist **Orphe Divounguy** discusses the deficit of nearly 4.3 million affordable homes fueling the lingering affordability crisis.

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