YOUR TRUSTED SOURCE FOR MORTGAGE BANKING AND SERVICING NEWS

MortgagePoint Magazine

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NOVEMBER 2023

THE COST OF DOING BUSINESS

With factors ranging from low volumes to inflation and manpower shortages putting the squeeze on the **property preservation and field services sectors,** *MortgagePoint* speaks to vendors and government agencies trying to guide this important industry through the challenges.

5 TRIGGERS TO SHIFT IN-HOUSE SERVICING TO A SUBSERVICER

Could you be getting a better ROI on your servicing portfolio?

ALSO IN THIS ISSUE:

MARKET CHANGES DRIVING SMARTER CUSTOMER CONVERSATIONS

How leveraging advanced CRM can boost business by blending user-friendly technology and the human touch to create a more seamless mortgage experience.

DIFFERENTIATING AI APPLICATIONS IN THE MORTGAGE SPACE

Building a culture of innovation that supports the adoption of disruptive technologies is like unlocking a hidden treasure.

FROM MANUFACTURING TO MORTGAGES, QUALITY DATA IS KEY

When it comes to accurate data, companies can't afford not to use AI.

IDENTITY CRISIS

Here's how digitization reshapes the battle against seller impersonation fraud.

THE INDEPENDENT INVESTOR IMPACT

Could real estate investors be the answer to the housing shortage?


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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.

PROPERTY PRESERVATION FEELS THE SQUEEZE

We have a long tradition of putting a focus on the property preservation sector in one of our fall issues, stretching back to *MortgagePoint*'s predecessor publication, *DS News*. Property preservation provides difficult and sometimes thankless work that is critical to maintaining neighborhood stability and combatting urban blight as properties are turned back into the housing market. However, like many sectors of our economy, property preservation faced unprecedented challenges during the COVID-19 pandemic, and even several years after things have returned to "normal," the ripples of that era continue to deeply impact the vendors serving in this area, with many companies having folded or switched industries, while those that remain face shortages of labor, greater distances between the properties they maintain, and other factors.

For this month's cover story, "The Cost of Doing Business," *MortgagePoint* spoke with the vendors, government agencies, and the GSEs trying to guide this important industry through the challenges it faces, particularly on the topic of allowable fees and why it's important that they align with the economic realities on the ground. Beginning on page 30, you can read in-depth insights from organizations including Cyprexx Services, Fannie Mae, Five Brothers Asset Management Solutions, HUD, Innovative Field Services, MCS, Safeguard Properties, and ZVN Properties Inc., including news on a late-breaking update from HUD that has been greatly anticipated by the industry.

But that's just us getting started. Here are some of the other topics we explore this month:

- "Five Triggers to Shift In-House Servicing to a Subservicer"—LoanCare's Kevin Cooke asks, "Could you be getting a better ROI on your servicing portfolio?"
- "The Independent Investor Impact"—Kurt Carlton of New Western dives into ways real estate investors can help address the ongoing housing shortages.
- "From Manufacturing to Mortgages, Quality Data Is Key"—When it comes to accurate data, companies can't afford not to use AI. Paul Fischer of Paradatec Inc. Explains why.
- "Identity Crisis"— Angel R. Hernandez of Stretto examines how digitization reshapes the battle against seller impersonation fraud.
- The Point—Gagan Sharma, Founder and CEO, BSI Financial Inc., discusses mortgage servicing tech trends in this longform Q&A.
- Memberships Profile—Michael Greenbaum takes the Chair of Five Star's Property Preservation Executive Forum

You'll find all of this and more in the pages ahead. Welcome to the November 2023 edition of *MortgagePoint* magazine.

David Wharton
Editor-in-Chief

ESSENT ANNOUNCES INTEGRATION WITH MORTGAGE CADENCE'S LOAN FULFILLMENT CENTER

Essent Guaranty, Inc., a nationwide provider of mortgage insurance (MI) and a subsidiary of Essent Group Ltd. announced they have integrated with Mortgage Cadence's Loan Fulfillment Center (LFC).

"We are pleased to expand our integration with Mortgage Cadence to now provide mutual customers access to Essent's products and services through their LFC platform," said Kendra Placek, VP of Customer Experience and Innovation at Essent. "We are dedicated to providing streamlined access to our product offerings for customers and to working with mortgage technology providers focused on enabling a great mortgage experience for the borrower."

The flexibility of this cloud-based LFC platform from Mortgage Cadence gives customers a streamlined view of available MI services with direct and real-time access to mortgage insurance rate and eligibility evaluations, whether quoting or ordering, leveraging Essent's proprietary pricing engine, EssentEDGE®.

"We are thrilled to announce the availability of Essent MI on the LFC platform with our 23.1 release. Essent is a valued partner who prioritizes the ability to order mortgage insurance in an efficient process while mitigating risk for our clients," says Jim Rosen, EVP of Services at Mortgage Cadence.

NATIONAL MI PARTNERS WITH TRUE TO ADVANCE DIGITAL MORTGAGE ECOSYSTEM

National Mortgage Insurance Corporation (National MI), a subsidiary of NMI Holdings, Inc., has partnered with TRUE, a lending intelligence company, to streamline operational capabilities and expand homeownership opportunities by unleashing the power of AI-driven automation.

The partnership combines National MI's private mortgage insurance platform that facilitates homeownership opportunities for borrowers who need down payment support with TRUE's Data Intelligence product and AI-powered document and data processing capabilities. By integrating TRUE's AI technology into its digital mortgage ecosystem, National MI expects to reduce its document and data processing times while dramatically accelerating loan decision timelines.

The collaboration comes at a time when higher interest rates and low inventories have pushed many would-be homebuyers out of the housing market. At the same time, lenders are experiencing a surge in operational costs and mortgage insurers are under pressure to provide loan decisions in near real-time. By working together, National MI and TRUE aim to provide critical relief to all three groups by delivering seamless, faster loan responses while reducing the burden and cost of manual reviews and increasing data quality.

"Our partnership with TRUE marks yet another step forward in our technological innovation journey," said Mohammad Yousaf, EVP, Operations and Information Technology at National MI. "By combining the digital engagement and connectivity of our platform with AI-driven document processing automation, we will be able to provide even faster loan decisions, reduce operational costs, and ultimately create broader access to homeownership. We look forward to a long and fruitful relationship."

"We have been on a mission from day one to help more people experience the stability and security of homeownership," said Ari Gross, CEO and Co-Founder of TRUE. "Working together with National MI to help lenders make informed lending decisions by harnessing the power of AI is an important step toward our goal. We are not only providing the latest lending decision technology; we are helping to fulfill the American Dream of homeownership more efficiently."

INCENTER INSURANCE SOLUTIONS LAUNCHES NEW WARRANTY PROTECTION PLANS

Incenter Insurance Solutions, a national insurance agency with dozens of carrier relationships, announced the launch of a full suite of premium warranty protection plans. The new service enables mortgage lenders, banks, credit unions, and car dealerships to add value to their customer relationships by offering extended warranty coverage on big-ticket home appliances and systems, residential real estate investments, and vehicles.

"Our clients are always asking us for ways to build customer loyalty in an extremely price-driven business. Additionally, customers who purchase a warranty are more likely to recommend you to their friends and family. That's especially important in sectors like lending and automotive sales, where customers are constantly being barraged with competitive offers," Craig Eagleson, President, said.

With Incenter Insurance Solutions' warranty services, mortgage providers can provide their homeowners with plans to activate fast repairs and/or replacement of any major appliance breakdown like refrigerators, ovens, washers and dryers, or, on any major operating system like HVAC, furnaces, electrical, or water heaters. Auto dealers can offer their customers coverage on big-ticket items like transmissions, engines, HVAC systems, and electrical work. (Note: actual coverage will vary based on what option is chosen).

The warranty services complement Incenter Insurance Solutions' property and casualty insurance options, which are also available through lenders and auto dealerships.

Furthermore, companies can enjoy other benefits when working with Incenter Insurance Solutions including the fact that:

» The company's extensive carrier rela-

tionships allow for more flexibility and customization to serve individual needs.
» The firm also offers embedded insurance plans making it easy for mortgage/auto dealer customers to quickly purchase a policy to cover a new home or car.
» The company has a highly responsive team of "live" professionals who are accessible to answer questions in real-time.

PATH SOFTWARE PARTNERS WITH PPDOCS TO STREAMLINE MORTGAGE DOCUMENT PREPARATION

Path Software, a provider of loan origination software, announced a strategic partnership with PPDocs, a provider of comprehensive mortgage document preparation solutions. Through this partnership, Path Software lenders using either Path Enterprise or Path Direct can now leverage PPDocs' industry-leading document preparation services directly within their LOS, streamlining the loan origination process. With the integration, lenders can eliminate the need for manual data entry and streamline the document generation and ordering process, resulting in significant time savings and a reduction in potential errors. In addition, PPDocs' loan documentation system will automatically check for compliance throughout the loan process to further mitigate risk.

"We are excited to bring solutions to even more mortgage professionals through our partnership with Path Software," said Jerry Bribiesca, Director of Information Technology of PPDocs. "By integrating our services into the Path Software platform, we can further support the industry's growth and provide added efficiency and accuracy to the loan origination process."

"At Path Software, we understand the importance of providing our clients with robust tools and services that help them manage costs, increase efficiency, and streamline their workflows to help facilitate swift and effortless loan closures," said Joy Ziminskas, Director of Business Development of Path Software. "This strategic partnership with PPDocs allows us to offer our clients a powerful and efficient document preparation solution directly within the Path Software platform."

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>
> —**Joy Ziminskas**, Director of Business Development, Path Software

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TAVANT LAUNCHES DATA-DRIVEN ECOSYSTEM BUILT FOR FINTECHS AND FINANCIAL INSTITUTIONS

Tavant, a digital lending solutions provider, announced the launch of Data Beats, a data platform that aims to redefine the financial services landscape. This platform empowers businesses to harness the power of their data and maximize its value, working to take the stress out of data management.

Key benefits of Data Beats include:
» Provides actionable data insights that work for your business
» Analyzes data from various aspects of your operations
» Adapts and learns from your data to provide real-time recommendations
» Looks into the future, learns, and predicts trends

Data Beats is a platform offering within Tavant's banking and financial services suite of technology products. Data Beats is set to serve as the analytics and IoT engine for the financial services industry, initially focusing on mortgage and home equity products. Tavant plans to extend this robust data ecosystem to all consumer loans and banking products, making it a comprehensive solution for financial institutions.

With Data Beats, Tavant empowers financial institutions towards proactive rather than reactive operations by incorporating generative AI (Artificial Intelligence) to prompt users on the best course of action. This revolutionary approach allows the platform to offer precise recommendations for loan officers, consumers, processors, and underwriters, enhancing the overall efficiency of the lending process.

"Tavant's mission is to stay at the forefront of innovation and to be the engineering partner of choice in the financial services industry," said Abhinav Asthana, Fintech Product Business and Growth Leader at Tavant. "Data Beats exemplifies our commitment to providing our customers with an advanced platform that accelerates their vision to transform into a data-first organization. We are proud to launch this platform, which brings insights, intelligence, and efficiency to the heart of the lending process."

POLLY ANNOUNCES ANALYTICS AND BUSINESS INTELLIGENCE PRODUCT

Polly has unveiled its multidimensional enterprise, competitive, and market intelligence product. Purpose-built using advanced data science and machine learning tools, Polly Analytics can be used in conjunction with the company's cloud-native, high-performance Product and Pricing Engine (PPE) and Loan Trading Exchange to deliver an unprecedented amount of visibility to stakeholders and drive predictive and informed data-driven strategic decisions, automation, and profitability.

Polly Analytics provides access to highly granular margin and lock data sets, including day-one margin and profitability metrics, as well as transparency into all lock desk activity: locks, extensions, relocks, reprices, price exceptions, float downs, and much more.

Dynamic data visualizations also illustrate competitor benchmarking data and indices, made available to lenders that desire additional context and clarity around their margins, profitability, pricing strategies, and market performance. Lenders that leverage their own internal data solutions can license Polly's raw data to be used in tandem with existing in-house tools.

Unlike other siloed data applications available in the market, Polly Analytics unites enterprise, competitive, and market analytics in one single data solution. This eliminates procurement headaches and creates a sole source of truth, enabling lenders to:

» Confirm their current market standing and position their organization for success using actionable, real-time price comparisons;
» Continuously optimize margin and price strategies amid unpredictable market shifts;
» Predict trends with in-depth pricing insights and lending profiles;
» Maintain a long-term competitive position; and more.

"Specifically in today's market, no one wants to leave revenue on the table," said Adam Carmel, Founder and CEO of Polly. "Polly Analytics delivers action-oriented visibility into margins, profitability, and any other lever a lender can pull to drive down the cost of origination and maximize every basis point of value. We are proud to pioneer yet another advancement in mortgage technology and provide lenders with a holistic view of their business and the wider competitive landscape."

FORMFREE UNVEILS NEW MARKETPLACE TO CONNECT LENDERS WITH QUALIFIED BORROWERS

FormFree announced the fourth quarter debut of FormFree Exchange (FFX), a dynamic online marketplace that matches lenders with qualified borrowers for a faster, better, and fairer lending experience.

FFX has been meticulously designed to address the challenges facing lenders and borrowers in the modern financial landscape. With interest rates and home prices driving down loan application numbers and the prohibitive costs of lead generation eroding lender profitability, FFX offers a solution that reshapes lending.

"FormFree Exchange is where lenders meet qualified borrowers," said Brent Chandler, Founder and CEO of FormFree. "Our platform represents the future of lending, providing a transparent and efficient way for home, auto, and consumer lenders to connect with high-intent borrowers. It's not just about making loans; it's about making lending accessible and profitable for all."

How FFX Works:

FFX eliminates the need for lenders to sift through unqualified or unready leads by providing verified financial data from borrowers who have already demonstrated that they are ready and willing to transact using FormFree's free Passport service. Lenders receive this data in the form of an anonymous Qualified Borrower (QB) Medallion that empowers them to make competitive loan offers while protecting borrowers' identities until an offer is extended and accepted.

Attributes provided in a QB Medallion include:

» Intent: Understanding the borrower's financial goals and requested loan type and amount
» Assets: Detailed account balances and transaction history
» Income: Validation of typical monthly income and income stability
» Employment: Verification of employment details and payment frequency
» ATP Analytics: In-depth ability-to-pay insights, including cash-flow index, Residual Income Knowledge Index (RIKI), credit score, and rent payment history
» CRA & DPA Eligibility: Identification of borrowers eligible for down payment assistance and programs for low-to-moderate income and minority consumers

ZILLOW LAUNCHES NEW HOUSE HUNTING FEATURE BY SCHOOL DISTRICT

Zillow has announced their search-by-school tool, a new feature on the Zillow app that allows home shoppers to discover homes for sale or rent within specific school attendance zones or school districts just by using the search bar.

"Nearly one-third of home shoppers have children younger than 18, making 'search by school' an important feature on the Zillow app," said Nicholas Stevens, VP of Product at Zillow. "We understand the perfect home often extends beyond the property itself, and this feature makes it easy for shoppers to explore homes for sale or rent in their desired school districts."

The search-by-school feature is accessed through the Zillow search bar and offers auto-complete suggestions for relevant schools and school districts based on the user's search history. Searching by school is currently available on Zillow's iOS mobile app and will launch on Android platforms by the end of the year and will be on the web in 2024.

Additionally, Zillow is introducing the ability for home shoppers to receive instant or daily alerts about new for-sale or for-rent homes within their preferred school attendance zone or school district.

Using the Zillow mobile app, searching for homes within a particular school attendance zone or school district is as simple as typing the name into the search bar. The feature helps home shoppers by auto-completing their search, offering relevant suggestions for schools and school districts based on their previous searches.

Once a school or school district is selected, the app will automatically display the attendance zone boundaries on the map. Users will then see which homes are available for sale or rent within that attendance zone. Searches for open enrollment, or charter or private schools without assigned boundaries will display homes within a 5-mile radius surrounding the school.

FIRST AMERICAN TITLE'S UNDERWRITER SERVICES NOW INCLUDES PCN NETWORK'S SAFEVALIDATION SERVICE

First American Title Insurance Company announced that PCN Network's SAFEvalidation service, a wire verification offering designed exclusively for title agents, is now included with First American Title's underwriting services at no additional charge for First American insured transactions.

Wire fraud is one of the biggest threats to everyone in a real estate transaction. As wire fraud continues to grow, title agents need premier tools to help protect their buyers, sellers, and other real estate transaction participants.

According to the Federal Bureau of Investigation's Internet Crime Complaint Center 2022 report, adjusted losses from business email compromise complaints exceeded $2.7 billion, an increase of $300 million from 2021.

"Combating the threat of wire fraud is a top priority for everyone involved in real estate transactions," said Stephen Vincini, Agency Division President of First American Title Insurance Company. "Providing this comprehensive wire verification ser-

> "Combating the threat of wire fraud is a top priority for everyone involved in real estate transactions."
>
> —**Stephen Vincini**, Agency Division President, First American Title Insurance Company

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vice at no additional cost reflects our commitment to empowering our title agents with cutting-edge tools that help provide a seamless and more secure transaction process that protects consumers."

Accessed via a secure portal, the SAFEvalidation service authenticates payee wire and bank account information using proprietary payoff authentication technology. PCN backs up its SAFEvalidation service by providing SAFEvalidation users up to $1 million in insurance protection from a third-party insurance provider per transaction that SAFEvalidation authenticates.

VALLIGENT MITIGATES VALUATION BIAS, ENSURES APPRAISAL ACCURACY WITH NEW PLATFORM

Valligent, a Veros Software company providing market-leading real estate valuation solutions, has enhanced its traditional appraisal quality control process with BiasCHECK, a technology-based risk analysis solution integrated into Valligent's appraisal review to quickly detect if an appraisal may be at risk for potential valuation bias or quality issues that need deeper analysis.

"BiasCHECK is a unique appraisal review tool powered by reliable technology. Utilizing it as part of our quality control process helps ensure Valligent's traditional appraisals contain data customers can trust and confidently use to make collateral decisions," said Charles Rumfola, President of Valligent. "We all have a responsibility to make the mortgage lending process as fair and accurate as possible, and with BiasCHECK, Valligent is taking a proactive step to protect lenders and borrowers against potential bias."

BiasCHECK utilizes automated valuation models (AVM), risk scoring, and content-enabled word scans provided by Veros Real Estate Solutions (Veros), a Valligent sister company. It helps Valligent's quality control team prioritize and expedite any additional due diligence without a negative impact on average traditional appraisal turn times or costs to customers.

The first component of BiasCHECK is VeroVALUE, an automated valuation model (AVM) used to detect if there is any potential for over- or under-valuation of the subject property. VeroVALUE has undergone testing by Veros economists, demonstrating its absence of racial bias and its consistent accuracy across minority communities, making it both fair and accurate.

The second component is VeroSCORE, which detects deficiencies or red flags that could potentially compromise overall appraisal quality. Lastly, a biased-word scan examines the appraisal report field-by-field for acceptable terminology. It detects if there is any presence of racial, political, religious, and other potentially prohibitive words. If the word scan indicates the presence of potentially biased words, prioritization is given for further due diligence.

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

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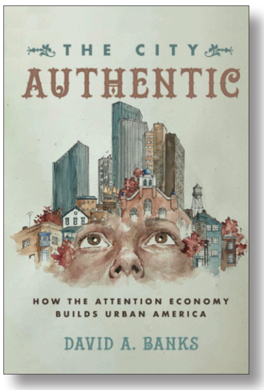
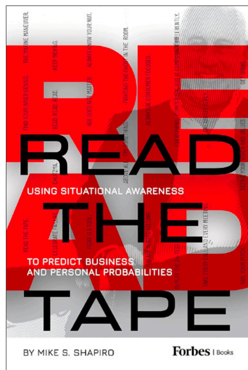


The City Authentic: How the Attention Economy Builds Urban America

by **DAVID A. BANKS**

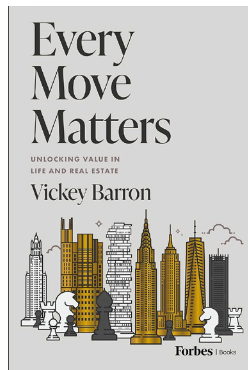
David A. Banks, a prolific author and lecturer of Globalization Studies at the University of Albany, has written a new book on cities and the "attention economy." This concept describes how cities are transforming themselves to appeal to modern desires for authentic and meaningful urban living through the attention-grabbing tactics they learned from social media influencers and reality TV stars. The author's study, which is a blending of insightful information littered with pop culture anecdotes, discusses the rising economic fortunes of cities in the Rust Belt translates into signs of urban authenticity. This book ties together digital media and derelict buildings, which have enabled a new paradigm in modern urban planning.



Read The Tape: Using Situational Awareness to Predict Business and Personal Probabilities

by **MIKE S. SHAPIRO**

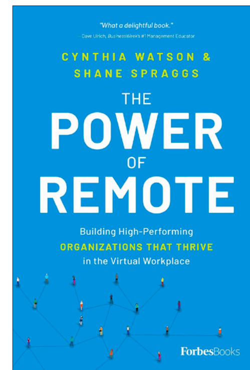
A book for anyone who feels stuck in life and needs a path to create changes to get out of their rut, *Read the Tape* follows the first lesson protagonist Bennett Gates learns after discovering author and podcast host Mike Shapiro. By heeding Shapiro's advice, Bennett's life and career slowly takes off again by using "Mikeisms"—or anecdotes from the author—which can be customized to each individual, designed to create positive change and make an impact in their career. Whatever your roadblock or adversity is, you'll find the tools in this book to be life changing.



Every Move Matters: Unlocking Value in Life and Real Estate

by **VICKEY BARRON**

Licensed Associate Real Estate Broker and *Forbes*-featured author Vicky Barron wasn't born with a silver spoon in her mouth, but that hasn't stopped her from reaching the upper echelons of the Manhattan real estate market, all while having fun doing it. In this series of vignettes and anecdotes, the author shares big questions to ask that helped her land big projects, win favors, and survive situations that might have ruined a "normal" person. Following Barron's journey of selling everything from her childhood home in Southern California to homes in Manhattan—and everything in-between—*Every Move Matters* is packed with insight, humor, and real-world practical advice. It's a must-read for anyone hoping to up their game in both real estate and life.



The Power of Remote: Building High-Performing Organizations That Thrive in the Virtual Workplace

by **SHANE SPRAGGS** *and* **CYNTHIA WATSON**

A residual effect of the pandemic, remote work looks to be here to stay. As demand for hybrid and fully remote work options remains strong, companies are creating remote work protocols for their outside-the-office workers. But the authors of *The Power of Remote* ask if the newly created frameworks are the right ones and if they are adequate for remote hiring, training, and onboarding so workers can be as productive as possible. Companies also have to monitor these employees for engagement and wellness issues (which are predictably hard to spot in remote roles). The authors suggest it may be time to take advantage of the many opportunities remote work presents. Stop saying, "we're not there yet," and start saying, "we've arrived!" This book will show you how remote work can be a manageable, powerful tool for employers.

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ALLY FINANCIAL'S JEFFREY BROWN TO STEP DOWN AS CEO

Ally Financial Inc. has announced that **Jeffrey J. Brown** will be stepping down early next year after serving as CEO and a member of Ally's Board of Directors since 2015. The Board has engaged a leading global executive search firm, and the search for a successor is underway.

"After 14 years at Ally, including nearly nine years as CEO, I am so proud of how we transformed the company from the days of GMAC to who we are today, a more strategically, operationally and financially sound organization," Brown said. "I sincerely appreciate the fierce commitment of my more than 11,000 Ally teammates and the culture we have been building together. The guidance of our Board of Directors and the deep dedication of our management team have been essential to me at every step."

Brown will remain with Ally until January 31, 2024, or an earlier date determined by the Chair of the Board to help ensure a smooth leadership transition. Following his departure, Brown will become President of Hendrick Automotive Group, a longtime customer of Ally, and the largest privately held automotive retail organization in the nation with nearly 11,000 employees and 131 retail franchises across 13 states.

"What began in 2009 as the financial reengineering of a company ultimately became a bank that truly matters in the financial industry, and now is the right time for me to transition. Ally is positioned for a bright future thanks to our amazing team and the customers we are proud to support," Brown added. "I especially look forward to building on Hendrick's relationship with Ally as a customer and seeing both businesses continue to grow and succeed."

Ally Financial is a financial services company with the one of the nation's largest all-digital banks, serving more than 11 million customers through a full range of online banking services (including deposits, mortgage, point-of-sale personal lending, and credit card products) and securities brokerage and investment advisory services.

"JB has been an exceptional leader and fellow director, steering Ally with a skilled, steady hand for nearly nine years," said Franklin Hobbs, the Chair of Ally's Board. "He is held in the highest regard throughout the organization and the banking industry. Colleagues and peers alike value his commitment to excellence, motivating ingenuity, and unrelenting dedication to the Ally culture."

GUARANTEED RATE ADDS RYAN OGATA AS EVP OF REVERSE MORTGAGE LENDING

Mortgage lending veteran and long-time Guaranteed Rate employee **Ryan Ogata** has transitioned to lead the company's Reverse Mortgage Division as EVP of Reverse Mortgage Lending.

Ogata, who has worked in the mortgage lending industry for 20 years, will be tasked with charging the lender's reverse mortgage division.

"A unique convergence of market forces, including an aging population, resilient home values and a scarcity of inventory, are driving up the demand for reverse mortgages," Ogata said. "I'm excited for the opportunity to dispel the misperception that these are simply loans of last resort. Guaranteed Rate has long been the leader when it comes to serving as a financial advisor—not just a one-off loan producer. Accordingly, we look forward to spreading the word about the reverse mortgage as a critical financial tool for seniors as part of their overall financial planning."

A Bay Area native, Ogata has been with Guaranteed Rate since 2017, and was previously the company's Divisional Manager for the Pacific West Region. Before that, he was the Regional Manager for Northern California.

FORMER FEDERAL HOME LOAN BANK OF CHICAGO EXEC LAUNCHES NATIONAL CORRESPONDENT LENDER

Stephen Thomas has announced the formation of FutureWave Finance, a minority-owned national correspondent lender. Serving as President and CEO of the company, FutureWave Finance is the culmination of many years of planning, as the company will partner with investors to serve the needs of lenders by offering product suites intended to drive the future of the mortgage industry, and expand homeownership across the country.

"Lenders need a product-focused approach to grow their residential mortgage business as we are undergoing a secular shift from the rate-driven refinance market that dominated the industry for most of our careers," Thomas said. "We are using our vast resources, infrastructure, technical knowledge, and numerous industry relationships to partner and deliver a wide variety of mortgage loan products—with expert pricing—to service that need."

Prior to launching FutureWave, Thomas served for the last nine years as the Senior Managing Director of Mortgage Capital Markets at the Federal Home Loan Bank of Chicago (FHLBC), where he and his team helped provide liquidity for various residential mortgage products to hundreds of small community bank and credit union sellers annually.

At the FHLBC, Thomas also held many additional roles, including Chair of the MPF Capital Markets Committee, Co-Director of the FHLBC Office of Diversity and Inclusion, Co-Founder of the FHLB Capital Markets Supplier Diversity Committee, and member of the FHLB Housing Finance Reform Task Force.

Prior to the FHLBC, Steve Thomas founded and managed the Mortgage Finance Group at CastleOak Securities, which became a top-ranked minority-owned investment banking firm in the residential MBS, commercial MBS, consumer ABS, and Fannie Mae, Freddie Mac, and FHLB agency debt markets, and has held officer level roles in capital markets at several firms, including Fannie Mae and Countrywide Home Loans.

Thomas currently serves as a Board Member and Treasurer of Mercy Housing-Lakefront, a part of Mercy Housing, the nation's largest nonprofit developer and owner of affordable housing; Co-Chair of the National Housing Conference's National Advisory Council; and a Member of Quontic Bank's Black and Hispanic Community Development Advisory Board, as well as the Vice Chair of Quontic's Community Development Financial Institution Advisory Board.

"I've known Steve Thomas a long time and if anyone can deliver the leadership and drive to change the mortgage industry and provide home ownership opportunities, it's Steve," said Julie Joseforsky, President of Financial Services at Fay Financial. "He knows this business inside and out and is deeply involved in the housing industry."

FIRST HOME MORTGAGE TAPS RL KYKER TO LEAD NEW MARYLAND OFFICE

First Home Mortgage Corporation has opened a new branch office in Carroll County, Maryland, to be lead by Branch Manager **RL Kyker**, a Loan Officer with more than 17 years of experience working in the Maryland community in mortgage finance.

> "Anyone who's had the pleasure of working with RL knows that his passion for working at the community level makes him a perfect fit for the First Home team."
>
> —**Matt Nader**, SVP and Director of Sales, First Home Mortgage

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"Joining the team at First Home and having the honor of leading this new branch is a tremendous opportunity," Kyker said. "I believe people deserve great service and straight-forward advice, and I look forward to serving the community of Carroll County as a trusted advisor, partner, and neighbor."

After more than 17 years of working with new homebuyers and existing homeowners throughout Maryland, Kyker is adept at operating on the local level. He values relationship-building, consistency, and clear communication when dealing with clients and prides himself in providing the most dependable, convenient, and positive experiences possible to his clients.

Kyker has previously worked for a number of leading mortgage providers and is an active member of the Carroll County Association of Realtors, where he also serves on the Community Outreach Committee. Through this outreach, he has volunteered with and supported a variety of nonprofit organizations, including Special Olympics, Habitat for Humanity, and Boys & Girls Club of Westminster.

"Anyone who's had the pleasure of working with RL knows that his passion for working at the community level makes him a perfect fit for the First Home team," said Matt Nader, SVP and Director of Sales for First Home Mortgage. "We're thrilled to welcome him aboard as the leader of our new Carroll County office. This new branch unlocks exciting potential for growth and development. With RL and his team leading the way, we look forward to creating new paths to homeownership for the people of Carroll County and the surrounding areas."

CENLAR NAMES TOM BYRNE VP OF QUALITY CONTROL

Ewing, New Jersey-based mortgage loan subservicer Cenlar FSB has appointed **Tom Byrne** as the company's new VP of Quality Control.

Byrne brings more than 30 years of experience in the mortgage industry to the role, with the last 13 concentrated in quality control (QC) and risk management. In this newly created Cenlar position, Byrne will be responsible for leading both the internal QC team, and outsourced vendors, establishing actionable business and team objectives that will drive execution of the quality control program.

"A strong collaborative leader, with an extensive background in risk management and quality assurance, Tom is a valuable addition to the team," Cenlar SVP, Chief Control and Quality Officer Lynn Tarantino said.

Before joining Cenlar, Byrne served as VP & Managing Director of Quality Assurance at Homebridge Financial Services. He was also Director of Quality Assurance and Credit Policy at Ocwen/Homeward Residential, as well as Director of Quality Assurance at GMAC ResCap (Ally Financial).

"I look forward to effectively guiding the quality control staff while further building on our robust enterprise-wide operational quality control program that adheres to and aligns with agency requirements and standards, and collaborating with Cenlar's business units to ensure the adequacy of the company's internal controls, processes and procedures," Byrne said.

ERIC FRANCIS JOINS GO MORTGAGE AS VP OF FINANCE

Mortgage lender GO Mortgage has announced the appointment of **Eric Francis, MBA** as VP of Finance.

"We're pleased to welcome Eric Francis to GO Mortgage. Not only does he bring decades of experience in finance and accounting leadership roles, but he also has hands-on expertise in sales, marketing, and loan servicing. Eric is a game changer," said Michael Isaacs, CEO of GO Mortgage. "He's a proactive leader skilled at creating business and financial strategies that boost both revenue and profitability. We're looking forward to partnering with Eric to advance our strategic goals and achieve long-term success."

Go Mortgage is a national mortgage lender headquartered in Columbus, Ohio. With a team of experienced mortgage professionals and a commitment to exceptional customer service, the company helps individuals and families achieve their homeownership goals by providing a range of solutions, including conventional, FHA, VA, construction, and USDA loans.

"I couldn't be more eager to get started with the GO Mortgage team," Francis said. "Being part of a forward-thinking company that has a diversified range of products and sales channels is truly invigorating."

US MORTGAGE CORPORATION NAMES NEW CHIEF PRODUCTION OFFICER

US Mortgage Corporation has announced the appointment of **Nino Saso** as the Company's new Chief Production Officer. In this role, Saso will be responsible for overseeing Sales on a national level. He will spearhead strategic initiatives aimed at driving expansion, fostering innovation, and advancing the company's market presence.

With a career spanning more than 33 years in the mortgage industry, Saso brings a wealth of expertise and a proven track record of success to his new role. His extensive leadership experience, combined with a deep understanding of market trends, consumer preferences, and business development strategies, make him a valuable addition to the US Mortgage Corporation executive team.

"We are thrilled to welcome Nino Saso as our Chief Production Officer," said Steven A. Milner, Founder & CEO of US Mortgage Corporation. "Nino's exceptional leadership skills and strategic vision align perfectly with our company's growth objectives. His insights and innovative mindset will undoubtedly play a pivotal role in shaping the future of our great organization."

Saso's appointment as Chief Production Officer signifies US Mortgage Corporation's commitment to driving innovation, delivering excellence, and further solidifying its position as a player in the mortgage industry.

"I am honored to join US Mortgage Corporation at this exciting juncture," Saso said. "The mortgage industry is rapidly evolving, and I look forward to partnering with the talented team here to capitalize on new opportunities, enhance customer experiences, and drive sustainable growth.

JOHN CADY TAPPED AS NEW PRESIDENT OF CITYWIDE HOME LOANS

Veteran mortgage lending executive **John Cady** has been announced as the new President of Citywide Home Loans, a national lender powered by the financial stability and technology of Guaranteed Rate Companies. The Utah-based firm, founded in 1998, has steadily expanded to 55 offices in 36 states.

Cady will be charged with continuing Citywide Home Loans' national

"I'm incredibly pleased to be joining Citywide Home Loans. The company is the perfect mix of culture, service, and programs that many mortgage professionals have been looking for. I believe we're in position to pick up market share throughout the country."

—**John Cady**, President, Citywide Home Loans

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growth, bringing more than 35 years of experience in the mortgage industry to his role, having grown both regional and national platforms in excess of $15 billion in yearly production. As a producer during the first 20 years of his career, he personally closed in excess of 6,500 loans for $2 billion-plus in overall volume. He has extensive experience in building and managing all channels of mortgage production and operations, including retail, wholesale, joint venture, credit union, consumer direct and recruiting.

"I'm incredibly pleased to be joining Citywide Home Loans," Cady said. "The company is the perfect mix of culture, service, and programs that many mortgage professionals have been looking for. I believe we're in position to pick up market share throughout the country."

» *Service Providers*

NEWLY BRANDED DARK MATTER TECHNOLOGIES ADDS TWO

Mortgage technology provider Dark Matter Technologies has appointed **Michael Housch** as its new Chief Risk and Information Security Officer and 15-year mortgage technology veteran **Stephanie Durflinger** as Chief Product Officer.

Housch, a C-suite and information security veteran of two-and-a-half decades, joins Dark Matter following an eight-year stint with Black Knight, Inc (acquired by Intercontinental Exchange), while Durflinger comes to the company from ICE Mortgage Technology, where she most recently served as SVP of Product Development.

As Black Knight's Chief Information Security Officer (CISO), Housch developed and managed the company's information security vision and strategy to ensure the effective safeguarding of its information assets and technology.

At Dark Matter, Housch will likewise oversee a comprehensive DevSecOps program spanning vulnerability management, identity access, cloud architecture, incident response, governance and regulatory audit oversight. In addition, Housch will be responsible for assessing and mitigating Dark Matter's operational, compliance, and strategic risks at the enterprise level.

"Mike is a leader whose unparalleled credentials and industry experience are perfectly matched to the challenge Dark Matter is undertaking, which is nothing less than a dramatic reimagination of the mortgage lending process," Dark Matter CEO Rich Gagliano said. "For nearly a decade, Mike ensured our team's security kept up with our pace of innovation, and he's got the discipline and imagination Dark Matter needs to accelerate that pace and unleash our industry's untapped potential."

Prior to Black Knight, Housch served as CIO at First Federal Bank of Florida for more than a decade. There, he was responsible for keeping the bank on the forefront of innovation while also overseeing day-to-day operations and decisions related to institutional growth and efficiency, including oversight of information technology (IT), information security, physical security, electronic banking and business continuity.

As Chief Product Officer, Durflinger will spearhead product development for Dark Matter's Empower software and digital products.

Prior to her experience at ICE, Durflinger served as EVP and Chief Product Officer at Sagent Lending Technologies, and as VP of Product Management at Ellie Mae, which developed Encompass.

"I'm energized by the opportunity to work with Rich and the rest of the executive team on the future they've envisioned for Dark Matter's origination technology and for the industry at large," Durflinger said. "I'm also looking forward to working closely with customers, which I think is key to understanding their struggles and giving them unprecedented performance and value."

Durflinger holds a Product Management Certification from the University of California, Berkeley, and earned the designation of Accredited Mortgage Professional from the Mortgage Bankers Association (MBA). She was recently named to the Board of Directors of the Mortgage Industry Standards Maintenance Organization (MISMO), a wholly owned subsidiary of the MBA responsible for developing standards for exchanging information and conducting business in the U.S. mortgage finance industry.

In mid-September, Dark Matter Technologies LLC, formerly Black Knight Origination Technologies LLC, was rebranded after it was acquired into the Perseus Operating Group (Perseus) of Constellation Software Inc. (Constellation). According to Gagliano, the organization is on a mission to revolutionize the mortgage origination business by supporting, growing, and aggressively innovating new and existing products including the popular AIVA artificial intelligence (AI) solution, and the Empower Loan Origination Platform.

DANYA SAWYER NAMED INTERIM CEO OF ALTISOURCE ASSET MANAGEMENT

Altisource Asset Management Corporation (AAMC) has announced the resignation of its CEO Jason A. Kopcak. **Danya Sawyer**, COO of Altisource's Alternative Lending Group, has been tapped to serve as Interim CEO of AAMC.

"We remain committed to the mortgage space," Altisource Chairman of the Board Ricardo Byrd said. "As the Board considers potential replacements, we have appointed Danya Sawyer, Chief Operating Officer of Alternative Lending Group, the company's principal operating subsidiary, to serve as Interim CEO of AAMC."

As COO of Altisource's Alternative Lending Group, Sawyer helped build and oversee operations across all product lines to support the Alternative Lending Group's growing market share. She led the company in helping real estate investors and developers by providing a more modern, equitable, and helpful path to capital than traditional lenders.

As Interim CEO of AAMC, Sawyer brings more than 20 years of successful strategic leadership within operations, capital markets, product management, and compliance across multiple origination channels.

Prior to joining Altisource, Sawyer served as SVP, Client Solutions at Consolidated Analytics, overseeing originator assessments and enterprise-wide due diligence on behalf of institutional investors offering warehouse financing solutions, whole loan acquisitions, and securitization options within agency, nonagency, non-QM, and business purpose lending. Sawyer also spent time at Countrywide, initially operating in various pricing and operational roles before developing a de novo broker to banker channel. After growing that channel to a run rate of more than $1 billion in monthly production, she was promoted to various senior management positions at Countrywide/Bank of America.

In 2014, Sawyer was named one of the industry's top mortgage professionals under the age of 35 by *The M Report*, and she earned her degree in international economics from UC Berkeley, where she was selected as an NCAA Academic All-American.

PLUNK TAPS JOE DAHLEEN AS ADVISOR

Artificial intelligence (AI)-powered analytics platform Plunk has announced the appointment of 30-year industry veteran **Joe Dahleen** as an Advisor to the company's Mortgage Lending Division.

"With Joe's unparalleled expertise and guidance, Plunk is poised to unlock new lending solutions through AI-powered home valuation, risk assessment, and remodeling analytics," said David Bluhm, Plunk Co-Founder and President. "For example, a Home Renovation Loan powered by Plunk Remodel Value will become an important consumer option as homes in America continue to age and homeowners choose to stay in their homes longer."

As a seasoned mortgage lending professional at Elevation Home Loans, FirstClose, MortgageHippo, Primary Capital Mortgage, Talis Lending, Taxdoor, and as an Advisor to Zillow's Mortgage Marketplace, Dahleen has worked on secondary marketing, loan production and quality control procedures—including automated origination and compliance, e-signatures and e-vendor management, preemptive quality control and post-closing management. He also has experience in appraisal management portals, digital vaulting, private label, and cloud-based business models.

"Access to accurate, real-time analytics helps us serve our customers faster and Plunk is at the forefront of providing what real estate needs right now," said Jeremy Foster, Calque Founder and CEO. Calque announced its partnership with Plunk earlier this year, after launching a new program called The Trade-In Mortgage, which enables homeowners to use the equity in their current homes to buy their next home.

Dallas, Texas-based Xome, indirect wholly-owned subsidiary of Mr. Cooper Group Inc., recently announced a partnership with Plunk to offer property investors AI-driven home remodel analysis. Through the agreement with Plunk, real


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estate investors searching for an auction property on Xome.com will now be able to analyze single-family homes in greater detail leveraging the Plunk Remodel Value tool which offers insights on the expected valuation of properties after a full-scale renovation. Buyers can also view Project Recommendations, which highlight the remodeling projects that would add the most value to a specific property.

ASPEN GROVE APPOINTS MIKE MCAULIFFE AS NEW CEO

Aspen Grove has announced the appointment of **Mike McAuliffe** as CEO. McAuliffe will succeed Seán Ryan, who will move to the role of Executive Chair, effective November 6, 2023.

Having served as COO for over the past decade, McAuliffe has played a pivotal role in shaping Aspen Grove's platform, creating new digitization solutions for customers in the financial services industry and beyond.

"It's been an incredible journey so far," McAuliffe said. "Over the past few years, we have invested heavily to create a platform, establish partnerships, and implement an approach that allows us to rapidly launch innovative products and solutions, connecting everyone and everything in mortgage servicing. We have an unparalleled opportunity to deliver accelerated growth to clients who leverage our platform to power their operations. It is a huge privilege to lead our talented team as we continue to unleash the full potential of the platform. I'd also like to extend my gratitude to Seán Ryan for his remarkable leadership and vision and look forward to continuing to work closely with him during and beyond the transition."

Ryan, who has led Aspen Grove for almost three decades said, "Mike's exceptional leadership skills, strategic insights, and deep industry and company knowledge make him the ideal choice to lead Aspen. I have no doubt that he will drive Aspen forward, and in doing so, launch this amazing platform in other industries. We truly have an unbelievable solution in search of problems to solve."

"I am humbled to take on this role and help bring the company's vision to fruition. QC Ally is invested in providing high-quality outcomes in both the services and the proprietary technology it offers to clients. The combination of flexibility and world-class service are a legacy I look forward to expanding on in the years to come."

—**Jeffrey B. Flory**, CMB, AMP, CEO, QC Ally

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QC ALLY APPOINTS JEFFREY FLORY AS ITS NEW CEO

QC Ally has announced the addition of **Jeffrey B. Flory, CMB, AMP** as the company's new CEO. Bringing more than 30 years of experience to his new role, Flory's depth of knowledge within the quality control (QC) space will allow him to champion the company's vision of helping client partners achieve true enterprise loan quality, while also driving initiatives designed to fuel further growth.

Over the course of his career, Flory has held positions on both the lender and service provider sides of the industry, providing a unique perspective on the value best-of-breed solutions can bring to the lending community.

"I am humbled to take on this role and help bring the company's vision to fruition," Flory said. "QC Ally is invested in providing high-quality outcomes in both the services and the proprietary technology it offers to clients. The combination of flexibility and world-class service are a legacy I look forward to expanding on in the years to come."

Over the course of the past 10 years, Flory has focused his career on leading fraud risk and compliance initiatives within Interthinx/First American, followed by The Compliance Group until its acquisition by Baker Tilly US, where he served as Partner in the company's mortgage advisory practice.

"Since investing in QC Ally last year, we have been entirely focused on enhancing the company's offerings through continued investment in innovation and strategic M&A," said Adam Doctoroff, Partner at Narrow Gauge Capital. "We welcome Jeff to our management team and believe that his industry contacts and knowledge make him perfectly suited to spearhead those efforts."

SNAPDOCS PROMOTES MICHAEL SACHDEV TO CEO

Snapdocs has announced the promotion of **Michael Sachdev** from President to CEO, as Sachdev succeeds Snapdocs Founder Aaron King, who will take on the role of Executive Chairman.

Snapdocs focuses on solving fragmentation in the mortgage industry—making closings faster, more cost-effective, and error-free for all parties involved.

As CEO, Sachdev will oversee all company operations and business strategy, with input and oversight from the company's board. As Executive Chairman, King will continue to play a full-time, critical role at Snapdocs, advising the company's product strategy and connecting with customers and the market.

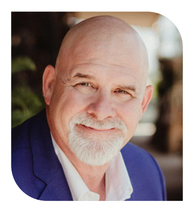
"Snapdocs has matured from a startup into an industry leader that powers one-out-of-every-four real estate transactions," King said. "Maximizing future success requires a high level of operational excellence, and Mike is the ideal leader to take the company to that next level. He is already a key leader at Snapdocs, and will bring his proven dedication to our customers, our team, and business results to the CEO role. I'm thrilled to be elevating Mike as our new CEO."

Sachdev joined Snapdocs in 2021 as President to lead the company's operating teams and has brought incredible performance since starting, positioning the company for future growth. Prior to Snapdocs, he served as Chief Product Officer at Sunrun. A graduate of Columbia Law School, Sachdev began his career as an Attorney, spending six years as an Antitrust Associate at Morrison & Foerster LLP and three years as Special Assistant Attorney General for the District of Columbia. He currently serves as a Board Member at Lumen Energy.

"Joining Snapdocs and being part of a company with such resilience has been one of the most rewarding experiences of my professional career, and this is just the beginning," Sachdev said. "Snapdocs has the right technology, people, and vision to drive the industry forward, and I look forward to continuing our work in digitally transforming the mortgage process."

The company recently launched Connected Closings, an integration between the Snapdocs Digital Closing and Notary Scheduling platforms. With Connected Closings, Snapdocs customers reduce closing times by at least a day-and-a-half, settlement companies return scan backs two-times faster by eliminating manual tasks, and borrowers electronically sign documents prior to the closing appointment more than 90% of the time. Current Snapdocs lender and settlement customers using Connected Closings include The Federal Savings Bank and BCHH, a leading provider of real estate title and closing nationwide.

MORTGAGE MACHINE SERVICES NAMES DAN MCGREW TO LEAD SALES STRATEGY



Mortgage Machine Services, a provider of digital origination technology to residential mortgage lenders, has announced that **Dan McGrew** has joined the company as Director of Sales, responsible for bringing the company's digital mortgage innovations to market, including the company's flagship loan origination system (LOS) Mortgage Machine.

"Dan's extensive industry expertise is rooted in mortgage IT services and technology, with a particular emphasis on digital mortgage strategy and implementation. As Mortgage Machine Services continues to pioneer technology for the mortgage industry, we knew we needed a seasoned and innovative thinker like Dan to help us deliver these innovations to the masses," Mortgage Machine Services President and CEO Jeff Bode said. "The recent launch of our namesake LOS is only the beginning, and we look forward to Dan's assistance in helping lenders harness the power of our current and future digital lending technology releases."

McGrew brings nearly three decades of experience to his role at Mortgage Machine. Throughout his extensive career, McGrew has worked closely with providers of LOS, document generation, eVault and eClosing platforms to ensure clients have the necessary tech stack to transition to digital successfully, including guiding clients on MERS eRegistry setup, meeting with all lender's counterparties, and equipping clients with the knowledge and foresight of transitioning from a traditional paper-based process to digital.

Previously, McGrew was the COO and SVP of Sales at Pavaso, a full-service eClosing platform. He also spent six years as the President of IT Services, a U.S.-based boutique SAP consulting firm.

"My entire career has specialized in 'eReadiness' and guiding mortgage lenders through the journey of paper to digital," McGrew said. "With its proven history in powering digital mortgage originations at scale, Mortgage Machine is the LOS lenders need to compete effectively in today's digital marketplace."

FNF NAMES JOE GREALISH AS PRESIDENT, NATIONAL AGENCY OPERATIONS

Fidelity National Financial (FNF), a provider of title insurance and transaction services, has announced that **Joe Grealish**, President of Eastern Operations, will assume the position of President of National Agency Operations, effective January 1, 2024. These additional leadership responsibilities as Steve Day, current President of National Agency Operations, has announced his retirement from the company at the end of 2023.

"Joe has had many years of experience working in markets where direct residential, commercial, and our independent agency partners compete and thrive," said Mike Nolan, CEO of FNF. "His vast amount of experience across a large geography of the U.S. leading operations, regions, and divisions in both the West, Midwest, South, and Northeast will help lead our agency operations into an increasing technology focused future."

Grealish served as President of the Texas Land Title Association for 2013-2014 and has served on the Board of Governors for the American Land Title Association (ALTA) since October 2020.

Day has held state and area leadership positions in Rhode Island, New Jersey, and New York, as well as regional and executive management positions covering many states in the Northeast and Midwest. In February of 2018, Day was named President of National Agency Operations. Throughout Day's career, he has been an active member of various state Land Title Associations, served on the Board of Governors for ALTA, and served as the President of ALTA for 2017-2018.

"Steve has had a significant impact upon our company and the industry," Nolan said. "He will continue to work with us on strategic initiatives, and we wish him well in this next chapter of his life."

PRETIUM TAPS FORMER MORGAN STANLEY COO JONATHAN PRUZAN AS NEW PRESIDENT

Pretium has named **Jonathan Pruzan** President and member of the company's Executive Committee. In this newly created role, Pruzan will oversee many of Pretium's strategic and operational initiatives, reporting to Don Mullen, Pretium's Founder and CEO.

Pruzan brings more than 30 years of financial services and asset management experience, a proven track record of creating and capitalizing on growth opportunities, and a demonstrated ability to develop and lead high-performing teams across diverse economic environments.

"Adding a strategic leader of Jon's caliber demonstrates the strength of Pretium's model and market position as one of the leading investors in real estate and credit," Mullen said. "Pretium is a fast-growing, integrated firm that supports the entire asset lifecycle by embracing opportunity where others resist complexity. Jon is part of an elite class of financial services leaders, having excelled as an operating executive and a dealmaker. At a time of significant consolidation in the asset management space, we look forward to benefiting from Jon's long history of success driving organic growth and identifying compelling acquisitions and partnerships to take the firm to the next level."

Pruzan spent the last 28 years with Morgan Stanley, serving in a variety of leadership positions, including COO, CFO, and Head of Corporate Strategy. As part of Morgan Stanley's leadership team, Pruzan played a key role in Morgan Stanley's acquisitions of E*Trade Financial, Eaton Vance, and Solium Capital. Prior to holding these corporate positions, Pruzan built his career as an investment banker and was Head of the Global Financial Institutions Group, where he advised financial institutions and governments around the world on

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—**Don Mullen**, Founder and CEO, Pretium

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hundreds of billions of dollars of capital raisings, mergers, restructurings, and other strategic transactions.

"Pretium's unique ecosystem is built on Don's pioneering vision to produce, curate, and manage assets with a high barrier to entry across the residential and corporate credit markets," Pruzan said. "Successful acquisitions such as Anchor Loans, Deephaven Mortgage, and Selene Finance are a testament to the Pretium team's entrepreneurship and ability to effectively integrate new platforms. I am extremely excited to be joining the firm and to work closely with Don and the entire team to capitalize on the tremendous opportunities ahead to grow the business."

Pruzan earned a Bachelor of Arts degree in political science and economics from Tufts University and serves on Tufts' Board of Trustees. Pruzan is also a member of the Board of Trustees of the New York-Presbyterian Hospital, the Board of Directors of the Peterson Institute of International Economics, the Board of Directors of The American Ditchley Foundation, and a Trustee Emeritus and past Board Chair of the educational nonprofit, Summer Search NY.

Pretium was founded in 2012 to capitalize on investment and lending opportunities arising as a result of structural changes, disruptions, and inefficiencies within the economy. Pretium's platform has more than $50 billion of assets, comprising real estate investments across 30 markets in the United States, and employs more than 4,000 people across 50 offices, including its New York headquarters, Dubai, London, Seoul, and Sydney.

SCOTT SYKES JOINS ASURITY TECHNOLOGIES AS CHIEF INFORMATION SECURITY OFFICER

Asurity Technologies LLC has announced that **Scott Sykes** has joined the company as Chief Information Security Officer (CISO), where he will oversee all aspects of data security and compliance on an enterprise-wide basis.

"Scott brings a wealth of experience and a proven track record in information security, enabling us to further fortify our commitment to maintaining the highest level of cybersecurity for our clients and partners," said Luke Wimer, COO at Asurity.

Scott was previously CISO at Netcracker Technology and Tata Communications. In these roles, he steered compliance to satisfy stringent security requirements imposed by the U.S. Department of Justice (DOJ) and customer-mandated specifications. Over his career, Scott has built and implemented global security programs, working closely with government regulatory bodies in the United States and European Union. In addition, he has developed and managed security organizations with operations in Security Operations Center, GRC, Audits, Application Security, Infrastructure Security, and Customer Delivery.

"I am excited to join Asurity at this pivotal time of growth," Sykes said. "The company's dedication to digital innovation, client success, and maintaining the highest level of security standards aligns perfectly with my professional values, technical capabilities, and professional experiences. I look forward to collaborating with the product and service teams here to ensure Asurity remains at the forefront of cybersecurity."

DOVENMUEHLE NAMES PATRICIA MCCARTHY VP OF INSURANCE ADMINISTRATION

Mortgage subservicing firm Dovenmuehle Mortgage has announced the addition of **Patricia McCarthy** as the company's new VP of Insurance Administration. In her new role, McCarthy will oversee Dovenmuehle's insurance department, with responsibility for hazard and flood insurance administration, loss drafts, research, and the insurance department call center.

"Insurance is a critical component of the mortgage servicing process, requiring keen attention to detail and a firm grasp of the regulations governing it across all levels," Dovenmuehle SVP Glen Braun said. "Patricia brings a wealth of experience in managing the complex, highly regulated financial aspects of mortgage operations, making her an idea choice to oversee these critical escrow functions."

Founded in 1844, Lake Zurich, Illinois-based 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.

McCarthy has worked with nearly every aspect of the mortgage process during her career. Prior to joining Dovenmuehle, she held the position of VP of Mortgage Warehouse Lending at Hinsdale Bank for more than 10 years. While at Hinsdale Bank, she managed two divisions within the department, managed more than $1 billion in warehouse lines of credit and 25 clients, while moving in upwards of $40 million per day. Throughout her more than 30-year career, McCarthy has managed compliance, mortgage operations, loan processing, and customer service departments.

"As one of the longest-standing mortgage subservicers, Dovenmuehle's reputation for stability, compliance, and excellence is well known," McCarthy said. "I welcome the opportunity to join such an outstanding organization and contribute to its on-going success and growth."

Dovenmuhle recently named Ron Malik as the company's SVP of Default Servicing, overseeing Dovenmuehle's special servicing initiatives and maintaining a high level of compliance and service satisfaction in all areas of default servicing.

"As the mortgage industry anticipates an increase in delinquencies and foreclosures, servicers and subservicers are doubling down on their special servicing efforts to support homeowners facing hardships," Malik said. "I look forward to leveraging my experience and expertise in special servicing to increase the efficiency of Dovenmuehle's default servicing efforts without compromising customer service."

HEIDI IVERSON NAMED VP OF STRATEGIC PARTNERSHIPS AT MMI

Mobility Market Intelligence (MMI) has announced the promotion of **Heidi Iverson** to VP of Strategic Partnerships. In this role, Iverson will lead sales and customer success efforts focused on strategic relationships in the mortgage and real estate sectors.

"Since joining MMI, Heidi has helped our clients recognize MMI as an irreplaceable asset for granular market insights and simultaneously become irreplaceable herself," MMI Founder and CEO Ben Teerlink said. "Before coming to MMI, Heidi was a power user of the platform, and those experiences combined with the in-depth knowledge gained on the internal side have given Heidi, and in turn, our clients a unique point of view on the advantages our data can provide."

Iverson has been with MMI since 2022, previously serving as Regional Director of Growth. During that time, she has helped MMI's clientele get the most out of the platform, including identifying growth opportunities to drive adoption and increase return on investment (ROI).

As VP of Strategic Partnerships, Iverson will continue to guide MMI clients to fully realize the benefits of MMI's platform and actionable data intelligence. Building on her effective coaching efforts, Iverson will provide focused attention to MMI's strategic partners and their business growth goals.

"Through my time here, my goal has been to help our clients' teams build their sales skills by getting back to basics using proven sales strategies in conjunction with data from MMI to gain market share," Iverson said. "As MMI continues to develop innovative solutions to enhance our offerings and allow our clients to optimize processes, reduce redundancy and reduce costs, I look forward to working with our strategic partners to customize these solutions and amplify MMI's impact on their long-term growth goals. I'm passionate about helping our clients succeed, something that is has become even more imperative for many lenders in today's tight market."

LENDER TOOLKIT PROMOTES TAMMI ALEXANDER TO COO

Lender Toolkit, a provider of automated mortgage technology solutions powered by artificial intelligence (AI), has announced the promotion of **Tammi Alexander** to the role of COO. Previously, Alexander served as Senior Director of Mortgage Technology for the company.

Alexander has more than 25 years of experience in financial services and the mortgage industry. Prior to Lender Toolkit, she held leadership roles at GMFS Mortgage, Guardian Mortgage and BB&T Bank.

In her new role, Alexander will continue to lead the company's technology, operations, business development, and customer experience initiatives.

"Tammi's promotion is well-de-served, as her leadership and expertise have been crucial in making Lender Toolkit the go-to platform for innovative mortgage solutions," Lender Toolkit CEO Brett Brumley said. "She's been a key figure in the development of several technologies that are revolutionizing the lending process. We couldn't feel more fortunate to have her on our team."

Alexander was instrumental in developing and implementing Lender Toolkit's AI Underwriter, an automated system that can underwrite a loan in 90 seconds or less, and a key contributor in the development of Prism, which simplifies the income calculation process for lenders.

"I'm extremely proud of Lender Toolkit's achievements and the momentum we've been able to generate over the past several years," Alexander said. "I look forward to continuing to contribute to our success in my new role and ensure our clients are able produce loans faster, more accurately and cost-effectively."

» *Attorneys*

TIMOTHY OFAK TAPPED TO LEAD WEINER BRODSKY KIDER'S LITIGATION PRACTICE GROUP

Weiner Brodsky Kider PC, a firm that has provided counsel to the financial services industry throughout the U.S. for more than four decades, has named **Timothy Ofak** as Head of its Litigation Practice Group.

Ofak is a seasoned litigator who has handled all aspects of complex litigation, as well as government investigations and related enforcement actions. When he joined the firm in 2016, he already had an established background in representing the financial services industry. Having now practiced in this area for 17 years representing independent mortgage companies, national and regional banks, and related companies, Ofak is well-positioned to continue providing Weiner Brodsky Kider clients with the expertise and exceptional service.

"I'm thrilled to announce this promotion," said Mitch Kider, Chairman and Managing Partner of Weiner Brodsky Kider. "Tim's tenure with our firm has been one of exponential growth. His insightful approach combined with his industry knowledge make him an invaluable advisor to our clients facing government actions and private suits. Tim's strong character and amiable nature make him a pleasure to work with and well-suited to lead the group. Tim is absolutely ready for this new role."

In his new role with Weiner Brodsky Kider, Ofak will represent companies in the financial services and mortgage industries nationwide in federal and state litigation and government investigations. He has deep experience in general business and commercial litigation, including contract disputes, defending consumer class actions, suits under state consumer protection statutes, and claims under various federal statutes, including the False Claims Act, RESPA, TILA, FCRA, TCPA, FDCPA, EFTA, and PFCRA. Ofak also advises clients in connection with investigations and enforcement actions brought by federal and state agencies, including the Consumer Financial Protection Bureau (CFPB), Department of Justice (DOJ), Federal Trade Commission (FTC), and Department of Housing and Urban Development (HUD).

Ofak received his bachelor's degree from the University of Pennsylvania and his law degree from The University of Michigan Law School. He previously served as Law Clerk to U.S. Magistrate Judge Marilyn Heffley in the Eastern District of Pennsylvania.

Weiner Brodsky Kider, with offices in Washington, D.C. and Irvine, California, also serves as General Counsel for the National Reverse Mortgage Lenders Association (NRMLA).

> "Tim's tenure with our firm has been one of exponential growth. His insightful approach combined with his industry knowledge make him an invaluable advisor to our clients facing government actions and private suits."
>
> —**Mitch Kider**, Chairman and Managing Partner, Weiner Brodsky Kider

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Industry Update

FINLOCKER AND MILESTONES PARTNER FOR SEAMLESS HOMEBUYER-TO-HOMEOWNER EXPERIENCE

Milestones, a home management solution provider specifically designed for consumers to buy, move, own, sell, manage, and access mortgage services for their home in one centralized portal, has announced its strategic alliance with FinLocker, a consumer-permissioned personal financial fitness tools focused on homeownership.

This partnership will provide mortgage lenders with an end-to-end engagement solution to attract, nurture, and retain homebuyers and ensure their consumers have a smooth transition from initial interest, through the preparation for a mortgage, to closing and beyond.

FinLocker provides mortgage lenders and their originators with a hyper-personalized engagement platform to attract early-journey homebuyers to their business and nurtures them with personalized data-driven journeys using the financial tools and education embedded in the platform to achieve mortgage readiness and sustain homeownership.

Milestones complements this approach by guiding these educated leads throughout the decade-long journey of homeownership with online home management portals "hubs" that deliver a wide array of home services, such as home service providers, home value insights, home maintenance tasks, home document storage, and much more.

Together, this comprehensive solution will revolutionize the way consumers navigate the complex journey of homeownership by educating and empowering them from planning to closing, resulting in increased customer retention, and reduced customer acquisition costs for mortgage lenders.

"FinLocker is excited to partner with Milestones as the platform provides an extension of our financial fitness platform to prepare first-time homebuyers to qualify for a mortgage," said Brian Vieaux, President and COO of FinLocker. "Mortgage lenders who use Milestones will now have an all-encompassing solution to attract, engage, nurture, retain and reactivate clients in their database."

FinLocker and Milestones combined boast a myriad of features catering to both pre- and post-transaction stages, ensuring a holistic and supportive homeownership experience.

» Pre-transaction:
  - Credit monitoring and credit score-building tools
  - Goal setting and budgeting for down payment saving and debt reduction
  - Financial Education
  - Homebuyer mortgage readiness assessment and guidance
  - Home Search
  - Streamlined mortgage application management

» Post-transaction:
  - Home Education Knowledge Base
  - Home Value and Home Equity Monitoring
  - Home Maintenance Task Reminders
  - Suggested Home Improvements to Build Equity
  - Home Document Storage
  - Home Services Vendor Marketplace

FINANCE OF AMERICA EXPANDS REACH OF SECOND LIEN REVERSE MORTGAGE

Finance of America Companies Inc. (Finance of America), a modern retirement solutions platform, announced the expanded launch of its HomeSafe Second loan so that more homeowners 55 and older have a tool to access their home equity without adding new monthly payments or changing the existing rate on their first mortgage. With the wider rollout across its direct-to-consumer and wholesale divisions, Finance of America will increase the availability of this second-lien reverse mortgage product to homeowners and originators.

Home price appreciation means many U.S. homeowners have seen significant increases in their housing wealth in recent years, and while this is driving interest in HELOCs and other home equity products, many are unable to benefit from home equity gains for a variety of reasons.

» Selling the home and downsizing may

> **"Today's market conditions are uniquely challenging, and innovative financing is needed to fill gaps between consumers and traditional loan products."**
>
> —**Kristen Sieffert**, President, Finance of America

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not be feasible due to increased costs to purchase or rent.

» Refinancing and traditional home equity loans are less attractive options given higher interest rates.
» Moreover, qualifying for home equity products can be difficult with nearly half of applicants (46%) failing to qualify for a HELOC. For older homeowners, receiving home equity financing is even more challenging, with one-third of all senior refinancing applications denied due to income-based criteria.

HomeSafe Second was intentionally developed to address these barriers and serve homeowners 55 and older in today's climate.

"Today's market conditions are uniquely challenging, and innovative financing is needed to fill gaps between consumers and traditional loan products. This is especially true for homeowners over 55 who are not well served by typical home equity solutions despite home equity generally hitting record highs," said Kristen Sieffert, President of Finance of America. "We're proud to address that gap with HomeSafe Second and help retirees and pre-retirees access the wealth tied up in their equity without adding a new monthly mortgage payment to their cash obligations."

Direct-to-Consumer and Wholesale Partner Expansion

Beginning in November, HomeSafe Second will be offered through Finance of America's direct-to-consumer division, AAG, with its advertising reach of more than 20 million consumers annually. The increased availability means more homeowners will have access to tools that may help them accomplish key goals, such as renovating their homes. Given that older cohorts hold more than $12 trillion in home equity, extending the product through AAG is a strategic step to unlocking more of this market.

In addition to the AAG expansion, HomeSafe Second will be made available to wholesale partners via the Reverse Vision loan origination system used daily by thousands of reverse mortgage professionals across the country. Bringing the product to the point-of-sale environment will enhance a third-party originator's ability to compare a second-lien reverse mortgage to other products and to walk through scenarios with their customers.

"If you're 55 or older and considering a home equity loan or home equity line of credit, I absolutely recommend you work with a trusted advisor to do the math and consider HomeSafe Second instead," said Paul Fiore, Chief Retail Sales Officer at FAR. "As high interest rates continue to make refinancing and other second-lien options unattractive for would-be borrowers, HomeSafe Second fills the gap by providing access to their housing wealth without affecting the favorable rates they may have on a primary mortgage. While similar to a home equity loan or home equity line of credit, HomeSafe Second brings the added benefit of stable financing with no extra monthly mortgage payments required."

SYNOVUS BANK EXTENDS SAGENT SOFTWARE DEAL TO POWER MORTGAGE SERVICING & ANALYTICS

Sagent, a Warburg Pincus-backed fintech software company modernizing mortgage servicing for banks and lenders, announced a five-year partnership extension with Synovus Bank, (Synovus) to power its core and consumer mortgage loan servicing, and add new real-time, cloud-based data services.

Synovus has long relied on Sagent LoanServ as its mortgage servicing system of record, and after adding Sagent CARE to power its consumer experience in early 2023, will also now add DataScape for real-time analytics to make faster operational and customer service decisions.

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

"Sagent and Synovus work together to automate complex high-volume tasks, power best-in-class customer self-service, and remain real-time compliant with real-time policymaking," said Dan Sogorka, CEO of Sagent.

"Synovus Bank's granular customer service and operational processes constantly influence how Sagent builds our flexible mortgage servicing platforms. This enables Synovus and all Sagent customers to run their business their way while never missing service or compliance details. We're proud to grow our Synovus partnership and build the future of mortgage servicing with them."

THE COST OF DOING BUSINESS

With factors ranging from low volumes to inflation and manpower shortages putting the squeeze on the property preservation and field services sectors, *MortgagePoint* speaks to the vendors, government agencies, and the GSEs trying to guide this important industry through the challenges it faces.

By **DAVID WHARTON**

The past few years have been something of a roller coaster ride for both the housing market and the overall economy. With the onset of COVID, the American government and mortgage servicers implemented numerous changes designed to allow a nation reeling beneath an unprecedented health crisis to ride out the storm and keep people in their homes.

As we emerged from the pandemic and the associated spike in forbearance, the industry has since been navigating less dire challenges, such as soaring housing prices, insufficient inventory, and both inflation and the impacts of the Fed's attempts to slow it.

As we approach the fourth anniversary of the first time most of us ever heard the word "coronavirus," COVID's legacy can still be felt in the nation's housing migration patterns, in the ripples of pandemic-driven career swapping, and in the ongoing push-and-pull between remote work and traditional in-office models.

At the nexus of all of the above trends, we find the modern property preservation and field services sector. Like every industry, it was forced to evolve rapidly to deal with these tides of history, and even now, it continues to navigate the breakers, striving to remain on its feet while being buffeted by forces beyond its control. Over these past few tumultuous years, many companies within this field have gone under or moved to the relative safety of alternative business lines.

DAVID WHARTON, *Editor-in-Chief at the Five Star Institute, is a graduate of the University of Texas at Arlington, where he received his B.A. in English and minored in journalism. Wharton has 20 years' experience in journalism and previously worked at Thomson Reuters, a multinational mass media and information firm, focusing on producing media content related to tax and accounting principles and government rules and regulations for accounting professionals. Wharton has been with Five Star since 2017 and has an extensive and diversified portfolio of freelance material, with published contributions in both online and print media publications. He can be reached at David.Wharton@thefivestar.com.*

Those who remain are battle-tested and committed to the critical work that property preservation provides, helping maintain and restore properties so they can be cycled back into the housing inventory, and provide someone with their slice of the American Dream. However, the waves remain, and it can often be difficult to stay on your feet.

One critical aspect of modern property preservation work is allowable fees: the amounts set by the government agencies/investors, per service or property, that give vendors the authority to proceed on a given task or project without bidding if the cost does not exceed the prescribed fee.

"For example, Freddie Mac has a fence repair allowable set at $500 to repair/replace damaged sections of fence," recounts Tony Maher, EVP of Business Development, Cyprexx Services (founded in 1989). "If we can complete the work for $500 or less, we are free to proceed with the service without needing to stop and bid to the investor. This allows us to expedite and complete services faster with fewer trips to the property. Investors set and reset the allowable fees using available industry data and cost estimators that consider both labor and material costs for each service."

However, the consensus from the vendors we spoke to is that those fees have not always kept pace with the realities and economics facing the business of property preservation.

"The bird's eye issue is that a lot has changed in the industry, given that we are at a 40-year low in terms of defaults," said **Nickalene Badalamenti-Kalas, President of Five Brothers Asset Management Solutions**, a field services vendor with nearly 50 years' worth of experience. "All these things are contributing to the fact that gas is expensive, materials are expensive, people are driving farther, they're driving in more rural areas, and all of this cuts into the expectation of what we're able to do, for how much we're able to do it, and how much time is required to do it."

For this issue of *MortgagePoint*, we spoke with experts from across the property preservation industry, ranging from representatives of the Federal Housing Administration (FHA) and Fannie Mae to

> "The Gig Economy is our major competitor. That will only increase the tug on the finite and dwindling pool of independent contractors."
>
> —**Michael Greenbaum**, Chair, Five Star's Property Preservation Executive Forum; COO, Safeguard Properties

numerous field services vendors, including members of Five Star's Property Preservation Executive Forum. While there are many headwinds facing this industry, the primary focus of this story is, as the name suggests, "The Cost of Doing Business." Join us for a deep dive into the challenges facing this sector, the areas where important progress has been made, and the areas where critical work remains to be done to ensure that this unsung hero of housing market stability continues to stand—no matter how rough the waves become.

An Uphill Climb

When asked to name some of the primary pain points facing property preservation in 2023, Maher immediately lists "tight margins, weakening vendor networks, and extended timelines." The former can, to some degree, be tied to the same inflationary factors that have led to headaches and belt-tightening for companies throughout the nation. Simply put, things are more expensive, from the screws and bolts needed to secure a window covering, to the gas needed to get the contractor to the property. And while many of those we spoke to spotlighted areas of progress in recent months—see below for more on these wins—across the board, the vendors we spoke to all emphasized that allowable fees still need work and rethinking to help offset the larger economic factors that property preservation vendors are facing.

Another critical pain point ties back to the career shifts mentioned above: even with the so-called "Great Resignation" of the COVID era having largely died down, the field services sector is still dealing with the bleeding effect spurred by the pandemic and exacerbated by inflation and other economic factors. Some companies have shuttered or shifted to other business lines. Longtime contractors have left this field of business in search of greener pastures. And those that remain are often stretched thin and have to balance their desire to continue doing property preservation work against the siren song of quicker, easier, or better money to be made elsewhere.

"Labor costs and competition for independent contractors have significantly increased," said **Michael Greenbaum, Chair of Five Star's Property Preservation Executive Forum and COO of Safeguard Properties**, a field services provider that has been in the industry for more than 30 years. "Whether that is entry-level positions in retail or restaurants paying significantly more, or the more complex roles of general contracting significant home repairs, the competition is fierce." Greenbaum emphasizes that the fixed-price system of allowable fees must remain competitive with the larger market to attract and retain the labor needed to support it. When it falls behind, the work will be there, but no one will be there to do the work.

"The Gig Economy is our major competitor," added Greenbaum. "That will only increase the tug on the finite and dwindling pool of independent contractors."

"Our industry requires a specific skill set, which requires construction knowledge and the capability to supply a wide variety of services," noted **Bill Garrecht, President of Innovative Field Services**, a field services provider for almost two decades. "The gamut goes from requiring the ability to install a roof, winterize a property properly, landscaping, electrical, plumbing, install windows, doors, etc. Those with these skillsets are in short supply, and where they do exist, they naturally prefer to perform retail work where they can dictate pricing. The current standard and allowable pricing leave us short of having the ability to hire personnel who have these skills. In addition, insurance cost and workmen's compensation costs have skyrocketed in New York state, making it nearly impossible for new vendors to enter the industry."

"Some groups estimated the turnover in vendor networks as high as 70% during this time," said Maher. "While we are starting to see some new vendors enter the industry, some lack experience and there is a lot more touch and follow-up required to get the same services completed as in years past. This has, in turn, led to higher timelines and more return trips for QC corrections."

Garrecht noted, "Another issue is that most properties are rural, far apart, and have been in our inventory for 4-10 years. Besides landscaping, there is not much work left to be done on the properties. Windshield time has risen probably five-fold for our crews."

Even if the industry can attract the workers needed, that overall lack of inventory will remain a challenge. A recent ATTOM report examining “zombie homes”—or vacant homes in pre-foreclosure—stands at only 8,903 units nationwide. Non-owner-occupied investment properties were found to total 23,638,105, of which 842,497 were vacant. ATTOM found that the national number of bank-owned properties totaled 14,989 of which 15.85% were vacant (or 2,376 units).

The report also reveals that 320,765 residential properties in the U.S. are in the process of foreclosure in Q4 of this year, up 1.7% from Q3 2023, and up 12.8% from Q4 2022.

While the trend lines are moving upwards, it’s a far cry from the inventory levels seen in the past, and many of the vendors we spoke to were insistent that, absent increased inventory levels, the headwinds discussed above will continue to hamper the prop pres industry unless issues such as allowable fees are further addressed.

Chad Mosley, President of the Mortgage Services division for MCS (founded in 1986), says his company has taken a unique approach to property preservation servicing with the rollout of a national self-performing network that also assists with recruiting and supporting local vendors

“Over the last 18 months, MCS has built out an extensive network of self-performing capabilities in 25 markets across the country, employing a ‘hybrid’ model that combines our own experienced employees with an expansive network of thousands of local service partners. Within these markets, our own team members are able to assist with recruiting, vetting, supporting and partnering with the local service provider network, and ensuring work is completed as specified. Combined with our use of cutting-edge next-gen technologies, the initial results of this new approach to servicing show maximized efficiencies and substantial enhancements in transparency, quality control and code compliance, while also building relationships and helping to support our service partners who know the local market and perform the majority of our property preservation work.”

Mosely also noted, “MCS also applauds Fannie Mae and Freddie Mac for their continued leadership and proactive approach to addressing property preservation issues head-on. We look forward to learning of HUD’s proposed changes as well, which will benefit the sustainability of our entire industry and is instrumental in ensuring our clients’ properties are maintained and preserved to the highest standards.”

In addition to overall low volumes, **Denia Ray, VP of Property of Preservation for ZVN Properties Inc.**, founded in 2004, also points to HUD’s Claims Without Conveyance of Title (CWCOT) program and Second Chance sales, which she says “avoids the conveyance process in its entirety, if there is a winning bid. The properties that do not sell are typically in poor condition and are in scattered and often rural areas, with no concentration in any one market. The investors have not adjusted their SLA [service level agreement] timeline expectations to account for these additional challenges.”

Maher echoed Ray’s concerns. “This is a significant challenge from a preservation standpoint due to the short timelines combined with the stagnant allowable fees. The bid/appeal process with FHA can also be very cumbersome and time-consuming. The combination of these factors can lead to timelines surpassing the claims due date, which leads to additional liability on the servicers and field service companies.”

FHA, for its part, says it recognizes the need to recalibrate its fees and other processes to account for the realities of today’s market, while also balancing the need to maintain alternatives to traditional conveyance processes, such as its Claims Without Conveyance of Title program and “first look” REO sale options for owner-occupants. **Sarah Edelman, Deputy Assistant Secretary for FHA’s Office of Single Family Housing**, said, “We’ve spent a lot of time over the last two years re-tooling our property disposition options to make them fairer for those owner-occupant buyers and non-profits. But we are equally focused on making sure that these properties are well-maintained. That involves revisiting the allowable fees and processes for professional property preservation and protection.”

> “Maintaining and preserving vacant properties is important to us, and we know it is important to the residents and communities where these properties are located.”
>
> —**Sarah Edelman**, Deputy Assistant Secretary for FHA’s Office of Single Family Housing

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Working to Different Standards

One of the challenges outlined by those we interviewed was the simple reality that different participants—such as FHA and the GSEs—have different standards, processes, and allowable fee levels. This can mean that even when one of those agencies advances positive change on this front, vendor companies may still be facing the same issues with other properties as the expectations are set at different levels.

“Something as basic as removing a cubic yard of debris can vary from $40 (Freddie Mac) to $50 (FHA and Fannie Mae) to $60 (VA), depending on the investor,” explained Maher. “Reoccurring lawn maintenance also varies significantly based on lawn size and investor. Freddie Mac only uses two different fees based on lawns larger or smaller than 10,000-square-feet, while FHA has 12 different prices for these same lawn sizes, depending on the state. Recently, we’ve seen both of the GSEs re-evaluate pricing for a number of fees, including both inspections and some common property preservation items. These have been incredibly helpful, but because FHA has a larger proportion of the delinquency volume, movement from HUD and the other government investors would be incredibly impactful in aligning the industry.”

Greenbaum added, “All investors and insurers want to preserve and protect the vacant properties as they go through the foreclosure process. Overall, there are more similarities than differences, and the fundamentals are present in all guides.”

“Getting consistency in the preservation space would go a long way in solidifying the currently fragile business model to ensure the long-term survivability of our critical industry, which does more to stabilize communities than any of the other default providers combined,” said Ray.

Another thing many of the vendors and related industry trade groups are advocating for is a more consistent and regular review process to re-evaluate these fees and ensure they keep pace with the economic realities on the ground.

So, what are the evaluation and update processes already in place, where are there wins to be celebrated, and where does work remain to be done?

The Lay of the Land

Maher told *MortgagePoint* that updates to allowable fees have seen some improvement since COVID, if only due to the necessities of the momentous changes that the global health crisis required.

John Thibaudeau, VP, Single-Family Real Estate Asset Management, Fannie Mae, told *MortgagePoint*, “Operational and material costs, especially those that are influenced by inflation or supply challenges, are important for Fannie Mae to acknowledge with our vendors when pricing discussions arise. It’s important that our pricing is reflective of current market conditions as well as sustainable for our vendors.”

Edelman acknowledged the pressures facing property preservation vendors, telling *MortgagePoint*, “We know right now there are enormous economic pressures and that we need to adjust our current allowable fees. I can assure you that this work is in progress.”

Edelman also noted that, in between those updates, HUD will reimburse for actual vendor fees “where it’s reasonable.” She continued, “We have our contractors use a cost estimator service. If their servicers can submit the receipts for what they actually paid, the vendor uses the cost estimator, which is updated regularly, to make sure the fees are reasonable, and then we will reimburse [for these over-allowable fees].”

Edelman explained that HUD is currently using a contractor, ISN Corporation, which is FHA’s Mortgagee Compliance Manager, that checks fees against Bluebook to determine if they are in line and reasonable. The cost estimator tool HUD uses is updated quarterly and is calculated by ZIP code.

“Our communication with our Mortgagee Compliance Manager and daily communication with the servicers are important in making sure we are paying the correct cost for a repair or preservation,” added Edelman.

In the meantime, however, the vendors we spoke to were able to pinpoint several specific pain points where they feel correction or adjustment is needed.

“FHA is still using the same line-item allowable fees that were published in Mortgagee Letter 2016-02,” said Maher. “While FHA has made some adjustments to what services are included in the $5,000 cost limit per property, the line-item allowable fees remain unchanged.”

Ray focused in on similar problems, saying, “In the case of FHA … pricing is less than it was in the 1990s on some allowable line items. In 2008, HUD paid

$50-$60 per CYD (cubic yard) in 25 states. HUD currently pays 16.67% less than they paid in Indiana in 2008, despite the cost of living going up 42.96% over the past 15 years, which would level up debris to $85.77 per CYD today, using an average annual inflation rate of 2.41%."

She continued: "HUD's Occupancy Inspection (Exterior) was $20 in 2008 and has remained constant for decades," Ray continued. "In 2008, HUD reimbursed $35 for the Initial Vacant Property Interior Inspection and $30 for Vacant Property Inspections (Ongoing). In Mortgagee Letter 2008-31, they paid $20. Any COLA (cost-of-living adjustment) wouldn't take into effect the more rural nature of today's portfolio, as well as record low volumes, which should also be considered."

"If the allowable fees are not consistent with market standards, then the vendors will submit bids," said Badalamenti-Kalas. "That means that the vendor has to do the paperwork in-office, they have to submit it to us, we have to process it, we have to upload it, we have to pull it. It's more resources on our part."

Edelman's response to these pain points is encouraging. "We have heard from many in the industry about their challenges, and it is feedback that we have taken very seriously." She added, "Looking at our P&P fee structure has been high on the list of priorities, and we're hoping to make changes very soon that will get us to the point of reasonable operational alignment with others in the industry."

Several of the vendors we spoke to were quick to spotlight recent changes implemented by Fannie Mae and Freddie Mac. "Fannie Mae was the first to increase inspection pricing based on their internal analysis of property concentrations," Maher stated. "Their data conclusively showed that not only are their fewer properties in default, but also that the concentration of these properties is drastically different than they were in years past. With properties four times as far apart as they once were, the drive times and subsequent gas and vehicle maintenance costs required to complete services have increased as well. It is critical that these fees are evaluated and updated regularly to reduce the number of bids required, eliminate unnecessary and additional property visits that drive up costs, and ultimately expedite the completion of necessary services."

Ray also praised Fannie Mae's recent changes. "They have raised initial and recurring grass cuts up to current market rates in most markets, which the industry greatly appreciates. They have also gotten closer to market rates on inspections and increased debris fees from $40 per CYD to $50 per CYD, which is unfortunately still below market rates. Freddie Mac has also adjusted some pricing on a temporary basis as they continue their analysis." Ray also noted that the VA has raised their rate to $60 per CYD, "which is much closer to where our research shows it should be."

Ray added that one of the reasons much of the vendor feedback inevitably circles back to FHA/HUD is simply because so many of the properties that field services vendors are working on fall under their purview.

Ray doesn't hesitate to emphasize how critical this issue has become for some companies, saying she believes the industry is nearing a tipping point. "It is more fragile than I have witnessed in over three decades in the industry."

Both Ray and others cited data accumulated by the National Association of Mortgage Field Services (NAMFS), which found that more than 80% of the property preservation vendors have exited the industry since 2018.

"Additionally," noted Ray, "many national preservation companies have pivoted to the single-family rental space, which has less risk, higher margins, and a strong vendor base."

Maher explained that Cyprexx and other field services companies have recently been working with the GSEs to explore the possibility of batching inspections into only one or two orders per month.

"This would significantly help in the rural areas where inspection companies often wait for an economical number of open inspection orders to come in before sending an inspector on a route that will require a lot of windshield time." Unfortunately, this process leads to a higher percentage of overdue inspections. He continues, explaining, "With more rural and less concentrated properties, this population is starting to impact overall timelines and SLAs. If orders were concentrated into one or two bulk drops a month, the inspectors would no longer need to route and could perform more inspections on time."

"Bidding work at a property requires a significant amount of field time and office staff time, none of which is compensated," notes Garrecht. "Before the pandemic, you could absorb these costs due to the high percentage of approvals. That percentage has plummeted dramatically along with the loss of inventory. We pay our vendors to perform bids as we believe it is the only fair way to operate, but mostly because our local companies can no longer afford to provide these services for free."

Badalamenti-Kalas also suggests that a system of prioritizing the work could be of assistance. "If everything is urgent, then nothing is urgent. So, prioritize the work orders. Prioritize what the expectations are. Certainly, it makes sense for high-risk work order types to be handled with expedience, but not everything has to be that way."

Investor Response, Next Steps, and Wins to Celebrate

With several vendors spotlighting Fannie Mae's recent positive changes, it's no surprise that the GSE was eager to spotlight its processes and channels of communication. Fannie Mae's Thibaudeau told *MortgagePoint* that Fannie "continuously [engages] with our field service vendors by meeting with them regularly, both individually and collectively, to ensure we keep an open dialogue with our partners in the field. These engagements allow our vendors opportunities to openly discuss roadblocks and make suggestions to address specific challenges they may be having."

As for how Fannie Mae monitors and adjusts for evolving market and economic conditions, Thibaudeau said, "Fannie Mae is helping ensure that vendors are empowered to proactively address certain conditions while they are onsite at the property completing other services. We do this by utilizing expense allowables to address common maintenance needs, necessary repair services, and safety hazards. Expense allowables help our vendors address issues at the property in real-time while avoiding potential delays in bid submission and incurring additional cost due to the need to return to the property."

In 2018, Fannie Mae launched its Pre-Foreclosure Preservation Program, which offers servicers the opportunity to allow Fannie Mae to handle the management of inspection and preservation activities on delinquent loans secured by vacant properties.

Thibaudeau explained, “Our program utilizes a national network of vendors that help standardize the preservation of these properties in our portfolio. This initiative reduces complexity for servicers, creates savings for borrowers and servicers, and standardizes end-to-end property management. It also allows us and our vendors to benefit from lower costs through economies of scale.”

While HUD was not ready to announce a timeline for the allowable fee updates they are reviewing as of press time, Edelman noted several recent policy changes FHA/HUD have rolled out:

“We recently put out a new policy on ADUs to allow borrowers to be able to count prospective rental income. We’re going to be hopefully rolling out some proposed changes to our rehab loan here soon. We’ve also been working very hard on loss mitigation/HECM, and you’ll begin to see a lot hitting on those things. It’s a constant balance of priorities, and we are looking at the allowable fees. In the meantime, we’re trying to make sure that we have a functioning workaround so that folks are getting reimbursed for reasonable fees, continuing to make sure that works while we get to updating the fees.”

Editor’s note: MortgagePoint *reached out to Freddie Mac for comment on this piece, but they did not reply as of press time.*

What’s Next?

Maher said that the recent adjustments to Fannie and Freddie’s pricing structures have helped jumpstart this conversation across the industry and are helping to stabilize and rebuild vendor networks.

“It was a great start towards a sustainable industry for preservation field service companies, and we’re hoping to see FHA join in,” Maher said. “It takes all of us working together to preserve and protect default properties, and we appreciate the opportunity to discuss current challenges and work together on solutions.”

Ray is hopeful that the needed changes may be on the horizon but also quick to lay out the stakes involved.

“We are cautiously optimistic there will be a paradigm shift soon, before it is too late,” she said. “Our industry plays a crucial role in stabilizing communities. Without us, the banks and servicers cannot preserve and protect their portfolios, like the investors require. If this were to occur, the consequences would be dire and would detrimentally affect all stakeholders, with the most significant impact to the communities, causing neighborhood blight.” MP

STOP THE PRESSES: FHA ANNOUNCES ALLOWABLE FEE UPDATES

Editor’s Note: As this issue was going to press, FHA announced increases to some of the fees at the heart of this article. Below is the announcement shared with Mortgage-Point *in advance of its official unveiling at the 2023 National Property Preservation Conference in Washington, D.C..*

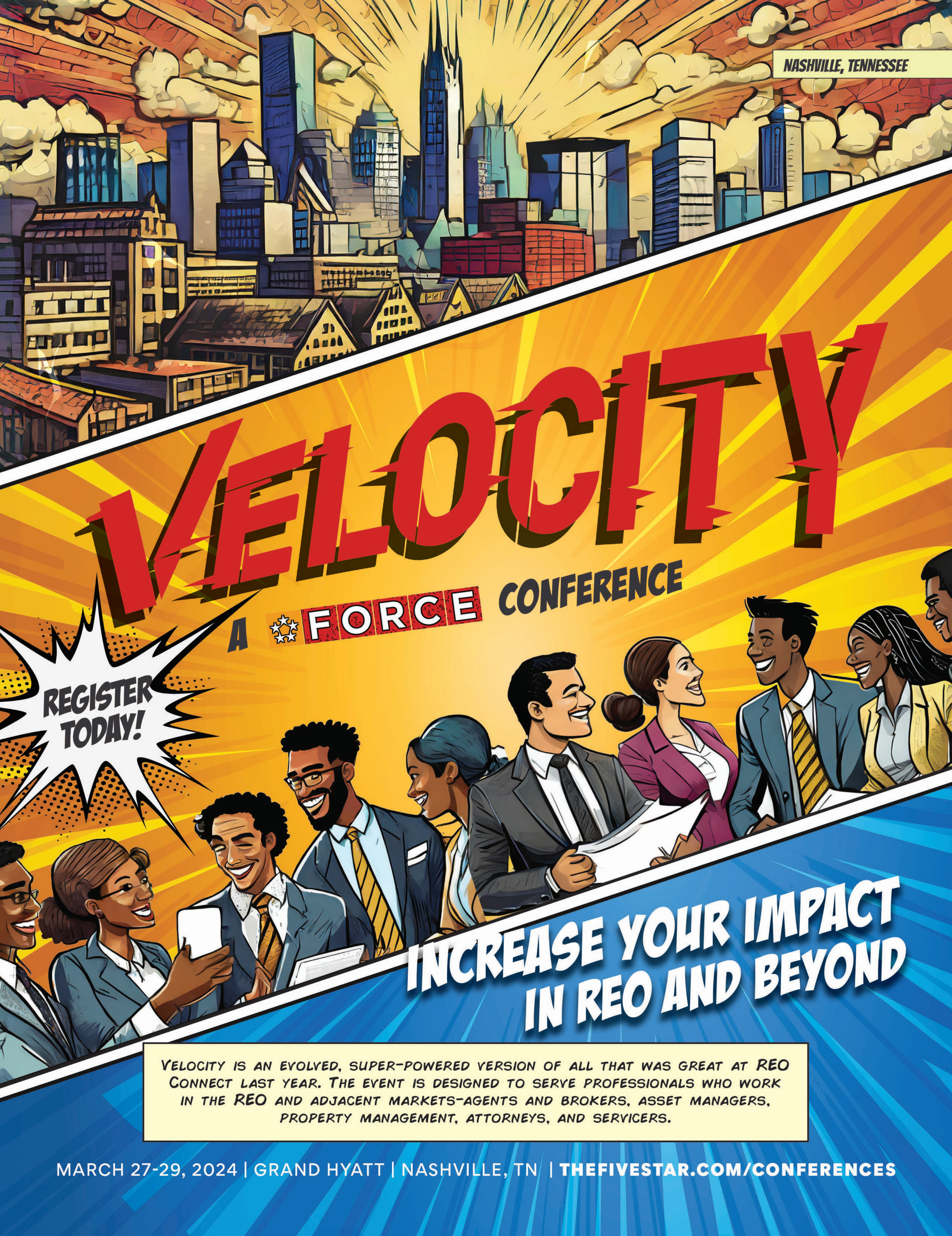
Federal Housing Administration Increases Allowable Fees for Inspections of Vacant Single-Family Homes

On Tuesday, November 14, the Federal Housing Administration announced in Mortgagee Letter 2023-20 that it has increased the allowable property inspection fee limits for property inspections of single-family homes associated with defaulted FHA-insured mortgages. These inspections are an important component of mortgage servicers’ preservation and the protection of properties, and are vital to safeguarding neighborhoods from blight arising from inadequately maintained unoccupied homes.

With these latest updates in Mortgagee Letter 2023-20, FHA has increased fees for certain allowable inspection categories, making its fee limitations consistent with those in use by other industry participants. FHA intends to evaluate allowable parameters for other property preservation expenses in the future.

“This is the first step in updating our policies governing property and preservation fees,” said HUD Deputy Assistant Secretary for Single Family Housing Sarah J. Edelman. “Maintaining and preserving vacant properties is important to us, and we know it is important to the residents and communities where these properties are located.”

The new allowable inspection fees became effective immediately as of the release of Mortgagee Letter 2023-20.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MARKET CHANGES DRIVING SMARTER CUSTOMER CONVERSATIONS

Jason Perkins of Bonzo explains how leveraging advanced CRM can boost business by blending user-friendly technology and the human touch to create a more seamless mortgage experience.

Jason Perkins serves as President and Co-Founder of Bonzo, a relationship management automation provider that makes selling fun for mortgage and real estate professionals, so they can focus on what matters most. Jason has more than 15 years of marketing experience, with the last 12 years spent working in the housing industry. His previous roles include serving as Regional Director of Engagement for Union Home Mortgage, and Director of Marketing for NOIC, an independent mortgage bank. Jason can be reached by email at jason@getbonzo.com.

Q: How has the market changed in the past year?

Indeed, the shift in the mortgage market has been dramatic. A couple of years ago, business was being handed to loan originators. Today, they must work for their business, put creativity in the forefront, and determine how to best position themselves for success. As a result, we are seeing LOs throw themselves into technology to get their message out.

Q: What have you observed during this shift?

Most companies are in cost-cutting mode, focusing on measures to navigate narrower margins. However, a growing number are seizing the opportunity to invest in technology and human capital. They're getting more aggressive with their recruiting efforts, widening their portfolio of products, and leveraging technology to increase the volume of texts they deliver to prospects. In a difficult market, these efforts might seem like a gamble, but it's a calculated one. By leaning into technology, for example, mortgage companies can scale their outreach without scaling their workload, which enables them to focus on other growth areas, like recruiting top talent or exploring new revenue streams. Basically, they are playing the long game.

Q: How is that working out for them?

From my point of view, the mortgage businesses that are going on the offense are doing far better than their competitors. However, it's not as simple as just throwing more resources at the problem—especially when those resources are limited. The ones that are most successful are those that are smart about leveraging technology to take the heavy lifting of engaging and educating borrowers off the loan officer's plate.

By leaning on automation to handle repetitive tasks like initial outreach and follow-up communications, loan officers can concentrate on higher-level tasks that truly demand their expertise. There's a nuanced balance between using available resources wisely and still going on the offensive. The companies that get that balance right are the ones that are thriving.

Q: What is the key to creating new business?

Creating business is really about increasing the number of conversations you're having with prospective clients. More conversations naturally lead to more relationships, and these relationships inevitably create more opportunities. But it's not just a numbers game—it's about making those interactions with prospects meaningful and worthwhile.

Keep in mind that today's borrowers expect a seamless experience throughout the mortgage lifecycle. They value consistent, personalized communications almost as much as they value getting a great rate.

If you are an originator that's shackled to an archaic CRM, you're unlikely to meet the level of service today's consumers expect. The key is blending user-friendly technology and the human touch to create a more seamless mortgage experience—which eventually leads to more business.

Q: So, sending communications that all have the same script is effective?

Absolutely not. Sending out cookie-cutter messages does not cut it anymore.

> **"Based on my experience, nearly 80% of all borrowers would use their loan officer again if they heard from them on a regular basis, but they usually don't."**

People do business with people, which means originators need to engage with consumers in a way that feels genuine and meaningful, and all communications should be in the voice of the loan officer. But it is possible for originators to leverage CRM technology to create tailored messages in their own voice that speaks to individual customers based on their specific needs and circumstances.

Even more important is to escalate and scale the originator's voice so that the message gets out to more prospects. This enables them to convert truly motivated buyers, while still keeping lines of communication open with consumers who are not ready to purchase, but eventually will be.

Modern CRM technology can do this as well, serving as a force multiplier for your personal brand without sacrificing your authentic voice, a voice that resonated with them in the first place.

Q: How do ongoing communications help create a transaction?

Based on my experience, nearly 80% of all borrowers would use their loan officer again if they heard from them on a regular basis, but they usually don't. This is why ongoing communication is so important.

First, they keep you top of mind, so when someone needs financing, you become the obvious choice.

Second, they have the potential to deliver continuous value. By updating clients and prospects on the latest market trends, new products, or simply providing financial tips, you can build credibility and trust with your customers.

Third, continued communication enables you to detect subtle signals that someone might be ready to get financing. Maybe they click on a link about a new loan product, or ask a question about current interest rates. These small interactions can be indicators that it's time to have a more in-depth conversation. Ongoing communication lays the groundwork for future business. Being there at the right time with the right message will always tip the scales in your favor.

Q: How does CRM help build a relationship between a Loan Officer and a Realtor?

When I was a Loan Officer, I would always make follow up calls and texts to my Realtor partners. While I spent as much time as I could on outreach, there was no way that I could keep up with all my partners, let alone the hundreds of prospects and contacts I had. Ultimately, I was leaving business on the table.

However, modern CRM technologies are solving this problem for Loan Officers. The broadcast feature on a well-configured CRM enables originators to schedule certain messages to all contacts at strategic times. More importantly, it uses the Loan Officer's own voice—not a template used by thousands of other salespeople—to communicate at scale.

From the Realtor's perspective, receiving messages from a local line or a familiar name gives the message more credibility than some random number or email address. They are much more likely to engage with the LO in a meaningful way.

Q: Why did New American Funding's Chairman and CEO give Bonzo such a glowing endorsement?

I do not want to speak for Rick Arvielo, but when we first showed him the platform, he immediately got it. Traditional CRMs are often just glorified databases that track interactions. Rick recognized that Bonzo places an emphasis squarely on conversations, which are where real business relationships begin and flourish.

Rick was also excited to give New American Loan Officers a tool he knew they would actually utilize. Bonzo puts Loan Officers in a position to succeed by making the technology work for them, not the other way around. By simplifying the technical aspects of staying in touch and nurturing leads, Bonzo lets Loan Officers focus on what they do best—building relationships and sharing their expertise. Every Loan Originator should be so lucky, but we are working on that. MP


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5 TRIGGERS

TO SHIFT IN-HOUSE SERVICING TO A SUBSERVICER

Could you be getting a better ROI on your servicing portfolio?

By **KEVIN COOKE, JR.**

Efficiency in mortgage servicing is vital, especially during times of significant change in the mortgage landscape. Changes in the market, such as interest rate shifts, regulatory alterations, or major economic events, can trigger a surge in mortgage applications, refinancing requests, or default rates. An efficient mortgage servicing operation is better equipped to handle these fluctuations, maintaining seamless customer experience, minimizing the risk of errors, and ensuring regulatory compliance. Moreover, operational efficiency can translate into cost savings, enabling servicers to remain competitive in a challenging environment in terms of service quality and pricing. In an industry where margins can be thin, the ability to swiftly and accurately process high volumes of mortgage-related transactions can make the difference between success and failure.

As such, efficiency should be at the core of any decision a lender makes when it comes to their servicing operations, and one of the most impactful decisions is whether their operations should remain in-house or be shifted to a qualified subservicer. This article will explore the five triggers lenders should keep in mind when deciding to shift from in-house servicing to partnering with a subservicer.

KEVIN COOKE, JR., *serves as the Head of Strategy and Business Development for LoanCare®. Cooke has 20 years of experience in the financial services sector, where he has developed a specialized talent for building collaborative solutions that deliver significant impact to the bottom line of both clients and service providers. At LoanCare®, Cooke is responsible for expanding lender relationships, building strategic partnerships, and driving business growth. Prior to joining LoanCare, Cooke was SVP of Strategic Partnerships for Auction.com. He's also held executive roles at Altisource Portfolio Solutions, LenderLive, AMS Servicing, and Mortgage Outreach Services.*

1. Portfolio Size and Composition

The loan count of a mortgage servicer is a pivotal factor in deciding whether to continue in-house servicing or utilize a subservicer. For servicers with a smaller loan count, in-house servicing can become uneconomical due to high fixed costs associated with staff, technology, regulatory compliance, and infrastructure, which may not be spread over a large enough volume of loans to be cost-effective.

On the other hand, servicers with a large loan count may find in-house servicing more viable due to economies of scale, where increased volume reduces the cost per loan serviced. However, in both cases, servicers need to consider other factors such as their core competencies, customer service quality, and ability to respond to market changes.

The fact is that there truly is no magic number that will tell a lender when they should flip the switch. From a purely economic perspective, it may not make sense to service your loans in-house until your portfolio is comprised of at least 250,000 loans. But there is more to consider than just the loan count.

The type of loans in your portfolio, the location you serve, the size of the loans, and your audience are all components that need to be kept in mind when considering making the switch. These factors all bring a different level of needed efficiency and type of expertise to the table and make servicing loans in-house more difficult.

For example, if your servicing portfolio is comprised of loans that bring more risk or require more touchpoints on the loan, your loan count "break even" for in-house servicing may be much higher than for your peers whose portfolio is comprised of different loan characteristics. Loan types that might fall under

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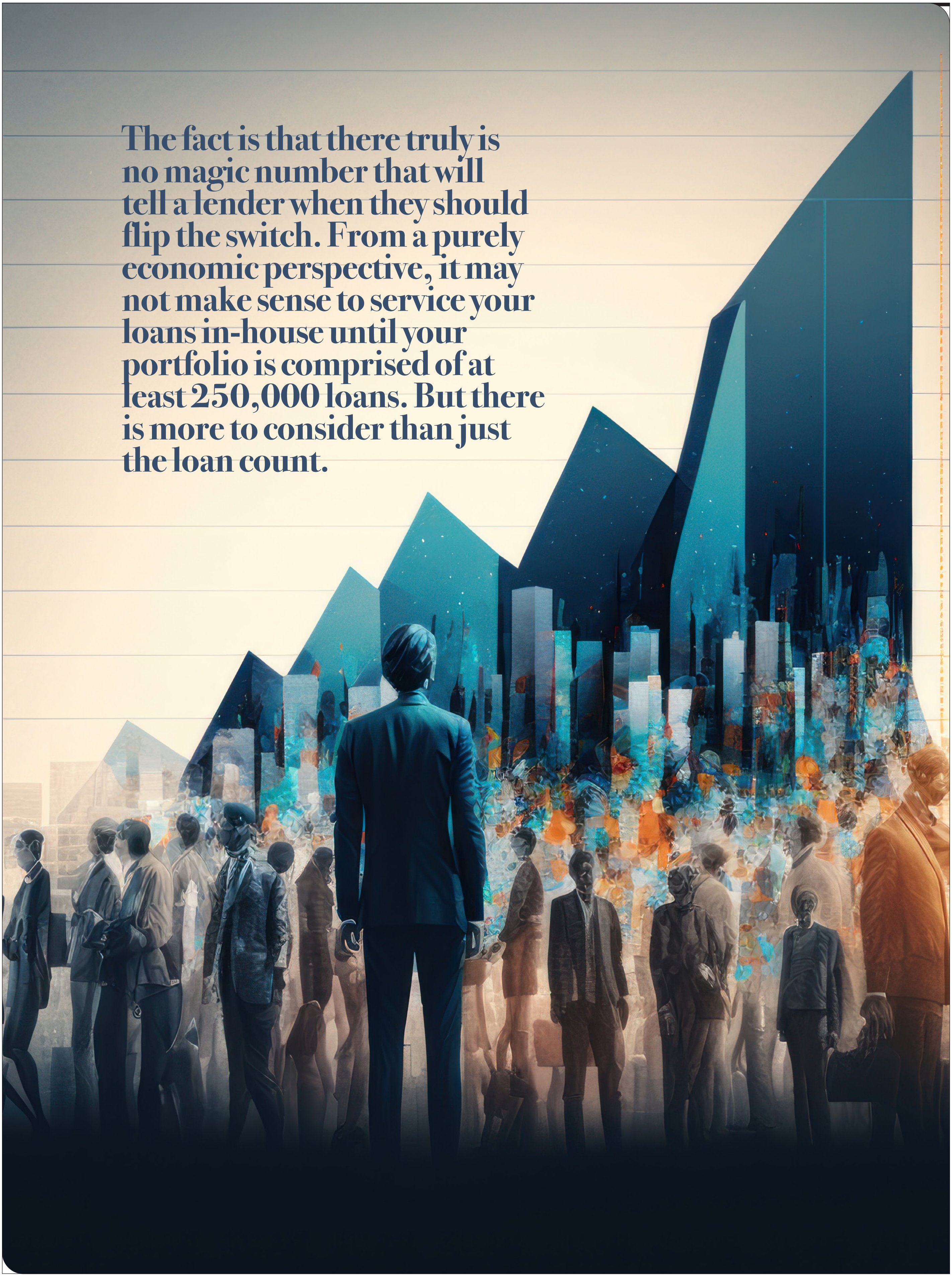

"If a servicer lacks sufficient personnel or their management team doesn't have the expertise to handle these functions effectively, the quality of service could suffer, potentially leading to reputational risk, regulatory penalties, and dissatisfied customers."

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this category are loans that have a higher propensity for default, such as FHA loans.

Another factor for lenders to keep in mind when deciding whether to service in-house or outsource is the scalability of their operations in response to market fluctuations. Changes in the origination market can greatly impact loan counts, and the ability to scale up or down needs to be a driving factor. How nimble are your in-house operations if you have a sudden influx of loans? How will your customer service experience be affected by changes in loan count? These are questions lenders need to keep in the back of their minds.

Therefore, while loan count is a critical factor, it's not the sole determinant in the decision to keep servicing in-house or to outsource.

2. Technology Investments

Technology is crucial when deciding whether a mortgage loan servicer should continue in-house servicing or use a subservicer. Sophisticated technology is required to manage the complex processes of mortgage servicing efficiently and accurately, including loan administration, payment processing, regulatory compliance, customer service, and risk management. However, developing and maintaining such technology in-house can be costly and requires significant technical expertise.

Outsourcing to a subservicer with state-of-the-art technology platforms can be a more cost-effective and efficient solution for mortgage servicers without these resources. On the other hand, larger servicers with the necessary resources may prefer to retain control over their technology, allowing them to customize and innovate according to their specific business needs and customer preferences. Therefore, the decision largely depends on the servicer's technical capabilities, financial resources, and strategic priorities.

Cost comparisons between investing in internal technology or using an established subservicer can be challenging, as technology is evolving at lightning speed, and other factors need to be considered, such as the regulatory compliance components required and how the technology can affect the customer experience. Smaller lenders may not have the capital or infrastructure to manage their technological needs in-house and would benefit from the flat cost that comes with using a subservicer. The added bonus is that the subservicer has one line of business: to create the best possible platform for their clients and thus tend to invest significant capital to ensure their technology optimizes the experience.

3. Management Resources

Staffing and management resources are crucial determinants in the decision for a mortgage loan servicer to continue in-house servicing or to use a subservicer. Mortgage servicing involves intricate operations that demand skilled staff in areas like loan administration, customer service, regulatory compliance, and risk management.

If a servicer lacks sufficient personnel or their management team doesn't have the expertise to handle these functions effectively, the quality of service could suffer, potentially leading to reputational risk, regulatory penalties, and dissatisfied customers. Conversely, a servicer with robust staffing and strong management could handle these tasks efficiently, maintaining customer satisfaction and regulatory compliance.

A subservicer can provide a viable alternative for servicers lacking in staffing or management resources, as they come equipped with a dedicated workforce and specialized knowledge at a price point that is significantly less than hiring full-time employees. However, outsourcing also means relinquishing some control over these critical functions, which may not suit all servicers. Hence, the decision depends on the servicer's human resources capabilities, strategic priorities, and the importance of ensuring a quality customer service experience for the borrowers.

4. The Customer Experience

Moving to a subservicer may help your company save valuable time and money, but if it is at the risk of delivering a subpar experience for your customers, you should take a moment to reassess your position. A superior customer experience, characterized by clear communication, responsive support, and seamless digital interactions, can drive customer satisfaction, loyalty, and referrals, thus directly influencing a servicer's success.

In-house servicing may offer greater control over these aspects, allowing for customization of services based on unique customer needs and preferences. However, if a servicer lacks the resources or expertise to provide excellent service, customer satisfaction may falter, impacting their business reputation and bottom line.

Subservicers often have sophisticated customer support infrastructures and can offer a higher level of service. While outsourcing can reduce direct control over customer interactions, which may conflict with a lender's business models or customer strategies, the best subservicers in today's market understand the importance of a positive customer experience. Access to sophisticated communication outlets, such as chat features, 24/7 self-serve support, and Spanish translation, can elevate the experience for customers at a flat expense for the lender. Lastly, lenders will still have control over the ways the subservicer communicates with customers, creating a truly collaborative relationship.

5. Regulatory Compliance and Risk Mitigation

Mortgage servicing is a highly regulated activity with complex legal requirements at both federal and state levels, and failure to comply can result in substantial penalties and reputational damage. Similarly, effective risk management is necessary to navigate potential financial and operational risks. If a servicer has the expertise and systems in place to handle these aspects, in-house servicing can offer better control. However, the risks may outweigh the benefits if they lack the necessary knowledge, infrastructure, or staff resources.

Subservicers, with their specialization and scale, often have robust compliance frameworks and risk mitigation strategies in place. Yet, outsourcing doesn't eliminate a servicer's regulatory obligations or risks entirely, as they still bear ultimate responsibility for compliance and are exposed to potential operational risk from the subservicer. While this may deter lenders from choosing to partner with a subservicer, it goes without saying that if the onus remains with the lender to remain in compliance with state and federal regulations, it makes sense to mitigate that risk by employing best practice tools available through the subservicer collaboration.

Lenders will need to determine a break-even point for compliance-related expenses to identify when the benefit of outsourcing will outweigh the risk of oversight, keeping the above factors in mind. Another area to keep in mind is licensing—using a subservicer will allow lenders to typically service loans in all 50 states and U.S. territories without having to get the required licenses themselves. This can save lenders enormous time and expense while allowing them to grow without the setback of waiting to get licensing approval.

At the end of the day, the expense related to compliance and risk management is well spent if it comes with the assurance that they are leveraging the best knowledge of controls, best practices, and changes in the regulatory environment.

A Case for Subservicing

Choosing to subservice their mortgage loans can provide lenders with several strategic advantages over in-house servicing. Subservicers, as specialized entities, typically have established, scalable infrastructures with robust technology systems designed for efficient loan administration, regulatory compliance, risk management, and customer service. This specialization can free the lender from investing heavily in complex servicing operations, allowing them to focus their resources and expertise on their core lending business.

Additionally, subservicers' proficiency in handling regulatory changes and market fluctuations can mitigate operational risks, while their ability to provide superior customer support can help enhance borrower satisfaction. By leveraging the economies of scale, technical capabilities, and industry expertise of a subservicer, lenders can achieve cost savings, improve service quality, and enhance their overall competitive advantage. MP

THE INDEPENDENT INVESTOR IMPACT

Could real estate investors be the answer to the housing shortage?

By **KURT CARLTON**

The headline that is currently dominating media coverage of the housing market is clearly the housing shortage. And that theme isn't all that different from the end of 2022 when low inventory, high mortgage rates, and inflation were the hot topics.

Consumers have become accustomed to mortgage rates hovering around 6%, and the Fed has backed off on an aggressive plan to knock back inflation.

But the housing shortage isn't budging and is far from improving. In May 2023, Redfin reported that the number of homes for sale in the United States fell 7.1% year over year to 1.4 million—the lowest level on Redfin's records, which date back to 2012. To add to the gridlock, 90% of homeowners who have a mortgage, have an interest rate under 6%. Nobody is moving, unless they have to.

Enter the local investor.

Investors Deliver Inventory Even in a Housing Shortage

In a recent study of nearly 1,400 investors, results of which can be found in our Flip Side report from June 2023, we found that individual investors leaned into the market and saw their businesses grow despite the negative news and trends in the traditional housing market.

The United States is lacking about 320,000 listings just to satisfy middle-income buyers' most critical category of affordable homes. Fortunately, the interests of independent investors align with this critical need, and that means the benefit will be greater than the income made on each home, as those fix-and-flips are put back into the market.

KURT CARLTON *An expert in the real estate space, Kurt Carlton is a solution-oriented, innovative leader who operates with a refreshing, candid perspective. As the Co-Founder and President of New Western, Carlton currently oversees the New Western portfolio of companies, including the company's consumer brand HomeGo and its lending platform, Sherman Bridge. Along with the CEO, he establishes and oversees the short- and long-term goals, planning efforts, and overall strategies for all aspects of the businesses. Carlton has spent the last two decades in the real estate industry. During the 2008 recession, he saw an opportunity to help rewrite the playbook for the investment real estate industry, thus co-founding New Western. That vision has led to the largest private marketplace for fix-and-flip and fix-and-rent residential investment properties in the U.S., operating in over 40 markets and supplying homes to more than 150,000 investors. Prior to founding New Western, Carlton worked in the mortgage industry and with real estate developments in the U.S. Virgin Islands. He is a licensed real estate agent and mortgage broker in multiple states.*

The National Association of Homebuilders projects the construction of 830,000 homes this year, but what goes unnoticed is the forecasted 350,000 home flips involving vacant and uninhabitable properties revitalized by independent rehabbers. Independent investors are taking matters into their own hands and strategically filling in the gaps in housing inventory where the government and new home builders fall short.

Rather than looking for new construction opportunities, however, independent investors are looking for old, distressed, and uninhabitable homes that are overlooked by most homebuyers. In fact, 93% of surveyed investors planned to purchase property in 2023, and many of those properties will be distressed and in need of serious repair.

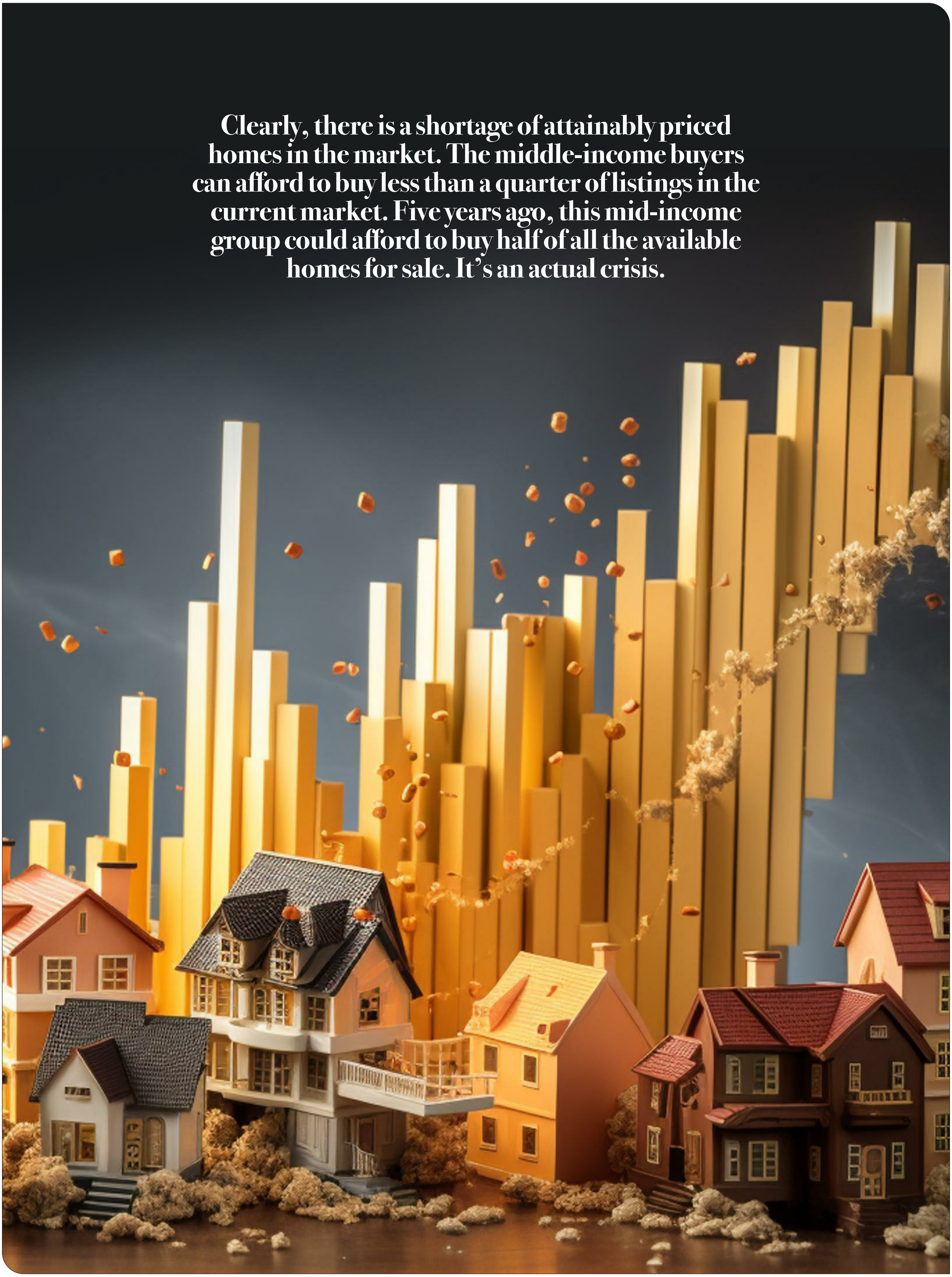
Investor Markets Grow Where Traditional Markets Decline

When comparing the Redfin traditional market data to investor data, it becomes evident that investors are moving the needle. Five markets experienced double-digit growth whereas the same traditional markets saw more than a 40% decline in homes sold.

While Boston is the big leader for investor-sold homes with 88% growth in sales volume from Q1 2023 to Q2 2023, Houston experienced a 46% growth in sales volume and Dallas saw a 28% growth. Business continues on an upward trajectory for independent investors, which is great news for the housing market.

So What is the Investor Edge?

Local, independent investors focus on specific neighborhoods. They know contractors, have better access to materials, and truly understand the home



Clearly, there is a shortage of attainably priced homes in the market. The middle-income buyers can afford to buy less than a quarter of listings in the current market. Five years ago, this mid-income group could afford to buy half of all the available homes for sale. It's an actual crisis.

> **Not surprisingly, the top priority for 55% of homebuyers was location and neighborhood. Despite all the changes in the market, the first rule of real estate—location, location, location—still reigns supreme.**

values and the impact of market shifts on the streets where they work. They are putting a much-needed supply of homes into high-demand neighborhoods where buyers are looking for more attainable housing options. In fact, independent investors are operating in neighborhoods with price ranges that are 31% lower than the median-priced homes for sale in the same market.

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The independent investor is buying homes that might not be habitable, are probably vacant, and are definitely in need of major repairs. These are the homes that the traditional buyer won't even consider because they would take much more work than most traditional buyers can and are willing to take on.

And these local investors aren't just slapping a basic rehab together. They know the design trends, materials, and finishes buyers expect to see in a remodeled home. Investors are generally flipping a better product for buyers, and 80% of the homes they rehab are still receiving at or above the asking price.

Following the pandemic years, you might expect buyers to prioritize homes with great outdoor space and more square footage. That is not the case. About 30% of homebuyers told investors that they wanted homes with good bones and desirable aesthetics.

Not surprisingly, the top priority for 55% of homebuyers was location and neighborhood. Despite all the changes in the market, the first rule of real estate—location, location, location—still reigns supreme. By leaning into what already works and having the flexibility to pivot on strategy, the investors are in an ideal position and poised to succeed.

Who Are These Supply Creators?

As investors continue to thread the needle in this tight real estate market, they are actually seeing their individual small businesses grow, with 75% of independent investors saying that they experienced growth from the second half of 2022 to date.

Near the end of 2022, many investors were using a fix-and-rent strategy on the majority of their deals. But as the market has shifted, so have the investor's strategies. Most are utilizing fix-and-flip and fix-and-rent strategies, equally, in 2023.

Not surprisingly, the big challenges for investors remain the same year over year—finding more properties and securing financing. Seventy percent of investors are using a variety of loans to finance their projects and 30% purchase with cash.

What Does the Future Hold?

You could call this housing shortage an opportunity for local investors to flex their muscles and take advantage of market conditions to grow their businesses.

But in reality, the independent investor has always been in the game. They've been rehabbing and putting homes back into inventory all along, they just haven't had the shine of the spotlight. They should. Investors are making a difference when it comes to providing attainable options in the desperately needed, underserved middle-income market.

They're also creating a space for small business owners to make a mark. Anyone can get into real estate investing if they have the right tools, like-minded mentors, partners, and a proof of concept—i.e. those independent investors who are doing the work, now.

There is plenty of space for the local, independent investor who understands the wants of the average homebuyer and seller and is aligned with the needs of the local community. MP

DIFFERENTIATING AI APPLICATIONS IN THE MORTGAGE SPACE

As Souren Sarkar of Nexval describes, building a culture of innovation that supports the adoption of disruptive technologies is like unlocking a hidden treasure.

Souren Sarkar, CMB, is President and Co-Founder of Nexval, a Miami, Florida-based technology company specializing in mortgage automation processes and IT infrastructure upgrades. Sarkar has more than 25 years of experience as a technology leader in the mortgage and banking arena and is an expert at improving the performance and scalability of service-driven businesses using workflow automation.

MortgagePoint had an opportunity to chat with Souren about the emergence of artificial intelligence (AI) in the mortgage space and how it is easing processes for both customer and lender alike.

Q: What is generative AI, and what makes it different than other types of AI?

Generative AI stands out from other types of AI due to its unique capabilities and focus. Generative AI, or generative models, uses a wide range of AI techniques, such as machine learning algorithms, deep learning, generative adversarial networks, and large language models to mimic the human creative process.

Unlike other types of AI that use and recognize existing data to generate output, generative AI can create new, original data, like images, texts, and music. It does not just ingest human inputs to return a "Yes" or "No" answer or, at best, to churn out an insight or recommendation. It takes human input and then actively creates an artifact that resembles the input provided, yet it is different and wholly original. It can also assimilate data from existing content (images, video, audio, or text) to create digital assets that feel completely unique. From creating a fine art masterpiece and composing original music to writing text, generative AI can not only generate new outputs, but can also improve them.

Q: How could generative AI be applied in the mortgage industry to help reduce human effort and errors?

Generative AI can provide plenty of use in the mortgage industry in cases that save time and money, and reduce errors as well. For example, it can craft servicing messages that are nuanced, polite, yet effective and comprehensive, enabling servicers to connect with customers on a personal level without human assistance. It can help create new, accurate borrower profiles rather than just finding and matching patterns that it has met in the past, like traditional AI does. It can help analyze a borrower's financial profile to generate a more accurate assessment of the borrower's creditworthiness. It can even recommend the amount of loan and interest rates based on the borrower's financial history.

Q: How can generative AI be used to improve customer experience and engagement?

Generative AI is a game-changer when it comes to enhancing the customer experience and engaging borrowers. For example, many borrowers face lengthy delays when reaching out to their loan officer for even a simple query. With generative AI-based chatbots, customers can get 24/7 customer service and faster response times, along with personalized interactions. By analyzing customer data and preferences, generative AI can create tailored loan product recommendations, personalized marketing messages, and even support interactive virtual assistants to help borrowers throughout the mortgage application process. Generative AI-powered chatbots can also use natural language conversations to answer common queries and provide financial advice.

Q: What are the challenges involved in training and operating generative AI models?

The old saying, "garbage in, garbage out" applies here. Generative AI models produce results based on the data you use

to train them. If you input faulty, outdated, or incomplete data, the output will also be incorrect. Additionally, generative AI can be challenging to implement for banks and lending institutions that still rely on legacy systems and complex IT infrastructures, which may not be compatible with generative AI solutions. On the other hand, businesses that already have adopted automation and have an updated infrastructure in place have the flexibility and agility needed to train, implement, and operate generative AI models.

Q: How can mortgage companies prepare for the costs associated with generative AI?

Adopting generative AI requires careful planning and consideration. Mortgage companies should start by conducting a comprehensive cost-benefit analysis to measure the potential return-on-investment (ROI) and identify areas where implementing generative AI will have a positive impact. The next step should be to develop a budget that covers the implementation costs. Because these are not simple tasks, mortgage companies might consider collaborating with external partners or vendors that specialize in generative AI, which can help with the costs associated with infrastructure, software, and expertise.

Q: What are the potential risks associated with generative AI adoption, such as lending bias and security? How can these risks be mitigated?

Businesses must have a clear and actionable framework for using generative AI and a plan to be prepared for AI-related risks and mitigate them. Data security, wrong analyses, and lending bias are some of the common concerns that surround generative AI adoption in the mortgage industry.

Let us take the risk of lending bias as an example. Again, generative AI models are as good as the data they are trained on. If you feed generative AI models inaccurate and biased data, they will amplify that bias and generate a discriminatory result. To address this issue, generative AI models must be trained with diverse and representative data. The training data should appropriately reflect real-world use cases and promote fairness and inclusivity to minimize bias. Additionally, continuous auditing, monitoring, and training of generative AI models can help improve their ability to identify and mitigate any biases that emerge over time.

As far as security—which is paramount in our industry—robust data protection measures like encryption, access controls, and secure storage facilities must be in place to safeguard sensitive information. Regular security audits of generative AI models can also help identify vulnerabilities and stay current with the best data security practices. Creating policies and guidelines for the ethical usage of AI models can also mitigate security risks. Employees using AI systems must be educated about these risks, so they can use the system wisely and protect sensitive data.

Q: How can generative AI and augmented reality be combined to provide predictive insights into things like real estate construction, valuation, and property preservation? What impact will this have on the housing industry?

Generative AI and augmented reality (AR) are emerging technologies that can be transformative for the housing industry. When combined, they can fuel a kind of interactive design approach in which data constantly inspires new models and virtual projections that are visually presented. These immersive experiences have enormous potential in the future to provide predictive insights.

For example, generative AI and AR can be combined to generate realistic 3D models of buildings and enable users to visualize and explore virtual construction sites for a wide range of purposes. They can be used to see how a building's position and design would affect exposure to the sun and local weather patterns, or to appraise properties by analyzing various factors such as location, features, market trends, and historical data to generate predictive valuation models. They can also create immersive virtual property tours, where buyers can visualize potential modifications without being on site. They can help find and correct existing issues in a building's structure, which could also help in property preservation needs, or even predict potential risks and hazards associated with real estate projects by analyzing construction and safety data.

Q: How can mortgage companies build a culture of innovation that supports the adoption of generative AI and other emerging technologies?

Building a culture of innovation that supports the adoption of disruptive technologies is like unlocking a hidden treasure. It begins with the unwavering commitment of a company's leadership, whose vision sets the stage for a thrilling journey ahead. Companies must also develop an innovation strategy that aligns with the organization's goals and vision. It is also wise to build cloud capabilities so that the company is ready at the time new technologies are implemented. Finally, it should also include training programs for employees to build their knowledge and skills in emerging technologies.

Encouraging continuous learning, taking calculated risks, and learning from failures are all part of building a culture of innovation. Such an effort is rarely accomplished alone, however. When it comes to generative AI and other new technologies, there is so much to learn and so many use cases yet to be discovered. For many lenders and servicers, tapping the expertise and resources of a partner that already has a culture of innovation can shine a bright light on the path ahead and guide them on their journey. MP

FROM MANUFACTURING TO MORTGAGES, QUALITY DATA IS KEY

When it comes to accurate data, companies can't afford not to use AI.

By **PAUL FISCHER**

"In God we trust; all others must bring data." This quote, widely attributed to statistician and business management theorist W. Edwards Deming, serves as a stark reminder of the importance of using data to improve manufacturing quality—which is what Deming became known for in the automobile industry.

Of course, quality is as critical to the mortgage industry as it is to car manufacturers. And yet, efforts to ensure high-quality data are often at odds with another industry need—speed, whether that applies to speed in mortgage production, transferring MSRs, or countless other business needs.

For this reason, lenders and servicers alike have gravitated toward data extraction technologies in recent years to streamline workflows and reduce costs. But unfortunately, not all solutions deliver the same results.

Accurate data is essential for the smooth flow of operations, meeting regulatory requirements, and profitable trading in the secondary market. Yet methods of checking loan data for completeness and accuracy have traditionally been time-consuming and error-prone tasks that not only drive up costs but also place organizations at risk of repurchases and noncompliance with the GSEs, investors, and state and federal agencies.

For lenders, ensuring data accuracy is essential to streamlining workflows, compliance testing and audits, and producing

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high-quality loans that can be confidently sold on the secondary market. The ability to extract accurate data promptly also empowers lenders to make informed decisions, improve underwriting processes, and reduce the risk of costly loan file errors and defects.

Such defects are growing more costly as well, particularly in today's purchase-oriented market. Earlier this year, Fannie Mae and Freddie Mac introduced new repurchase strategies to deal with the increase in defects for loans originated in 2020 and 2021, when lenders were dealing with capacity issues. A recent analysis by Freddie Mac found that purchase loans had a 36% higher rate of defects compared to mortgage refinances.

Similarly, servicers rely on accurate data to streamline the loan onboarding process, enhance servicing efficiency, and automate critical servicing functions, such as payment processing and escrow management. Ideally, these efforts result in improved borrower experiences and increased operational efficiency, too.

For these reasons, both lenders and servicers have increasingly turned to third-party data extraction technologies. However, the bulk of these offerings not only fail to improve loan data quality but often add extra time and cost to the equation.

The root of the problem is most of these providers rely on legacy technology and optical character recognition (OCR) tools that have not evolved over the years to keep up with the increasing diversity of loan document types or new data extraction methods. This leaves organizations with the burden of spending additional time manually reviewing and fixing errors by hand.

Of course, third-party loan QC providers have emerged as an option for ensuring higher quality loan data. However, there is a trade-off in terms of turnaround time. In fact, one of the chief complaints often heard in the business is that lenders and servicers can rely on their third-party providers to get perfected data back, but they must wait a day or longer to get it—which often results in bottlenecks in mortgage workflows and hampers timely decision-making.

Thankfully, lenders and servicers can achieve the best of both worlds—fast and accurate data extraction—by harnessing the power of AI.

By leveraging sophisticated algorithms and machine learning capabilities, AI-powered document automation technologies can accurately extract and analyze data from a wide range of mortgage documents, including pay stubs, tax forms, and bank statements.

This automated process eliminates the manual effort involved in data verification, reduces errors, and ensures a higher level of accuracy. Ultimately, it enables lenders and servicers to generate purified data to fuel their downstream automation initiatives, resulting in cost savings, improved customer service, and significant SLA improvements.

With AI-based document automation and extraction tools, lenders and servicers improve the quality of their data without sacrificing the speed they need to impress their customers and business partners. The new enhancements include enriched audit trails for extracted data, providing users with more detail about the source of each data field, which can support improved levels of automation in their workflows.

Recent advancements in AI have ushered in a new era of data quality improvements without compromising speed. In a challenging market like today's, when lenders and servicers need all the business they can get—yet also need to stay compliant and keep costs down—the time to embrace AI is now. MP

IDENTITY CRISIS

Here's how digitization reshapes the battle against seller impersonation fraud.

By **ANGEL R. HERNANDEZ**

Real estate transactions have always carried a certain level of risk. In recent years, the rise of seller impersonation fraud has elevated these concerns even more.

While some fear that technology and the growing interconnectivity of our lives have provided cybercriminals with new ways to exploit unsuspecting buyers, sellers, and industry professionals, the truth is that technology may just be the antidote to these schemes.

Seller fraud in real estate transactions is a critical issue that warrants attention, particularly with the growing prevalence of data leaks and their severe consequences. Minimizing opportunities for impersonators to access sensitive information is of utmost importance, and digitization plays a pivotal role in bolstering security throughout the lending ecosystem.

ANGEL HERNANDEZ *is the EVP of Corporate Affairs at Stavvy. He leads public policy and government relations initiatives at the federal and state levels, as well as public relations and external communications strategy. Hernandez joined Stavvy from the Housing Policy Council, where he served as the VP of Capital Markets Policy. Previous to that, he led MBS Programs and Strategic Planning at Ginnie Mae, where he was responsible for the agency's policy framework, the implementation of securitization platform updates, the agency's legislative and regulatory issues, and spearheading key strategic initiatives, including the agency's COVID-19 strategic response as well as the Digital Mortgage program. Hernandez is a Doctor of Law focused on banking, corporate, finance, and securities law from The Catholic University of America, Columbus School of Law.*

The Rising Tide of Seller Impersonation Fraud: Compromised Identity at the Center

Real estate fraud, in all of its flavors, is not a new phenomenon. For example, a great deal of attention has been given to rising trends in wire fraud in real estate. Based on data from CertifID's wire fraud protection and recovery business, the State of Wire Fraud report revealed that cybercriminals honed in on buyer cash-to-close payments as the primary focus of wire fraud in 2022.

The report highlighted consumer real estate payments as the most frequent target, emphasizing the prevalence of this type of fraud, but that is not the only type of fraud that we should protect against.

Since the beginning of 2023, real estate firms have experienced a significant surge in seller impersonation fraud attempts, with a staggering 73% year-over-year increase. These figures are alarming and shed light on the growing threat faced by the industry. The U.S. Secret Service also issued a warning earlier this year, highlighting a sharp rise in vacant land scams. Fraudsters are capitalizing on vulnerabilities within the real estate landscape, jeopardizing the trust and integrity of transactions.

At the heart of seller fraud lies identity impersonation, a technique used by criminals to deceive buyers and execute fraudulent property sales. The impersonators could leverage mass data leaks, compromising financial and personal information, to adopt the identities of legitimate property owners.

Mass data leaks provide a treasure trove for fraudsters. Impersonators can cross-reference addresses of occupied, rental, and vacant properties with stolen identities they have acquired, searching for matches. They can also resort to a myriad of phishing techniques, targeting individuals with the properties to extract additional information.

As a result, the real estate industry finds itself grappling with the challenge of protecting sensitive data while maintaining seamless operations in a fast-paced environment.

Seller Impersonation Fraud: A Crime of Opportunity

The pandemic had a profound impact on seller fraud with the real estate industry filing $893 million in losses between 2020-2021. The pandemic normalized remote transactions on a larger scale, reducing our sensitivity to unfamiliar business partners. While conducting transactions without meeting in person would have raised suspicion in the past, it is now the new normal.

However, seller impersonation fraud is not merely a consequence of economic downturns or financial hardships. It is a crime of opportunity. Impersonators are drawn to this illegal activity because access to sensitive information has become easier to obtain. The prevalence of data leaks and the growing digitization of the industry have inadvertently opened doors for fraudsters, demanding immediate action to fortify the real estate ecosystem.

Pressures and Due Diligence Gaps in the Real Estate Lifecycle

Today's real estate businesses face immense pressure to attract clients and facilitate a greater number of transactions in an environment where speed and efficiency take precedence.

Seller fraud in real estate transactions is a critical issue that warrants attention, particularly with the growing prevalence of data leaks and their severe consequences.

> **"As the real estate industry evolves, technology holds the key. Digitizing the entire lending ecosystem and financial services not only improves transactional security but also enhances data storage and access controls."**

As a result, the extensive workload within the real estate lifecycle has resulted in process gaps, or a "diligence gap"—a situation where there is a shortfall in performing thorough due diligence throughout the various stages of a real estate transaction. The diligence gap can lead to increased risks and vulnerabilities, making it easier for impersonators to exploit opportunities and engage in fraudulent activities during the transaction process. Addressing the diligence gap is crucial for maintaining the security of real estate transactions and protecting the interests of all parties involved.

Technology's Role in Combating Seller Fraud

As the real estate industry evolves, technology holds the key. Digitizing the entire lending ecosystem and financial services not only improves transactional security but also enhances data storage and access controls. Embracing technological advancements allows for the implementation of robust security measures that protect sensitive information throughout the transaction process.

Digital mortgage solutions, such as eClosings, have emerged as a robust counter to the increasing risks of seller impersonation fraud. When implemented effectively, the identity processes embedded within remote eClosings serve as a powerful deterrent against large-scale identity fraud.

Unlike traditional in-person transactions, where the authenticity of credentials relies solely on the judgment of the individual handling them, Remote Online Notarization (RON) eClosings leverage technology to validate cryptographic information and credential content.

While a notary is still involved, technology provides support in verifying authenticity, making it far more challenging for sophisticated forgeries to pass the authenticity checks—a proactive defense against identity impersonation. This approach also prevents identity impersonators from enlisting fraudulently notarized documents in their scheme, which they typically do under the auspice of convenience.

Transforming Real Estate Closings and Securing a Digital Future

The adoption of technology in the real estate industry has the potential to revolutionize the closing process and bolster security measures against seller fraud. By removing the dependence on physical papers and signatures that require time-consuming transfers, technology paves the way for a more streamlined and efficient lending experience.

This enables industry professionals to expedite deal closures and execute official documents from any location, enhancing convenience and productivity while adding layers of security to each transaction.

Looking ahead, the future holds even greater promise as the entire closing process is reimagined, with a focus on eliminating physical documents and revolutionizing data communication. These advancements will fortify the defense against fraud, providing a more resilient and secure environment for real estate transactions. MP

Michael Greenbaum Takes the Chair of Five Star's Property Preservation Executive Forum

Michael Greenbaum serves as the Chief Operating Officer of Safeguard Properties. He joined Safeguard in July 2010 as VP of REO and has continued to take on additional duties and responsibilities within the organization, including the role of VP of Operations in 2013 and then COO in 2015. He has spent the last 13 years with Safeguard, understanding and leading change within the property preservation sector, becoming a valued partner to clients by driving innovation and excellence within the industry. A distinguished graduate of West Point (U.S. Military Academy), Greenbaum majored in quantitative economics before serving in the U.S. Army, Ordinance Branch, and specializing in supply chain management. Prior to joining Safeguard, he spent the first 13 years of his post-Army career managing worldwide supply chains.

In September 2023, Greenbaum was nominated and voted in as Chair of Five Star's Property Preservation Executive Forum (PPEF), an industry membership group that brings together leadership from the nation's largest property preservation companies to promote best practices in the field services industry and devise solutions for the challenges that face it. (Five Star is the parent company of *MortgagePoint*.)

MortgagePoint took some time to catch up with Greenbaum and discuss his recent appointment as Chair and what he hopes to prioritize during his term.

Q: How long have you been a member of the Property Preservation Executive Forum, and what leadership roles, if any, have you held throughout that time?

I have personally been a member for about seven years. I haven't held any leadership roles previously but have always been an active contributor to the forum.

Q: Why is the PPEF and its work so important to the industry and to PPEF membership right now?

The Forum brings together some of the most thoughtful and passionate people in the industry. As I was working through a few issues with the group last month, I was trying to calculate the number of years of experience in the room and stopped counting when I got above 300 years.

Q: What are some top priorities or initiatives you will be pursuing as Chair?

Working with investors to define the issues facing servicers and property preservation companies. The investors and insurers are more than willing to help; they are just looking for good business problem definitions, defined approaches to solve, and probable benefits. Optimizing the Hazard Insurance claims process, revisiting inspection ordering logic or rules, fixing address issues, and working to ensure pricing stays competitive with the marketplace.

The field force is changing. The environment for local independent contractors is red hot. The expectation of an easy, intuitive software experience is an absolute requirement. This makes us market differently and has changed our communication approach to our field network tremendously. We understand we are 100% of service to vendors or they will go to the next best opportunity. The rest of the industry stays fairly consistent, in my opinion. The fundamentals of preserving and protecting homes have remained consistent for the last 30 years.

Q: What drives your commitment to your craft and industry?

I like to problem-solve and lead process change throughout our industry, which is very disjointed. I love the people that make up the industry—contractors especially, as well as thought leaders in the investor shops (Fannie Mae, Freddie Mac, USDA, VA, and FHA).

Q: What are some insights or at least one piece of advice you wish you would have known when you first started in the industry?

Be patient at times. People want to do what is right, and many entities have separate self-interests and goals. It takes many conversations to understand the different drivers and how to suggest changes that have a chance of being implemented.

Q: How has being a member of a trade association resulted in business growth for you?

Mainly in the relationships I have developed with peers and clients alike. Participating on panels has helped to open conversations throughout the industry. It means a lot to me to be able to present solutions to problems through these discussions, and then have clients approach after the session to discuss further. These interactions have developed into very meaningful, career-long relationships for me.

Q: What legacy industry impact would you most desire to be known for?

I just want to continue to help the industry by redefining approaches that are suboptimal: that lead to book loss, loss of property, or introduce audit risk to our clients' shops. At Safeguard, we have developed many programs that get used across the industry: 60 Day to Sale, NYDFS Property Review, FHA Post Sale Impediment Management, Open Order Marketplace for Vendors, Washington and Maine State best practices, etc. We have a couple more ideas in the lab that I'm also very excited about.

Q: Are there any other important aspects of PPEF you'd like to spotlight?

I want this Forum to become the main problem-solving forum in the industry. There is a lot of buzz around it lately. I think people are starting to see that this committee is built to act. Not every initiative will be successful, and we may discover that existing rules and practices serve the collective interest best. But every member can be assured that those questions will be asked, and stones will be turned over and fully evaluated before we leave a topic. MP

A BLUEPRINT FOR THE FUTURE OF AMERICA'S $13.9 TRILLION SERVICING INDUSTRY

By **PERRY HILZENDEGER**

Over the last three decades, I've been fortunate to have the opportunity to build and lead large-scale mortgage servicing and origination operations in bank and nonbank organizations. So when the prospect to join Sagent presented itself in early 2023, it felt like a very natural next step: to bring servicing operations expertise to the software space and help deliver on Sagent's vision to build the future of America's $13.9 trillion mortgage servicing ecosystem. Powering the future with sophisticated yet simple software must start with these 3 principles that servicers of all sizes care about most:

» Creating a world-class **Customer Experience** for the entire life of the loan.
» Driving **Cost Control**, not just in the price of software, but through tools that lower overall operational cost.
» Strong **Compliance** in an ever-evolving and real-time regulatory environment.

And there are 2 critical areas of functionality that make these 3 principles a reality:

» A **Single User-Experience** (UX) and **Data Architecture** providing a consistent interface for all users and unified data across the entire system.
» A **Cloud-Native, Open-API** ecosystem giving servicers operational flexibility to manage easy and inexpensive integrations.

This is the blueprint guiding Sagent's strategy to transform our industry, and here's how we're making that happen.

PERRY HILZENDEGER *is the EVP, Servicing at Sagent. Hilzendeger is a 30-year veteran in the consumer finance and mortgage industry and spent time with Homepoint as President of Servicing and Wells Fargo Lending in a variety of leadership positions including head of retail operations, head of servicing operations, senior vice president of default services and senior vice president of real estate servicing.*

Single UX/Data Architecture

The idea of—and demand for—a single UX/data architecture platform in the mortgage industry is not new. A unified platform means end-to-end operability, unified maintenance, and configuration. And a single solution is, by nature, better suited and configured for real-time compliance with real-time policymaking.

So what does this really mean?

» End-to-end data for the entire loan lifecycle all at the user's fingertips
» Comprehensive data analytics that provide real-time visibility for homeowners and associates
» Change Management that deploys more rapidly and with greater effectiveness aligning with customer expectations and the continually evolving regulatory landscape

This is technological change that creates a world-class experience for the homeowners throughout the life of their loan and drives stronger retention and greater recapture.

Our vision for a completely end-to-end servicing platform is essential to our industry, and is what drives our actions to realize this vision.

A Cloud-Native, Open-API Ecosystem

We know change of this magnitude is not easy, but delivering for our servicing customers on customer experience, cost efficiency, and compliance—today and tomorrow—is our mission and commitment.

And that's where an open ecosystem comes into play.

Sustainable innovation becomes nearly impossible if you're working with legacy technology that is not cloud-native and API-friendly.

The most topical example of this is artificial intelligence (AI) and large language learning models (LLMs). AI and LLMs have the potential to supercharge servicing operations, but taking those ideas from theory into practice can't happen without cloud extensibility and interoperability to power it.

Sagent is mortgage servicing's first and only cloud-native software platform. So, what does that mean for servicers?

More Powerful, Cost-Effective Technology and Operations

Servicing technology should make your tech investments go farther and generate greater cost control in IT and operations.

Sagent's systems emphasize optimiz-

ing efficiency for the day-to-day user, and also for the system administrator who can react to changes in real time:

- » More efficient operations with fewer ancillary apps to manage
- » End-to-end, real-time data makes it easier to configure (rather than code for) real-time compliance
- » Configure your processes to fit your team's unique needs across core, default, and consumer servicing
- » Intuitive UI/UX which reduces employee onboarding ramp time and significantly increases customer retention

This can drive significant operational efficiencies, with certain Sagent-powered servicers seeing cost-per loan well below MBA industry averages last year—with the most efficient customers seeing as much as 39% lower cost per nonperforming loan and 67% lower cost per performing loan.

All of this means lower cost across the operation and throughout IT, where the former truly drives competitive advantage.

Better Homeowner Engagement, Retention, and Satisfaction

A better homeowner experience begins and ends with a simplified process. One that is intuitive and provides for effective self service. This means applying all the do-it-on-your-phone activities that consumers already experience in many other industries and falls right in line with what Sagent offers today with CARE, our mobile-first consumer platform.

It means providing the homeowner with tools to handle things quickly on their own when it's most convenient for them, with the option of real-time human support when a little more expertise is required. This is the type of interaction that facilitates long term customer relationships, nurtured, grown, and retained thanks to a world-class experience.

This is another reason why some Sagent customers report retention rates that are multiples higher than MBA's industry average of 15% last year.

Real-Time Innovation for Real-Time Policymaking and Compliance

Real-time data across all platforms is foundational to aligning and keeping pace with today's compliance and policy changes. With built-in control features and open API, cloud-based platforms, access can be available to everyone: customers, associates, investors, and examiners at the touch of a button.

We're in the trenches every day with some of the biggest servicers in the United States collaborating to streamline old processes, iterate, and augment to create efficiencies that drive down operational costs and provide an exceptional experience for homeowners—all while staying on top of every compliance detail.

A unified servicing platform in an open ecosystem is how Sagent is building the future of mortgage servicing. This also optimizes loan movement and easier onboarding and offboarding.

It's how we're driving better retention and delivering a remarkable, intuitive customer experience for homeowners. It's also how we're empowering our customers to engage their trusted third-party integrations to customize their servicing tech.

And it's how we're powering real-time compliance in step with real-time policymaking.

Sagent Makes Sustainable Innovation Easier

Improving servicing technology is no small task. Scalable, sustainable innovation is difficult to implement.

But staying put is not an option. And what price do you pay if you don't adapt?

Troubleshooting pain points and inventing workarounds across legacy infrastructure and ancillary systems is hard. Losing 3 out of 4 servicing customers to a competitor is unacceptable.

That's why Sagent offers this blueprint for the future of servicing. A future where we do the difficult and hard for you, so you can focus on today's wins knowing you're also prepared to win tomorrow.

MANAGING TODAY'S TECH TRENDS IN MORTGAGE SERVICING

MortgagePoint had the opportunity to chat with Gagan Sharma, Founder and CEO of BSI Financial Inc., to discuss the evolution of technology in the servicing space, as AI, machine learning, and other advances become more commonplace in the borrower experience.

By **DAVID WHARTON**

Gagan Sharma is the Founder and CEO of BSI Financial Inc., a cloud-based, open API and AI-driven platform. BSI offers an end-to-end digital servicing platform that enables investors and originators to transact seamlessly, with automated loan boarding, investor reporting, and data-driven loan monitoring through the lifecycle of the mortgage. BSI Financial has also built a proprietary AI-driven compliance automation and workflow that ensures complex, state-by-state regulations are kept up-to-date and acted on with precision and certainty, providing real-time visibility into the mortgage details and exceptions.

A seasoned entrepreneur and executive with more than 20 years of experience in financial services and technology, Sharma enjoys solving challenging customer problems in the financial sector and has a proven track record of bringing startup concepts to life and scaling for success, including successfully exiting and selling a global financial services and technology outsourcing company.

Since leading an investment group to acquire BSI from a bank in 2006, Sharma has transformed the company from a small loan servicer, into a fast-growing mortgage fintech, fostering 70X growth since its acquisition. BSI was named on *Inc. Magazine's* Inc. 5000 list of fastest-growing companies for two years, and on The Dallas 100 list of fastest-growing companies in North Texas for four consecutive years.

Sharma was named a finalist for the *EY* Entrepreneur of the Year in the Southwest Region in 2017, is a member of the Young Presidents' Organization (YPO), and has an MBA from The Wharton School at The University of Pennsylvania and a B Tech from the Indian Institute of Technology, Delhi.

MortgagePoint had a chance to sit down with Sharma to discuss the role of technology, artificial intelligence (AI), and machine learning (ML) in enhancing the borrower experience, and the pivotal role it all plays in compliance today.

Q: Can you describe the current state of the mortgage industry's tech space?

As we think of the role of technology, you have the borrower's experience and all of what the borrower sees when entering our digital portal. Then there is the aspect of how we use technology to work in the background in ways that the borrower doesn't see, but it makes the process go smoother, better, faster, whether that's in just workflow automation or compliance.

If the borrower is on our website, we are trying to give them the functionality that they would want. If their homeowner's policy is about to expire, we can help them. At the end of the day, our goal is to make the payment that the borrower is making, keep that process sustainable, and keep that going so that the borrower doesn't go delinquent.

We use technology to give the borrower a little nudge and provide a little reminder to the borrower. People are busy with their day-to-day life, as a servicer, if we can make that easier, that's much better for all involved.

In the background, things that the borrower may not see are things around our industries. There's a lot of information and data going back and forth between us, our providers, our third parties, and when loans transfer from one servicer to another. We are starting to apply technology and ChatGPT functions to help us move data, streamline data, optimize data, check data quality, and automate the data migration in a way that the borrower may not directly see. The benefit in the end is that we can move faster and remain more compliant and accurate, thus improving the borrower experience. We can respond faster when loans come into our system and have more information available sooner.

There is also an aspect of this around compliance. We have built a rules engine

that we think is unique in the industry. We offer that in the marketplace as an independent software provider, as well as a rules library that we have created. We are starting to use that to kick off remediation action as well. This is doing the next best action in the background where, again, it will allow the process to move faster, the borrower experience will be better, the borrower can get what they want faster, and we can be more responsive to the consumer.

Q: BSI Financial has always been technology-focused. What has changed, if anything, in terms of customer expectations over these past few years? Are you seeing changes as far as customer expectations are concerned and what are they expecting you to bring to the table? How has that impacted your philosophy or approach?

I think of us as mortgage-focused, sitting in the broader spectrum of consumer finance. If you look at every other consumer finance product, everything is going more digital. Customers are relying more and more on mobile apps. Our industry needs to go down that same path, so things need to become more frictionless for the borrower. That results in more texting, more digital communication, and further enhanced self-service.

As a mortgage servicer, BSI Financial can access more data, so we are using that data to serve the needs of the borrower without having to pick up the phone and call us. Our call center and customer service team are always available and will always be there to serve the customer's needs, but borrowers often have a desire to get a digital-first customer experience.

Some of the big companies like Amazon and Uber have set the bar on what the consumer experience looks like.

When the consumer says, "Hey, this is how I can board a plane, or this is how I can order food, or go shopping," they may come to our site and ask, "Why is this not the same thing?" What the pandemic did was, because everybody was at home, digitization was accelerated in the entire economy. Five years ago, not many people made video calls. But now, doing a Zoom or a Teams call is how we conduct business today.

Digitization has accelerated so much that what was supposed to happen in five or seven years took place in just two years, and that has also led to a change in the consumer experience as well. When consumers are applying for a forbearance, they want a digital-first experience. That digital-first experience does not mean that compliance can be compromised.

Q: What are the challenges of maintaining that balance where you are trying to serve what the customers have come to expect, as well as advancing technology, but you still need to serve this baseline of compliance? What is that process like?

That's a great question. What I would say is that we think of it as it must start from thinking of the customer experience first and designing that process first, and then layering technology on top of it. We think of ourselves as a technology-forward, technology-first company, but we think of it as letting us design the right process, and then layer technology on top of it.

The second part of it is, just like when processes were performed by humans, there had to be extensive quality control, checking, and testing. That same thought process of rigor and testing has to be done when the process moves into a more automated mode. As you already pointed out, from a compliance perspective, the standards are still the standards. Just because things are automated does not mean the compliance standards have changed, and so doing rigorous testing of the rollout of new processes and new methodologies is super critical as we roll out new functionality.

Q: AI has been a topic that people have been talking about forever, what have you seen so far, and what are you working with? Is AI still in its early days? Are people getting overexcited about something that is not quite there yet?

The way I would frame it is AI is a technological capability. We think of it as, what are the use cases where this technology can be truly implemented?

One thing that we use is called "computer vision," and "computer vision" is the new name for OCR technology. Computer vision is basically AI's ability to read a document. Not to go too far into the weeds, but OCR is Optical Character Recognition. That technology used to work a certain way.

Computer vision is a new capability that allows bigger mortgage loan files and more documents. How do you go through a 500- to 700-page loan file to find what you are looking for? Computer vision allows any entity—an originator or servicer—to index documents and extract information from documents. The interesting part is the accuracy of that is now much higher. Five to seven years ago, this technology was still in its infancy. In our industry, due to compliance requirements, we need things to be at a certain level of accuracy before we can accept them. I would say that computer vision technology is at that level of accuracy.

These are the same capabilities that have been created by the big tech companies. Amazon has one model, Google has its model, Microsoft has a model, and then people have built models on top of their basic core technology.

I see people experimenting with virtual chat boxes, and again, because of compliance standards in our industry, I think that needs a little bit more work.

The last thing that we are working on is the next best action capability, whether that's consumer-facing or our internal employee-facing system. Working on the next best action capability and building that capability within our toolsets is the other area, where I think we are in the third inning of that game … it's coming along, but there's a lot more that can be done.

Q: One of the things that you hear anecdotally in a lot of the coverage of AI, in general, is concern about it being used to try to gauge credit scores, as there is inherent bias sneaking in based upon what data has not been fed and what assumption the AI is making. Where is that part of the conversation unfolding right now?

You are right that in AI and the way some of these AI models work … how does one test AI models for unconscious bias or bias that the model may not be looking to produce, but it may produce bias in the end? I would suggest that other aspects of consumer finance, things such as credit cards and other consumer finance products, are a little bit further ahead of us in terms of evaluating credit decisioning.

Much of the credit decisioning in our industry is done by some of the large investors, the GSEs, etc. They are the ones who are making these broader credit-decisioning guidelines, and then we as an industry follow through on those guidelines.

> **"I feel our industry has not developed a good use for mobile technology as of yet. Mobile technology is not a new technology, and it is not a frontier technology, but we have not found that killer app that has the borrower saying, 'Yes, I like it.'"**

Q: What are some of the frontier technologies that you are looking forward to that are maybe not ready for prime time? Where do you see the industry heading on a technological front?

I feel our industry has not developed a good use for mobile technology as of yet. Mobile technology is not a new technology, and it is not a frontier technology, but we have not found that killer app that has the borrower saying, "Yes, I like it."

I also feel like blockchain is a technology that just has not broken through as of yet. I think if there were a public blockchain that was, if I may even call it almost open source, everybody could write on, that would be interesting.

If you think of what merged it to us as an industry, blockchain could fit in that ilk of things where it is owned by the entire industry or is almost a public good that everybody uses. I know a couple of people have tried to implement that and execute on that, but I do not think they have managed to thread the whole needle all the way through. At some point, somebody's going to figure it out, but we haven't figured that out as an industry just as yet. MP

THE 2024

FIVE STAR EVENTS

MARK YOUR CALENDARS!

HAVANA Nights
A FIVE STAR INSTITUTE RECEPTION

Five Star Havana Nights Reception

February 20, 2024 | Cuba Libre Orlando, FL | 6:30-9:30 p.m.

(Hosted during the MBA Servicing Solutions Conference and Expo)

Each year, Five Star Institute hosts an elite social reception at Cuba Libre in Orlando, FL where mortgage servicing professionals, attorneys, and service providers convene for a night of valuable networking. Join power players across the country and make connections that will benefit your business.

VELOCITY
A FORCE CONFERENCE

Velocity: A FORCE Conference

March 27-29, 2024
Grand Hyatt | Nashville, TN

Velocity is an evolved, super-powered version of all that was great at REO Connect last year. The event is designed to serve professionals who work in the REO and adjacent markets—agents and brokers, asset managers, property management, attorneys, and servicers. It's named Velocity because it's powered through the expertise of FORCE members who have been in this market for years and thrived through these last few years. At this conference, FORCE leadership will gather the content and experts to teach others what it takes to build a business foundation that has *momentum* and *power*.

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GOVERNMENT Forum

Five Star Government Forum

April 16, 2024 | The National Press Club | 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.

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Lending/Originations

2024 ORIGINATION VOLUME FORECAST ON THE RISE

Looking into 2024, the Mortgage Bankers Association (MBA) has announced that it now predicts origination volume to total $1.95 trillion in 2024 compared to the $1.64 trillion volume that is expected to occur by the end of the year.

Purchase originations are forecast to increase 11% to $1.47 trillion next year. By loan count, total mortgage origination volume is also expected to increase by 19%, to 5.2 million loans in 2024 from 4.4 million loans expected in 2023.

The report was announced by Mike Fratantoni, Chief Economist and SVP for Research and Industry Technology; Joel Kan, VP, Deputy Chief Economist; and Marina Walsh, CMB, VP of Industry Analysis at the MBA's Annual Convention & Expo.

According to Fratantoni, the U.S. economy has been resilient throughout 2023, but MBA is forecasting that the combination of higher interest rates, tighter credit conditions, and a depletion of pandemic-era household savings will lead to a mild recession in the first half of 2024.

"Both fiscal and monetary policies have contributed to the much higher level of mortgage rates in 2023," Fratantoni said. "The Fed's hiking cycle is likely nearing an end, but while Fed officials have indicated that additional rate hikes might not be needed, rate cuts may not come as soon or proceed as rapidly as previously expected. Lower rates should help boost both homebuyer demand and increase the inventory of existing homes, thereby supporting purchase origination volume in 2024."

"The job market will likely slow as we enter 2024, with fewer jobs added and the unemployment rate increasing from its current rate of 3.8% to 5.0 % by the end of 2024. Inflation will gradually decline towards the Fed's 2% target by the middle of 2025," Fratantoni continued.

Fratantoni further believes as the economy slows and inflation falls, long-term rates will decline from current levels which should push mortgage rates lower. However, the spread between mortgage and Treasury rates remains roughly 120 basis points wider than typical, due to a combination of factors. MBA's baseline forecast is for mortgage rates to end 2024 at 6.1% and reach 5.5% at the end of 2025, as Treasury rates decline and as the spread narrows.

Still, the MBA expects national home prices will grow over the next three years, as tight inventory props up price growth. an emphasized that first-time homebuyers will account for a large portion of housing demand over the next few years, given the largest age cohort entering its prime homeownership ages; though there will still be challenges, as median purchase and interest payments remain high, for-sale inventory is scarce, particularly for entry-level homes, and credit availability is low.

"New home sales continue to be stronger than existing-home sales, as buyers increasingly turn to newly constructed homes given the dearth of existing home listings and how competitive the bidding process still is. Data from our Builder Applications Survey have shown solid year-over-year gains in purchase applications in recent months," Kan said.

Walsh noted during her presentation that production losses persisted in 2023 and that it will likely continue through next spring.

"Excess capacity continues to be a challenge for mortgage lenders, with low productivity levels and high expenses per loan," Walsh said. "Lenders have reduced their headcounts and gross expenses, but the record-low volume is a primary driver of these escalating per-loan costs."

The latest results indicated that lenders most value AI applications that might help automate this sort of data processing and identify potential anomalies.

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LENDERS ADOPTING AI AND MACHINE LEARNING TO IMPROVE EFFICIENCY

Businesses are increasingly leveraging digital technologies to reduce errors and costs, speed up transactions, and drive enhanced and better customer service according to Peter Ghavami, VP of Modeling and Data Sciences for Fannie Mae, and over the past decade or so, artificial intelligence (AI) and machine learning (ML) has gained traction across a variety of industries.

In the mortgage industry, areas of AI/ML applications include automation and streamlining manual processes such as fraud detection and clerical anomalies, assessing risk management, loss/default predictions, and analyzing customer behaviors to improve communication and personalization.

Building on work done in a previous Mortgage Lenders Sentiment Survey, Fannie Mae most recently re-surveyed lenders to assess how their views and experiences with AI/ML have changed.

Despite the growing ubiquity of AI/ML, we found that mortgage lenders' familiarity, current adoption status, and adoption challenges with the technologies have remained largely unchanged over the last five years. Specific findings of the 2023 survey include:

- Nearly two-thirds of lenders (65%) in 2023 said that they are familiar with AI/ML technology, consistent with 2018 (63%).
- Regarding adoption status, significantly fewer lenders in 2023 (7%) than in 2018 (14%) said they had deployed AI/ML. However, a significantly greater share said they have started deploying AI/ML on a limited or trial basis (22% in 2023 vs. 13% in 2018). Additionally, in the most recent survey, fewer lenders (29%) indicated that they expect to roll out AI/ML tools more broadly in the next two years compared to 2018 (38%).
- Among lenders who have not used AI/ML technology, the biggest barriers to adoption in 2023 remained the same. These include integration complexity with current infrastructure, lack of proven record of success, and high costs. Mortgage banks are more likely than depository institutions to cite integration complexity as a serious challenge. Data security and privacy concerns have also grown significantly since 2018.

This year, lenders overwhelmingly cited improving operational efficiency as the primary motivation behind adopting AI/ML (73% in 2023 vs. 42% in 2018). The use case of enhancing the consumer/borrower experience faded significantly as a top reason (7% in 2023 vs. 41% in 2018).

Among the seven ideas tested in the survey, using AI systems to automate compliance review was the most appealing to lenders, especially for depository institutions. The second most appealing idea was anomaly-detection automation to help identify fraud or defects early in the underwriting process. When asked to recommend AI application ideas for the GSEs to develop for the mortgage industry, lenders pointed to appraisal automation, borrower income/employment verification, data/documentation reconciliation and standardization, and compliance management.

According to Fannie Mae, these survey results showed a clear shift in AI priorities and painted a more grounded picture of how AI might be leveraged among mortgage origination firms in the near and intermediate term. The mortgage industry consumes immense quantities of data from a wide variety of sources; this is a natural pain point for industry participants across the value chain.

The latest results indicated that lenders most value AI applications that might help automate this sort of data processing and identify potential anomalies. Given the rising costs of today's business environment, AI applications intended to improve operational efficiency are highly valued by lenders and could function as a starting point among industry stakeholders to encourage wider adoption.

Over the years, lenders have stressed the importance of the "human touch" in the mortgage business, particularly as it pertains to customer interactions. For their part, consumers have expressed a similar preference for human involvement during much of the home purchase process, which, for many, represents the largest financial transaction of their lives.

Regardless, as these technologies mature, we expect humans and AI/ML to play to their respective strengths within the mortgage industry, with the latter likely to handle more of the back-end processing and the former continuing to build and maintain the customer relationships necessary to drive sales.

Default Servicing

U.S. FORECLOSURE FILINGS UP 34% YEAR OVER YEAR IN Q3

According to ATTOM's Q3 2023 U.S. Foreclosure Market Report, there were a total of 124,539 U.S. properties with foreclosure filings—default notices, scheduled auctions, or bank repossessions—up 28% from the previous quarter, and 34% from a year ago. The report also shows there were a total of 37,679 U.S. properties with foreclosure filings in September 2023, up 11% from the previous month, and up 18% from September 2022.

ATTOM found that lenders began the foreclosure process on 68,961 U.S. properties in Q3 2023, down just 1% from the previous quarter, but up 3% from a year ago—nearly reaching pre-pandemic levels.

States that had 1,000 or more foreclosure starts in Q3 2023 and saw the greatest annual increases were:

- North Carolina (up 53%)
- Louisiana (up 47%)
- Pennsylvania (up 24%)
- Alabama (up 18%)
- Nevada (up 16%)

"Foreclosures are on the rise again this quarter, as indicated by our latest foreclosure numbers," said Rob Barber, CEO at ATTOM. " The number of new cases filed by lenders in the third quarter did rise just a small amount from the same period last year, and actually dipped a bit quarterly—signs that the upward pattern may be easing. But foreclosure starts are nearly back to where they were two years ago when the federal government lifted a pandemic-related moratorium on most foreclosure filings. This rise in foreclosures might also be attributed to pending filings finally processing. Even with the national economic upturn and job stability, it's evident that some homeowners are still grappling with the pandemic's financial aftermath or encountering new challenges."

Among the 223 metropolitan statistical areas analyzed in the report those that posted the greatest number of foreclosure starts in Q3 2023, included:

- New York, New York (4,514 foreclosure starts)
- Chicago (2,584 foreclosure starts)
- Houston, Texas (2,279 foreclosure starts)
- Los Angeles (2,273 foreclosure starts)
- Philadelphia (2,104 foreclosure starts)

Bucking the national trend of annual increases, among those metropolitan areas with a population greater than one million that saw a decline in foreclosure starts in Q3 2023 were:

- Salt Lake City (down 74%)
- Chicago (down 35%)
- Kansas City, Missouri (down 34%)
- Columbus, Ohio (down 22%)
- Milwaukee (down 21%)

Nationwide, one in every 1,121 properties had a foreclosure filing in Q3 2023. States with the highest foreclosure rates in Q3 2023 were found in:

- New Jersey (one in every 595 housing units with a foreclosure filing)
- South Carolina (one in every 730)
- Delaware (one in every 739)
- Nevada (one in every 763)
- Maryland (one in every 780)

Among 223 metropolitan statistical areas analyzed in the report, those with the highest foreclosure rates in Q3 2023 were:

- » Houston, Texas (one in every 371 housing units with a foreclosure filing)
- » Atlantic City, New Jersey (one in every 453)
- » Cleveland (one in every 459)
- » Bakersfield, California (one in every 465)
- » Columbia, South Carolina (one in every 503)

Lenders repossessed 11,020 U.S. properties through foreclosure (REO) in Q3 2023, up 9% from the previous quarter, and up 5% from a year ago.

States that posted the largest number of completed foreclosures in Q3 2023, included:

- » California (1,277 REOs)
- » Illinois (1,057 REOs)
- » Pennsylvania (743 REOs)
- » New York (673 REOs)
- » Ohio (635 REOs)

Properties foreclosed in Q3 2023 had been in the foreclosure process an average of 778 days, down 36% from 1,212 days in the previous quarter, and down 12% from 885 days in Q3 2022, to the lowest level since Q2 2020.

States with the longest average foreclosure timelines for homes foreclosed in Q3 2023 were:

- » Louisiana (3,045 days)
- » Hawaii (2,498 days)
- » New York (1,941 days)
- » Nevada (1,690 days)
- » New Jersey (1,621 days)

States with the shortest average foreclosure timelines for homes foreclosed in Q3 2023 were:

- » Texas (160 days)
- » Montana (169 days)
- » Wyoming (177 days)
- » Missouri (211 days)
- » Michigan (213 days)

In September 2023 alone, one in every 3,706 properties had a foreclosure filing. States reporting the highest foreclosure rates in September 2023 were Nevada (one in every 2,163 housing units with a foreclosure filing); Maryland (one in every 2,253 housing units); South Carolina (one in every 2,260 housing units); Delaware (one in every 2,380 housing units); and New Jersey (one in every 2,531 housing units).

ATTOM also reported that in September 2023, 25,042 U.S. properties started the foreclosure process, up 9% from the previous month, and up 15% from a year ago.

Nationwide, lenders completed the foreclosure process on 4,334 properties in September 2023, up 29% from the previous month, and up 24% from a year ago.

GSEs COMPLETED NEARLY 50K FORECLOSURE PREVENTION ACTIONS IN Q2

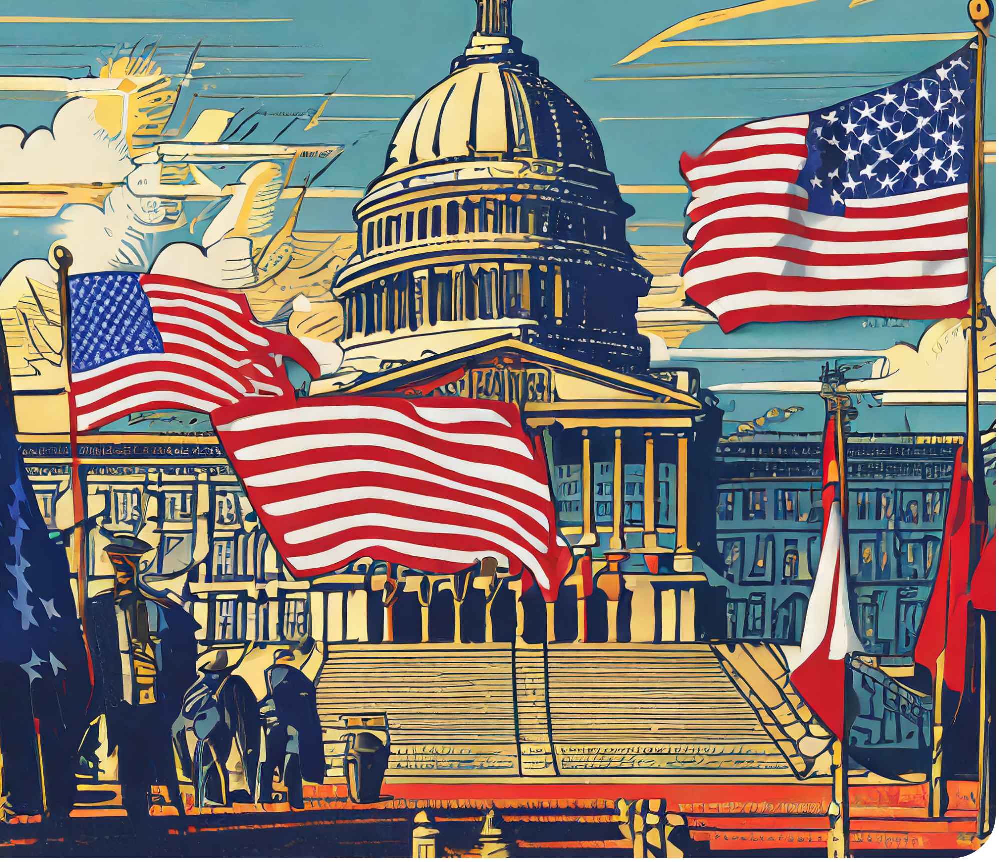
The Federal Housing Finance Agency (FHFA) has released its 2023 Foreclosure Prevention and Refinance Report for the second quarter of 2023, showing that Fannie Mae and Freddie Mac completed 47,370 foreclosure prevention actions during the quarter, raising the total number of homeowners who have been helped to 6,818,471 since the start of conservatorships in September 2008.

The report also shows that 33% of loan modifications completed in Q1 reduced borrowers' monthly payments by more than 20%. The number of refinances increased from 78,445 in Q1 of 2023 to 93,952 in Q2 of 2023.

The GSEs' serious delinquency rate declined slightly from 0.60% to 0.55% at the end of Q1; this compares with 3.71% for Federal Housing Administration (FHA) loans, 2.15% for Veterans Affairs (VA) loans, and 1.61% for all loans (industry average).

Other highlights from the Q2 2023 Foreclosure Prevention and Refinance Report include:

- » Forbearance: At the end of Q2, there were 54,109 loans in forbearance, representing approximately 0.17% of the Enterprises' single-family conventional book of business, down from 65,109 or 0.21% at the end of Q1 of 2023. Approximately 2% of these loans have been on a forbearance plan for more than 12 months.
- » Mortgage performance: The 60-plus day delinquency rate decreased slightly from 0.75% at the end of Q1 of 2023 to 0.72% at the end of Q2 of 2023.
- » Foreclosures: There were 3,783 completed third-party and foreclosure sales in Q2, up 2% compared with Q1 of 2023. The number of foreclosure starts decreased from 19,809 in Q1 to 17,919 in Q2 of 2023.
- » Foreclosure prevention activity and home forfeiture actions: There were 193 completed short sales and deeds-in-lieu in Q2, bringing the total to 704,628 since the start of conservatorships. The number of completed short sales and deeds-in-lieu increased by 30% in Q2 compared to Q1 of 2023. These foreclosure alternatives help to reduce the severity of losses resulting from a borrower's default and minimize the impact of foreclosures on borrowers, communities, and neighborhoods.
- » Real estate owned (REO) activity & inventory: The GSEs' REO inventory decreased 1.2% from 11,190 in Q1 of 2023 to 11,061 in Q2 of 2023, as property dispositions outpaced acquisitions. The total number of property acquisitions decreased slightly to 1,639, while dispositions rose 16% to 1,767 during Q2.
- » Delinquent loans by state: The total number of the GSEs' delinquent loans increased in Q2 of 2023. Approximately 34% of the Enterprises' troubled borrowers had missed three or more payments at the end of the quarter. California reported the highest number of 90-plus days delinquent loans, followed by Florida and Texas. As of June 30, 2023, approximately 33% of the troubled borrowers in California had missed three or more monthly payments, compared to 38% in Florida, and 31% in Texas.



Government

LOOKING BACK ON 10 YEARS OF CRT

Ten years ago, Fannie Mae launched a new program known as CRT, or Credit Risk Transfer, which offloads risky loans to investors which in turn helps taxpayers and helps the GSE provide opportunities for investors and reinsurers to invest in U.S. housing, and ultimately helps to build a stronger and more durable housing finance system.

In total, 125 CRT transactions have taken place through its two primary CRT programs: Connecticut Avenue Securities (CAS) and Credit Insurance Risk Transfer (CIRT). Between these two programs, Fannie Mae has offloaded $88 billion of risky mortgages on $2.9 trillion of unpaid principal balances at issuance as of the end of September.

Fannie Mae maintains $3.6 trillion of single-family guaranty book of business as of the end of June 2023 and remains one of the largest credit risk managers in the mortgage industry.

"Over the years, we've developed robust policies, underwriting and servicing applications for our lender partners, and analytics for managing that credit risk so that we can continue to serve our housing mission," Fannie Mae said. "Not only are these tools important for our borrower, renter, and lender stakeholders, but they're also critical to our investors."

The program began in 2013 when Fannie Mae sought to share mortgage credit risk with investors and reinsurers, which facilitated the flow of private capital between the GSE's lender customers and a diverse swath of private market participants. The initial goal was to build the market and expand liquidity, while protecting taxpayers, during a time when the GSEs were not permitted to retain earnings.

The success of this program to date, as evidenced by the broad interest from investors and reinsurers, reinforces our confidence in CRT as an important tool for our company, even now as Fannie Mae is able to retain earnings to restore capital.

"The valuable partnership we've built with an array of investors and reinsurers has been integral to building a broad and liquid market," said Devang Doshi the SVP of Single-Family Capital Markets for Fannie Mae. "We're grateful for our deep and diverse CRT community who regularly engages with us to strengthen the programs, which is critical in shaping our strategy and delivering on our mission."

By the numbers:

- Brought over 125 CAS and CIRT transactions to market.
- Developed a deep and diverse investor base with participation from over 265 investors and 50 reinsurers.
- Transferred over $88 billion of credit risk on over $2.9 trillion of unpaid principal balance (UPB) at issuance as of September 30.
- Repurchased $7.9 billion original principal amount of CAS debt across five tender offers.
- Exercised our early termination option to cancel 36 CIRT transactions before their scheduled maturity dates.
- Published a historical research dataset of over 54 million loans.

"We remain committed to CRT and look forward to the continued partnership ahead," Fannie Mae concluded.

BIPARTISAN LEGISLATION AIMS TO SUPPORT VETERAN HOMEBUYERS

U.S. Sen. Sherrod Brown, Chair of the Senate Committee on Banking, Housing, and Urban Affairs, and Sen. Mike Braun (R-IN) have introduced new legislation, the VA Home Loan Awareness Act of 2023, to help inform veteran homebuyers of their eligibility for the VA Home Loan Program, which helps more veterans achieve the dream of homeownership.

"By letting veterans and servicemembers know they may be eligible for a VA home loan, we can help make the dream of homeownership a reality for more military families and make sure that the Ohioans who have served our country get the benefits they've earned," Sen. Brown said.

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

"Those who have risked their lives for our freedom should be able to afford a house in the country they've sworn to protect," Sen. Braun said. "I am glad to lead this bill to inform Hoosier veterans of the benefits they that have earned and deserve."

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

The VA Home Loan Awareness Act of 2023 would add a disclosure to the standard mortgage prequalification application (Uniform Residential Loan Application) to inform veterans that they may qualify for a VA Home Loan. Because this form was recently updated in March 2021 to include a section for military service information, this bill would only add an additional line to that section informing veterans of this critical benefit.

Co-sponsoring the Act are Sens. Jacky Rosen, Ted Budd, Chris Van Hollen, Marco Rubio, Kyrsten Sinema, Thom Tillis, Bernie Sanders, Amy Klobuchar, Sheldon Whitehouse, Mark Kelly, Raphael Warnock, Jack Reed, Angus King, and Peter Welch.

"We work to support our veterans with housing, medical care, and more in recognition of their support of our country, and we must ensure that veterans are aware of those benefits so they can make informed choices," Sen. Klobuchar said. "This bipartisan legislation will ensure home loan applications for veterans include information stating that they may qualify for a VA Home Loan."

> **"Those who have risked their lives for our freedom should be able to afford a house in the country they've sworn to protect. I am glad to lead this bill to inform Hoosier veterans of the benefits they that have earned and deserve."**
>
> —Sen. Mike Braun (R-IN)

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HUD AWARDS $10.5M+ IN GRANTS TO EMPOWER UNDERSERVED HISPANIC COMMUNITIES

The U.S. Department of Housing and Urban Development (HUD) has announced $10.5 million in grant awards to four Hispanic Serving Institutions (HSIs) to establish research Centers of Excellence (COEs) to conduct housing and community development research.

HUD made the announcement at the University of Arizona in Tucson, which is partnering with Arizona State University to launch the Arizona Research Center for Housing Equity and Sustainability (ARCHES) with support from HUD.

Additional schools that have been awarded grants include Texas Tech University, The University of Texas at Austin, and Texas A&M University.

"It is fitting that we are making this announcement as we celebrate Hispanic Heritage Month," HUD Secretary Marcia L. Fudge said. "HUD is committed to working with our partners in Hispanic communities to ensure access to affordable, fair, and safe housing and homeownership opportunities. These grants assist Hispanic Serving Institutions in achieving this goal."

An HSI is defined as an institution of higher education that is an eligible; and has an enrollment of undergraduate full-time equivalent students that is at least 25% Hispanic students at the end of the award year immediately preceding the date of application.

HUD's funding empowers awardees to conduct innovative research addressing housing, economic development, and the built environment in underserved communities, leveraging their unique perspectives as institutions serving these areas.

"Each of these universities serves as opportunity accelerators for students and anchors for their communities," said Solomon Greene, Principal Deputy Assistant Secretary of HUD's Office of Policy Development and Research. "These grants will help them build their capacity to do rigorous and timely research that addresses some of the most pressing housing and community development issues in their community. At HUD, we look forward to learning alongside them and sharing the research and evidence-based insights they develop so all communities can benefit." ASU received $3 million for the Arizona Research Center for Housing Equity and Sustainability (ARCHES) HSI Center of Excellence, a collaborative effort with the University of Arizona (UA) Drachman Institute. ARCHES aims to enhance housing security, climate, and health in the arid Southwest, including New Mexico, through research on equitable housing growth, aging community health, and housing resilience, using diverse data sources and rigorous analytics.

Texas Tech University was awarded $3,207,839 for the Center of Excellence in Climate Resilient and Equitable Housing (CECREH). CECREH will address disparities in disaster-stricken communities, especially among low-income and minority groups, by advancing research across various disciplines like engineering, economics, and social sciences. This research will lead to innovative post-disaster housing recovery solutions for underserved communities.

The University of Texas at Austin received $2,459,527 for the UT Austin Equitable Technologies for Housing Innovation Center (ETHIC). ETHIC will research spatial patterns affecting housing inequity, develop an industrialized construction system for more affordable housing and jobs, and apply sustainable methods to tackle climate change's impact on housing equity across the supply chain.

Texas A&M University secured $1,832,634 to create the Center of Excellence in Hispanic Housing Studies (CoHHS). CoHHS aims to enhance environmental health and economic well-being for Hispanic households and communities through community-informed practices, policies, and products. It will also utilize outreach programs to identify research-driven solutions and develop evidence-based toolkits for meaningful change.

BIDEN ADMINISTRATION INVESTS IN CLIMATE RESILIENCE UPGRADES FOR LOW-INCOME HOUSEHOLDS

The U.S. Department of Housing and Urban Development (HUD) has awarded $103.4 million in new loans and grants to renovate the homes of 1,500 low-income households to be zero energy and resilient at 16 HUD-Assisted Multifamily Housing properties under the Green and Resilient Retrofit Program (GRRP) as part of President Biden's Investing in America agenda, a key pillar of Bidenomics.

These GRRP awards will support working families and modest-income individuals by making upgrades that could otherwise be cost-prohibitive to increase resilience and energy efficiency while enhancing their lives at home by structurally modernizing the homes. The awards represent the Biden administration's commitment to ensuring America's clean energy economy translates into investments in more housing supply, and safer, healthier housing that is resilient to climate disasters.

President Biden's Inflation Reduction Act established the GRRP with more than $800 million in grant and loan subsidy funding to support up to $4 billion in loans. Recently, HUD announced its first-ever Funding Navigator, an interactive tool that allows users to browse and sort federal funding opportunities for billions of dollars in funding available under the Inflation Reduction Act (IRA) and the Bipartisan Infrastructure Law (BIL). In addition, under new direct pay provisions in the IRA, tax-exempt entities, Tribes, and units of government now qualify for 48, 48(e), and 11 other clean energy-related tax credits.

All the investments under the GRRP will advance President Biden's environmental justice agenda by serving low-income families in disadvantaged communities, in alignment with the administration's Justice40 Initiative, which ensures the overall benefits of certain Federal investments flow to disadvantaged communities that are marginalized by underinvestment and overburdened by pollution. These investments will directly benefit residents of HUD-assisted housing, each in a disadvantaged community, and will make their homes more resilient to extreme weather events and enhance their ability to respond to and recover from such events. Without this funding, HUD-assisted multifamily properties would not be able to make the same investments in greener, safer, and healthier properties that other, market-rate multifamily properties are making today.

"The Biden-Harris administration is committed to building more affordable housing and improving the quality of life for residents living in those homes," HUD Secretary Marcia L. Fudge said. "The Green and Resilient Retrofit Program continues to improve our nation's climate resilience by making sure low-income families and individuals have access to affordable housing that is strong, healthy, and energy efficient. Thanks to President Biden's Investing in America agenda and Bidenomics, this investment brings the quality-of-life benefits of clean energy homes and advances our work, preserving the affordable housing in communities for the future."

HUD's latest investments will help combat the climate crisis, increase the supply of affordable housing, and support equitable economic development in American communities. In the GRRP Leading Edge category, owners are required to commit to achieving recognized green certifications, such as PHIUS REVIVE or LEEDv4 Gold or Platinum, that will lead to significant property upgrades such as on-site solar, wind turbines, FORTFIED-rated roofing, and other substantial energy efficiency and climate resilience improvements. To date, HUD has awarded more than $121 million in grants and loans in the first two GRRP funding waves, including today's awards and awards announced on September 13, 2023, under the GRRP Elements category.

In addition, to HUD's GRRP funding,

the agency continues its work to increase the supply of affordable and sustainable housing by releasing the Climate Resource for Housing Supply Framework. The Framework discusses how climate-related investments can support the development of housing, particularly affordable housing. Key objectives of this framework are to increase awareness of new funding that can be used to address both the housing shortage and climate change and to demonstrate ways to increase project viability by layering new funding sources with existing resources.

"In the past few months alone, we've witnessed devastating climate events that have destroyed people's lives and homes," Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon said. "We must protect and strengthen the homes in which Americans reside, particularly those occupied by our nation's most vulnerable populations, which is why we're working so hard to get climate resilience and energy efficiency resources into low-income communities across the country."

GRRP is the first HUD program to simultaneously invest in energy efficiency, renewable energy generation, climate resilience, and low embodied carbon materials in HUD-assisted multifamily housing. Investments under the program will be made in affordable housing communities serving low-income families in accordance with Bidenomics—President Biden's agenda for building the American economy from the middle out and the bottom up.

The GRRP Notices of Funding Opportunity (NOFO) and additional guidance released on May 11, 2023, detail the multiple funding options for which property owners may apply:

» Elements provide funding to owners for proven and meaningful climate resilience and utility efficiency measures in projects that are already in the process of being recapitalized.
» Leading Edge provides funding to owners with plans for ambitious retrofit activities to achieve an advanced green certification.
» Comprehensive provides funding to properties with the highest need for climate resilience and utility efficiency upgrades, regardless of prior development or environmental retrofit experience.

Property owners are encouraged to continue to submit applications for grant awards or loans in any of the three categories. HUD is reviewing applications under one category each month for the duration of funding availability. HUD expects to announce awards regularly throughout 2023 and 2024, including awards under the Comprehensive category.

HUD AWARDS $60 MILLION TO ADDRESS YOUTH HOMELESSNESS NATIONWIDE

The U.S. Department of Housing & Urban Development (HUD) has awarded $60.3 million to build systems to end youth homelessness in 16 communities across the country, including four rural communities. The funding was awarded through HUD's Youth Homelessness Demonstration Program (YHDP) to support a range of housing programs, including rapid re-housing, permanent supportive housing, transitional housing, and host homes.

"Every young person in our country deserves a safe place to call home. Connecting homeless youth with appropriate, targeted housing and services will make an enormous difference in their lives," HUD Secretary Marcia L. Fudge said. "These federal funds will support efforts in communities across the county to provide vulnerable young people with the secure, stable, and supportive housing they urgently need."

HUD continues to work closely with the nation's youth to develop and improve the YHDP program, relying upon recommendations provided directly by young people who have experienced homelessness. HUD partners with youth with lived-in experience to assess the applications submitted for funding consideration. Their assessment helped HUD ensure that applicants understood the needs and preferences of the young people they would serve.

HUD also worked closely with its federal partners to help develop the program and review applications, including the Department of Health and Human Services, the Department of Education, and the U.S. Interagency Council on Homelessness.

"HUD takes a youth-centric approach in our efforts to end youth homelessness," HUD Deputy Secretary Adrianne Todman said. "The Youth Homelessness Demonstration Program provides communities the opportunity to address the unique needs of youth and young adults and designs specific projects that meet their needs. With this funding, HUD is targeting federal resources to meet local needs and support community-driven efforts to end youth homelessness and improve outcomes through stable housing and services."

YHDP recipients will use their funding to address youth homelessness that is specifically tailored to their needs, including funding for housing units, wrap-around services, and housing support. YHDP will also support youth-focused performance measurement and coordinated entry systems. The goal of the YHDP is to support selected communities in the development and implementation of a coordinated community approach to preventing and ending youth homelessness.

HUD's approach supports the foundations outlined in "All In: The Federal Strategic Plan to Prevent and End Homelessness" and will guide communities in designing solutions that match the needs of their community with special attention on creating equitable strategies to assist youth who are most vulnerable, including BIPOC, LGBTQIA+, and differently abled youth.

According to HUD, all YHDP communities are required to establish Youth Action Boards, in which young people with lived experience lead the community effort to design, implement, and improve programs and policies to end youth homelessness in their communities.

Including these awards, to date, HUD has awarded YHDP funding to 110 communities, representing a $440 million investment to prevent and end youth homelessness.

> "As leaders of this Department, we have an incredible opportunity to shape how housing policies affect the Latino community across the country."
>
> —**Elizabeth de Leon Bhargava**, HUD's Assistant Secretary for Administration

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HUD LAUNCHES LATINO TASK FORCE

In line with Hispanic Heritage Month, the Department of Housing and Urban Development (HUD) has launched a new task force dedicated to empowering the Hispanic community and bridging disparities in housing, procurement, and housing practices.

This task force is part of a larger initiative across the Federal Government to enhance educational and economic opportunities for Hispanics and Latinos.

"It is my honor to serve alongside talented, unique, and hard-working public servants of all backgrounds, including the Latino community" HUD Secretary Marcia L. Fudge said. "I am in awe of the work our Hispanic colleagues have done to create the inaugural Latino Task Force, a group that will bring us closer to accomplishing our agency's pledge to equity, inclusion, and diversity."

The Task Force will assemble career and political staff from all corners of the agency to promote economic opportunities for the Hispanic community, drive new policy initiatives to advance equity for the Hispanic community, and create a more inclusive Department through language access, procurement, and hiring. The Task Force was created in response to the Executive Order on the White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Hispanics, announced in September 2021.

"As leaders of this Department, we have an incredible opportunity to shape how housing policies affect the Latino community across the country," said Elizabeth de Leon Bhargava, HUD's Assistant Secretary for Administration. "If we want to see a meaningful impact on policies, there need to be people at the table with the lived experience that can influence those decisions."

Over 20 HUD employees participated in the Task Force's inaugural meeting, led by Assistant Secretary Bhargava, the highest-ranking Latina leader at HUD. Together, this group aims to achieve the following goals:

Workforce Development and Economic Success

- Highlight and uplift current HUD policies affecting the Latino community.
- Identify improvement opportunities in HUD policies and communications.

Federal Procurement and Economic Opportunity

- Lower barriers to entry for procurement opportunities.

Federal Workforce Opportunity

- Identify ways to bolster Latino hiring at HUD.
- Increase access to HUD opportunities by ensuring Spanish language access across the Department's applications and policies.

The U.S. Hispanic population stands at 62.1 million, according to the 2020 U.S. Census. This means Hispanics account for 19% of all Americans—the largest ethnic-racial minority group in the country. Research shows that Hispanics experience severely inadequate housing at double the rate of non-Hispanics. In the 2019 "Worst Case Housing Needs" report to Congress, HUD found that between 2017 and 2019, nearly 25% of Hispanic households met the criteria for worst needs, either paying more than one-half of income toward housing costs, living in severely inadequate conditions, or both.

EXAMINING FHFA'S TRANSITION TO A BI-MERGE CREDIT ANALYSIS

As the Federal Housing Finance Agency (FHFA) has proposed to utilize two instead of three credit reports during the mortgage application process, TransUnion reports that the change could result in unintended consequences for consumers, while doing little to achieve the organization's stated goal of reducing mortgage borrower costs.

TransUnion's analysis found that moving to a bi-merge (using only two credit reports in the mortgage underwriting process) could result in two million consumers becoming ineligible for a government-sponsored enterprise (GSE) mortgage. Their ineligibility would be due to gaps that can exist among lenders when it comes to reporting. Using only two credit scores will often result in an incomplete and inaccurate picture being painted of a potential borrower—particularly if a consumer's most favorable set of credit data is the one that gets excluded.

Additionally, 600,000 new mortgage borrowers per year could end up paying more in interest under the bi-merge than they would have if all the tri-merge information were used and could cost consumers $6,600 in additional interest over the life of the mortgage.

Last October, the FHFA announced that the GSEs would work toward changing the requirement that lenders provide credit reports from all three nationwide consumer reporting agencies (CRAs). The GSEs have been working with stakeholders on a plan for implementing the change from a tri-merge credit report requirement to a bi-merge credit report requirement.

TransUnion, in its findings, reports that consumers most likely to be affected—those with credit scores hovering in the 620 range, the edge of GSE mortgage qualification—are disproportionately Black, Hispanic, low- to moderate-income (LMI), and first-time homebuyers. These groups of potential homeowners are 50% over-represented in that range. As a result, they may shoulder several negative consequences of moving to a bi-merge system.

"Under a bi-merge, first-time homebuyers who have thin files or are new-to-credit could become unscorable or, if they are scored at all, could be charged a higher interest rate than they would otherwise," said Joe Mellman, SVP and Mortgage Business Leader at TransUnion. "Just one missing tradeline that may result from using one less credit report could dramatically impact eligibility and monthly payments. Ultimately, the decision to only use two credit reports could make all the difference in whether an interested homebuyer is able to buy a home or not."

In addition to holding creditworthy borrowers out of the market, a bi-merge could have the reverse effect on otherwise ineligible borrowers, potentially increasing default risk. An estimated 200,000 consumers ineligible for an FHFA mortgage under the tri-merge system will borrow a GSE mortgage and may find themselves in homes they cannot afford in an economic downturn. Incomplete information could also lead to some paying less interest than their true risk merits.

GSEs may also annually lose out on $4 billion in risk-based interest fees due to such loans. If that risk premium is to be made whole, those costs may potentially be passed on to taxpayers or subsidized through increased pricing for lower-risk borrowers.

"By intentionally bypassing vital consumer credit information from the third credit bureau, the proposed changes could result in miscalculated consumer affordability and risk," said Jason Laky, EVP and Head of U.S. Financial Services for TransUnion. "As a result, many consumers will be given mortgages that they cannot afford or at higher cost. We've seen the devastating effect that had on homeowners during the Great Recession."

The mortgage lenders that TransUnion surveyed relayed concern over compliance with fair lending laws, and the risk of potential gaming of the system for the two highest scores by lenders and consumers. They also questioned the value of moving to a bi-merge standard, given the significant expense the industry will incur to make the move.

While an important goal in making this potential change is to provide cost savings to consumers throughout the mortgage process, the analysis shows that this change may cost consumers more as a result. While there is a potential for consumers to see a $10 to $20 savings through the pulling of one less credit report, the aforementioned added implementation, legal and compliance, added risk costs and potential for higher interest rates would likely dwarf the savings—and could ultimately be passed back to consumers in fees outsizing any one-time data savings.

"Not only will consumers save less than one-fifth of one percent of mortgage origination costs by not paying for complete data, but mortgages could ultimately become more expensive if investors demand higher premiums to compensate for additional risks, vendors charge more to make up for a complex transition, and lenders charge more to recoup additional legal, compliance, and regulatory oversight needed," Mellman added.

Market Trends

BABY BOOMERS, MILLENNIALS LEAD THE NATION IN SOLO RENTING

Renting is a common housing arrangement for many Americans, but not all renters like sharing their space with other people. In fact, the number of lone renters is on the rise.

Between 2016 and 2021, renters living alone increased by about 1 million people, reaching 16.7 million (up 6.7%). That's the fastest-rising renter group during those five years, having accelerated significantly during 2020.

Baby boomers and millennials are the biggest fans of solo renting, while very few Gen Zers are venturing on their own. That's mainly because living alone comes at a premium cost: To rent an apartment alone, a renter needs an extra annual income of $8,600 compared to the average renter.

Top 10 Metros With the Smallest Income Gap Between Solo Renters vs. Average Renters

- Akron, Ohio
- Pittsburgh
- Providence, Rhode Island
- Toledo, Ohio
- Dayton, Ohio
- Knoxville, Tennesse
- Cleveland
- Omaha, Nebraska
- Worcester, Massachusetts
- Rochester, New York

Top 10 Metros With the Highest Rise in Renters Living Alone

- Salt Lake City
- McAllen, Texas
- Austin, Texas
- San Antonio
- Charlotte, North Carolina
- Fresno, California
- Jacksonville, Florida
- Albuquerque
- Dallas
- Raleigh, North Carolina

Salt Lake City saw the biggest increase in solo renters between 2016-2021, while Philadelphia and Indianapolis recorded the largest shares of people renting by themselves.

At the same time, living alone as a renter is easiest (from a financial point of view) in Akron and other places in Ohio.

Renting alone has become increasingly popular in recent years. The number of solo renters reached a record high of 17.7 million in 2020, as the pandemic spread, and more people adopted distancing.

On the other hand, renters living with roommates saw a different pattern: They peaked at 6.3 million in 2019, and only partially bounced back to 5.8 million after the pandemic. Meanwhile, people living with family in rented apartments dropped from 71.3 million in 2016 to 68.1 million in 2021.

With that in mind, we wanted to get a clearer view of the evolution of renting alone across the country in recent years, including the breakdown by generation, which metros saw the biggest increases in the number of renters living alone, and where it was easiest and hardest to rent alone.

Baby boomers make up the biggest slice of solo renting, followed by millennials

Baby boomers make up the largest population of renters living alone in the United States (an estimated 32.4%, or 5.3 million), whereas just half a million share their rental home with a roommate. This can be largely attributed to the fact that aging in place is more feasible these days, especially with the rise of smart home technologies and easy access to online shopping and services.

What's more, baby boomers renting alone need an income of just under $50,000 to maintain a solo renter lifestyle. That's approximately $16,300 more than what the average renter needs to afford rent, based on individual income estimates from the U.S. Census Bureau.

Next, although the majority of millennials are now homeowners, they remain the dominant generation of renters, and about 4.8 million of them are opting for solo living arrangements, either by choice or by necessity. Thus, millennials represent 29.5% of Americans renting by themselves.

In addition, millennials renting alone boast an average income of $55,973, which is about $22,300 above the average renter's income. That's a clear indication of how much they value having their own space and freedom—without having to deal with the inconvenience of sharing their rental homes with others.

Gen X represents 3.5 million solo renters enjoying privacy at home as hybrid work persists. They are followed by the Silent Generation (totaling 2.1 million solo renters) and Gen Zers (640,000).

Solo renters surge the most in Salt Lake City, but Texas dominates the top 10

Salt Lake City saw the biggest increase in the share of renters living alone between 2016 and 2021 among all metros analyzed—up by as much as 24.9% for a total of 50,265 renters. That said, lone renters here account for 15% of the metro's entire population of renters.

Plus, with healthcare, technology, and energy thriving in Salt Lake City, it's easy to see why so many renters are choosing to call this growing city home. Granted, the cost of living in Salt Lake City is slightly higher than the national average, but it's still relatively affordable compared to other big metros.

Next comes McAllen, Texas, which attracts renters with its extremely reasonable cost of living, affordable housing, and growing economy. Here, the share of lone renters grew 24.2% to a total of 19,579 in 2021, or 8% of the metro's renter population.

Staying in the Lone Star State, solo renters in Austin grew 23.9%, from 114,510 to 141,923 in five years. With that, this category now represents 18% of the city's population of renters. And, with its booming tech industry, many professionals in "Silicon Hills" enjoy the convenience of renting alone.

At the same time, San Antonio's share of solo renters saw a 21.7% spike, pushing the number of renters living alone throughout the metro to 125,638, or 15% of its entire renter population. Dallas completes the list of Texas cities dominating the top 10, due to its 16% increase between 2016 and 2021. As such, lone renters in the Big D now total 402,404, making up 15% of all renters in the metro.

Interestingly, among all metros analyzed, Philadelphia and Indianapolis boast the largest share of renters living alone—both at 20%—after their numbers increased by 12.7% and 12%, respectively, in those five years. Currently, solo renters total about 352,000 in Philadelphia and almost 122,000 in Indianapolis.

Lone renters get the best bang for their buck in Ohio, with Akron emerging as the best metro to rent alone

Living alone as a renter can be challenging financially. However, there are some places in the United States where solo renters can afford to live comfortably and enjoy a good quality of life without breaking the bank. To that end, we ranked the locations where the gap between the income of lone renters and the income of average renters is the smallest. In this case, Ohio claims four spots among the top 10 metros where it's easiest on the wallet to live as a solo renter.

Akron, Ohio, is the nation's best metro for lone renters from a financial standpoint, earning an extra $261 per month compared to regular renters). More precisely, those renting in Akron alone have an average annual income of $30,520, while the average renter makes $27,384 per year. That said, 42,515 (or 21%) of all renters here live alone and enjoy Akron's low cost of living, budding startup scene, and all of the attractions it has to offer.

Pittsburgh is the #2 metro in the United States where it's easiest to rent alone. Making up more than 25% of the city's population of renters, those renting alone in Pittsburgh have an average yearly income of $36,706. That's just $3,382 (or 10%) more than what regular renters make per year.

Further northeast, in Providence, Rhode Island, renters living without roommates represent 20% of the metro's renter population. On average, their annual income is $36,354, which is 13% higher than a regular renter's income in the area. This means that lone renters in Providence make an extra $4,380 per year or $365 per month.

California claims half of the top 20 places where it's hardest to rent alone, led by San Jose

Living alone in a rental apartment in California can be challenging, and most

Interestingly, among all metros analyzed, Philadelphia and Indianapolis boast the largest share of renters living alone—both at 20%—after their numbers increased by 12.7% and 12%, respectively, in those five years.

renters have to share their space with roommates or family members to afford the sky-high costs of living and housing. Thus, unsurprisingly, 10 of the top 20 metros where it's hardest to rent alone are located in the Golden State.

First, with solo renters representing just 9% of all people renting in San Jose, Californa, those seeking privacy here in Silicon Valley's largest city have an average income of $93,288. Renters who live alone make 37% more than the average renter here. In net figures, that's a difference of $29,376 per year or $2,448 per month. By comparison, in San Jose, those living with roommates or family in rented units have an average income of $63,912.

Meanwhile, lone renters in Santa Barbara—who make up 9% of the metro's population of renters—have an annual income of $61,912, which is about 42% higher than what the average renter makes ($36,456 per year). And, in Salinas, California, solo renters have an average income of $56,834, which is about 57% more than what the average renter makes per year.

Similarly, in Los Angeles, those renting alone make up 11% of all apartment dwellers in the area and have an annual income of $54,156, while the average renter makes $36,181 per year. In other words, to afford to rent by yourself in the City of Angels, you need to make an extra $17,975 per year or around $1,500 per month.

By comparison, renting alone in San Francisco requires a higher income than in Los Angeles ($73,329, on average). That's approximately 25% higher than the average renter's income in the area.

MILLIONS OF HOMES SIT VACANT ACROSS THE LARGEST U.S. METROS

A new LendingTree study revealed that a lack of available housing inventory has helped keep housing costs high throughout many of the nation's biggest cities, as nearly 5.5 million homes sit vacant across the nation's largest metro areas.

Vacant homes can be—and usually are—unoccupied for many reasons beyond being uninhabitable. For example, a house can be vacant because it's still on the market to be sold or rented or because it's a vacation home not being used.

LendingTree analyzed the latest U.S. Census Bureau American Community Survey data to rank the nation's 50 largest metros by their shares of unoccupied homes.

While vacancy rates can vary significantly, tens of thousands of housing units sit vacant in each of the metros featured in LendingTree's study.

- An estimated 5,475,687 housing units are vacant across the nation's 50 largest metros. The average vacancy rate across these 50 metros is 7.22%.
- New Orleans, Miami, and Tampa, Florida, have the highest vacancy rates. The vacancy rates in these metros are 13.88%, 12.65%, and 12.15%, respectively. In these three metros, more than 600,000 housing units are vacant.
- Vacancy rates are lowest in Minneapolis, Austin, Texas, and Washington, D.C. At 4.51%, 4.57%, and 4.98% Minneapolis, Austin, and D.C. are the only metros in our study with vacancy rates below 5.00%.
- Housing units commonly sit empty because they're waiting to be rented, only used for part of the year, or undergoing repairs and/or renovations. On average, 26.61% of the vacant housing units across the nation's 50 largest metros are empty because they're for rent. An average of 17.04% are vacant because they're only used part-time, while an average of 7.98% are empty because they're being repaired or renovated. Just because a unit is unused doesn't mean it's unwanted or it'll remain empty for long.

Top 10 Metros With the Highest Vacancy Rates:

- New Orleans
- Miami
- Tampa, Florida
- Birmingham, Alabama
- Riverside, California
- Pittsburgh
- Las Vegas
- Memphis, Tennessee
- Raleigh, North Carolina
- Oklahoma City

Top 10 Metros With the Lowest Vacancy Rates: Minneapolis

- Austin, Texas
- Washington, D.C.
- Portland, Oregon
- Denver
- Richmond, Virginia
- Boston
- Philadelphia
- Seattle
- San Jose, California

Vacancy Rates and High Home Prices

According to LendingTree experts, in a simplified version of the housing market, vacancy rates should have a strong inverse relationship to home and rent prices.

For example, high vacancy rates should signify a lack of demand from homebuyers and or renters, resulting in a larger supply of homes on the market and lower prices. The opposite should also be true where a low vacancy rate signifies strong demand, less supply, and higher prices.

With such high housing prices, it may seem strange to some that so many homes in the United States' largest metros are sitting empty.

LGBTQ+ RENTERS DISCLOSE THEIR FINANCIAL BARRIERS TO HOMEOWNERSHIP

In a new Redfin survey, research showed that LGBTQ+ renters are more likely to face financial barriers to homeownership than non-LGBTQ+ renters.

Research finds that nearly one-quarter of LGBTQ+ renters (23.5%) said they're unlikely to buy a home in the future due to lack of financial support from family or friends, compared with 14% of non-LGBTQ+ renters—the largest gap among the barriers respondents choose from. LGBTQ+ renters were also more likely

than non-LGBTQ+ renters to say student loan debt is preventing them from buying a home (18.4% vs 11.4%).

This is according to a Redfin-commissioned survey conducted by Qualtrics in May and June 2023. The survey was fielded to more than 5,000 U.S. residents. This portion of the report focuses on renter respondents. Subsequent sections focus on recent homebuyers and all respondents.

Housing affordability was the top barrier to homeownership for surveyed renters across the board, but LGBTQ+ renters were more likely than non-LGBTQ+ renters to list it as an obstacle.

More than half (51.2%) of LGBTQ+ renters said they're unlikely to buy a house in the near future because homes are too expensive, compared with 43.1% of non-LGBTQ+ renters. Similarly, 44.9% of LGBTQ+ renters cited saving for a down payment as an obstacle, versus 35.7% of non-LGBTQ+ renters. For virtually every barrier listed, LGBTQ+ respondents were more likely than non-LGBTQ+ respondents to check the box.

One answer choice bucked the trend: LGBTQ+ renters were less likely (13.2%) than non-LGBTQ+ renters (20.1%) to say they're unlikely to buy a home soon simply because they're not interested in owning one.

"Young people are often rewarded financially for fulfilling heteronormative expectations around getting married and having kids," Redfin Chief Economist Daryl Fairweather said. "For example, it's common for a bride and groom to receive thousands of dollars in cash gifts when they get married, which they can put toward buying or renovating a home. LGBTQ+ couples, on the other hand, often get married later in life, and may not receive financial support if they've been shut out by their families."

LGBTQ+ Homebuyers More Likely to Work Second Job to Fund Down Payment

Redfin also surveyed people who bought a home in the past year to see how they saved up for down payments. Recent LGBTQ+ homebuyers were more likely to say they worked a second job (29.1% vs 18.3% of non-LGBTQ+ buyers), sold stock investments (18.5% vs 13.8%), and sold cryptocurrency investments (14.8% vs 8.5%). They were also more likely to save directly from paychecks (46.6% vs 36.5%).

The wage gap is likely one reason LGBTQ+ buyers are more likely to take on a second job to fund their down payment; LGBTQ+ workers earn about 90 cents for every dollar the typical worker earns, according to the Human Rights Campaign.

Recent LGBTQ+ homebuyers were less likely than non-LGBTQ+ buyers to say they put the proceeds from the sale of another home toward their down payment (23.3% vs 29.5%). That's in part because LGBTQ+ Americans are less likely to own homes. The LGBTQ+ homeownership rate is 51%, compared with 71% for people who identify as both straight and cisgender. LGBTQ+ Americans skew younger, which is one reason for the disparity, but the income gap may also be at play.

Some 38% of LGBTQ+ respondents say they'd only live somewhere with protections against discrimination based on gender and sexual orientation. Nearly two of every five LGBTQ+ respondents (37.9%) said they would only live in a place that has laws ensuring equality-based gender or sexual orientation, compared with 16.3% of non-LGBTQ+ respondents. LGBTQ+ respondents were nearly three times as likely to say they'd only live somewhere with laws allowing discussion of LGBTQ topics in schools (33% vs 10.4%). And one-quarter of LGBTQ+ participants (25.9%) indicated that they would only live in a place where gender-affirming care for children is fully legal, versus 11% of non-LGBTQ+ respondents.

Racial diversity, strong gun control laws, and legal abortion were also more likely to be "musts" for LGBTQ+ respondents than for non-LGBTQ+ respondents.

At a time when LGBTQ+ rights are becoming increasingly restricted, it's not surprising that many LGBTQ+ Americans only want to live in places with legal protections.

Lawmakers in 37 states have introduced at least 142 bills to limit gender-affirming healthcare this year, and 21 states now ban abortion or restrict it earlier in pregnancy than the standard set by Roe v. Wade. In April, Florida expanded its so-called "Don't Say Gay" law, which bars lessons on gender identity and sexual orientation in the classroom.

A separate Redfin report based on this same survey found that 22% of LGBTQ+ people who recently moved believe they were discriminated against based on their sexual orientation during their most recent home search, and another 19% think they may have been discriminated against.

FINAL THOUGHTS

In this month's Final Thoughts, experts express their predictions and opinions on the state of housing affordability, fluctuating home prices, the effects of rate hikes, and how the homebuying process differs among generations.

"the malaise consumers feel"

Doug Duncan, SVP and Chief Economist at Fannie Mae, details the worsening concern consumers feel about the home purchase market and how home prices are a primary factor in why potential homebuyers feel it's a bad time to purchase.

★ ★ ★ ★ ★

"wave of demand"

Ksenia Potapov, Economist at First American Financial Corporation, reveals the significant housing gap between baby boomers and millennials, and the rate in which housing demand from younger generations outpaces that of older potential homebuyers.

★ ★ ★ ★ ★

"a step further"

Clare Trapasso, Executive News Editor at Realtor.com, expresses her insight on the path many homebuyers are taking to achieve the American Dream by living with relatives to combat housing costs.

★ ★ ★ ★ ★

"taking the wind out of the market's sails"

Jeff Tucker, Senior Economist at Zillow, discusses the effect of elevated mortgage rates pushing monthly mortgage payments beyond homebuyers' budgets, resulting in a significant decline in housing competition.

★ ★ ★ ★ ★

"a virtual standstill"

Sam Khater, Chief Economist at Freddie Mac, explains that purchase activity has come to an abrupt halt as mortgage rate hikes continue to affect homebuyer demand and affordability worsens for homebuyers nationwide.


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