National Mortgage News

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RE-BURB

Home prices, jobs and evolving consumer behaviors are restoring prerecession migration patterns

SourceMedia

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What is New Diligence?

[And why should you care?]

A Q&A with Mark Hughes, New Diligence Advisors

Q Why are you launching a new due diligence firm now?

A It's all about timing and opportunity. The non-QM market is strong and getting stronger, the credit box is expanding and we're seeing new kinds of non-agency deals coming to market. This means diligence will play a more important role. At the same time, some of the legacy review firms are sending mixed signals to the market about their commitment to the space, and its creating concerns among investors about concentration risk. All of this is creating opportunities for a committed new entrant, like New Diligence Advisors.

Q What do clients want and need that they're not getting today?

A Based on our research and conversations, clients are looking for a more complete view of risk, more direction and flexibility from their TPR partners and more customized solutions and reporting. We've designed NDA to significantly improve the customer experience, based on client service, innovation and technology, and we're building the next generation due diligence platform to deliver this.

Q How will technology change the playing field and the customer experience?

A In due diligence, as in other areas, technology will drive efficiency and take time and cost out of what has been a predominantly manual review process. Ultimately, it has the potential to improve the predictability of the assets' performance. In terms of customer experience, technology can increase the transparency into the process and the reporting, giving clients a better sense of what they are buying or holding, which will help in valuation, bidding and risk management.

MARK HUGHES
CHIEF OPERATING OFFICER

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Contents

MAY 2018 | VOL. 42 | NO. 10

Departments

Origination

Secondary

Servicing

Technology

Compliance & Regulation

In Every Issue

Editor's Desk

Where the home sales are

In the latest sign that the housing market is returning to "normal," it appears that suburbs are starting to make a comeback, particularly among millennials.

During the drawn-out recovery from the Great Recession, the population, especially millennials, shifted to large, urban hubs, delaying new household formation, homeownership, as well as marriage and starting families.

But as this month's cover story explains, the tide is now turning. As recently as 2017, migration patterns started shifting away from urban cores and out into the suburbs, according to recently released Census Bureau data.

This should come as great news to mortgage lenders, as this shift presents new opportunities for homeownership and lending, not to mention the possibilities of increased housing inventory and a gradual cooling down of the rapid rise in home prices over the past few years.

Tight inventory has played a big role in the upward pressure on home prices, as high demand for housing continues to outpace limited supply. Should suburban migration continue to grow, inventory may loosen as mobility increases and as new opportunities for homebuilders arise in the suburbs.

In addition to the renewed interest in suburban areas, small and midsize cities, particularly those in the Midwest and South, are also enjoying increased growth. These lower-cost housing markets are also experiencing a pickup in job activity, helping put homeownership in the reach of more consumers.

But in order to take full advantage of these emerging opportunities, lenders must rethink how they allocate their workforce and facilities resources, as well as find new ways to incorporate technology into their customer acquisition and borrower experience strategies.

As the workforce becomes more mobile, so too must mortgage lenders. The dispersal of population clusters means lenders need robust tools to connect with borrowers even in places where they don't have physical retail branches.

We hope to see you at the Mortgage Bankers Association's National Secondary Market Conference & Expo this month in New York City. The event is in our backyard, so don't hesitate to drop by our booth to say hello or ask for a restaurant recommendation.

Lastly, if you haven't already noticed, we made a few updates to the look and feel of the magazine this month. The design changes closer align the print magazine with the National Mortgage News website. We hope you like it!

Send your comments, questions and story ideas to Editor in Chief Austin Kilgore: austin.kilgore@sourcemedia.com

Austin Kilgore

CORRECTION: Due to editing errors, two corrections have been made to the 2018 Top Producers Rankings that appeared in the April edition of NMN. The changes correct positions 93 and 268 in the list and resulted in the addition of two new loan officers in positions 399 and 400.

National Mortgage News

Winner of the Polk Award for Financial Reporting
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Winner of a NAJA Editorial Award

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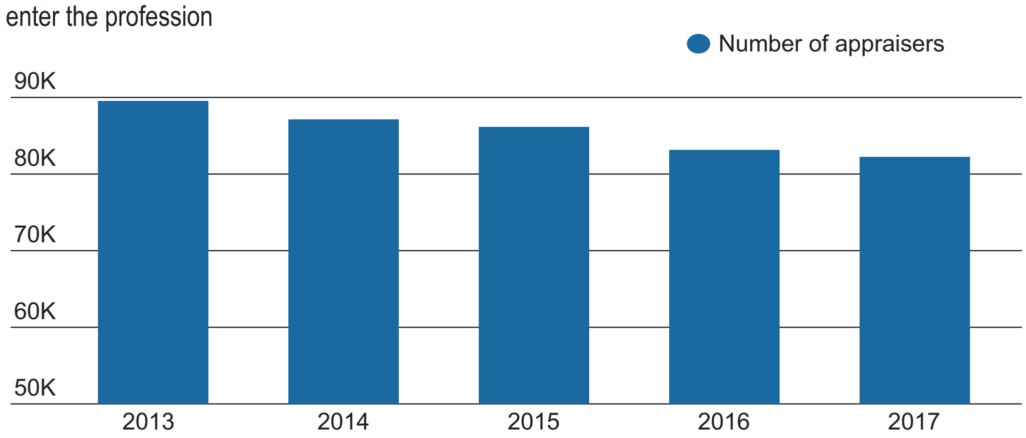
Help wanted

The number of certified appraisers working in the U.S. has fallen by 8% since 2013. The decline is expected to continue for several more years as more appraisers retire and fewer people enter the profession



Source: Appraisal Institute

Why One Small Bank Wants to Bring Appraisals In-House

TriStar Bank in Tennessee says a shortage of appraisers is slowing down its commercial real estate lending and raising the cost of appraisals.

By Laura Alix

Should a bank be allowed to use its own staff to value properties if it believes that there aren't enough appraisers in its market to meet demand or that outside appraisals have become too costly?

Those are questions a committee of the Federal Financial Institutions Examination Council will take at an upcoming hearing, and its ruling could have broad implications for both banks and the real estate appraisers they rely on to determine the value of their collateral.

The upcoming hearing was prompted by a small Tennessee bank's request for permission to bring some appraisal work in-house as a way to speed up the funding of commercial real estate loans.

In its request for a waiver, the $273 million-asset TriStar Bank in Dickson argued that a dearth of certified appraisers in its market has resulted in longer wait times and higher costs for appraisals. Ted Williams, its CEO, said the problem is only going to get worse as appraisers retire and fewer new people enter the profession.

"There's something wrong when there's this much demand and the field of appraisers is not increasing, but what they charge me is increasing and the amount of time it takes to get the appraisal is increasing," Williams said in an interview.

TriStar's claim has outraged appraisers, who say that its request for a waiver is less about an appraiser shortage in rural Tennessee than it is an attempt by TriStar to avoid paying appraisal fees.

While they acknowledge that the appraiser population is shrinking — the number of certified appraisers in the country has declined 8% since 2013 — they say that that if Dickson County is truly facing a shortage, then TriStar could contract with out-of-state appraisers using a temporary licensing process specifically intended to help lenders in rural areas.

Lenders have long complained that a shortage of appraisers is driving up the cost and time it's taking to approve and fund real estate loans — at a time when technology should be speeding up the process.

"Our members continue to express concerns about mounting timeframes in finding professionals and completing valuations, especially in the rural regions of the country," Sharon Whitaker, vice president of commercial real estate finance for the American Bankers Association said in a recent letter to the FFIEC commenting on TriStar's request.

She went on to say that whether the issue is a shortage of professionals with localized expertise or inadequate fees paid to certified appraisers, it still translates into a delay for the end client.

Ron Haynie, senior vice president of mortgage finance policy at the Independent Community Bankers of America, said in an interview that TriStar is just one of a number of rural banks struggling with appraisals.

"We believe that other lenders in that market area probably are experiencing the same problems with turnaround times on appraisals and even the rising costs. It's not an issue isolated to that particular bank," Haynie said. "The solution is they need more appraisers."

The appraisal industry, for its part, disagrees with the claim that there are not enough appraisers to go around and it views TriStar's request as a threat to the profession.

In a letter to the FFIEC objecting to TriStar's request, the American Society of Appraisers, along with 25 other state and national trade groups, called the request "nakedly unwarranted" and said that approving it would mean that every lender in that market, not just TriStar, could opt out of using a certified appraiser for the task.

Sharon Desfor, international president of the organization, said in follow-up remarks that there is no shortage of appraisers, only a shortage of lenders willing to pay them what they're worth.

"The saying goes you can have any two of the three: good, quick or cheap," she said. "Seemingly, TriStar is of the opinion they should have all three, when the market is clearly saying something else."

James Murrett, president of the Chicago-based Appraisal Institute, said that the request was "particularly disturbing" when combined with Freddie Mac's and Fannie Mae's expansion of appraisal waivers for certain first-time home purchases and a decision by regulators to raise the threshold for commercial estate loan appraisals from $250,000 to $500,000.

In his original request for a waiver last fall, TriStar Bank's Williams said that bank had reviewed its appraisal logs from 2013 to 2017 and found an 82% increase in its average wait time and a 23% increase in the average cost of commercial appraisals.

Williams suggested that his bank could work with a local Realtor or a Nashville-based appraisal management company, or delegate the task to a senior banking officer who has trained as an appraiser, but not yet apprenticed as one. He emphasized to American Banker that he's not asking for a waiver for residential loans or government-guaranteed loans, just commercial real estate loans.

In all, the FFIEC received more than 30 comment letters, including several from appraisers saying they would be happy to work with TriStar but had never received a bid from the bank or were rebuffed or ignored when they reached out to the bank.

One of those comment letters came from the Tennessee Real Estate Appraiser Commission, which said there were actually five certified general appraisers in Dickson County alone.

Williams countered that one of those appraisers already works with TriStar Bank, as well as every other lender in the area, and another is 85 years old. The others don't bother much with Dickson County, he said. "I don't know what it is about the process [to train and certify appraisers] exactly, but there's something wrong or there would be more growth there." NMN

Manufactured Housing Giant Endorses HUD's Call for Regulatory Relief

By Brian Collins

The dominant player in manufactured housing, Clayton Homes, is supporting the Department of Housing and Urban Development's review of construction and safety standards on manufactured homes.

In a sign that it was considering easing standards to boost manufactured housing growth, HUD announced the review in January and invited industry comments.

John Weldy, Clayton Homes' director of engineering, said in the company's comment letter that the current constructions standards are overly restrictive.

"Our company is concerned that HUD's Office of Manufactured Housing Program has developed in a manner that has increased the costs of operating in the industry without providing a commensurate benefit to consumers," Weldy wrote. "Some of HUD's expansion of regulatory programs has stepped into state functions, reinterpret regulations in ways that are at odds with long-standing and accepted building practices, and implemented regulations and guidelines that unnecessarily limit consumer choice and increase costs."

Manufactured homes account for 10% of single-family dwellings, with 22 million people living in factory-built homes.

"I believe one of the biggest things that we can do for rural housing is to eliminate the huge regulatory burdens that we have on manufactured housing," HUD Secretary Ben Carson said at a recent Senate Banking Committee hearing. "This is an area that has been under-utilized and will provide tremendous advantages for us in the future."

Carson told the senators that some of the regulations on manufactured homes are "ridiculous."

"So we are inspecting all of those regulations and getting rid of a lot of them," he said.

But housing advocates are concerned HUD may go too far and undermine the quality of manufactured housing.

"The key to advancing affordable homeownership in the United States is making high quality housing stock available to purchase-ready customers," according to a comment letter by 24 housing advocacy groups including Prosperity Now.

The groups said manufactured housing can play a bigger role in advancing affordable housing, but "to do so, however, buyers, lenders, advocates and local policy makers must have confidence in the quality of all aspects of the manufactured homes, including the manufacture, installation, foundations and home amenities."

In addition to restrictions on construction, financing has also been a stumbling block for the manufactured housing industry.

The Federal Housing Administration endorsed 32,500 manufactured housing loans classified as real estate in fiscal year 2017 and 814 manufactured housing loans classified as personal or chattel loans. But FHA has suffered major losses from insuring MH loans in the past and is unlikely to increase its role in this sector.

"People aren't counting on FHA, which is a shame," said Doug Ryan, director of affordable homeownership at Prosperity Now.

Community banks provide financing for manufactured homes titled as real estate loans.

But most buyers of new manufactured homes get their financing from the manufactured housing dealers. These MH loans are similar to vehicle loans with longer terms, and the home is titled as personal property — also known as chattel loans.

"Manufactured housing is a good source of affordable housing in rural areas," said Ron Haynie, senior vice president of mortgage finance policy at the Independent Community Bankers of America.

"These new MH units are very nicely done. You won't know it is a manufactured home if it is sitting on a brick foundation. They are energy efficient and have many of the amenities as a stick-built home."

Since MH dealers finance most of the new units. community banks generally provide financing for older MH units that are being sold to a new buyer. The banker generally holds the loan in portfolio.

"These are good loans and generally no one else wants to finance older units, as many times these loans wouldn't be eligible for sale in the secondary market," Haynie said.

Fannie Mae and Freddie Mac are expected to enter the manufactured housing market next year to provide a secondary market for MH chattel loans. "But it will take time to develop some volume," Ryan said.

"I believe they are both committed," to the sector, Ryan said. "But they have to carefully design a program based on risk and other factors. And frankly it is really hard for them to develop risk and performance models because the data is a closely held secret by Clayton Homes."

Clayton, which is owned by Berkshire Hathaway, has two mortgage subsidiaries and sold 45,874 manufactured homes in 2017.

"All told, Clayton accounted for 49% of the manufactured home market last year," according to a letter by Berkshire Hathaway Chairman Warren Buffett to shareholders.

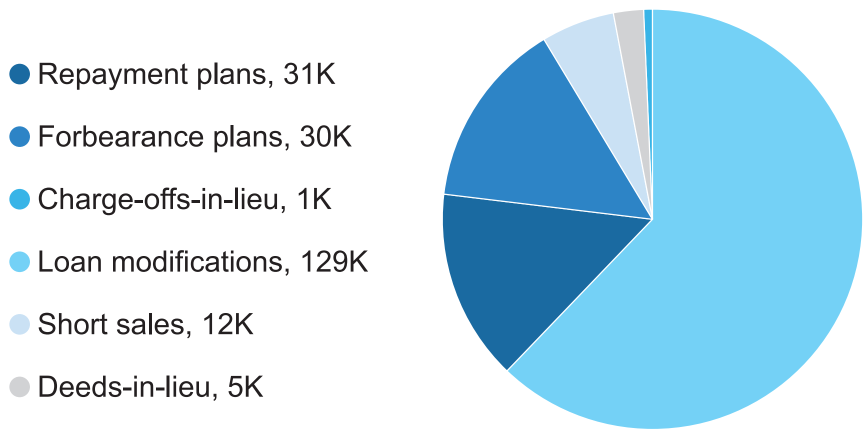
In its 2017 annual securities report, Berkshire Hathaway noted that Clayton has its own proprietary underwriting guidelines for manufactured homes.

"Currently, approximately 70% of the loan originations are home-only [chattel] loans and the remaining 30% have land as additional collateral. The average down payment is approximately 15%, which may be from cash, trade or land equity," according Berkshire Hathaway's annual securities filing.

Weldy said in his comment letter that the company welcomes the Trump administration's "interest in reforming HUD's regulation of manufactured housing in a sensible way." NMN

Help for homeowners

The GSEs prevented 206,898 foreclosures in 2017, a 9% increase from 2016 driven by helping hurricane affected borrowers



Source: FHFA

Hurricanes Drive Increase in GSE Foreclosure Prevention Actions

Loan modifications were the most used tool to keep borrowers in their homes, with 128,625 taking place in 2017, up from 123,495 in 2016.

By Brad Finkelstein

Fannie Mae and Freddie Mac had a 9% increase in total foreclosure prevention actions taken during 2017 as a result of three September hurricanes, according to the Federal Housing Finance Agency.

This was accomplished through a 2,000% increase in the number of forbearance plans offered in the fourth quarter, as the government-sponsored enterprises offered 24,935 forbearance plans to homeowners late on their mortgage, compared with 1,212 in the third quarter. Most of those borrowers were affected by Hurricanes Harvey, Irma or Maria.

For the year, Fannie Mae and Freddie Mac offered 29,987 forbearance plans versus 7,228 for all of 2016.

Loan modifications were the most used tool to keep borrowers in their homes, with 128,625 taking place in 2017, up from 123,495 in 2016. Principal forbearance, along with a reduced interest rate and an extended term, was used in 42% of the modifications, while 42% had an extended term only.

Almost all of the remaining modifications had a reduced rate and extended term.

There were 30,506 repayment plans offered, down from 32,357.

Meanwhile, the number of short sales and deed-in-lieu resolutions fell to 16,470 from 25,784 in 2016.

GSE loans that were between 30 and 59 days late on their payments fell to 438,299 at the end of the fourth quarter from 440,534 at the end of the third quarter.

But the number of loans 60 days or more late increased to 458,824 on Dec. 31, 2017, from 368,182 on Sept. 30, 2017. This total included 328,845 loans that were 90 days or more delinquent or in the foreclosure process at the end of 2017, up from 246,642 three months earlier.

The GSEs' seriously delinquent loan rate increased 23 basis points to 1.18% at the end of the fourth quarter from the third quarter.

However, this was still lower than the 4.8% seriously delinquent loan rate for Federal Housing Administration-insured loans and 2.4% for Veterans Affairs-guaranteed loans, the FHFA said. NMN

Cloudvirga Technology Submits AUS Data to Both Fannie Mae and Freddie Mac Simultaneously

By Brad Finkelstein

Cloudvirga, in collaboration with Freddie Mac, has created the capability for loan officers to submit mortgage loan data to both government-sponsored enterprises' automated underwriting systems simultaneously with a single click. Currently, if a loan officer wanted to submit to both Fannie Mae's Desktop Underwriter and Freddie Mac's Loan Product Advisor, the user would have to pick one first and then go through several screens to validate and submit the information, get the findings back and if not, do the same thing over again with the other system.

Now, while lenders still need to pick which AUS they wish to submit the loan to, in the background Cloudvirga simultaneously sends the data to the other system as well, said Kyle Kamrooz, the co-founder of Cloudvirga.

"It's really incumbent upon the loan officer. They're bound by their own creativity and their understanding of the policies and guides" to find the GSE submission path with the least conditions and best pricing, said Rick Lang, vice president, Loan Advisor Suite strategy and integration for the single-family business at Freddie Mac. "There is no way for the average user to be that much of an expert on guidelines and policy and know every nook and cranny of both GSEs' credit box."

They provided the example of a loan qualifying for an appraisal waiver from one GSE, but not from another. Having the waiver could save the borrower money on an appraisal fee and also shorten the loan approval time.

Freddie Mac's involvement was a "philosophical thing," Lang said. "We understand we're not the only game in town, that a lender has multiple investor outlets and they want to have multiple investor outlets at the end of the day."

"We're taking it at a higher level and we believe it is in every lender's interest not only for themselves but more importantly for their borrower to get both GSEs' point of view. This is how we think the world should work, it really is in everybody's best interests," Lang said.

So when Cloudvirga approached Freddie Mac, "we were all over it," Lang continued. Leveling the competitive playing field with Fannie Mae could be a by-product of this collaboration, but at the end of the day, it is about meeting the needs of mortgage lenders and giving them both GSEs' point of view. "It is flat out the right thing to do," he said.

Single-click submission is the next step of the digital mortgage evolution, Kamrooz said. "It's the necessary thing [in order] to go down the path of offering transparency, automation and ease of use with all the data in front of the user instantly."

Eventually, lenders will be able to submit to both automated underwriting systems with no click at all.

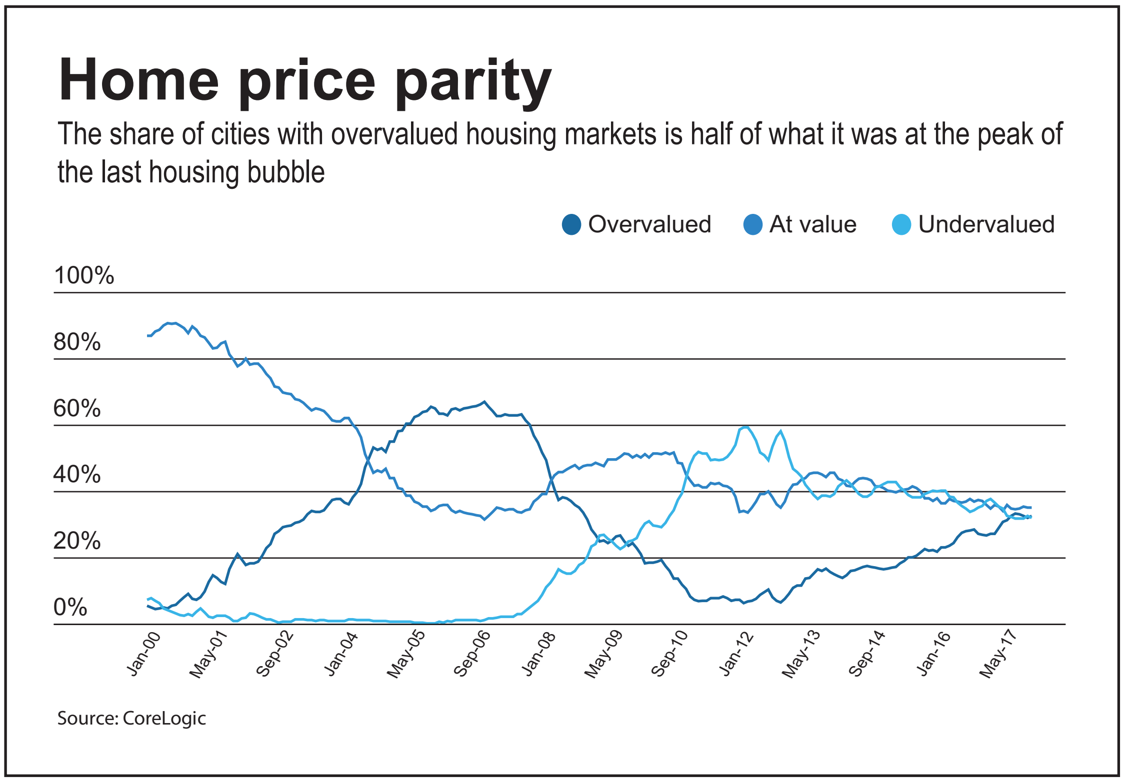
Ultimately — and Cloudvirga said it is working with both Fannie Mae and Freddie Mac on this — is to eliminate the use of PDF documents from the GSEs with their findings. Instead, "the system is intelligent enough to know this is a better way to go," Kamrooz said, although the user can have the capability to decide to override that decision.

This is just the first phase in a multiphase journey where at the end single-click dual AUS will be a standard and norm during the origination process, Kamrooz said.

Cloudvirga did not need Fannie Mae's permission to include Desktop Underwriter in the single-click process because it does not change how a file is submitted to that automated underwriting system, he said. Fannie Mae has yet to respond to a request for comment.

The one-click process does not change how lenders use DU or LPA, so those systems will still return findings for possible Federal Housing Administration eligibility, both men said.

Cloudvirga is also willing to work with lenders that have proprietary products and use their own AUS. "All we're doing right now is setting the milestone of being the industry's first but not the last platform to be able to start thinking of a process of multiple AUS with a single click or no click," Kamrooz said. NMN



Housing Bubble or Not, the Real Estate Market Is in Trouble

Despite soaring home prices, other factors needed to inflate a housing bubble are absent from the real estate market.

By Brad Finkelstein

First, some good news. Despite the meteoric rise in home prices, the real estate market hasn't ventured into housing bubble territory.

The bad news? Home prices are still going to decline, and mortgage defaults are likely to rise.

It's simply the nature of a cyclical market.

"It's interesting to watch the dynamics of the market. What we see is prices rise, sales activity slows down, prices weaken and then sales pick back up," said Carrington Mortgage Holdings Executive Vice President Rick Sharga.

"It's the way a housing market is supposed to behave in a normal environment. But it's been so long since we've seen a normal environment that we forget how it's supposed to work."

While it's true that certain housing markets are overheated, "it doesn't mean necessarily that tomorrow or next week or next month or even next year prices are going to crash. But it's prudent being a little more cautious about investments in those metro areas," said CoreLogic Chief Economist Frank Nothaft.

"Even though CoreLogic's national home price index, as of October 2017, got to the same level it was at the prior peak in April of 2006, once you account for inflation over the ensuing 11.5 years, values are still about 18% below where they were," Nothaft said.

CoreLogic found in comparing 380 metro areas that in January 2000, 6% were overvalued while 87% were at value. But by November 2006, 67% were overvalued and 32% were at value.

At the bottom of the market in March 2011, 7% were overvalued, 42% were at value and 52% were undervalued.

As of December 2017, there was a more even distribution among the three groups: 33% overvalued, 35% at value and 32% undervalued. Speculative overbuilding, along with property flippers obtaining mortgages under false pretenses (like applying as an owner-occupant, rather than an investor) helped inflate the mid-2000s housing bubble, said Fannie Mae Chief Economist Doug Duncan.

While a recession in the near term seems unlikely, Duncan is concerned about whether the Federal Reserve can manage a "soft landing" of the economy.

Still, if there is a recession, expect mortgage loan defaults to rise. "Delinquency is highly correlated with unemployment. So anytime you have a recession, on a lag basis you will have a rise in delinquency and foreclosure," Duncan said.

"That's a normal cyclical pattern. That's not evidence of a bubble."

Where prices have gone up, they're driven by economic growth and income growth, said Gagan Sharma, president and CEO of the mortgage servicer BSI Financial Services. "So that gives me confidence that things are moving well. But things could change if the economy takes a downturn."

He is more concerned about hot markets where home prices were driven on a reliance of a single-job sector like technology for Silicon Valley and Seattle, rather than rising rates.

"Most people have fixed-rate mortgages, very few people have ARMs. So if I am somebody who took a mortgage in the last five years, maybe I won't buy a new home, maybe I won't buy the next bigger home and I'll stay in my existing home a little bit longer than usual," Sharma said.

Since the start of the year, rates for 30-year fixed loans have increased 50 basis points to 4.47% for the week ended April 19.

"If mortgage rates should move higher, then that just erodes affordability further in those markets that have had very rapid price growth and those markets that have very high house prices," said Nothaft.

"And that could contribute to a further slowdown in price appreciation."

Whenever the economic downturn does come, people are in much better shape to deal with it, said Art Yeend, director of business development for the Barent Group, a due diligence firm.

A decade ago, the collapse led to a wave of strategic defaults by underwater borrowers. The economy is much healthier and loan underwriting has been tighter.

"How would [underwater values] impact the borrower's incentive to pay? It would be different this time around because they would be more able to pay," Yeend said.

The next recession is more likely to have a regional impact than a nationwide one.

"Then the question will be how much does unemployment rise relative to house prices in those markets where unemployment rises more?" Duncan said. NMN

Looser Capital Rules Could Stabilize Servicing

By Bonnie Sinnock

Banks would welcome a proposal to loosen Basel III capital restrictions because it would make holding mortgage servicing rights easier and stem the recent exodus of depositories from the servicing business, executives said.

Federal banking regulators are evaluating a plan that would increase the percentage of Tier 1 capital that can be made up of MSRs to 25% from 10%, and reduce the pressure on banks to sell MSRs, said Lee Smith, executive vice president and chief operating officer at Flagstar Bank.

With a 10% limit, Flagstar is constantly selling because of the more punitive capital treatment its retained MSRs could otherwise face under existing Basel II capital rules, said Smith.

But if the limit is changed to 25%, "We can be a lot more patient," Smith said at a recent IMN Residential Mortgage Servicing Rights conference in New York.

Other shifts in the market mentioned in forecasts for this year at the conference include more interest in and liquidity for Ginnie Mae MSRs.

But Ginnie MSRs are still "not an easy asset class," said Jeffrey Levine, managing director of the capital markets firm Houlihan Lokey.

Mortgage rate volatility, which was largely absent for many years, will be more of a concern in 2018, said Stan Middleman, president and CEO of Freedom Mortgage Corp.

"Hedging is really important in this part of the cycle" as a result, he said.

While rate volatility will be a challenge for the market, it won't necessarily deter buying, said Tom Millon, the president and CEO of the Capital Markets Cooperative, a subsidiary of Computershare. "We don't likely volatility," Millon said, but noted that the company is still slightly more likely to buy this year. NMN

ADOBE STOCK

From Motor City to Mortgage City: How Detroit Became a Fintech Hub

The efforts to bring fintech to the Motor City haven't yet made it a direct rival to the San Francisco Bay Area, but Detroit-based businesses have developed a Silicon Valley mindset.

By Bonnie Sinnock

While the West Coast still reigns as the epicenter of technology development, the Detroit area has quietly emerged as a proving ground for digital mortgage innovations.

The area has become a center for innovation largely due to the presence of Quicken Loans, a nonbank lender that's enjoyed massive growth by using technology-based strategies that many in the industry now emulate.

Its Rocket Mortgage platform has been the catalyst for the wave of new point of sale system implementations in the industry.

"We compete on the delivery of the product to the marketplace and that's where technology comes in," Quicken Loans Chairman Dan Gilbert said at the Mortgage Bankers Association's Technology Conference, which was held in Detroit last month.

But it's not just Quicken. Other major lenders in the region also are pioneering innovative technologies the larger industry is expected to eventually gravitate to as it moves toward a digital mortgage. United Wholesale Mortgage, headquartered in the Detroit suburb of Troy, Mich., employs 400 IT professionals, is using electronic notarization to conduct virtual e-closings through a mix of in-house and vendor technologies in almost 20 states, according to Justin Glass, the lender's chief digital officer. And Flagstar Bank, also headquartered in Troy, previously ran its own electronic document management platform, called DocVelocity, and its warehouse lending division recently began accepting electronic notes.

"All the mortgage companies are looking for great IT professionals right now," Glass said.

Several mortgage technology vendors also are based in the region: Compliance Systems Inc., Altisource subsidiary Mortgage Builder, and a broader family of companies connected to Quicken, including Amrock and Nexsys Technologies.

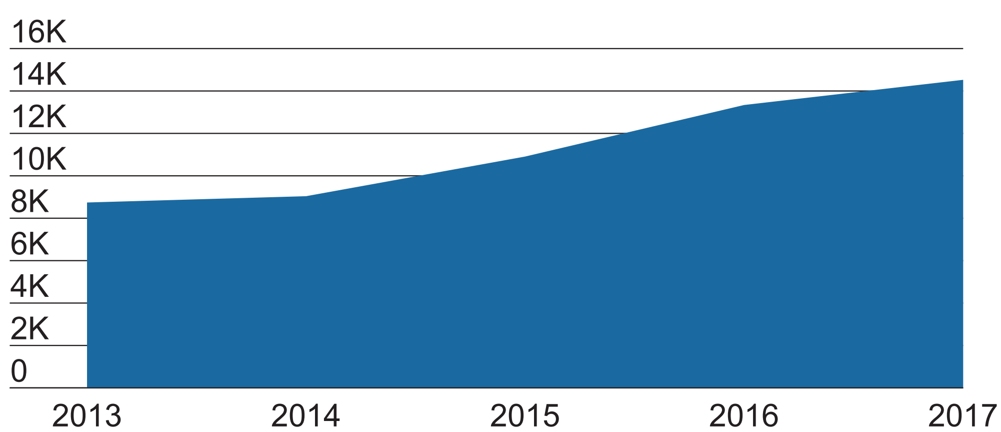
"It's fair to say it's becoming more of an innovation hub," said Craig Martin, a senior director at J.D. Power that reviews customers' satisfaction with mortgage lenders in the Detroit area and elsewhere.

The efforts to bring fintech to the Motor City haven't yet made it a direct rival to the San Francisco Bay Area, but Detroit-based businesses have developed a Silicon Valley mindset. Detroit-dominated venture capital funding for technology companies and other startups in Michigan, totaling just over $79 million in the first quarter, compared to a California total of over $16 billion, according to a study by the National Venture Capital Association and PitchBook.

And while Detroit narrowly missed Amazon's shortlist for its new HQ2 headquarters, the digital retailer, along with other tech giants like Twitter and Microsoft, have established a presence here.

Employment center

Nonbank mortgage jobs in the Detroit-Warren-Dearborn metropolitan statistical area have increased each year since 2013



Source: Bureau of Labor Statistics

There also are now 35 venture-capital-backed startups there. That's a 50% increase over the last three years, according to the Michigan Venture Capital Association.

What's more, the Detroit region's more considerable influence in the mortgage industry makes it more likely to give other markets a run for their money when it comes to technology used specifically by lenders.

Nonbank mortgage jobs in the Detroit metropolitan statistical area have grown to the point where the latest Bureau of Labor analysis suggest the concentration of that industry in the region is well above the average for most MSAs.

When it comes to technology Detroit is clearly not the only place innovators in the mortgage business but it is growing in influence.

"There have always been a lot of lenders in the Midwest and now there is a lot more technology because the industry is having an awakening," said Bill Emerson, vice chairman of Quicken Loans. And as a mortgage company owned by a corporate parent that focuses on venture capital and startups, Quicken has benefited from this broader view of technology and innovation, he said.

Quicken partners with some of the startups its Rock Holding corporate parent works with as well as some with no ties to its parent company if there's a fit, said Emerson. For example, it is working on a pilot with a relatively young company aimed at helping consumers save for major life purchases called BoostUp.

How many of these startups Detroit will be able to attract and maintain the financial health of remains to be seen.

Those seeking employment and funding in the startup world may "get a bit jealous " when they see the larger amounts raised and larger salaries in a market like California compared to Michigan, but Detroit offers more opportunity to be a "bigger fish in a smaller pond," said BoostUp CEO Matt Roling.

It's also less of a cutthroat and expensive market compared to California, which is important given the high rate of failure for startups, he noted.

"They genuinely want to see you succeed," Roling said.

Quicken's investment in Detroit has value that goes beyond the amount of investment in the area, said Emerson.

Companies can learn from their missteps and value is not always quantifiable, Gilbert told attendees at the MBA conference.

"This concept, if you can't measure something [it doesn't matter] is the single biggest mistake," Gilbert said. "It's not just [about] money or capital invested." NMN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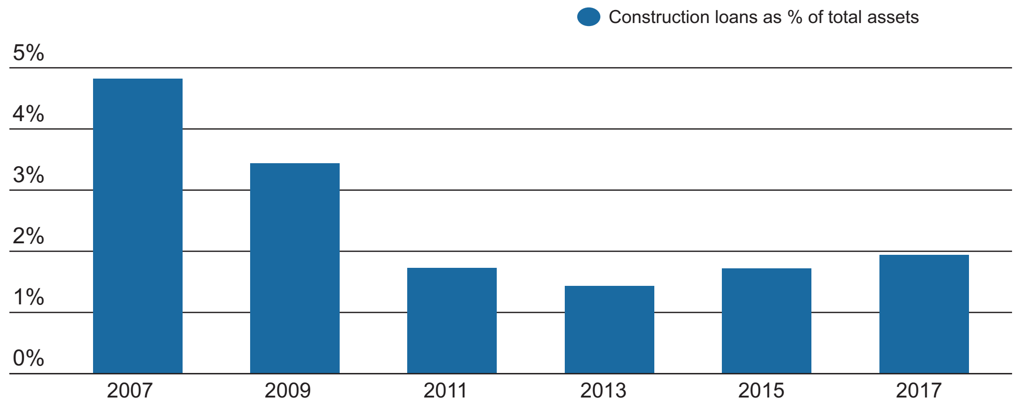
Relief on the way?

Though construction lending has picked up a bit of late, it is expected to strengthen even more if Congress revamps parts of Dodd-Frank. The ratio of construction loans to total industry assets stood at less than 2% at Dec. 31, down from nearly 5% a decade ago



Source: FDIC

Spike in Construction Lending One Likely Outcome of Reg Relief

First the House and now the Senate have included provisions in their regulatory relief bills that bankers say would go a long way toward clearing up confusion over how to treat high-volatility CRE loans.

By Andy Peters

Construction lending by banks has been sluggish for quite some time, but the regulatory relief legislation that recently passed the Senate may help trigger a revival.

Among the many provisions tucked into the bill that passed the Senate by a 67-31 margin was one that aims to clear up confusion about how banks treat certain construction loans deemed high-risk by regulators.

The proposed changes to rules established by the Basel III regulatory regime could help grease the skids for banks to make more construction loans, since they'll have a better idea what regulators want, said Christina Zausner, the head of industry policy and analysis at the CRE Finance Council, a trade group that represents commercial real estate lenders.

"It makes banks less afraid of having a difference of opinion with their examiners on" acquisition, development and construction loans, she said. "It ensures a greater degree of consistency."

The CRE Finance Council is not taking a position on the legislation pending in Congress.

An overreliance on construction lending was a key contributor to community bank failures during the crisis, so Basel III put in place safeguards that among other things, required banks to set aside extra capital on construction loans on which borrowers are contributing less than 15% of their own money and the loan-to-value ratio on a nonresidential construction project is higher than 80%.

But bankers have complained that the guidelines on what regulators dubbed "high-volatility commercial real estate loans" are overly confusing and have largely discouraged them from extending credit to these types of borrowers. They have balked, too, at the regulation's stiff capital-reserve requirement, arguing that the capital could be better used elsewhere.

To be sure, banks have scaled back on all types of construction lending since the financial crisis. At the end of 2017, construction loans accounted for just 1.94% of the industry's total assets, down from nearly 5% a decade ago.

Still, the Basel rules on high-volatility CRE loans kicked in at a time when the economy was improving and many banks seemed ready to slowly ramp up lending for construction projects.

Bankers say that the Basel language is so vague that they still aren't sure what counts toward the cash contribution and what types of loans should be deemed high-volatility in the first place.

"The current high-volatility commercial real estate regulations are complex and allow for different interpretations of which acquisition, development and construction loans fall under the HVCRE rules," Kevin Morgison, consumer and commercial lending manager at the $9 billion-asset Capitol Federal Savings Bank in Topeka, Kan., wrote in a Dec. 22 public comment letter.

The proposed legislation makes the definition much clearer, said Kim Mauer, a banking attorney at Frost Brown Todd, which has advised First Financial Bank in Cincinnati and other banks.

Specifically, it says that only the appraised value of the land, not what the borrower paid for the land, can count toward the borrower's 15% contribution. Bankers said that this has been a constant source of disagreement between banks and regulators since the Basel rules took effect.

The Senate bill also allows for some types of equity, such as rent payments, to be counted toward the 15%, so long as the proceeds are remain in the project and are not paid out as dividends.

The House of Representatives included similar provisions in a more sweeping regulatory relief bill it passed last summer.

Though some bankers had hoped the legislation would go further — eliminating the requirement that borrowers contribute cash at all, or lowering the amount of cash needed, for example — others fully support requiring borrowers to have considerable skin in the game.

"We believe that requiring a 15% cash … contribution prior to loan funds being advanced and contractually requiring it to remain throughout the project is prudent [acquisition, development and construction] lending," Cindy McKim, senior vice president at the $1.1 billion-asset Kitsap Bank in Port Orchard, Wash., wrote in a comment letter. NMN

Banks Were Told Tax Reform Would Spur Lending. They're Still Waiting

Just a few months ago, many industry observers predicted blowout first-quarter results from smaller institutions, largely based on optimism after the passage of sweeping tax reform.

By John Reosti

So much for high hopes for accelerated loan growth at community banks.

Just a few months ago, many industry observers predicted blowout first-quarter results from smaller institutions, largely based on optimism after the passage of sweeping tax reform. The mood now, given bankers' commentary and fears of a trade war, is more subdued.

So expect analysts to ask more questions about pent-up demand during upcoming quarterly conference calls.

"It appears that the tax cut has not spurred on loan growth, so I think people will be looking forward to see how pipelines are building ... and if we're starting to see signs of that potential benefit," said Brian Zabora, an analyst with Hovde Group.

"We were expecting the tax cuts to free some pent-up demand and get some businesses investing," said Joseph Gladue, an analyst at Merion Capital Group.

"Increased uncertainty may have muted some of the benefit" of lower taxes.

Recent data from the Federal Reserve and guidance from bankers have also indicated tempered growth.

"We had hoped to see ... more demand from existing clients or capital expenditures, more financing," Keith Cargill, president and CEO of Texas Capital Bancshares in Dallas, said during an early March conference hosted by Raymond James. "That has just not showed up yet."

Texas Capital is hopeful that more clients will make capital expenditures once they realize that favorable writeoff provisions exist in the tax law, though it is unclear if that will happen in the second quarter, Cargill added.

Cargill isn't the only banker prepping investors for a delayed benefit from tax reform.

"We talk to various management teams and the commentary and the body language around loan pricing was a little bit more negative," said William Wallace, a Raymond James analyst.

A number of specific narratives will also gain added attention when calls begin in earnest.

Banks around New York, notably those that focus on multifamily and commercial real estate, could struggle to book loans at attractive yields, said Collyn Gilbert at Keefe, Bruyette & Woods.

"We've heard some discouraging anecdotal comments throughout the quarter that loan pricing … has come under significant pressure," Gilbert said, attributing the trend to smaller banks that are reducing rates to accelerate loan growth.

"The thought was it would take some time — maybe later this calendar year — before we started to see pricing pressure," Gilbert said. "It seems ... that it is happening more quickly."

Mortgage lending is another likely soft spot. The Mortgage Bankers Association has forecast a double-digit decline in originations from the fourth quarter.

Industry observers believe most of the decline will be tied to refinancing activity.

"Some of the banks we follow have been encouraged by the purchase market, which is more contingent on the strength of the economy and jobs," Gilbert said.

"They have in the last couple years really been shifting their business models away from refinance."

Reduced mortgage production could cut into fee income for community banks, most of which tend to sell their loan production. However, mortgage-servicing rights typically benefit from a rising rate environment.

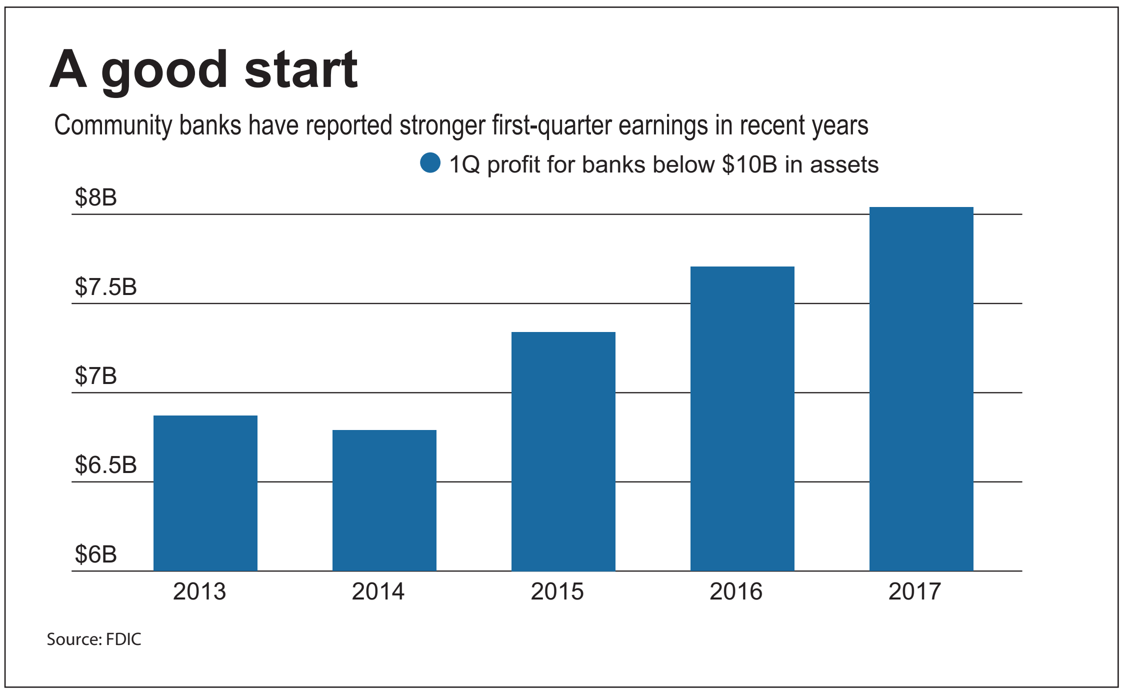
A slowdown in mortgage originations has led a number of banks to move into Small Business Administration lending, Wallace said. "The volume in the SBA program has been strong in last five years," he said.

Another area to watch is credit quality, which has surpassed expectations lately. Other than a few specific segments, portfolios have held up well in recent quarters.

Analysts began 2018 predicting higher reserves, only to hear bankers discuss lower chargeoffs and stellar loan performance, Gilbert said.

"So we are sort of waiting for that inflection point," she said.

Hilary Burns and Jackie Stewart contributed to this article.



Re-Burb

Home prices, jobs and evolving consumer behaviors are restoring prerecession migration patterns

By Elina Tarkazikis

The suburbs are making a comeback.

The post-recession spike in large metro population clustering is now subsiding, according to recently released Census Bureau data. These new migration patterns indicate a shift to the suburban areas of large cities — i.e., people moving away from urban cores, but staying in the same housing market — as well as a pickup in population in smaller metropolitan areas, particularly in the Midwest and South.

Home price appreciation is perhaps one of the biggest drivers of this shift, as homeownership in large, urban areas has become unattainable for many consumers. Four of the nation's top five counties with the highest median home sales prices saw declines in net migration in 2017, according to a comparison of Census Bureau population statistics and home prices from Attom Data Solutions. Comparatively, counties that experienced the greatest increases in net migration had low median sales prices.

"The danger is, there are some patterns here that could head towards repeating some of the same mistakes during the last housing boom and what turned out to be a bubble," said Daren Blomquist, a senior vice president at the Irvine, Calif.-based real estate information and analytics firm.

"Short of that, it is a good trend that's diversifying who the housing market winners are in America. It's not just a few coastal markets, but there are a lot more places that are booming that are more geographically diverse," he said.

An optimistic take on this newly observed phenomenon is that it may help gradually ground home prices that have soared due to a lack of inventory in much of the nation's largest housing markets.

If this suburban migration continues, inventory may loosen as mobility increases and new opportunities emerge for homebuilders. It would also present a new opportunity for mortgage lenders to lend in small and emerging communities.

The large gains in population growth in urban areas following the Great Recession were driven largely by employment opportunities. But as the recovering economy paves the way for healthier wage and job growth, more positions are opening up outside of city centers. Plus, technology is giving more people the flexibility to work from home.

Evolving generational behaviors are also contributing to this trend, particularly among millennials. Through a combination of choice and harsh economic realities, millennials have delayed new household formation, homeownership and starting families. The improving economy has prompted more millennials to start to settle down, and they're choosing to do so in the suburbs.

This suburban shift is a tremendous benefit to the housing and mortgage industries. Greater mobility should shorten homeownership tenure and put more inventory on the market.

Mortgage lenders also stand to gain from these emerging opportunities in new markets. But to fully take advantage of this trend, lenders have to re-evaluate their customer acquisition strategies and adapt to new consumer behaviors.

It will behoove lenders to pay attention to these migration patterns as they dictate consumer behaviors, and ultimately, where the home sales are. What's more, technology will be essential for lenders to develop a presence in markets where they're not currently active.

In the early 2000s, small metropolitan growth surpassed that of large markets as consumers set roots in suburban areas. But after the Great Recession, consumers trended toward major urban markets. A portrait of the nation's population showed acute clustering in large metropolitan areas for the first half of the 2010 decade. Suburban growth halted and movement to cities hit a high in 2012 as urban core growth outpaced migration in the suburbs, according to William Frey, a demographer and senior fellow at the Brookings Institution.

But, changes in housing, the economy and consumer behavior paved the way for a return to previous population patterns.

It's important to note that while certain circumstances may mirror prerecession trends, like home prices nearing their precrisis highs and a gradual loosening of lending standards, borrower behaviors are different. Consumers are exhibiting more conservative attitudes toward lending, and changes in life cycles, particularly for millennials, have affected homeownership rates.

In recent years, limited home inventory and high demand have caused home prices to soar, creating affordability issues that are driving consumers away from some of the nation's hottest housing markets. But as the recovering economy puts more money in consumers' pockets, mobility has improved, as has job availability in areas outside of major urban hubs. That's made conditions in suburban areas and smaller markets more favorable.

Cue suburban revival.

In 2017, Los Angeles County, Calif., saw the second greatest migration decline of all counties, just behind Cook County, Ill., which is home to Chicago. Net migration in Los Angeles County fell by 42,836 people, and in Cook County it fell by 45,360.

These dispersal trends are evident in consumers moving both outside of city centers to new submarkets and neighboring counties, as well as to more rural, middle-of-the-country metros. Net migration in Riverside County, Calif., outside of Los Angeles, shot up by 23,397 people, the third largest migration increase of all counties last year. And while net migration in Harris County, Texas, declined by more than 10,300 people — fifth worst in the country — the other eight counties in the Houston metropolitan statistical area had a combined net migration of more than 43,000.

Likewise, the Dallas MSA had the most net migration, with a gain of 89,627 people last year. The median home price was $233,050, just below the national median, according to Attom.

Affordability challenges are perhaps the biggest driver of the suburbanization shift, as consumers trend away from urban cores.

"When housing supply is tight, I think people will start to look further in terms of what they can afford," said Andrew Schiller, CEO of Location Inc., a geo-analytics company that tracks and evaluates location-based data.

Home prices in several large cities have become unaffordable for median income earners, according to Attom, particularly in hot coastal markets, like New York and San Jose, whose main metro counties experienced declines in net migration, Census Bureau data shows.

Of the top 10 counties with the highest median home prices in the first quarter, eight reported negative net migration in 2017. The two exceptions were San Francisco and Alameda counties, both in the San Francisco metro area, where losses in domestic migration were offset by international migration.

In contrast, Maricopa County, Ariz., where Phoenix is the county seat, reported a gain of 49,770 people last year, the greatest increase in migration of all counties. Houses in the county had a median sales price of $248,000 in 1Q18, considerably lower than a hot urban market like New York County, N.Y.

The median sales price for homes in Manhattan was $1,405,000, according to Attom, while net migration fell by almost 4,000 people in 2017.

While home price appreciation and net migration are still being bolstered by international migration, domestic migration is largely responsible for the suburbanization patterns, and could eventually help tame housing costs.

What's more, many of the most expensive coastal markets now have to contend with new tax reform policies that make homeownership more expensive, namely lower federal deduction caps for state and local taxes and mortgage interest.

While affordability issues are boosting suburbanization, overall economic conditions are also improving. Higher wages help support homeownership goals and new job opportunities are helping people move to new markets. "The Amazon story is a great example of this trend," said Blomquist. "Companies are expanding, they're growing, and they're looking not just to grow where they are, but they're looking to grow in other markets."

With Seattle-based Amazon on the hunt for a new city to host its "HQ2," only one of the 20 metro area candidates are on the West Coast, with many options in more affordable, mid-America markets.

MSAs with the most net migration

MSA	2016-2017 Net Migration	4Q17 Median Home Price
Dallas, Texas	89,627	$233,050
Phoenix, Ariz.	63,359	$232,000
Tampa, Fla.	54,321	$180,000
Atlanta, Ga.	53,739	$190,000
Orlando, Fla.	45,528	$207,000
Seattle, Wash.	42,466	$410,000
Austin, Texas	38,305	$286,000
Charlotte, N.C.	37,381	$199,000
Las Vegas, Nev.	36,635	$230,000
Miami, Fla.	34,647	$245,000

Source: Census Bureau, Attom Data Solutions

Technology is also helping nurture population dispersal as more consumers have the flexibility to work remotely, meaning they can loosen their grip on urban cities and settle down farther out.

"Typically, the theory is that people are making a trade-off between the urban amenities and a short commute, versus a longer commute and a lower cost of housing — until you understand that things like telecommuting really are becoming an accepted part of a lot of work environments," said Mortgage Bankers Association Chief Economist Michael Fratantoni. "Some people take that and move even farther away from the workplace if they're only having to commute a couple of times a week."

As the economy improves, more money for consumers suggests more opportunities for homeownership. Millennials in particular, who found it hard to get out of debt or afford a home, are increasingly purchasing houses. Being that they are officially the nation's largest generation, millennials have an outsize impact on population patterns.

For the 12-month period ending June 2017, 36% of all home purchases were made by millennials, marking an all-time-high for the cohort, according to the National Association of Realtors.

Among the reasons millennials have been late to the homeownership game are delayed life cycles and student debt.

"The millennial generation seems to be hitting various road markers later than prior generations. So whether that's forming households or getting married, having kids, buying homes, it just seems to be delayed," said Fratantoni.

As the nation's population disperses, mobility increases, which could have significant effects on the housing market.

For one, homeownership tenure should decline. Back in the fourth quarter of 2001, people remained in their homes for an average of 4.27 years, according to Attom. Fast-forward to the end of 2017, and that figure has nearly doubled to 8.18 years.

"All of these trends I think point to a return to a little more normal homeownership tenure cycle where folks stay in their homes for about five years on average and then move up," Blomquist said.

And as homeowners start to let go of their homes, there's hope that this could signal a loosening up of the ever-tight housing supply. "As long as people start freeing up some units, the game of musical chairs can get started," said Fratantoni.

Another positive sign for inventory is the effect suburbanization has on homebuilders, which prefer open areas with more room to build.

"I think homebuilders have been very hesitant to build in those suburban, and particularly in exurban areas that are pretty far out from jobs, but I think this will start to encourage the homebuilders to start building there," Blomquist said. "In some cases, those suburban areas now have more jobs of their own that are closer by to create a little more solid foundation for demand for housing."

Of the top 10 counties with the highest median home prices in the first quarter, eight reported negative net migration in 2017.

This suburban revival could prompt an increase in housing starts, particularly for entry-level homes that have been in short supply, according to the National Association of Home Builders.

"I think multi-family starts will probably be roughly around stable, but that we'll see increases in single-family production. I think that is the key difference," said Michael Neal, assistant vice president of forecasting and analysis at the NAHB. "From a demand side, that demand for starter homes will continue to increase."

Labor, laws, lots and lumber — aka the four L's — are still a challenge for builders. But a suburban shift may give builders more incentive to explore outward. "The builders are going to follow where the demand is," Neal said.

As much as this population dispersal presents opportunities for the housing market, it also presents opportunities for lenders — especially those staying current with technology.

"There's a really good opportunity for lenders anytime there is a change in behavior; it opens up opportunities in new places. Those places may not be all that far from those original places, but they are essentially new markets, or submarkets," Schiller explained.

Borrowers starting to enter new housing markets, and even submarkets within the same counties, could be good news for lenders. But, it may mean they'll have to rethink their approaches to customer acquisition.

"I would think that those opportunities multiplying across places are both new opportunities and new challenges, because instead of being concentrated to the same places as before, or fewer places, now there are new places, and more of them, and that can be hard to service," said Schiller.

Technology will play a vital role in helping the mortgage industry target where borrowers are headed. While this may mean more business for some, it could signal a falling behind for those still using traditional customer acquisition methods.

"This is a good thing overall for people who are embracing mortgage technology and the direct-to-consumer model through the web. For someone who used to live in D.C. but is now in Arlington, Va., I can get to them just as easily and in the same ways from a marketing standpoint," said Brian Faux, co-founder and CEO of Morty, a mortgage broker headquartered in New York that's licensed in 16 states and Washington, D.C.

"Mortgages on urban properties are actually largely more difficult than doing single-family homes which exist out in the suburbs. I can target consumers just as efficiently and the mortgages they get will likely be cheaper and easier," he said.

Lenders like Morty use techniques like borrower spotlights, which survey consumers on where and why they are moving, as well as market engagement tests to assess consumers' interest in particular areas. This helps them analyze which areas are best to target with marketing and outreach.

For smaller community banks and credit unions, a physical presence could prove beneficial, as consumer dispersal suggests lenders should be broadening their referral networks and business partners. This gives local institutions an advantage as they may already have connections in smaller markets.

"Colorado is a place where there's not as much of a concentration in homes in any given area, so we hear stories how every real estate agent knows every appraiser and they know which lenders do what — there is kind-of this small-town concept which is the antithesis of this mass 'platformization' of mortgage through technology," said Faux.

However, bigger or more tech-savvy lenders that enter small markets may pose a competitive threat to local firms and force them to re-evaluate their strategies and invest in new technology. "The lenders that we see with the most growth and gain in market share are the ones who are using technology to really bridge that gap," Blomquist said.

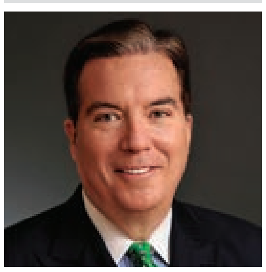
To stay ahead of the curve, it's in a lender's best interests to stay informed on migration patterns as these trends lay the groundwork for what's to come for the industry. "This particular issue of changing demand for urban versus suburban — whether you're a builder, or a Realtor or a lender — I think that's something that you have to pay attention to," said Fratantoni. NMN

This Isn't a Bailout, This Is A Return of Stolen Funds

News that the GSEs need an infusion from Treasury to cover quarterly losses underscores problems with the government's 2012 decision to "sweep" the housing giants' profits.

By Gary Hindes

In February, as expected, Fannie Mae and Freddie Mac announced that they will require a combined $4 billion "draw" from the U.S. Treasury in order to maintain positive net worth. This is due to their having to write down certain tax assets whose values were negatively impacted by the new tax law.



Having earned over $100 billion since the financial crisis ended, and with combined assets of over $5 trillion, how can Fannie and Freddie be so broke that they require another cash infusion from the taxpayer?

The answer is simple: Our government has already sucked out all of their profits, leaving them with virtually no equity cushion whatsoever. Thus, when Treasury cuts checks to Fannie and Freddie, those payments should be considered as nothing more than the return of stolen money.

Recall that in September 2008, the government seized the two government-sponsored enterprises and forced them into what was supposed to be a temporary conservatorship. As numerous lawsuits allege — and as court documents recently made public over the government's strenuous objections strongly hint — the takeover may not have been the bailout Treasury claimed it was at the time. To the contrary, the "bailout" is starting to look more like a "stick-up." (Full disclosure: I am in plaintiff in one of these lawsuits, which is pending in a Delaware federal court.)

Shortly after seizing control and ousting management in the fall of 2008, the Federal Housing Finance Agency, purporting to act as conservator for the GSEs, ordered the companies to book several non-cash accounting charges, ultimately resulting in Treasury's purchase of $187 billion in preferred shares (bearing a 10% dividend) so they could maintain a positive net worth.

By the summer of 2012, however, the housing market had turned around, the accounting entries had to be reversed and Fannie and Freddie suddenly became massively profitable. Within days of the announcement of robust second quarter earnings — which far surpassed the dividend on the government's preferred shares — Treasury demanded that the dividend rate be changed to 100% of the companies' earnings and net worth in perpetuity.

By the end of the current quarter, it is estimated that Fannie and Freddie will have repaid the government over $100 billion more than the $187 billion they received under the so-called "net worth sweep." Nonetheless, none of that money can be used to retire Treasury's preferred shares. The government's position is that the GSEs will continue to owe $187 billion for the rest of time — and must remit to it all their profits between now and then.

Upon examination, the government's purchase of "preferred stock" more closely resembles a mafia-type "loan." What responsible board of directors — or in this case, a conservator, no less — would borrow $187 billion and agree that no matter how much money they repay the lender, not a dime could be applied toward principal?

And here's a reality check for you: Who borrows that kind of money and pays it all back in just four years? Someone who probably never needed it in the first place.

Under the terms of the net worth sweep, Fannie and Freddie were to have seen their net worth each drained to zero by year-end 2017. However, on Dec. 21 of last year, Treasury agreed to allow them to maintain a tiny sliver — $3 billion each — of equity capital. That's $6 billion undergirding over $5 trillion of assets — a capital-to-assets ratio of just 0.1%. Put another way, their capital will continue to round to zero, instead of being precisely zero.

Everything above that 0.1% will continue to be swept to the government — again, in perpetuity.

Among the documents the government resisted making public are Aug. 18, 2012, emails from Jim Parrott, a senior advisor to President Obama. Written the day after the net worth sweep was announced, once such email makes clear that the purpose of changing the dividend rate on Treasury's preferred stock was to saddle Fannie and Freddie with concrete life preservers so that they could not "repay their debt and escape."

So far, it's worked.

Gary Hindes is chairman of The Delaware Bay Co., an investment management firm and a long-time holder of Fannie Mae and Freddie Mac securities.

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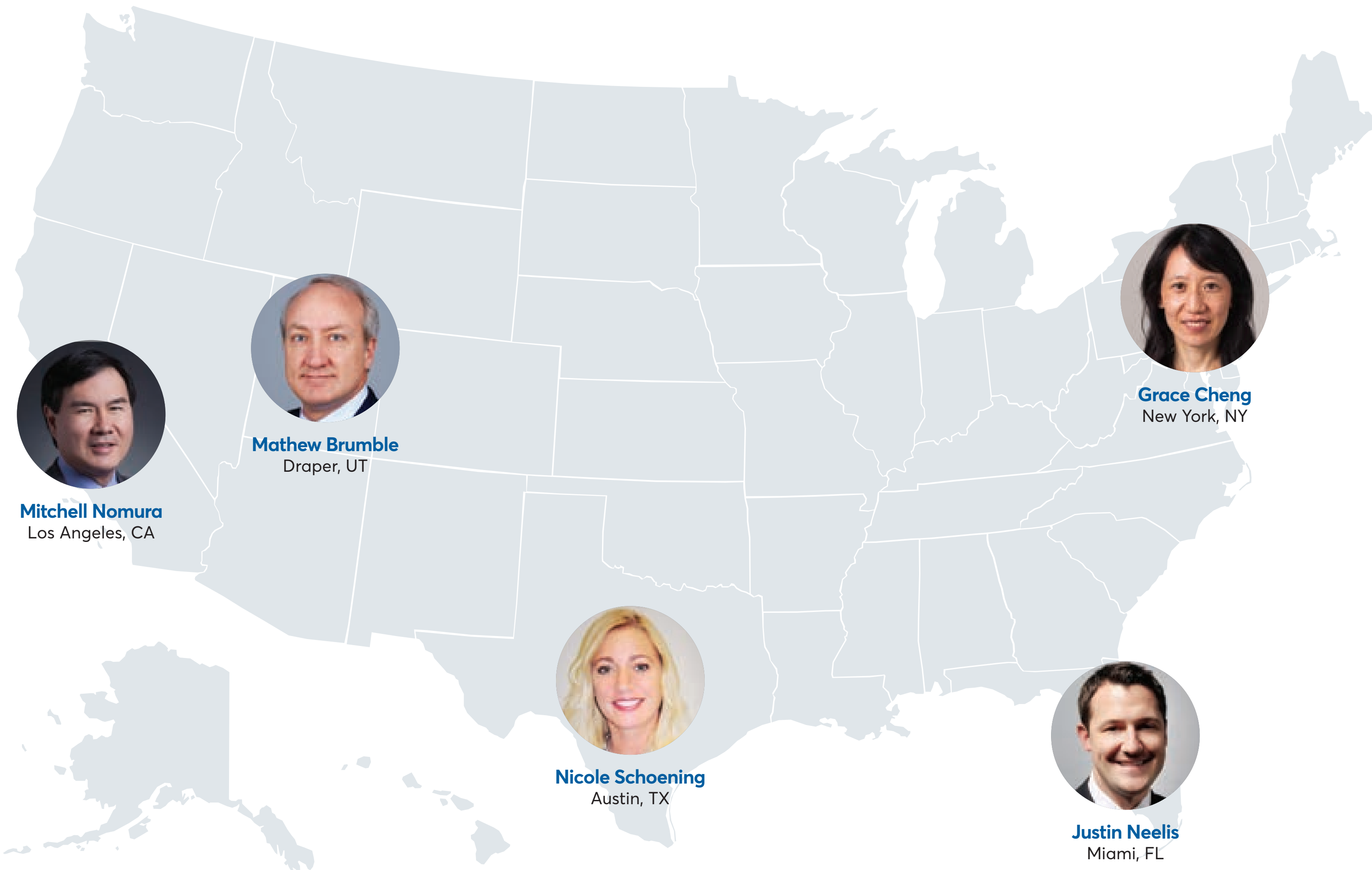


CALIFORNIA

LOS ANGELES

Mortgage Quality Management and Research has hired **Mitchell Nomura** as internal audit manager.

Before joining MQMR, he was the chief credit officer at Bank of San Francisco, where he oversaw its lending operations.

Nomura has also served with RPM Mortgage, Bank of Hawaii, City National Bank and GMAC Residential Funding.

FLORIDA

MIAMI

Walker & Dunlop Inc. has hired **Justin Neelis** as vice president in its capital markets group.

Neelis is based out of the company's Miami office and is responsible for sourcing and structuring permanent, bridge, and construction loans for all commercial real estate property types.

Prior to joining Walker & Dunlop, he served as director of capital markets and investor relations for a South Florida real estate investment and development firm.

Neelis was previously the co-founder and managing partner at Venetian Capital Partners where he raised equity capital for limited partnership syndications from global investors.

NEW YORK

NEW YORK

The **Community Development Trust**, which provides long-term debt and equity capital for the creation and preservation of affordable housing, has named **Grace Cheng** as its new chief financial officer.

Before joining CDT, Cheng spent eight years as the CFO at Cain International and GTIS Partners, both real estate private equity firms.

Cheng also previously worked at Morgan Stanley for eight years in the investment management practice, overseeing the global accounting, reporting and operations of its flagship Morgan Stanley Real Estate Funds.

TEXAS

AUSTIN

AmTrust Title Insurance Co. said that **Nicole Schoening** has joined the company as agency representative expanding and complementing its existing Texas team.

From her base in Austin, she is focused on business development and the growth of AmTrust Title and its agents throughout the state of Texas.

Prior to joining AmTrust Title, Schoening was an agency representative for Westcor Land Title Insurance Co. where she supported agents in central and west Texas.

Before that, she worked in both business development and marketing for various companies in the Texas title insurance market, including Capstone Title, 1031 Exchange Corp. and Chicago Title Insurance Co.

UTAH

DRAPER

Castle & Cooke Mortgage has added **Mathew Brumble** as the newest member of its executive team.

Most recently, he served as vice president of finance for Academy Mortgage and prior to that was the chief finance officer for Republic Mortgage for 14 years. NMN

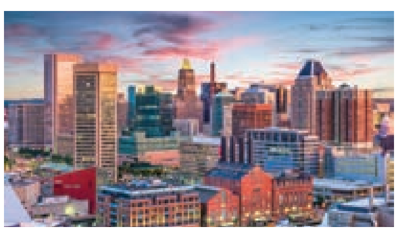
12 States Where Home Purchasing Power Is on the Rise

The demand for housing continues outpacing supply, putting upward pressure on home prices and creating affordability challenges for potential homebuyers already badgered by tight inventory. However, consumer conditions vary geographically, meaning some states provide less stressful home-buying environments than others.

Here's a look at the states where home purchasing power improved during the month of January, bucking the national trend of inventory shortages and rising prices.

The data, from the First American Real House Price Index, measures home price changes, taking local wages and mortgage rates into account "to better reflect consumers' purchasing power and capture the true cost of housing."

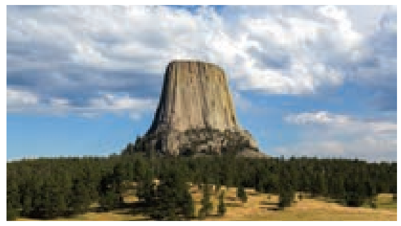
No. 1
West Virginia
House-buying power: $282,527
Real Home Price Index: 77.44
Year-over-year RHPI change: -5.24%



No. 2
Arizona
House-buying power: $268,071
Real Home Price Index: 60.08
Year-over-year RHPI change: -4.58%

No. 3
Maryland
House-buying power: $519,733
Real Home Price Index: 69.22
Year-over-year RHPI change: -4.35%

No. 4
New Jersey
House-buying power: $492,627
Real Home Price Index: 73.72
Year-over-year RHPI change: -3.46%



No. 5
Wyoming
House-buying power: $373,938
Real Home Price Index: 71.73
Year-over-year RHPI change: -2.52%

No. 6
Oklahoma
House-buying power: $295,047
Real Home Price Index: 61.07
Year-over-year RHPI change: -2.2%

No. 7
Vermont
House-buying power: $373,706
Real Home Price Index: 65.63
Year-over-year RHPI change: -1.84%

No. 8
New Mexico
House-buying power: $285,958
Real Home Price Index: 74.40
Year-over-year RHPI change: -1.81%

No. 9
Alabama
House-buying power: $277,460
Real Home Price Index: 55.79
Year-over-year RHPI change: -1.7%

No. 10
Iowa
House-buying power: $350,882
Real Home Price Index: 59.97
Year-over-year RHPI change: -1.47%

No. 11
Nebraska
House-buying power: $367,871
Real Home Price Index: 58.32
Year-over-year RHPI change: -1.47%

No. 12
Hawaii
House-buying power: $485,353
Real Home Price Index: 67.06
Year-over-year RHPI change: -1.32%

SHINING THE LIGHT ON NON-QM LENDING

Millions of potential borrowers are locked out of today's conventional mortgage market.

Deephaven Mortgage is shining the light on Non-QM lending by providing products specifically designed to address the needs of millions of borrowers who are unable to obtain a traditional mortgage. In return, this allows originators to expand their business by reaching out to a broader group of borrowers.

Help shine the light on Non-QM for your potential borrowers. Contact us by visiting www.deephavenmortgage.com and selecting either Correspondent or Wholesale. We look forward to you getting in touch with us today!