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# Mortgage

# Point

Magazine

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MAY 2023

## CRACKS IN THE FOUNDATION?

*MortgagePoint* examines the impact of the recent bank failures on the mortgage space, with a cross-section of experts imparting their perspectives on how to avoid similar issues in the future.

### *In this Issue*

#### **DEBT AS DIVERSIFICATION**

Nonperforming loans and real estate owned (REO) assets as alternative asset anchors.

#### **BRACE FOR THIS TRIFECTA OF RISK**

Why zero repurchase risk is only the result of the new normal.

#### **MAKING STRIDES**

Here are the keys to accelerating proptech and real estate technology through venture capital.



# 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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Industry Information

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# WHEN HISTORY DOESN'T REPEAT ITSELF

**T**his month, in the second edition of *MortgagePoint* magazine, we take a closer look at the recent collapse of several of the nation's banking institutions. American author and filmmaker Michael Crichton, known for the creation of the *Jurassic Park* world, once said, "If you don't know history, then you don't know anything. You are a leaf that doesn't know it is part of a tree."

Fresh in the mind of many in the industry is the housing crisis of 2007-2008. When the recent failures of Silicon Valley Bank (SVB) and Signature Bank became major headlines, many in the industry got the feeling of déjà vu as a pervasive feeling that the financial meltdown of 07-08 was again set to rear its ugly head. This month's cover story "Cracks in the Foundation?" takes a deeper look at the impact of these recent bank failures on the mortgage space, as we gathered a cross-section of experts to share their perspectives on how to avoid similar issues in the future and what lessons were learned from the demise of these institutions.

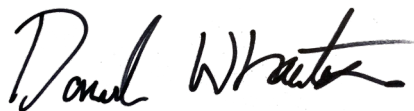
If you are struggling to garner new business, Louis Amaya, Co-Founder and CEO of PEMCO Capital Management, shares his thoughts on non-performing loans and real estate owned (REO) assets as alternative asset anchors to generate new avenues of revenue in his article, "Debt as Diversification." Amaya discusses distressed real estate debt, and how investors are exploring alternative strategies such as increasing their exposure to non-traditional asset classes like real estate or commodities to provide more diversification benefits.

Also on tap this issue, E. Thomas Booker III, Chief Strategy Officer for Candor Technology, takes a deep dive into repurchase risk and navigating market volatility in his article, "Brace for This Trifecta of Risk." Booker explains the human role of mitigating risk daily, and how to properly wade through changes in the 10-year price, the pricing benchmark of the mortgage finance space.

Throughout its history, venture capital has often been associated with innovation, disruption, and technology. In our May 2023 issue, we hear from Chris Bixby, Managing Director of Venture Capital Strategies for Rice Park Capital Management, as he discusses the keys to accelerating proptech and real estate technology through venture capital in his submission, "Making Strides." As Bixby details, the mortgage and real estate sectors are benefiting from a new wave of best practices gleaned from other industries that underwent digital disruption which, in turn, is increasing competition and inspiring quicker innovation.

In addition to these insightful features, *MortgagePoint* keeps its finger on the pulse of all involved in the mortgage finance space, leaving no stone unturned in our efforts to bring you all the industry has to offer for yet another jam-packed issue.

Thank you again for your support of our publication.



David Wharton  
Editor-in-Chief



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## SHARE OF DELINQUENT MORTGAGES DROPS



# PIONEERS OF THE NEW FRONTIER



## DOCMAGIC INTRODUCES ADA-COMPLIANT LOAN DOCUMENTS

**D**ocMagic Inc. has announced the addition of Americans with Disabilities Act (ADA)-compliant mortgage loan documents to its document library. The new digital documents are accessible to visually impaired users and others with disabilities, unlocking opportunities for these consumers into the broader mortgage market.

“Much of modern lending technology is designed to give consumers the convenience to access loan documents in the ways that work best for them,” said Dominic Iannitti, President and CEO of DocMagic. “It is imperative that our industry remain inclusive of all borrowers, and that we design solutions that are accessible to all. By creating ADA-compliant documents, we can continue to ensure that more borrowers are able to easily access, and participate in, the loan process.”

DocMagic’s ADA-compliant loan documents are data-driven and designed to automatically identify and index critical document components during the document generation process. ADA metadata tags are applied to each of these components within the documents. These metadata tags function like HTML code, logically displaying a document’s organizational structure and content hierarchy. The metadata tags include content-level details as well as descriptive text for images, logos, etc. along with specific semantic instructions designed to make all text understandable via an advanced Text-To-Speech (TTS) engine that accurately translates on-screen information into clear speech through earphones or speakers.

The new ADA-compliant documents

have been implemented at scale by some of the nation’s largest financial institutions, enabling them to serve more clients and lead the way in providing a heightened level of customer support and an exceptional user experience. Lending entities of all types and sizes trust DocMagic’s document generation and eMortgage services to streamline the mortgage lending process, resulting in significant business benefits and a measurable ROI.

To comply with the Americans with Disabilities Act, digital content must be free of barriers that may prevent those with disabilities from accessing information. Mortgage lenders that implement ADA-compliant documents promote equality and accessibility for disabled borrowers nationwide. Additionally, they help lenders mitigate legal complaints and resulting fines based on ADA standards. Ultimately, DocMagic’s ADA compliance project is a crucial step in the mortgage industry that creates a more inclusive and accessible world for those living with disabilities.

## BIG PURPLE DOT INTEGRATES CHATGPT INTO ITS CRM

**B**ig Purple Dot (BPD), a provider of customer relationship management (CRM) and recruiting solutions, has announced the integration of ChatGPT into its CRM ecosystem. Big Purple Dot has become one of the first CRM companies in the mortgage and real estate industry to offer its clients an advanced conversational artificial intelligence (AI) solution that leverages natural language processing (NLP) to easily and efficiently interact with their clients and streamline their sales processes, resulting in a significant improvement in customer

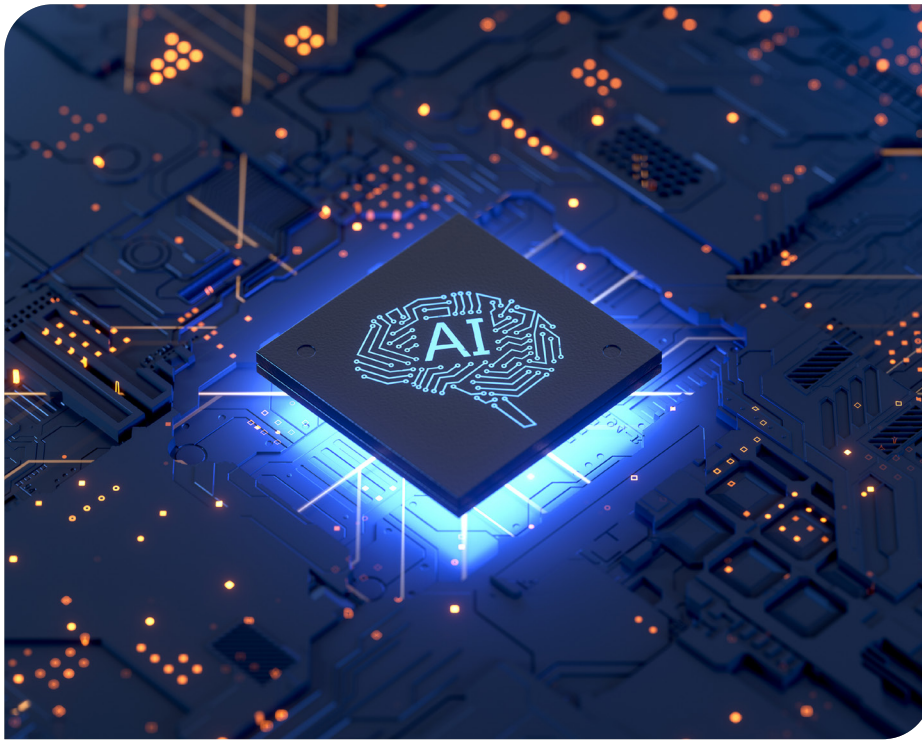
satisfaction, lead generation, and operational efficiency.

ChatGPT is an advanced conversational AI model by OpenAI that uses NLP to understand and respond to user inquiries in real-time. By integrating ChatGPT into its CRM ecosystem, Big Purple Dot will empower its customers to deliver a seamless conversational experience that allows them to interact with their leads and customers in a more natural and intuitive way.

“We are excited to be one of the first CRMs in the mortgage and real estate industry to integrate with ChatGPT,” said Roxana Davidoff, CEO and Founder of Big Purple Dot. “The integration of ChatGPT with our CRM platform will revolutionize the way loan officers, real estate agents, and recruiters communicate with their clients. With natural language processing capabilities, our users can provide quick, accurate responses to clients, freeing up more time to focus on building relationships and closing more deals.”

With the integration of ChatGPT, Big Purple Dot’s clients can now benefit from a range of features, including:

- » Natural Language Processing: BPD AI Assistant can understand and respond to natural language queries, making it easier for customers to communicate and respond to leads in a more human-like way.
- » Accurate responses: BPD AI Assistant uses deep learning techniques to generate accurate responses to user queries, providing a high-quality conversational experience.
- » Handle sales objections: Users can navigate through sales objections effortlessly and seamlessly through responses generated by BPD AI Assistant geared towards objection management.
- » Sales management: The ability to manage an entire sales team with ease using BPD AI Assistant to facilitate sales and communication coaching.



- » Seamless UI/UX: Use ChatGPT features directly in the native Big Purple Dot UI for an intuitive and seamless user experience.

## ZILLOW ANNOUNCES NEW HOMEBUYER SEARCH TOOL

Zillow has announced a new way to shop that can assist homebuyers navigate a rapidly changing market and find homes that fit within their desired budget. The new filter shows homes within a range of all-in monthly costs, instead of list prices.

A calculator also estimates monthly payments users could afford, based on down payment, income, and monthly debts.

Last year's drastic rise in mortgage rates sent monthly costs for buyers skyrocketing—nearly \$700 more than the year before in recent months—and are now \$431 higher than in March 2021. High rates combined with record-breaking home appreciation have nearly doubled monthly mortgage costs

since 2020. Rates are also extraordinarily volatile. Home prices nationwide started falling in June and flatlined this year, but shifting mortgage rates often swung costs by more than \$100 month to month.

“Shoppers looking at list prices struggle to figure out what they can really afford, because the mortgage rate is what makes or breaks a monthly payment. Adding in costs like taxes, insurance, and HOA fees can quickly bust a shopper’s budget,” said Amanda Pendleton, a Consumer Finance Expert at Zillow Home Loans. “This new search tool does the math, so shoppers can confidently jump into finding a home they love and can afford.”

Shoppers can start with Zillow’s linked affordability calculator, entering their down payment amount, income, and debts to estimate the monthly mortgage cost they can afford. Then they enter their monthly budget range into the filter to start shopping. Updated mortgage rates feed into the filter, showing homes and hiding others to keep shoppers on budget as rates and price cuts change the monthly payment math.

A new survey from Zillow Home Loans found that the most difficult financing activity among prospective homebuyers is understanding all costs associated with a mortgage payment, followed by figuring out how much

home they can afford, and researching mortgages and rates.

“Fast-rising mortgage rates last year pushed monthly costs up with unprecedented speed, dragging affordability to its lowest point in more than 20 years,” said Orphe Divounguy, Senior Macroeconomist at Zillow Home Loans. “Beyond the high costs, volatile mortgage rates have made it extremely difficult to plan and budget to buy a house.”

The new filter—coming soon to zillow.com—is the company’s latest technology geared toward helping buyers navigate a challenging affordability landscape. Down payment assistance that’s built into listings—letting shoppers see what’s available for them where they are looking—as well as mortgage and affordability calculators, can all help homebuyers make sense of the fast-moving market.

Although typical home values peaked in June before tapering off, mortgage rates that reached 20-year highs later in the year caused monthly mortgage payments to peak in October, Zillow data shows.

## TAVANT BOLSTERS ITS AI-POWERED TOUCHLESS LENDING PLATFORM

Tavant has announced the launch of Asset Analysis to Touchless Lending, the company’s AI-powered digital lending platform.

With this addition, Touchless Lending will have the ability to provide coverage over all four major underwriting components, including income, credit, collateral, and soon, asset analysis.

“This upcoming launch of Touchless Lending Asset Analysis will perfectly complement our currently available underwriting products—Document, Income, Credit, Collateral, and Decision Analysis—and put Tavant one step closer to achieving our goal of enabling straight-through processing and fully automated underwriting for mortgage providers,” said Mohammad Rashid, Head of Fintech Innovation at Tavant. “Our current

Touchless Lending products reduce the cost to process and underwrite by \$1,000 per loan and achieve a scale of double-digit underwrites per day per underwriter. With Asset Analysis fitting in as the final piece, Touchless Lending will be capable of having even more of an impact on reducing cycle times and origination costs for lenders.”

Asset Analysis automates an underwriter’s process of reviewing assets and multiple bank statements, allowing them to ensure that the borrower’s assets are responsibly sourced and quickly determine the likelihood that the borrower will have sufficient funds to cover down payments, closing costs, and reserves for the mortgage transaction. Asset Analysis checks for relevant loan details and document acceptability to identify and condition for large deposits or deposits from sources that are inconsistent with the loan application. Furthermore, AI and ML models are integrated into Asset Analysis to automatically review bank statement withdrawal transactions to detect, identify, and condition for anomalies, undisclosed financial transactions, or any recurring payments in the statements.

“Touchless Lending Asset Analysis will identify, calculate, then determine borrower eligibility and derive qualified income across bank statements based on the investor or pro-

gram-specific requirements,” said Hemanthkumar Jambulingam, Director of Fintech Product Management at Tavant.

Touchless Lending provides mortgage processing and automated underwriting as part of the end-to-end mortgage manufacturing pipeline. Loan officers, processors, and underwriters have the ability to utilize Touchless Lending’s machine-oriented, optimized workflows to engage with borrower data and property data to make better decisions faster instead of relying on physical documentation and manual data entry. This solution automates the loan production process, allowing lenders to originate mortgages quicker, while reducing costs and repurchasing risks. Touchless Lending also integrates with existing systems, including client CRM, POS, and LOS.

“Tavant offers the flexibility for lenders to determine whether they want to benefit from the whole Touchless Lending automation suite or instead choose one or a few analyses independently of the others,” Rashid added. “Even if using all that Touchless Lending has to offer is guaranteed to generate higher productivity and efficiency than using only a portion of the platform, we understand that every lender is unique, and at Tavant, we are here to help you identify the optimal path to accommodate your specific needs.”

**“Touchless Lending Asset Analysis will identify, calculate, then determine borrower eligibility and derive qualified income across bank statements based on the investor or program-specific requirements.”**

—Hemanthkumar Jambulingam, Director of Fintech Product Management, Tavant



## CUBICASA COLLABORATES WITH BRIGHT MLS ON FLOOR PLAN FUNCTIONALITY

**C**ubiCasa, a real estate software company, has announced a collaboration with Bright MLS, a Multiple Listing Service (MLS), to offer CubiCasa’s easy-to-use floor plan creation app to Bright subscribers. The collaboration will expand the use of floor plans on listings within the Bright MLS ecosystem, adding a new level of transparency to property listings and empowering home buyers to make more informed purchasing decisions.

“Bright has identified visual media, including floor plans, as being critical to the success of listings, and we have invested heavily in innovating in the space,” said Richard McDonald, VP of Business Development & Strategic Partnerships, Bright MLS. “With CubiCasa, we see an opportunity to offer subscribers a way to simplify the floor plan creation process so that listings are more effective, allowing our members to maximize the value they provide to their clients.”

The collaboration with Bright MLS is part of CubiCasa’s MLS Partnership Program, launched in December, and marks the 11th MLS to join the growing program. The program empowers agents with free floor plans for new listings, discounted pricing for optional add-on features, and access to CubiCasa’s directory of professional real estate photographers who are already actively using CubiCasa.

According to the National Association of Realtors (NAR), floor plans are the second most desired feature on a home listing after standard listing photos and property data. However, only a small share of home listings in the United States have floor plans today. CubiCasa’s unique product offerings and the power and reach of the partnership with Bright MLS aim to change that.

“We’re thrilled to welcome Bright MLS to our MLS Partnership Program,” said Jeff Allen, President of CubiCasa. “We’re on a mission to bring floor plans to every listing in the U.S. because of the immense value it can create for an organized real estate ecosystem,



## GUARANTEED RATE ESTABLISHES DIGITAL INSURANCE MARKETPLACE

**G**uaranteed Rate Insurance has announced that it is now offering customers a new method to compare and purchase home and other insurance policies from more than 50 top-rated carriers, all at once, with a single online application. The new digital insurance marketplace is embedded into Guaranteed Rate's home financing application process, offering an additional way to get to the closing table faster. The insurance marketplace has been designed to integrate with other business partnerships outside of mortgage to make purchasing insurance much easier for customers.

"This platform is another example of how Guaranteed Rate Insurance is driving fintech innovation," Guaranteed Rate Head of Insurance and EVP Jeff Wingate said. "Our goal is to create a seamless and easy-to-use digital experience to meet our customers' fast-paced lifestyles."

Customers can enter basic demographic information to receive a variety of quotes for home and auto insurance coverage. To create this new insurance marketplace, Guaranteed Rate's Insurance Product

and Technology team leveraged their nearly 30 years of insurance technology expertise to build an innovative, proprietary, secure, and intuitive end-user digital experience.

"As we continue to rapidly innovate, our goal is to continue to provide customers with best-in-class online tools that simplify the process of shopping for, comparing, and purchasing insurance. That's our commitment," said Ryan Haggard, Guaranteed Rate Insurance's Vice President and Head of Insurance Product and Technology.

Guaranteed Rate Insurance will continue to expand its digital insurance marketplace throughout 2023 and beyond, offering additional carriers and integrated products to the platform providing customers with more options and even faster results.

"Our parent company has long been a technology pioneer and leader in home mortgages," Wingate added. "We are now perfectly positioned to offer a digital insurance marketplace to ensure that our customers are properly covered and confident in their insurance options."

and Bright is a great partner in that vision."

Bright MLS currently covers more than 20 million consumers across Delaware, Maryland, New Jersey, Pennsylvania, Virginia, Washington D.C., and West Virginia.

## FIRST AMERICAN ADDS SECURE DOCUMENT PORTAL TO PRISM

**F**irst American Title Insurance Company has announced the addition of a secure document portal to its PRISM digital platform, an enhancement that is designed to help First American policy-issuing title agents reduce wire fraud risk and simplify communication with customers. This new security feature allows title agents to provide their customers with secure access to wire instructions, and transaction documents under the protection of multifactor authentication, while it automates notifications for document and transaction updates.

"We're committed to helping our title agents and their customers prevent wire fraud, while also simplifying the real estate transaction experience," said Stephen Vincini, President of First American Title's Agency Division. "With the PRISM platform and its secure document portal, our title agents can quickly and easily offer their customers greater peace of mind and more visibility to the status of their documents and transaction, freeing up time to focus on other business and customer priorities."

Launched in 2022, PRISM provides First American policy-issuing title agents with a variety of automation and marketing tools to help their businesses grow and to better serve their customers. The PRISM platform also features integrations with third-party services to enhance the efficiency and convenience of the settlement process for title agents, lenders, real estate agents, and the buyers and sellers they serve. PRISM also connects title agents to the following services available only from First American Title:

- Customizable marketing materials through Agent Print Pro
- Property data, including transaction history and current owner information

- Automated settlement/closing fee quotes that include local recording fees, transfer taxes, along with title insurance policy and endorsement rates through First American's Comprehensive Calculator

## BLACK KNIGHT LAUNCHES MOBILE APP FOR THE OPTIMAL BLUE PPE

**B**lack Knight, Inc. has announced the release of a new mobile app for the Optimal Blue PPE. Now available for iOS users, the Optimal Blue PPE (OB) Mobile app provides loan officers with the flexibility to access scenario pricing functionality from any location to assist in conversations with prospective borrowers.

The app also provides users with access to an array of pricing inputs and granularity, including the ability to view custom fields and save favorites, functions currently available on the web version of the Optimal Blue PPE.

"We are highly engaged with our clients, and we continuously look for ways to better serve their needs," said Kevin McMahon, President of Optimal Blue, a division of Black Knight. "Our decision to enhance our digital capabilities to deliver OB Mobile is a direct outcome of this feedback; our clients told us they preferred a mobile app over a mobile-friendly website, and we delivered. OB Mobile is an extension of our commitment to both our clients and ongoing innovation, and we look forward to continued investments to serve the market."

OB Mobile allows users to price scenarios and save favorites to a dashboard for quick access. With a single tap, scenarios can be refreshed to show the best product, rate, and price, as well as any interest rate movement on a given day. The app displays an array of pricing inputs and granularity currently available on the web version of the Optimal Blue PPE, including custom fields. All eligible products and rates are presented, including any adjustments, notes, and advisories. Ineligible products are also displayed, along with a reason for ineligibility.

"The flexibility to access quotes anytime and anywhere adds valuable time back in a busy loan officer's day," McMahon said. "Most importantly, it helps them provide the best possible experience to prospective homebuyers, which is crucial in today's competitive market."

## ENDPOINT LAUNCHES SIGNING SERVICE FOR MOBILE NOTARIES

**E**ndpoint, a digital title and settlement company, has announced the launch of Jot, a new platform that will streamline real estate transactions by connecting experienced notary signing agents with home buyers and sellers.

Notaries who join the Jot network will have access to real estate transactions managed by Endpoint and First American Title, providing the opportunity to receive a steady stream of signings.

Led by industry veteran Jaelyn Fox, Jot combines proprietary technology with the human touch of a dedicated management team to provide notaries with what they need when they need it, creating a better overall experience for home buyers and sellers and notaries.

"Endpoint's mission is building the first end-to-end digital and title settlement experience to make the closing process easy for all, and that inspired the creation of Jot," Endpoint CEO Scott Martino said. "Finding a notary to manage the signing process can be time-consuming and stressful. Jot's proprietary technology matches home buyers and sellers with a qualified notary for their transaction and makes it easy for notaries to accept assignments that fit within their schedule, while providing the tools to successfully manage their business and access to professional development resources."

Developed with mobile notaries in mind, Jot's platform notifies notaries of signing opportunities and provides real-time notifications that help them to manage their business from their desktop or phone.

The platform also automates payments, so notaries receive weekly payments without

the hassle of submitting an invoice. In addition, Jot will provide notaries with an opportunity to be a part of a community, giving them access to workshops and other resources that allow them to build their professional network and help grow their business.

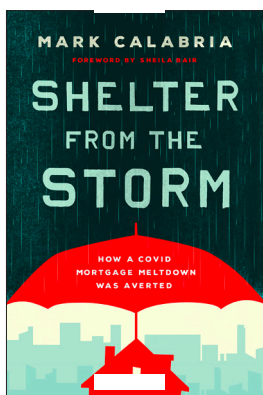
## MMI ADDS VIDEO PRODUCTION TOOL FOR LOAN ORIGINATOR PROMOTION

**M**obility Market Intelligence (MMI) has announced the release of LO Highlight Reels, an easy-to-use video creation tool for loan originators (LOs) looking for an eye-catching way to share their success and increase their visibility. With their LO Highlight Reel, an LO can generate a video reel summing up their last 12 months of loan production and then share their unique reel URL across their professional network.

The LO Highlight Reel tool supplies users with a customizable, mobile-friendly video featuring their own up-to-date production numbers, ensuring a visually pleasing, always current video. Once created, each LO's reel will continuously update with market data from the MMI platform to stay current, meaning it can always be safely shared without fear of the data falling out of date. Additionally, an LO can customize their attached profile to include their headshot, contact info, social links, relevant disclosures, and even a call-to-action button. Beyond sharing the custom URL, LOs can also embed the video on their personal website.

"The LO Highlight Reels started as a way for MMI to show our clients what the numbers behind their past year looked like, but in a really visual and fun way. We debuted the reels at a couple of conferences last fall, and they were a huge hit. We were immediately inundated with requests from LOs who wanted to create the videos themselves and share them with their network and on social media," MMI Founder and CEO Ben Teerlink said. "We took that request and ran with it. Now, MMI users can create and share their own LO Highlight Reels whenever and wherever they please."

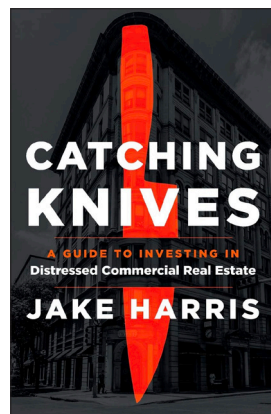
# EXPAND YOUR SKILLS, GAIN INSIGHT, AND GET INSPIRED WITH THESE TOP PICKS



## *Shelter From the Storm: How a COVID Mortgage Meltdown Was Averted*

by MARK CALABRIA

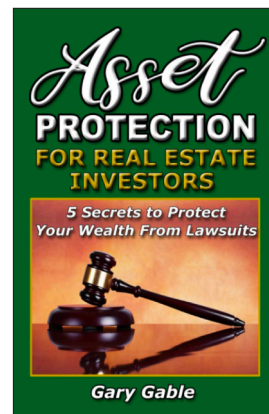
It's an open fact that the COVID-19 pandemic upended our daily lives and transformed the political landscape—not only was the health care system pushed beyond its limits, but the pandemic presented an unprecedented threat to our economic well-being. As Director of the Federal Housing Finance Agency, author Mark Calabria was at the helm, leading the response to the crisis. In his own words, this book tells the story of what Calabria had to do to keep millions in their homes and offers a peek behind the curtain of backroom conversations and decision-making during a national crisis that protected taxpayers from funding real estate bailouts.



## *Catching Knives: A Guide to Investing in Distressed Commercial Real Estate*

by JAKE HARRIS

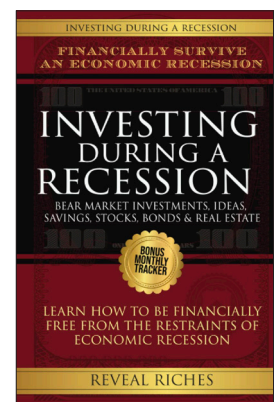
Every recession has the chance to majorly affect your life, but knowing when to invest in a distressed market can create a life of financial freedom. With over 20 years of experience under his belt, author Jake Harris helps guide you through the first steps of smart investing in distressed properties, which can be an absolute steal if you strike at the right time. This book provides a high-level view on the concepts of distressed real estate and how to place yourself to strike should a recession occur.



## *Asset Protection for Real Estate Investors: 5 Secrets to Protect Your Wealth From Lawsuits*

by GARY GABLE

Are you doing enough to protect your real estate assets? Author Gary Gable answers that question in his new book, which is an easy-to-understand practical guide to legally protect your assets before it's too late. From accidental injuries to jaded contractors, these situations can surprise property owners and potentially lead them down a path of ruin. This book will help you discover the ins and outs of different business entity types, as well as providing a look at trusts, explore how to protect personal assets from litigation, and give you an in-depth look at LLCs and how to maximize their benefits.



## *Investing During a Recession: Bear Market Investments for Recession-Proof Business*

by REVEAL RICHES

If you feel like you're in rut when investing and want to take control of your finances, knowing how to best allocate your finances in a recession can pay out hand over fist. This book teaches you the benefits of compound interest and developing a savings strategy to build wealth early, how to soundly invest during recession conditions, and how to make smart investments such as real estate and mutual funds so you can quickly turn small amounts of money into large sums. If you need help and step-by-step instructions on how to make money in a bear market, including investing in real estate, this is the book for you.

# MOVING FORWARD TOGETHER

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# Movers & Shakers

## » Lenders/Serviceers

### CENLAR FSB TAPS BRAD CARGILE AS VP OF IT INFRASTRUCTURE



Cenlar FSB, a mortgage loan subservicer, announced that **Brad Cargile** has been appointed VP of IT Infrastructure.

Cargile, who has 30 years in systems infrastructure, data center migrations, system virtualization, and consolidation, will be responsible for implementing and servicing management of all technology infrastructure deployed at Cenlar. This includes data center, network and server services, telephony, service monitoring, user support/help desk, workstation management, servers, storage, and related software.

"We are excited to have Brad join the team as we continue our efforts to implement innovative technologies across the company that better serves our clients and their homeowners and improves our employee experience," Chief Information Officer Steven Taylor said. "Brad's strategic vision and operational leadership related to IT infrastructure will further guide us in advancing our modernization journey."

Prior to joining Cenlar, Brad was most recently at Fidelity National Information Services where he served as Technology Strategy Director. He was also VP of Systems Infrastructure at GMAC Mortgage/Ally Bank.

"I look forward to working with the Cenlar team. With my experience and skill set in business process enhancement, solution development, and infrastructure design, I hope to greatly support Cenlar's IT initiatives," Cargile said.

Cargile earned a Bachelor's degree in business administration from Texas State University. He also attended the School of Engineering and Applied Science for networking technologies at Southern Methodist University.

### DOVENMUEHLE ADDS ANNA KROGH AS VP OF BUSINESS DEVELOPMENT



Dovenmuehle Mortgage, Inc. (Dovenmuehle), a mortgage subservicing company, announced that **Anna Krogh** has been hired as the

company's VP of Business Development. In this role, her responsibilities will include growing Dovenmuehle's client list by sourcing new prospects and fostering and developing long-term relationships and clients.

"I'm honored to be part of this team and such a strong brand," Krogh said. "Dovenmuehle is a highly respected and recognized name in the mortgage industry and servicing space, and I look forward to working with the great people who have made that possible. My goal is to support Dovenmuehle's long-term growth objectives and be an easily accessible, informational source for current and prospective clients, ensuring client satisfaction and confidence."

Krogh has more than a decade of experience in the financial services space and comes to Dovenmuehle from Associated Bank, where she served as the SVP, Sales Team Leader, following a promotion from VP, Treasury Management Officer. In addition to Krogh's prior experience in treasury and cash management sales at Bank of America, Merrill Lynch, and JPMorgan Chase, she began her career in loss mitigation at Bank of America.

"Anna's breadth and depth of knowledge and experience in the financial sector makes her a valuable addition to our team," Dovenmuehle SVP of Business Development David Allison said. "She has a deep understanding of servicing and a proven track record of delivering results, which will help her make an immediate and positive impact on the business development team and for Dovenmuehle's clients."

Founded in 1844, Dovenmuehle is a mortgage subservicer for commercial banks, credit unions, independent mortgage lenders, MSR investors, and state housing finance agencies nationwide. The company subservices portfolio loans, as well as loans sold to Fannie Mae, Freddie Mac, Ginnie Mae, and the Federal Home Loan Bank with servicing retained.

### MOMENTUM LOANS EXPANDS LEADERSHIP



Lance Miller, President of Momentum Loans, has announced the appointment of **Rob Allphin** as EVP.

"Momentum is recognized in the mortgage industry for operational excellence and efficiency, and Rob brings exactly what we need to build on that excellence—an ability to ramp up production by guiding a team that is customer and loan officer-centric," Miller said.

Allphin has worked in the residential mortgage industry for 30 years and is recognized as a national leader in sales and production.

"Momentum is the perfect fit for me. They are extremely well run, and I am honored with this opportunity to further expand and strengthen our team. I look forward to building a culture of 'We' with our Momentum family. Having worked alongside great teams at First Colony, Guild, and Academy Mortgage, I am excited to take our Momentum team to the next level," Allphin stated.

During the internal announcement, Miller said, "I love Rob's passion for helping others to build dreams. Our goal isn't to be the biggest mortgage company, but to work hard to make Momentum the best company in terms of reputation, integrity and delivery. We want our builders and our real estate agents who work with us to have absolute confidence that we will always be there for them and their clients."

Founded in 2017, Momentum Loans is a residential mortgage lender. They provide mortgage services to loan officers and realtors, with a focus on building strong partnerships with builders and real estate companies. Momentum offers a range of mortgage products, including conventional

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

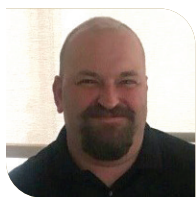
— Miki Adams, President, CBC Mortgage Agency



loans, FHA loans, VA loans, and more. More recently, as rates have moved higher, Momentum has developed new programs, including securing forward commitments that have helped deliver 30-year mortgage rates as low as 4.875%.

### » Service Providers

#### CBC MORTGAGE AGENCY HIRES SEASONED CAPITAL MARKETS DIRECTOR



CBC Mortgage Agency (CBCMA), a nationally chartered housing finance agency and source of down payment assistance for first-time homebuyers,

has hired **Mark Leslie** as Director, Capital Markets. Leslie has spent more than two decades as a mortgage trader, including

senior trading positions at Stearns Lending, Guaranteed Rate, and Caliber Home Loans.

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

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

Leslie holds a bachelor’s degree in economics from Virginia Tech.

“During my 22 years as a mortgage trader, I’ve worked through several extreme mort-

gage market cycles that taught me invaluable lessons that apply to today’s high-rate environment,” Leslie said. “I look forward to using this experience to help CBC continue to provide down payment assistance programs that enable low- to moderate-income families across America to achieve homeownership.”

Founded in 2013, CBC Mortgage Agency is a nationally chartered housing finance agency. The company helps low-to-moderate income consumers, often in minority neighborhoods, achieve the dream of homeownership. CBCMA, which was recognized as one of the Top 25 Companies in Mortgage & Servicing by MReport, is a wholly owned subsidiary of Cedar Band Corp., a federally chartered tribal corporation founded by the Cedar Band of Paiute Indians.

#### MGIC ANNOUNCES NEW BUSINESS DEVELOPMENT LEADERSHIP



Mortgage Guaranty Insurance Corporation (MGIC), the principal subsidiary of MGIC Investment Corporation, announced three promotions in the area

of Business Development, designed to further strengthen the company’s longstanding commitment to customer experience and relationships.

**Danny Garcia-Velez** becomes SVP of Business Development and Marketing, having joined MGIC in 2017 with extensive experience in housing policy, product management, and community development. He quickly stood out as a leader and innovator who has taken on successive leadership roles in the ensuing years. In August 2020, he was promoted to VP of Business Development, and in 2022, he was again promoted to Group VP, Head of Regional Sales and Marketing.

“Danny’s strong background paired with his vision are ideal for today’s market and the needs of our customer,” said Sal Miosi, President and Chief Operations Officer. “His leadership and capabilities will be on full display as he leads our business development and marketing efforts into the future.”



Mike Kull will now lead MGIC's National Account effort as Group VP, National Accounts. Kull has over 24 years in the mortgage insurance

business and has served as both VP, Managing Director of the Eastern Region and VP, National Account Manager after spending 11 years as a field representative.

"Mike has extensive background with national and regional customers," Garcia-Velez said. "His laser focus and deep domain expertise will ensure we are well positioned to best meet the needs of our National Accounts."



Kristy Stecker assumes responsibility as VP, National Account Manager after spending the past nine years working with accounts in Arizona

and New Mexico, during which time she has demonstrated an outstanding ability to help her customers cultivate their business.

"Kristy's tireless work ethic and competitive drive are core to how she approaches her life and her work," Kull said. "They will translate very well to her customers through her new role in National Accounts."

## POLLY APPOINTS PARVESH SAHI AS CHIEF REVENUE OFFICER



Polly, a provider of innovative mortgage capital markets technology, announced that **Parvesh Sahi** has joined the company as Chief Revenue Officer

(CRO). Sahi's appointment comes as Polly continues to experience record growth and adoption across the mortgage landscape. As CRO, Sahi will be involved in all aspects of go-to-market activity and ongoing customer success, playing a vital role in corporate strategy, business development, sales, account management, and the continued evolution of Polly's partner ecosystem.

Sahi joins Polly from ICE Mortgage Technology, where he spent the last 11 years in various executive roles leading sales, strategy, client management, and business develop-

**“One of the many things that attracted me to Polly is the company’s genuine commitment to product execution and delivering on client expectations to meet the evolving needs of lenders, and the industry as a whole.”**

Parvesh Sahi, Chief Revenue Officer, Polly



ment teams across the Ellie Mae, MERS, and Simplifile brands. During this time, Sahi established the largest partner ecosystem in the industry and helped grow revenue to over \$1 billion. He also played an active role in helping to identify and execute on multiple key acquisitions over his tenure. Throughout his impressive career, Sahi has remained committed to driving mortgage innovation that delivers a superior customer, partner, and borrower experience—a passion he will continue to advance at Polly.

"One of the many things that attracted me to Polly is the company's genuine commitment to product execution and delivering on client expectations to meet the evolving needs of lenders, and the industry

as a whole," Sahi said. "Powered by true next-generation and best-in-class technology, as well as intuitive software with a unique cloud-native approach, Polly is truly modernizing the mortgage capital markets space and innovating at a speed and scale that far surpasses legacy incumbents. This is process transformation that we have not experienced in this industry segment for more than two decades, if ever. The figure of 50+ feature and product releases per year speaks for itself and demonstrates the team's agility and responsiveness to meet customer demands."

"The addition of Parvesh to our team represents another defining moment for Polly," explained Adam Carmel, Founder and CEO of Polly. "I have no doubt that he will be

instrumental in institutionalizing and scaling key areas of our business and equipping Polly for even greater future success as we experience accelerated growth. Of course, no matter how much Polly grows, we are first and foremost committed to constantly delivering value to Polly's customer partners and putting lenders' needs first. We are able to achieve this by innovating at a speed that is unmatched in the industry, but also holding our service-oriented DNA as a constant. Parvesh's expertise will be central to this objective. I have known Parvesh for years and could not be more excited about the opportunity to partner with him."

Since its launch in 2019, Polly has continued to turn industry heads as a pioneer of mortgage innovation. Representative of this, former Fannie Mae executive and industry veteran Andrew Bon Salle and former Ellie Mae CEO and mortgage industry visionary Jonathan Corr both joined Polly's board of directors in 2022.

## VOLLY NAMES TOM RICE AS SVP OF SALES



appointment of **Tom Rice** as SVP of Sales and Account Management.

Rice brings more than 20 years of experience in business development, go-to-market strategy, and market plan execution. His responsibilities include leading a vibrant sales team, accelerating revenue growth through newly launched initiatives and programs, and helping to drive the company's strategic direction.

"I am beyond excited to have Tom join us here at Volly," CEO Katharine Loveland said. "His vast knowledge of the financial industry, clear focus on customer relationships, and

Volly, a provider of dynamic technology and marketing services for banks, credit unions, and mortgage companies, has announced the

strong background in building top-performing sales teams are paramount to our organization's success."

Prior to joining Volly, Rice was SVP of Sales at Open Lending for six years and Regional Sales Manager at CUNA Mutual for 16 years.

"I am thrilled to be a part of the Volly team," Rice said. "I joined the company at a very exciting time. Volly is an incredibly innovative company with a people- and values-first approach that I greatly admire."

Volly's comprehensive marketing automation suite and exceptional creative services team are used by industry leaders to help them capture and convert new business faster and retain customers for life. The company recently completed an extensive rebranding effort in response to changing market conditions, accelerated growth, and a renewed focus on clarity of mission, vision, and values.

INTRODUCING

# MortgagePoint Magazine

THE INDUSTRY'S MOST VALUED PUBLICATIONS  
**JOINING FORCES**

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



## KIAVI APPOINTS SEASONED FINANCE LEADER ALEX URMERSBACH AS CFO



Kiavi, a provider of financing to real estate investors, announced the appointment of **Alex Urmersbach** as CFO. In this role, Urmersbach will lead

Kiavi's financial strategy and operations, including the company's Finance, Accounting, Capital Markets, and Business Operations functions.

"We're thrilled to welcome Alex to Kiavi's leadership team," said Arvind Mohan, CEO of Kiavi. "Alex's extensive experience in driving growth via innovative, value-creating financial strategies will further enhance Kiavi's ability to reliably serve our customers across the nation as well as our capital markets partners," Mohan added.

Urmersbach brings more than 20 years of experience in financial management, driving growth, and operating scale to his new role. Prior to joining Kiavi, he held CFO positions at private lender Athas Capital Group, global business process outsourcer Teleperformance, and mortgage lender Panorama Mortgage Group. In addition, he held leadership positions at HomeBridge (previously Prospect Mortgage) and Bank of America. Urmersbach attended the Anderson School of Management at UCLA and holds an MBA from Universität Hohenheim in Stuttgart, Germany.

"I couldn't be more excited to join Kiavi, especially as the company continues to demonstrate impressive growth and differentiation in this challenging macroeconomic environment," Urmersbach said. "I look forward to working with the Kiavi team to build on its already strong foundation and am deeply committed to the organization's mission of providing real estate investors with the capital they need to scale their businesses and revitalize aged homes across the country," he concluded.

## CBC MORTGAGE AGENCY ADDS DIRECTOR OF SERVICING AND ASSET MANAGEMENT



CBC Mortgage Agency (CBCMA), a nationally chartered housing finance agency and a source of down payment assistance for first-time homebuyers,

has hired seasoned servicing executive **Alicia Wood** for the newly created position of Director of Servicing and Asset Management.

Wood, who joins a majority-woman senior leadership team, administers CBCMA's entire loan servicing operation and is responsible for servicing oversight and loss mitigation activity on all first and second mortgages, as well as agency and investor reporting.

Wood has more than 25 years of mortgage industry experience and has held executive roles at several large servicing organizations. Most recently, she served as VP of Servicing at non-QM lender Angel Oak. Wood also spent more than five years overseeing foreclosed and bankrupt accounts at a non-agency lender that was acquired by Morgan Stanley and is now part of PHH Mortgage. She began her career at a mobile home lender, where she rose to become collection and credit manager.

"Alicia has deep roots in non-agency and government mortgage servicing, and the timing couldn't be more perfect to bring her on as we enter into an exciting time of growth for our company," CBC Mortgage Agency President Miki Adams said. "Alicia is a talented and accomplished professional whom we are fortunate to be able to add to our new leadership team."

Wood's addition to CBCMA's management team brings the ratio of women leaders at the company to 62%. The firm's President and CFO are also women.

"I believe I am most successful in environments like the one that CBCMA has fostered, where collaboration is encouraged and adaptability is essential," Wood said. "I'm excited to join a growing company with such a talented team."

## » Attorneys

### MCCALLA RAYMER LEIBERT PIERCE, LLC ANNOUNCES APPOINTMENT OF ESG/CHARITABLE GIVING OFFICER



McCalla Raymer Leibert Pierce, LLP has announced that **Jill Rein**, Senior Partner, has been named ESG & Charitable Giving Officer at the firm.

Rein joined the firm in 2016 as part of the merger with Pierce & Associates, where she began working in 1996. She is based in the firm's Chicago, Illinois, office.

Rein, said, "I am very excited to take on this new challenge of preparing our firm for the next level in environmental and social governance. These initiatives are important for our employees, our clients, and our communities, and I look forward to being us leading the charge."

Rein will work closely with the firm's owners, management, and Diversity Partner to align ESG goals firmwide. The release noted that, as the firm has grown into 15 states' footprint, with multiple geographic regions, it has become critical to establish a comprehensive program to address its environmental and social impacts and how best to govern for the betterment of the staff and communities.

McCalla Raymer Leibert Pierce: Alabama, California, Connecticut, Florida, Georgia, Illinois, Kentucky, Mississippi, Nevada, New Jersey, New York, Ohio, Oregon, Texas, and Washington.

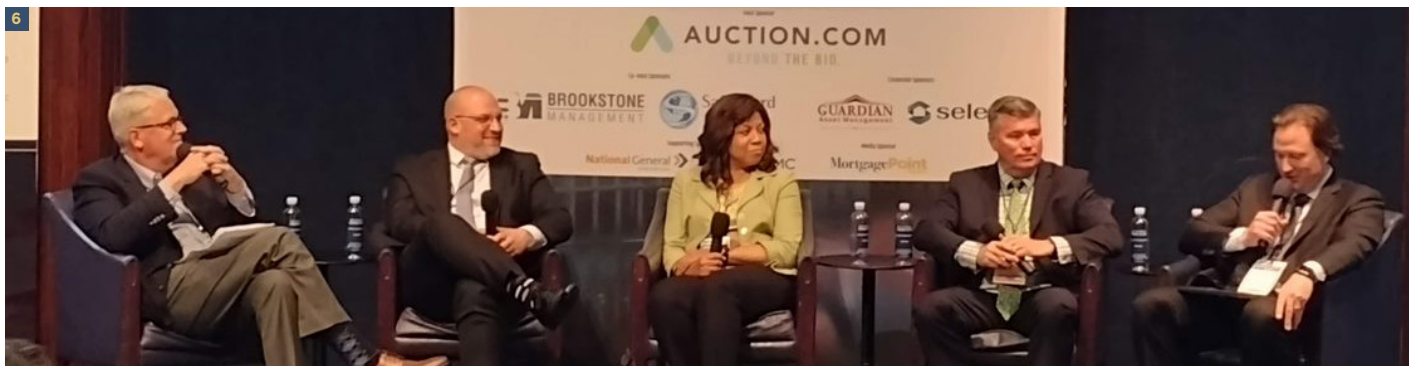
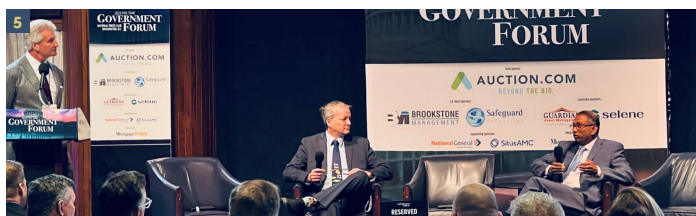
# 2023 Five Star Government Forum

On April 11, a gathering of mortgage servicing executives and government officials gathered at the National Press Club in Washington, D.C. for the thirteenth annual Government Forum. The 2023 Forum opened with a keynote presentation from Assistant Secretary for the Office of Housing and the Federal Housing Commissioner, U.S. Department of Housing and Urban Development (HUD) Julia Gordon, as she discussed FHA's challenges and priorities for 2023. From there, the event lineup included an Economic Update featuring experts from Auction.com, CoreLogic, Fannie Mae, First American Financial Corporation, LendingTree, and Redfin, as well as broad-ranging panels including panelists from Carrington Mortgage Services, Chase Home Lending, Churchill Mortgage, the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, Freddie Mac, Freedom Mortgage, Ginnie Mae, Ocwen Financial, Servbank, and U.S. Bank.

Five Star's Government Forum was sponsored by Host Sponsor Auction.com; Co-Hosts Brookstone Management and Safeguard Properties; Corporate sponsors Guardian Asset Management and Selene Finance; and Supporting sponsors National General Lender Services and SitusAMC.



1. Five Star Global Chairman Emeritus Ed Delgado speaks with FHA's Julia Gordon after her opening keynote. 2. The Economic Update panel, featuring Daren Blomquist, VP of Market Economics, Auction.com; Molly Boesel, Principal Economist, CoreLogic; Jacob Channell, Senior Economist, LendingTree; Mark Fleming, SVP, Decision Science and Chief Economist, First American Financial Corporation; Taylor Marr, Deputy Chief Economist, Redfin; and Mark Palim, VP and Deputy Chief Economist, Fannie Mae. 3. Auction.com President Ali Haralson presents a charity donation to Margi Kirst, Chief Revenue Officer of Operation Homefront. 4. Douglas Whittmore, Head of Default Servicing for US Bank, moderates the "State of the Housing Market" panel, featuring Matt Clarke, CFO & COO, Churchill Mortgage; Leslie Meaux Pordzik, SVP for the Office of Issuer and Portfolio Management, Ginnie Mae; Erik Schmitt, Managing Director, Product and Innovation, Chase Home Lending; and Stanley C. Middleman, President and CEO, Freedom Mortgage Corporation. 5. Tim Rood, Head of Government & Industry Relations for SitusAMC, moderates the Government Policy & Housing Update, featuring Mark McArdle, Assistant Director, Mortgage Markets, Consumer Financial Protection Bureau, and Prasant Sar, Head of Servicing Policy and Asset Management, Federal Housing Finance Agency. 6. Patrick Coon, Servicing Executive and NMSA Executive Council, moderates the GSE Update, featuring Benjamin Gotheim, VP, Servicing Policy, Single-Family Servicing, Freddie Mac; Jenise Hight, VP, Single-Family Credit Risk Policy, Fannie Mae; William J. Maguire, VP of Servicing Portfolio Management, Single-Family Division, Freddie Mac; Jake Williamson, SVP, Single-Family, Head of Collateral Risk Management, Fannie Mae.





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ing available for more personalized assistance from Cornerstone Customer Care team members. The portal includes a learning center with helpful resources and tools designed to empower smart homeownership.

## TRANSUNION BRINGS TOGETHER SENIOR LEADERS IN FINANCIAL, INSURANCE INDUSTRIES

One in five U.S. adults—more than 60 million consumers (about twice the population of Texas)—are either outside the credit ecosystem or lack sufficient credit data to be scored by traditional risk models, leaving many underserved.

To better support marginalized consumer segments, TransUnion brought together senior leaders in the financial services and insurance industries at its inaugural Financial Inclusion Forum.

The group of executives discussed ways to meet and engage consumers where they are on their financial journey and to create and deliver equitable products and services for them, opening new sources of business growth while building long-term resiliency and prosperity for underserved families.

“Financial inclusion is core to TransUnion’s mission of Information for Good because we believe all consumers should have the opportunity to participate in the credit ecosystem. Economic growth is strongest when participation is at its highest,” said Steve Chaouki, President, U.S. Markets and Consumer Interactive, TransUnion. “To make meaningful change, we convened leaders from the financial services and insurance industries—two of the largest and most important groups to the financial futures of consumers and the economy. Developing strategies that unite financial inclusion opportunities with responsible lending and policy underwriting will help marginalized consumers and allow these businesses to grow.”

# » Industry Update

## CORNERSTONE LAUNCHES SUBSERVICING DIVISION

Cornerstone Servicing, a division of Cornerstone Capital Bank, SSB, and a provider of mortgage servicing solutions, has launched a subservicing business designed to empower homebuyers to be smart homeowners for life and fuel sustainable growth for lenders and investors of all shapes and sizes.

“Our goal is to ensure every homeowner has the support they need to make informed decisions and manage their mortgage with ease,” said Toby Wells, President of Cornerstone Servicing. “With proactive engagement and intuitive technologies, our customizable subservicing solutions are uniquely designed to eliminate common pain points for homeowners such as unreliable service, confusing escrow changes, and lack of clear and timely

information regarding their mortgage. We create an ideal homeowner experience to promote customer loyalty, healthy servicing portfolios, consistent cash flows, and sustainable growth for our clients—at a competitive cost of service.”

Cornerstone Home Lending, now a division of Cornerstone Capital Bank, has resolved to bring servicing fully in-house to deliver service for the life of each loan and beyond. Cornerstone Servicing has boarded Cornerstone Home Lending’s servicing portfolio and achieved immediate improvements across its customer experience and servicing operations. Led by a management team averaging more than 25 years of mortgage industry experience, Cornerstone Servicing combines superior service and user-friendly technologies with proactive processes and digestible communications to help make homeownership easy and convenient. Homeowners can log into the company’s secure, user-friendly web portal or mobile app to access a complete view of their loan and 24/7 self-service options. An AI-powered virtual assistant offers immediate help navigating and utilizing the portal, with secured messag-

## EMPOWER, ENGAGE, AND EVALUATE

The Financial Inclusion Forum included several executive roundtable conversations focusing on how to empower and engage more consumers who traditionally do not have access to credit or insurance as well as how to use more inclusive ways to evaluate their risk.

Topics focused on:

- » Building consumers' confidence through authentic education and connections
- » Fostering greater participation with tailored consumer experiences
- » Embracing innovation to unleash greater fairness, inclusion and sustainable growth
- » Exploring what financial inclusion

works with partners like TransUnion to help some of the largest banks, fintechs and auto finance lenders enhance their underwriting decision platforms with our credit intelligence network to bring more consumers into the mainstream economy.”

### Financial Inclusion a Balancing Act

One of the key tenets of the Financial Inclusion Forum was that not all consumers follow a traditional credit path and that businesses need to leverage new data sources, particularly when considering first-time credit offerings to previously unscorable customers, who despite a lack of credit data, may ultimately prove worth the risk.

A recent TransUnion study found that, in 2022, 5.85 million consumers opened their first credit product and became new-to-credit (NTC). While Gen Z made up the largest part of this group at 61%, many consumers in older generations also opened credit for the first time: millennials (21%), Gen X (11%), baby boomers (6%), and Silent Generation (1%).

## FLAGSTAR DONATES \$1M TO COMBAT APPRAISAL BIAS

New York Community Bancorp (NYCB) has announced that its subsidiary, Flagstar Bank, has donated \$1 million to the Appraiser Diversity Initiative (ADI), a collaboration between the Appraisal Institute, the National Urban League, Fannie Mae, and Freddie Mac. The ADI aims to attract more diverse applicants to the appraisal field, overcome barriers, such as education and access, and provide support to help aspiring appraisers achieve professional success.

“Curbing racial bias in real estate and appraisals has not garnered the attention of more familiar barriers to homeownership

**“Now with the involvement of a government task force and the advocacy of the Appraiser Diversity Initiative, paths for success are being developed for diverse, aspiring appraisers.”**

—Thomas R. Cangemi, President and CEO, NYCB



- means for the insurance industry
- » Using nontraditional data to expand credit access and fully assess risk

The Forum also included a fireside chat that showcased how a partnership between TransUnion and Pagaya used predictive datasets and artificial intelligence to extend credit to more consumers.

“We were honored to join TransUnion’s Financial Inclusion Forum to share how the use of data can make a meaningful impact, ensuring more consumers get access to the financial products and services they need to meet their future goals,” said Leslie Gillin, Chief Growth Officer, Pagaya. “Pagaya

A key takeaway from the study: NTC consumers are generally good risks when compared to other established borrowers with similar credit risk profiles.

“A delicate balance exists for organizations to support consumers while still managing risk within their portfolios,” said Hilary Chidi, EVP, Global Credit Risk Solutions and Chief Sustainability Officer at TransUnion. “Superior insights lead to better decision-making for lenders, and, in turn, the right opportunities for consumers. In these challenging times of stubbornly high inflation and rising interest rates, it is even more important to have a holistic view of a consumer’s financial position.”

for minorities, such as the lack of funds for a down payment and credit scores,” said Thomas R. Cangemi, President and CEO of NYCB. “Now with the involvement of a government task force and the advocacy of the Appraiser Diversity Initiative, paths for success are being developed for diverse, aspiring appraisers.”

Flagstar’s funding of the ADI will:

- » Support recruiting, training, and credentialing of diverse appraiser trainees
- » Support pathways to appraiser licensing through industry connections and experience, including simulations of the appraisal experience as an alternative to the traditional supervisory

**“We understand the damaging effects of appraisal bias and the importance of diversity in service professions such as appraisals. We’re excited to be part of the team working to help make homeownership more accessible to more minorities and look for good things to come from Flagstar’s involvement and support.”**

—Lee Smith, President of Mortgage, Flagstar



appraiser-trainee model

- » Sponsor and support recruiting workshops in targeted markets

“As a leading national originator of home loans, Flagstar is deeply invested in the appraisal business,” said Lee Smith, President of Mortgage at Flagstar. “We understand the damaging effects of appraisal bias and the importance of diversity in service professions such as appraisals. We’re excited to be part of the team working to help make homeownership more accessible to more minorities and look for good things to come from Flagstar’s involvement and support,” Smith said.

Headquartered in Hicksville, New York, NYCB has regional headquarters in Troy, Michigan. Flagstar Bank operates 395 branches, and Flagstar Mortgage operates nationally through a wholesale network of approximately 3,000 third-party mortgage originators.

“The Appraisal Institute is grateful for Flagstar’s generous and important commit-

ment to the Appraiser Diversity Initiative, which we expect will open doors to minorities and help diversify the appraisal field,” Appraisal Institute President Craig Steinley said.

Jake Williamson, SVP, Single-Family Collateral Risk Management, Fannie Mae, added, “Advancing diversity in the appraisal workforce is a key component to reducing instances of appraisal bias and knocking down barriers in the home valuation process. We commend Flagstar Bank for their contribution to ADI, which reflects the growing industry commitment to expanding opportunities for new appraisal professionals to begin their careers.”

“We appreciate the support of Flagstar Bank for this great initiative,” said Pamela Perry, Single-Family VP of Equitable Housing at Freddie Mac. “Already, our ADI efforts have put hundreds of diverse candidates on the path to success and this commitment by Flagstar Bank will help us create even more opportunities for the next generation of appraisal professionals.”

## VEROS AND VALLIGENT LAUNCH THE VALLIGENT APPRAISER TRAINING PROGRAM FOR INCREASED APPRAISER DIVERSITY

Valligent, an appraisal management company, recently acquired by Veros Real Estate Solutions, an industry leader in enterprise risk management and collateral valuation services, announced the launch of the Valligent Appraiser Training Program (VATP) to increase appraiser diversity and offer necessary resources to promote inclusion in the lending industry.

With the VATP, Veros and Valligent offer an accessible and affordable option to encourage underrepresented groups to enter the appraisal industry. According to industry statistics, approximately 85% of all property appraisers and assessors are white, 5% African American, and 7% Hispanic. Other demographics that dominate the appraising industry are gender and age, with approximately 68% being male with an average age of 50 and over. The VATP was created to change that—making the appraiser pool more representative of the buyers and sellers they serve.

The VATP partners with lenders who agree to order appraisals from trainees and their supervisors to help the trainees complete the 1,500 work experience hours needed to become a residential certified appraiser. Trainees begin with education, then, over 9-12 months, are supervised by experienced, certified appraisers who direct, oversee, and take full responsibility for the assignment. The Valligent supervisor will be responsible for making sure the trainee has access to the most recent technology tools, resources, and hands-on guidance to complete all the state requirements to become a fully certified appraiser. Trainees also receive pay and benefits during their hands-on training.

“To address the need for diversity in the appraisal industry, we are offering a program that can directly impact minority communities and professionals,” says Jeremy McCarty,

## FIRST FEDERAL BANK ANNOUNCES AGREEMENT TO ACQUIRE MORTGAGE DIVISION FROM BNC NATIONAL BANK

**F**irst Federal Bank and BNC National Bank announced that they have signed a definitive agreement for First Federal to acquire certain assets and liabilities of BNC National Bank's mortgage division. The purchase is expected to close in the second quarter of 2023; the terms of the transaction were not disclosed.

First Federal Bank will continue to originate loans out of existing locations in Georgia, Wisconsin, and Florida. As a result of the transaction, First Federal will purchase BNC National Bank's mortgage business assets and will continue to serve BNC National Bank's mortgage customers from its existing locations in Overland Park, Kansas; Moline, Illinois; and Bismarck, North Dakota, locations and in the Phoenix, Arizona, market.

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 will gain a nationwide consumer direct mortgage platform and will extend the benefits of community banking, customer service, and stability to the expanded customer base in new markets.

John Medina, President and CEO of First Federal, commented, "Our mission is to provide solutions from a financially stable institution that is a great place to work and bank. This acquisition underscores our commitment to our customers and the residential mortgage sector. We look forward to serving the BNC mortgage



customers with the same excellence they came to expect from the BNC team."

BNC National Bank's Chairman Michael Vekich said, "The Board of Directors made the decision to exit our nationwide residential mortgage origination business after extensive deliberations and concluding that this change in strategy is in the best long-term interests of the BNC, its shareholders, and the communities we serve."

The acquisition of BNC National Bank's mortgage division will enable First Federal

to better serve the customers of both organizations by offering additional technology tools and an expanded product offering. First Federal anticipates retention of substantially all employees of the BNC National Bank's mortgage division team. "We look forward to welcoming the new employees to our Residential Lending Team," says Paul Ottendorf, Division President.

It is anticipated the BNC platform will transition to the First Federal brand within a few months of closing. Since 2020, customers have increased their use of digital tools and First Federal's ongoing investment in cutting-edge digital solutions for customers is coupled with personal service. "BNC National Bank's mortgage division team will continue to excel at our core strengths while adding to our product offerings and joining an already amazing First Federal mortgage business," says Doug Brendel, President of Mortgage Banking. With steady, forward-thinking leadership, First Federal will continue to be lauded as one of the best small banks in Florida.

founder & CEO of Valligent. "Support for our program has been encouraging since a number of lenders have expressed interest in sponsoring a trainee."

This program closely aligns with the Appraiser Diversity Initiative (ADI), in which Veros and Valligent are also involved, working with the National Urban League's regional Entrepreneurship Centers, the Appraisal Institute, Fannie Mae, and Freddie Mac. The ADI is designed to find diverse candidates and educate them about the appraiser profession. The VATP provides a natural next step for any candidates looking to start an appraiser career. Once certified, the appraiser can continue as a Valligent employee, be employed by the sponsoring lender, or establish their own business as an independent fee appraiser.

"We aren't aware of any existing programs or initiatives like this, so we are excited to set a new standard for the profession," says Jeff Ho-

gan, VP of Collateral Valuation at Veros Real Estate Solutions. "The goal of the Valligent Appraiser Training Program is to not only provide an opportunity for minorities to become experienced professionals in this space but to also provide the industry an effective solution to address potential appraisal bias."

## PHH MORTGAGE ANNOUNCES INITIAL RESULTS OF NEW SUBSERVICING RELATIONSHIP WITH SIERRA PACIFIC

**P**HH Mortgage Corporation (PHH), a subsidiary of Ocwen Financial Corporation and a leading nonbank

mortgage servicer and originator, announced key servicing performance results of its subservicing relationship with Sierra Pacific Mortgage Company (Sierra Pacific), a nationwide direct lender.

In the third quarter of 2021, Sierra Pacific selected PHH as its mortgage subservicer, following a rigorous selection process, and transferred a portfolio of approximately 54,000 loans with a UPB of \$15 billion to PHH in December of 2021. Through the first six months following the transfer, Sierra Pacific realized significant gains across the board, including:

- » 75% reduction in customer complaint volume
- » 70% reduction in the number of calls requiring customer service escalation (average calls are being answered by PHH in less than 18 seconds)
- » 18% decline in one-time payments and a 22% increase in scheduled ACH

payments

- » 60% savings in Sierra Pacific's servicing oversight costs, as fewer resources are required to handle overflow complaints and manage the PHH subservicing relationship

Additionally, PHH expects its deep experience in special servicing and loss mitigation could reduce loss severity on Sierra Pacific's portfolio by as much as \$2 million annually. This level of cost savings is based on the Company's strong operational performance in managing defaulted loans versus Moody's and MBA benchmarks. PHH's proven special servicing capabilities and track record of helping distressed customers are creating opportunities to support its clients through a difficult mortgage cycle and possible recession.

Curtis Dair, CFO at Sierra Pacific, said, "PHH has shown an unwavering commitment to providing the highest levels of customer service. We have been very pleased with their early results and their ability to meet our expectations. Their dedication to their customers is exceptional, and they have met the high standards that Sierra Pacific has for its servicing partners."

Scott Anderson, EVP and Chief Servicing Officer at PHH, said, "What sets PHH's subservicing platform apart is our ability to really understand our clients' business needs and pain points to then work together to provide a solution that achieves their objectives. By delivering on our commitments for valued partners like Sierra Pacific, we've been able to not only offer improved servicing performance but also enhance their business in multiple areas. Mortgage originators are realizing immediate cost savings and performance gains when switching to the PHH servicing platform. We believe our ability to deliver best-in-class servicing, recapture, and capital markets performance is solidifying our position as the premier subservicer in the industry."

As of the fourth quarter of 2022, the company has added more than \$110 billion of new subservicing UPB over the past 24 months and is scheduled to onboard another \$18 billion of subservicing UPB in the first half of 2023. Earlier this year, PHH was recognized for servicing excellence for the third consecutive year through Freddie Mac's Servicer Honors and Rewards Program



(SHARP) in the top-tier servicing group and for the second consecutive year through Fannie Mae's Servicer Total Achievement and Rewards (STAR)<sup>™</sup> performer recognition. The Company also achieved HUD's Tier I servicer ranking.

## SOFI TECHNOLOGIES, INC. ACQUIRES WYNDHAM CAPITAL MORTGAGE

SoFi Technologies, Inc., a member-centric, one-stop shop for digital financial services that helps members borrow, save, spend, invest, and protect their money, announced that it has acquired Wyndham Capital Mortgage, a leading fintech mortgage lender in an all-cash transaction. While the transaction is not expected to be material to the company's 2023 financial outlook, it is expected to be accretive within six months. The acquisition—which includes the integration of both talent and technology from Wyndham Capital—will allow SoFi to broaden its suite of mortgage products available to members, enhance unit economics, and take ownership of an intelligent and scalable platform that has set the industry standard for a fully digital mortgage experience. This "full stack" approach is also intended to minimize SoFi's reliance on third-party partners and processes.

"At SoFi, we're on a mission to help people get their money right, and purchasing a

home is often one of, if not the, biggest financial decision individuals make in their lives," said Anthony Noto, CEO of SoFi Technologies, Inc. "Several macro- and socioeconomic factors—high inflation and rising mortgage rates, the new world of work, and others—have ushered in a new era across the U.S. real estate market. These changing conditions mean it's more important than ever that borrowers have a trusted partner they can look to as they go through the process of obtaining a mortgage for a home. Today's acquisition of Wyndham Capital will not only allow us to scale and keep pace with accelerated growth but also allow us to foster that growth in a way that brings value to our members through sales and operational efficiencies and helps members get their money right when it comes to one of life's most significant financial milestones."

Wyndham Capital has helped more than 100,000 borrowers—with a 98% satisfaction rating—since it launched more than two decades ago.

SoFi's acquisition of Wyndham Capital enables savings for current and prospective homeowners in both time and money through transparent rates and a seamless application process. Wyndham Capital's innovation-first approach has enabled it to deliver a fully digital and award-winning experience for borrowers, while also freeing up employees' time to focus on borrower communication, transparency, and trust.

Looking ahead, SoFi will be working to integrate Wyndham Capital's talented team and robust technology platform into the company's Lending business, adding strength and efficiency to the home loans segment of the company's Financial Services Productivity Loop (FSPL) strategy.



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# CRACKS IN THE FOUNDATION?

*MortgagePoint* examines the impact of the recent bank failures on the mortgage space with a cross-section of experts imparting their perspectives on how to avoid similar issues in the future.

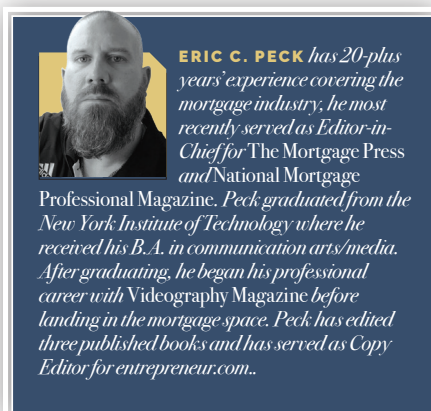
By ERIC C. PECK

Earlier this year, Silicon Valley Bank (SVB) customers pulled \$42 billion out of its institution—fueled by venture capitalists and their social media accounts—creating one of the largest and fastest bank runs in history.

Closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver, SVB had 17 branches in California and Massachusetts. As of December 31, 2022, SVB reportedly had approximately \$209 billion in total assets and nearly \$175.4 billion in total deposits.

Just days later, Signature Bank was closed by the New York State Department of Financial Services, which also appointed the FDIC as receiver. To protect depositors, the FDIC transferred all the deposits and substantially all of the assets of Signature Bank to Signature Bridge Bank, NA, a full-service bank operated by the FDIC as it marketed the institution to potential bidders. At the time of its closing, Signature Bank had 40 branches across the country in New York, California, Connecticut, North Carolina, and Nevada and reported total assets of \$110.4 billion and total deposits of \$88.6 billion as of December 31, 2022.

For those who lived through the time of the financial crisis of 2007-2008, the vibe in early March of 2023 couldn't help but evoke a dark chapter in the mortgage industry: memories of a time when the headlines were filled with the names of now-defunct bad actors such as



Ameriquet, New Century, and Countrywide.

Lessons learned from that era were carried throughout the next decade-plus, as tighter underwriting standards and greater banking oversight became the new norm, with the microscope laser-focused on the banking space to prevent history from repeating itself.

"Silicon Valley Bank almost quadrupled in size over three years, and Signature Bank more than doubled in that time," said Sen. Sherrod Brown, Chairman of the U.S. Senate Committee on Banking, Housing, and Urban Affairs, during a recent Committee Hearing titled *Recent Bank Failures and the Federal Regulatory Response*.

"The principles here are not complicated," Brown continued. "Banks should be prudently

managed and be mindful of the full scope of risks they face and should diversify across customers and products. We must consider how these banks exploded in size, in a way that was clearly unsustainable. Some explanations will focus on complicated-sounding concepts like balance sheet risk, moral hazard, stress tests, [and] liquidity ratios."

As far as the mortgage space is concerned, would the ripples created by these bank failures impact the mortgage finance space as well?

Stanley C. Middleman, President and CEO of Freedom Mortgage Corporation, notes, "A bank failure resulting in missed payments to mortgage securities investors through Fannie Mae, Freddie Mac, or Ginnie Mae could undermine the entire U.S. home finance system. This would change the lives of many and impact homeownership across the country. Countless other outcomes of a similar impact on individual lives and businesses could throw regions of the U.S. into chaotic turmoil."

And as Lawrence Yun, Chief Economist of the National Association of Realtors (NAR), points out, positives for the housing market in the form of a decline in mortgage rates resulted from the fall of these institutions.

"The Silicon Valley Bank failure, along with a few other banks, means that the Federal Reserve cannot be so aggressive in raising its short-term interest rates," said Yun in a NAR press release. "Therefore, mortgage rates will decline."

And decline they did.



# “These events are a wake-up call. We must uncover how management, regulatory, and supervisory failures contributed to these events and explore solutions to strengthen the safety and soundness of our banks.”

—Congresswoman Maxine Waters



Just days after the fall of SVB, the 30-year fixed-rate mortgage began a steady decline. Edging toward the 7% mark in early March, mortgage rates fell over the next month, dipping close to the 6% mark and thus benefiting prospective buyers as the spring home-buying season kicked off.

However, the dip in rates did not result in a spike in sales, as NAR reported the market was still hamstrung by inventory concerns. Total housing inventory registered at the end of March 2023 was 980,000 units according to NAR, which was up 1% from February and 5.4% from just one year ago (930,000). Unsold inventory stood at a 2.6-month supply at the current sales pace, unchanged from February but up from 2.0 months recorded by NAR in March 2022.

And while the mortgage space received a jolt in the form of lower rates, the overall perception of the collapse of Signature Bank and SVB was drastically different.

“These events are a wake-up call,” said Congresswoman Maxine Waters at a recent House Financial Services Committee hearing

titled *The Federal Regulators’ Response to Recent Bank Failures*. “We must uncover how management, regulatory, and supervisory failures contributed to these events and explore solutions to strengthen the safety and soundness of our banks. Small business owners should not be expected to serve as a financial regulator when paying their employees, and community banks and minority depository institutions should not have to pay for the failures of bank mismanagement at SVB or Signature Bank.”

As FDIC Chairman Martin Gruenberg said in his testimony during the *Recent Bank Failures and the Federal Regulatory Response* hearing, “It is worth noting that these two institutions were allowed to fail. Shareholders lost their investments. Unsecured creditors took losses. The boards and the most senior executives were removed. The FDIC has the authority to investigate and hold accountable the directors, officers, professional service providers, and other institution-affiliated parties of the banks for the losses they caused to the banks and for their misconduct in the management of the banks. The FDIC has

already commenced these investigations.”

The question remains: what can be done yet again to prevent a repeat of the previous financial crisis—or more likely, a wholly new crisis that the industry could nevertheless anticipate and work to avoid?

*MortgagePoint* was able to speak to an array of experts in the field to gauge their responses to these recent bank failures. Among those sharing their commentary include:

- » **Jacob Channel**, Senior Economist, LendingTree
- » **Stanley C. Middleman**, President and CEO, Freedom Mortgage Corporation
- » **Peter Muoio**, Ph.D., Head of SitusAMC Insights
- » **Matthew Preuss**, President of NCCI
- » **Jeroen Van Doorsselaere**, VP of Global Product & Platform Management for Wolters Kluwer
- » **John Vella**, Chief Revenue Officer (CRO) at Selene Finance LP

## **Q:** What lessons learned from the financial crisis of 2008 can be applied to the recent bank failures?

**Channel:** The biggest lesson that should be taken away from the 2008 financial crisis is just how important regulation in the banking sector is. In the same way, the Great Recession probably could have been avoided had there been better regulation of the banking sector in the early 2000s, had regulators been more involved in Silicon Valley Bank and Signature Bank, and, among other things, compelled both banks to practice better risk management, then these banks could still be standing.

**Middleman:** These are two entirely different events. The cause for each is different, but the crisis is the same. A run on a bank puts the system at risk.

With the recent bank failures, the banks’ customers—the depositors—felt uneasy with the strength of the bank, so they withdrew their money. The reasons these depositors removed their money are totally different from the subprime crisis, which involved bad credit assets—banks making bad lending decisions and poor management policy around credit.

What happened with the recent bank failures had to do with mismatching invest-

ment and liability duration. The banks invested in long-term, low-interest-rate Treasury bills and mortgage securities while using the bank's depositor money (short-term debt or liabilities to the bank). They didn't anticipate interest rates rising, which made the assets the bank invested in less valuable. As interest rates increase, assets with lower fixed interest rates go down in value.

**Muio:** The two events are very different. Among the ingredients triggering the Great Financial Crises (GFC) in 2008 was extremely liberal credit on home mortgages. Once home prices turned down, the highly leveraged mortgages were underwater very quickly. Given the scope of the U.S. housing market and its impact on the overall economy, the entire financial system was strained. In comparison, the recent bank failures were primarily driven by the unprecedented tightening by the Fed with some banks caught flatfooted with bond portfolios that rapidly depreciated. The other

ingredient was the unwinding of the crypto boom, but while this clearly had a major impact on banks like Silicon Valley Bank that were highly involved with firms in that business, it is far less pervasive than housing. Hopefully, all this means that the current situation can be contained more easily.

The one constant in both the GFC and the recent banking crises, as well as most financial panics throughout history, is that when confidence is lost, runs on bank deposits ensue and [are key contributors] to institutional failures. What is unique with the most recent banking crises, however, is the speed at which the panic sets in. The failure of SVB and Signature occurred over approximately 48 hours, compared to a comparable four or so days for WAMU during the previous crisis. So, appropriate capital requirements remain essential.

**Preuss:** We learned in the financial crash that homeowners will do what benefits their families in a crisis. The problem is, they

often don't know what course of action to take. They are unlikely to go to their lending institution for answers, which is why the lenders that performed best during that crisis took the initiative to go to their borrowers.

Mortgage servicers will tell you, as they've told us, that 30% of homeowners will not respond to calls, texts, or emails when they face a hardship. That means going to the streets would be necessary and knocking on doors will be the only way to get borrowers back on track.

In-person, face-to-face outreach has been a key ingredient to effective loss mitigation strategies for years. Today, there are plenty of technology-based methods to communicate with, but unfortunately, many consumers have learned to ignore these methods. This is so common that the culture has coined the word "ghosting" to describe this lack of response. Given the amount of equity that could be lost if a property had to move to foreclosure today, it is essential all steps are taken to communicate and educate homeowners.



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“SVB, notably, had invested in long-term assets with a fixed rate or larger fixed components. When rates rose, the value of these assets plunged, creating either virtual losses in a held-to-maturity portfolio or a loss in equity for available-for-sale assets.”

—Jeroen Van Doorselaere, VP of Global Product & Platform Management, Wolters Kluwer



**Van Doorselaere:** Silicon Valley Bank and several other failing institutions were hit after central banks raised interest rates following a long period of low or even negative rates. SVB, notably, had invested in long-term assets with a fixed rate or larger fixed components. When rates rose, the value of these assets plunged, creating either virtual losses in a held-to-maturity portfolio or a loss in equity for available-for-sale assets.

There are some risk issues that could have been explored more thoroughly. The disruptions caused by the Silicon Valley Bank and Signature Bank failures are prompting calls for U.S. regulators to consider adopting Europe’s Basel rules around the interest rate risk in the banking book (IRRBB) put in place after the 2008 financial collapse. Many believe these guidelines would have flagged problems at the affected banks much earlier—and allowed regulators to act, possibly even saving the banks.

**Vella:** The current bank failure environment is centered around the series of rate increases’ impact on capital and bond exposure, whereas in 2008, the issues were mainly due to credit impairment and bad loan portfolios. The amount of work that went into stabilizing the impact of 2008

has led to a more structured approach to managing crisis in our industry. The loans that are currently on the books have the lowest delinquencies in years, while servicers and originators are fully prepared to react to market adversity in a more timely and organized fashion. Regulation has continued to evolve, helping to identify issues earlier in the cycle to alert and effectuate change.

**Q:** What repercussions, if any, could the failures of Signature Bank and Silicon Valley Bank have on the mortgage finance space?

**Channel:** Following the failures of Signature and Silicon Valley banks, I’m sure that some lenders—especially those that service areas with a heavy tech industry presence—did adjust their rates or tighten their lending standards in response to these recent bank failures. That said, I think other factors present in the economy—like cooling inflation or the risk of an upcoming recession—have had and/or will have a much bigger impact on the mortgage finance space than these recent bank failures.

**Middleman:** When banks fail, credit typically tightens. Banks and other lenders tend to hoard money and lend less. So, the

overall liquidity in our industry will be challenged by tighter or less availability of warehouse credit, mortgage servicing rights credit, and general liquidity available to borrow from institutional lenders.

Additionally, uncertainty impacts the public markets. They become closed or challenging to those who would raise capital through debt financing. Similarly, the public markets close or become more challenging for those seeking to raise capital by selling equity in their entity. This is the essence of tightening credit and goes all the way through the system to the consumer at every level.

We expect a credit tightening will drive up credit capital costs to the participants in the industry and limit the availability of that capital to only the best-capitalized institutions at a higher price.

**Muoio:** Increased risk aversion and the likelihood of tighter regulatory scrutiny of regional banks suggests that there will be a tightening of CRE mortgage lending. Since regional banks hold about two-thirds of bank-originated CRE loans, this will be a constraint on the CRE segment in the immediate future.

Recent events could also lead to an increase in distressed debt in the market. This will present both a challenge for those holding the debt and an opportunity for those looking to invest at a discount. This is not the first time we’re seeing higher levels of distress in the market and, similar to 2008, we are helping both buy-side and sell-side clients understand their options whether that be through comprehensive diligence, expert-led valuations or even special servicing, in order to pursue the best possible outcomes for their CRE portfolios.

**Preuss:** There are three reasons I believe that the impact of the recent bank failures will have a limited impact, at least on mortgage finance.

First, homeowners are in a much different position today than they were in the past. They have a great deal more equity, and that gives them the power to refinance if they have to, even if their new interest rate will be higher. They won’t have to lose their properties, as long as mortgage servicers do what is necessary to get these borrowers back to the negotiating table.

Second, mortgage servicers learned a

great deal during the foreclosure crisis about performing good outreach and getting borrowers who can be helped back to the table to work things out. The best servicers know they have to put people on the street, knock on doors, and get face-to-face with borrowers if they want to help them.

Finally, the government's actions have shown that the administration will take quick action to solve problems like this, and I suspect that they would take similarly strong action in the case of another foreclosure crisis.

**Vella:** Regulators and financial institutions will continue to be aware of the quality and type of assets being originated to ensure credit quality remains strong while mandating tighter capital requirements and ratios. Startup companies could be under more pressure to secure financing as financial institutions balance deposits and loan exposure.

**Q:** Could we see the downfall of similar institutions in the months to come?

**Channel:** It's entirely possible that more institutions could struggle or outright fail over the coming months/year as the economy weakens. However, I don't think that we're on the precipice of another crash of 2007/2008.

All in all, I think that the broader banking sector is strong enough to weather an upcoming recession and, even if some do fail, the government appears more than willing to quickly step in and protect depositors.

**Middleman:** It very well could be the beginning of a greater downfall. Right now, confidence in banking is undermined. It will all depend on the actions of the Fed and what steps they take next. The hope would be that things normalize and settle back down.

Now, if they insure all the deposits, then there won't be a problem. However, confidence in the banking system has eroded and there are fears that there might be credit tightening, along with the potential for inflation or a recession, which is typically the case.

In one scenario, we stay at full employment with higher costs of goods and services. The other scenario is we don't have as much inflation, but unemployment rises. Either of these events will be bad for our economy and a challenge for our society.

**Muoio:** So far, the regulatory response

seems to have contained the initial fallout, as did the swift bailouts and acquisitions of failing banks by larger institutions. However, investor and depositor perceptions can change rapidly and are very difficult to defend against. The more time goes by from those failures without further incident, the less likely it will be for matters to snowball.

Additionally, the Fed is now acutely aware of the situation with sentiment and bank balance sheets and will tread carefully so as not to exacerbate the situation.

**Preuss:** I don't believe so, at least not for the mortgage industry. It will likely have repercussions that impact the venture capital industry and banks that lend primarily to tech startups, but it is not a reflection of the safety and soundness of the home finance industry.

**Vella:** I highly doubt that we will see a large downfall of additional institutions unless credit quality deterioration rapidly emerges and there is a real estate market collapse. Smaller and mid-sized institutions will face more challenges with capital requirements and outlay during a rising interest rate environment and inflation.

**Q:** Is increased supervision by the Federal Reserve the answer to prevent future collapses?

**Channel:** Absolutely. Though regulation is often seen as a dirty word by some within the banking sector, history is pretty clear about how bad things can get when regulation becomes too lax.

The Fed needs to be much more involved in making sure that banks are behaving responsibly and acting with the best interests of their depositors in mind; otherwise, these recent and relatively isolated collapses could balloon into a much bigger problem. Nobody wants a repeat of the Great Recession, and to avoid that, we need stronger regulation.

**Middleman:** Increased supervision is not the solution, in my opinion. I think sensitivity to what is being supervised is the issue. There should be a playbook on what needs to be supervised in various economic conditions. In other words, supervision should be dynamic, not static. Rules should and do exist, though. Behaviors change around different conditions—what is an



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—John Vella, CRO, Selene Finance LP



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—Stanley C. Middleman,  
President and CEO, Freedom Mortgage Corporation

unimportant exposure in one marketplace is catastrophic in another. Sensitivity to market conditions and exposures should be part of supervision.

**Van Doorselaere:** The U.S. Congress tailored some banking regulations in 2019, raising the thresholds for banks to adhere to certain prudential metrics (primarily based on total assets, short-term wholesale funding, nonbank assets, and off-balance sheet exposures). This resulted in mid-size banks (those with more than \$700 billion in assets) not needing to comply with most of the advanced Basel regulations.

Mid-sized banks, especially those that have experienced rapid growth over the past few years, must ensure they have built a robust internal balance sheet management system to identify critical gaps. Incorporating a holistic risk management framework will not only support regular business operations but give banks the ability to recognize and act quickly when an unexpected event occurs.

**Muio:** The degree to which investors and depositors derive comfort from increased supervision suggests that regulators will enhance their scrutiny of the next-tier banks outside the majors. However, it is very difficult to fully anticipate the mechanics of the next crisis. Interestingly in this case, even if these regional banks had been subjected to the same level of stress testing as larger institutions, the danger may not have been fully identified. The stress tests were based on the impact of falling interest rates and not rising rates. The initial regulatory reaction is likely to focus on how warning flags are handled internally by the Federal Reserve. An unintended consequence could be an overreaction to a developing event that might result in banks making their lending criteria too restrictive.

**Vella:** Increased supervision by the Federal Reserve and the FDIC will help identify issues earlier in the evolution of a serious problem. Regulation around capital requirements and loss reserves will also help mitigate future issues if properly managed. The key will be how we manage inflation key indicators, rate increases, and decreases to help smooth out the line of sight for financial institutions and the mortgage industry.

### Crisis Averted?

**I**n the end, both SVB and Signature Bank avoided total gloom and doom as both institutions were acquired by other entities just weeks after their initial collapse.

The FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bridge Bank by Flagstar Bank, a wholly-owned subsidiary of New York Community Bancorp (NYCB). The 40 former branches of Signature Bridge Bank will operate under NYCB. The FDIC estimates the cost of the failure of Signature Bank to its Deposit Insurance Fund to be approximately \$2.5 billion.

The FDIC also entered into a purchase and assumption agreement for all deposits and loans of 17 former branches of Silicon Valley Bridge Bank by First-Citizens Bank & Trust Company of Raleigh, North Carolina. Depositors of Silicon Valley Bridge Bank automatically became depositors of First-Citizens Bank & Trust Company. The FDIC estimates the cost of the failure of Silicon Valley Bank to its Deposit Insurance Fund to be approximately \$20 billion.

Critic, dramatist, educator, essayist, novelist, and poet George Santayana, a Spanish-born American philosopher regarded as one of the most important thinkers of the first half of the 20th Century, echoed Churchill's sentiments on history when he said, "Those who do not remember the past are condemned to repeat it."

Will the failures of SVB and Signature Bank go down in history as lessons not worth repeating, or will their demise serve as just blips on the radar for future such events? Only time will tell, but the lessons learned from these banking casualties should serve to educate future generations on the perils of walking a financial tightrope for years to come. **MP**



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# DEBT AS DIVERSIFICATION

Nonperforming loans and real estate owned (REO) assets as alternative asset anchors.

By LOUIS AMAYA

Although debt can be a useful tool to solve pressing problems, it often has serious long-term consequences that can last for years or even decades.

The global history of government debt run amok runs as long as the institutions have existed, but let's focus a bit closer in time for context. In World War II, when Britain was fighting against the Axis powers, the monarchy needed a ton of capital to finance the war efforts. To meet this need, Parliament borrowed extensively from Canada and the United States.

Conventional fiscal theory usually agrees that a country's economy begins to slow down once its debt-to-GDP ratio exceeds 77%, which Britain blew past during and after the war; they eventually accrued nearly \$10 billion in debt by 1945 and hit a staggering 200% debt-to-GDP ratio.

Debt that's twice a country's entire annual output is definitively *not* a good thing, particularly when you have infrastructure to rebuild and industry to restart. For about a decade after the war, Britain's economy was severely hampered due to its outstanding debt. Ultimately, state privilege meant that British taxpayers bore the brunt of the debt costs, paying hefty taxes annually in service of the country's wartime debt. In fact, it took until 2006 for Britain to make its final payment.

Although Britain eventually rebounded from its debt burden, many countries with



high debt-to-GDP ratios struggle for decades before rebounding. For example, Argentina defaulted on over \$100 billion in debt in 2001 when its debt-to-GDP ratio reached 156% and an eventual \$100 billion default. Other countries like Greece, Zimbabwe, and Venezuela have also stared down the barrel of a series of serious economic challenges induced by debt.

Emerging markets aren't the only ones impacted by hefty debt, as we saw with Britain in World War II, but the truism remains in the present day. Here in the United States, our economy has historically been on enough of a solid footing, being large and constantly growing, that taking on tens of

billions of dollars in debt hasn't had a significant impact.

In 2005, despite ongoing war efforts, the United States' national debt-to-GDP ratio stood at a stable 60%. However, during the 2006 financial crisis, the country had to take on trillions of dollars in debt to boost the economy, which resulted in a debt-to-GDP ratio of 106%. More recently, the COVID-19 pandemic has had a significant impact on the U.S. economy, further increasing the debt-to-GDP ratio. As the pandemic peaked in Q2 2020, our ratio also peaked at around 134% before settling to the comparatively modest (but still high) 120%.

## Economic Overview

It goes without saying that the COVID-19 pandemic had a major effect on U.S. government debt. To offset the economic impact, the government put into effect stimulus measures including the Coronavirus Aid, Relief, and Economic Security (CARES) Act which, provided cash infusions for individuals, businesses, and state and local governments. These actions led to a big rise in government spending and a concurrently significant increase in government debt.

As of 2022, the U.S. national debt was over \$30 trillion and is still increasing. Even though it's improbable that the United States will default on its loans, the high debt ratios are likely to cause lower economic growth, higher taxes, reduced funding for programs,

Even though it's improbable that the United States will default on its loans, the high debt ratios are likely to cause lower economic growth, higher taxes, reduced funding for programs, and economic insecurity—some of which we're already seeing, and the impacts of which will no doubt echo throughout the remainder of the decade.



and economic insecurity—some of which we're already seeing, and the impacts of which will no doubt echo throughout the remainder of the decade.

Increased government debt has a knock-on effect on the macroeconomic environment, which can have serious repercussions on the average person's financial well-being. One of the most evident impacts is in consumer debt markets, specifically when it comes to mortgages.

Higher interest rates and inflation make it tough for borrowers to make their mortgage payments, and the issue is compounded as the previously hot real estate market cools and makes quick sales difficult or impossible, leaving many underwater on loans they can no longer afford. This, in turn, can lead to an increase in mortgage defaults and foreclosures, which can have ripple effects throughout the economy.

However, those ripple effects also offer an opportunity for investors to renew and reinvigorate struggling economies while diversifying their portfolio—an investment in both human and financial capital.

### Distressed Debt, NPLs, and REOs

High debt ratios can also present investment opportunities, particularly in the distressed debt market. Distressed debt investing, which includes nonperforming loan (NPL) and real estate-owned (REO) investments, are becoming increasingly safer despite a higher default rate as digitization and technology create new, advanced, and sophisticated markets with substantial liquidity.

In real estate, distressed debt is debt tied to properties that are in financial distress, such as foreclosures or bankruptcies, both of which are rising. NPLs and REO assets are two forms of real estate distressed debt. NPLs are loans that are in default or at risk of default, while REO assets are properties that lenders have foreclosed on and now own. Investors who specialize in distressed real estate debt may purchase these assets at a discount and work to recover the underlying value of the property. This can involve restructuring the loan, working with the borrower to find a solution, or selling the property to recover some or all the lender's investment.

In many communities, investors and

management firms are leveraging REOs and NPLs, stepping in to fill the gap and keeping communities stable while providing options and opportunities to families in financial despair.

### Distressed Debt Today

In particular, the number of delinquent FHA-insured high-risk loans is a cause for concern, particularly among those who were hardest hit by the COVID-19 pandemic. As the ramifications of forbearance ending come to fruition, many of these borrowers may face foreclosure or need to sell their homes. This is happening while individual debt is increasing, creating undue financial pressure and stress on underrepresented blocs of American citizens.

As of January 2023, the delinquency rate for FHA loans, mortgages insured by the Federal Housing Administration, was nearly 5% and represented a steady increase throughout the year. This means that over 1 in 20 FHA loans were delinquent and either in foreclosure or behind on their mortgage payments by 90 days or more.

The higher delinquency rate in FHA compared to conventional mortgages (which are rising, albeit more incrementally) is likely due to the fact that FHA loans are typically offered to borrowers with lower credit scores or otherwise an inability to afford a hefty down payment. These borrowers may be more likely to experience financial difficulties and fall behind on their mortgage payments.

### How Distressed Debt Anchors Your Diversified Portfolio While Bettering Communities

The 60/40 investment portfolio is a traditional investment strategy of allocating 60% in stocks and 40% in bonds. This portfolio's performance can be influenced by the correlation between the prices of stocks and bonds. When stock prices rise, bond prices tend to decrease and vice versa. However, the correlation between stocks and bonds can vary over time, which can affect the portfolio's performance.

Today, volatility and unprecedented monetary policy combine to challenge the conventional wisdom of the 60/40 investment portfolio. Higher yields on bonds sup-

press their price, and although the higher yield is great for fixed-income investors, the additional BPS annually have yet to match inflation, let alone surpass it. Most concerning, the correlation between stocks and bonds is markedly in lockstep rather than inverted, meaning that the bond portion of the portfolio is providing less protection in current times of market stress.

Investors are exploring alternative strategies such as increasing their exposure to nontraditional asset classes like real estate or commodities to provide more diversification benefits. Others are considering increasing their allocation to stocks or shifting to more active investment strategies that can better navigate changing market conditions.

Investing in distressed real estate debt can present challenges due to the many factors that affect the market, including the property's location, market conditions, and borrower behavior. However, investors who are willing to take on these risks may find significant profit opportunities.

Real estate investments and related private debt or lending markets have a relatively low correlation with stocks and bonds, as they are driven by factors such as local demand, supply, and economic growth. Including these types of alternative investments in a portfolio can help to reduce overall portfolio risk and increase returns by spreading investments across multiple asset classes. By investing in different types of assets with low correlations to one another, the portfolio's risk is reduced, and investors can benefit from the diversification benefits that alternative investments offer.

Ultimately, investing in NPLs and REO assets are an increasingly reliable and dependable anchor in a diversified portfolio, as the markets remain viable and liquid. These types of investments not only promote homeownership and retention but also contribute to neighborhood stability by often improving homes and infrastructure while offering continued housing opportunities for disenfranchised Americans.

For those seeking diversified investment opportunities with higher-than-average return profiles, working with a financial advisor to manage NPL and REO investments may be the ticket to increased stability despite unprecedented volatility. **MP**



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# BRACE FOR THIS TRIFECTA OF RISK

Why zero repurchase risk is only the result of the new normal.

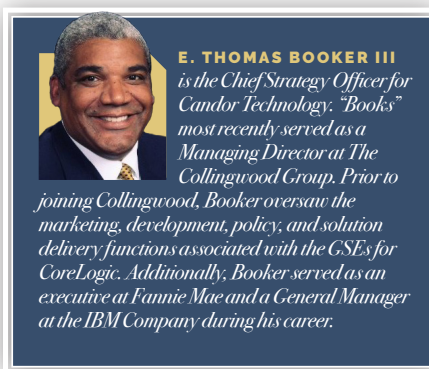
By E. THOMAS BOOKER III

Current market sentiment is that repurchase risk is increasing because Fannie Mae and Freddie Mac, for various reasons, are taking a closer look at loan underwriting. This is why mortgage industry participants are concerned about whether their tech is robust enough to reduce buybacks.

However, the issue is more nuanced than this shift in the market, and I will explain why. Repurchase risk is the result of the lack of documented precision when home loans are manufactured. The key to success that independent mortgage banks are searching for is about having a scalable platform that will handle high- and low-volume scenarios with the same effectiveness and efficiency.

A recent 2023 RMBS (residential mortgage-backed securities) outlook from Kroll Bond Ratings Agency shows issuance for this year to be down across the board. “Expectations for FY 2023 are at \$61 billion overall (down 40% YoY), with nonprime at approximately \$30 billion (down 30% YoY), prime at \$14 billion (down 57% YoY), and CRT (credit risk transfer) \$18 billion (down 25% YoY),” the analysts write. In the conforming markets, total originations are forecasted to be \$1.8 trillion vs. \$2.225 trillion in 2022. Volumes are down but there are a large number of loans being made.

With market volumes so low, from purchase mortgages up to RMBS, independent mortgage banks (IMB) are facing more than repurchase risk, they are facing the following



trifecta of risk:

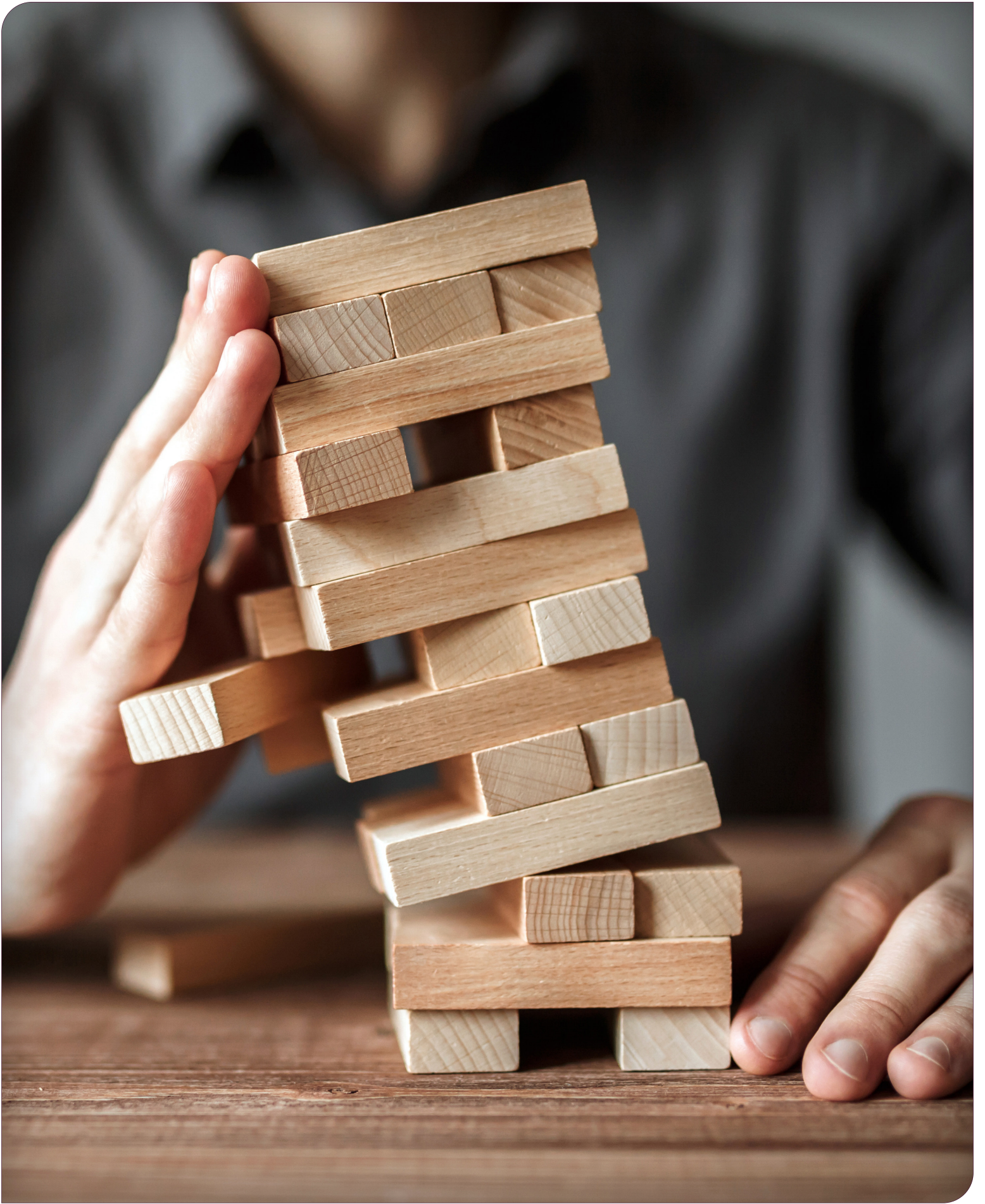
- » Increasing market complexity (higher costs + low volume = less profit)
- » Investor expectation for greater precision (zero buybacks)
- » Macroeconomic volatility that is reflected in the 10-year and its wide movements daily (mortgage rate unpredictability)

My take: without a systems solution, there is no dependable way to manage the strategic challenges of the mortgage business at scale. The fear is not the fear of the GSEs or the scrutiny of correspondent, or the 100% review rates of non-QM investors. It is a fear of the increasing expectations of consistent quality, the demand for uniformity, and the intolerance for error that leaves loans unsalable

to non-GSE Investors (jumbo, aggregators, non-QM) but subject to repurchase at a later date by GSE investors. Achieving near-zero defects is the key to making this contingent liability dynamic manageable.

We are at an inflection point. The inflection point occurs when there is a greater impetus for the originator to produce with great precision than there is for the investor in the loans originated. The originator can no longer make money producing at the current cost, and one of the leading indicators of high levels of imprecision in production environments is high cost. Concerns about salability that manifest in longer dwell times or longer cycle times indicate ambiguity in the requirements necessary to close the loan

Increasing market complexity rears its head in the guidelines for manufactured housing loans, the use of down payment assistance varying by investor, and the variance in the way non-QM programs calculate free cash flow, for example. I chose managing underwriting guidelines to acknowledge the need for independent mortgage bankers to have the greatest opportunity to originate nearly any borrower circumstance presented. Absent an underwriting platform that will manage the guidelines into underwritten loans as the method for reducing defect or error while increasing throughput, the IMB at scale will not harness enough of the efficiencies to become a differentiated competitor. Managing underwriting guidelines through



# The key to managing complexity is organizing humans to perform high-value tasks like pathfinding, organized around systems that support data capture, data validation, and decision-making.

systems is one of the key ways to manage the volume of loan programs and volume of loans effectively while reducing cost and ensuring quality—the trifecta.

Consideration 2: Increasing investor expectations of greater precision. In effect, no investor besides the GSEs with their rep/warranty recourse construct will accept anything less than 100% compliance with their criteria. Fannie Mae and Freddie Mac allow for interpretation of their guidelines and affirm the compliance with post-closing reviews of 10% of each month's volume, where many non-GSE investors in jumbo, correspondent, and non-QM assets require 100% review and compliance prior to sale. The path to higher gain on sale is a function of withstanding higher scrutiny. Whether surviving repurchase reviews in the future or assuring an ability to sell at origination, surviving 100% review is the most reliable path to predictable revenue recognition and margins.

Consideration 3: Macroeconomic volatility—what can I do about rates? We are in a period where the rate of change on very low interest rates is a step change. A 50 basis points (bps) increase on a base rate of 5% is a 10% change in the cost of a loan, and we are digesting those regularly. The scale of increase of rates and the frequency of the rate increases are the sources of unpredictability that roil secondary market execution. The best hedge is not a fancy Treasury trade where the actual Treasury security is experiencing the same volatility as the securities you are attempting to hedge. Instead, the originator's best hedge is collapsing the time to originate as the best way to minimize the exposure to rate volatility. It is possible to close loans in 15 days or less now and to sell the loans within 48-72 hours of closing. My advice is to operationalize the macro risk by closing faster and controlling the length of your exposure to the volatility in execution.

The reality is that repurchase risk is growing as the loans are becoming more complex. Loans are also getting more difficult to obtain, and it is becoming harder to get people approved or to calculate the most liberal qualifying income possible without breaking any guidelines. More attributes must be managed more precisely to originate a loan cost-effectively and sell that loan at the forecast price. An example would be what sources of income and what assets are eligible to qualify a borrower for—a loan eligible for sale to the GSEs, a loan

eligible for FHA insurance, or a non-QM loan where cashflow may be the basis of a judgment about income or reserves. The inability to document the care and diligence employed by the lender during origination would make a big difference—just one more reason for embracing systems.

## Complexity Is Increasing, but Human Tools Are Not Keeping Up

Resolving the problem of eligibility for sale and the best fit for a borrower is a uniquely human task. Humans have the unique ability to engage the borrower to solve for solutions, when supported by tools that organize, present, and validate the data necessary. The challenge is that humans need better systems to support performing this valuable service uniformly, accurately, and inexpensively. The key to managing complexity is organizing humans to perform high-value tasks like pathfinding, organized around systems that support data capture, data validation, and decision-making. Humans are incredibly flexible and able to perform creative tasks in ways even chatbots can only talk about. When humans are asked to repeatedly perform highly precise tasks or to consistently interpret highly variable data correctly, they do not perform as well as machines. Leverage the skills of humans to solve creative tasks that drive effectiveness.

Organizing your operations in a fashion where the division of labor suits the task is critical. Use the machines to perform what must be precise and consistent to assure uniform interpretation of unique situations. The machines must be better at more complex but repeatable tasks to allow humans to contribute more to achieving a desirable outcome for the borrower and the owners of the originator.

## Mitigating Risk

There is a range of responses to having to mitigate risk daily. Most lenders try to spend a tremendous amount of time and investment on processes and workflow tools. Originators can buy tools, organize a process, or invest in trying to train their people, but the real driver here is how to integrate automated tools into what is still a manual process. In manual workplaces—which most workplaces still are today—people are required to have cognition and to make judg-



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# We often do not acknowledge the extent of the influence of market volatility, which cannot be easily quantified.

ments to trigger other processes. There are not a lot of processes that are driven by either automation or some objective measure that is 100% accurate all the time.

This means requiring a human to play a role where their effectiveness will decline throughout the engagement. This is the heart of the repurchase challenge. Successful repurchase defense requires comprehensive documentation and evidence. The problem is that lenders cannot document their workers' judgments. There are no notes that travel with the file or logic chains that represent the diligence in selecting a method to underwrite income. The lender is resigned to defending a decision without the benefit of the work performed, other than the result.

Repurchases are driven by this inability to organize and document judgments systematically made by humans to rebut a claim of insufficiency or inaccuracy. Many would say loan reviews have subjective elements. Comprehensive capture, organization and presentation of the data, calculations, and judgments leave less room for something other than a preponderance of the evidence to carry the day. If there is documentation or evidence of due diligence supporting the loan, it is very difficult to arrive at a resolution that requires the ultimate response—a repurchase. It is a difficult dynamic when lenders do not feel that they can manage all of those elements at the speed necessary to cover their costs and make a profit in a difficult market.

Repurchase risk is not driven by review rates but by an inability to document or provide evidence of the thought life and choices made during the loan-making process on every loan.

## The Real Challenge of the Mortgage Business: Volatility

The challenge I see over time has been managing volatility. We often do not acknowledge the extent of the influence of market volatility, which cannot be easily quantified. An example would be that everybody knew that a significant interest rate move would affect the market. What is not understood is that the Federal Reserve is also threatening to stop its purchases of mortgage-backed securities, which is having an add-on effect. This creates a tremendous amount of volatility around the 10-year price, which is our pricing benchmark.

Volatility is not related to credit in the mortgage assets or to concerns about the housing markets. There may be some concern about the economic markets in a macro sense, but the challenge is that volatility is being purely expressed financially around the risk of interest rates going up or falling further and the activity around that.

The current expression of volatility is financial. Practices that were profitable in markets with large volumes no longer make sense. Simply reducing headcount to reduce cost is a scalability trap that will not perform when even slightly larger volumes return. Managing operational, financial, and market volatility requires a business strategy and mindset that is designed to virtually eliminate repurchase risk while reducing cost, increasing speed, and delighting the borrowers. Strategists call this a "blue ocean" strategy. A blue ocean strategy is when a company that typically competes on a few attributes like price and service expands the competitive framework to compete on every aspect of the business (cost, speed, risk, product, price, quality, etc.). In doing so, the more robust competitor finds market segments within the narrow definitions of price and service where the more comprehensive competitor can deliver value in more dimensions.

The blue ocean competitor who selects a wild goal like zero repurchases or zero defects has, in effect, chosen a strategy that indicates the ability to compete in every dimension of the business model. Let me explain: curing defects will also expose methods to use machines and people more effectively and efficiently in the pursuit of higher quality. Higher quality usually results in reviewing and rectifying old assumptions and practices in favor of evidence-based methods focused on measurable and objective outcomes. The winnowing of the practices that no longer contribute to zero defects, and the promotion of the practices that do, is the lever that will alter the competitive profile of the company in multiple dimensions.

This is not creativity but hard work—the hard work of challenging all that you believe in. Why challenge all of the accumulated experience and learning of the entire industry? Quite simply because those practices no longer create a profitable outcome. Unprofitable businesses in low-margin industries that struggle to differentiate themselves are best positioned to think differently—there is little to lose and huge benefits to gain. **MP**

# THE 2023 FIVE STAR LINEUP

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



**April 11**

## **Government Forum**

Washington, D.C.

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



**May 1 & 2**

## **Legal League Spring Servicer Summit**

Dallas, TX

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



**May 16-18**

## **reconnect**

Las Vegas

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



**September 18-20**

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

Dallas, TX

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

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## BUILDING SERVICER RELATIONSHIPS ON A FOUNDATION OF TRUST

JT Grubbs, EVP of Loan Servicing at Selene, sat down with *MortgagePoint* to share how the company puts their customer first and how to gain customers for the life of the loan.

By ERIC C. PECK

Keeping your finger on the rapidly changing pulse of the servicing industry takes top, experienced talent. A collective group of individuals with an experienced and visionary management team at the helm can guide any team through the roughest of waters.

Saying that the hurdles brought forth by the pandemic and its fallout impacted the industry is an understatement. Management was forced to pivot and deal with a number of new scenarios and challenges never encountered.

Servicers such as Selene Finance faced these challenges head on, drawing on past experiences and, in turn, guiding their customers to equitable solutions and helping to keep them in their homes during a time of crisis. As Selene management stresses, establishing open lines of communication with their customers is the building block to

attaining customers for life.

JT Grubbs, EVP of Loan Servicing at Selene, plays a key role on that management team, contributing 19-plus years of experience in financial services and real estate to the firm. Prior to joining Selene, he held executive roles leading all aspects of mortgage originations, servicing, and default operations at Countrywide, JPMorgan Chase, and Capital One. He began his career in 2004 as an AE with Countrywide Mortgage Services.

*MortgagePoint* recently had an opportunity to chat with JT to discuss recent trends in the servicing space, and what it takes to gain customers for the life of a loan.

**Q:** How did you get your start in the mortgage finance space?

Like most of us, it was not intentional. After obtaining my college degree, I spent eight years building a business and a young

family. As my kids actually started entering school and had their own activities, I had to make some difficult decisions. I sold the business with no plans, based on faith, just knowing that making the right decision, no matter how difficult, was always going to be the right path.

In doing that, my initial and longest-standing client heard that I was selling the business and asked what I had planned to do moving forward. And as fate would have it, she was Managing Director of a tiny mortgage organization known as Countrywide Specialty Lending. She saw something in me that she believed translated into this business. And since that day, I've spent seven years in various origination roles and 13 years in servicing and default.

**Q:** What was the state of the housing marketplace when you first became involved with it?

As I reflect, I would characterize it as the proverbial peak. Homeownership rates were at an all-time high; the Fed had just lowered the Reserve's key interest rate down to at that time an all-time low of 1%; and the Administration at that time had been pushing through key initiatives such as the American Dream Downpayment Act.

There was a tremendous amount of pressure on the increased affordable housing goals that had been set for the industry, and credit standards were loosened to help accommodate and meet those goals. Appreciation rates were exceeding 25% in some areas, and I think in hindsight, I would characterize it as the bubble everyone talks about, or the House of Cards.

**Q:** Having been with Countrywide, Fieldstone, and Chase during the mortgage meltdown, what lessons did you learn from that period that can be applied to today's housing market?

I think the real lesson was in resiliency—let me frame that up for you. This period was early on in my career. I only experienced a couple of what were known as “The Glory Years.” Even during the early years, it was common knowledge that the housing market was known for its cyclical nature. The industry experienced some significant consequences of the risks taken to open the dream of homeownership to more Americans, but

the housing market has always proven to be resilient. When you apply those lessons learned, the current market is no different.

Year over year, the macroeconomic factors driving the different markets, including buying, selling, originating, and servicing, are consistent and simple. Equity matters, affordability is critical, and options are available. Every experience prepares us for the next experience, and the meltdown was no different.

**Q:** How did Selene work with the government and regulatory bodies during the pandemic to keep Americans in their homes in a time of economic tumult?

Selene was founded in 2007, right out of the meltdown, and has a long tenure assisting at-risk or delinquent customers. We engage and interact with government agencies and regulatory bodies on a routine basis, and the time of the pandemic was no different.

Internally, we maintain a team of individuals dedicated to the identification and administration of government-relief programs. When the Homeowner Assistance Fund (HAF) was first created, we recognized that proactively participating in industry working groups helped define program standards and best practices for both program administrators and the broader servicing industry. This early engagement allowed our customers to begin receiving relief immediately upon implementation of even the pilot programs. Even today, we continue to see a consistent volume of applications and awards for our customers, and we attribute it to the HAF awareness initiatives we've implemented internally that are aimed at educating our customers on all the loss mitigation options available.

**Q:** How has the landscape of the servicing space changed in this current economic environment with inflation and continued economic strain?

Generally speaking, the landscape has not changed much. I think we are at an inflection point, but servicing is a highly regulated industry that has always, and continues to, need to move at the speed of quality.

The real impact of inflation and economic strain is on the cost to service alone.

As a servicer, we are experiencing increased cost to service, and because of that, we must maintain a strong financial discipline, a steady change in management and risk control framework, and nimble technology capabilities. Those are table stakes in our industry.

In this type of environment, if you're absent any of those critical disciplines, then we may see the landscape change, and it will more than likely change through consolidation and acquisitions.

**Q:** What trends are you currently seeing in the servicing space? Are there any that particularly stand out?

I think it goes back to some of the other responses, and what we learned from the 2007-2008 timeframe. Not surprisingly, one of the largest trends that we have seen at Selene is increased customer engagement. Technology has improved, and we have seen greater utilization rates through digital channels. Because of that, we have seen better service levels through voice channels because it takes the pressure off, and we actually speak with the customers.

Coming out of the pandemic, this is where past experiences have prepared us for this environment, and this is different from 2008. This time around, homeowners are prioritizing their mortgage. That's a trend we are seeing. I think the drivers of that prioritization obviously are the equity positions that have been created, and the fact that the home has become the office. There is a need for a quiet, reliable place for remote workers to produce their income.

In addition to that, I think individuals are prioritizing their home because there is no affordable alternative. You cannot even move down an asset class in the rental market.

I think one of the other trends we see is the increased demand in home equity loans—driven solely by the rate environment. People are wanting to access equity due to inflation, and the way to do that is based on the interest rate environment.



**Coming out of the pandemic, this is where past experiences have prepared us for this environment, and this is different from 2008. This time around, homeowners are prioritizing their mortgage.”**



**The mortgage industry has always proven to be resilient, and with a strong focus on financial discipline, and moving at the speed of quality, we will absolutely be pressure-tested over the next few years.”**

**Q:** What tools would you suggest that servicers have in their toolkit to make it and excel in today's marketplace?

I am a firm believer in simplicity. Regardless of the state of the marketplace, there are two key elements needed to excel. One is top talent, which is defined as people who execute collectively to a well-defined mission and consistent vision. I think the second is top technology. We have been and still are in a technology revolution, and it moves faster than any of us ever believed it could move. Utilizing top technology solutions and strategically building your infrastructure and architecture to be nimble are absolutely critical steps to excel in today's marketplace.

**Q:** Does Selene have any programs or products in the works set to be rolled out in the near future?

From a technology standpoint, meeting customers in the channel of choice is important. From a financial aspect, your digital interactions come with a lesser cost, but there are individuals who need to and still desire to communicate through a voice channel. Significantly enhancing our digital capabilities is our primary focus.

The other thing that some may or may not know about Selene in general is we also have a due diligence organization, Selene Diligence, in the Selene family of companies. Selene Diligence continues to build out its product set, and is offering dynamic due diligence services.

We also have Selene Title as well, which has continued to build out their national footprint and build the capabilities to service single-family rentals and originations in default markets.

**Q:** What lies ahead for the servicing space for the rest of this year and beyond?

From my perspective, based on recent events such as the pandemic and even the recent banking failures, we should anticipate increased regulatory oversight and engagement. We will all feel the increased financial pressures for the reasons I mentioned earlier. The mortgage industry has always proven to be resilient, and with a strong focus on financial discipline, and moving at the speed of

quality, we will absolutely be pressure-tested over the next few years.

From a customer perspective, we will experience longer-term relationships due to the decreased purchase activity and the nonexistent refinance market. Customers will stay with us longer. As customer demands continue to migrate into those digital relationships, servicers like Selene must have the capabilities to meet customers in their channel of choice like I mentioned earlier, for no other reason than to build trust. That trust is an important principle that not only drives efficiency and satisfaction, but also ensures engagement if a hardship scenario were ever to surface.

What we learned from the mortgage meltdown and the pandemic is how we established relationships and trust with customers that really separates us. From a visionary standpoint, you must build relationships when there is no hardship, so that when hardship arises, you already have that relationship established. **MP**

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## Expert Insights

**Dominic Iannitti**, President & CEO, DocMagic, Inc.

**D**ocMagic's founder, Dominic Iannitti, is an industry icon and the driving force behind a suite of automated, end-to-end eClosing software products. He began developing mortgage technology when lenders were still taking applications with paper and pens. Over the past 36 years, he's turned DocMagic into the premier provider of dynamic loan document generation, regulatory compliance, and comprehensive eMortgage services.

*MortgagePoint* recently had a chance to speak with Iannitti about current changes in the mortgage market and how they've accelerated the adoption of eClosing.

**Q:** What major changes are you seeing in the industry, and what implications are you seeing down the road?

We're witnessing a historic shift in the mortgage business. After years of high volume and low rates, we're seeing interest rates rise and loan volume fall significantly. The impacts are widespread, from large lenders exiting the wholesale and correspondent business to focus on direct lending, to layoffs across the industry. Lenders have responded with a diversification of product offerings and investment in technology that can deliver efficiencies and cost savings to the bottom line.

Lenders are also doing more with fewer people on their teams—and simultaneously, they're hoping to deliver a better user experience to every borrower. To accomplish that, we're seeing lenders leaning into modern mortgage technology for improved automation, compliance, efficiency, ROI, productivity, and integrated mobile solutions that streamline the lending process. Now more than ever, lenders are looking for proven technologies that reduce their cost per loan and deliver a clear-cut ROI.



**Q:** As lenders search for efficiency, where should they be thinking about investing?

Organizations are turning to eMortgage solutions that improve the loan process for everyone: lenders, settlement service providers, investors, and borrowers. We expect this to be an even bigger priority in the coming years.

Lenders are now realizing that this is an opportunity to realign their organizations and keep pace with the digital revolution. It's very clear that it doesn't make good business sense to run a lending operation with hundreds of people; millions of paper notes and countless other documents; and an entire business ecosystem revolving around the receipt, inventory, and safe-keeping of paper.

Beyond the many internal advantages of going digital—including cost savings, workflow efficiencies, increased compliance, and an accelerated closing process—lenders are reducing friction for business partners and providing a much better experience for the borrower.

**Q:** Why is it important for lenders to be optimistic now?

That's a great question because it's easy to be pessimistic given the rapid and significant changes we've seen in the market. Again, the successful lenders we're working with are making investments in digital technologies. They know this is the only way to deliver a better experience to their borrowers, allow-

ing them to succeed regardless of which way the market turns.

Moreover, lenders that have a clear vision for the future and the supporting technology to get them there will emerge as solid competitors while also prepping for long-term success. Implementing the right technology stack today lays a pivotal foundation for what's ahead. And failing to implement technology, or implementing the wrong solutions, can result in a loss of that competitive edge.

Lenders who have already integrated hybrid eClosings have a head start. For everyone else, the good news is that the current market will allow them to catch up while they have time to focus on improving internal processes.

As more lenders incorporate fully electronic closings into their mortgage operations, it puts those that don't have this capability at a competitive disadvantage. In fact, I'd go as far to say that it will be game over for those lenders that fail to go digital.

**Q:** We've also seen lender tech stacks becoming more complex. As lenders adopt more tools, how can they ensure that all tools will work well together?

The short answer is to use fewer tools.

There are some pretty complicated implementations out there for tools that close loans electronically. Integrating multiple pieces of software was the only way to get the job done in the past, but today, lenders can choose a single eClosing platform that offers everything they need.

Using a single-source vendor to automate nearly all areas of the process is hands-down the best model for success. If a lender involves too many vendors, they introduce the potential for integration breakpoints, over-complicated pricing and SLA models, and disparate vendor support teams. With the right eClosing solution supported by an experienced, well-established vendor, the lender shouldn't need any infrastructure of their own—just a secure internet connection to access cloud-based technology.

**Q:** Change is constant in our business, so what can lenders do to help them future-proof their institutions?

From my point of view, future-proofing your organization means investing in your



Ultimately, future-proofing is about being in a position to outperform and out-price your competitors while providing the elevated service that consumers expect.”

business so you can transact digitally. A fully digital closing process—with remote online notarization—saves money. It saves staff hours. And it provides more security with stronger authentication.

Ultimately, future-proofing is about being in a position to outperform and out-price your competitors while providing the elevated service that consumers expect. eClosing technology is poised to change the mortgage industry with the introduction of a lending utopia—one that delivers immense benefits for the entire supply chain.

From lenders, settlement providers, and warehouse banks to investors, servicers, and individual borrowers, we'll see completely new levels of lending efficiency. The lenders who invest in eClosing technology now can leverage the benefits of more secure closings completed at any time, from anywhere, and they'll get to leverage those same benefits far into the future. **MP**



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# MAKING STRIDES

Here are the keys to accelerating proptech and real estate technology through venture capital.

By CHRIS BIXBY

It's no secret—we've all seen the headlines and experienced the fallout from the difficult rate environment, declining real estate valuations, and depressed mortgage originations.

Though it's an exceptionally challenging time for the industry, the fact is, many properties will be sold this year—and next. The National Association of Realtors (NAR) is forecasting a decline in existing home sale volume by approximately 7%, but still forecasting 4.8 million homes to be sold. The Mortgage Bankers Association is assuming that interest rates will continue to impact mortgage origination volumes and is forecasting \$1.9 trillion in mortgage originations for 2023, which, while down over 50% from \$4.4 trillion in 2021, still represents a fairly typical year for mortgage volumes.

In the grand scheme of things, the mortgage market, while down, is not going to disappear. The need for mortgage loans is not going away, nor is demand for technology and digitalization. The pandemic caused consumers to behave more digitally—and they emerged much more mobile-friendly. This caused banking, ecommerce, and fintech to make great strides in digitization—and now real estate and mortgage are following suit. However, these sectors are still in their infancy in terms of true digital adoption with considerable opportunity ahead.

## How Is Digitization Being Accelerated and Funded?

Throughout its history, venture capital has often been associated with innovation, disruption, and technology. It takes



many forms and offers new points of view, perspectives, and provides financial resources for industries undergoing significant change.

Specifically, venture capital investment is accelerating digital adoption in the mortgage and real estate industry by giving it considerable attention and bringing capital to areas that have not historically received significant funding. The mortgage and real estate sectors are benefiting from a new wave of best practices gleaned from other industries that underwent digital disruption—and are just now being funded—which, in turn, is increasing competition and inspiring more and faster innovation.

Proptech emerged as its own investment category in the mid-2010s and has been rapidly growing due to the continuous influx of venture capital dollars. With approximately

\$2 billion invested in 2015 to approximately \$12 billion at its peak in 2021 according to Keefe, Bruyette & Woods (KBW), there was the explosion of venture capital funds and firms focused on investing in real estate technology companies such as Airbnb, OpenDoor, Zillow, Better, and Porch. Last year, venture capital investing in proptech was approximately \$9-10 billion based on KBW's research.

The U.S. proptech sector represents a large ecosystem of start-ups and rapidly growing companies that offer technology-enabled and/or innovative products, services, and business models across various aspects of the residential and commercial real estate markets. It encompasses technology that supports various areas within the real estate industry including searching, evaluating, financing, building, closing, and managing a property, loan, or investment.

Over time, as more customization has entered the market, it has broken into various, nuanced subcategories including residential real estate technology, commercial real estate technology, construction tech, green-tech, and mortgage tech.

## How Proptech Is Paving the Path to Digitalization

There are five key areas where proptech is advancing digitization in the mortgage industry:

1. **Driving efficiencies and cost savings for lenders through technology, AI, and machine learning:** Proptech firms are introducing technology that



# STARTUP



can significantly increase productivity improve efficiencies and save lenders significant time as they can automate workflows that have typically been manual, ultimately reducing costs.

2. **Generating new revenue opportunities:** Proptech companies are innovating in areas where they can engage with new customers in different ways and provide integrations with third-party vendors to bring additional revenue-generating opportunities to existing customer portfolios and platforms.
3. **Facilitating compliance in a highly regulated industry:** Mortgage technology companies are helping lenders navigate the complex regulatory environment by providing the data, systems, and analysis necessary to better manage compliance and monitor the regulatory environment.
4. **Delivering self-service models through disintermediation:** Proptech technology companies and fintechs have continued to build self-serve products for borrowers and customers, disintermediating various steps within the real estate process. At the same time, these technology businesses have enabled legacy mortgage and real estate companies to gain a better understanding of their customers and provide a better user experience.
5. **Providing greater access to and an enhanced consumer experience for new generations of homebuyers:** As millennials increasingly engage in the home purchase journey with ~43% of homeowners being millennials according to National Association of Realtors (NAR), technology companies continue to develop digital capabilities to accommodate the demands of this new generation of homebuyers. Tools are also being introduced that inject more fairness into the mortgage underwriting process and which utilize alternative data sets to help increase homeownership access.

### Why Now Is the Time for Digital Adoption in the Mortgage Industry

Even as the mortgage sector experiences one of the most difficult origination environments of the past decade, several

significant themes are emerging that support the growth of digital adoption.

First, over the past decade, there has been a distinct shift from bank to nonbank mortgage lending. Independent mortgage banks (IMBs) originated approximately 66% of loan volume in 2021, up from 27% in 2011 as banks reduced their mortgage footprint. However, unlike larger banks, IMBs often are not in the position to build out the technology they need themselves and are reliant on third-party software vendors to support their innovation. They are also able to move more quickly and are more entrepreneurial as a sector yet are still seeking economies of scale with industry platforms versus customized platforms. Ultimately, IMBs are uncovering opportunities to be more efficient and are more open to adopting technology.

Second, recent layoffs in the mortgage industry will continue to drive the need for technology to solve internal gaps. The Mortgage Bankers Association's (MBA) analysts are predicting jobs will decrease by 25-30% from their peak and thus far through January 2023, mortgage companies have only eliminated approximately 12% of their workforce. IMBs are doing what they can to retain loan officer, processor, and underwriter talent, but more than likely they will need to continue to cut. Technology will be needed to solve gaps in these organizations to ensure they are compliant and produce a positive customer experience.

Third, the all-in cost to produce a mortgage has risen fairly dramatically over the past few quarters. According to the MBA, net production income for a mortgage turned negative again in Q3 2022 for the second consecutive quarter. Total production costs have increased to approximately \$11,000, up from approximately \$8,000 in 2020-2021 as loan officers and nonproducing direct employees have become less efficient as loan volume has fallen. For mid-sized IMBs, production costs are approximately \$10,000 per loan with 55% of those costs in sales, 23% in fulfillment (processing, underwriting, and closing), 5% in production support, 11% in corporate admin, and only 7% in technology. This means there is a significant opportunity to address efficiencies in the sales and fulfillment areas with technology. Look for automation to occur "behind-the-scenes" to replace manual processes like the "stare-and-compare" and guideline processing, and exception management.

### Why Being an "Insider" Is Key for New Incremental Innovation

In the beginning, proptechs had some success in direct-to-consumer and marketplace models by creating major consumer demand for new categories in real estate (think Airbnb, Zillow, OpenDoor, Angi, and WeWork). They were providing innovation as outsiders and significantly disrupting the status quo and other traditional business models.

More recently, new venture-backed proptechs have been providing "incremental" innovation by taking on industry incumbents with new and better technology. Instead of solving specific gaps, they have been going head-to-head with other players to build easier-to-use, more intuitive, and cheaper alternatives. However, they have struggled to secure market share because they are unable to successfully navigate the complex real estate ecosystem.

While the Total Addressable Market (TAM) is very large, having inside knowledge and a thorough understanding of the inner workings of the existing tech stack is incredibly important. Additionally, as referenced before, only about 7% of mortgage origination production costs are for technology, so developing solutions that can build-on to the existing infrastructure is key.

### Venture Capital Funding Innovation

Often, innovation needs to be fueled by capital. Venture capital can provide capital and expertise to early-stage and start-up companies emerging in proptech. Innovation and capital are needed to solve the specific needs in the market that incumbent and legacy real estate businesses are not solving—driving efficiencies through AI and machine learning, providing new revenue generating opportunities, better managing compliance, disintermediating legacy systems, and providing access to new homeowners. However, to invest in this space, specific and insider market knowledge is required, and this is when venture capital can play an important role, assuming that investor is also an insider.

Tech companies that are run and advised by insiders who understand the market, key players, real estate process, mortgage origination, incumbent landscape, and regulatory environment have a much higher likelihood

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Given the nature of the industry, the complexity of real estate, and the need for inside knowledge of the ecosystem and key players involved, finding a venture partner with deep industry relationships is critical.”

of building a sustainable business in the sector. There have been several cases where proptechs have raised significant capital with a “big idea” but have lacked the ability to navigate the complete ecosystem within mortgage and real estate. As many investors are pushing their portfolio investments to find profitable growth, gaining traction quickly and getting the support from the venture investor network can make a big impact.

The implications of having knowledgeable insider investors are also critical to potential customers of these emerging companies. Given that many start-ups still ultimately fail, lenders and clients need confidence that their vendors have staying power and a path to being profitable. There have been numerous examples of start-ups running out of capital more quickly than forecast and in the B2B business environment, this really jeopardizes the ultimate customer.

Technology buyers want to avoid patronizing companies that lack the wherewithal to survive market fluctuations and build a sustainable business. Buyers must understand the financial position of their vendors, as well as the goals and position of the capital sources for those investments. Lenders, too, should research the proptech companies they are partnering with, know where their capital is coming from and be comfortable building a direct relationship with that source of capital.

#### Building a Successful Partnership through Commercialization

Given the nature of the industry, the complexity of real estate, and the need for inside knowledge of the ecosystem and key players involved, finding a venture partner with deep industry relationships is critical. A strong venture partner will ensure that the product solves specific gaps within the industry yet also interacts within the constraints of the incumbent technology companies, assist with the commercialization phase of growth to scale the start-up’s team and go-to-market efforts, position them with key customer accounts and facilitate strategic relationships to provide pathways for an eventual exit.

For example, one of Rice Park Capital Management’s (Rice Park) first investments was in Blue Water Financial Technologies (Blue Water). Blue Water was founded be-

cause the market lacked digitally enhanced tools for identifying, trading, and hedging mortgage servicing rights (MSRs). Based on Rice Park’s experience in MSR and the early stage of the company’s evolution, we invested capital to support the team’s growth and product development and made introductions to what we believe to be key industry counterparts. Ultimately, because of our deep relationships in the industry, Rice Park was approached by Voxtur Analytics as a potential acquirer of Blue Water as Voxtur was seeking to build out their capabilities in the secondary market. We believe the key to this acquisition was Rice Park’s ongoing partnership with Blue Water through the commercialization of their product and role leading the negotiations for the \$101 million sale to Voxtur.

We believe the future of proptech within the mortgage and real estate sector is bright. These companies serve an industry that is ripe for digitization and poised to embrace it—especially given current market dynamics. However, to usher in real disruptive innovations, these tech firms will need the financial support of lenders and venture investors that understand the needs in the marketplace, know how to collaborate with the gatekeepers, can manage the regulatory challenges and constraints, and navigate the many nuances of the mortgage and real estate industries. That is the best way to ensure proptech’s long-term success. **MP**

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## Expert Insights

**Mark Tribuna,**  
Senior Advisor, CRA Note  
Exchange

**M**ark Tribuna is the senior advisor for CRA Note Exchange, offered by CBC Mortgage Agency, a national provider of down payment assistance for low- and moderate-income homebuyers. Tribuna, who holds a bachelor's degree in computer science from Saint Anselm College, oversees the secondary mortgage trading platform that enables organizations like Habitat for Humanity affiliates to sell their nontraditional notes to banks looking for opportunities to invest in the communities they serve. During a financial services career spanning more than three decades, Tribuna has worked for New American Funding, Guardian Mortgage Company, and Habitat for Humanity International.

Below, Tribuna discusses how the secondary marketing platform has transformed from trading exclusively second-mortgage down payment assistance loans to additionally handling first-lien notes for affiliates of Habitat for Humanity International.

### **Q:** When was CRA Note Exchange formed?

CBC Mortgage Agency (CBCMA) originally established the CRA Note Exchange in 2015 as a web-based marketplace to sell second-mortgage notes accumulated through its down payment assistance activity. The whole idea behind the exchange was to help increase liquidity to entities like Habitat for Humanity, so they could build more affordable housing while simultaneously helping financial institutions meet their obligations under the Community Reinvestment Act and gain CRA credits. To date, approximately \$31 million in loans have been purchased by financial institutions through the exchange.



### **Q:** How did the exchange wind up selling notes for affiliates of Habitat for Humanity?

The idea stems from my initial involvement in the CRA Note Exchange. I had been doing work on behalf of a Habitat for Humanity affiliate in Dallas in 2018 when I learned of CBC Mortgage Agency and the exchange. As I learned more about the exchange, I realized it would work wonderfully for Habitat affiliates that held notes on the homes they were helping to build for low-income working families. I knew firsthand how badly affiliates needed cash so they could help more homebuyers. Ultimately, I came on board, and the platform was modified to accommodate Habitat affiliates.

### **Q:** Are these also second mortgages?

No, they're first mortgages. While the CRA Note Exchange was originally intended for second mortgages for Habitat affiliates, we modified the platform to handle first mortgages. It's been a real game-changer. Because we're now able to handle trading both first and second mortgages, we can serve a much larger number of nonprofits and other entities that provide affordable home loans, as well as offer more opportunities for banks and other financial institutions to meet their obligations under the Community Reinvestment Act.

### **Q:** Are there other mortgage exchange platforms for the Habitat affiliates to utilize?

There are other exchange platforms for trading mortgages. But most of these platforms require loans to already be in marketable condition—they don't help entities looking to sell notes get their loan files in order, which is a very labor-intensive process. This is a big obstacle for sellers, because most nonprofits generally don't have the bandwidth to properly organize their files for sale into the secondary mortgage marketplace.

Because we have a lot of experience in getting notes in salable condition, however, we're happy to help. In fact, we have one affiliate, Habitat for Humanity of St. Augustine/St. Johns in Florida, that sold its first ever notes using the exchange.

### **Q:** How does your current pipeline of loans look?

Our pipeline is very robust considering we just started working with Habitat affiliates. We now have several affiliates using the exchange, and so far, they have posted an aggregate of nearly \$8.5 million in loans to the platform that we hope to have sold by the end of this year.

### **Q:** Do the loans sell at or near par?

Because the notes are at 0% interest, banks need to make a profit from them. So, we see loan sales at discounts of as much as 40%. By being able to access larger numbers of potential bidders on these notes, however, affiliates can generate significantly more liquidity for their homebuyer programs and do it far more efficiently than if they had to go at it alone. The CRA Note Exchange also gives financial institutions the ability to find and buy notes based on their individual CRA goals. They can even search for opportunities by census track.

At the end of the day, we're reducing the costs of buying and selling notes for both financial institutions and entities like Habitat affiliates, so they can lower their own costs, increase loan affordability, and increase access to homeownership. It's very fulfilling work, to say the least. **MP**



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declined in 2022, but the bigger story was that production expenses ballooned to a study high of \$10,624 per loan. Companies could not adjust their capacity fast enough. The number of production employees declined, but not at the same pace as origination volume. As a result, productivity in 2022 fell to a low of 1.5 closed loans a month per production employee.”

According to the MBA, on the servicing side of the business, net financial income more than doubled in 2022. Higher loan balances pushed per-loan servicing fees higher. Servicing expenses dropped as serious delinquencies fell. Moreover, valuation mark-ups on mortgage servicing rights and slower prepayment activity contributed to servicing profitability.

The gains on the servicing side of the business were not enough to offset the substantial production losses. Including both servicing and production operations combined, only 32% of companies were profitable in 2022, down from 98% just two years prior.

Walsh concluded, “There is no denying the very difficult circumstances in which mortgage companies are still operating today. MBA’s forecast calls for mortgage volume to decline again in 2023 before an expected rebound in 2024 and 2025.”

Key findings of MBA’s 2022 Annual Mortgage Bankers Performance Report include:

- » Average production volume was \$2.6 billion (8,371 loans) per company in 2022, down from \$4.9 billion (16,590 loans) per company in 2021. On a repeater company basis, average production volume was \$2.8 billion (8,848) in 2022, down from \$5 billion (17,069 loans) in 2021.
- » In basis points, the average production loss was 13 basis points in 2022, down from a profit of 82 basis points in 2021. Since the inception of MBA’s Annual Performance Report in 2008, net production income by year has averaged 55 basis points (\$1,261 per loan).
- » The refinancing share of total originations (by dollar volume) decreased to 20% in 2022 from 46% in 2021. For the entire mortgage industry, MBA estimates the refinancing share last year decreased to 30% from 57% in 2021.
- » The average loan balance for first mortgages reached a study-high of \$323,780 in 2022, up from \$298,324 in 2022. This is the largest single-year increase in the history

## » Lending/Originations

### LOAN ORIGINATIONS BY INDEPENDENT BANKS BREACH NEGATIVE PROFIT TERRITORY

According to the Mortgage Bankers Association’s (MBA) annual Mortgage Bankers Performance Report, independent mortgage banks and subsidiar-

ies of chartered banks lost an average of \$301 on every loan they originated in 2022, down from an average profit of \$2,339 per loan in 2021.

“For the first time since the inception of MBA’s report in 2008, net production income was in the red in 2022, with losses averaging 13 basis points. The rapid rise in mortgage rates over a relatively short period of time, combined with extremely low housing inventory and affordability challenges, meant that both purchase and refinance volume plummeted,” said Marina Walsh, MBA’s VP of Industry Analysis. “The stellar profits of the previous two years dissipated because of the confluence of declining volume, lower revenues, and higher costs per loan.”

Walsh continued, “Production revenues

of the report.

- » Total production revenues (fee income, net secondary marking income, and warehouse spread) were 333 basis points in 2022, down from 382 basis points in 2021. On a per-loan basis, production revenues were \$10,322 per loan in 2022, down from \$11,003 per loan in 2021.
- » Total loan production expenses—commissions, compensation, occupancy, equipment, and other production expenses and corporate allocations—increased to \$10,624 per loan in 2022, up from \$8,664 in 2021.
- » Productivity was 1.5 loans originated per production employee per month in 2022, down from 2.5 in 2021. Production employees include sales, fulfillment, and production support functions.
- » Net servicing financial income, which includes net servicing operational income, as well as mortgage servicing right (MSR) amortization and gains and losses on MSR valuations, was at a gain of \$586 per loan in 2022, up from a gain of \$261 per loan in 2021.
- » Including all business lines, 53% of the firms in the study posted pre-tax net financial profits in 2022, down from 96% in 2021.

## HOMEBUYERS FACING LESS COMPETITION

According to the RE/MAX National Housing Report for March 2023, home sales jumped an estimated 37.7% over February, signaling the start of the peak spring and summer seasons in the report's 52 metro areas.

While inventory was down 2.8% from February's total, March inventory was 56.4% higher year-over-year—due in part to the combination of pending sales and closings being down, leaving homes on the market longer than they were a year ago. The median sales price of \$396,000 in March was also down 2.0% year-over-year.

“Compared to last year, there’s a lot to like about this housing market, including lower prices and less competition for available listings. Although it would be good to see more new listings coming onto the market, the

“Compared to last year, there’s a lot to like about this housing market, including lower prices and less competition for available listings. Although it would be good to see more new listings coming onto the market, the current conditions offer potential for home buyers and sellers alike.”

—Nick Bailey, RE/MAX President and CEO



current conditions offer potential for home buyers and sellers alike,” said Nick Bailey, RE/MAX President and CEO. “For those interested in selling, demand for properties remains high and for buyers entering the market, this spring can be a prime time to make a move.”

### Key Findings:

- » While down year over year, the median sales price ticked up 3.4% from February’s \$383,500, which is in line with last year when home prices rose 4.7% (from \$387,000 to \$405,000) from February to March.
- » Months’ Supply of Inventory in March was 1.4, down from 1.7 months in February but well above the 0.8 of last March.
- » March’s average close-to-list price ratio was 99%, meaning that on average,

homes sold for 1% less than the asking price. A year ago, it was 102%.

- » Homes sold in March were on the market for an average of 40 days—six days less than in February but two weeks longer than a year ago.

### Highlights and local market metrics for March include:

#### Closed Transactions

Of the 52 metro areas surveyed in March 2023, the overall number of home sales is up 37.7% compared to February 2023, and down 21.8% compared to March 2022. The markets with the biggest decrease in year-over-year sales percentage were San Francisco at -37.8%; Portland, Oregon at -36.0%; and Los Angeles at -31.5%. No metro area had a year-over-year sales percentage increase in March.



**“We’re seeing an influx of buyers entering the market, ready to take advantage. Consumers on both sides of the transaction should work with a local market expert who understands how pricing can be a key differentiator.”**

—Keely McNeal, RE/MAX Legends in Buford, Georgia

#### Examining the Median Sales Price

In March 2023, the median of all 52 metro area sales prices was \$396,000, up 3.4% compared to February 2023, and down 2.0% from March 2022. The markets with the biggest year-over-year decrease in median sales price were Dallas at -14.1%; Seattle at -11.4%; and San Francisco at -11.3%. Two metro areas increased year-over-year by double-digit percentages: Omaha, Nebraska, at +11.3% and Wichita, Kansas, at +10.0%.

#### Close-to-List Price Ratio Analysis

In March 2023, the average close-to-list price ratio of all 52 metro areas in the report was 99%, up from 98% in February 2023, and down from 102% in March 2022. The close-to-list price ratio is calculated by the average value of the sales price divided by the list price for each transaction. When the number is above 100%, the home closed for more than the list price. If it’s less than 100%,

the home sold for less than the list price. The metro areas with the lowest close-to-list price ratio were Dallas at 93%; Miami at 94%; and Coeur d’Alene, Idaho at 96%. The highest close-to-list price ratios were a three-way tie between Hartford, Connecticut; Manchester, New Hampshire; and San Francisco at 102%.

#### Days-on-Market Average

The average days on market for homes sold in March 2023 was 40, down six days from the average in February 2023 and up 14 days from the average in March 2022. The metro areas with the lowest days on market were Baltimore and Washington, DC, tied at 16. The highest days on market averages were in Fayetteville, Arkansas at 85; San Antonio at 64; and Phoenix at 58.

#### Average Months’ Supply of Inventory

The number of homes for sale in March 2023 was down 2.8% from February 2023 and

up 56.4% from March 2022. Based on the rate of home sales in March 2023, the months’ supply of inventory was 1.4, down from 1.7 compared to February 2023, and increased compared to 0.8 in March 2022. In March 2023, the markets with the lowest months’ supply of inventory were Seattle at 0.5, followed by a tie between Albuquerque, New Mexico, and Charlotte, North Carolina, at 0.6. The markets with the highest months’ supply of inventory were a tie between Boston and Bozeman, Montana at 2.8, followed by Coeur d’Alene, Idaho at 2.6.

RE/MAX agent Keely McNeal of RE/MAX Legends in Buford, Georgia, said homebuyers are looking beyond interest rates and seeing prices that intrigue them. “We’re seeing an influx of buyers entering the market, ready to take advantage. Consumers on both sides of the transaction should work with a local market expert who understands how pricing can be a key differentiator.”



# Mortgage Servicing

## Q1 FORECLOSURE ACTIVITY TRENDS UPWARD

ATTOM's Q1 2023 U.S. Foreclosure Market Report has found that a total of 95,712 U.S. properties had foreclosure filings during Q1 of 2023, up 6% from Q4 of 2022 and up 22% year over year. The report also shows a total of 36,617 U.S. properties with foreclosure filings in March 2023 alone, up 20% from February 2023's totals and up 10% from a year ago—the 23rd consecutive month with a year-over-year increase in U.S. foreclosure activity.

“Despite efforts made by government agencies and policymakers to try and reduce

foreclosure rates, we are seeing an upward trend in foreclosure activity,” said Rob Barber, CEO at ATTOM. “This unfortunate trend can be attributed to a variety of factors, such as rising unemployment rates, foreclosure filings making their way through the pipeline after two years of government intervention, and other ongoing economic challenges. However, with many homeowners still having significant home equity, that may help in keeping increased levels of foreclosure activity at bay.”

A total of 65,346 U.S. properties started the foreclosure process in the first quarter of 2023, up 3% from the previous quarter and up 29% from a year ago. States that had the greatest number of foreclosures starts in Q1 2023 included:

- » California (6,867 foreclosure starts)
- » Texas (6,764 foreclosure starts)

- » Florida (5,724 foreclosure starts)
- » New York (4,345 foreclosure starts)
- » Illinois (4,006 foreclosure starts)

Those major metros with a population of 200,000 or more that had the greatest number of foreclosures starts in Q1 2023 included:

- » New York, New York (4,674 foreclosure starts)
- » Chicago, Illinois (3,549 foreclosure starts)
- » Los Angeles, California (2,210 foreclosure starts)
- » Houston, Texas (2,120 foreclosure starts)
- » Philadelphia, Pennsylvania (1,985 foreclosure starts)

Nationwide, one in every 1,459 housing units had a foreclosure filing in the first quarter of 2023. States with the highest foreclosure rates included:

- » Illinois (one in every 762 housing units with a foreclosure filing)
- » Delaware (one in every 812 housing units)
- » New Jersey (one in every 824 housing units)
- » Maryland (one in every 897 housing units)
- » Nevada (one in every 947 housing units)

Among 223 metropolitan statistical areas with a population of at least 200,000, those with the highest foreclosure rates in Q1 2023 were found in:

- » Fayetteville, North Carolina (one in every 526 housing units)
- » Cleveland, Ohio (one in 582)
- » Atlantic City, New Jersey (one in 661)
- » Columbia, South Carolina (one in 671)
- » Bakersfield, California (one in 688)



# “Despite efforts made by government agencies and policymakers to try and reduce foreclosure rates, we are seeing an upward trend in foreclosure activity.”

—Rob Barber, CEO, ATTOM



Other major metros with a population of at least one million and foreclosure rates in the top 15 highest nationwide, included Cleveland, Ohio, at second; Chicago, Illinois, at sixth; Las Vegas, Nevada, at 10th; Philadelphia, Pennsylvania, at 12th; and Riverside, California, at 14th.

Lenders repossessed 12,518 U.S. properties through foreclosure (REO) in the first quarter of 2023, up 8% from the previous quarter and up 6% year over year.

Those states that had the greatest number of REOs in the first quarter of 2023 included:

- » Michigan (1,819 REOs)
- » Illinois (1,039 REOs)
- » California (846 REOs)
- » Pennsylvania (788 REOs)
- » New York (774 REOs)

In terms of the average time to foreclose, properties foreclosed in the first quarter of

2023 had been in the foreclosure process an average of 950 days, the highest number of average days to foreclose since Q1 2018—up 12% from the previous quarter and up 4% from Q1 2022. States reporting the longest average foreclosure timelines for homes foreclosed in Q1 2023 were found in:

- » Louisiana (2,770 days)
- » Hawaii (2,486 days)
- » New York (1,963 days)
- » Kentucky (1,881 days)
- » New Jersey (1,697 days)

States with the shortest average foreclosure timelines for homes foreclosed in Q1 of 2023 were found in:

- » Wyoming (111 days)
- » Minnesota (141 days)
- » Montana (143 days)
- » Texas (146 days)
- » Arkansas (157 days)

## NUMBER OF GSE LOANS IN FORBEARANCE CONTINUES TO DROP

The Mortgage Bankers Association's (MBA) latest Loan Monitoring Survey reveals that the total number of loans now in forbearance decreased by five basis points from 0.60% of servicers' portfolio volume in the prior month, to 0.55% as of March 31, 2023.

The MBA estimates that 275,000 homeowners are currently still in forbearance plans. The MBA also reports that mortgage servicers nationwide have provided forbearance options and plans to approximately 7.8 million borrowers since March 2020, the outset of the pandemic.

In March 2023, the share of Fannie Mae and Freddie Mac (GSE) loans in forbearance decreased two basis points from 0.28% to 0.26%, while Ginnie Mae loans in forbearance decreased 10 basis points from 1.28% to 1.18%, and the forbearance share for portfolio loans and private-label securities (PLS) decreased 10 basis points from 0.78% to 0.68%.

“As the COVID-19 national emergency draws to a close, the number of loans in forbearance continues to drop,” said Marina Walsh, CMB, MBA's VP of Industry Analysis. “Mortgage performance remains strong with the percentage of borrowers who were current on their mortgage payments and post-forbearance workouts increasing in March.”

By stage, 33.8% of total loans in forbearance were in the initial forbearance plan stage, while 52.9% were in a forbearance extension. The remaining 13.3% represent forbearance reentries, including reentries with extensions.

Regionally, the five states with the highest share of loans that were current as a percent of servicing portfolio included Washington, Idaho, Colorado, Utah, and California. The five states reporting the lowest share of loans that were current as a percent of servicing portfolio: Louisiana, Mississippi, New York, Oklahoma, and West Virginia.

Of the cumulative forbearance exits for the period from June 1, 2020, through March 31, 2023, at the time of forbearance exit:

- » 29.6% resulted in a loan deferral/partial claim.
- » 18.0% represented borrowers who continued to make their monthly payments during their forbearance period.
- » 17.7% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
- » 16.1% resulted in a loan modification or trial loan modification.
- » 10.9% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
- » 6.5% resulted in loans paid off through either a refinance or by selling the home.
- » The remaining 1.2% resulted in repayment plans, short sales, deed-in-lieu, or other reasons.

Total loans serviced that were current (not delinquent or in foreclosure) as a percentage of servicing portfolio volume (#) increased to 96.35% in March 2023 from 95.76% in February 2023 (on a nonseasonally adjusted basis). While 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 76.70% in March, up from 76% reported the previous month.

“MBA’s forecast still calls for a recession in 2023, which may change the current performance levels, but credit quality is generally good and many borrowers facing financial hardship can now access enhanced loss mitigation options that resulted from successes of pandemic-related policies,” Walsh added.

According to the U.S. Bureau of Labor Statistics (BLS), total nonfarm payroll employment rose by 236,000 in March, as employment continued to trend upward in leisure and hospitality, government, professional and business services, and healthcare. Both the unemployment rate, at 3.5%, and the number of unemployed persons, at 5.8 million, changed little in March, measures that have shown little net movement since early 2022.

## SHARE OF DELINQUENT MORTGAGES DROPS

CoreLogic has released its monthly Loan Performance Insights Report for January 2023, which found that 2.8% of all mortgages in the U.S. were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 0.5 percentage point decrease compared with 3.3% in January 2022 and a 0.2 percentage point decrease compared with December 2022.

“The share of home loans in delinquency continues to decline, down from a high of 7.3% in the spring of 2020 and down by 0.5 percentage points from January 2022,” said Molly Boesel, Principal Economist at CoreLogic. “The annual decrease in overall delinquencies was primarily driven by a large decline in the share of mortgages six months or more past due. Despite the drop in overall delinquencies, the foreclosure rate has slowly crept up. Although it remains near an all-time low, about 30,000 more U.S. homeowners are now involved in the foreclosure process.”

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

- » Early-Stage Delinquencies (30 to 59 days past due): 3%, up from 1.2% in January 2022.
- » Adverse Delinquency (60 to 89 days past due): 4%, up from 0.3% in January 2022.
- » Serious Delinquency (90 days or more past due, including loans in foreclosure): 2%, down from 1.8% in January 2022 and a high of 4.3% in August 2020.
- » Foreclosure Inventory Rate (the share of mortgages in some stage of the foreclosure process): 3%, up from 0.2% in January 2022.
- » Transition Rate (the share of mortgages that transitioned from current to 30 days past due): 6%, down from 0.7% in January 2022.

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

U.S. mortgage performance barely moved in January, with overall delinquency and foreclosure numbers hovering near historic lows. Although annual home equity gains slowed significantly in the fourth quarter of 2022, the average borrower still has about \$270,000 in equity, which can safeguard against foreclosure. Additionally, although layoffs at some-high profile technology companies have recently made headlines, the U.S. unemployment rate remained at less than 4% in the first two months of 2023.

Across the nation, no state posted an annual increase in its overall delinquency rate in January. The states and districts with the largest declines were Alaska; New York; and Washington, D.C. (all down by just one percentage point). The other states’ annual delinquency rates dropped between 0.9 and 0.1 percentage points.

In January, 25 U.S. metro areas posted an increase in overall delinquency rates. The top three areas for mortgage delinquency gains year over year were found in Punta Gorda, Florida (up by 2.1 percentage points); Cape Coral-Fort Myers, Florida (up by two percentage points); and Mansfield, Ohio (up by 0.5 percentage points).

All but two U.S. metro areas posted a small annual decrease in serious delinquency rates (defined by CoreLogic as more than 90 days late on a mortgage payment), including Cape Coral-Fort Myers, Florida (up by 1.5 percentage point); and Punta Gorda, Florida (up by 1.4 percentage points).



the rate among white households. All plan activities are subject to FHFA's review and oversight of any risks to, or impacts on, safety and soundness.

"The actions laid out in this year's Equitable Housing Finance Plan build upon the work we started last year to give families in underserved communities a more equitable chance to have a quality, affordable place to call home," said Michael DeVito, CEO of Freddie Mac. "We have made meaningful progress over the last year, and we know there is much more to do. The update released today illustrates our commitment to help more families in the years to come."

Updates to the Enterprises' 2022-2024 Plans include, but are not limited to:

- » Inclusion of the Latino Housing Journey and actions to remove barriers experienced by Latino renters and homeowners in Fannie Mae's plan;
- » Enhanced focus on ensuring existing borrowers receive fair loss mitigation support and outcomes through monitoring and developing strategies to close any gaps;
- » Provision of financial capabilities coaching to build credit and savings;
- » Support for locally-owned modular construction facilities in communities of color; and
- » Increases to the reach of Enterprise Special Purpose Credit Programs to support homeownership attainment and housing sustainability in underserved communities.

"Additionally, we're focused on providing housing counseling to address various needs and challenges faced by renters, potential homebuyers, and homeowners," said Katrina Jones, VP of Racial Equity Strategy & Impact for Fannie Mae in a recent Perspectives blog. "After completing over 11,000 counseling sessions in 2022 specifically addressing homeownership needs, we are expanding our efforts this year to help those facing financial hardship and improving access to information for long-term housing safety and stability. We are also working alongside industry partners like HUD to bring comprehensive counseling opportunities to those in need and to test new counseling services in various parts of the country. These enhancements are part of our broader vision to knock down barriers in the housing system."

In addition, the GSEs released performance reports that outlined their progress

## Government

### FHFA UPDATES EQUITABLE HOUSING FINANCE PLANS FOR THE GSES

The Federal Housing Finance Agency (FHFA) has updated Fannie Mae and Freddie Mac's (the GSEs) Equitable Housing Finance Plans for 2023, building upon the inaugural plans first announced last year and making adjustments based on initial research and findings. The Equitable Housing Finance Plans are designed to complement the initiatives outlined in FHFA's Strategic Plan: Fiscal Years 2022-2026 that promote the Enterprises' safety and sound-

ness and foster housing finance markets that provide equitable access to affordable and sustainable housing.

"As we celebrate Fair Housing Month and the 55th Anniversary of the Fair Housing Act, we are reminded that every step taken towards bringing more equity into the housing finance system is a step in the right direction," FHFA Director Sandra L. Thompson said. "In 2022, the Enterprises helped more than 834,000 households through various actions outlined in their Equitable Housing Finance Plans."

Last year, the GSEs released plans to identify and address barriers to sustainable housing opportunities, including goals and actions to advance equity in housing finance for the next three years. Even after the landmark Fair Housing Act of 1968, the racial homeownership gap persists, with homeownership rates for households of color more than 24 percentage points lower than

under their Equitable Housing Finance Plans during 2022 and actions they are taking to advance equity in their automated underwriting systems, such as the inclusion of rental payments and cash flow underwriting and the use of advanced statistical techniques to improve model fairness. FHFA also updated its Enterprise Fair Lending Data Dashboard with data through 2022 that categorizes single-family applications and loans by race and ethnicity.

## HUD HIGHLIGHTS ZONING REFORMS TO BOOST HOUSING SUPPLY

**T**he U.S. Department of Housing and Urban Development (HUD) has released a new publication that summarizes the effects of restrictive land use policies on housing supply, location, and affordability, in addition to highlighting reforms that state and local governments can adopt to increase the supply of housing.

This land use and zoning-focused brief is the inaugural issue of the Office of Policy Development and Research's (PD&R) new Policy & Practice publication, which aims to share innovative solutions to help local policymakers and practitioners to address housing and community development challenges.

In addition to releasing this new brief on pro-housing land use and zoning reforms, HUD is also announcing an award of \$350,000 to Cornell University's National Zoning Atlas through PD&R's Research Partnerships program. The goal of this grant is to close data gaps that limit our understanding of the relationship between zoning and segregation, affordability, and other outcomes of interest. Specifically, these research funds will enable researchers to study the impacts of zoning in the largest cities nationwide by contributing to the first-ever comprehensive geospatial repository of zoning conditions.

Past efforts by the National Zoning Atlas and its local partners have helped make the case for local and state regulatory reforms by spotlighting how excessive regulation via restrictive zoning dampens housing production

# Past efforts by the National Zoning Atlas and its local partners have helped make the case for local and state regulatory reforms by spotlighting how excessive regulation via restrictive zoning dampens housing production and exacerbates the housing shortage.

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and exacerbates the housing shortage.

"Through the release of Policy & Practice and the research partnership with Cornell University, HUD is highlighting promising reforms that can create more housing abundance while also taking steps to improve data and understanding around the impacts of zoning," said Solomon Greene, the Principal Deputy Assistant Secretary within HUD's Office of Policy Development and Research. "PD&R looks forward to continuing to support researchers, community residents, practitioners, and policymakers to work together to adopt evidence-based and data-driven state and local regulatory reforms aimed at unleashing the supply of housing."

The Biden-Harris administration's Housing Supply Action Plan cited the role that land use and zoning laws play in reducing housing development and raising prices. As part of HUD's administrative actions taken in conjunction with the Administration's efforts, HUD is currently accepting requests for technical assistance to help local governments ensure housing needs are considered as part of their larger infrastructure investment plans, and identifying and implementing regulatory reforms is an eligible activity of that technical assistance. In addition, HUD received \$85

million from Congress in the Fiscal Year 2023 budget to provide communities grants to identify and remove barriers to affordable housing production and preservation.

## FANNIE MAE RECOGNIZED FOR DRIVING ADOPTION OF GREEN FINANCING IN HOUSING

**F**annie Mae announced that it has received the 2023 ENERGY STAR Partner of the Year—Sustained Excellence Award from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy. This is the ninth consecutive year for Fannie Mae's Multifamily business and the third such recognition for the company's

Single-Family business to be acknowledged for our outstanding contributions to increasing adoption of energy-efficiency improvements in housing.

Fannie Mae, an ENERGY STAR partner since 2011, is committed to creating positive environmental, social, and economic outcomes through mortgage finance. Leveraging its green financing business, Fannie Mae supports the single-family and multifamily housing markets by financing homes and multifamily communities that meet energy- and water-saving standards through green building programs and energy and water efficient improvements.

“We are proud to continue to lead the way with our work to advance sustainability efforts in multifamily housing, as our 2022 Multifamily Green Mortgage-Backed Securities (MBS) exceeded \$9 billion,” said Karyn Sper, Senior Director, Multifamily Green, Healthy Housing, and Duty to Serve, Fannie Mae. “Our Green Mortgage Loan programs make a positive impact in communities across the United States by creating environmental efficiencies that help increase affordability for renters nationwide.”

Fannie Mae introduced its Multifamily Green Financing products to the market in 2011 and securitizes these loans as Green MBS. Since 2012, Fannie Mae has issued more than \$110 billion in Multifamily Green MBS and continues to build on its mission to make affordable—and increasingly greener—housing accessible in both the multifamily and single-family markets.

The Single-Family business has been recognized each year as an ENERGY STAR Partner of the Year since the launch of Single-Family Green MBS in 2020. These Green Bonds include mortgage loans backed by single-family homes with green building certifications that meet or exceed the national program requirements for ENERGY STAR Certified Homes Version 3.0, which are, on average, 20% more efficient than single-family homes built to code.

“In 2022, Single-Family’s Green MBS program surpassed \$1 billion in annual issuances, and we continue to demonstrate our commitment to achieving positive outcomes by financing single-family homes that exceed energy-standards,” said Arthur Johnson, VP of Capital Markets, Fannie Mae. “We are honored that our ongoing efforts to improve energy efficiency and the quality of sin-

# Since its inception in 1992, ENERGY STAR and its partners have helped prevent a total of more than 2.4 billion metric tons of greenhouse gas emissions.



gle-family housing played a key role in this year’s 2023 ENERGY STAR recognition.”

Since its inception in 1992, ENERGY STAR and its partners have helped prevent a total of more than 2.4 billion metric tons of greenhouse gas emissions. In 2015 alone, ENERGY STAR and its partners saved American businesses and consumers 503 billion kilowatt hours and \$34 billion on their energy bills, while achieving broad emission reductions.

## CFPB ISSUES GUIDANCE ON ABUSIVE FINANCIAL CONDUCT

**C**FPB has drawn up a policy statement that provides an analytical framework to assist federal and state agencies in holding companies accountable when in violation of the law.

The Consumer Financial Protection

Bureau (CFPB) has announced the issuance of a policy statement that explains the legal prohibition on abusive conduct in consumer financial markets and summarizes more than a decade of precedent. The CFPB leads enforcement and supervision efforts to identify and end abusive conduct against consumers.

In 2010, in response to the financial crisis, Congress passed the Consumer Financial Protection Act and created the prohibition on abusive conduct. The Act tasks the CFPB, federal banking regulators, and states with the responsibility to enforce the prohibition and puts the CFPB in charge of administering it. The CFPB’s new policy statement will assist consumer financial protection enforcers in identifying wrongdoing and will help firms avoid committing abusive acts or practices.

“In response to the predatory mortgage lending practices that drove the financial crisis, Congress banned abusive conduct in consumer financial markets,” CFPB Director Rohit Chopra said. “The CFPB issued today’s guidance to provide an analytical framework to help federal and state agencies hold companies accountable when they violate the law and take advantage of families.”

Since the passage of the Consumer Financial Protection Act, the CFPB has brought



43 cases, and examiners have issued numerous citations, alleging abusive conduct. The claims have ranged from predatory student lending practices to charging consumers costly surprise overdraft fees. The CFPB's latest action summarizes for the market, in clear and simple terms, the meaning of the statutory prohibition on abusive conduct.

"I hope that this policy statement will not only serve as a practical educational tool by summarizing the existing case law, but also more importantly, will provide a straight-forward and analytical framework that helps promote a visceral understanding of the prohibition," explained Chopra while addressing the University of California Irvine Law School.

In 1980 and 1983, respectively, the Federal Trade Commission (FTC) issued policy statements on both the unfair and deceptive practices prohibitions. Similarly, this guidance summarizes precedent and establishes a framework to help federal and state enforcers identify when companies engage in abusive conduct.

In the CFPB's policy statement, the Bureau sets forth how abusive conduct generally includes (1) obscuring important features of a product or service or (2) leveraging certain circumstances—including gaps in understanding, unequal bargaining power, or consumer reliance—to take unreasonable advantage. In particular, the statement describes how the use of dark patterns, set-up-to-fail business models like those observed before the mortgage crisis, profiteering off captive customers and kickbacks and self-dealing can be abusive.

"There's been a great deal of ink spilled about the failure of federal financial regulators and enforcers to halt the widespread abuses that contributed to a devastating financial crisis nearly 15 years ago," Chopra added. "Not only did these regulatory failures harm individuals, families, and neighborhoods, it also hurt every business that engaged in fair and transparent dealing with prospective customers. Congress made an important judgment about the types of conduct that should not be allowed to fester, and it is incumbent upon the CFPB, federal agencies, and the states to ensure that our markets reward fair dealing, rather than abuse."

The policy statement will be published in the Federal Register, and the public will have until July 3, 2023, to submit their comments.

## NEW CFPB RULE IMPACTS HMDA REPORTING

**U**nder a new order from the CFPB, loans reportable under the Home Mortgage Disclosure Act (HMDA) will not need to be reported under the new small business lending rule.

The Consumer Financial Protection Bureau (CFPB) has finalized a rule required by Congress to increase transparency in small business lending, promote economic development, and combat unlawful discrimination. Through the rule, lenders will collect and report information about the small business credit applications they receive, including geographic and demographic data, lending decisions, and the price of credit. The rule will work in concert with the Community Reinvestment Act (CRA), which requires certain financial institutions to meet the needs of the communities they serve. The increased transparency will benefit small businesses, family farms, financial institutions, and the broader economy.

The CFPB's rule will:

- » Provide a comprehensive view of small business lending: The rule covers lenders making over 100 covered small business loans per year, which accounts for more than 95% of small business loans by banks and credit unions. Like with mortgages, lenders will submit data points required by Congress, as well as additional data points that are typically already included in lender files.
- » Cover diverse forms of credit by all types of lenders: The rule covers closed-end loans, lines of credit, business credit cards, online credit products, and merchant cash advances by banks, credit unions, and other lenders. Non-depository financial institutions will be required to collect and report data, as will banks, savings associations, and credit unions.
- » Use straightforward definitions and streamlined forms: To make it easy for lenders to know on which applications to collect data, the rule defines a small business as one with gross revenue under \$5 million in its last fiscal year. The rule also includes a

streamlined sample form for lenders to use, if they so choose, to collect demographic data from small business credit applicants.

In 2010, Congress enacted requirements that would result in lenders making data available to the public about their small business lending activity in Section 1071 of the Consumer Financial Protection Act. However, the CFPB did not issue rules to implement this requirement. The California Reinvestment Coalition sued the CFPB in 2019, leading to a court order requiring the CFPB to finalize the rule by March 31, 2023.

"Many local businesses were shuttered during the COVID-19 pandemic after they struggled to obtain credit under the Pay-check Protection Program," CFPB Director Rohit Chopra said. "This small business loan census will give the public key data on this market to ensure that banks and nonbanks are serving small businesses fairly."

The CFPB will simplify implementation and prepare for the submission of data from thousands of lenders. While many of these lenders already report mortgage data, the CFPB recognizes that small business lending has a number of key differences. After considering a wide range of feedback and thousands of public comments, the CFPB is finalizing the rule and planning for implementation in ways that will:

- » Reduce duplicative reporting requirements: Loans reportable under the Home Mortgage Disclosure Act will not need to be reported under the small business lending rule. The rule is also designed to work in concert with rules under the Community Reinvestment Act's reporting requirements. Under the regulators' Community Reinvestment Act proposal, data submitted under the CFPB's rule would satisfy the relevant Community Reinvestment Act requirements.
- » Phase in implementation for the largest lenders first: The CFPB found that there were key differences in how large financial institutions would implement the rule, compared to relationship-based local lenders. The final rule requires the largest lenders, which account for most of the small business lending market, to collect and report data earlier than smaller lenders. Specifically, lenders that originate at least 2,500 small business loans annually must collect data starting



October 1, 2024. Lenders that originate at least 500 loans annually must collect data starting April 1, 2025. Lenders that originate at least 100 loans annually must collect data starting January 1, 2026.

- » Streamline and improve demographic and financial data collection: Small businesses will be able to self-identify as women-, minority-, or LGBTQI+-owned. Lenders will be able to rely on the financial and other information provided by the small business. Loan officers will not be required to make their own determinations of an applicant's race, ethnicity, or any other demographic information.
- » Allow for the use of new digital tools developed by industry and technology partners: The rule allows financial institutions to work with third parties, including industry consortia, to develop

local communities, as measured by their performance under relevant frameworks like the Community Reinvestment Act and similar state laws.

“While we are pleased that loans reportable under the Home Mortgage Disclosure Act will not need to be reported under the Bureau's final rule, it is disappointing that this exclusion is not applied to all investment property lending,” Mortgage Bankers Association (MBA) President and CEO Bob Broeksmit, CMB said. “MBA agrees with federal regulatory agencies' long-held view that lending to finance income-producing properties is not small business lending. The longer implementation timelines and higher loan reporting thresholds are appreciated, but we are concerned that the final rule imposes burdensome and costly data collection and reporting requirements on some

to help grow their business. However, there is currently limited data on small business entrepreneurs' access to credit, and no comprehensive information available about small business lending. For decades, the government has assembled data pursuant to Congressional mandates on residential mortgages. Now, for the first time, data on small business lending will give investors and lenders more insights to identify new opportunities that support economic growth, help policymakers measure the effectiveness of any government programs, and provide a data-driven approach to detect potential discrimination.

“Entrepreneurs are the economic engine of our nation and today's final rule is the culmination of more than a decade of advocacy to provide better data on the extent of discrimination encountered by small

**“This small business loan census will give the public key data on this market to ensure that banks and nonbanks are serving small businesses fairly.”**

—Rohit Chopra, Director, CFPB



services and technologies that will aid in collecting and reporting data. While individual lenders are ultimately responsible for ensuring fair and accurate collection and reporting, the rule permits them to work with third parties, including industry consortia and other partners, to collect and report data in ways that are tailored to their business model.

- » Give extra time to lenders with strong records of service to meet the needs of the communities they serve: The CFPB intends to issue a supplementary proposal that would, if finalized, provide additional implementation time for small lenders that have demonstrated high levels of success in serving their

commercial real estate lenders. Commercial real estate markets are already facing headwinds from financial market volatility, economic uncertainty, and higher interest rates. Preparing for new compliance obligations only adds to these challenges and will likely raise costs for borrowers.”

According to the CFPB, the nation's 33 million small businesses employ nearly half of all private sector workers in the United States and account for the majority of new job creation. Operators of small and local businesses finance their enterprises through a variety of sources, including loans from banks, credit unions, and nonbank finance companies. Many of these businesses have a relationship with a local financial institution

business owners seeking access to credit,” read a joint statement from Congresswoman Maxine Waters of the House Financial Services Committee, and Congresswoman Nydia Velázquez of the House Small Business Committee. “This critical rule will shine a light on disparities in lending to small business owners and help Congress understand how to ensure that banks and other lenders are meeting the credit needs of all of our nation's small businesses—especially those that are women-owned and minority-owned. This transparency will promote competition and help lenders, especially community financial institutions, identify new opportunities to serve the needs of small businesses.”





## Market Trends

### CORELOGIC ESTIMATES \$83B-PLUS IN TORNADO DAMAGE ACROSS CENTRAL U.S.

A band of severe thunderstorms and hail that crossed the central United States on March 31 caused property damage to an estimated 358,000 homes, resulting in approximately \$83.2 billion in overall damage.

According to the National Oceanic and Atmospheric Administration (NOAA) Storm Prediction Center (SPC) Filtered Storm Report for March 31, the severe thunderstorm system

was responsible for more than 500 reports of tornadoes, large hail, and high winds from Texas to Ohio. The severe thunderstorms were responsible for extensive property damage across the impacted states, most notably tornado damage in Little Rock, Arkansas.

CoreLogic's Weather Verification Services (WVS) and Reactor Platform captured tornado paths and hail swaths across the United States on March 31. More than 358,000 single-family (SFR) and multifamily (MFR) homes may have sustained damage due to the combined effects of tornadoes and hail.

CoreLogic estimates that approximately 75,000 SFR and MFR properties with a combined reconstruction value (RCV) of \$22 billion were potentially within the tornado paths across the country. CoreLogic notes that probability values do not indicate the severity of the damage. Instead, they reflect the likelihood that a property was within the tornado's path.

In terms of the March 31 hail damage, CoreLogic estimates that approximately 280,000 SRFs and MRFs with a combined RCV of \$61.2 billion were potentially impacted by hailstones with diameters greater than one inch.

CoreLogic notes that not all properties within the tornado footprints or hail swaths sustained damage and the degree of the damage to structures may vary. A damaged structure may not have incurred a total loss equal to the full RCV. The number of damaged properties will be a subset of the total number of homes within tornado paths and hail swaths.

The strong storm system that developed on March 31 pulled unseasonably warm and moist conditions from the Gulf of Mexico across the central United States. The combination of moisture and a favorable wind profile created a volatile environment in which tornadoes could easily develop.

According to the National Weather Service (NWS), two separate supercell systems spawned tornadoes in Arkansas—the first was an EF-3 tornado that extended nearly 32 miles east from West Little Rock, Arkansas, in Pulaski County to Cabot, Arkansas, in Lonoke County. The NWS estimated 165 mph peak wind speeds near Little Rock. Further east, a separate supercell spawned another tornado of at least EF-3 strength that destroyed additional homes in Wynn, Arkansas, and uprooted trees near Parkin and Earl, Arkansas.

The NWS reported in Iowa, several tornadoes caused damage to properties across the state, with intensities ranging from EF-0 to EF-4, with estimated wind speeds ranging from 74 miles per hour to 170 miles per hour.

In order to assist those stricken by these storms, HUD has announced the implementation of federal disaster relief for the state of Arkansas to assist state, and local recovery efforts for areas affected by severe storms and tornadoes on March 31, 2023. On April 2, 2023, President Biden issued a major disaster declaration for the Arkansas counties of Cross, Lonoke, and Pulaski.

"HUD is committed to assisting people in Arkansas rebuild after these devastating storms," HUD Secretary Marcia L. Fudge said. This announcement builds on unprecedented aid from the Biden-Harris administration to help our state and local partners get access to the resources they need to restore their communities."

HUD is providing a 90-day moratorium on foreclosures of mortgages insured by the Federal Housing Administration (FHA), as well as foreclosures of mortgages to Native American borrowers guaranteed under the Section 184 Indian Home Loan Guarantee program. There is also a 90-day extension granted automatically for Home Equity Conversion Mortgages (HECMs). The moratorium and extension are effective as of the President's disaster declaration date.

In March, HUD announced an overhaul of the agency's disaster recovery efforts to better serve communities who face the direct impacts of weather-related disasters. HUD is establishing an Office of Disaster Management (ODM) in the Office of the Deputy Secretary, the Office of Disaster Recovery (ODR) within the Office of Community Planning and Development, the addition of dozens of new HUD staff members to help expedite recovery processes, and the allocation of more than \$3.3 billion in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds.

## REPORT: STAGING A HOME REDUCES TIME ON THE MARKET

Nearly half of seller's agents (48%) reported that staging a home decreased its time on market, according to a new report by the National Association of Realtors (NAR) titled, "2023 Profile of Home Staging."

For both buyers' and sellers' agents, one in five (20%) said home staging increased the offer price by between 1% and 5% compared to similar homes on the market that weren't staged.

"NAR's 2023 Profile of Home Staging" reveals the role home staging plays in the real estate transaction, including the perspectives of buyers' and sellers' agents, the impact of television shows, and buyer expectations.

In January 2023, NAR invited a random sample of 43,176 active Realtors to fill out an online survey. A total of 1,921 usable responses were received for an overall response rate of 4.4%. At the 95% confidence level, the

margin of error is plus-or-minus 2.23%.

"As days on market has lengthened for home sellers, it is not a surprise to see the return of home staging as a tool to attract potential buyers," said Dr. Jessica Lautz, NAR Deputy Chief Economist and VP of Research. "Buyers want to easily envision themselves within a new home and home staging is a way to showcase the property in its best light."

Four out of five buyers' agents (81%) said staging a home made it easier for a buyer to visualize the property as a future home. Staging the living room was found to be most important for buyers (39%), followed by the primary bedroom (36%) and the kitchen (30%).

"When getting ready to list a home for sale, it's vital to complete the necessary prep work to make a favorable and lasting first impression," said NAR President Kenny Parcell, a Realtor from Spanish Fork, Utah, and Broker/Owner of Equity Real Estate Utah. "Realtors provide valuable guidance on how best to make your home an inviting space that connects with prospective buyers and stands out from the competition."

Twenty-three percent said they staged all sellers' homes prior to listing them for sale, while 10% noted they only staged homes that were difficult to sell.

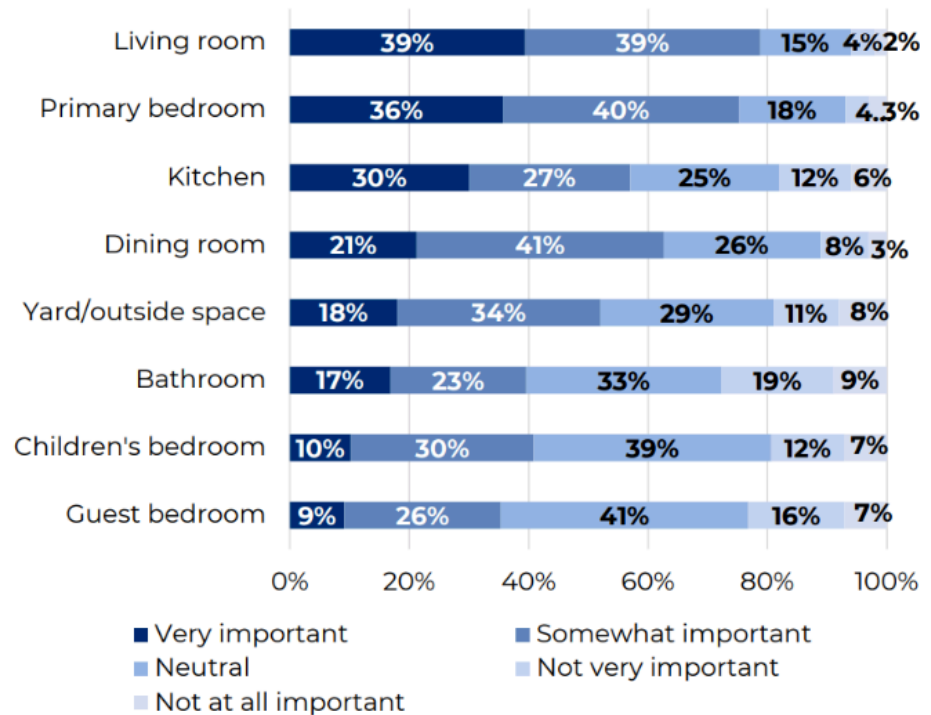
Real estate television shows affected buyers' perspectives on homes, according to a majority of Realtors, while 73% said that TV shows which display the buying process impacted their business by setting unrealistic or increased expectations, with 55% reporting that buyers said homes should look like they were staged on TV shows.

Over the past five years, 51% of surveyed Realtors said they've seen an increase in the share of buyers who planned to remodel a home. A quarter of respondents noted that buyers who plan to remodel will do so within the first three months of owning a home.

Nearly all of those surveyed (95%) reported that their buyer clients brought family members who weren't purchasing the home with them while viewing homes.

Despite whether or not a home is staged, the nation's limited housing supply has been impacting buyers nationwide as

### Importance of Rooms Staged for Buyers



2023 Profile of Home Staging



Redfin reports the pool of homes available to homebuyers is shrinking quickly because new listings are scarce. New listings fell 21.8% from a year earlier nationwide during the four weeks ending April 2, one of the biggest drops since the start of the pandemic, contributing to an unseasonal early-spring decline in the total number of homes for sale. Many homeowners are staying put because they're unwilling to give up their low mortgage rate. Although average 30-year mortgage rates posted their fourth-straight decline this week, dropping to 6.28%, that's more than double the sub-3% rates common in 2021.

## SUN BELT DESTINATIONS MOST POPULAR AMONG HOMEBUYERS LOOKING TO RELOCATE

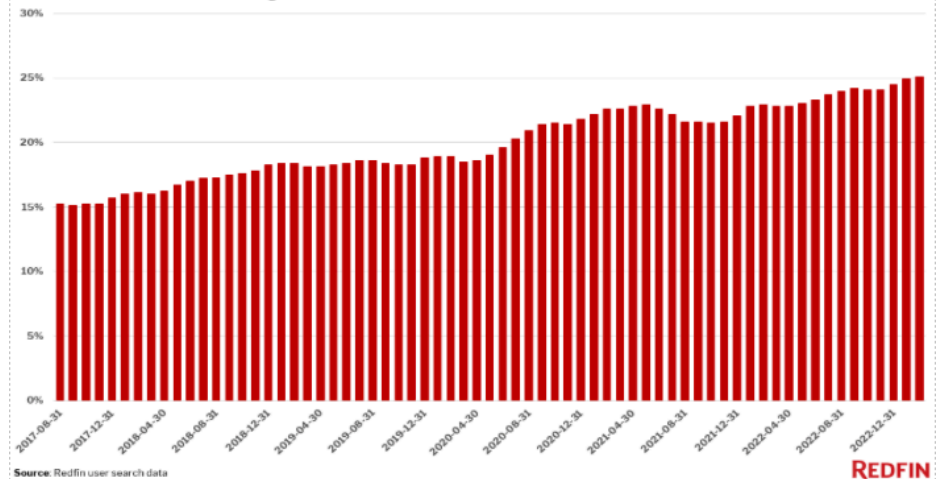
The number of redfin.com home searchers looking to relocate to a new metro fell 3.6% year over year in February, according to a new report from Redfin.

That compares with a 14.4% drop in redfin.com home searchers looking to relocate within their current metro. Those are both the biggest declines in Redfin's records, which go back through 2018.

The rise in mortgage rates over the last year has made purchasing a home more expensive almost across the board, but elevated rates often aren't as big of a deterrent for relocating homebuyers because they're typically moving to more affordable areas.

A person moving from Los Angeles to Las Vegas could buy a home comparable to the one they're selling in Los Angeles for half the price. High rates don't impact that homebuyer as much because they're getting a cheaper house and may be using proceeds from a home sale in a more expensive area. People moving from one part of the country to another may also be doing so for a higher-paying job, which would help offset high mortgage rates.

**Record Share of Redfin.com Users Looked to Relocate in February**  
Percent of Redfin.com users searching for homes outside their home metro



Additionally, homebuyers relocating to a different part of the country may have a non-negotiable reason for their move: Maybe they are moving for that higher-paying job or to be closer to family. High rates are less likely to deter those homebuyers than ones simply considering a different house within the same town.

One-quarter (25.1%) of house hunters nationwide looked to relocate to a new metro in February, a record high. That's up from 22.9% a year earlier and roughly 18% before the pandemic.

Relocators made up a bigger portion of homebuyers than ever because elevated mortgage rates, still-high home prices, inflation and economic uncertainty are motivating the few people who are still buying homes to move to more affordable areas. Remote work has also made it more feasible for Americans to relocate.

Miami; Phoenix; Las Vegas; Sacramento, California; and Tampa, Florida were the most popular destinations for house hunters looking to move to a different metro in February. Other parts of Florida and a couple Texas metros round out the top 10: Orlando, Cape Coral, Dallas, North Port-Sarasota, and Houston. Popularity is determined by net inflow, a measure of how many more redfin.com users looked to move into an area than leave.

Relatively affordable Sun Belt metros perennially top the list of places people are looking to move, due mainly to their comparatively cheap housing and warm weather.

While homes in these places cost

considerably more than pre-pandemic, they remain comparatively affordable. The typical home in most of the popular destinations is less expensive than the typical home in the top origins. The typical Miami home sold for \$485,000 in February, compared with \$640,000 in New York, the most common origin for homebuyers looking to move in. And the typical Phoenix home sold for \$425,000, compared with \$710,000 Seattle, the most common origin.

"For buyers coming from the Bay Area or another expensive place, homes in Phoenix seem cheap. That's why out-of-towners are still buying homes even though rates are high," Phoenix Redfin agent Heather Mahmood-Corley said. "Desirable, well-priced homes are selling quickly, sometimes with a bidding war—largely because there are still so many buyers moving in from out of town."

Homebuyers looked to leave San Francisco, New York, and Los Angeles more than any other metro in February, followed by Washington, D.C., and Chicago. This ranking is determined by net outflow, a measure of how many more redfin.com users looked to leave a metro than move in.

While San Francisco tops the list of places people are looking to leave, fewer homebuyers are leaving than a year ago. That may be partly because Bay Area home prices are falling.

Expensive coastal job centers typically top the list of places people are leaving. That trend became more pronounced in recent years as remote work allowed homebuyers to relocate to more affordable areas.

## LOW-INCOME HOMEBUYERS MAY BE UNAWARE OF AFFORDABLE HOME LENDING OFFERINGS

A new KeyBank poll found that nearly 31% of respondents did not seek out any information or resources on homebuyer assistance programs and could be unaware of the existence of these offerings and the important role banks can play in providing access to them.

KeyBank has debuted its Fair Housing Month poll, which surveyed 1,000 homeowners in households earning less than \$75,000 annually regarding their homebuying and lending experiences. The poll found that nearly one-third—or 31%—of respondents did not seek out any information or resources on homebuyer assistance programs.

This may be because many homebuyers could be unaware of the existence of these offerings and the important role banks can play in providing access to them. While the Fair Housing Act of 1968 set a precedent to make the sale, rental, and home financing process nondiscriminatory, borrowers in underserved communities are often at a disadvantage when it comes to awareness of tools, resources, and affordable offerings available to help them achieve home ownership.

In recognition of Fair Housing Month this April, KeyBank is further committing to helping all potential homebuyers make their dream of owning a home a reality by expanding its Special Purpose Credit Programs for qualifying properties in eligible communities—introducing the Key Opportunities Home Equity Loan and the expansion of the KeyBank Home Buyer Credit to up to \$5,000 in value.

This follows a commitment to invest more than \$25 million in grants, fee waivers, and marketing over five years to increase mortgage lending in majority-minority neighborhoods, as well as more than \$1 million to homebuyer education and other community support.

## TECH LAYOFFS HAMPER WEST COAST HOUSING MARKETS

“The divergence in home price changes across the United States reflects a tale of two housing markets,” said Selma Hepp, Chief Economist at CoreLogic.

CoreLogic has released new data covering February 2023 through its Home Price Index which found that overall home price growth remains in positive territory at 4.4%, marking 133 straight months of growth.

However, the 4.4% growth recorded in February was the lowest seen since 2019. Eight states and districts recorded annual home price losses, with much of the depreciation seen in the relatively expensive Western United States, including California, Idaho, Oregon, Washington, and Utah.

According to CoreLogic, tech company layoffs were the most likely culprit of falling home prices on the West Coast, but prices on the East Coast held steady.

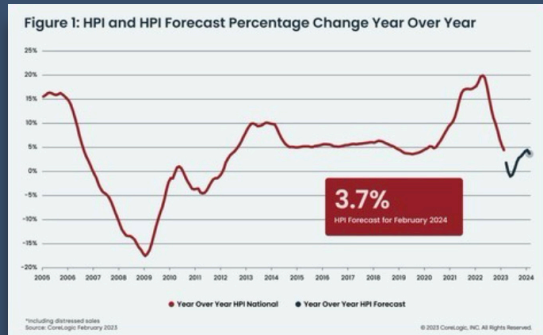
“Declines in the West are due to the tech industry slowdown and a severe lack of affordability after decades of undersupply. The consistent gains in the Southeast and South reflect strong job markets, immigration patterns, and relative affordability due to new home construction,” Hepp said.

“But while housing market challenges remain, particularly in light of mortgage rate volatility and the ongoing banking turmoil,” Hepp continued, “pent-up homebuyer demand is responding favorably to lower rates in many markets. This trend holds true even in the West, leading to a solid monthly gain in home prices in February. U.S. home prices rose by 0.8% in February, double the month-over-month increase historically seen and indicating that prices in most markets have already bottomed out.”

Top takeaways as highlighted by

CoreLogic include:

- » U.S. home prices (including distressed sales) increased by 4.4% year over year in February 2023 compared to February 2022. On a month-over-month basis, home prices increased by 0.8% compared with January 2023.
- » In February, the annual appreciation of attached properties (5.4%) was 1.4 percentage points higher than that of detached properties (4%).
- » CoreLogic forecasts show annual U.S.



home price gains slowing to 3.7% by February 2024.

- » Miami posted the highest year-over-year home price increase of the country's 20 tracked metro areas in February, at 15.6%, while Tampa, Florida, continued to rank second at 9.3%.
- » Florida and Maine recorded the highest annual home price gains, 11.3% and 10.3%, respectively. South Carolina posted the third-highest growth, with a 9.2% year-over-year increase. Eight states and districts recorded annual losses: Washington (-4.9%); Montana (-3.1%); Nevada (-1.7%); Idaho (-1.6%); Utah (-1.6%); California (-1.5%); Washington, D.C. (-1.2%); and Oregon (-0.7%).



## NEARLY 1 IN 3 HOMEOWNERS SURVEYED UNSURE ABOUT FAIRNESS IN THEIR HOMEBUYING EXPERIENCES OR BELIEVE THEY HAD AN UNFAIR EXPERIENCE

A home is one of the largest and most meaningful purchases a person can make and is an important part of building a long-term investment strategy. Access to education, advice, and resources (such as Special Purpose Credit Programs and other affordable housing resources) that ease the homebuying process are critically important—particularly for homebuyers and families who may be more likely to face barriers on their path to home ownership.

“When it comes to buying a home, there are many factors to consider—the largest being, can I afford it, and will I get a fair chance,” said Victor Alexander, Head of Key’s Consumer Bank. “Both new and experienced homebuyers are understandably anxious about the state of the market, may feel overwhelmed by the homebuying process, and may not be aware of all their bank can do to assist them. We work hard to help our clients understand the tools, resources, and home lending offerings that can empower them to affordable home ownership. Owning a home is a foundational step to building generational wealth, and we are committed to helping our clients achieve their dream of home ownership and move forward on their financial journey.”

KeyBank’s Fair Housing Month poll found that the homebuyers surveyed may not be aware they may qualify for banking programs that make the home lending process easier and more affordable.

Additional findings from the poll include:

- » Less than half (47%) of homeowners surveyed who purchased their homes in the

past five years felt confident they received a fair market value price, pointing to a gap between the factors that are important to those homeowners and the reality of their homebuying experiences.

- » Nearly one-third (30%) of homeowners surveyed are unsure whether they had an unfair experience when buying a home or are certain they had an unfair experience. This means that, among other things, some homeowners are left questioning whether they paid too much for their home.
- » More than one-third of homeowners surveyed listed location (38%) and home price (37%) as their top financial factors when deciding to purchase their homes in the past five years. The desire to be close to friends, family, and communities continues to be one of the strongest factors when deciding to purchase a home.

## TECH LAYOFFS HAMPER WEST COAST HOUSING MARKETS

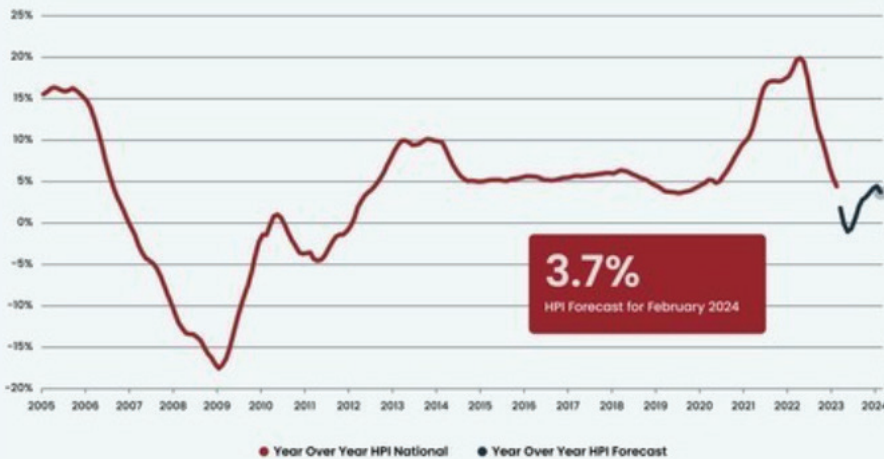
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Figure 1: HPI and HPI Forecast Percentage Change Year Over Year



\*Including distressed sales  
Source: CoreLogic February 2023

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The top takeaways from the data include:

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## MILLENNIALS BOUGHT MORE HOMES THAN OTHER COHORTS LAST YEAR

According to Redfin data, 30% of 25-year-olds owned a home in 2022, a tad bit higher than previous generations did at 25-year-old as 28% of millennials owned their own home, compared to 27% of Generation X but higher than Boomers at 32%.

The most recent adult generation, Generation Z, was able to take advantage of record-low mortgage rates in 2020 and 2021 to buy homes, even in light of low inventory

and rising prices, putting their generation on a slightly better homeownership path than their parents.

Gen Zers tracking along with their parents’ homeownership rate is counter to the common narrative that it’s more difficult for today’s 20-somethings to buy homes than in generations past. Gen Z homeowners spent the same portion of their income on housing in 2021 (the most recent year for which income data is available) as they did three decades earlier.

For example, a 25-year-old’s median mortgage payment was about \$1,013 in 2021, or 16% of their \$74,900 which pales in comparison to the \$904 mortgage payment in 1990, or 16% of their \$69,419 of income.

Many Gen Zers took advantage of the sub-3% mortgage rates to become homeowners during the throws of the pandemic who have also benefited from wage growth and a strong job market.

“The rising tide lifted Gen Z homebuyers in 2020 and 2021; they were part of the pandemic-driven homebuying frenzy,” said Redfin Chief Economist Daryl Fairweather. “Record-low mortgage rates, remote work providing freedom to move somewhere more affordable, and skyrocketing rental costs motivated some Gen Zers to break into the housing market. While the oldest of their generation had just graduated college when the pandemic started and hadn’t started building up their bank accounts, they had some financial advantages. The unemployment rate was near record lows in late 2021 and 2022, with pandemic-related labor shortages in industries that attract young workers like hospitality and retail prompting those employers to boost pay. Government stimulus payments, the pause on student loan repayments, and the fact that many young adults lived with family during the lockdowns also helped Gen Zers save money.”

Younger homebuyers need less money than their older counterparts because they tend to buy cheaper homes with smaller down payments. That’s partly because people under 25 years old may be more flexible about home size and location than an older person who’s more likely to have children and places more value on proximity to certain schools and their offices.

In 2022, the typical primary residence purchased by someone under 25 years old costs \$235,000 and came with a \$10,000 down

payment (assuming a conventional loan). That's compared to \$355,000 (with a \$30,000 down payment) for 25- to 34-year-olds, and \$405,000 (\$50,000 down payment) for 45- to 54-year-olds.

"Millennials have been financially unlucky. Their parents had a more straightforward financial journey," said Fairweather. "The oldest millennials entered the workforce during the 2001 recession. Then came the 2008 financial crisis, with many millennials in their first post-college job. It limited their earnings, overall wealth, and ability to buy a home for many years afterward. Millennials started to gain homebuying momentum just before the pandemic, but they were once again dealt a bad hand with pandemic-related job losses in April 2020."

Overall, 26% of adult Gen Zers own their home. That's compared with 79% of baby boomers, the highest share of any generation, followed by Gen X (71%) and millennials (52%).

## YOY SINGLE-FAMILY RENT GROWTH COOLED IN FEBRUARY

CoreLogic has released its latest Single-Family Rent Index (SFRI), analyzing single-family rent price changes nationwide and across major metro-

politan areas.

U.S. single-family rent price growth continued its slowdown in February, dropping to 5%, with metro-level trends indicating that renters are perhaps seeking more affordable areas. For example, St. Louis—historically one of the least-expensive 20 rental markets for which CoreLogic publishes data—was at the bottom for gains in February 2022 but topped the index for growth in February 2023.

Western metros that posted substantial rent price increases one year ago have seen appreciation relax over the past year. In February 2022, Phoenix and Las Vegas ranked in the top five for annual rent price growth, 18.2% and 16.6%, respectively. One year later, those two metros are at the bottom for increases.

These rental price trends reflect general housing market dynamics, with CoreLogic's latest Home Price Index showing that highly populated Western metros posted mostly flat price changes year over year in February.

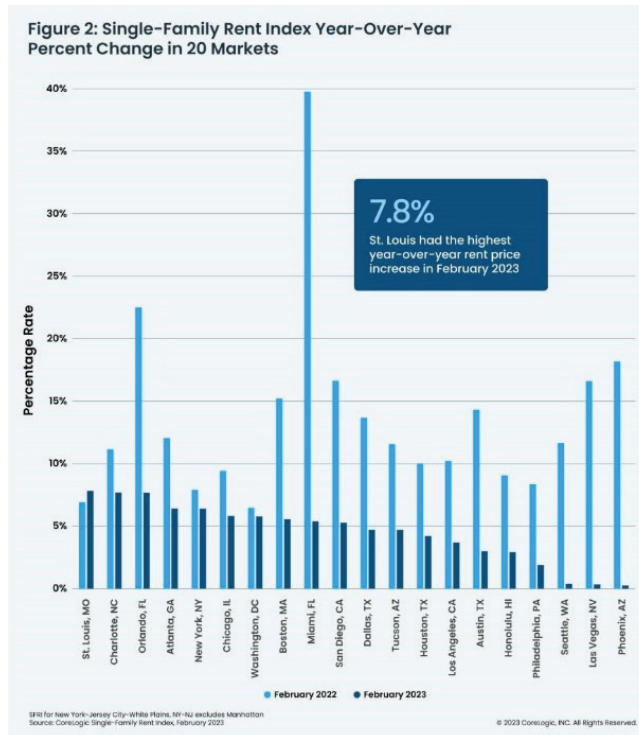
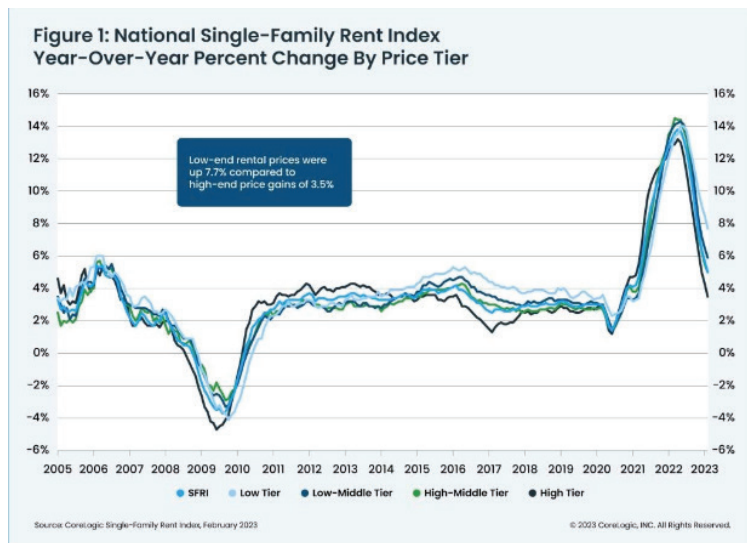
"Rental cost growth relaxed again in February but is still increasing nationwide year over year," said Molly Boesel, Principal Economist at CoreLogic. "Less-expensive metros have emerged as those with the highest appreciating rental costs, as tenants contend with elevated rents and inflation. However, while the top U.S. metros for rental cost growth are increasing annually by about 8%, that is well below the rates of 20% to 40% seen one year ago."

CoreLogic examines

four tiers of rental prices and two property-type tiers. National single-family rent growth across those tiers, and the year-over-year changes, were as follows:

- » **Lower-priced** (75% or less than the regional median): 7.7%, down from 12.7% in February 2022
- » **Lower-middle priced** (75% to 100% of the regional median): 5.9%, down from 13.8% in February 2022
- » **Higher-middle priced** (100% to 125% of the regional median): 5%, down from 13.8% in February 2022
- » **Higher-priced** (125% or more than the regional median): 3.5%, down from 12.8% in February 2022
- » **Attached versus detached:** Attached single-family rental prices grew by 5.6% year over year in February, compared with the 3.9% increase for detached rentals

St. Louis posted the highest year-over-year increase in single-family rents in February 2023, at 7.8%. Charlotte, North Carolina, and Orlando, Florida, registered the next highest annual gains, both at 7.7%. Las Vegas and Phoenix saw the lowest annual rent price growth, both at 0.3%.



Rents Post First Annual Decline Since Start of Pandemic  
Year-over-year change in median U.S. asking rent



Source: Redfin analysis of asking rents

REDFIN

March's Median Asking Rent Was the Lowest in Over a Year  
Median U.S. asking rent



Source: Redfin analysis of asking rents

REDFIN

## RENTS POST FIRST ANNUAL DECLINE IN THREE YEARS

Redfin reports the median U.S. asking rent fell 0.4% year over year to \$1,937 in March—the first annual decline since March 2020 and the lowest median asking rent in 13 months. By comparison, rents were up 17.5% one year earlier, in March 2022. The median asking rent in March was unchanged from February. It remained \$322 higher (19.9%) than it was at the onset of the pandemic three years earlier, though wages increased at roughly the same pace during this time.

“Rents are falling, but it feels more like they’re just returning to normal, which is healthy to some degree,” said Dan Close, a Redfin Real Estate Agent in Chicago, where the median asking rent in March was 9.2% lower than it was a year earlier. “It’s similar to the cost of eggs. You can say egg prices are plummeting, but what’s really happening is they’re finally making their way back to the \$3 norm instead of \$5 or \$6. Rents ballooned during the pandemic and are now returning to earth.”

Rent rates rose dramatically during the past two years because incomes increased, and household formation rose as more millennials started families. But household formation is now slowing, partly because many people are opting to stay put rather than move during a time of economic uncertainty.

Redfin notes that a surplus of supply resulting from the pandemic homebuilding boom forced rents to decline from a year earlier in March. The number of multifamily units that went under construction and the number completed each rose to the second

highest level in more than three decades in February, the latest month for which data is available. Completed residential projects in buildings with five or more units jumped 72% year over year on a seasonally-adjusted basis to 509,000, the highest level since 1987 with the exception of February 2019. Started projects in buildings with five or more units rose 14.3% to 608,000, the highest level since 1986 with the exception of April 2022.

The study also found that the short-term rental market is in a similar situation, with the Airbnb market oversaturated in terms of supply, and authorities imposing tougher restrictions on hosts in some areas, driving some owners to lower rents or sell.

Rents declined in 13 major U.S. metro areas, including:

- » Austin (-11%)
- » Chicago (-9.2%)
- » New Orleans (-3%)
- » Birmingham, Alabama (-2.9%)
- » Cincinnati (-2.9%)
- » Sacramento, California (-2.8%)
- » Las Vegas (-2.4%)
- » Atlanta (-2.3%)
- » Phoenix (-2.1%)
- » Baltimore (-2%)
- » Minneapolis (-1.6%)
- » Houston (-1.5%)
- » San Antonio (-1.3%)

“A lot of people in Chicago became landlords during the pandemic,” Close added. “Some were looking to cash in on soaring rents. Some rented out their homes because selling would’ve meant giving up their rock-bottom mortgage rate. Others tried to sell but didn’t get a satisfactory offer due to slowing homebuyer demand. Now we have a

lot of rental supply, which is bringing prices down because renters have more options.”

Rents rose in 10 major U.S. metro areas, including:

- » Raleigh, North Carolina (16.6%)
- » Cleveland (15.3%)
- » Charlotte, North Carolina (13%)
- » Indianapolis, Indiana (10.5%)
- » Nashville, Tennessee (9.6%)
- » Columbus, Ohio (9.4%)
- » Kansas City, Missouri (8.1%)
- » Riverside, California (7.2%)
- » Denver, Colorado (7%)
- » St. Louis, Missouri (4.2%)

Redfin Real Estate Agent Jennifer Bowers cited three factors that drove up rental rates in the Nashville area, including investors, high home prices, and a strong local job market.

“Tons of investors bought homes in Nashville and turned them into rentals during the pandemic in order to take advantage of low mortgage rates and rising rental demand—which allowed them to jack up rents. While investors have since pumped the brakes on purchases, they haven’t cut rents,” Bowers said. “Demand for rentals rose in part because skyrocketing housing prices pushed homeownership out of reach for many families. Elevated mortgage rates over the last year-and-a-half have also priced buyers out.”

Redfin reports the average 30-year-fixed mortgage rate (FRM) now at 6.27%, down from its peak in the fall of 7.08%, but up from 5% in April 2022, which has sent the typical homebuyer’s monthly payment up by nearly \$300 from a year ago. While home prices have started falling on a year-over-year basis, they remain more than 30% higher than they were when the pandemic started.

# GAUGING THE STATE OF AFFAIRS

In this month's Final Thoughts, we look at unpredictability within the current housing market, the effects of inflation, and predictions of future market conditions amid a severe shortage of housing and rapidly rising mortgage rates.

## “slipped again”

Realtor.com Chief Economist **Danielle Hale** on the drop in existing-home sales, the effects of high inflation, and the Fed's efforts to tame it.



## “anything but normal”

Redfin Chief Economist **Mark Fleming** discusses market prices and the adjustments needed to conform to current market conditions.



## “lenders are pivoting”

**Bob Jennings**, Executive of CoreLogic Underwriting Solutions, on navigating industry headwinds and combatting inflation amid increasing home prices.



## “a long way to go”

Veros Chief Economist **Eric Fox** details the projected future of price moderation within the housing marketplace.



## “a modest recession”

**Doug Duncan**, Fannie Mae Senior VP and Chief Economist, on expectations in the housing market and the similarities consumers may experience from the 2008 housing crisis.



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