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FEBRUARY 2023

THROUGH BOOMS & BUSTS

With the tech sector downsizing and the housing market navigating economic turmoil, **a panel of experts weighs in** on the current state of the digital revolution, and what lies ahead for this key component to the homebuying process.

ALSO IN THIS ISSUE

Stability Is an Essential Commodity for Non-QM Loans


Amid recent market changes, and as lenders re-enter the non-QM space, borrowers are calling on brokers to establish smart partnerships.

Push Button Refis Fantasy or Future Reality?

Lenders made a lot of money during the refi boom, but most lenders had difficulty keeping up, because refis are not as simple as we'd like.

By the Numbers

Addressing the issue of appraisal bias is critical. Here's what can be done to identify and prevent this problem.



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Tech as a Guiding Force in the Mortgage Space

“The advance of technology is based on making it fit in so that you don't really even notice it, so it's part of everyday life.”—Bill Gates, Co-Founder of Microsoft

The quote above from Bill Gates could not be any more true to the ways we live our lives daily. The small things we once raved about in terms of tech, have become parts of our daily existence that have grown to be taken for granted.

Rewind a decade ago ... were we able to survive with the amenities of Amazon? Ordering food from Grubhub? Having our mobile devices serve as personal assistants? With each advancement in technology comes one less manual task off our respective plates, and another leap toward the double-edged sword of becoming too reliant upon technology.

In the mortgage space, advancements of technology have not only expedited a once-paperwork intensive process, but has also furthered the education of today's homebuying public. Technology has also made strides in advancing quality control as artificial intelligence (AI) evolves.

“Technology is nothing. What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them.”—Steve Jobs, Co-Founder, Chairman, and CEO of Apple

And as Mr. Jobs notes, technology is useless unless humans properly utilize these advancements in a proper manner.

This month, MReport has put together an array of those involved in the tech sector to discuss the current state of the digital revolution, and what lies ahead for this key component to the homebuying process. We hear from a cross-section of tech developers, those who use these products daily, and those who realize that the human element in the homebuying marketplace will never be replaced.

Piggybacking on our tech focus, Carlos Sa, CEO of MILOS, an IT consulting firm for the mortgage industry, discusses the tools necessary to keep the refi pipeline full in his submission, “Push Button Refis—Fantasy or Future Reality?” While many lenders saw great profit during the refi boom, most had difficulty keeping up, because refis are not as simple as we'd like. Sa explains the tech advances necessary to keep this vital income source effective, even in a volatile market.

And following up on last month's feature, “The Science of Appraisals,” Jeffrey Hogan, VP of Valuations at Veros Real Estate Solutions, delves into appraisal bias in today's housing market. Hogan details a number of measures taken to recognize bias in the appraisal space, and the actions taken to stamp it out.

Also this month, Greg Austin, EVP, Mortgage Lending for Carrington Mortgage Services, shares his perspective on the state of the non-QM market in his article, “Stability Is an Essential Commodity for Non-QM Loans.” Amid recent market changes, and as lenders re-enter the non-QM space, borrowers are calling on Mortgage Brokers to establish smart partnerships. Austin discusses how to establish these key relationships and get the most of them for your lending business.

All this and much more can be found in the pages ahead in the February 2023 issue of MReport. Thank you for turning to us as your source for the latest in the world of mortgage banking.

Sincerely,

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Editor-in-Chief



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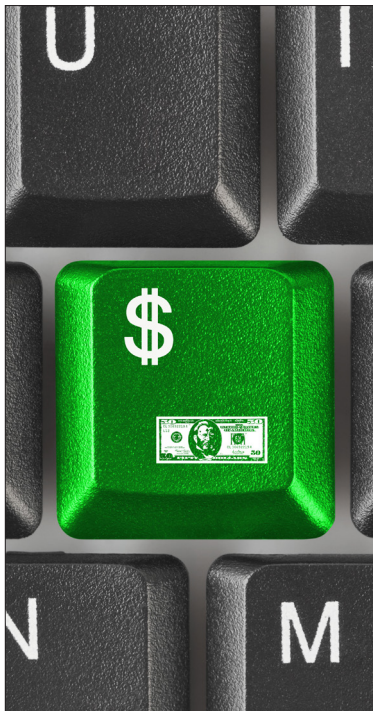
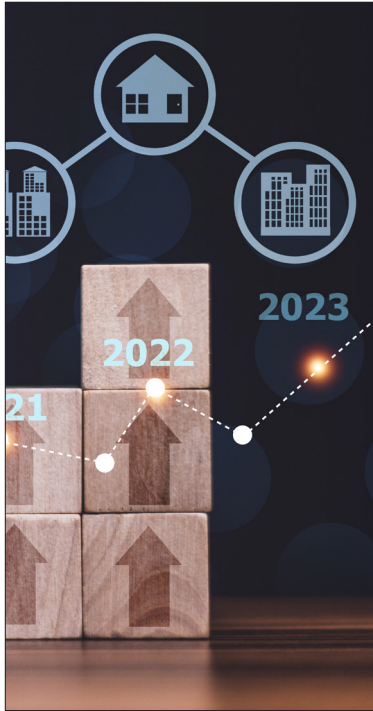
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HOMEBUYERS RETURN AS MARKET SHIFTS TOWARD THEIR FAVOR

According to a new Redfin study, as homebuyers adjust to 6% mortgage rates, more homes have gone under contract in January than in the entire fourth quarter.





Blazing New Digital Paths

The following companies are advancing the digital mortgage process, helping chart the course for advancements in the pursuit of an all-digital process.

Empowering the Mortgage Process

BLACK KNIGHT TO HELP FUEL LOANDEPOT'S LENDING SERVICES

Black Knight Inc. has announced an integration with loanDepot's next generation of lending services as the company migrates some of its backend operations to Black Knight's scalable and secure cloud-based Empower loan origination system (LOS).

The Empower migration will complement and integrate with loanDepot's proprietary technology ecosystem, mello, which was unveiled by the company in 2017, and continues to be an important part of the company's

value proposition for originators. Utilizing the enhanced, cloud-based version of Empower, loanDepot will now be able to further leverage the skills and capabilities of Black Knight throughout its backend operations, increasing customer and originator satisfaction, operational efficiency, and loan quality, all while driving down its overall cost to produce.

"Enhancing efficiency, effectiveness, and quality are all critical components of loanDepot's Vision 2025 strategic plan," loanDepot President and CEO Frank Martell said. "The gains we expect to realize by switching to the cloud-based version of Empower will serve our customers well as we continue to deliver a best-in-class customer experience. It will also fundamentally change the way

we run our originations operations, improving speed to closing and quality while also realizing substantial savings."

As a cloud-based, scalable solution, Empower relieves clients like loanDepot of the burden of maintaining their own independent backend loan origination systems. Importantly, this means loanDepot can implement system upgrades or adjust parameters to meet specific compliance needs more quickly and less expensively than in previous generations of technology builds or rollouts. Empower's overall flexibility will also allow loanDepot to custom-configure the platform to its unique processes and workflows, ultimately allowing Empower to function as an in-house backend system that complements loanDepot's proprietary

mello ecosystem. Powered by APIs, the Empower/mello integration will support a seamless digital experience for customers, as well as provide greater ease and speed for the loanDepot professionals who serve them.

"loanDepot has long had a reputation for forward-thinking excellence in the technology space, and we're proud to partner with a known technology disruptor to help fuel their next generation of lending services and advance their strategic plan," said Rich Gagliano, President of Black Knight Origination Technologies. "We look forward to our long-term collaboration with the loanDepot team as we help them continue to innovate and lead the way in the nonbank mortgage sector for years to come."



Predicting Home Buyer Trends

REALTOR.COM LAUNCHES ENHANCED LISTING INTELLIGENCE FOR AGENTS

New enhanced listing intelligence features from Realtor.com put predictive insights from listings at agents' fingertips, making it easier for agents to demonstrate their value and knowledge of local market conditions, amplify their marketing tactics for their clients, and close deals.

Millions of home shoppers visit Realtor.com monthly and understanding how these buyers are searching in a local market can be a valuable resource and powerful selling tool for agents in today's shifting market.

With the new suite of features, real estate professionals now have access to valuable listing intelligence, including:

- Buyer info: See the total number of potential buyers in their local market on Realtor.com and those who've submitted inquiries on the site with a budget range that matches the listing.
- Buyer demand: View the top three ZIP codes from which a listing's buyer interest is coming on Realtor.com. Moreover, the new features share the percentage of Realtor.com listing traffic coming from within the listing's city, the listing's state, other states, and internationally.
- Listing completeness: Gain insights about how complete their Realtor.com property listing is and suggestions for improving it with additional photos or listing description information.
- Performance score: Understand a Realtor.com property listing's performance and how it's attracting and engaging potential buyers compared to similar listings in that price range and ZIP code on Realtor.com.
- Market trends: See local market trends seen across Realtor.com, including median days on market, median list price, total

number of homes with price reductions, and more.

"With rich insights from Realtor.com about active buyers in their market and how their listing stacks up against others in the area, sellers' agents can boost their value, make smarter decisions for their clients, and refine their marketing strategies to better target home shoppers and get their clients' homes sold," said Donna August, VP of B2B Marketing at Realtor.com. "Enhanced listing intelligence is just one of the many ways Realtor.com is empowering real estate professionals with the tools they need to grow and sustain their business in today's market."

According to a recent consumer

on market, median list price of homes, the percentage of homes with price reductions, and more.

Optimizing the Customer Experience

FIRSTCLOSE ADDS NEW VENDOR GATEWAY

Austin, Texas-based FirstClose Inc., a fintech provider of data and workflow solutions, has launched its next generation Vendor Gateway that enables home equity lenders to select and integrate their preferred settlement services vendors into FirstClose Equity.

FirstClose Equity reduces operational touchpoints, and

consistent data and order fulfillment

- Simplifying contracting and vendor management by enabling FirstClose Equity lenders to connect with preferred providers with one contract, one bill, one support team

"We designed the Gateway to give lenders greater control over the home equity process: everything from the customer experience they deliver to their operational and risk management choices," said Ramiro Castro, Chief Product Officer for FirstClose. "While our latest release includes a core set of vendors that are accelerating the origination process, our platform is vendor agnostic."

According to a recent consumer survey from Realtor.com, nearly nine out of 10 home sellers worked with an agent to list their home for sale.

survey from Realtor.com, nearly nine out of 10 home sellers worked with an agent to list their home for sale. Agents and brokers can use Realtor.com's advanced listing intelligence features to help convert leads into clients with superior market intelligence and trends insights, as well as to help inform and manage seller expectations.

Agents can also use the intelligence solutions to keep their homeowner clients informed and engaged throughout the selling process with automated, personalized and customizable reports about their home's performance on Realtor.com. The report also provides sellers with insights about recent trends in their local market that have been seen across Realtor.com, such as median days

improves the overall customer experience for borrowers. The end-to-end platform includes a borrower-facing point-of-sale solution that gives consumers instant online feedback on their home valuation, available home equity, loan options and delivers credit decisions in minutes. Automated workflows, including the ordering of settlement services, enable lenders to complete the application through closing process in seven to ten days versus the industry average of 45 to 60 days.

FirstClose Gateway will deliver significant advantages for both lenders and their vendor partners by:

- Supporting an enhanced borrower experience by delivering

Streamlining the Home Buying Process

REDFIN LAUNCHES MODULE TO ORGANIZE HOME SEARCHES

Redfin has launched Favorites Lists, a new tool that allows Redfin's app and website users to organize their favorite homes into custom lists and share them with their home search partner.

Approximately seven out of 10 Redfin app users have chosen at least one favorite home, and nearly 40% have compiled a list of more than 30 homes. With



Favorites Lists, home searchers can bring some much-needed organization to their search and group their favorites in any way they like—whether that’s rental apartments in the city or homes with amazing kitchens.

“It’s common for buyers to search for homes in different neighborhoods, or to consider renting in a new place before they decide if they want to buy there,” Redfin Phoenix Agent Kelly Khalil said. “Everyone’s journey is different, so having the ability to organize your favorite homes according to your own goals or preferences makes the process easier. And since most people search for homes with a loved one, it just makes sense that you can seamlessly share those lists with a search partner.”

Renters can also organize their search with Favorites Lists and share homes with a roommate or partner. For those deciding between buying or renting, the feature makes it easy to collect candidates and decide how to move forward.

“We’re excited about this feature because it works for anyone who uses Redfin to search for a home,” said Ariel Dos Santos, Redfin’s VP of Product. “It’s just as useful for a renter keeping track of apartments in different neighborhoods as it is for someone looking to buy their first home or an interior designer browsing the latest home trends. Our goal was to give users the flexibility they need to stay organized and to encourage people to have fun with it.”

When someone logs into their Redfin account and favorites a home, the feature prompts them to create a list for the home or add it to an existing list. House-hunters can create up to 100 lists and may edit or delete any list they have created, making the experience fully customizable. People who are searching for a home or an apartment with someone else can designate a Redfin search partner, which instantly shares their lists and invites the search partner to collaborate through list edits and comments on homes designated as “Favorites.”

Implementing Time-Cutting Measures

KEYBANK LEVERAGES BLEND FOR DIGITAL APP PROCESSES

KeyBank has utilized a software platform provided by Blend to digitize the end-to-end mortgage application process for clients looking to purchase or refinance a home—helping KeyBank close home loans 17 days faster, on average, than before the platform

touch with where their closing stands and obtaining it quicker than we’ve ever been able to.”

So far, 83% of KeyBank clients who start a mortgage application through Blend complete it. The average time for a client to complete a mortgage application is 29 minutes and more than one-third are completed through a mobile device or tablet. Nearly half of all client interaction through Blend is done at the client’s convenience outside of normal business hours. Among 300,000 document requests, more than half are pro-

submitted an application for a new loan on October 19, and had their loan fully approved by November 9, just in time for the holiday as they had hoped.

“Blend’s goal is to personalize a consumer’s homeownership journey with options that meet their individual needs,” said Nima Ghamsari, Co-Founder and Head of Blend. “Our collaboration with KeyBank furthers our efforts to provide better lending for all, and we’re excited to provide technology that will help current and future homeowners stay ahead of changes in today’s market.”

AI in the Home Search Process

ZILLOW LAUNCHES AI-POWERED NATURAL-LANGUAGE SEARCH

Zillow has launched a new AI-powered feature that lets shoppers search for homes in the same way they would talk to their friends and family.

Now home shoppers can enter phrases like “\$700K homes in Charlotte with a backyard” or “open house near me with four bedrooms” directly into the Zillow search bar, rather than starting with a location and having to filter their way to the homes they want. They can also save their searches and have Zillow notify them when new qualifying listings come online.

The “natural language search” feature is now live on the Zillow app for iOS users and is coming soon to Android devices and Zillow.com.

“Beyond easy-to-filter criteria like bedrooms and bathrooms, buyers are considering many other specific features that match their unique lifestyle,” said Jenny Arden, Zillow’s Chief Design Officer. “This new tool is a game changer for home shopping, because it helps shorten the sometimes long and stressful house-hunting process by creating an easy, more modern way to search, and it delivers relevant search results in a simple, uncluttered way.”

“The ability to offer streamlined solutions that enable our loan officers and their teams to be more efficient in providing excellent customer service is critical in this environment.”

—Dale Baker, President of Home Lending, KeyBank

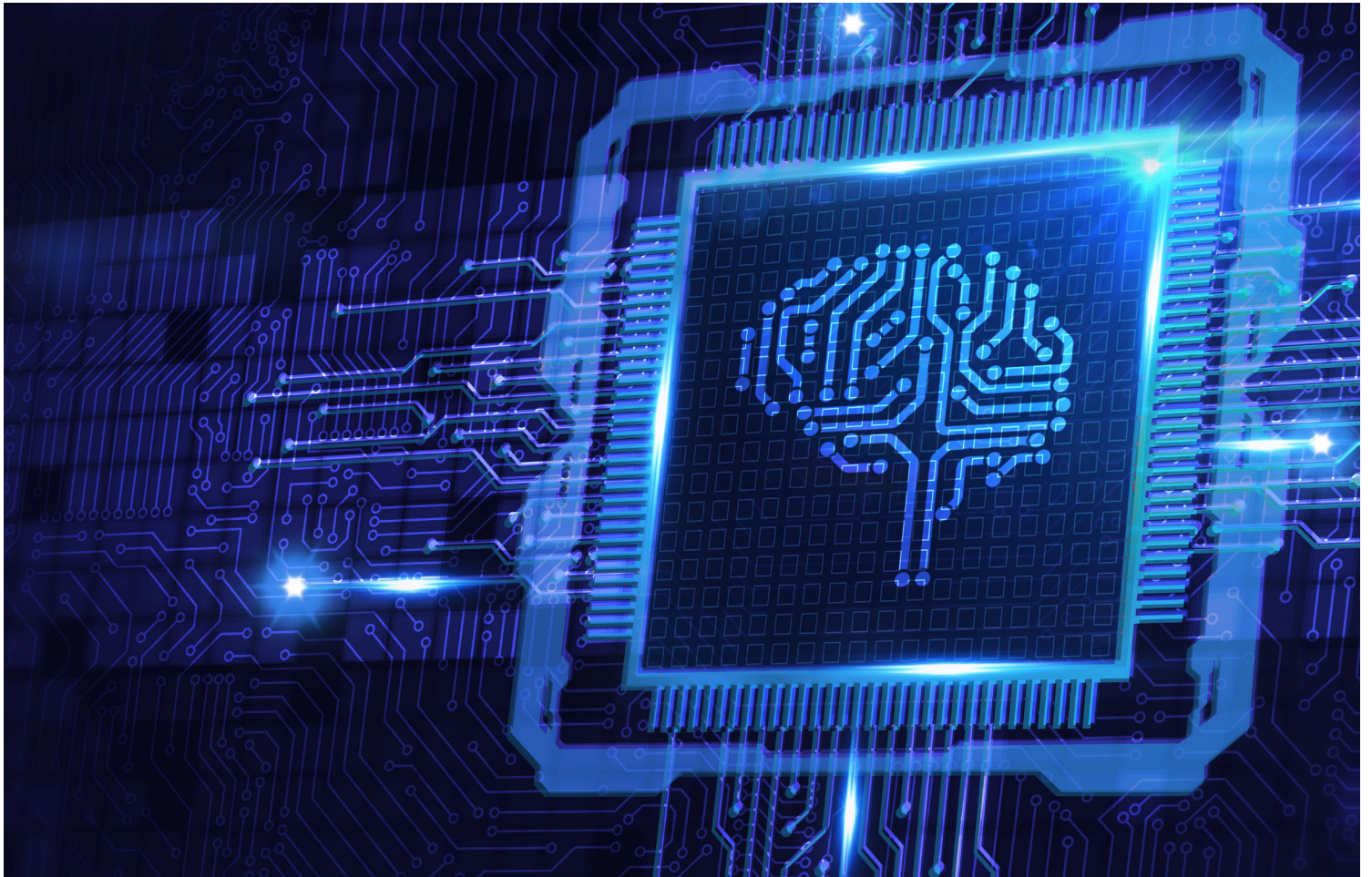
was integrated. The digital enhancement of Blend has resulted in faster application processes.

“The ability to offer streamlined solutions that enable our loan officers and their teams to be more efficient in providing excellent customer service is critical in this environment,” said Dale Baker, President of Home Lending for KeyBank. “Blend’s mission to bring simplicity is paying off for our teammates who are having a streamlined experience, as it’s also bringing greater transparency to our clients to be instantly in-

vided within two hours through Blend’s system.

Blend’s platform allows KeyBank clients to easily upload documents online, review and sign their disclosures electronically, and receive automatic reminders for any missing information during the mortgage application process.

A recent KeyBank client in Cleveland applied through Blend and was able to open the door to their new home in time to be ready for Thanksgiving. This client, a first-time homebuyer,



Zillow's natural language search feature takes users' queries and scans millions of listing details to bring relevant results to the surface. At the same time, the feature is training machine learning models to better respond to search queries that use natural, human-like sentences.

Zillow continues to invest in tech innovation like AI as part of its vision to deliver the "housing super app"—a single digital ecosystem of connected solutions for all the tasks and services related to moving.

"The future of real estate will be powered through AI," Arden said. "We are proud to be the first in the industry to offer this smarter way to search, and excited to see how it learns and evolves to help each Zillow shopper find their perfect home."

Expanding Mortgage as a Service Functionality

LOWER UNVEILS MORTGAGE AS A SERVICE PLATFORM

Lower has launched a new Mortgage as a Service (MaaS) platform that easily allows consumer brands to offer mortgage products to their customers. After piloting the service, Opendoor, an e-commerce platform for residential real estate transactions, moved their mortgage fulfillment to Lower exclusively.

To lead the new platform, the company has named Chelsea Wagner SVP of Partnerships.

Launching an in-house mortgage lending operation has historically been a complex undertaking

for many businesses. Through the MaaS platform, Lower provides a solution for consumer finance, banking, and real-estate brands to offer a digital-first home financing experience quickly and easily, with white-label options available. It can be embedded into the partner's customer journey through API and no-code solutions.

"Nearly every proptech and fintech company we talk to has some version of home lending on their roadmap. It's a natural value add, but until now there wasn't a solution. Our infrastructure and expertise make us uniquely positioned to accelerate a new mortgage offering," Wagner said. "We believe the demand will be high for this product as a new, easily implemented product offering for companies."

As a part of the founding team,

Wagner built and managed the company's direct-to-consumer channel from the ground up. She now transitions to her new role to underscore Lower's commitment to the MaaS channel and bring her strategy and lending expertise to every step of the relationship.

"Chelsea has been an integral member of Lower since day one. It was a natural fit to promote someone so passionate about the customer experience and committed to helping our partners develop their business strategy in the home lending space," Lower Co-Founder and CEO Dan Snyder said. "We've taken our years of mortgage experience and processes, and allowed any business to offer mortgage to its customers. This is a big step for brands that have captive audiences but not the means or experience



to offer such products. It allows companies like Opendoor to stay focused on what they do best, while adding a new product that lives up to their brand promise and expand their reach.”

Quality Control Enhancement

REVOLUTION MORTGAGE PARTNERS WITH TAVANT

Tavant, a Silicon Valley-based provider of digital lending solutions, and Revolution Mortgage, a nationwide residential mortgage lender, have announced they have partnered to integrate Revolution’s digital mortgage experience with Tavant’s Touchless Lending platform. This partnership will feature an end-to-end implementation of Touchless Lending Automation, starting with Decision Analysis, followed by Document, Credit, and Collateral Analyses in early 2023.

“As we get closer and closer

to launch, it is clear to us that Decision Analysis is more than just a tool for underwriters and quality control. We see Touchless Lending as a way to get to market faster with a competitive advantage and work efficiently in the market as conditions fluctuate,” said Tony Grothouse, CEO at Revolution Mortgage. “We have aggressive growth plans for Revolution for 2023, and this technology is exactly the type of infrastructure and efficiency we need in place to expand and deliver quality assets into the secondary market.”

Touchless Lending Decision Analysis will allow Revolution Mortgage to automate and streamline its underwriting and application processes, thereby improving the lender’s overall borrower experience. This intuitive product allows lenders to optimize loan origination and processing by reviewing Multi-AUS (Automated Underwriting Systems) responses and comparing them with

loan-specific data and investor guidelines to generate multiple options to improve operational efficiency, including optimizing costs and decreasing processing times, among other potential avenues. Decision Analysis can integrate with any lender ecosystem and delivers a frictionless origination experience in the mortgage underwriting process for borrowers, loan officers, underwriters, and capital market teams.

“Lending transactions, especially in the residential mortgage space, don’t just take place between borrowers and lenders. Rather, there are several other parties in the mix,” said Mohammad Rashid, Head of Fintech Innovation at Tavant. “Therefore, more than simply having one source of truth—one lending interface for both the lender and borrower—is needed to make any digital lending platform out there in the market its true-to-word digitized and automatized self. We are confident that Touchless Lending

is that truth and investing in the whole platform will render the most optimal results, and once we finish deploying Document, Credit, and Collateral for Revolution Mortgage, our partnership will prove just that.”

Automating the Title Process

WFG EXTENDS ITS COMMITMENT TO RESWARE

Qualia has reached an agreement with WFG National Title Insurance Company (WFG), a full-service provider of title insurance and real estate settlement services for commercial and residential transactions nationwide, to extend WFG’s commitment to Resware, part of the Qualia suite of products.

The additional multiyear term is part of WFG’s commitment to developing technology-driven solutions for its employees and customers.



WFG has built numerous custom integrations and operational processes on top of the Resware product since implementing the title production software several years ago. The investment WFG makes in technology enables their closers to efficiently deliver highly personalized, differentiated services across various nuanced and unique transaction types.

“WFG is focused first and foremost on supporting the needs of its business partners and their customers,” said Alain Chapuis, VP of Title and Escrow Production Systems for WFG’s technology subsidiary, MyHome, a Williston Financial Group Company. “By implementing Resware at the enterprise level, we’ve been able to standardize and automate complex tasks, creating greater efficiencies for

delivering exceptional client and partner experiences from the beginning,” said Nate Baker, Qualia Co-Founder and CEO. “We’re honored to continue to be WFG’s core technology partner in that mission as the industry evolves and enters its next stage of growth.”

Embedding the Appraisal Experience into POS Systems

REGGORA ANNOUNCES CUSTOM POINT OF SALE INTEGRATION

Reggora, an appraisal management software company, has announced that its order management platform can embed the bor-

rower’s appraisal experience into a lender’s custom point of sale (POS) system. Reggora improves the borrower’s experience by resolving some of the most common issues that arise during the appraisal. This includes paying for the appraisal, scheduling the inspection, seeing the status, and more. Through Reggora’s open API, lenders can bring all of these improvements directly into their proprietary POS.

“The appraisal is an important part of securing a mortgage loan, and seamlessly connecting every part of the borrower’s experience is essential,” said Jim Black, a 20-year mortgage origination veteran, former Strategic Advisor

at InstaMortgage, and Executive Director of Lender Strategy at CalqueInc. “If the borrower is informed and comfortable throughout every step of the process, it will improve their customer satisfaction. The mortgage process can be stressful, but lenders who use digital tools to ensure appraisers, borrowers, and all stakeholders are on the same page can help alleviate some of that stress.” Reggora’s developer-friendly API accelerates lenders’ implementation by reducing the time and IT resources required to create and maintain the integration.

“Crypto loans are an essential financial solution when consumers want to hold their crypto for the long run but need dollars today.”

—Josip Rupena, CEO and Founder, Milo

our business partners and our operations in the process, and we’re looking forward to working with Qualia to take this commitment to the next level in 2023 and beyond.”

The Resware product was added to the Qualia technology suite in late 2020 following Qualia Labs’ acquisition of Resware’s then-parent company Adeptive Software. In the period since, Qualia has continued to invest in expanding Resware’s capabilities, performance, and stability. In a few months, additional upgrades will be made available as part of the upcoming Resware v10 release.

“WFG has focused on

for lenders to differentiate by fixing the appraisal experience, and this integration makes it simple for them to do that.”

for lenders to differentiate by fixing the appraisal experience, and this integration makes it simple for them to do that.”

Crypto Takes a Step Forward

MILO ANNOUNCES CRYPTO LOANS

Fintech Milo has launched its new crypto loan product. This launch means that digital asset-holders will now have the opportunity to use their cryptocurrency as collateral to access loans, ranging in value from \$10,000-\$200,000, and larger on a case-by-case

basis.

Customers who own crypto can pledge these digital assets and borrow U.S. dollars. To get started, customers will simply complete a short loan application and send collateral to a trusted qualified custodian to be held in cold storage. Milo clients will be underwritten based on alternative data, allowing for more individuals to qualify. Crypto loans offered by Milo can be used for many purposes and be disbursed within hours once compliance is approved.

Milo is launching a new crypto loan product for digital asset-holders to access U.S. dollar loans backed by crypto assets.

Milo has been developing this product since 2022 and expects it to be available to most applicants in Q1 2023. The company has a large waitlist where clients will be granted early access to qualify for loans. Milo plans to initially launch its services for borrowers in California and Florida with plans to expand to other states in 2023.

“Crypto loans are an essential financial solution when consumers want to hold their crypto for the long run but need dollars today,” said Josip Rupena, CEO and Founder of Milo. “Last year, Milo launched an innovative crypto mortgage and, with everything going on in the ecosystem, we felt it was important to help our clients today by making it convenient for them to take out a crypto-backed loan. Many companies filed bankruptcy because they took extreme levels of risk and that’s not our philosophy. Simple, safe, and transparency is what we want to deliver.”

The company’s other crypto offering for real estate that launched last year, has already originated more than \$10 million in crypto mortgages and no customer has faced a margin call. Milo has also originated over \$130 million in mortgages and has been regulated, licensed, and audited since 2020. Milo’s team brings decades of experience and its institutional capital base to create trusted crypto lending solutions.



Who's moving on and who's moving up in the industry

This month, some of the industry's largest firms welcomed several new hires to expand their operations.

GOVERNMENT

KIMBERLY A. MCCLAIN



Dr. Kimberly A. McClain has been sworn in as the U.S. Department of Housing & Urban Development's (HUD) Assistant Secretary

for Congressional and Intergovernmental Relations. She was confirmed by the U.S. Senate on December 19, 2022.

"I'm delighted to welcome Dr. Kimberly McClain as HUD's Assistant Secretary for the Office of Congressional and Intergovernmental Relations," said HUD Secretary Marcia L. Fudge, who administered the oath of office to Assistant Secretary McClain during a ceremony at HUD's headquarters. "An Air Force veteran and skillful public servant, Dr. McClain's experience in government affairs, international relations, and policy development will prove invaluable to our team at HUD. From building relationships in Congress to forging bonds across intergovernmental partners, her leadership will be critical to HUD's goal to create affordable, inclusive, and resilient communities across America."

As Assistant Secretary for Congressional and Intergovernmental Relations, Dr. McClain will serve as principal advisor to HUD's Secretary, Deputy Secretary, and senior staff with respect to legislative affairs, Congressional relations, and policy matters impacting federal, state, and local governments, and public and private interest groups.

Assistant Secretary McClain most recently served in the Biden-Harris administration as Deputy Assistant Secretary for Congressional

and Legislative Affairs at the U.S. Department of Veterans Affairs (VA). She is a retired U.S. Air Force Officer with more than 25 years of experience, including leading congressional strategy for the Air Force, specializing in political affairs for the Joint Staff, and working in policy development at the U.S. Department of Defense. She earned her Ph.D. in international business from Northcentral University, an M.S. in human relations and international business from Amberton University, and her B.A. in psychology from the University of Texas at Arlington.

"It's my true honor to serve in the Biden-Harris administration as HUD's Assistant Secretary for Congressional and Intergovernmental Relations," HUD Assistant Secretary McClain said. "I have seen first-hand the positive impact of access to affordable housing and economic mobility, and I'm ecstatic to help equip, grow, and develop the Office of Congressional and Intergovernmental Relations as to build this team's relationships among key stakeholders on the Hill and across government. I thank Secretary Fudge for this opportunity and look forward to leading as I have in public service, and as an Air Force Officer: 'Integrity First, Service Before Self, and Excellence in All I Do.'"

LENDERS

TYLER BOHN



Deephaven Mortgage has tapped long-time business development leader Tyler Bohn for the role of Managing Director, National Accounts.

Based in Fullerton, California, Bohn joins Deephaven with more than a decade of senior-level experience in the mortgage industry, most recently with Solidifi, and previously with Incenter and First American Mortgage Solutions.

In his new role with Deephaven, Bohn will be charged with helping national mortgage brokers and correspondents accelerate and scale their non-QM business by leveraging Deephaven's extensive platform of products, tools, training, and support.

"I am thrilled to help Deephaven's channel partners better compete in the non-QM market," Bohn said. "Our team has the know-how, including over a decade of service and underwriting experience, to make every one of our partners successful in the non-QM space."

Founded in 2012, Deephaven is a full service, multichannel, long-term mortgage lender in the non-QM space, providing access to financing to millions of underserved customers nationwide.

"Tyler's relationships at the national enterprise level will be important to Deephaven and the mortgage brokers and correspondents we serve," said Tom Davis, Chief Sales Officer for Deephaven. "His leadership aligns with the strength and reliability we bring to the non-QM marketplace."

BRIAN RALSTON



NexBank has promoted Brian Ralston has been promoted to the role of EVP, Chief Mortgage Banking Officer. Ralston previously served as SVP of Mortgage Banking for NexBank since 2013. In

his new role, Ralston will lead the strategic direction of the Mortgage Banking Division, and continue to be responsible for all origination and servicing operations of the wholesale, non-delegated and delegated correspondent channels, and warehouse lending.

Ralston is also the President of NexBank Title Inc. and helped to establish the company's title services business that serves the commercial and consumer real estate industries in the state of Texas.

Ralston has nearly 20 years of experience in mortgage banking. He is actively involved in the industry and has served as a speaker and panelist at conferences covering wholesale, correspondent, and warehouse lending.

NexBank provides institutional banking, commercial banking, and mortgage banking services to meet the needs of its clients, which include institutional clients, financial institutions, and corporations nationwide.

RICARDO MALDONADO



Planet Home Lending, a national mortgage lender and servicer, has added a team in Kissimmee, Florida, to be led by Retail Branch Manager

Ricardo Maldonado and his crew of 10 experienced MLOs, many of whom are bilingual English/Spanish speakers.

"Home listing prices had risen 15.6% at the end of 2022 and the median home price was \$395,500, according to Osceola County Association of Realtors data," Maldonado said. "And just like Planet, people here believe in the American Dream of homeownership as a way to build generational wealth."

Planet is also committed to giving back to the planet, people, and local communities through its "Planet With a Purpose" social responsibility platform. In the past four years, Planet has funded the planting of nearly a quarter million trees in our National Forests, moved 70 million pounds of food to hungry families, and endowed a scholarship for military service members.

"We also serve homebuyers who don't fit the typical credit mold," Maldonado said. "People who have nontraditional credit, second income from a side gig, own a business, or multiple family members buying a home together can all be excellent candidates for homeownership."



Michael Dubeck, CEO and President of Planet Financial Group, parent of Planet Home Lending, added, "Planet prides itself in its ability to bring together teams of experienced mortgage professionals who are dedicated to the communities they serve. The Kissimmee team is deeply connected to the members of their community and bring a shared understanding to the homeownership journey."

KIMBERLY EVERS



Union Home Mortgage (UHM) has named Kimberly Evers as Branch Manager for its Fayetteville, North Carolina, location. In her new role, Evers will leverage her 23 years of banking experience to assist customers in obtaining financing to purchase, refinance, or build a home while also managing other loan officers in helping individuals and families achieve the dream of homeownership.

"UHM is pleased to announce Kimberly's appointment as the new Branch Manager for our Fayetteville office," said Bryan Wright, VP of Retail Sales for UHM. "Her robust mortgage lending experience and track record of successfully managing loan officers will serve as the foundation in helping ensure we are providing the best customer experience possible as we strive to fulfill our mission of making homeownership more accessible to everyone."

Evers is an industry veteran with more than two decades of banking experience. She has served as a Branch Manager for more than a decade, including two years with UHM in this capacity. Prior to her appointment at UHM's Fayetteville branch, she served as a Branch Manager, Loan Officer and VP of Sales for the Southern Region at American Neighborhood and OVM Financial.

"I am excited to join Union Home Mortgage in my role as Branch Manager," Evers said. "The company's collaborative culture and team approach to helping clients is instrumental to our work serving the community of Fayetteville. When everyone throughout the origination process has the client top of mind, the result is exemplary customer service. I look forward to continuing to bring this level of service in helping our neighbors realize homeownership."

JUSTIN MESSER



Prosperity Home Mortgage, a subsidiary of HomeServices of America, has promoted Justin Messer to the role of President and CEO. Tim Wilson, who has served as President and CEO since 2014, will continue as Chairman of the Board. Messer most recently served as Prosperity's COO, where he developed a keen understanding of the company's operations, culture, and growth strategies.

"Tim and I have worked together for many years, and his strategic insight and vision have been at the center of Prosperity's continued success," Messer said. "I look forward to leading Prosperity to its next stage of growth and performance, supported by our outstanding loan officers and world-class management team and talented employees." Gino Blefari, CEO of HomeServices of America, the parent company to Prosperity Home Mortgage, added, "Tim's leadership helped guide Prosperity to become a national mortgage bank expanding its licensed footprint to forty-nine jurisdictions and building a wide range of loan products. On behalf of HomeServices, we thank Tim for his many contributions, and we wish him well as he enters this new chapter of his life."

MIKE MELL



Freedom Mortgage has named Mike Mell SVP of Wholesale Lending, overseeing a national sales team that includes regional sales managers and AEs across the country. Mell is a 27-year mortgage industry veteran with deep expertise in wholesale lending operations, joined Freedom Mortgage in 2005, and previously served as SVP of Sales.

"While there's major turbulence in our industry, especially in wholesale lending, Freedom Mortgage has the right leadership and strategy in place to help our partners weather the storm," said Stanley C. Middleman, Freedom Mortgage President and CEO. "Mike is already doing a fantastic job leading his team and working with mortgage brokers across the country to provide customized solutions to close each loan."

Mell added, "I'm thrilled to be lead-

ing Freedom Mortgage's Wholesale Division. We're already one of the nation's top wholesale lenders with expertise in helping mortgage brokers close loans, especially VA and FHA products. In fact, our government lending experience is unmatched. I look forward to expanding our wholesale business and helping our sales partners thrive by providing their clients with the financing to achieve their homeownership dreams."

SARAH CARPENTER

OLGA ROSALES

MELISSA WAGNER

RICO GARCIA



National mortgage lender Waterstone Mortgage Corporation has announced the promotions of Sarah Carpenter to Director of Marketing; Olga Rosales to Director of Business Insights; Melissa Wagner to Director of Human Resources; and Rico Garcia to VP-Enterprise Risk.



Carpenter has more than 12 years of experience in marketing management, brand management, and graphic design. She joined Waterstone Mortgage in April 2021 as the Marketing Manager and was promoted to Senior Marketing

Manager in 2022. In her new role, Carpenter will continue to lead the Marketing and Creative teams, working closely with the Sales Leadership team. She will also collaborate with sales solutions and services teams (Branch Administration, Sales Optimization, and Business Insights) to continue supporting Waterstone Mortgage's branch and sales operations and to grow the company's existing market shares.

Rosales joined Waterstone Mortgage in April 2019. Throughout her time with the company, she has led the business insight strategy and platform build and has established the company's data governance practice. In her new role, Rosales will lead the Business Insights team, which

leverages data to provide actionable insights that are evidence-based. This will help the Waterstone Mortgage business teams make the best decisions on how to increase production, decrease costs, and be more efficient. Rosales has nearly 20 years of Business Intelligence leadership experience, including a 15-year career at MGIC.

Wagner joined Waterstone Mortgage in July 2020 as an HR Business Partner. She was promoted to HR Manager in 2021 and Senior HR Manager in 2022. Prior to joining Waterstone Mortgage, Wagner worked in human resources at a private equity firm and interned at an investment management firm while attending graduate school. In her new role as Waterstone Mortgage Director of Human Resources, Wagner will oversee the Human Resources team, which includes employee relations, payroll, benefits, and recruiting and onboarding/offboarding.

In his new role as VP of Enterprise Risk, Garcia will oversee the Waterstone Mortgage Quality Control, Title Services, Portfolio Risk Management, and Compliance teams. Aside from providing general oversight in these departments, he also works with the company's other corporate teams to identify efficiencies, lead cross training efforts, and solidify communication with both internal and external customers. Garcia joined Waterstone Mortgage in July 2017 as the Quality Control Manager. Previously, he had held various positions in mortgage lending, including roles as a loan originator, processor, and underwriter. He also co-owned and managed a mortgage due diligence firm.

KELLY ZITLOW



Kelly Zitlow has been named EVP of Sales & Engagement for Cornerstone Home Lending (CHL).

A mortgage industry veteran, Zitlow is approaching her 27th year in residential home finance. She was a top-producing loan originator at CHL from 2017 to 2022, and consistently ranks among the top producers in the nation.

Cornerstone Home Lending's acquisition of The Roscoe State Bank, resulting in the formation of Cornerstone Capital Bank, SSB, was the perfect timing for Zitlow's return.



"The bank acquisition provides an expanded product line and the ability to lend across state lines in 37 states plus the District of Columbia (with more states to come), which is a game changer for our loan officers, clients, and real estate partners," Zitlow said.

In addition to continuing to originate loans, Zitlow looks forward to bringing innovative strategies for an ever-evolving industry to CHL's mortgage sales team in her new role as EVP of Sales & Engagement.

"I could not be more excited to be back 'home' with Cornerstone Home Lending," Zitlow added. "During a time when many mortgage companies are struggling, Cornerstone Home Lending continues to be a standout leader in the industry, providing strength and stability in the market by expanding product/service offerings and carefully considering the needs of its clients."

HUNTER JACKSON



Nations Lending, a full-service national mortgage lender, has announced the opening of its newest branch in Summerville, South Carolina, to be led by Branch Manager Hunter Jackson, who will be serving buyers across Summerville and the Greater Charleston region.

Jackson brings more 16 years to the greater real estate space as a Manager, Lender, New Construction Sales and Management, as well as a Realtor. He comes from Guaranteed Rate, where he served as Branch Manager. In this most recent year, he produced \$38 million in loan volume production, and was a finalist for "Best Mortgage Lender" and "Summerville Hero" by the Summerville Journal Scene.

"The people at Nations and the commitment the company makes to employees' success are the biggest reasons I joined," Jackson said. "The company culture is second-to-none, and I'm excited to make a splash. It's amazing the ways that they support the relationship with real estate agents. I can't wait to show my referral partners the great new things that I now have to offer!"

SERVICE PROVIDERS

JAY HUGHES DANNY GARCIA-VELEZ



Mortgage Guaranty Insurance Corporation (MGIC), the principal subsidiary of MGIC Investment Corporation, has announced that Jay Hughes, EVP of Sales and Business Development, will be stepping into the role of Special Advisor to the CEO effective April 1, 2023 in anticipation of his retirement on August 1, 2023.



Shortly after Hughes moves into this transitional role, Danny Garcia-Velez, Group VP-Regional Sales and Marketing, will become the new Sales and Business Development leader of MGIC.

Hughes has served MGIC for more than 35 years, growing his career and helping steer the organization's sales and marketing practices through countless industry changes in that time. He began with MGIC in 1987 in Washington, D.C., as an Account Executive. After moving to California in 1998 as a Sales Manager, he was promoted to Managing Director in 2001 where he managed the Pacific Region. He moved to Milwaukee in 2015 to assume the role of SVP of Sales and Development, and was promoted to his current role in 2017.

"The true strength of MGIC is its people. There is not a person that I think better embodies that than Jay," said Tim Mattke, MGIC CEO. "His dedication to doing what is right for his co-workers and our customers has been a shining example for others. That legacy will continue well past his retirement."

Garcia-Velez joined MGIC in 2017, bringing extensive experience in housing policy, product management and community development. He quickly stood out as a leader and innovator in his work designing marketing strategies for several of MGIC's customer channels and has taken on successive leadership roles in the ensuing years. In August 2020, he was promoted to VP of Business Development, and in 2022, he was again promoted to Group VP, Head of Regional Sales and Marketing.

"Danny's skillset and character make him the ideal candidate to lead

our Business Development and Sales teams," said Sal Miosi, President and Chief Operating Officer. "Danny's leadership will help us build on the legacy Jay established and position us to best meet the needs of our customers."

NICOLE BOOTH KRISTIN BROADLEY MELISSA PEREGORD



QC Ally has announced that Nicole Booth has been named CEO, after previously serving as the company's Chief Marketing Officer (CMO).



With her extensive background in regulatory affairs, business strategy, and the mortgage industry, her unique skillset will help drive the company's core pillars of partnership, excellence, and quality.



"I've spent the past seven months diving head-first into understanding the importance and opportunity for innovation in loan quality certainty from the unique perspective of industry leaders, GSEs, and the QC Ally team," Booth said. "I am humbled to be surrounded by industry veterans that are collectively championing Enterprise Loan Quality. Heading into the new year, I look forward to leading QC Ally as we help our client partners realize true loan quality certainty."

Booth joined QC Ally in July 2022, after previously leading efforts on digital closing acceptance as EVP of Public Affairs at Notarize, and VP of Public Policy at Rocket Mortgage.

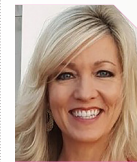
With Booth vacating the CMO role, Kristin Broadley, QC Ally's Chief Innovation Officer, will take over the company's marketing efforts. As a regular industry speaker, Broadley will continue using her platform to help weave the threads of innovation, product, and service to build QC Ally's brand, create awareness, and drive thought leadership. Donna Gibson will continue to serve as QC Ally's COO and President.

"Over the past decade, we've provided an unmatched client partner experience," Gibson added. "With the addition of sought-after industry leaders like Nicole and Kristin, I'm

ecstatic to advance our tech-enabled service to help even more financial institutions gain lending clarity and certainty."

The company has also hired Melissa Peregord as their new Chief Growth Officer, who comes to QC Ally with 25 years of experience successfully building relationships and growth strategies. Peregord is credited with helping organizations build structure and procedures to help manage enterprise relationships. For the past 12-plus years, she worked within the Rocket Family of Companies—most recently managing the company's top 20 bank relationships as Director of Bank Relations. She comes to QC Ally from digital mortgage provider Stavvy, where she served as Enterprise Accounts Director, helping build out the company's relationship management processes and procedures.

CAROL BURKE ROB POMMIER



Mobility Market Intelligence (MMI) has announced that Carol Burke has been appointed Regional Director of Enterprise Sales. As part of the enterprise sales team, Burke will be tasked with expanding MMI's growing roster of mortgage enterprise clients, which now includes 20 of the top



25 lenders in the nation, while also driving brand awareness and adoption in mortgage-related verticals, such as title and insurance. MMI has also added industry veteran Rob Pommier to the enterprise sales team as Regional Director. Pommier will be tasked with expanding MMI's growing roster of mortgage enterprise clients, which now includes 20 of the top 25 lenders in the nation, while also driving brand awareness and adoption in mortgage-related verticals, such as title and insurance.

"Having worked with Carol at Top of Mind, I am very familiar with her abilities, and I know she will help MMI thrive as we expand in 2023," said Melissa Sike, VP of Enterprise Sales. "Her experiences in helping loan originators market themselves is an asset when showing off the benefits of the MMI tool."

With more than 25 years of experience in sales and account



MCROWD

management, nearly 20 of which have been in the mortgage industry, Burke comes to MMI after spending 10 years at Top of Mind Networks, and seven years at Lenders One.

Pommier brings more than 40 years of experience throughout the industry, serving in executive roles on both the lender and technology sides of the origination process. Prior to joining MMI, Pommier was a Strategic Executive at SimpleNexus, and also spent time at Altisource, Fiserv, and OpenClose.

"Rob isn't just an industry veteran. He's a well-known and trusted entity throughout the mortgage technology field, and MMI can only benefit from the expertise of an experienced sales executive such as Rob," Sike added. "As a member of the enterprise sales team, Rob will not only help MMI grow its customer base, but he will also help our customers achieve their growth goals."

Headquartered in Salt Lake City, MMI provides actionable intelligence for lenders, real estate agents, real estate brokerages, title companies, and others in the real estate industry.

ELIZABETH GIDDENS

MARY THOMAS

PAMELA O'BRIEN



Stewart Information Services Corporation has announced that Elizabeth Giddens has assumed the role of Chief Legal Officer & Corporate Secretary, after the planned retirement of John Killea as Chief Legal Officer and Chief Compliance Officer.



"Over the past few months, I have worked side by side with John and the legal team on the transition," Giddens said. "We have an exceptional team at Stewart who will continue to work on achieving Stewart's vision for the future. I am also excited to announce a number of well-deserved promotions within the legal leadership team."



Giddens's succession of Killea was announced by the company in October, as she was hired as

Deputy Chief Legal Officer to work alongside Killea during his transition. Giddens comes to Stewart with 25 years of legal experience, including five years at a top international law firm, and 16 years at several public companies, most recently serving as SVP and General Counsel at Integer Holdings Corporation, where she led its legal department.

Mary Thomas has been promoted to Chief Compliance and Regulatory Officer. Thomas has spent her entire 16-year career at Stewart and has built a strong reputation at ALTA and amongst many state land title associations, as well as the company's various regulators. Thomas will continue to chair the NAIC Liaison Committee for ALTA.

Pamela O'Brien has been named General Counsel of Stewart Title Guaranty Company (STGC). O'Brien, a 30-year veteran in the title industry, began her career with Stewart as an Underwriter in Massachusetts in 2001, and quickly excelled, taking on New England underwriting responsibilities. She added Claims and Litigation responsibilities soon after and eventually became Chief Litigation Counsel and Deputy General Counsel.

"Both Mary and Pamela have strong title backgrounds and long histories at Stewart," Giddens said. "They have seen the industry and the company change a great deal and have provided exceptional guidance and legal expertise through these changes. I look for them to continue that success in these leadership roles."

"We have an exceptional team at Stewart who will continue to work on achieving Stewart's vision for the future. I am also excited to announce a number of well-deserved promotions within the legal leadership team."

— Elizabeth Giddens
Stewart Information Services Corporation

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Through

With the tech sector downsizing and the housing market navigating economic turmoil, a panel of experts weighs in on the current state of the digital revolution, and what lies ahead for this key component to the homebuying process.

By Eric C. Peck



Booms & Busts





One positive byproduct of the pandemic was a boost in the nation's housing market, along with the development of a slew of new digital products and programs in the tech space. As companies pivoted to navigate the government's actions designed to keep Americans in their homes in a time of dire need, the industry's tech providers responded with a new wave of quality-control tools to help navigate regulatory changes and the emerging more-digital landscape.

Nationwide, record-low rates were embraced by consumers, whether it was for home upgrades, refinances, or the purchase of a second home due to the proliferation of work-from-home opportunities. This influx of consumer demand challenged the industry as it navigated high volumes. But through lessons learned from past market booms, the industry and its technological partners worked together to find the best way forward.

Appraisers adopted new methods to conduct their vital role in the homebuying process via curbside valuations and the uploading of geocoded photos. New methods of communication via Zoom calls and virtual meetings were instituted and have become commonplace in a post-pandemic world.

As the era of COVID-19 moves increasingly into the rearview mirror, what becomes of these tech breakthroughs and new ways of conducting business? Will they be cast aside and held in reserve specifically for times of crisis? What techniques learned and developed over the past two-plus years will be carried onward and fostered in today's marketplace where mortgage activity has retreated amid recessionary conditions?

The Computing Technology Industry Association reports that the nation's tech industry overall employs nearly nine million, a segment that collectively adds an estimated \$1.8 trillion to the American economy. At the outset of the pandemic, companies such as Amazon and Facebook more than doubled their workforce,

as new demand by a stay-at-home public called for immediate expansion.

And while explosive growth in the tech world has been standard in the last decade-plus, the industry has contracted immensely over the past 12 months, as tech job tracker site Layoffs.fyi has reported that more than 200,000 jobs in the tech sector have been lost since the start of 2022.

As mass layoffs in the tech space plastered the headlines of late, NPR reports that Facebook parent company Meta, Amazon, Microsoft, and Google have collectively eliminated nearly 51,000 jobs in recent weeks. Salesforce recently announced plans to lay off nearly 7,000 of its employees, as Co-CEO Marc Benioff claims the company hired "too many employees" during the pandemic, and in mid-January, Microsoft confirmed that it would lay off approximately 10,000 over the next few months. Intel recently laid off 544 employees, part of the company's "right-sizing" plan laid out in October to cut \$3 billion in 2023, and as much as \$10 billion in costs by 2025.

What does this colossal contraction mean for the tech space? Has the segment reached a point of no return? Do consumers have

all the digital tools needed in place to make it in today's world? Is "enough" enough in terms of the expansion of technology?

This month, *MReport* examines the state of the mortgage tech space, asking if we are any closer to an all-digital process, examining what tools are vital to today's homebuyers; discussing the advances in artificial intelligence (AI) and machine learning that lie on the horizon; and reviewing the measures that have been taken to combat the rash of cybercrimes.

Executives from a cross-section of lenders, service providers, technology and software firms, and others shared their perspective with *MReport* as they face the market as it currently stands in 2023, and what lies beyond for the tech space.

★★★★★

What tech enhancements to the mortgage process do you feel will be necessary to compete in 2023?

Frank Danna

Co-Founder & CEO of Appraisal Logistic Solutions Inc.

One area where lenders will see a marked increase in borrower and agent satisfaction for modernizing will be their appraisal departments. This function takes the longest, is the most invasive for the seller, carries a great deal of risk for the buyer, and is mostly outside of the lender's direct control. Better technology with consumer-facing interaction will improve the customer experience in every respect, and lenders who embrace it and make the right strategic investments in 2023 will win more business.

Garth Graham

Senior Partner, STRATMOR Group

One of the biggest challenges in 2023 will be the top of funnel purchase process. Refinances were mostly about having the capacity to handle huge amounts of



volume and get these loans closed within two months. It was about managing the process from app to fund efficiently, and the tech was built for that. POS and LOS systems focused on that process. This year will be about focusing on the purchase prequals and pre-approval borrowers who might stay at that stage in the process for many months. This is traditionally a CRM system, lead management, and marketing automation challenge—staying connected by text, email, and phone calls with borrowers who spend months looking for a home, and who need to understand the cost of ownership and other challenges.

Dominic Iannitti

President & CEO, DocMagic Inc.

There are enough lenders that have incorporated electronic loan closings into their processes today to create the kind of competitive pressure that will ultimately drive widespread adoption. With the recent downturn, organizations have an opportunity to focus on optimization, and consumers are ready for this. The idea of coming into a branch or title company office to close a loan is a pre-pandemic concept that consumers now know they can reject. As a result, a modern loan process that includes eClosing, execution of an eNote, with remote online notarization will be the technology competitive lenders will require and consumers will expect.

Nate Levin

Managing Director, Parker89

We've seen widespread adoption of point-of-sale (POS) solutions that digitize the mortgage loan application process, but we have yet to see real adoption of technologies to improve loan processing, underwriting, and closing. Optical character recognition (OCR) and natural language processing technologies that convert paper documents to digital, structured data, and loan origination system software that

“There are enough lenders that have incorporated electronic loan closings into their processes today to create the kind of competitive pressure that will ultimately drive widespread adoption.”

—Dominic Iannitti, President & CEO, DocMagic Inc.

leverages more modern, efficient workflows will be key enablers.

Jane Mason

CEO & Founder, Clarifire

Mortgage processes need to become seamless with servicing processes. The customers originating loans can be the key to retention, and for borrowers to buy more products and services from the originators. If servicing is your focus, providing borrowers with access to self-service tools and creating customer-centric responsiveness will depend on having advanced portal technology that is interactive and launches the correct workflows while creating notifications automatically. It should also deliver results

in seconds or minutes, rather than hours or days. For mortgage lenders and servicers, no-touch processing is imperative. Offering this type of rapid digital efficiency is a win-win for all, as well as the key to both a servicer's success metrics and end-to-end mortgage industry modernization.

Josh Reicher

Chief Digital Officer, Cenlar

The mortgage industry, and especially the mortgage servicing industry, has struggled to stay ahead of both increasing operational expenses, and customer demands for the digital experience. There is a race to automation to address both—to find immediate opportunities

for improved effectiveness and reduced risk, as well as preparing for improved scalability and flexibility when the market returns to full strength. Whether through robotic process automation (RPA), document understanding, process mining and decision management, system integration, or workflow automation, automation technology is a central theme to remain competitive.

At Cenlar, we are automating, for example, many of our controls with the goal of reducing manual tasks, freeing up our employees to do more creative and analytical work. There's the added benefit that automation also helps remove the risk that comes with manual processes. Importantly, automation helps prevent errors, and create a faster, more efficient process for homeowners.

James Vinci

CTO, Selene Finance

In 2023, several technology enhancements will play an increasing role in making all employees more efficient, ultimately creating opportunities and a competitive edge. As mortgage companies continue to be driven by negative economic factors, efficiency and effectiveness remain key drivers. It is natural to focus on front-line and boarding automation activities, but usability on manual tasks, gaining insights within data, and back-end activities, like information security and compliance, are also critical.

Selene has critical active initiatives with respect to: RPA in the contact center; artificial intelligence (AI) based document indexing and data extraction for servicing transfers and post-boarding quality reviews; compliance and data collection automation for information security; and internal and external customer digital experience tracking and optimization. We are also always working to improve how our on-premises and remote team members engage and interact.



Mark Walser

President, Incenter Appraisal Management

Lenders need to adopt technologies that enable them to continue streamlining processes, making transactions more affordable, and speeding time to close. For example, as a market recovery occurs and mortgage volume picks up, lenders cannot go back to relying solely on the standard appraisal process, which reduced overall turn times and added as much as two additional weeks to the lending cycle during the 2020–2021 housing boom. They will need the capability to fulfill desktop appraisals—using virtual inspections by trained, professional appraisers. Solutions like these also empower lenders to reduce expenses that they might normally pass along to the consumer. With the housing industry seeking to stay strong while making homeownership more accessible to everyone, these technologies are a win for all.

Louis Zitting

Founder & CEO, MonitorBase

Lenders will need to invest in automation and AI-driven technologies to gain insights into the behavior and preferences of potential borrowers. This will allow them to target their marketing efforts more effectively and make more informed decisions about loan approvals. As the mortgage market comes back, business owners operating with a much smaller staff will look to their technology providers to fill the gaps.

★★★★★

Is the industry any closer to an all-digital mortgage process? Or do you feel that the inclusion of the human touch during the process will prevent an all-digital process from ever becoming a reality?

Danna: We're much closer to a fully digital process than ever before, at least in terms of the data used to underwrite and process loans. But digital lending is not an alternative to the human touch. Even with all our digital data, from application to close, we'll still be counting on knowledgeable loan officers, careful underwriters, accurate appraisers, and personable closing agents to do the work.

Angela Hurst

Chief Administration Officer, USRES Family of Companies

Surveys show that today, borrowers lean towards digitization more often. But when it comes to outside-the-box requirements and critical milestones in the process, personal interaction is preferred. Additionally, the mortgage process remains extremely complex and heavily regulated during the origination process and well into the life of the loan and servicing. Regulations at the federal, state, and local level continue to dictate one to one contact with the borrower, preventing an "all-digital" process from becoming a reality.

Matt Lehnen

CTO, Deephaven Mortgage

The mortgage industry has made enormous progress towards fully digital loans. Borrowers can shop for products, apply online, eSign documents, link accounts, and close loans without ever meeting face-to-face with their lender. The differentiator for lenders, though, is the human touch, experience, and comfort that borrowers

appreciate. Borrowers want the efficiency of digital processes while knowing that there is a real person on the other side who truly cares about making their dream of owning a home a reality. That's especially true in the non-QM space, where the guidance from expert mortgage brokers and loan officers on different products, features, and terms is invaluable.

Levin: No matter how "digital" the process gets, some borrowers are always going to want to work with a loan officer to help guide and direct them through obtaining a loan and coach them on product options and financial implications. However, the back-end tasks in the process, like underwriting, should become more automated over time as the technology improves, allowing for a largely digital fulfillment process.

Walser: Human touch will continue to be an important component of closing a mortgage. It's the process that humans use that will change. Take digital closings, for example. Like a contactless appraisal, the idea will be to save paper-processing costs, enable signing anywhere, and preserve the veracity of the closing using technology. There is growing acceptance of processes like these, but change will have to work its way through regulatory and governmental hurdles. My opinion is that lenders should focus less on trying to get to an all-digital mortgage process, and more on "digitizing" the parts of the process where technology is ready to bring efficiency and speed.

Zitting: The industry is constantly getting closer to an all-digital mortgage process, but I still think there is a need for human interaction because the homebuying and mortgage process is so emotionally driven. At the end of the day, people are better suited to guide borrowers through their emotions in order to achieve their financial goals.

★★★★★

What advancements in artificial intelligence (AI) and machine learning (ML) will take the digital mortgage process to the next level?

Danna: We rely heavily on advanced technologies like AI and ML. They are already embedded in some form in most of our systems, and much of the technologies we employ today. Beyond the mechanical functionality, the next steps are more likely to be about human adoption of our advanced tools. For instance, we have appraisal management technology today that is fully automated and provides expansive data and insight into the quality and performance of the lender's processing team and appraiser panel. Is the lender's appraisal department using this information? Going to the next level will involve making the most of today's modern mortgage technology.

Hurst: To have significant advancement it requires partnering with regulators to adapt to today's regulatory requirements, and a continued partnership to prepare for the evolution in design, creation, and adaptation of technology supporting the digital mortgage space.

Lehnen: Transparency between the machine and customers will be key to adoption and long-term success. With a human conversation, the unique details of a borrower's situation are discussed first-hand, and questions can be answered in real-time, whereas a machine only has data elements as inputs and a set of decision criteria to reference. For borrowers with simple and straightforward loan scenarios, full automation may be particularly useful for predictability and transparency. Providing insight to the borrower as to how decisions are reached can help build trust and long-term participation.

In the non-QM space, AI and machine learning can assist by reducing processing and un-



Through lessons learned from past market booms, the industry navigated the sustained barrage of record volumes, in part via the adoption of new technological techniques.

derwriting time. For example, certain technology tools are leveraged to assist in analyzing bank statements, including tools that use AI. Still, the judgment of trained and experienced underwriters will always be necessary behind the scenes. Relying solely on automation can lead to risk models that are overly permissive or restrictive. In the future, advancements in AI and machine learning to offer an even better blend of self-service technology and a seamless experience will take the all-digital mortgage process to the next level.

Rob Nunziata

Co-Founder & CEO, ActiveComply

AI and machine learning can help with compliance-related tasks, such as monitoring your company's social media or remote workers. Also new technologies are helping to make sure data on files is correct as it passes through different departments. The old adage of "stare and compare" is now being replaced by some AI technology that is way faster and more accurate than humans.

Reicher: Machine learning is taking technologies like virtual agents and automation technology to the next level. Stepping beyond the natural language

processing required of modern virtual agents, machine learning can leverage a customer's mortgage information and activity to personalize the digital experience. Virtual agents can adapt based on recent activity, both mortgage and customer, to customize and maximize interactions. Machine learning allows automation technology like RPA to adapt and improve over time with less overhead, and fewer exceptions to be worked by human counterparts.

With the advent of AI-based language models like ChatGPT, virtual agents will take on an even broader role in the mortgage process. Virtual agents leveraging these new models will have access to a massively expansive database, coupled with the ability to communicate this information in a human-friendly manner, which will transform customer service.

Souren Sarkar

CMB, President & Co-Founder, Nexval

AI and machine learning algorithms are already being used in the mortgage industry to generate innovative solutions and value for both consumers and financial institutions. Even so, mortgage processes are complicated and may still require several manual

inputs for the foreseeable future. However, two areas where AI and machine learning are helping to advance digital processes are improved application verification and better document validation.

With applications, for example, AI-based mortgage IT companies may be able to use a lender's existing data for predictive model training, which makes it easier to estimate a borrower's income. This information could then be compared to the borrower's reported income to ensure it is accurate and reasonable. Machine learning models may be improved to verify the consistency, thoroughness, accuracy, and validity of data in loan documents, since mortgage financing remains a document-intensive process that involves extensive paperwork to close a loan.

Another future advantage of implementing AI is that loan modifications can also be done as needed. With advancements like these, it's not an exaggeration to say that AI will be the future of mortgage processes.

Vinci: Advancements in AI and machine learning could potentially advance the all-digital mortgage process in a number of interesting ways. AI and machine learning are already being applied to help automate the underwriting process by quickly and accurately

assessing a borrower's creditworthiness. This is being extended to origination quality control processes, secondary market due diligence reviews, fraud detection, and servicing transfers. It can greatly impact the accuracy of document indexing, data extraction, facilitating doc-to-data reviews, and other quality control reviews. AI and predictive analysis can also help forecast loan modification recidivism and force majeure event impact models. Natural language processing, in combination with AI, can be used to decrease customer contacts to deliver requested information, reducing the need for human intervention. Other interesting areas include the use of virtual or augmented reality for property inspections, and for potential buyer showings.

★★★★

What can the tech space do in terms of welcoming consumers to better embrace technology in the homebuying process?

Joe Camerieri

EVP, Sales & Strategy, Mortgage Cadence

In terms of adopting technology, there is not a lot we have to



do. Consumers have embraced technology, and it's now in use in every part of our lives. Most of the homebuyers who come to lenders for financing have already been using a range of technologies offered by our partners on the real estate sales side. What we need to do now has not changed over the past few years, which is to continue to reduce the friction to provide a more satisfying experience for the borrowers we serve.

Ben Miller

CEO, SimpleNexus, an nCino company

Mortgage technology companies can deepen people's engagement in the homebuying process by offering intuitive digital experiences that are on par with the apps we use day-to-day. While financing a home is vastly more complicated than ordering a coffee or buying a car, consumers don't want that to be their problem. From their perspective, they are paying good money for lenders to shoulder that complexity for them. As technologists, we have a responsibility to be empathetic to consumers. Providing an elegant, single-sign-on home financing experience allows consumers to focus on aspects of homebuying that are relevant to them and makes the value of lenders' services immediately ascertainable.

Nunziata: I think, ultimately, consumers always want the ability to speak with a human, preferably local to their area and knowledgeable about the mortgage process. The tech piece can help by speeding up the decision-making process. So, you speak to someone, and instead of waiting weeks for an answer, the tech behind the scenes allows for answers in hours or days. That is greatly appreciated by customers, allows the human touch, and provides real benefits.

Reicher: The important part of a digital experience is to remember that it is the customer's experience. That means meeting the

“Mortgage technology companies can deepen people’s engagement in the homebuying process by offering intuitive digital experiences that are on par with the apps we use day-to-day.”

—Ben Miller, CEO, SimpleNexus, an nCino company

customer on their terms. Digital adoption ensures that processes are consistent, streamlined, and cost-effective. However, maintaining the human element is key to building trust-based relationships with tech-weary consumers. In the end, welcoming consumers means being able to demonstrate flexibility and empathy for their needs—whether automated or with a bit of the “human touch.”

Zitting: As technology providers, we should all be focused on making homebuying easier and removing any unnecessary steps for consumers in their homebuying journey. Great technologies—whether they are consumer-facing or lender-facing—don't require more attention from consumers. They remove steps in the journey so that consumers get what they want.

self-service aided by technology, where a customer enters a request and receives a response immediately. We're certainly seeing this trend in mortgage origination with new loan products and in servicing and loss mitigation. In the mortgage business, self-service consists of automated workflows that reduce cycles times, and increase responsiveness and results.

AI and machine learning tools have become an important part of this trend as well, fueling everything from automated document generation to extracting and capturing data from images, to reusing data and creating seamless workflows that drive process and controls. By automating complex processes, these technological advances will continue to eliminate friction and manual work. In particular, integration with smart document technology and workflow will be key to the industry's future.

Nunziata: The biggest trend we are seeing is the use of tech to help with underwriting and compliance. The technological advances in these spaces typically save companies money, speeds up old processes, and are generally far more accurate.

★★★★★

Are there any trends you see in the tech space that will impact the mortgage side of technology?

Iannitti: Consumers continue to gain familiarity with and trust in handling large financial transactions over mobile devices. Lenders will need to evolve their technology platforms to provide increasingly more components of the mortgage process over mobile devices—and not just eSignatures. In addition, increased industry oversight will continue to drive lender investments toward digital technology solutions that increase efficiency and improve accuracy.

Mason: One trend proliferating throughout every industry is

★★★★★

What tech processes have become vital to the mortgage process?

Iannitti: eVault technology is now a key facet of the digital mortgage ecosystem. From a strategic perspective, eVault technology allows lenders to generate and safely hold eNotes, while supporting the synergy between other e-participants, allowing for the secure transfer and storage of eNotes. eNote usage can reduce cycle times, increase process efficiencies, and ensure data and document integrity as well as compliance for all electronically signed documents throughout the mortgage process. Leveraging all the elements of an eClosing can save originators hundreds of

THE 2023 FIVE STAR LINEUP

Learn all the details about Five Star's 2023 events lineup at TheFiveStar.com/conferences.



February 21

Havana Nights

Orlando, FL

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.



April 11

Government Forum

Washington, D.C.

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



May 1 & 2

Legal League Spring Servicer Summit

Dallas, TX

Open to all Legal League 100 members, associate members, mortgage servicing professionals, and government representatives, the semi-annual Servicer Summits are the setting for the nation's elite financial services law firms to discuss default policies, procedures, and emerging issues with leading mortgage servicing executives. While the Fall Summit takes place in conjunction with the Five Star Conference, the Spring Summit is a standalone event. Join us for a day of education, networking, and engaging discussions about the pressing issues that impact financial services law firms.



September 17-19

The Five Star Conference & Expo

Dallas, TX

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

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dollars per loan, which can be vital given the current state of the industry.

Reicher: A few of my favorites are robotic process automation (RPA), virtual agents, and speech recognition. RPA continues to accelerate transformation by improving effectiveness and accuracy, reducing operational risk, boosting productivity, improving compliance, and most importantly, creating value for employees by allowing them to focus on more strategic work. RPA has a rapid implementation model and a relatively low upfront investment to get started.

Virtual agents are proving not only highly effective but are critical to the customer digital experience. With the increase in the digital adoption of mortgages, customers expect immediate response times and 24/7 availability. Virtual agents can be used to address frequently asked questions and common interactions, allowing their human counterparts to focus on exceptions and escalations. Add to that sentiment analysis and a well-designed, warm hand-off between the two, and you've fully maximized the digital experience.

Speech recognition is quickly becoming a staple technology in the digital mortgage space. By analyzing speech in real-time, call center representatives can more effectively and efficiently respond to customer inquiries and requests. Leveraging automation on top of speech recognition can supplement and expand the representative's knowledge of the customer. In addition, speech recognition allows for 100% quality control, ensuring compliance with the rules and regulations required from regulators and the government-sponsored enterprises (GSEs).

Vinci: Several technologies have become vital to the mortgage process. Many of these are centered on streamlining borrower interactions, including digital mortgage platforms for real time submission and updates,

eSignatures, eClosings, and mobile notary/remote online notarization (RON).

Behind the scenes, there has been widescale adoption of business rules engines to facilitate exception and compliance management, robotic process automation to streamline frontline and back-end processes, and data analytics and predictive analysis to help with underwriting, impact analysis and quality control processes.

Additionally, the advancements in information security, especially around endpoint detection and response, FIDO2, zero trust and phish-resistant multifactor authentication, are helping to ensure we keep our customers' data safe with minimal burden to the end user.



Do you feel the mortgage tech space is growing or constricting in this current environment?

Camerieri: In terms of the solutions we offer and the impact we're having on the lending business, I think we're expanding at a very rapid pace. New software architectures and cloud-based infrastructures have finally allowed lenders to choose their process and then select the technology to empower it instead of the old way of choosing technology and then selecting the partners and workflows it enables. Volumes are down and the current estimates say this year will be slower than we're used to, but that is having little, if any, impact on the innovation taking place on the tech side.

Graham: In a revenue basis, it is absolutely contracting because many of the systems receive a fee per funded loan, and the units are down so much. In 2021, we had more than 13 million units, and this year, we are projected to be less than five million. That is a huge drop in revenue for the total vendor space.



In a down market, is it a wise move to invest in tech or wait out the market downturn?

Graham: Tech spend is down, mostly because the units are down, and thus the per-funded fees are down. As a total percentage of expense, tech is still a low number. In fact, it's roughly 5%-10% of the total spend for most lenders. Most of the expense of originating a loan is people, so you can make an argument that we spend too little on tech as an industry. The key is spending on the right solutions that lower the expense per loan, drive revenue, or drive more deals.

Levin: Down markets, where volume is lower and lenders are competing more fiercely for business, are always a time for lenders to reevaluate their technology stacks. Implementations will be quicker and easier due to the need to implement them across fewer personnel with fewer transactions, and the efficiencies from utilizing more modern technologies will help improve gain-on-sale during a period of margin compression.

Mason: Definitely don't wait. If your organization has not already invested in technology that calibrates with the ups and downs of market-related processes and regulatory demands, the time to start is now. If you implement the right technology, the efficiency gains become more and more rapid over time. Your investment will lay the foundation for dealing with the present downturn, while reducing the costs of future "business as usual" volume. Ultimately, it puts your organization in the perfect offensive position to handle anything that the industry unexpectedly serves up.

Sarkar: For the past two fiscal years, it has been difficult to obtain good return-on-investment (ROI) figures on technology

because the market has evolved so quickly. However, now is the perfect time to invest in technology, especially since the market may improve after this year's third quarter. At a time when many companies are cutting costs and putting off spending on technology, making a sound investment in technology today can be advantageous in the years to come.



Are there any pain points you are working through right now as a tech provider in the mortgage space?

Danna: Our work is focused on the collateral valuation function and our technology is specifically designed to support the lender's appraisal department. This means our work is all about putting tools into the hands of these professionals that will make it easier for them to perform their function in a manner that reduces lender risk and overhead, while increasing agent and borrower satisfaction. The friction, as is so often the case, is hiding in the human touchpoints. Better information provided earlier in the process in a transparent manner will reduce it, so that's what we're working on now.

Graham: STRATMOR works with a lot of lenders on a range of technology spends, but one that we are focused on for 2023 is actually helping lenders quantify how their people, process, and technology impact the consumer, and what really drives satisfaction and referrals. Lenders must steal share to thrive in this market, and having a great customer experience is one key way to do that. Lenders need direct consumer feedback to quantify that process.

Iannitti: Now more than ever, lenders are seeking to leverage mortgage technology to streamline the overall loan process. The good news is that because we have completed this process

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so many times, a best-practice approach has emerged, and a robust eClosing service layer has evolved that offers the flexibility to deploy solutions that meet and exceed the unique objectives of an intensifying client base.

Lehnen: Readily available data sources contain a lot of information—the hard data points regarding a property, income documentation, title records, employment, assets, etc. The missing elements are the soft data points that tell a borrower’s complete story. For example, non-QM underwriters could be reviewing 12 months of bank statements from two self-employed borrowers who look similar on the surface. However, those two borrowers could come from different industries whose cycles and ways of operating couldn’t be more dissimilar.

Trained underwriters understand that two borrowers may appear the same on the surface, but that each borrower can have a unique story.

In sum, even when consumers embrace a digital experience, a cold machine on the other end won’t advance that goal. Machine and human elements need to be balanced, transparent, and aligned.

Mason: One pain point is helping companies determine which technology they should trust. There are a good number of new players offering technology that has not yet been proven. Often, lenders and servicers that select these providers have to help build out the software. There are some new, visionary products, especially in the AI/machine learning arena, but they need to be evaluated and proven through proofs of concept and real-life mortgage scenarios. We continue to invest in our product and its features to ensure it stays modern and nimble and aligns with current and future demands. Providing our industry with digital methods to scale, flatten market curves, and accelerate adoption requires real leadership and the

“In sum, even when consumers embrace a digital experience, a cold machine on the other end won’t advance that goal. Machine and human elements need to be balanced, transparent, and aligned.”

—Matt Lehnen, CTO, Deephaven Mortgage

vision and drive to try new and better ways of doing business.

Miller: As a tech provider, our job is never finished. We are constantly fine-tuning our products and services to meet evolving market needs. Currently, the lion’s share of our development efforts revolve around continuing to reduce friction for borrowers and expanding the availability of loan officer features like dual AUS submission. Another major initiative is bringing the utility and user experience that SimpleNexus is known for to our parent company nCino’s banking platform.

Walser: Yes, as a provider of remote appraisal technology and the new Property Data Reports for the GSEs, we are working on reducing the time and cost of data collection by applying increasing levels of AI to capture data points and types of materials, assign condition ratings, and populate what items are present

during a virtual or physical inspection. For the Desktop Appraisal, we are enhancing our 3D Scan capability and AI to generate the appraiser-grade floor plan elements automatically to make the process happen in just minutes.

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What measures have you taken to step up cybersecurity in a time when cybercrime is running rampant?

Gamerieri: Protecting our lender client’s data from the ever-present danger of cybercrime is a major component of everything we develop. This danger is no longer novel. We understand how these criminals operate and are constantly vigilant in the defense of our clients’ networks and data. There is no single solution to this problem. It’s all about constant vigilance.

Miller: SimpleNexus is proud of our performance on SOC-2 audits and the security measures we have developed. Now that SimpleNexus has joined nCino, we are able to benefit from its legacy experience working with depository institutions, which traditionally have more rigorous cybersecurity than independent mortgage banks.

Sarkar: There are many cybersecurity issues that extend beyond the breach of your company’s systems and financial data. Cybercrime has grown and the mortgage industry is exposed to new cybersecurity risks every year. For us, undertaking continuous risk assessments and strengthening precautionary measures at regular intervals are the keys to securing our clients’ data and their businesses from existing threat vectors. We’ve also deployed military-grade cybersecurity tools and technology to guard against the variety of assaults that mortgage lenders are vulnerable to.

While implementing technology such as automation, AI, and other data-intensive systems is inevitable in the mortgage sector, many blame these efforts as a reason why the industry is vulnerable to cyberattacks. However, relying on a proven, certified technology partner with rich experience identifying and addressing vulnerabilities that can arise on your growth journey will help mitigate your cybersecurity risks, while also meeting all compliance requirements. **M**



ERIC C. PECK has 20-plus years’ experience covering the mortgage industry, he most recently served as Editor-in-Chief for The Mortgage Press and National Mortgage Professional Magazine. Peck graduated from the New York Institute of Technology where he received his B.A. in communication arts/media. After graduating, he began his professional career with Videography Magazine before landing in the mortgage space. Peck has edited three published books and has served as Copy Editor for Entrepreneur.com.

ONE SIZE DOES NOT FIT ALL



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Diversity Council

Where Diverse Groups Share Common Goals.

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Does Not Fit All

Although progress has been made toward ensuring that the workplace is not oppressive toward LGBTQ employees, there is much work to be done in order to achieve full inclusion. In consultation with local LGBTQ communities, the American Mortgage Diversity Council published a series of eleven recommendations for making your organization more LGBTQ friendly.

TOP THREE RECOMMENDATIONS FOR GROWING LGBTQ WORKPLACE INCLUSION

#1

Train new hires in your non-discrimination policy specifically alluding to sexual orientation and gender identity.

#2

Develop a specialized internship program that targets transgender employees who show an aptitude and interest in building a career in mortgage banking.

#3

Implement executive succession plans that emphasize the development and promotion of LGBTQ executives.

» Work toward real solutions | Get the rest of the recommendations at mortgagediversitycouncil.com/lgbtq-issues «

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Stability Is an Essential Commodity for Non-QM Loans

Amid recent market changes, and as lenders re-enter the non-QM space, borrowers are calling on brokers to establish smart partnerships.

By Greg Austin

For more than a decade leading up to the pandemic, mortgage rates sat at a comfortable average of about 4%—occasionally dipping to 3.31% at lower points, and very briefly reaching 5.21% as a high.¹ Nestled between the housing crisis of the early 2000s and residual effects of the real estate market craze of 2020, this sets a relatively tame stage for the exploration of non-qualified mortgages (non-QM). Cue the mortgage rate pandemic plunge and subsequent boom in the refinance market, and every lender operating in the non-QM sector was pushed to see just how well their program could stand the test of a very turbulent time. As a result, lenders continue to leave the non-QM space, and repercussions have caused mortgage brokers and originators some whiplash. But there are still creditworthy borrowers who need the flexibility of non-QM loans, and lenders able to meet those needs.

Addressing the Market

2022 marked the start of a slowdown in the housing market, which has only continued into the new year. According to statistics provided by Freddie Mac, rates just about doubled from 3.22% to 6.42% in just 12 months, with a few months reaching right above 7%.² Refinances continue to account for less and less of loans originated, sitting at about 30% of all applications.³ And according to a recent economic and mortgage market forecast produced by MBA Research & Economics, loan originations volume is expected to continue to decrease this year, although not as steeply as it did in 2022.⁴ So, what's the story here?

Keeping a pulse on the market is a smart move. Many brokers and borrowers felt the sting of the non-QM sector in recent years as lenders took a step back to refine their expertise. Even as lenders


begin to re-enter the space, what's still relevant is longevity. Can a lender go the distance? Because of the recent surge in mortgage rates and subsequent housing prices, working within non-QM can appear to be volatile. However, the market is beckoning some level of resilience and housing prices are beginning to soften. As this continues, borrowers will take advantage.

Although this isn't the time for a lender to have all their loan originations and liquidity in one basket, proper program recalibration set in motion back in 2020 should pave the way for opportunity—more specifically in the non-QM niche. Just as purchase and refinance origination volume is expected to rebound, non-QM has already started to see an increase in market share from its all-time low of 2% in 2020.⁵ Brokers erring on the side of caution when it comes to working with borrowers in need of a non-QM loan can find reassurance in the

fact that stability still exists within the sector.

Identifying Stability in Non-QM

Since the introduction of non-QM loans, many lenders have expanded their program structure to capture borrowers outside qualified mortgage (QM) criteria set by the Consumer Financial Protection Bureau (CFPB). They're assuming risk of a manually underwritten loan that qualifies a borrower who otherwise might not be approved based on conventional credit and ability-to-repay criteria. Manual underwriting has been around since well-before the induction of non-QM loans, and serves as an alternative to automated underwriting, which approves borrowers based on QM rules that help mitigate risk for the lender. True expertise in the non-QM niche means segmented dedication in both forms of underwriting,



The market is beckoning some level of resilience and housing prices are beginning to soften. As this continues, borrowers will take advantage.



equipping a lender to play the long game more effectively.

However, stability in non-QM relies on more than a strong underwriting skill set. Brokers should also look at how responsive lenders are to the market. Pricing speculation is a dangerous game, and with the market moving as fast as it is going into 2023, being a price leader may not hold the strongest position as a lending partner. Competitive pricing may seemingly have less of an edge because it's not the cheapest, but it offers the advantage of more secured longevity. The appeal in being priced out rests with the result that the lender will, in theory, be around "tomorrow," instead of getting played by the market. Fall-out naturally becomes less likely, which means brokers and borrowers reap the benefits of a smooth process with less breaks in the chain. And right now, especially, history and credibility matter.

Operation within the niche sector dried up almost completely as market conditions placed constraints on liquidity. For some lenders operating specifically within the non-QM sector, these constraints forced their hand in immediate loan suspension and sometimes left minimal margins of reconciliation for brokers and borrowers in the process. It's important for brokers to identify causation of any prior liquidity issues as a result of the market turn in recent years. Did they lose their takeout? Do they have a strong investor backing them? What, if any, did servicing assets look like? And on the other side of all this, how did these lenders honor their existing pipeline as a result?

Considering Commitment

Non-QM loans continue to bridge the gap between creditworthy homebuyers with

The appeal in being priced out rests with the result that the lender will, in theory, be around "tomorrow," instead of getting played by the market.

qualifying criteria outside the QM rule box, and the ability to still obtain a mortgage. People who are self-employed, bring in nontraditional income, qualify from bank statements instead of W2s, gig economy—these kinds of earners and borrowers. As lenders began evacuating the non-QM space a few years ago, some of the pipelines containing this subset of unique borrowers were left floating in limbo. Loans went unfunded, locks were not honored, correspondent purchases were ignored, and unfulfilled commitments left borrowers and

brokers in limbo. Integrity sometimes took a backseat, and market approach was severely impacted by inherent risks that came with the turn of the market, especially if investor backing wavered.

Pricing to risk and strong guidelines can help create attractive exceptions. Additional solutions such as offering profit and loss (P&L) loans through a third-party help tilt the scale of loan flexibility even further. Special program features, such as applying a waterfall on non-QM, to strategically sift through every loan option and exception, only

further a lender's ability to remain nimble amid market adversity. Even as volatility in the housing market continues to be fueled by a culmination of limited inventory, interest rates and inflationary pressures, the need is still there. The value the wave of this influx offers to brokers, specifically, is that it places a spotlight on a lender's ability to follow through on a commitment.

The bigger picture here is taking these things and creating a confluence to form a single channel in the form of non-QM. Going back to the importance of lending longevity, brokers should consider how lenders approach non-QM. This is where commitment to expertise can shine. Again, going back to the need for teams dedicated to manual underwriting as a channel separate from conventional loan origination, allowing guidelines to serve as an enhanced viewpoint of the borrower themselves. These things combined can serve as a compass for brokers serving unique borrowers whose mortgage relies on the strength of truly viable non-QM lending options. **M**



GREG AUSTIN is EVP, Mortgage Lending, for Carrington Mortgage Services (CMS). In his role,

he is responsible for overseeing all aspects of Carrington's mortgage lending businesses, including Retail, Wholesale, and Correspondent. Austin has more than 30 years of experience in the mortgage banking industry—starting in the business as a loan officer. Accustomed to hard work and determination, Austin's career includes senior leadership positions in both operations oversight and sales leadership. Prior to joining Carrington in February 2018, Austin held a similar position at Impac Mortgage, as well as past sales leadership positions at Lehman Brothers and Credit Suisse.

Resources:

1. <https://www.freddiemac.com/pmms>
2. <https://themreport.com/news/data/01-04-2023/app-volume-falls-lowest-level-1996>
3. <https://www.attomdata.com/news/most-recent/attom-q3-2022-u-s-residential-property-mortgage-origination-report/#:~:text=The%20%24212%20billion%20dollar%20volume,the%20third%20quarter%20of%202021.>
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Push Button Refis: Fantasy or Future Reality?

Lenders made a lot of money during the refi boom, but most lenders had difficulty keeping up, because refis are not as simple as we'd like.

By Carlos Sa

With home sales slowing and a possible U.S. recession creeping into view, many in the mortgage industry have grown nostalgic for the “good old days,” even if the good old days were only last year. Back then, rates were near historic lows and Americans couldn't seem to refinance their mortgages fast enough. The problem with the good old days, however, is that they are rarely as good as we remember.

In fact, there's an actual name for this phenomenon called “rosy retrospection,” which refers to the cognitive bias that leads some people to think more positively about the past than the present. Indeed, lenders made a lot of money during the historic, multiyear refi boom that finally ground to a halt last year. But the reality is that most lenders had great difficulty keeping up with volume, precisely because refis are not as simple or as easy as anyone

would like them to be.

Starting today, our industry has a great opportunity to correct this picture. Even while refis have faded—perhaps for some time—eventually they will come back. And when they do, it's possible that borrowers will be able to go online, push a button, and refinance their mortgages in a matter of minutes, without any human involvement.

Why Refis Should be Easy

For an industry that spends weeks to a month or more to fund a loan, the idea of boiling down any mortgage transaction into a single button click may sound far-fetched. Yet most people don't need to go into their bank branch to open a savings account, nor do they have to call their stockbroker to buy and sell investments. They can do both of these things online by themselves. So, why can't refis be just as simple?

Think about it—if you want to refinance your home with your current lender or servicer, your lender should already know almost everything they need to know about you and your property to approve your loan. Assuming you have more than enough equity, good credit, and meet all other required parameters, a standard mortgage refinance, in which the goal is simply to lower your monthly payment, should be relatively straightforward.

From a technological standpoint, all the tools lenders and investors need to make push-button refis happen already exist in some form or another. However, these tools are not usually found in most legacy software products, which aren't easily integrated with each other. As a result, most lenders lack the proper systems to accommodate push-button refis and fully automate a loan refinance. That includes a pricing engine that can automatically identify

and retrieve loan products as well as technology that “triages” loans and greenlights “easy” refi toward a fast-tracked underwriting process.

What Push-Button Refis Will Look Like

Before push-button refis become reality, lenders will need technology that can automatically place loans into different buckets based on their level of complexity. For example, a certain segment of refi applications can be automatically determined to be “easy” because there is plenty of room within all the qualifying factors for the loan to be approved. Perhaps the borrower has relatively clean credit, easy-to-understand income, and sufficient equity, so the appraisal is not an issue. These loans can be placed in a “green” bucket because it meets the criteria for a fast-tracked underwriting process—and hence a push-button refi opportunity.





The same system should be able to place loans into other buckets based on the particular loan program or level of risk and complexity. For instance, suppose a borrower is applying for a loan program and the borrower meets all the requirements, but there are questions about the borrower's income. The lender's system should be able to note the potential discrepancies and place the loan in a "gray" bucket, indicating the loan requires some human intervention before the loan can be approved.

The same system could also make similar determinations based on whether the borrower has a credit issue or a complex tax return file. When underwrit-

AI "learns" which loans will not require human intervention. In the meantime, a lender's staff will be able to focus on more sophisticated problems, so the lender can better optimize its staff resources. Over time, both the system and the lender's staff learn to operate more efficiently.

For example, suppose someone is buying a home through a trust. Perhaps the system has not been programmed to deal with trusts, but it could place the loan in a bucket designated for a specific underwriter who has experience working with trusts. The same could be applied for borrowers of FHA loans or a borrower who owns multiple properties and has extensive documentation. The

most lenders respond by cutting costs, typically by letting people go. Rarely do lenders respond by investing in new technology unless there's an immediate benefit to be realized. But this is exactly what they should be doing—in fact, they should be doing it all the time, whether push-button refs are their ultimate goal or not.

That doesn't necessarily mean lenders need to build their own technology. But they should be constantly assessing and reassessing their needs as well as the availability of new technologies to ensure they are optimizing their operations for the current and future market.

One rule of thumb for choosing technology: don't pick the prod-

Today's market may not be conducive to refs, but it's a perfect time to innovate better ways of originating them. While the ability to fund loans without any human involvement may sound like a stretch, it's probably going to happen one day. In fact, in the back of every innovator's mind is the idea: "If we don't do it, someone else is going to." Speaking for my own team, at least, every line of code is written with this idea in mind.

The bottom line is lenders can choose to feel nostalgic for the good old days or they can put in the work now to make the next refi market even better. As the late Hubert Humphrey once remarked, "The good old days were

One rule of thumb for choosing technology: don't pick the product—pick the company.

ing and other departments receive the file, it will be fully marked by the system with items that need attention, thus improving efficiencies even on loans that require human assistance. Once the items are investigated and it is determined the borrower does in fact qualify, the file can be sent back to the green bucket and the lender can get it done.

Why Smarter Systems Are Needed

Ultimately, a lender's system should leverage artificial intelligence that allows it to learn which bucket to place a loan based on decisions made on previous loans. As a result, a lender's "green" bucket of refi-ready files may start off small but will expand over time as the

system will not only triage these loans and put them in the right spots but can eventually learn to make its own decisions automatically without involving anybody.

Ultimately, a lender's pricing engine should also be able to identify the moment when a current homeowner qualifies for a refinance and preapprove the borrower before they have even thought about refinancing. The lender can then offer the borrower a "mortgage health check" and demonstrate how much they could reduce their payment, then provide a link that allows the borrower to move forward.

Can't Sleep on Innovation

When the housing market contracts as it has today,

uct—pick the company. Most technology vendors will claim their products can be easily integrated with a lender's other systems and be customized for how they do business. And yet, not all vendors will deliver and very few are in the business of building new, cloud-based technologies.

In fact, this is precisely why so many lenders are still dependent on legacy software and technology vendors that not only fail to help them control costs but typically create additional expenses. For this reason, it may be wise to look beyond the handful of off-the-shelf products that have dominated the mortgage technology landscape for the past decade and find a vendor with in-depth experience building new technology and the ability to customize anything they have already built to fit your needs.

never that good, believe me. The good new days are today, and better days are coming tomorrow. Our greatest songs are still unsung." **M**



CARLOS SA is the CEO of MILOS, an IT consulting firm serving the mortgage industry. He has more than 25 years of IT experience and an extensive track record of designing, building, and implementing mortgage technologies. Prior to founding MILOS, Sa served as Head of Information Technology for Mortgage Network, where he and his team built the company's entire IT infrastructure, including its accounting systems, loan origination system, pricing engine, online rate lock, and online borrower portal. He can be reached at CSa@MilosSolutions.com.



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By the Numbers

Addressing the issue of appraisal bias is critical. Here's what can be done to identify and prevent this problem.

By Jeffrey Hogan, SRA, AI-RRS

A house is often a person's largest asset. Similarly, owning a home is often an individual's greatest source of wealth. According to the Local Initiatives Support Corporation (LISC), homeownership is the primary way that low- and moderate-income families build wealth and achieve financial stability. Homeownership is not only important for building wealth for the current generation but also foundational for passing on wealth to future generations.

This is one of the many reasons why the appraisal valuation process is now under the microscope and being investigated to ensure fairness for all property owners.

Why Are Appraisals Important in Lending?

In the lending process, the value of the home is critically important. Lenders want to know a borrower's income and their ability to

repay the loan, their credit score, and the current property value, which determines the amount of equity in the home. All these factors determine the overall risk of the loan and will have an impact on the borrower's interest rate and monthly payment.

During the market crash over a decade ago, most headlines were about home "overvaluation." Roughly one-half of the loans being created then were cash-out refinances. Borrowers were looking to leverage as much equity as possible. Often borrowers were allowed to take so much equity out of their home that it put them in a negative equity position. Combining negative equity with an adjustable-rate loan (pushed by subprime lenders), followed by a real estate market correction, resulted in widespread home depreciation and the "perfect storm" that helped drive the real estate market crash of 2008.

Today, the mortgage world is very different. Appraisal bias and "undervaluation," is dominating the headlines. The Brookings

Institution's study, "Racial Disparities in Home Prices Reveal Widespread Discrimination," cited several examples of racial bias, including the following:

"In Denver, a Black family in a white neighborhood was looking to make renovations and sought an appraisal for a refinance loan. The home value came in at \$405,000, using comparable sales in a Black-majority neighborhood different than the neighborhood they lived in. A second appraisal was done after removing all indicators of race. That appraiser used comparable properties within their own neighborhood. The property was appraised at \$550,000."

"In San Francisco, a Black family invested \$400,000 into their home for major renovations. After the work was completed, an appraisal came in with only an increase in value of \$100,000 over the pre-renovation value. After removing all indicators of race, a second appraisal was completed and produced a home valuation that was \$500,000 more than the pre-renovation value."

What Can Be Done to Prevent and Identify Potential Bias?

The issue of racial bias in valuations is not new. The appraisal process is meant to be unbiased. However, there continues to be examples of bias in the appraisal and lending industry. The good news is there are technological advancements and proactive leaders in the industry working together to combat bias.

The PAVE (Property Appraisal and Valuation Equity) Task Force was commissioned by President Biden to evaluate "the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations."

A few of the PAVE recommendations include the following:

- » Develop data-sharing arrangements among all relevant government agencies and





pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias. I believe having public access to market data can help identify and remediate potential bias concerns.

- » Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.
- » Define metrics that can help to identify and measure patterns of miss-valuation in the property valuation process and address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).

WORD SEARCH: Another way to help reduce potential bias is for appraisers to use more objective

language in their reports. Using technology and automated review tools, appraisals can easily be scanned for the use of subjective words and phrases that could be considered bias related. This information can then be analyzed to determine if there is a correlation between the use of potentially biased words and appraisal valuation.

APPRAISER DIVERSITY INITIATIVE The Appraiser Diversity Initiative (ADI) is a nationwide program led by Fannie Mae, Freddie Mac, and the National Urban League. The goal of ADI is to reach out to diverse, talented candidates and educate them about the appraisal profession and provide resources for interested candidates to help them get on a path to success in the appraisal field. According to Zippia, the most common ethnicity of real estate appraisers is white (84.8%), followed by Hispanic or Latino (6.6%), Black or African American (3.8%), and Asian (2.6%). This Zippia study also reported that 66.5% of appraisers are men

with an average age of 50.

AVM VALIDATION: Automated Valuation Models (AVMs) have been recognized as viable alternatives to traditional appraisals under certain circumstances. In conforming neighborhoods with robust sales data, AVMs have proven to be very effective and accurate. Another benefit to AVMs is that they only consider actual market data to determine the valuation and are blind to all borrower and neighborhood demographics. The question around AVMs is related to algorithmic bias in the data and methodology used by AVMs. There are current studies and ongoing research underway related to the topic of AVM bias. To date, there are a few AVM providers that have gone through deep analysis to determine if their AVM contains algorithmic bias. Whether being used as an appraisal alternative in certain cases, or quality control check on a broader scale, AVMs may be a tool to help identify potential undervaluation.

Appraisals are extremely important for both the homeowner

or seller, buyer, and the lender. For an individual, accurate and unbiased appraisals can play a role in building and sustaining generational wealth. For lenders, appraisals are instrumental for measuring collateral risk. By actively building a more diverse population of appraisers, utilizing advanced review word search tools and AVMs as valuation alternatives, we can better address inaccurate valuations and racial bias claims that can be detrimental to a homeowners' overall financial health. **M**



JEFFREY HOGAN is VP of Valuations at Veros Real Estate Solutions, a leader in enterprise risk management, disaster data solutions, and collateral valuation services. Hogan is a state-certified residential appraiser with over 30 years' experience and is an expert on the tools available to help lenders and appraisers manage valuations. For more information on valuation tools and AVMs, please contact him at JHogan@Veros.com.

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Potential Homebuyers Opting to Rent Rather Than Buy

The share of families living in apartments has reached the highest level in half a century, as a new RentCafe study shows more of those who could purchase a home are choosing instead to rent.

With 43 million families living in apartments, the highest level in half a century, renting is popular even among high-earners who can buy but prefer to rent their homes instead. According to the most recent analysis of IPUMS data from RentCafe shows that the number of renters with annual incomes of over

\$150,000 grew by 82% between 2015 and 2020, faster than renters overall. There are now 2.6 million high-earners living in rentals in the United States and among them are many millionaire renters.

High-income renters earning \$150,000 or more saw rapid growth of 82% in five years—the most significant increase among all income groups—followed by

renter households with annual incomes between \$100,000 and \$150,000. At the same time, middle-income renters grew at a slower pace but still posted double-digit increases. The only segment to register a drop was that of households earning less than \$50,000, which decreased by 11.2%. This is explained by low-income renters moving in with family members when the

pandemic started, as well as households whose earnings grew and transitioned to higher-income groups.

Top Cities with Biggest Increase in High-Income Renter Households

1. Seattle
2. Miami
3. Portland, Oregon
4. Nashville, Tennessee
5. Austin, Texas
6. San Jose, California
7. Denver, Colorado
8. Indianapolis, Indiana
9. Las Vegas
10. Phoenix



ORIGINATION

THE LATEST

Top High-Income Renter Hotspots

1. New York, New York
2. Los Angeles
3. San Francisco, California
4. Chicago
5. San Jose, California
6. San Diego
7. Seattle
8. Houston
9. Washington, D.C.
10. Boston

What Makes Those Who Can Afford to Buy Turn to Renting?

Part of the answer may be found in high home prices, which made homeownership less attractive, especially for those well-heeled residents in pricey locations. This becomes even more obvious when comparing home prices to renter income in the cities with the highest increases in high-income renters.

The number of renter households with incomes of more than \$1 million also reached a record high of 3,381 in 2020—three times as many as there were in 2015, when 1,068 millionaires were renting their homes in the United States, according to the most recent data from IPUMS.

According to a survey from Charles Schwab, Americans consider that an average net worth of \$1.1 million represents being financially comfortable. Data also showed that it seems that being financially comfortable is a millennial trait, with this demographic making up a majority (28%) of millionaire renters. For many millennials of homebuying age and with above-average incomes, lifestyle renting is a better choice than owning.

Gen X follows closely behind, making up 23% of millionaire renter homes. As the first generation that redefined and broke away from the American Dream of homeownership, Gen Xers initially turned to renting due to the strain brought on by the 2008 housing crisis. Today, they're following the same lifestyle renting trends as their younger counterparts.

Data shows that the most popular jobs among millionaire renters are in management positions (1,653); followed by securities, commodities, and financial services sales agents (519); chief executives and legislators (468); software developers (459); and lawyers, judges, magistrates, and other judicial workers (421).

According to IPUMS data, the rental home size of millionaire households varies across the United States, with three-bedroom homes being the national average. Millionaire renters in Washington, D.C., have the largest homes, on average, five bedrooms, followed by Jersey City, New Jersey, with four. Alternatively, in cities like Los Angeles, San Francisco, and New York, the average home size

three-quarters of the national total.

Seattle, Miami, and Portland Boasted the Largest Increase in High-Income Renters in the U.S.

High-income renters—those who earn at least \$50,000 per year—are growing across the nation. According to U.S. Census data, in 14 cities across the United States, high-income tenants more than doubled in numbers in the last five years. Specifically, the 10 cities that saw the most significant increases in the number of rich renters are scattered mostly throughout the West and the South, with Seattle taking the lead as the fastest-growing high-income renter hotspot.

So, it comes as no surprise that 2020 saw an influx of rich renters, reaching a high of 8,653 households (compared to 3,258 just five years prior).

In third place, Portland, Oregon, registered a 148% rise in the number of high-earning renters, reaching 9,503 as of 2020. Despite salary increases rivaling home price increases, some well-off Portlanders still choose to rent.

When looking at the total number of high-income renter households, New York is the “it” place for renters that earn over \$150,000 per year. The Big Apple had a total of 296,594 such households in 2020, representing a share of 11% of the national total. On the opposite coast, Los Angeles lags behind New York with 82,655

Major urban areas are the millionaire renter hotspots, with New York at the top of the list with the highest number.

is three bedrooms.

Wealthy renters live mainly on the coasts, specifically in California, New York, and Washington, D.C. San Francisco held second place in the number of millionaire renter households but had the biggest spike between 2015 and 2020. The Golden City's rental homes inhabited by millionaires multiplied a whopping 17 times (1,629%), growing from 17 households in 2015 to a total of 294 in 2020. California is a millionaire magnet, as the number of seven-digit income renters also rose significantly in Los Angeles, by 361%, to 143 in 2020. Washington, D.C., has 121 renters who earn over one million dollars per year.

Major urban areas are the millionaire renter hotspots, with New York at the top of the list with the highest number. Data also found that 2,457 renter households earn over a million dollars per year,

To that end, high-income renters nearly tripled in Seattle (169%) compared to 2015, making it the nation's fastest-growing area for affluent renters. As a matter of fact, 17% of renter households in Emerald City have an income of over \$150,000. Here, their number increased from 12,305 to 33,111 in just five years—thanks, in part, to a healthy and diverse job market. Technology titans, such as Amazon and Microsoft, are fueling the employment needs of Seattleites, along with a booming biotech industry. Despite this, not even well-off Seattleites could keep pace with the growth of home prices in the last five years: 58%.

A similar spike of 166% in wealthy renters pushes Miami into second place. Granted, homeownership in Miami-Dade County has been dropping consistently even before the pandemic.

high-income renter households, despite registering considerable growth in the last five years. Two other California cities are in the top five: San Francisco and San Jose with 80,020 households and 34,585 respectively, while Chicago takes fourth place with 50,999.

Overall, incomes on the West Coast are higher than elsewhere in the nation. In particular, San Francisco has the highest percentage of high-income households who rent their home, with 36% registered in 2020, compared to 19% in 2015. The Bay Area city's high median income and high-paying jobs are the main explanation behind San Francisco's 86% growth in rich renters in this timeframe. In a similar situation are San Jose, California, and Seattle, with high-income rental homes representing 25% and 17%, respectively, of the total renter households.

ORIGINATION

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SECONDARY MARKET



Homebuyers Return as Market Shifts Toward Their Favor

According to a new Redfin study, as homebuyers adjust to 6% mortgage rates, more homes have gone under contract in January than in the entire fourth quarter.

The housing market has begun to recover after hitting a low point in the second week of November, according to a report from Redfin. The number of Redfin customers requesting tours has improved 17 percentage points from November, and the number of people contacting Redfin agents to start the homebuying process has improved 13 points. Compared with a year ago, home tours and requests for service are down 23% and 27%, but that's an improvement from the November trough, when both were down 40%.

This is already translating into more home sales. Redfin agents report that bidding wars are back in some markets, including Seattle, central Florida, and Richmond, Virginia. Homebuyer demand remains down from its early 2022 highs, but the market has shifted into a new phase and well-priced listings are selling quickly.

Homebuyers Return as Power Dynamics Shift Toward Their Favor

Homebuyers have begun to acclimate to 6% mortgage rates, which may feel like a relief after watching affordability erode as rates surpassed 7% in the fall.

"I've seen more homes go under contract this month than in the entire fourth quarter. Listings that were stagnant in November and December are suddenly getting one to two offers," San Jose, California, Redfin agent Angela Langone said. "I'm getting texts and emails from prospective

buyers now that the new year is in full swing and the holidays are behind us. Mortgage rates aren't stopping people as much as they were at the end of 2022 now that they're down from their peak and sellers are more willing to negotiate. Some buyers are having luck winning a home for under asking price, especially if it has been on the market for several weeks, but those days may be numbered."

Mortgage applications are up 28% from early November as the average 30-year-fixed mortgage rate has declined to 6.15% from its November peak of 7.08%—the largest 10-week decline since 2009. That has sent the typical

homebuyer's mortgage payment down 10% (about \$180) since fall. Pending home sales rose 3% in December from November on a seasonally adjusted basis—the first month-over-month increase in 14 months.

Bidding Wars Are Back in Some Markets

While demand is coming back in some parts of the country, homes that are eliciting bidding wars tend to be affordable, suburban, single-family, move-in ready, and priced competitively. Preliminary data on the share of Redfin agents' offers facing bidding wars points to small upticks in the Seattle and Tampa markets this month.

"Bidding wars are back in Seattle," local Redfin real estate agent Shoshana Godwin said. "One of our Issaquah listings got

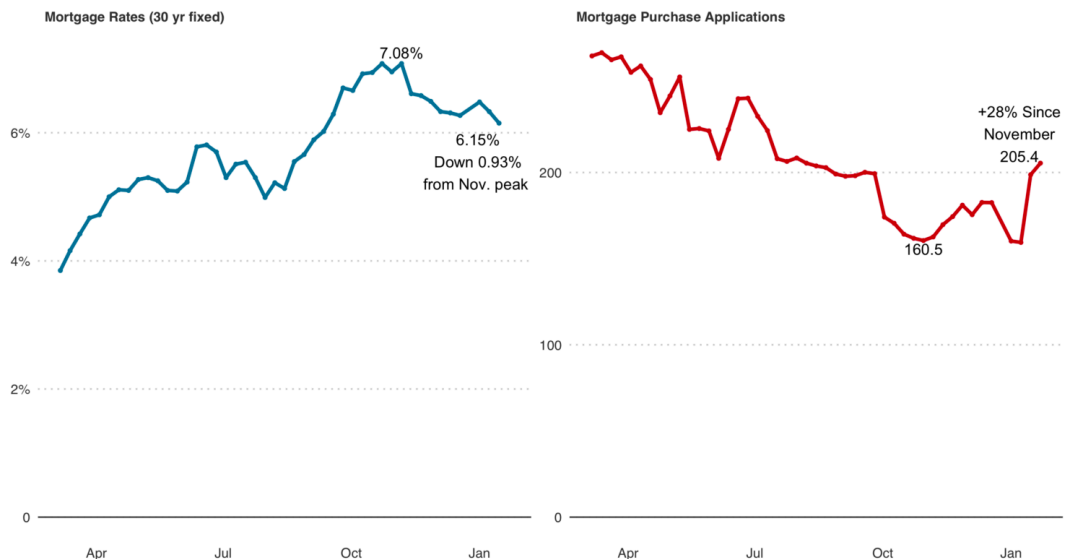
12 offers and is under contract for \$155,000 over the \$1.4 million list price. The buyer waived every contingency, handed over \$300,000 of earnest money, and is letting the seller stay for free for two months after closing. Another home in Seattle's popular Ballard neighborhood was recently delisted after sitting on the market for over three months. The seller relisted it last week and it went pending in under a day."

Eric Auciello, Redfin's team manager in Tampa, has seen three modest single-family homes priced around \$300,000 wind up in bidding wars in central Florida this month, with 16, 17, and 23 competing offers.

"Homes that are in desirable school districts, priced well, and in good condition are going off the market within days or even hours," Richmond Redfin agent Blake Edwards said. "Anything

Tide Shift

Homebuying Demand Began to Recover As Mortgage Rates Fell at Their Fastest Pace Since 2009



@TaylorAMarr Sources: Freddie Mac, PMMS; Mortgage Bankers Association, Seasonally Adjusted Purchase Index;



under \$400,000 will sell within the weekend. Even the \$1 million houses that are in great condition are selling within days. It really is property specific right now.”

The Market for Condos and Expensive Homes Lags Behind

Condos and higher-priced homes are still a struggle to sell. Redfin agents report that sellers of expensive homes and condos are offering buyers incentives to close deals.

“The condo market in Washington, D.C., has been hit hard,” local Redfin agent Marshall Carey said. “Condo sellers are searching for ways to incentivize buyers. One of my buyers recently purchased a condo, and

we got the seller to give them 3% of the list price back in cash. My buyer used 2% of that to buy down their mortgage rate.”

“There’s a ton of demand for affordable suburban homes, but the super high end isn’t in demand,” Chicago Redfin agent Dan Close said. “Property taxes are very expensive here, so buying a \$2 million home isn’t practical for most people.”

Sellers Have Been Slower to Return Than Buyers

Even though homebuyer demand is improving, the main factor driving bidding wars is low inventory. Would-be sellers are more sensitive to elevated rates because 85% of mortgage holders

have a rate far below today’s level of roughly 6%. This “lock-in” effect and still-high rental prices are motivating many potential move-up buyers to become landlords instead of home sellers.

The measure of people contacting Redfin agents to sell their home has improved slightly; it’s up 10 percentage points from the November trough. But there hasn’t yet been a significant boost in listings nationwide. New listings fell 18% year over year during the four weeks ending January 22. That’s the smallest decrease in almost three months, but much steeper than the 8% decline a year earlier.

Redfin agents have observed in their conversations with homeowners that there’s fear around

listing at a time when home-price growth has been shrinking and buyers are regaining power.

“Sellers are jumping on the first viable offer because they’ve heard from the media, friends, and family that the housing market is slowing,” Edwards said. “It all feels very urgent. We prioritize educating sellers in real-time so they understand how the market dynamics are shifting, with more buyers now coming back.”

The market will likely see more sellers return as homebuyer demand increases and price growth stabilizes—especially given that there’s pent-up supply from sellers who delisted their homes in the fall when the market was slowing.



Home Purchase Mortgage Apps Fell Nearly 30% in December

Mortgage applications for new home purchases decreased 25.2% in December compared to a year ago, according to the MBA Builder Application Survey. The data shows the number of applications and estimated sales is more than 20% behind last year's pace.

According to a report from the Mortgage Bankers Association (MBA) Builder Application Survey (BAS), data for December 2022 shows mortgage applications for new home purchases decreased 25.2% compared to a year ago. Compared to November 2022, applications decreased by 5%. This change does not include any adjustment for typical seasonal patterns. "December new home purchase activity—both for applications and

estimated sales—ran more than 20% behind last year's pace," said Joel Kan, MBA's VP and Deputy Chief Economist. "The decline in activity was in line with single-family housing starts that were 32% lower than a year ago. Higher mortgage rates and a weakening economy held back buyers at the end of last year." "This week's builder sentiment index from the NAHB reflected an improving outlook and increased homebuyer traffic, as mortgage rates have backed off from recent highs," Kan said. "The

housing market is still in need of more starter and entry-level homes, especially when current demographic trends point to the potential for more younger households to enter homeownership in the near future. New construction of these units will help these buyers entering the housing market."

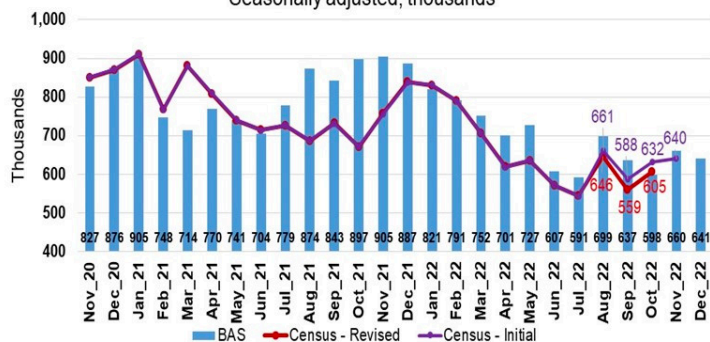
MBA estimates new single-family home sales, which has consistently been a leading indicator of the U.S. Census Bureau's New Residential Sales report, is that new single-family home sales were running at a seasonally adjusted annual rate of 641,000 units in December 2022, based on data from the BAS. The new home sales estimate is derived using mortgage application information

from the BAS, as well as assumptions regarding market coverage and other factors.

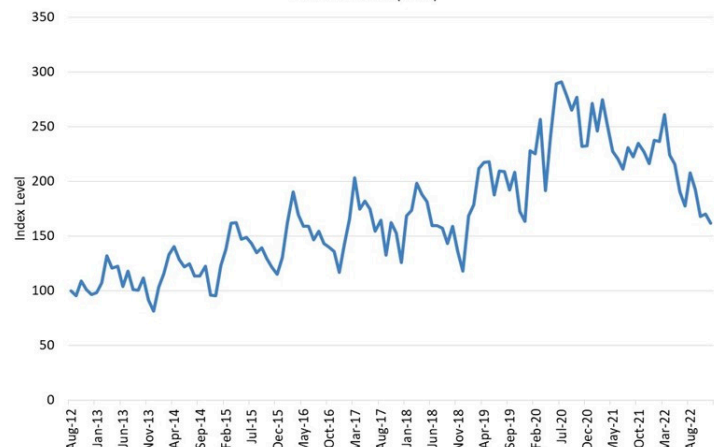
The seasonally adjusted estimate for December is a decrease of 2.9% from the November pace of 660,000 units. On an unadjusted basis, MBA estimates that there were 45,000 new home sales in December 2022, a decrease of 8.2% from 49,000 new home sales in November.

By product type, conventional loans composed 69.1% of loan applications, FHA loans composed 20%, RHS/USDA loans composed 0.3%, and VA loans composed 10.5%. The average loan size of new homes increased from \$392,465 in November to \$399,555 in December.

MBA and Census Estimates of New Home Sales
Seasonally adjusted, thousands



Builder Application Survey
Market Index (NSA)





U.S. Mortgage Performance Remained Strong in Late 2022

According to a CoreLogic report, mortgage delinquency and foreclosure rates remained near record lows in November, although 18 metro areas experienced annual increases in the delinquency rate.

CoreLogic has released its monthly Loan Performance Insights Report for November 2022, showing that for November, 2.9% of all mortgages in the U.S. were in some stage of delinquency (30 days or more past due, including those in foreclosure), representing a 0.7 percentage point decrease compared to 3.6% in November 2021.

To gain a complete view of the mortgage market and loan performance health, CoreLogic examines all stages of delinquency. In November 2022, the U.S. delinquency and transition rates, and their year-over-year changes, were as follows:

- » Early-Stage Delinquencies (30 to 59 days past due): 1.4%, up from 1.2% in November 2021.
- » Adverse Delinquency (60 to 89 days past due): 0.4%, up from 0.3% in November 2021.
- » Serious Delinquency (90 days or more past due, including loans in foreclosure): 1.2%, down from 2% in November 2021 and a high of 4.3% in August 2020.
- » Foreclosure Inventory Rate

- (the share of mortgages in some stage of the foreclosure process): 0.3%, up from 0.2% in November 2021.
- » Transition Rate (the share of mortgages that transitioned from current to 30 days past due): 0.7%, up from November 2021.

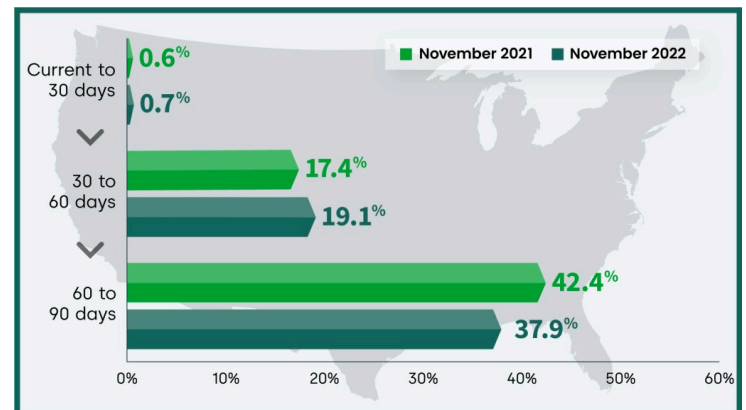
Overall mortgage delinquency and foreclosure rates remained near record lows in November 2022, 2.9% and 0.3%, respectively. While national mortgage delinquencies declined for the 20th straight month on an annual basis, 18 U.S. metro areas saw at least slight increases in late borrower payments, up from six in October and one in September. Despite that uptick and slowing home price growth in recent months, most owners are in good shape due to healthy amounts of equity. CoreLogic's latest Home Equity Report shows that U.S. homeowners with a mortgage saw their equity increase by 15.8% year over year in the third quarter of 2022, for an average gain of \$34,300 per borrower.

"Most homeowners are well positioned to weather a shallow recession," said Molly Boesel,

Principal Economist at CoreLogic. "More than a decade of home price increases has given homeowners record amounts of equity, which protects them from foreclosure should they fall behind on their mortgage payments."

State and Metro Takeaways:

- » In November, all states posted annual declines in overall delinquency rates. The states and districts with the largest declines were Louisiana (down 1.9 percentage points), Alaska (down 1.6 percentage points), and the District of Columbia and Hawaii (both down 1.3 percentage points). The remaining states' annual delinquency rates dropped between 0.1 percentage points and 1.2 percentage points.
- » In November, 18 U.S. metro areas posted an increase in overall delinquency rates. The top three areas for mortgage delinquency gains year over year were Cape Coral-Fort Myers, Florida (up 3.1 percentage points); Punta Gorda, Florida (up 2.9 percentage points); and Bloomsburg-Berwick, Pennsylvania (up 0.6 percentage points).
- » All but one U.S. metro area posted at least a small annual decrease in serious delinquency rates, with Houma-Thibodaux, Louisiana (down 4.2 percentage points); Odessa, Texas (down 3 percentage points); and New Orleans and Hammond, Louisiana (both down 2.9 percentage points) posting the largest declines. The only U.S. metro to see an increase in serious delinquencies was Bloomsburg-Berwick, Pennsylvania.







Pending Home Sales Increase, Breaking a Six-Month Downturn

“This recent low point in home sales activity is likely over,” said Lawrence Yun, NAR’s Chief Economist. “Mortgage rates are the dominant factor driving home sales, and recent declines in rates are clearly helping to stabilize the market.”

According to the Pending Home Sales Index (PHSI) released by the National Association of Realtors, pending home sales increased 2.5% nationally, breaking a six-month streak of worsening numbers that began in May 2022. The index now stands at 76.9 points as of December 2022. Year

over year, pending transactions dropped by 33.8%. An index number of 100 was benchmarked to home sales when the report was created in 2001. “This recent low point in home sales activity is likely over,” said Lawrence Yun, NAR’s Chief Economist. “Mortgage rates are the dominant factor driving home

sales and recent declines in rates are clearly helping to stabilize the market.” Of the four major geographical regions of the country, the West reported the largest growth of the group at 6.4% in December to an index of 58.6 but overall decreased by 37.5% year over year. The South saw the second highest growth at 6.1% to an index of 94.1 but dropped year over year 34.5%. However, the PHSI dropped in the other two regions of the country. In the Northeast, the PHSI dropped 6.5% from December to an index of 64.7%, a decline of 32.5%

over December 2021. The Midwest index shrank by the least—or 0.3%—to an index of 77.6, a decline of 30.1% year over year. “The new normal for mortgage rates will likely be in the 5.5% to 6.5% range,” Yun added. “Job gains will steadily become important in driving local home-sales markets. The South, in particular, is set to outperform the rest of the country, thanks primarily to better job market conditions in this part of the country compared to other regions.” The PHSI is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when



the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing.

Realtor.com Economic Data Analyst Hannah Jones responded to the report, saying:

“December’s contract signings reflected the housing market’s ongoing struggle with affordability, as ample housing demand remained frozen by high prices and mortgage rates,” Jones said. “Though mortgage rates fell as low as 6.27% in December, down 0.8 percentage points from November’s high, home prices remained elevated, up 8.4% compared to the previous year.”

“To the delight of many, mortgage rates have continued to fall, dropping to levels not seen since September, offering buyers the opportunity to dip a toe back into the market. Even with December’s retreat though, mortgage rates remained more than three percentage points higher than the previous year, which means that the mortgage payment for a median-priced home was \$730 higher than in December 2021. As a result, many buyers stuck to the sidelines, waiting for conditions to improve.”

“Though the market is still tipped in sellers’ favor, many homeowners have reconsidered their plans to sell as fewer buyers competing means less potential upside,” Jones concluded. “The ongoing lack of affordability has curbed buyer activity this winter, but lower interest rates and the coming spring homebuying season promise more opportunities for buyers and sellers alike.”

First American Deputy Chief Economist Odeta Kushi also commented on the report.

“December 2022 pending-home sales improved for the first time since May 2022, increasing 2.5% from November but remain 34% lower compared with one year ago,” Kushi said. “Pending-home sales are a forward-looking indicator of home sales based on contract signings.”

“We now have multiple leading housing indicators that are pointing to modestly higher

sales activity,” Kushi continued. “Mortgage applications have been trending higher alongside lower mortgage rates, pending-home sales are up, and home builder confidence increased in January.”

“Interested buyers are out there. From a financial perspective, the decision to buy a home comes down to a payment-to-paycheck calculation, and lower mortgage rates may help to reduce the mortgage payment while higher incomes can increase one’s monthly paycheck.”

“Lower mortgage rates and a still strong labor market have helped to stabilize the housing market,” Kushi concluded. “The market suffered a deep freeze in the winter months of 2022 but, if these dynamics persist, there is reason to believe that it will begin to thaw as the spring home-buying season approaches.”

Bright MLS Chief Economist Dr. Lisa Sturtevant had the following comments on today’s Pending Home Sales data:

“There was a modest uptick in new pending sales in December, rising 2.5% compared to November. December’s pending data suggests that the housing market may have bottomed out,” Sturtevant said. “Buyer activity pulled back late last year as mortgage rates hit 20-year highs. But rates have fallen, and today’s report is another sign that buyers are back.”

“Mortgage applications jumped last week as rates fell to their lowest level since September. Both home showings and new contract activity has increased in many local markets with some agents reporting a return to bidding wars and multiple offers.”

“Predictions of a housing market collapse are way off base. There are many prospective buyers who have come to accept the “new normal” of 6% mortgage rates and are tired of sitting out the opportunity to buy a home,” Sturtevant concluded. “So, while the 2023 housing market will be slower than the market during 2021 or even the first half of 2022, there could be an unexpected first quarter surge in buyer activity if rates stabilize or even come down further in the coming weeks.”

Senior Home Equity Exceeds Record \$11.8T

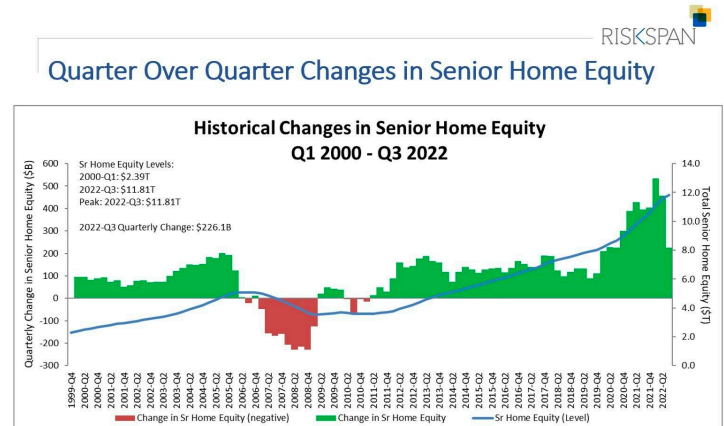
The National Reverse Mortgage Lenders Association and RiskSpan Reverse Mortgage Market Index hit a record high of 413.22, while senior housing wealth grew by nearly \$226 billion in Q3 of 2022.

According to the National Reverse Mortgage Lenders Association (NRMLA)/RiskSpan Reverse Mortgage Market Index, homeowners 62 and older saw their housing wealth grow by nearly 2% (1.95%) or \$226 billion in Q3 to a record \$11.81 trillion from Q2 2022.

The NRMLA/RiskSpan Reverse Mortgage Market Index (RMMI) rose in Q3 2022 to 413.22, another all-time high since the index was first published in 2000. The increase in older homeowners’ wealth was mainly driven by an estimated 1.95% or \$268 billion increase in home values, offset by

a 1.93% or \$42 billion increase in senior-held mortgage debt.

“Multiple studies published over the past couple of years highlight the challenges faced by women to save for retirement because of competing priorities, such as caring for children or an aging parent or relative,” NRMLA President Steve Irwin said. “Nevertheless, they own a substantial asset, their home. Therefore, when meeting with a financial planner, or other trusted advisors, it’s very important to consider home equity as a strategic asset that can be used to help enhance retirement security.”





Examining Homeownership Gender Gaps

Single women own an estimated 2.64 million more homes than single men nationwide, according to a new LendingTree study, and are more likely to own their homes.

While U.S. women earn 83.1 cents for every dollar a man makes, according to the U.S. Bureau of Labor Statistics (BLS), single women own more homes than single men.

A LendingTree analysis of U.S. Census Bureau data finds that single women are more likely than single men to own a home in 48 of 50 states. The study reveals which states are most popular for single-women and single-men homeowners, as well as where the homeownership gap between the genders is the largest.

- Key findings:
- » **Single women own about 2.64 million more homes than single men in the 50 states.** Single women own about 10.76 million homes, while single men own about 8.12 million. Put another way, single women own an average of 12.90% of the owner-occupied homes in the 50 states, versus 10.06% among single men.
 - » **Louisiana has the highest share of homes owned by single women.** 15.16% of Louisiana owner-occupied households are owned by

- single women—more than 2 percentage points higher than the 50-state average.
- » **North Dakota and South Dakota are the only states where single men own a higher share of homes than single women.** In North Dakota, single men own 12.70% of the state's owner-occupied homes (the highest share in any state), while single women own 11.08%. In South Dakota, those figures are 11.97% and 11.29%.
- » **Florida has the largest gap in homeownership rates among single women and single men.** The gap is 4.55%—nearly 2 percentage points higher than the national average of 2.84%.
- » **Wyoming has the smallest gap in homeownership rates among single women and men.** Though more single women own homes than single men, the Equality State nearly lives up to its name with a homeownership gender gap of only 0.39%.

States with the largest share of single-women homeowners:

- No. 1: Louisiana
 - » Owner-occupied households: 1,202,510
 - » Households owned and occupied by single women: 15.16%
 - » Households owned and occupied by single men: 10.94%
 - » Gender gap between single homeowners: 4.22%
- No. 2: Alabama
 - » Owner-occupied households: 1,379,476
 - » Households owned and occupied by single women: 14.98%
 - » Households owned and occupied by single men: 10.85%
 - » Gender gap between single homeowners: 4.13%
- No. 3: South Carolina
 - » Owner-occupied households: 1,473,543
 - » Households owned and occupied by single women: 14.84%
 - » Households owned and occupied by single men: 10.65%
 - » Gender gap between single homeowners: 4.19%

States with the largest share of single-men homeowners:

- No. 1: North Dakota
 - » Owner-occupied households: 204,325
 - » Households owned and occupied by single men: 12.70%
 - » Households owned and occupied by single women: 11.08%
 - » Gender gap between single homeowners: -1.62%
- No. 2: Wyoming
 - » Owner-occupied households: 173,177
 - » Households owned and occupied by single men: 12.06%
 - » Households owned and occupied by single women: 12.45%
 - » Gender gap between single homeowners: 0.39%
- No. 3: South Dakota
 - » Owner-occupied households: 243,363
 - » Households owned and occupied by single men: 11.97%
 - » Households owned and occupied by single women: 11.29%
 - » Gender gap between single homeowners: -0.68%

States with the widest gender gap in homeownership rates between single homeowners:

- No. 1: Florida
 - » Owner-occupied households: 5,771,345
 - » Households owned and occupied by single women: 14.80%
 - » Households owned and occupied by single men: 10.25%
 - » Gender gap between single homeowners: 4.55%
- No. 2: Maryland
 - » Owner-occupied households: 1,600,605
 - » Households owned and occupied by single women: 13.39%
 - » Households owned and occupied by single men: 8.86%
 - » Gender gap between single homeowners: 4.53%
- No. 3: Delaware
 - » Owner-occupied households: 287,153
 - » Households owned and occupied by single women: 14.44%
 - » Households owned and occupied by single men: 9.94%
 - » Gender gap between single homeowners: 4.50%

5.8 Million Opened First-Ever Lines of Credit in 2021



New-to-credit consumers on the rise, with credit cards being the most common option.

First-time credit users, also known as new-to-credit (NTC) consumers, have been found to be just as much a risk as consumers with an established credit history—if not a little better—according to new data from the credit bureau, TransUnion.

A global study entitled “Empowering Credit Inclusion: A Deeper Perspective on New-to-Credit Consumers” gives reassuring hard data to lenders in both the established and developing credit markets so they can extend additional credit products to these consumers without a corresponding rise in delinquency rates.

Covering not only the United

States, but Brazil, Canada, Colombia, Dominican Republic, Hong Kong, India, Philippines, and South Africa, the study focused on subjects who had no prior credit history with the bureau when they opened their first-ever line of credit and continued examining their behaviors and performances for the following two years.

“A particular focus around the topic of financial inclusion is credit inclusion—the ability of consumers to access traditional lending products, such as credit cards, mortgages, and personal loans. These products serve as a means to financial mobility for consumers and can be a gateway to a better quality of life,

enabling homeownership, business formation and wealth creation,” said Charlie Wise, co-author of the study and Head of Global Research at TransUnion. “The more consumers who can participate in credit markets in a region, the greater the opportunities for broad economic inclusion. The data from our study demonstrate that new-to-credit consumers are often good risks who are hungry for credit and will show loyalty to those financial institutions that offer them their first credit accounts.”

In the United States alone, 5.8 million consumers opened their first-ever line of credit in 2021, made up largely of the Gen Z generation at 59%, followed by millennials at 21%, Gen X at 12%, followed by 7% of baby boomers. The study found overall that these consumers were generally good risks when compared to a counterpart with an established file.

The study also found that the most common type of credit line NTC consumers took out was a credit card, not only in the United States, but in the other countries as well.

“In nearly every region, depending on risk tier or time period of origination, instances occurred in which NTC borrowers had lower delinquency rates on newly opened credit cards than established borrowers,” said the study. “In the U.S., on subsequent credit card originations after opening their first account, NTC consumers had slightly higher delinquency rates than credit-served consumers in the same near prime and prime score ranges, though the differences are small enough to make the NTC segment a potentially attractive segment for lenders looking for profitable growth.”

Further, the study found that new and unforeseen expenses were the primary driver for opening a line of credit. A majority of NTC consumers across all regions, with the exception of India, reported receiving a credit product at the first institution where they applied—without needing to go to multiple lenders. In the United States, 54% of NTC borrowers reported receiving a credit product from the first institution where they applied.

“It’s clear that new-to-credit borrowers around the globe and in the United States will play a large role in the growth of many lenders’ books of business,” said Michele Raneri, co-author of the study and Head of U.S. research at TransUnion. “Banks, credit unions, and other financial institutions who use alternative data while providing products, channels, and a positive onboarding process, will likely be the ones who succeed in building loyalty with this segment of the population.”



Ten Quarters of Equity Gains Come to a Close

While home equity levels remained relatively flat, equity-rich properties now make up 48% of all mortgaged properties.

As final bits of year-end data covering 2022 flow in, ATTOM Data's fourth-quarter Home Equity & Underwater Report revealed that 48% of residential mortgaged properties were considered equity rich, a slight decline from the third quarter of 2022 when that same number stood at 48.5% and up from the same period in 2021 at 41.9%.

According to ATTOM, equity-rich levels have essentially doubled compared to pre-pandemic levels. The decline experienced in the fourth quarter reversed a run of 10 straight quarterly gains as the portion of equity-rich mortgage payers went down in 31 states.

ATTOM explains this dip could be one of the first signs of how falling home prices have started to affect homeowners following a decade-long housing market boom.

Despite the fact that equity-rich mortgages have increased, the report also revealed that 2.9% of mortgaged homes, or 1-in-34

housing units, were considered seriously underwater in the fourth quarter of 2022. This figure is unchanged from the third quarter of 2022 and is down from 3.1%, or 1-in-32 properties a year earlier.

In total, 94.1% of homeowners had some sort of equity built up in their properties during the fourth quarter; this number is slightly down from 94.3% but up from 93.5% from a year prior. The portion of homeowners with equity rises further when accounting for homeowners who have paid off their home loans.

"Dents are beginning to surface in the armor around the U.S. housing market after 11 years of a strong showing for owners," said Rob Barber, CEO for ATTOM. "Home values have been dropping since the middle of last year, which appears to be starting to cut into homeowner equity around the country."

"That's probably happening because values are sinking faster than owners are paying off their mortgages," Barber continued. "How that shakes out over the

next few months will depend on a lot of factors, including where interest rates go. But for now, it looks like the runup in wealth flowing from owning homes has stalled along with the market."

Among the major regions of the country, the West saw the biggest drops in home equity levels. The fourth-quarter declines were led by Idaho (portion of mortgages homes considered equity-rich decreased from 65.8% in the third quarter of 2022 to 61.6% in the fourth quarter of 2022), Arizona (down from 63.4% to 59.9%), Nevada (down from 55.8% to 52.3%), Washington (down from 61% to 58.5%), and Oregon (down from 55% to 53.2%).

Conversely, the South had the biggest increase in the share of equity-rich homes during the fourth quarter.

According to ATTOM, while the portion of mortgage homes considered seriously underwater remained historically low in the fourth quarter of 2022 in most of the nation, the largest increases were clustered in the West. The top increases were in Missouri (share of mortgaged homes that were seriously underwater up from 5.2% in the third quarter of 2022 to 7.1% in the fourth quarter), Hawaii (up from 1.5% to 2%), Idaho (up from 1.9% to 2.2%), New

Mexico (up from 2.7% to 3%), and Wyoming (up from 2.9% to 3.2%).

Among 8,721 U.S. ZIP codes that had at least 2,000 residential properties with mortgages in the fourth quarter of 2022, there were 3,887 (46%) where at least half the mortgaged properties were equity rich.

The Midwest and South again had the top 10 states with the highest shares of mortgages that were seriously underwater in the fourth quarter of 2022. The top five were Louisiana (10.6% seriously underwater), Missouri (7.1%), Mississippi (6.8%), Illinois (6.3%), and Iowa (6.2%).

ATTOM further found that only about 234,400 homeowners were facing possible foreclosure in the fourth quarter of 2022, or just four-tenths of one percent of the 58.1 million outstanding mortgages in the U.S. Of those facing foreclosure, about 216,000—or 92%—had at least some equity built up in their homes.

"Facing foreclosure is not nearly as impactful as it could be for the vast majority of homeowners because they have varying levels of financial cushion built up in their property," Barber concluded. "That should help them either re-finance mortgages, or if they have to sell, still generate a profit from all the recent price increases."



Home
Equity



TransUnion Releases the Q4 2022 Quarterly Credit Industry Insights Report

In Q4 2022, many consumers continued to look to credit as a means to help stave off financial pressures caused by inflation.

Amidst an economic environment of rising interest rates and high inflation, Q4 of 2022 saw consumers continuing to look to credit as a means to help stave off these financial pressures. Unveiled today, TransUnion's Q4 2022 Quarterly Credit Industry Insights Report (CIIR) shows that whether it is Gen Z consumers opening credit cards, homeowners taking out home equity lines of

credit (HELOCs) or consumers continuing to turn to unsecured personal loans, more and more borrowers are looking to a range of credit products to cope with the financial pressures of today and better position themselves for the evolving financial landscape.

An example of increased credit usage: credit card balances continued to grow, reaching record levels at the end of 2022. Bankcard originations were also up year

over year (YoY) in Q3 2022 (the most recent originations data available), from 20.1 million in Q3 2021 to 21.6 million. Gen Z consumers, in particular, increasingly continued to turn to bankcards, showing YoY growth in both balances (up 64% YoY in Q4 2022) and originations (up 18.8% YoY in Q3 2022). Somewhat concerning is an upward trend in credit card delinquencies in both bankcard and private label; however, context is required. Delinquencies for bankcards in Q4 2022 are still hovering around pre-pandemic levels observed in 2019 while private label card delinquencies remain below pre-pandemic levels.

While higher interest rates dampened new and refinance

mortgage originations in Q3 2022, homeowners continued eagerly tapping into their record stores of home equity to help in consolidating their high interest debt. In fact, the most recent origination figures from Q3 2022 show that HELOCs and home equity loans (HELOANS) continued to be a popular option in Q3 2022. Consumers are also still seeking out unsecured personal loans as a way to pay off high interest debt and, despite growing delinquency rates among borrowers, lenders remain eager to lend, albeit seemingly with adjustments in their lending criteria that includes a gradual shift away from below prime borrowers.



BofA to Invest Upwards of \$150M in Housing Preservation Project

Bank of America has announced collaborations with Enterprise Community Partners and developers to preserve housing for middle-income earners, helping preserve more than 3,000 affordable homes nationwide.

Bank of America Community Development Banking is investing up to \$150 million in equity to preserve more than 3,000 affordable homes nationwide for middle-income households in partnership with Enterprise Community Partners (Enterprise).

Bank of America and Enterprise will help working Americans across the country earning between 80% and 120% of area median income remain in housing they can afford.

According to the Pew Research Center, about half of Americans (49%) said this was a major problem where they live, up 10 percentage points from early 2018.

“As rent costs outpace income growth, the continued lack of affordable housing inventory is forcing families to make difficult decisions on how and where they live,” said Maria Barry, Bank of America Community Development Banking national executive. “This fund will focus on the “missing middle,” which refers

to middle income individuals who make too much money to qualify for subsidized housing but make too little to afford market rate housing in their community.”

According to Harvard University’s 2022 State of the Nation’s Housing report, home prices rose 20.6% from March 2021 to March 2022 and rents jumped 12%, showing that unaffordability worsened even further in the past two years.

Both Enterprise and Bank of America will leverage their national networks and resources to help accelerate the preservation of affordable housing.

“Preserving affordable housing for middle-income households is more critical today than ever as our country faces the worst housing shortage in generations,” said

Lori Chatman, interim Co-CEO of Enterprise Community Partners. “Through our work with Bank of America, we are able to fill a gap to creatively finance projects that will preserve the supply of affordable homes and build resilience and upward mobility for thousands of families.”

This fund builds on Bank of America and Enterprise’s partnership spanning more than 30 years to create and preserve thousands of affordable homes. It will expand the partnership to preserve middle income homes by investing critical equity capital to allow affordable housing providers to acquire existing properties that are at risk of being converted into unaffordable, market-rate homes and preserve their affordability for the long term.



HUD Announces Communities Will Receive Grants to Address Homelessness

The U.S. Department of Housing and Urban Development announced nearly \$315 million in grants to 46 communities across the nation to address unsheltered and rural homelessness.

The U.S. Department of Housing and Urban Development (HUD) announced the first set of communities to receive grants and vouchers to address homelessness among people in unsheltered settings and in rural communities. The announcement totals nearly \$315 million in grants to 46 communities. In the coming weeks, HUD will be awarding grants to an additional set of communities, as well as allocating housing vouchers to awarded communities.

These grants and vouchers comprise a first-of-its-kind package of resources to help communities provide housing and supportive services to people in unsheltered settings and people experiencing homelessness in rural areas. Communities were also asked to develop a comprehensive approach to addressing unsheltered and rural homelessness that involves coordination with health care providers, other housing agencies such as public housing authorities, and people with lived experience.

“Homelessness is a crisis, and it is solvable. Housing with supportive services solves homelessness. That’s why, for the first time, the federal government is deploying targeted resources to meet the needs of people experiencing homelessness in unsheltered settings or in rural areas,” HUD Secretary Marcia L. Fudge said. “With these grants and vouchers, HUD is filling this gap and giving communities the resources and tools to improve housing and health outcomes for people on the streets, in encampments, under bridges, and in rural areas.”

This funding initiative is also the first in which HUD has coordinated grants and housing vouchers. In response to the competitive special Notice of Funding Opportunity, Continuum of Care (CoC) collaborative applicants were asked to formally partner with public housing authorities to leverage access to housing resources. Public housing authorities that are partnering with awarded CoC grantees will receive priority for approximately 4,000 Housing Choice “Stability” Vouchers that

allow people experiencing homelessness to afford decent, safe, and sanitary housing.

From Day One, the Biden-Harris administration has taken action to deliver housing relief and to solve homelessness. The American Rescue Plan Act of 2021 provided historic levels of homeless assistance including nearly 70,000 Emergency Housing Vouchers and \$5 billion in HOME Investment Partnership homelessness grants. HUD and the United States Interagency Council on Homelessness (USICH) launched House America, a national initiative in which HUD and USICH partnered with 105 communities led by mayors, county leaders, governors, and tribal nation leaders to place over 100,000 households from homelessness into permanent housing and add over 40,000 units of affordable housing into the development pipeline. In late December, USICH released All In: The Federal Strategic Plan to Prevent and End Homelessness, which set forth President Biden’s ambitious goal to reduce all homelessness by 25% by 2025.

The resources announced build upon the momentum and renewed political will at all levels of government to solve homelessness through the provision of housing with supportive services. They respond directly to the calls from

state and local leaders, advocates, and people with lived experience for more federal assistance to address unsheltered and rural homelessness specifically. And they provide communities with the resources and tools to respond to homeless encampments humanely and effectively and to avoid approaches that criminalize homelessness.

To make this announcement, HUD Secretary Marcia L. Fudge traveled to Chicago, Illinois, to present a \$60 million grant to Mayor Lori Lightfoot, All Chicago, and other members of the Chicago Continuum of Care, which coordinates the city’s response to homelessness. The Chicago CoC is using these resources to implement a comprehensive plan to reduce unsheltered homelessness that strengthens homeless outreach, provides rapid access to permanent housing and supportive services, and which was developed with the leadership and support of people with lived experience of unsheltered homelessness. The city’s plan also leverages health, behavioral health, and supportive services from partner organizations, as well as housing resources administered by the Chicago Housing Authority. HUD leaders will make similar announcements across the country to elevate local investments.





Fannie Mae Competition to Help Advance Racial Equity in Housing

Fannie Mae has selected five proposals to help advance racial equity in housing through the \$5 Million Innovation Challenge, designed to assist in finding solutions to remove barriers in the home renting and homebuying experience.

Fannie Mae has announced the selection of five organizations to receive deliverable-based contracts under the Sustainable Communities Innovation Challenge, a nationwide competition to help advance racial equity in housing. Through the Innovation Challenge 2022 (IC22), the company sought innovative, scalable proposals to remove barriers that currently prevent many households, including Black households, from purchasing or renting a home.

The Innovation Challenge is part of Fannie Mae's Sustainable Communities Partnership and Innovation initiative, which focuses on developing collaborative, cross-sector approaches to advancing sustainable communities and generating solutions for the nation's most pressing housing issues. Fannie Mae solicited proposals that specifically address the insufficient supply of quality affordable housing options, insufficient funds for upfront and unexpected housing costs, and consumer credit challenges, including low credit scores and credit invisibility.

"A history of discriminatory housing policies and practices has created profound inequities in the housing system that persist to this day. The Innovation Challenge is one example of Fannie Mae's commitment to address those inequities and knock down the barriers that consumers, particularly

Black consumers, face throughout the housing journey," said Maria Evans, VP of Community Impact, Fannie Mae. "The proposals we selected provide thoughtful, tangible, scalable solutions to the most salient housing problems people face in the U.S. We are excited to work with these organizations and to support their innovative projects."

IC22 Contract Awardees:

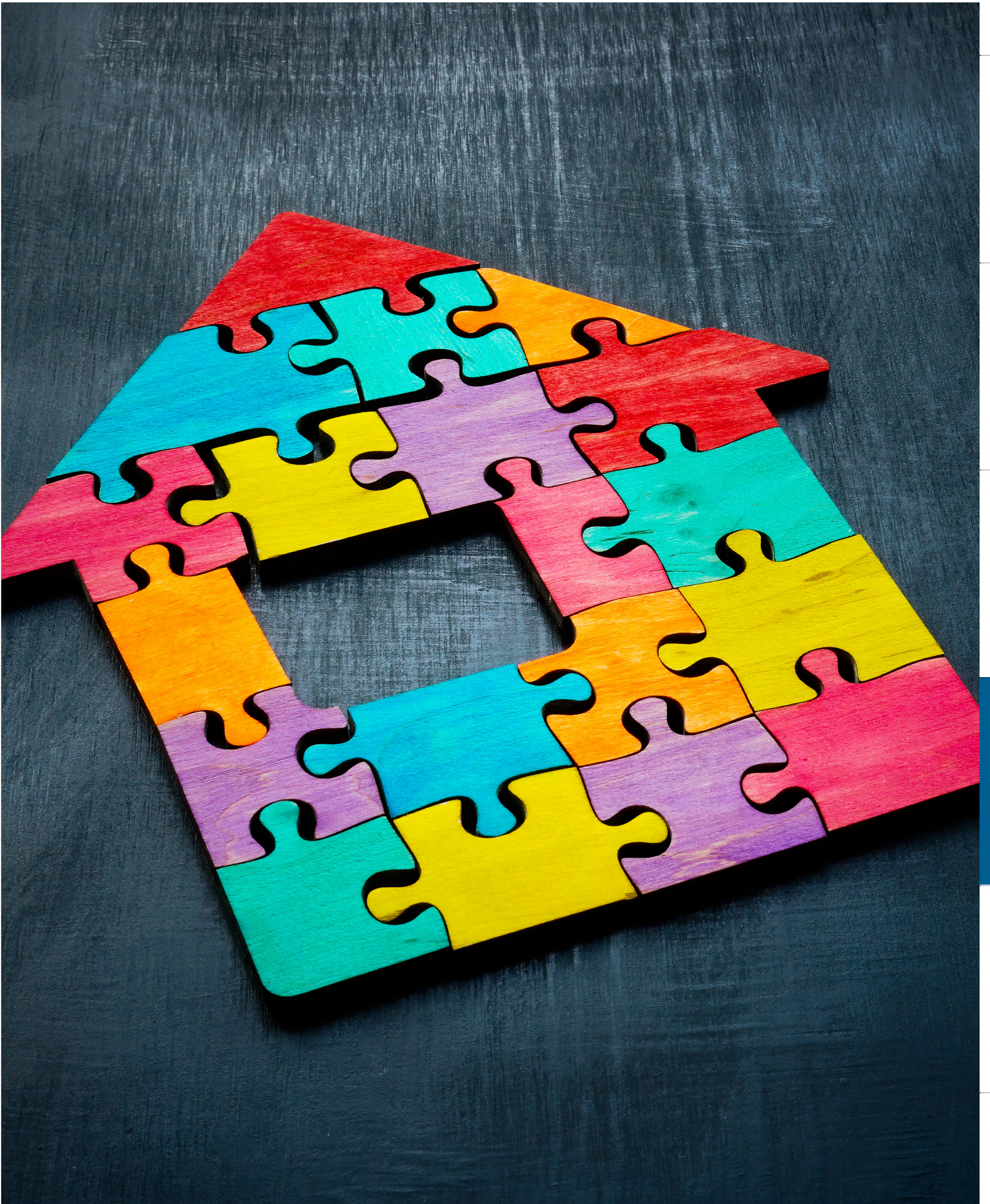
- » **ReBUILD Metro** is a Baltimore-based nonprofit that works with community members to revitalize neighborhoods block by block and help prepare Black residents for first-time homeownership. Their Fannie Mae contract supports the Johnston Square: A Blueprint for Baltimore project, which will stabilize, restore, and reoccupy scattered-site abandoned and dilapidated properties; and begin the work to convert long-vacant lots into new units of affordable rental housing, street-level retail, and a 4-acre community park; and rehab abandoned properties into mixed-use development and green space.
- » **Southside Community Development & Housing Corporation (SCDHC)** is a nonprofit housing developer in the Richmond Metro Area. SCDHC creates viable, thriving, and sustainable communities across Central Virginia

by providing residential and commercial development, homeownership and financial counseling and coaching, employment services, and supportive programs to low-income families. Their Fannie Mae contract advances their SCDHC Emporia Pathways Project, which includes the construction of affordable housing. The project is part of a three- to five-year construction pipeline that will include rental housing and homeownership opportunities as well as rental and pre-purchase counseling, foreclosure prevention services, workforce development training, and a range of financial capability services.

- » **Twin Cities Habitat for Humanity** brings people together to create, preserve, and promote affordable homeownership and advance racial equity in housing by connecting families with their communities through neighborhood revitalization projects. Their Fannie Mae contract will support Advancing Homeownership in the Twin Cities, a partnership with the Minnesota Homeownership Center to create and deploy a down payment assistance product that will help Black households to become homeowners. Twin Cities Habitat for Humanity will engage three Community Development Financial Institutions to administer the program and up to 10 regional mortgage lenders to pair the product with their affordable mortgages.
- » **The Community Builders** is a mission-driven real estate development corporation

transforming communities with affordable rentals and properties for purchase across the Northeast, Midwest, and Mid-Atlantic regions. Their Fannie Mae contract supports the From Our Doors to Yours project, which will deploy an economic empowerment package to build and repair credit through on-time rental payments. It will leverage affordable rentals in Chicago, Detroit, and Richmond. Onsite community life coaches will connect residents with relevant resources while providing Family Self Sufficiency Services to build savings through earned income.

- » **Module**, a prefab housing company based in Pittsburgh, started with the goal of making good home design more accessible and a mission to support customers' health and wellbeing in well-designed, energy-efficient, highly functional homes that will last 100 years. In partnership with Enterprise Community Partners, Module will demonstrate the feasibility of locally owned modular construction micro-factories to complete energy-efficient affordable housing in urban communities of color. Their Fannie Mae contract will support their Last Mile Network project, setting the stage to expand the modular micro-factory concept to Prince George's County, Maryland, and Richmond, Virginia. Each facility will train new entrants in the construction trades, securing good-paying jobs while creating affordable housing and enabling Black homeowners and renters to build wealth.





DOJ Agrees to \$31M Redlining Settlement With City National Bank

Through this latest agreement, the Justice Department's Combating Redlining Initiative has secured more than \$75 million dollars in relief for communities that have suffered from lending discrimination.

The U.S. Justice Department (DOJ) has reached an agreement to resolve allegations that City National Bank engaged in a pattern or practice of lending discrimination by "redlining" in Los Angeles County. City National is headquartered in Los Angeles and is among the 50 largest banks in the nation.

This resolution will include more than \$31 million in relief to impacted individuals and communities. The agreement, which is part of the DOJ's nationwide Combating Redlining Initiative that Attorney General Merrick B. Garland launched in October 2021, represents the largest redlining settlement in its history.

"Fifteen months after I vowed that the Justice Department would be aggressively stepping up our efforts to combat discriminatory practices in the housing market, we have today secured the largest redlining settlement in Department history," U.S. Attorney General Garland said. "So far, the Combating Redlining Initiative has secured over \$75 million dollars in relief for communities that have suffered from lending discrimination. The Justice Department will continue

to build on our efforts to vigorously enforce federal fair lending laws and work to ensure that financial institutions provide equal opportunity for every American to obtain credit. In advance of what would have been Dr. Martin Luther King Jr.'s 94th birthday, it is a fitting time to reaffirm our commitment to that work, and to the pursuit of justice for all Americans."

The complaint alleges that from 2017 through at least 2020, City National avoided providing mortgage lending services to majority-Black and Hispanic neighborhoods in Los Angeles County and discouraged residents in these neighborhoods from obtaining mortgage loans. The complaint also alleges that during that time period other banks received more than six times as many applications in majority-Black and Hispanic neighborhoods in Los Angeles County than City National each year.

In addition, City National only opened one branch in a majority-Black and Hispanic neighborhood in the past 20 years, despite having opened or acquired 11 branches during that time period. And unlike at its branches in majority-white areas, City National did not

assign any employee to generate mortgage loan applications at that branch.

"This settlement is historic, marking the largest settlement ever secured by the Justice Department against a bank engaged in unlawful redlining," said Assistant Attorney General Kristen Clarke of the Justice Department's Civil Rights Division. "This settlement embodies Dr. Martin Luther King Jr.'s commitment to fighting economic injustice and ensuring that Black Americans and all communities of color are able to access the American Dream and freely access the credit needed to purchase a home. Redlining is a practice from a bygone era, runs contrary to the principles of equity and justice, and has no place in our economy today. This settlement should send a strong message to the financial industry that we expect lenders to serve all members of the community and that they will be held accountable when they fail to do so."

Under the proposed consent order, which is subject to court approval, City National Bank has agreed to do the following:

» Invest at least \$29.5 million in a

loan subsidy fund for residents of majority-Black and Hispanic neighborhoods in Los Angeles County; at least \$500,000 for advertising and outreach targeted toward the residents of these neighborhoods; at least \$500,000 for a consumer financial education program to help increase access to credit for residents; and at least \$750,000 for development of community partnerships to provide services that increase access to residential mortgage credit.

- » Open one new branch in a majority-Black and Hispanic neighborhood and evaluate future opportunities for expansion within Los Angeles County; ensure at least four mortgage loan officers are dedicated to serving majority-Black and Hispanic neighborhoods; and employ a full-time Community Lending Manager who will oversee the continued development of lending in majority-Black and Hispanic neighborhoods.
- » Conduct a Community Credit Needs Assessment, a research-based market study, to help identify the needs for financial services for majority-Black and Hispanic census tracts within Los Angeles County.

"I am pleased that the U.S. Department of Justice has taken swift and aggressive action against City National Bank for



its egregious pattern of redlining in majority Black and Latinx neighborhoods in Los Angeles County,” Congresswoman Maxine Waters said. “This marks the largest redlining settlement that the Justice Department has ever secured, and I commend the Department on its initiative to combat redlining in communities across the country, including those in my district. Redlining refers to when a lender denies loans or refuses to extend credit on equal terms based on the characteristics, such as race or ethnicity, of an applicant’s neighborhood. The practice dates back to when Federal government agencies, beginning in the 1930s, drew red lines around Black communities and other communities of color and labeled them as ‘hazardous’ as part of legally sanctioned residential segregation. With that said, I am outraged by City National Bank’s clear and

deliberate violations of the Fair Housing Act and Equal Credit Opportunity Act by discouraging borrowers in Black and Latinx communities from applying for mortgages and under-resourcing branches in their communities. These discriminatory acts harmed so many families, including many throughout my district in areas like Hawthorne, Compton, and Watts, pushing them further away from their dreams of homeownership and locking them out of wealth-building opportunities.”

City National worked cooperatively with the Department to remedy the redlining allegations. In conjunction with this settlement, City National has announced that it is proactively taking steps to expand its lending services in other markets around the country to provide greater access to credit in communities of color. Specifically, City National is working to facilitate additional

homeownership opportunities in underserved communities, including by creating a residential mortgage special purpose credit program to cover geographic areas in various locations throughout the country, including New York, Georgia, Nevada, and Tennessee. Additionally, City National is planning to launch a small business lending program that will be aimed at assisting underserved business owners in operating and growing their business.

“At City National, supporting our communities is core to who we are as an organization,” said Kelly Coffey, CEO of City National. “We take very seriously our obligation to ensure that all businesses and consumers have an equal opportunity to apply for and obtain credit. We believe City National has a role to play in supporting entrepreneurs and expanding access to homeownership in order to help individuals

and communities thrive and build intergenerational wealth.”

In October 2021, Attorney General Garland launched the Justice Department’s Combating Redlining Initiative, a coordinated enforcement effort to address this persistent form of discrimination against communities of color. The initiative is expanding the Department’s reach by strengthening partnerships with U.S. Attorneys’ Offices around the country, regulatory partners, and its partners in state Attorneys General offices. Since the initiative was launched, the Department has announced five redlining cases and settlements with a combined \$75 million in relief for communities that have been the victims of lending discrimination, including a \$20 million settlement with Trident Mortgage Company and a \$13 million settlement with Lakeland Bank.



FHA-Insured Mortgage Loss Mitigation Plans Extended

Pandemic-era loss mitigation plans have been expanded and extended by the FHA going forward.

If you have a Federal Housing Administration (FHA) insured mortgage and you are falling behind on payments in this post-pandemic era, there are still options to avoid default.

On January 30, the FHA announced that it is “expanding and enhancing” its set of loss mitigation options developed during the pandemic—the enhancements extend FHA’s highly effective COVID-19 loss mitigation options to all eligible borrowers who fall behind on their mortgage payments, regardless of the cause of their delinquency.

For servicers, the update now allows them to use the full 30% of the FHA’s partial claim option, rather than the previous 25% to help maximize the number of borrowers who are eligible to keep their homes.

While servicers can extend these new options immediately, all servicers must implement these changes by April 30 of this year.

“We are committed to ensuring that no FHA borrower experiences foreclosure unnecessarily,” said Assistant Secretary for Housing and Federal Housing Commissioner. “FHA’s COVID-19 forbearances and streamlined COVID-19 loss mitigation options have successfully helped millions of struggling borrowers in the last two fiscal years alone. Our action today lets us capitalize on what we have learned through the pandemic to continue helping borrowers avoid foreclosure, regardless of the nature of their hardship.”

As highlighted by the Department of Housing and

Urban Development (HUD), the specific changes for all FHA-insured Single Family Title II mortgages are:

- » Extend temporary COVID-19 Recovery loss mitigation options to all eligible borrowers, including nonoccupant borrowers, regardless of the nature of their hardship. Servicers must assess all borrowers who are in default or who are at risk of de-

a target payment reduction of at least 25% despite today’s higher interest rates.

- » Extend the availability of FHA’s COVID-19 Recovery loss mitigation options for 18 months past the April 30, 2023, mandatory effective date for servicers. The temporary COVID-19 Recovery options were previously scheduled to expire at the official end of the COVID-19 National Emergency. This

completion of COVID-19 Recovery options. Incentive payments are part of FHA’s standard loss mitigation options but are not currently available to servicers for COVID-19 Recovery options. These incentives will help to compensate servicers for the cost and effort of assisting borrowers with COVID-19 Recovery loss mitigation options.

In addition, to simplify loss mitigation options on the servicer side the FHA is temporarily suspending the use of its FHA-Home Affordable Modification (FHA-HAMP) options concurrent with

“We are committed to ensuring that no FHA borrower experiences foreclosure unnecessarily.”

—Assistant Secretary for Housing and Federal Housing Commissioner

faulting (imminent default) using FHA’s COVID-19 Recovery loss mitigation “waterfall” of options.

- » Update the Partial Claim components of both FHA’s COVID-19 Recovery Standalone Partial Claim and the COVID-19 Recovery Modification by raising the maximum partial claim amount from 25% of the mortgage’s unpaid principal balance to the maximum 30% allowed by statute. This increase will help more borrowers who cannot return to making their current mortgage payments to reduce their mortgage balance to a level that permits them to achieve

change removes the uncertainties associated with the timing of the end of the National Emergency.

- » Expand the definition of imminent default to include borrowers who qualified for or used U.S. Department of the Treasury’s Homeowner Assistance Funds (HAF). With this change, servicers will be able to offer loss mitigation options to borrowers who qualified for or used HAF funds and may no longer technically be delinquent but require further assistance to avoid redefault.
- » Provide incentive payments to servicers for the successful

this Mortgagee Letter.

As a whole, the FHA COVID-19 loss mitigation programs have been wildly successful; more than one million borrowers have benefited from these loss prevention programs, allowing them to reduce their payments and avoid foreclosure.

FHA’s loss mitigation work has significantly reduced FHA’s serious delinquency rate—those mortgages where the borrower is 90 or more days past due on their mortgage payments—to 4.79% as of November 30, 2022. In November 2021, FHA’s serious delinquency rate was 7.83%, and at its highest point in November 2020, this rate was 11.90%.

HUD Looks to Improve on Fair Housing Act



“This proposed rule is a major step towards fulfilling the law’s full promise and advancing our legal, ethical, and moral charge to provide equitable access to opportunity for all,” said Marcia L. Fudge, Secretary of Housing and Urban Development.

The Department of Housing and Urban Development (HUD) intends to publish a rule change in the Federal Register which ultimately aims to remedy the effects of the long history of discrimination in housing as part of the Fair Housing Act of 1968.

The rule change “fulfills the promise” of the Fair Housing Act and will also help foster opportunities in communities across the country so every resident can thrive.

This rule comes as a result of a memo signed by President Biden during his first few days in office to fully enforce the Fair Housing

Act. It directs the government to promote fair housing choices, eliminate disparities in housing, and foster inclusive communities. It will also hold local communities, states, and public housing agencies accountable for setting ambitious goals to address fair housing issues facing their communities.

“This proposed rule is a major step towards fulfilling the law’s full promise and advancing our legal, ethical, and moral charge to provide equitable access to opportunity for all,” said Marcia L. Fudge, Secretary of Housing and Urban Development.

“Affirmatively furthering fair

housing means more than merely steering clear of housing discrimination violations” said Demetria L. McCain, Principal Deputy Assistant Secretary for Fair Housing and Equal Opportunity. “Today, HUD is taking new, bold action to eliminate the historic patterns of segregation that continue to harm American families. This action will help make the purpose of the Fair Housing Act reality by making it easier for local communities to identify inequities and make concrete commitments to address them.”

Following the announcement by the HUD, Congresswoman Maxine Waters, the top democrat on the House Financial Services Committee commented:

“After years of targeted efforts to sabotage our nation’s Fair Housing Act, wage war on the civil rights of our communities, and stoke racial fear across the country, I applaud

the Department of Housing and Urban Development (HUD) under Secretary Marcia Fudge and the Biden Administration for the release of the long-awaited proposed rule to Affirmatively Furthering Fair Housing (AFFH). Under the AFFH mandate of the Fair Housing Act, federal agencies are required to take proactive steps to eliminate unequal living patterns across the country and help remedy decades of both government-sponsored and private residential segregation and inequality. With this proposed rule, I am confident that we as a nation will finally be able to carry out this mandate effectively and successfully, while creating solutions to housing issues that affect people of color, families with children, people with disabilities, immigrants, and other groups of protected classes.

“I am especially pleased to see that this latest proposal will make a number of key improvements to the 2015 rule. This includes a requirement to ensure all HUD grantees, including States and public housing agencies, can immediately begin engaging in more transparent and streamlined fair housing planning that is informed by both federal and local data; stronger community engagement requirements; annual reporting guidelines to help communities assess their efforts to advance fair housing goals; and a complaint and compliance process to ensure grantees are abiding by their AFFH obligations. Ultimately, this proposed rule will go a long way in redressing the harm caused by the previous administration and bring us steps closer to ensuring that every family has access to fair and affordable housing in the communities of their choice.



Ginnie Mae Revises Requirements for Pooling Re-Performing Loans

Ginnie President Alanna McCargo said, “Today’s announcement demonstrates Ginnie Mae’s continued commitment to providing programs and options to Issuers that maintain the strength and liquidity of the government mortgage market.”

Ginnie Mae has announced, effective February 1, 2023, it is shortening the re-pooling seasoning requirements for re-performing loans from six months to three months and will be allowing issuers the option to pool re-performing loans into TBA eligible Ginnie Mae II Multi-Issuer Pools.

“I am pleased that we have been able to deliver early on

this policy change, which I announced late last year,” Ginnie Mae President Alanna McCargo said. “Today’s announcement demonstrates Ginnie Mae’s continued commitment to providing programs and options to Issuers that maintain the strength and liquidity of the government mortgage market.”

Effective with pools submitted February 1, 2023, and thereafter, the following changes have been

made to re-performing loan securitizations:

- » The borrower has made timely payments for the three months immediately preceding the issuance month associated with the mortgage-backed securities (MBS), and
- » The Issue Date of the MBS is at least 120 days from the last date the loan was delinquent.

Re-performing loans must also meet all other applicable pooling parameters. Since the inception of the C-RG pool-type in February 2021, approximately \$39.5 billion of the securities have been issued through year-end 2022.

Ginnie Mae recently reported that its mortgage-backed securities

(MBS) portfolio outstanding grew to \$2.280 trillion in December 2022, including \$31.14 billion of total MBS issuance for the month of December, leading to \$19 billion of net growth, and a new record end-of-year balance.

New MBS issuance from Ginnie Mae supports the financing of more than 107,000 households, including more than 49,000 first-time homebuyers. Approximately 70% of the December MBS issuance reflects new mortgages that support home purchases, as refinance activity remained low due to higher mortgage rates.

For the 2022 calendar year, Ginnie Mae supported the pooling and securitization of more than 730,000 first-time homebuyer loans.

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FINAL THOUGHTS

Shifts and Changes

In this month's Final Thoughts, we hear from executives and experts on the current state of the housing market and what's to come in 2023. Will the market see more moderation or more inflation? Here are some insights:

“homebuyers squeezed”

Realtor.com Senior Economist **George Ratiu** on the state of the housing market and why Americans are paying higher payments at a time when overall consumer prices continue to rise.

“upswing in price growth”

CoreLogic Chief Economist **Selma Hepp** discusses which cities and pandemic boomtowns posted annual price declines amid slowing mortgage rates.

“stagnant listings”

San Jose, California, Redfin agent **Angela Langone** details data on listings that were stagnant in November and December that are suddenly getting offers and going under contract.

“the dominant factor”

Lawrence Yun, National Association of Realtors Chief Economist on mortgage rates being the dominant factor driving home sales and how recent declines in rates are clearly helping to stabilize the market.

“a key issue”

Realtor.com Chief Economist **Danielle Hale** on why renting will likely be cheaper than buying in 2023 and how rental affordability will remain a key issue throughout the year, as she expects rents will keep hitting new highs.

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