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LESSONS LEARNED

FROM PANDEMIC SERVICING

HOW TO WIN AT CYBERSECURITY: BECOME A 'SNEAKER' CISO

In the world of cybercrimes, the effective execution and deployment of technology, people, and processes are the first steps in building a culture of information security.

ZEROING IN ON SERVICER CONVENIENCE FEES

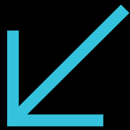
The CFPB and state regulatory bodies are closely scrutinizing all mortgage-related fees, from the start of a loan to the ongoing servicing of the loan, to ensure compliance with the Fair Debt Collection Practices Act.

REFLECTING THE COMMUNITIES WE SERVE

As the industry makes strides to increase homeownership for marginalized individuals, the mortgage finance space must keep pace to meet the needs of this group by enhancing its DEI efforts.

THEFIVESTARINSTITUTE

"Inside the Industry" Takes Flight



In March of 2020, Five Star Institute launched an industry-first effort: a weekly video newscast that aimed to highlight critical updates to the mortgage industry.

By bringing thought leaders together with executives from across the country, and in collaboration with *DS News & MReport*, "**Inside the Industry**" quickly rose to be not only a first of its kind, but a successful news broadcast for the residential mortgage and servicing industry.

To learn more or secure advertising please contact **sales@thefivestar.com**.

Visit **themreport.com** and **dsnews.com** for the latest broadcasts.

» SOME OF THE INDUSTRY EXPERTS REPRESENTED WITHIN "INSIDE THE INDUSTRY." «

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From Our Desk

Lessons Learned, Knowledge Gained

The challenges presented since March 11, 2020, when the WHO declared COVID-19 a global pandemic have had a ripple effect across the lives of all. But as we slowly crawl back to a state of balance, the lessons picked up along the journey of the past two-and-a-half years arm us with a great deal of knowledge moving forward.

First and foremost, we learned a great lesson in pivoting and 'changing on the fly,' adapting to new ways of life. But in the end, we stand here stronger than ever, having endured a once-in-a-lifetime, life-altering event.

One of the freedoms that has returned is the ability to again meet face-to-face, as this month, we prepare for the 2022 Five Star Conference and Expo, set for September 18-20 at the Hyatt Regency Dallas. The Five Star Conference attracts subject matter experts, hundreds 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. And while last year may have marked the return of the in-person event after a virtual event in 2020, mortgage and servicing professionals are clamoring to exchange ideas and network like the days of old. Visit FiveStarConference.com for more details and information.

In this month's issue of *DS News,* we take aim at the servicing space and ask the question, "Are we in the Golden Age of mortgage servicing?" A recent Five Star Institute-hosted webinar featured Seth Sprague of Richey May, Jay Jones of Mr. Cooper, Dan Sogorka of Sagent, and Julian Hebron of The Basis Point, as the four discussed the state of the nation's $12 trillion mortgage servicing industry. Turn to page 64 for more details.

With an increasing number of people relying on all things digital, the internet has become a playground for cybercriminals, as they stalk and eye their next victims on a daily basis. Tony Carothers of Corpay discusses his role as a Chief Information Security Officer, combating cybercrime and keeping ahead of this breed of criminal, in his article "How to Win at Cybersecurity: Become a 'Sneaker' CISO" beginning on page 68.

Joshua Fieldgrove of Clayton, takes a deep dive into the Fair Debt Collection Practices Act, and how the Consumer Financial Protection Bureau (CFPB) is closely monitoring the fees tacked onto loans through their lifeline in his article "Zeroing in on Servicer Convenience Fees" beginning on page 72.

Diversity, equity, and inclusion (DEI) efforts in the mortgage space have garnered more and more of the spotlight in recent years, and we highlight an article by Justin Foster of Radian titled, "Reflecting the Communities We Serve" on page 76. Foster notes the severe underrepresentation of diversity in the housing industry, as Fannie Mae reported that less than 17% of the housing industry's workforce is Black and Latino.

Jacob Williamson of Fannie Mae shares the GSE's contribution to building back the nation's housing supply as he discusses Fannie Mae's REO repair strategy to offer equitable homeownership opportunities for all beginning on page 80.

Erik Schmitt of JPMorgan Chase & Company explains that while mortgage servicers juggled changes in their own personal lives during the pandemic, managing their own workforce, and creating and executing new customer solutions were just some of the hurdles thrown their way. In "Servicers Adapt to Changing Times" Schmitt examines these challenges and how they were overcome beginning on page 82.

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Editor-in-Chief

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By Phil Britt

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Fannie Mae's REO repair strategy focuses on innovative solutions to help support repair and upkeep of properties.

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Servicers Adapt to Changing Times

COVID-19 presented mortgage servicers with a new challenge, creating and executing new customer solutions, while managing the impact of the pandemic on their own workforce.

By Erik Schmitt

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DS Journal

Compiled by the DS News Staff

« Page 26

Movers & Shakers WITH **Ian Ouwerkerk**

SVP of Underwriting & Credit, Freddie Mac Multifamily

EXAMINING RACIAL BARRIERS IN HOMEOWNERSHIP

While mortgages are denied for people of all races, a new LendingTree analysis of 2020 Home Mortgage Disclosure Act (HMDA) data found that the share of Black homebuyers who have their mortgage requests denied is notably higher than the share of the overall population who sees the same.

One obstacle Black Americans disproportionately face is getting their mortgage requests denied by lenders. Racial barriers to homeownership in the United States are undeniable for many, with Black Americans often facing the most hurdles during the homebuying process.

LendingTree found that the purchase mortgage denial rate for Black homebuyers across the nation's 50 largest metropolitan areas is an average of 9 percentage points higher than the denial rate for the overall mortgage borrower population. In other words, this means the denial rate for Black borrowers is double the denial rate for the overall borrower population.

Key findings:

» The purchase mortgage denial rate for Black homebuyers is twice as high as the denial rate for the overall mortgage borrower population in each of the nation's 50 largest metros. On average, 18% of Black homebuyers are denied a mortgage—9 percentage points higher than the average denial rate for the overall population of 9%.

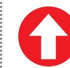
» St. Louis, Boston, and Jacksonville, Florida, see the largest percentage point differences between the denial rates for Black borrowers and the overall borrower population. Across these metros, the denial rate for Black borrowers is an average of 13.36 percentage points higher than the denial rate for the overall mortgage borrowers population.

» San Francisco, Sacramento, California, and Seattle see the smallest percentage point differences between the denial rates for Black borrowers and the overall borrower population. Though Black borrowers are more likely to be denied a mortgage in each of these metros, the average spread between their denial rate and the denial rate for the overall population is a relatively low 3.94 percentage points.

» Denial rates for Black borrowers are highest in Detroit, Miami, and Jacksonville, while they're lowest in San Francisco, Seattle, and Sacramento. Across Detroit, Miami, and Jacksonville, the average denial rate for Black borrowers is 25.52%—more than double the average denial rate of 12.55% across San Francisco, Seattle and Sacramento. Though they can vary by metro, denial rates for Black borrowers are higher than 10% in each of the nation's 50 largest metros.

Top 10 DATA BITS

TAKE A LOOK INSIDE THE NUMBERS



TOWNS WITH THE HIGHEST VACANCY RATES:

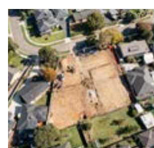
RANK	CITY
1.	BRECKENRIDGE, COLORADO
2.	VINEYARD HAVEN, MASSACHUSETTS
3.	KILL DEVIL HILLS, NORTH CAROLINA
4.	HAILEY, IDAHO
5.	EDWARDS, COLORADO
6.	HEBER CITY, UTAH
7.	STEAMBOAT SPRINGS, COLORADO
8.	TAOS, NEW MEXICO
9.	BOONE, NORTH CAROLINA
10.	LACONIA, NEW HAMPSHIRE

TOWNS WITH THE LOWEST VACANCY RATES:

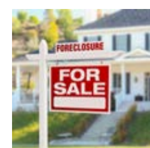
RANK	CITY
1.	JUNEAU, ALASKA
2.	FARIBAULT, MINNESOTA
3.	MOSCOW, IDAHO
4.	FERNLEY, NEVADA
5.	PRINEVILLE, OREGON
6.	HELENA, MONTANA
7.	RED BLUFF, CALIFORNIA
8.	PORT ANGELES, WASHINGTON
9.	HOOD RIVER, OREGON
10.	SHERIDAN, WYOMING

Source: Redfin, "Pandemic Homebuying Hotspots With Steep Price Increases Most Susceptible to Housing Downturn in a Recession"

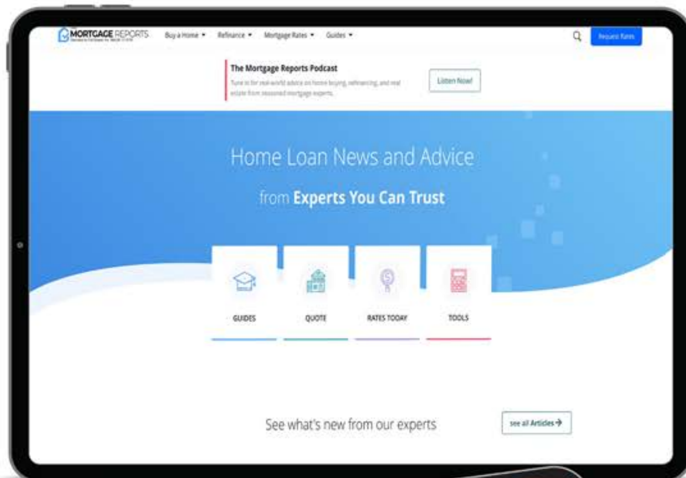
Know THIS

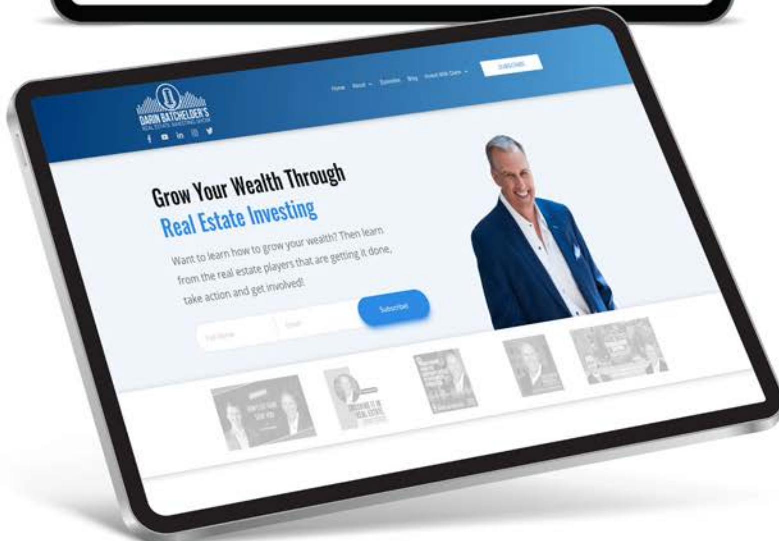


According to ATTOM's latest Vacant Property and Zombie Foreclosure Report, data showed that there were ***1,277,162 properties sitting vacant across the country during Q3 of 2022.***



Pre-foreclosure properties accounted for 7,707 zombie-foreclosures *in Q3 of 2022, up 1.8% from Q2, and 2.2% from 2021.*





Podcast

The Mortgage & Property Podcast

This freshman podcast by Mortgage Monster aims to help you make sense of all things mortgage, property, and finance. Providing knowledge and entertainment at the same time, the host breaks down how the market works so it's not so scary. This podcast also features a slew of special guests of industry experts, past clients, and many others who entertain a range of subjects to make your property dreams come true.

Podcast

The Mortgage Report

Podcast hosts and real estate experts Ivan Simental, Arjun Dhingra, and Shivani Peterson present tips, tricks, hacks in a short-form podcast, instilling knowledge to help you do anything from understanding tax credits, how to buy a home in a recession, and general news about the current state of the housing market. Whether you are in the market for your first home, looking to buy a house with no money down, are ready to refinance, or interested in investing in real estate, this podcast has a lot of easily digestible information for all things mortgage.

Podcast

Darin Batchelder's Multifamily Real Estate Investing Show

Want to grow your wealth, meet major players, and learn to get involved in real estate investing? Darin Batchelder's weekly podcast, the Real Estate Investing Show, takes you on a journey where you will learn why, how, and when to invest from Batchelder with additional insights from a different top-performing guest every week. Past topics include "DEI Initiative," "Women in Housing," and "Inflation Risk." With over 100 episodes under its belt, this podcast is for those looking to build wealth through real estate investing and increase your wealth creation.

AFFORDABILITY CONDITIONS IMPROVE IN MAJORITY OF U.S. STATES

Homebuyer affordability improved for the second straight month in July, with the national median payment applied for by applicants decreasing to $1,844 from $1,893 in June. This is according to the Mortgage Bankers Association's (MBA) Purchase Applications Payment Index (PAPI), which measures how new monthly mortgage payments vary across time—relative to income—using data from MBA's Weekly Applications Survey (WAS).

"Affordability conditions improved modestly in most of the country in July, as slightly lower mortgage rates and a decrease in the median loan amount led to the typical homebuyer's mortgage payment falling $49 from June," said Edward Seiler, MBA's Associate VP, Housing Economics, and Executive Director, Research Institute for Housing America. "Homebuyer demand has faltered this summer, as lingering economic uncertainty, high inflation, and still-high mortgage rates caused many prospective buyers to delay their home search. The combination of a strong job market and moderating home-price growth could entice some of these buyers to return in the coming months."

An increase in MBA's PAPI—indicative of declining borrower affordability conditions—means that the mortgage payment to income ratio (PIR) is higher due to increasing application loan amounts, rising mortgage rates, or a decrease in earnings. A decrease in the PAPI—indicative of improving borrower affordability conditions—occurs when loan application amounts decrease, mortgage rates decrease, or earnings increase.

The national PAPI decreased 3.8% to 157.7 in July from 163.9 in June, meaning payments on new mortgages take up a smaller share of a typical person's income. Compared to July 2021 (116.6), the index has jumped 35.2%. For borrowers applying for lower-payment mortgages (the 25th percentile), the national mortgage payment was decreased between June and July 2022 from $1,241 to $1,210.

MBA's national mortgage payment to rent ratio (MPRR) increased to 1.44 at the end of the second quarter (June 2022) from 1.38 at the end of the first quarter (March 2022), meaning mortgage payments for home purchases have increased relative to rents. The national median asking rent in second-quarter 2022 increased 4.7% on a quarterly basis to $1,314 ($1,255 in first-quarter 2022). The 25th percentile mortgage application payment to median asking rent ratio was 0.94 in June, up from 0.90 in March.

Additional Key Findings of MBA's Purchase Applications Payment Index (PAPI) – July 2022

- The national median mortgage payment was $1,844 in July, down from $1,893 in June and $1,897 in May. Monthly payments are still up by $461 in the first seven months of the year—equal to a 33.3% increase.
- Out of 50 states (and Washington, D.C.), 47 had lower PAPI values in July than in June. This includes nine of the top 10 states with the highest PAPI values.
- The national median mortgage payment for FHA loan applicants was $1,461 in July, down from $1,474 in June, but up from $1,015 in July 2021.
- The national median mortgage payment for conventional loan applicants was $1,892, down from $1,959 in June, and up from $1,361 in July 2021.
- The top five states with the highest PAPI were: Idaho (250.8), Nevada (249.6), Arizona (230.5), Utah (209.9), and Florida (201.1).
- The top five states with the lowest PAPI were: Washington, D.C. (101.4), Connecticut (105.1), Alaska (110.3), Louisiana (110.9), and West Virginia (116.6).
- Homebuyer affordability increased for Black households, with the national PAPI decreasing from 159.2 in June to 153.1 in July.
- Homebuyer affordability increased for Hispanic households, with the national PAPI decreasing from 154.9 in June to 149.0 in July.
- Homebuyer affordability increased for white households, with the national PAPI decreasing from 164.7 in June to 158.5 in July.

"Rent growth has remained incredibly strong in recent quarters, but the influx of new developments coming onto the market should alleviate some of the affordability pressures that are affecting renters in many parts of the country," Seiler added.

HOMEOWNERS OPTING FOR IMPROVEMENTS OVER SHOPPING FOR NEW HOMES

With the housing market gradually returning to pre-pandemic norms and mortgage rates surging over 2.5 percentage points in 2022, many homeowners are choosing to renovate their living spaces rather than search for a new home. According to a new study by House Method, 55% of homeowners reported renovating a part of their home in the past year.

With affordability constraints at the forefront for many, some homebuyers and sellers have halted their searches and chosen the renovation alternative.

Key Statistics:

» Some 27% of homeowners tackled a bathroom renovation, making it the most popular room in the house to update.
» Nearly 50% of homeowners' timelines were extended past their original expectations.
» Roughly 93% reported a better quality of life after finishing their renovations.
» An overall 80% of homeowners reported going over budget by at least $500.
» An estimated 57% of homeowners reported increases in appraisal value after a renovation.
» The largest demographic of renovators was made up of Gen X and millennials, accounting for over 55% of all renovators in the survey.

Top Reasons Why Homeowners Are Renovating Their Homes

While return on investment (ROI) is always a consideration when remodeling a home, House Method found that the majority of homeowners remodeled to increase the enjoyment of their living space. Upgrading, modernizing, and safety were also key contributing factors. In fact, 93% of those surveyed claimed that the renovations were worth the time, money, and any temporary discomfort caused, and more than three-fourths of homeowners stated that they intended to stay in their homes after renovating.

The Most Renovated Rooms in the Home

Unsurprisingly, Bathroom and Kitchen remodels topped the list in popularity, making up a combined 50% of all home renovations.

While these two rooms are often the most expensive renovations, homeowners reported increased functionality and usability of kitchens and bathrooms as key determiners of their enjoyment of each space.

The most popular renovations by room were:

» Bathrooms
» Kitchens
» Living rooms
» Primary or master bedrooms
» Basements

Laundry rooms, offices, and guest bedrooms were also renovated, but at a much lower rate.

Millennials completed the majority of home renovations, accounting for nearly 50% of all bathroom renovations and over 40% of kitchen renovations. Gen Z, Gen X, and boomers accounted for the rest of the renovation market, trailing behind millennials.

Homeowner Headaches

The most common remodeling headache for homeowners involved working with contractors. Many of those polled chose not to take the traditional route of hiring a contractor to oversee or complete the work, and 60% reported not using a contractor at all. The reluctance to work with contractors may be due to a perceived skepticism about their trustworthiness. Some 30% of those surveyed attributed this fear, or a prior negative experience, to their decision to handle the work on their own.

Among those who did opt for help from a professional, 26% chose their contractor after receiving and comparing two bids, while others collected more than 15 separate bids before making a final decision.

Other common homeowner headaches included:

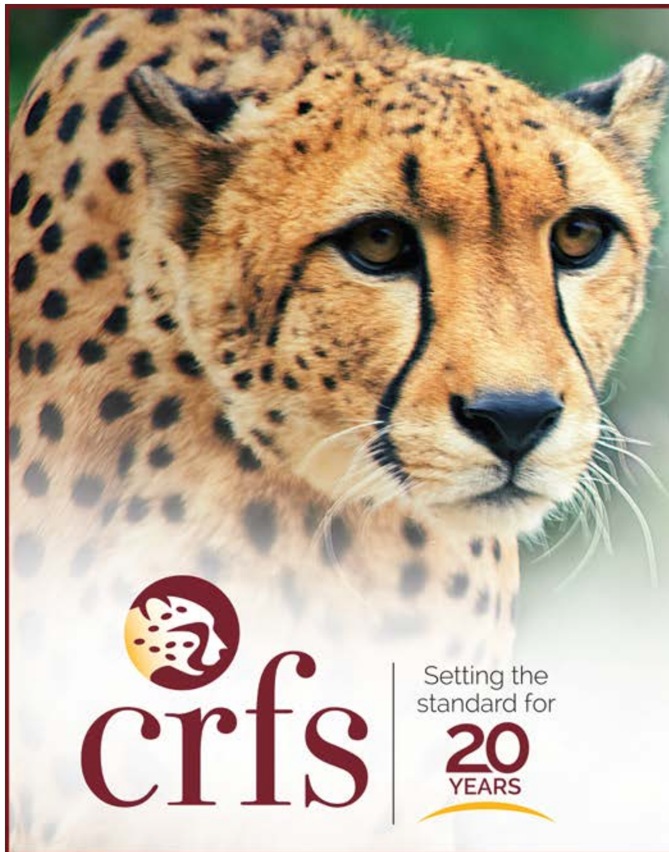
» Delays on the project
» Going over budget
» Securing permits for the work
» Structural problems with the home

Money Management During the Renovation Process

Budgeting plays a large part in renovating a home. Of the 1,000 homeowners polled, 32% reported budgeting $5,000-$10,000 for their reno project.

Although many homeowners set a strict budget, nearly 80% of survey participants still went over their original allotted budget. The most costly factors during the renovation process were materials and timeline delays. Others reported breaking their budget due to structural issues and design and furnishing costs. Some 68% of homeowners ended up going over budget by $5,000 or more on their home renovation.

Although homeowners face challenges when renovating, they have not been deterred from the renovation process. Seventy-six percent of respondents plan on tackling another home renovation, whether in their current home or a new one in the future.



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AMERICANS INCREASINGLY LOOKING AT VACATION HOMES IN MEXICO, CANADA

Fortune favors the bold, and in July 2022, search patterns saw a major shift in what destinations homeseekers were considering, but despite that, the top five destinations remained the same: Mexico, Canada, Costa Rica, Puerto Rico, and Belize.

Point2, the news and research division of Yardi Systems Inc., revealed in a new report authored by Andra Hopulele that starting in the second half of 2020, and especially in 2021, Americans jumped at the opportunity to escape virus-ridden urban areas and moved to the suburbs and beyond. Searches for homes abroad were especially prevalent.

Homeseekers used terms like "homes for sale in Puerto Rico," and "condos for sale" to search for homes, but moreover, the explosion in searches really stood out compared to 2015 and 2018, the first two years that Point2 analysts began following Americans' interest in buying vacation homes abroad.

So what has changed over the last 12 months? Keyword analysis shows that Mexico retained its first-place position as America's favorite destination-of-choice for vacation homes, as searches for this destination increased by 60%.

Canada came in second, but keyword analysis revealed that searches for this location dropped by 13%.

"Although we're not talking huge numbers (as real estate-related searches went from 680 to 1,810 per month), Haiti claimed the most significant spike in interest from American homebuyers: Certainly, an 166% increase is nothing to sneeze at," Point2 wrote in their analysis. "Two more countries followed in its footsteps: Chile and Aruba saw their numbers of searches double in just one year. They stood out due to their net numbers, as well: Both countries had more than 3,000 monthly searches in 2021. Then, after 2022 increases of 130% and 116%, respectively, they had close to 7,000 and 8,000 monthly searches from the U.S. alone."

REPORT EXAMINES IMPACT OF RECENT EVENTS AND POLICIES ON POC

The National Women's Law Center has released a new report with the collaboration of the Insight Center and Groundwork Collaborative called The Roots of Discrimination Housing Policy: Moving Toward Gender Justice in Our Economy, which explores the "inextricable" links between housing justice and gender justice and outlines a few solutions to advance the concept of housing as a public good.

This report takes advantage of the Consumer Price Index, which came out August 10, finding that prices went up 8.5% year over year in July while rent rose 6.3% over the same period of time, the highest rate in over 35 years.

"Women have always taken on the heaviest burden of a socioeconomic system that was designed to profit from their underpaid and undervalued labor," said Fatima Goss Graves, President and CEO of the National Women's Law Center. "In this powerful collaboration, my colleagues excavate the harmful housing policy decisions that litter our history and created the mess we face today. And, importantly, this paper reminds us of the better policy choices and sensible solutions that can put us on a path to a more equitable tomorrow."

The extensive, 48-page report, examines the current market conditions to find its effect on women of color.

According to the report, women—particularly women of color—were already more likely than white non-Hispanic men to spend the majority of their income on housing before the pandemic. Black and Latina women have consistently been more likely than white, non-Hispanic men to be behind on rent and mortgage payments throughout the COVID-19 pandemic.

"Stable housing is an essential part of families' economic security—and a critical part of a healthy, sustainable economy," said Dr. Rakeen Mabud, Chief Economist and Managing Director of Policy and Research at Groundwork. "Policymakers must use every available tool to address the acute crisis that so many women and families are facing today."

Andrea Flynn, Senior Director at the Insight Center added, "Safe, accessible, and affordable housing must be invested in not as a commodity, but as a public good. Housing shapes opportunities and outcomes related to employment, education, health, transportation, caregiving, and overall well being across generations. A safe home, in a community full of opportunity, is a prerequisite to human flourishing and economic security."

KEYS for LIFE

RECEPTION & CONCERT

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HOST & CONCERT CO-HOST

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SENIORS REMAIN VULNERABLE TO HOUSING MARKET FLUCTUATIONS

A new Housing Perspectives blog post by Jennifer Molinsky for the Joint Center for Housing Studies at Harvard University discusses the state of senior homeownership and four major problems that she feels need to be addressed soon as more and more boomers hit retirement.

Molinsky, the Project Director of the Housing an Aging Society at JCHS, said that in just three years, the leading edge of the boomer generation will turn 80—by 2035, the Census Bureau projects that the population 80 and over will grow to nearly 24 million people, doubling what it was in 2016. And the fact that most of these older adults will live alone and on limited incomes, and many will have other factors such as health affecting their situation.

The demand for affordable, accessible housing, with access to in-home services and neighborhood support systems is set to soar in the coming years, but Molinsky says as of right now, the country is falling well short and is failing to meet even todays' demands.

"First, there is enormous unmet need for affordable rental housing for older adults. Over 10 million households headed by someone 65 and over are cost burdened (paying more than a third of their income on housing); half of these pay more than 50%," Molinsky said. "Nearly three-quarters of renters earning under $15,000 per year are cost burdened.

"To compensate, households often cut back on food and medical care, which can be detrimental for those with chronic health conditions," Molinsky continued. "Renters, often on fixed incomes, are particularly at risk of rising housing costs, and have a much smaller personal safety net: in 2019, the median older renter had a net wealth under $6,000."

She went on to say that the latest available data revealed that there were 2.2 million older "very low-income" residents were living in "worst case housing" defined as having severe cost burdens, inadequate housing, or both.

Thirty-six percent of income eligible seniors receive federal housing assistance, expanding rental assistance can provide needed stability to these households and help address a growing homelessness crisis among older adults.

"Affordability challenges are disproportionately felt by older people of color," Molinsky said. "Longstanding disparities in access to well-paying jobs and homeownership opportunities have resulted in steep gaps in homeownership with white households and greater financial insecurity, particularly for older Black and Hispanic households."

The other issues seniors are facing are:

» Very little of the nation's housing stock offers even the most basic of accessibility features. Our analysis shows that less than 4% of homes offer a no-step entry, single-floor living, and wide enough doors and hallways to accommodate a wheelchair. Older people are also most likely to report difficulties entering, navigating, and using different parts of their homes. Support is needed for renters and property owners, as well as older homeowners, to make modifications and maintain housing in safe condition.
» The need for assistance and services that support older adults with activities of daily living and household tasks is escalating. Service-enriched affordable housing has been shown to support independence—and reduce healthcare costs—but need outstrips supply. Demand will grow for supports and services delivered to middle-income older adults who typically cannot afford assisted living settings.
» Our research shows that many older adults live in places that lack livability features, such as neighborhood services, transportation alternatives, safe streets, and opportunities for engagement. These all contribute to wellbeing and can even combat isolation and loneliness, both serious health issues in their own right.

The author concluded by saying that these problems could be fixed with "comprehensive and coordinated policies" to build, preserve, and retrofit affordable housing and to connect seniors to groups and services in their area.

"We can ensure that the oldest people in our nation have housing that provides a sound foundation for a good quality of life. But the time to act is now—the need is already great and will only become more so."

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Q2 MORTGAGE APP FRAUD SLIPS

CoreLogic's National Mortgage Application Fraud Risk Index for the second quarter of 2022 declined 13.5% from Q1 level of 140. The year-over-year trend is down 7.5% from Q2 2021, when CoreLogic's Index stood at 131.

Some of the decline in the Index is attributed to recalibration of the company's updated scoring model, which was released late Q1. However, increasing risk levels were recorded during Q2 when analyzing monthly data.

The Mortgage Fraud Risk Index is calculated from the aggregation of individual loan application fraud risk scores during the previous quarter. Score compilations are calculated for the 100 highest-populated Core-Based Statistical Areas (CBSA) in the nation.

The top five metros reporting the highest instances of fraud risk nationwide in Q2 included:

» Miami-Fort Lauderdale-Pompano Beach, Florida
» Poughkeepsie-Newburgh-Middletown, New York
» New York-Newark-Jersey City, New York/New Jersey/Pennsylvania Stockton, California
» New Orleans-Metairie, Louisiana

The second quarter showed a transition to purchase transactions as the majority of mortgage application activity, up from 53% in Q1 to 71% in Q2. Application volume continued to decline in Q2 but not as dramatically as it did in the two previous quarters.

The rise is rates is making it more difficult for prospective buyers to procure a mortgage loan, as a wildly-fluctuating rate environment has seen rates dip below the 5%-mark and rise back again to 5.78% near the close of Q2 amid inflationary fears.

Actions by the Federal Reserve's Federal Open Market Committee (FOMC) to curb inflation by raising the nominal interest rate by 75 basis points from a range of 1.50-1.75% to a current rate of 2.25-2.50% in late July was another move with repercussions to bring balance back to the housing market. The Fed's actions in late July marked the fourth such increase in 2022 and the biggest consecutive rate hike on record, as, to date, the FOMC raised rates in March (+25 points), May (+50 points), and June (+75 points).

"Fraudsters thrive in uncertain market conditions, where their activities are harder to detect and separate from legitimate investors who are also attracted to variable markets," said Ann Regan, Executive, Product Management for CoreLogic. "Nevada's economy took a big hit with COVID-19-induced shuttering of gambling/tourist activities and this is driving a decline in home prices, as well as an increase in fraud risk. With many economists predicting a recession later this year or early next year, we can expect to see market variability in other regions and likely an increase in fraud as well."

As more and more now have the ability to work remotely, some are flocking to coastal areas of high mortgage fraud incidence such as Miami, Florida, while others seek the space and solitude of the upstate New York regions of Poughkeepsie-Newburgh-Middletown, New York, both areas ranking one and two respectively in terms of mortgage fraud by CoreLogic.

In fact, a recent Redfin analysis found that real estate investors bought 87,500 U.S. homes in Q2 of 2022, up 11% quarter over quarter and 5.9% year over year. Q2's totals are down from the all-time high of 93,700 recorded in Q3 of 2021, a time that many considered the height of the pandemic-driven homebuying frenzy.

ARE WE 'WITNESSING A HOUSING RECESSION?'

Existing-home sales sagged for the sixth straight month in July, according to the National Association of Realtors. All four major U.S. regions recorded month-over-month and year-over-year sales declines.

Total existing-home sales—completed transactions that include single-family homes, townhomes, condominiums, and co-ops—slipped 5.9% from June to a seasonally adjusted annual rate of 4.81 million in July. Year over year, sales fell 20.2% to 6.03 million in July 2021.

"The ongoing sales decline reflects the impact of the mortgage rate peak of 6% in early June," NAR Chief Economist Lawrence Yun said. "Home sales may soon stabilize since mortgage rates have fallen to near 5%, thereby giving an additional boost of purchasing power to home buyers."

Total housing inventory registered at the end of July was 1,310,000 units, an increase of 4.8% from June and unchanged from the previous year. Unsold inventory sits at a 3.3-month supply at the current sales pace, up from 2.9 months in June and 2.6 months in July 2021. The median existing-home price for all housing types in July was $403,800, up 10.8% from July 2021 ($364,600), as prices increased in all regions. This marks 125 consecutive months of year-over-year increases, the longest-running streak on record.

"We're witnessing a housing recession in terms of declining home sales and home building," Yun said. "However, it's not a recession in home prices. Inventory remains tight and prices continue to rise nationally with nearly 40% of homes still commanding the full list price."

Properties typically remained on the market for 14 days in July, the same as in June and down from 17 days in July 2021. The 14 days on market are the fewest since NAR began tracking it in May 2011. Some 82% of homes sold in July 2022 were on the market for less than a month. First-time buyers were responsible for 29% of sales in July, down from 30% in June and also in July 2021. NAR's 2021 Profile of Home Buyers and Sellers—released in late 2021—reported that the annual share of first-time buyers was 34%.

All-cash sales accounted for 24% of transactions in July, down from 25% in June, but up from 23% in July 2021. Individual investors or second-home buyers, who make up many cash sales, purchased 14% of homes in July, down from 16% in June and 15% in July 2021. Meanwhile, distressed sales—foreclosures and short sales—represented approximately 1% of sales in July, essentially unchanged from June 2022 and July 2021.

According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 5.41% in July, down from 5.52% in June. The average commitment rate across all of 2021 was 2.96%.

Realtor.com's Market Trends Report in July shows that the largest year-over-year median list price growth occurred in:

» 1. Miami (+36.2%)
» 2. Memphis (+32.7%)
» 3. Orlando (+28.4%)

Phoenix reported the highest increase in the share of homes that had their prices reduced compared to last year (+31.8 percentage points), followed by Las Vegas (+28.6 percentage points), and Austin (+27.8 percentage points).

Single-Family and Condo/Co-Op Sales

Single-family home sales declined to a seasonally adjusted annual rate of 4.31 million in July, down 5.5% from 4.56 million in June and down 19.0% from one year ago. The median existing single-family home price was $410,600 in July, up 10.6% from July 2021.

Existing condominium and co-op sales were recorded at a seasonally adjusted annual rate of 500,000 units in July, down 9.1% from June and down 29.6% from one year ago. The median existing condo price was $345,000 in July, an annual increase of 9.9%.

"Buying a home remains a worthwhile investment that brings an unmatched combination of security, freedom and accomplishment associated with the American Dream," said NAR President Leslie Rouda Smith, a Realtor from Plano, Texas, and a broker associate at Dave Perry-Miller Real Estate in Dallas. "Realtors serve as consumer champions who provide trusted guidance and insight to help home buyers and sellers achieve their goals."

"Home sales may soon stabilize since mortgage rates have fallen to near 5%, thereby giving an additional boost of purchasing power to home buyers."

—Lawrence Yun,
Chief Economist, NAR

Regional Breakdown

Existing-home sales in the Northeast slid to an annual rate of 620,000 in July, down 7.5% from June and 16.2% from July 2021. The median price in the Northeast was $444,000, an increase of 8.1% from the previous year. Existing-home sales in the Midwest declined 3.3% from the prior month to an annual rate of 1,190,000 in July, dropping 14.4% from July 2021. The median price in the Midwest was $293,300, up 7.0% from the previous year.

Existing-home sales in the South waned 5.3% in July to an annual rate of 2,130,000, down 19.6% from one year ago. The median price in the South was $365,200, an increase of 14.7% from July 2021. Existing-home sales in the West retracted 9.4% compared to last month to an annual rate of 870,000 in July, down 30.4% from this time last year. The median price in the West was $614,900, an 8.1% jump from July 2021.

"The action is in the pricey West region which experienced the sharpest sales decline combined with a sizable inventory increase," Yun said. "It's likely some Western markets will see prices decline, and that will be welcome news for buyers who watched rapid price jumps during the past two years."

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BLACK HOUSEHOLDS' AFFORDABILITY NUMBERS HALVED

The fact that housing and mortgage rates have done nothing but rise over the last year has hampered affordability across the board, but the impact on Black renters in particular has been particularly harsh—the share of Black renter households who could afford the median-priced home fell by 44%.

Raheem Hanifa, a Research Analyst at the Joint Center for Housing Studies at Harvard University, notes that a favorable buying environment in 2020, highlighted by ultra-low interest rates, helped many first-time buyers qualify for mortgages and allowed a sizeable portion of the population to refinance their notes with more favorable terms. While many Black households did take advantage of this, the homeownership rate for Black households has grown 0.6% from the beginning of 2021 to the first quarter of 2022, twice the rate of 0.3% for white households.

But Hanifa cautioned these gains are being put in severe risk due to decreasing affordability as the median price monthly home payment increased 35% from $2,100 to $2,800 between April 2021 and April 2022.

Looking at that figure another way in April 2021, a household would have to have earned $79,570 to afford a median house priced at $340,700; this number ballooned to $107,500 in April 2022 for the same median-priced house which also increased to $401,700.

"This change resulted in 4 million fewer renter households who could afford a median-priced home," Hanifa wrote. "Home price and interest rate increases over the last year cut the number of Black households who could afford a home in half. Indeed, the number of Black renter households who could afford the median-priced U.S. home declined from over 1.2 million to just under 600,000 Black renter households, a 52% decline. In April 2021, 14.2% of all Black renter households could afford a home and by April 2022 just 6.9% of all Black renter households could afford the median-priced home. While Black renter households were not the only group to face declining affordability, the share of Black renter households who could afford the median-priced home declined most by race/ethnicity."

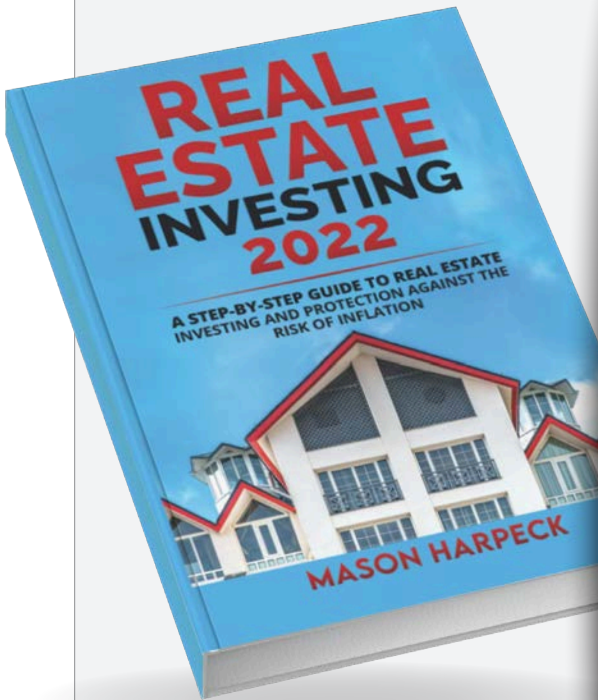
Hanifa added that the number of Hispanic renter households who could afford the median-priced U.S. home declined 50% from 1.8 million to 900,000 over the time period. White renter households who could afford the median-priced home declined from 5.9 to 3.4 million renter households, a drop of 42%. Asian renter households had the smallest decline in affordability decreasing by 35% from 986,000 to 642,000 renter households.

As a result, 20.6% of Hispanic renter households could afford a home in 2021, but by 2022 just 10.3% could. For white renter households, 25.8% could afford a home in 2021 and by 2022 just 14.9% could, and 40.3% of Asian renter households could afford the median-priced home in 2021, while just 26.3% could by 2022.

Hanifa concluded by saying that the expansion of the housing supply and development of moderately-priced housing will be "pivotal" in preserving affordable homeownership for all.

Good Reads

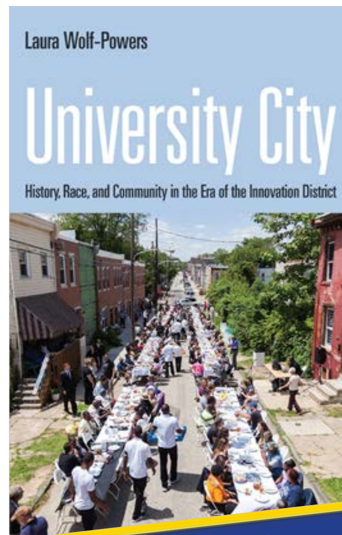
Expand your skills, gain insight, and get inspired with these top picks.

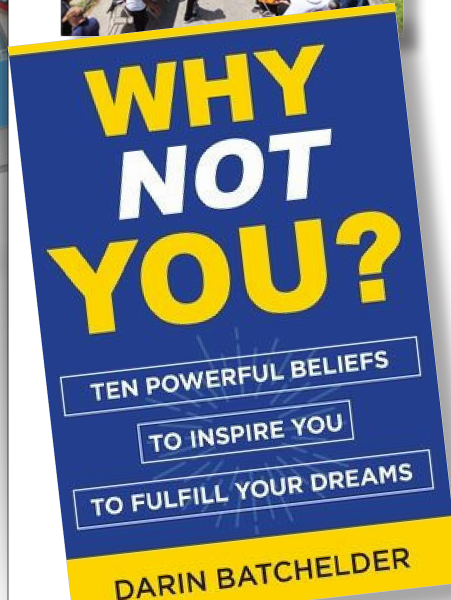


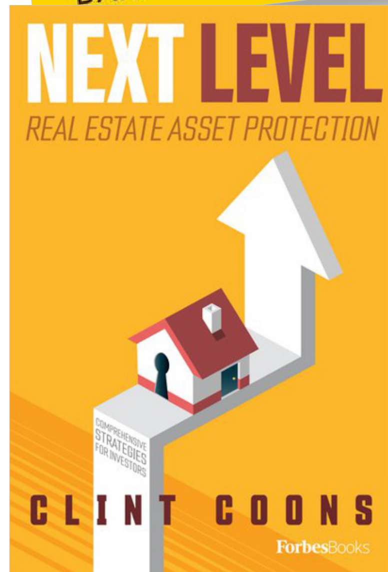
Real Estate Investing 2022: A Step-By-Step Guide to Real Estate Investing and Protection Against the Risk of Inflation

By Mason Harpeck

Investing can be a scary endeavor, but it also means having a forward-looking mindset and being mindful of the future. But according to author Mason Harpeck, before spending you must learn to invest, which is a major difference between normal people and the vastly successful. Taking current market influences into his research, this book aims to provide basic knowledge to allow you to start investing in the real estate market.







University City: History, Race, and Community in the Era of the Innovation District

By Laura Wolf-Powers

Chronicling 50 years of planning and policy around the communities of West Philadelphia's University City, which illuminates how the dynamics of innovation district development in the present both depart from and connect to the politics of urban renewal. The book examines past and contemporary efforts to position university-adjacent neighborhoods as locations for prosperity built on scientific knowledge. Author Laura Wolf-Powers examines the work of enthusiastic, mobilized civic groups that have worked to push cultural preservation concerns into the public eye and to pass progressive policies to help economically insecure families keep a foothold in modern neighborhoods.

Why Not You?: Ten Powerful Beliefs to Inspire You to Fulfill Your Dreams

By Darin Batchelder

Beginning his career as a CPA, author Darin Batchelder then transferred to sales, where he specialized in institutional loan trading. After founding two companies—TZK Capital and TZK Properties LLC—he started to invest and build wealth through investing in real estate. Today, he has traded an estimated $4 billion in loans while concurrently investing in 4,000 multifamily units. Batchelder has written down all of his knowledge and techniques, which will help readers grow their wealth through multifamily and traditional real estate investing

Next Level Real Estate Asset Protection: Comprehensive Strategies for Investors

By Clint Coons

According to author Clint Coons, the key to building a passive income "empire" is to think like a business owner and not a hobbyist. But what's the difference between investors who only flip a few homes a year or collect a few properties and investors who acquire 30-40 properties over the course of a year or two? Coons says it all lies in your mindset; successful people should be growth oriented, invest frequently, and use leverage to increase their buying power. This book is about asset protection, how to think about it, manage it, and implement it so that you have better privacy, risk mitigation, security, and tax benefits that won't hold you back.

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OUR MISSION

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The AMDC invites all companies across the industry to join us.
For more information about membership, please visit mortgagediversitycouncil.com.

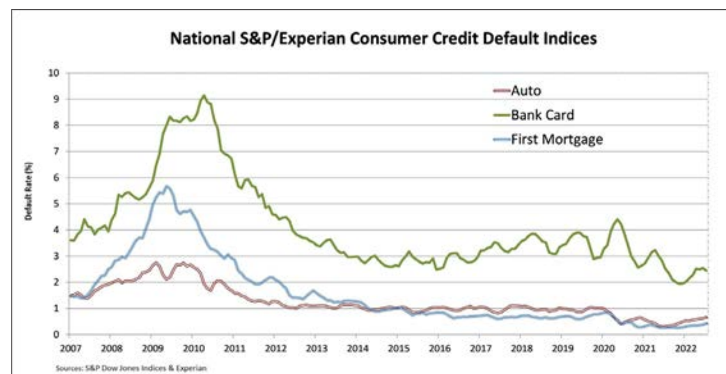
FIRST MORTGAGE DEFAULT RATE UP FOUR BASIS POINTS

Credit rating agency Experian, along with the S&P Dow Jones Indices, has released its latest monthly iteration of its Consumer Credit Default Indices Report for July 2022 which aims to represent a "comprehensive" measure of changes in consumer credit default rates and shows that the composite default rate rose four basis points to 0.57% from 0.53% in June.

Breaking the total default rate down, the first mortgage default rate was up four basis points to 0.42%. the highest default rate since September 2020. Additionally, the bank card default rate fell 11 basis points to 2.44% and the auto loan default rate was four basis points higher at 0.66%

Four of the five major metropolitan statistical areas showed higher default rates compared to last month. Miami had the largest increase, up 14 basis points to 1.13%. Chicago rose nine basis points to 0.67%. Los Angeles was six basis points higher, at 0.52%, while Dallas increased five basis points to 0.62%. New York dropped six basis points to 0.65%.

Jointly developed by S&P Dow Jones Indices LLC and Experian, the S&P/Experian Consumer Credit Default Indices are published on the third Tuesday of each month at 9:00 a.m. ET. They are constructed to track the default experience of consumer balances in four key loan categories: auto, bankcard, first mortgage lien, and second mortgage lien. The Indices are calculated based on data extracted from Experian's consumer credit database. This database is populated with individual consumer loan and payment data submitted by lenders to Experian every month. Experian's base of data contributors includes leading banks and mortgage companies and covers approximately $11 trillion in outstanding loans sourced from 11,500 lenders.



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ARE ONLY MORTGAGE EXPERTS ALLOWED IN THIS TOUGH MARKET CYCLE?

By Wendy Lee, CLO, Sagent

Today's tough mortgage and fintech cycle raises questions about what kind of resumes individuals need and what kind of talent companies need to survive and thrive. Are pure technologists or mortgage experts best suited to today's challenges? I think both are needed, but mortgage experts have a slight advantage. Let's break it down to see if your mortgage resume is fit for the fintech era.

Two Ways to Build Tomorrow's Mortgage Talent

It's easy for those of us who've been in the industry for decades to say that it's too nuanced for outsiders. But new people are always needed, and we can view this in two ways.

First, we should remain open to the tech-disruption narrative that says outsiders bring fresh perspective. It's easy to dismiss this by questioning the relevance of, say, a retail e-commerce tech pro coming into mortgage. However, they've seen full innovation cycles in their world that we haven't fully seen yet in ours. Retail innovation happened faster and sets the tone for consumers now expecting to manage their entire lives from a smartphone.

We haven't fully seen this across originations and servicing because innovation took longer in our highly regulated world. But from where I sit at Sagent, where we're now leading consumer-first modernization of servicing, our industry needs tech talent that has already led a few rounds of consumer-first innovation.

It's a net win for us to bring in these seasoned technologists, train them on mortgage technicals, and mold them into fintech pros.

Which brings up the second point: we must do the same thing with early-career talent.

As a mentor to many who are earlier in their careers, I tell them a tough cycle like today is better to learn in. This is especially true in mortgage servicing, which gets even more technical in down cycles.

Default management is full of nuances across forbearances, loan modifications, and judicial vs. non-judicial foreclosures—this is granular work that involves consumers, banks, lenders, investors, regulators, lawyers, title companies, appraisers, and, of course, a whole ecosystem of fintech software solutions.

It's up to all of us to groom the next generation of mortgage experts, whether those are folks from other industries or younger team members already in the mortgage space.

As we know, this isn't an industry that's taught in universities. It's taught in the trenches.

My Path From Mortgage Lawyer to Fintech Exec

This is why I commit so much time to mentoring. I've spent most of my two-decade mortgage career at law firms, representing lenders on issues pertaining to foreclosures, bankruptcies, and property-related litigation. This included managing scale foreclosure operations during the fallout from the global financial crisis.

All the while, I observed the tech disruption washing over other industries, saw what it did to the unprepared people and companies, and didn't want that to happen to me or our industry. So, I got involved in digital transformation and the role of technology in making things better for mortgage operators, consumers, and investors. It was very organic and definitely a learn-in-the-trenches approach.

The same approach led to my current career chapter as Chief Legal Officer for Sagent. I had been observing the innovation progress in mortgage originations and noticed how Sagent was laser-focused on bringing that same progress to mortgage servicing, where lenders manage and grow lifetime relationships with homeowners.

The rest was good old-fashioned hustle to network and find a way to this next opportunity.

Is Your Mortgage Resume Relevant for the Fintech Era?

Only now that I'm almost a year into the job am I asking myself whether it was more the mortgage or the fintech expertise that got me here.

For now, my answer skews toward mortgage expertise. I was able to pick up on the fintech part because, as noted above, I have maintained a long-term lens on the impact of technology in mortgage.

There's also maybe a third dimension for me which is the after-hours curiosity and exposure to technology-related startups. Having an observant eye watching innovation in other spaces gave me context: how a startup unfolds as a founder conceives an idea, obtains funding, deploys said funding into constructing said idea, and then moves the status quo into a better experience for users, customers, and industries. Either way, you can see from my example how exploring your own skillset, curiosity, and long-term interests can help you find or fine-tune your path.

So, I'll leave you with two pieces of advice.

First, don't ever think you don't have the right experience. Markets, policymaking, mortgage operations, and the fintech software that powers it all is always evolving in real-time. Experience is gained daily.

Second, don't think this or any other market cycle will run you over. If your head is in the game and you're ready to solve tough problems, a tough market cycle should be your best chapter.

This is doubly true as the servicing innovation era converges with the market cycle turning. Opportunities abound for those always working to keep their mortgage resumes fit for the fintech era.

***Wendy Lee** is EVP, Chief Legal Officer of Sagent.*

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AVERAGE HOMEOWNER EQUITY EXCEEDS $233K

Credit bureau TransUnion has released its second quarter Credit Industry Insights Report which highlighted how the number of consumers with credit cards and personal loans has reached record highs, driven by an increase in loans to nonprime consumers.

"Consumers are facing several challenges that are impacting their finances on a day-to-day basis, namely high inflation and rising interest rates. These challenges, though, are happening against a backdrop where employment opportunities are still plentiful and jobless levels remain low. We see lenders offering more access to credit to nonprime consumers, some of whom are new to credit," said Michele Raneri, VP of U.S. Research and Consulting at TransUnion. "This is a welcome development as more consumers have gained access to credit during a time when high inflation has placed a greater burden on their wallets. While delinquencies generally rise after a period when more nonprime borrowers secure loans, the rates of delinquency remain mostly at or below pre-pandemic levels, particularly for cards and personal loans."

According to TransUnion, available home equity of mortgage holders continued to grow, hitting an aggregate total of $18.4 trillion during the first quarter and is up 22% year over year and 52% over the last five years.

Approximately 80 million consumers have available equity in their homes, averaging $223,000. This has caused an increasing number of homeowners to explore HELOC and home equity loan originations resulting in a 41% and 29% year-over-year increase in both of these offerings.

TransUnion went on to say "as home equity grew, the slowdown in mortgage originations accelerated in Q1 2022 with purchases dominating originations for the fourth consecutive quarter. Compared to the previous year, where refinance dominated origination volumes and accounted for 58% of new mortgage loans, in 2022, purchase volumes outpaced refinance volumes, up by 18 percentage points from 42% in Q1 2021 to 60% in Q1 2022. Purchase volumes decreased from 1.6 million in Q1 2021 to 1.3 million in Q1 2022 (down by 20% YOY) while refinance volumes decreased from 2.3 million in Q1 2021 to 870,000 in Q1 2022 (down by 62% YOY)."

There were about 2.2 million originations during the first quarter, a number down 45% year over year, while serious mortgage loan delinquencies remain near record lows.

"Mortgage lenders are now considering adding home equity lending to their portfolios as they look for growth in a declining refinance market and seek opportunities to cross-sell to their existing customer base by tapping into historic amounts of home equity," said Joe Mellman, SVP and Mortgage Business Leader at TransUnion Consumers are increasingly interested in HELOC and home equity loan lending—leveraging rising home values to access affordable capital."

"Having a comprehensive understanding of industry dynamics in relation to the home equity market can help mortgage lenders identify homeowners in the market for home equity. Utilizing tools that can identify how much equity a homeowner has in their property such as CLTV insights becomes critical in targeted campaigns. This is ever-important as rising interest rates place additional pressure on the housing market and on consumers."

Movers & Shakers

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SPOTLIGHT PROFILE **GOVERNMENT**

Ian Ouwerkerk Named SVP of Underwriting & Credit for Freddie Mac Multifamily

Freddie Mac Multifamily has named **Ian Ouwerkerk** SVP of Underwriting & Credit. He has served as Interim SVP of Underwriting & Credit since Q1 of 2022. Ouwerkerk was formerly VP of Multifamily Underwriting and served as Senior Director of Underwriting for the Southeastern Region before that. He joined Freddie Mac Multifamily in 2008, having previously worked as a commercial real estate broker.

"Ian is a strong leader with a proven track record implementing strategic, forward-thinking solutions partnering with our Optigo lenders and driving business results," said Kevin Palmer, Head of Multifamily at Freddie Mac. "He has been a vital part of our success this year while serving as the Interim SVP of Underwriting & Credit, and I look forward to seeing how he continues to develop and strengthen the team."

Optigo—the designation for Freddie Mac's Multifamily Seller/Servicer network and suite of loan offerings, was designed to capture the Freddie Mac Multifamily ethos of providing customers with optimal solutions, and going further to meet their needs. Optigo also aims to better clarify Freddie Mac Multifamily's Seller/Servicer network and offerings within the span of the GSE's broader business.

Freddie Mac Multifamily notes that historically, more than 90% of the eligible rental units funded are affordable to families with low- to moderate-incomes earning up to 120% of area median income. Freddie Mac securitizes approximately 90% of the multifamily loans it purchases, thus transferring a majority of the expected credit risk from taxpayers to private investors.

After six months of healthy growth in multifamily fundamentals, Freddie Mac recently reported in its early August forecast that contraction in multifamily origination volume to $440-450 billion is expected, down from the peak seen in 2021, driven by macroeconomic headwinds, including inflation and rising treasury rates.

"Ian is a strong leader with a proven track record implementing strategic, forward-thinking solutions partnering with our Optigo lenders and driving business results."

—Kevin Palmer, *Head of Multifamily, Freddie Mac*

GOVERNMENT

FHFA NAMES THREE NEW EXECS

The Federal Housing Finance Agency (FHFA) announced three personnel updates to its executive staff, as **Naa Awaa Tagoe** will serve as the Deputy Director for the Division of Housing Mission and Goals (DHMG), **Joshua Stallings** will become the Deputy Director for the Division of Bank Regulation (DBR), and **Chris Dickerson** will continue in his role as Senior Advisor to the Director in a permanent capacity.

"As DHMG's Acting Deputy Director, Naa Awaa's decision making and policy judgment has exemplified the notion that safety and soundness and equitable access to credit are complementary concepts rather than being mutually exclusive," FHFA Director Sandra Thompson said. "Through his previous roles as Examiner-in-Charge for the Boston and Cincinnati Federal Home Loan Banks (FHLBanks) as well as for both Enterprises, I know Joshua has an unwavering commitment to FHFA's mission and will ensure the safe and sound operation of the FHLBanks and Office of Finance. Chris has provided me with extensive subject matter expertise and institutional knowledge. Naa Awaa, Joshua, and Chris bring a wealth of financial regulator experience to the table, and their demonstrated leadership abilities ensure a high level of expertise and commitment to supporting FHFA's important mission."

Tagoe has served as Acting Deputy Director of DHMG since June 2021. Previously she was Principal Associate Director in the Office of Capital Policy within DHMG. Prior to joining FHFA's predecessor agency—the Office of Federal Housing Enterprise Oversight (OFHEO)—in 2003, Tagoe held positions with Bear Stearns and Houlihan Lokey. Tagoe earned her bachelor's degree in electrical engineering and an MBA from Stanford University.

Stallings is currently Examiner-in-Charge of the Office of Fannie Mae Examinations within the Division of Enterprise Regulation (DER).

He assumed his new role as Deputy Director for DBR on August 15, 2022. Previously, he served as the Examiner-in-Charge of the Office of Freddie Mac Examinations, as well as the Boston and Cincinnati FHLBanks. Stallings started his supervisory career with the Office of Thrift Supervision and received a bachelor's degree in business administration with a focus in economics from the University of Georgia.

Dickerson served as FHFA's first Deputy Director of DER upon its founding in 2008. Since then, he has held numerous leadership positions throughout his tenure at FHFA, including Examiner-in-Charge of Freddie Mac and Special Supervision Advisor in DER. Prior to FHFA, Dickerson spent 11 years at OFHEO serving as Director of Supervision and as Chief Compliance Examiner.

FANNIE MAE APPOINTS CISSY YANG HEAD OF AUDITS

Fannie Mae has appointed **Cissy Yang** as SVP and Chief Audit Executive, responsible for leading the company's audit strategy, including internal controls, operational processes, and key risks assessments. In her new role, Yang will also serve as a member of Fannie Mae's Management Committee, reporting to the Board of Directors, as well as the President and Interim CEO.

Yang will replace J. Douglas Watt, Fannie Mae's current SVP and Chief Audit Executive, who is set to retire in November of 2022.

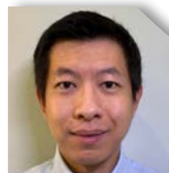
"We're pleased to welcome an executive with Cissy's impressive background and breadth of experience to Fannie Mae's leadership team," said David C. Benson, Fannie Mae President and Interim CEO. "Her contributions will be essential to maintaining Fannie Mae's strong culture of corporate governance and rigorous internal controls. I also want to thank Doug for his leadership and contributions to ensure we have a high-performing Internal Audit function that executes on Fannie Mae's mission with a focus on safety and soundness."

With 25 years of experience spanning both internal and external audit across the financial services sector, Yang has led multidisciplinary teams and developed effective internal control and audit frameworks across large financial institutions. Yang most recently served as Head of Audit for Investment Banking Fixed Income, U.S. Legal Entities, and Americas Compliance at Credit Suisse, where she held various senior roles. Prior to her time at Credit Suisse, Yang worked for PricewaterhouseCoopers and Arthur Andersen.

"I'm thrilled to be leading a critical component of Fannie Mae's business strategy and joining such a mission-driven organization," Yang said. "I look forward to partnering with my colleagues across the enterprise and working with the Board of Directors and management to drive Fannie Mae's ongoing audit and key risks assessment strategy in support of a safer and more effective housing finance system."

SERVICE PROVIDERS

ANG SHEN JOINS CENLAR TO LEAD RISK MANAGEMENT



Mortgage loan subservicer and federally chartered wholesale bank Cenlar FSB has announced that **Ang Shen** has joined the company as VP of Model Risk Management.

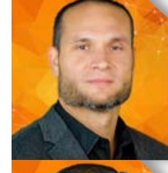
Ang will lead the company's Model Risk Management (MRM) function, supporting Cenlar's Enterprise Risk Management—responsible for managing a team who will perform independent governance and validation of all models used across the organization, in compliance with related regulatory guidance and requirements.

"Ang has an extensive background in developing risk models for various banks and financial institutions and will serve as a valuable part of the team," said Sara Avery, Chief Risk Officer for Cenlar. "His role is a critical part of Cenlar's continuous refinement of our rigorous risk management strategy."

Prior to joining Cenlar, Ang spent nearly 12 years at KPMG LLP's advisory practice, where he was most recently an Advisory Director in the Modeling & Valuation Group. During his tenure at KPMG, he led numerous model-related engagements at a wide spectrum of financial institutions. As the engagement director and primary point of contact, he successfully delivered a large volume of complex model validations for some of the firm's largest model risk clients. Before KPMG, Ang worked on mortgage valuation for the Federal Home Loan Bank of Atlanta.

"As an independent validator who provides effective challenge to model owners, I am a firm believer of transparent communication and close collaboration," Ang said. "My goal is to partner with the business units to build robust model risk management practice in assisting the company's business decisions."

ORANGEGRID HIRES AND PROMOTES TO MEET DEMAND FOR SERVICING TECH



OrangeGrid, a provider of mortgage servicing software, has hired and promoted several new members to its team to support the rising demand for automated mortgage servicing software that maximizes profitability by simplifying the way servicers manage their workflows across legacy systems and reporting tools.

Denis Brosnan is OrangeGrid's new President, who has spent decades leading a variety of fintech companies with a focus on the mortgage servicing industry. Brosnan first joined the company in 2021 and served as both Chief Product Officer and Corporate Development Officer, until his recent promotion to President.

JC Espino has been named OrangeGrid's Director of Customer Solutions Design, responsible for the definition, design, and use-case development of the OrangeGrid product. Previously, he worked at a variety of technology and financial organizations, including JP Morgan Chase Bank and HSBC Consumer Lending.

Rob Pajon has been named SVP of Marketing and Product. He has driven executive

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marketing and product development initiatives in the default servicing industry for 16 years and will lead the company's product marketing efforts to generate awareness, sales leads, and revenue generation.

Gabriel Varga has been named SVP of Product for OrangeGrid and has two decades of experience leading business process innovation efforts for many financial organizations, including Mr. Cooper and Ocwen Financial.

Connie Baringer is OrangeGrid's new Director of Talent and Culture and has spent many years performing human resources functions for companies within the mortgage servicing space.

K. Sean Walker has also been added as new Graphic Designer/Marketing Assistant to lead OrangeGrid's digital and print layout and design projects and will conduct market research as well.

"All of our new employees bring many years of experience in the technology and mortgage servicing field," said Todd Mobraten, OrangeGrid's CEO and Founder. "These talented additions to our team will further enable OrangeGrid to provide sophisticated software to mortgage servicers that better enable these organizations to manage the way they do business."

PLANOMATIC NAMES TONI STATHOPOULOS VP OF ENGINEERING

PlanOmatic, a provider of quality photography, floor plans, and 3D to the single-family rental (SFR) industry, has added **Toni Stathopoulos** as VP of Engineering. In her new role, Stathopoulos will report to PlanOmatic's CTO, Arie Covrigaru.

"We are thrilled to welcome Toni, a seasoned engineering leader, to the PlanOmatic team," said Kori Covrigaru, Founder and CEO of PlanOmatic. "Toni will play a pivotal role in the continued growth of PlanOmatic as we look to expand our technology services to meet our SFR clients' needs."

As VP of Engineering, Stathopoulos will manage and develop PlanOmatic's technology team and help execute the company's vision. She will collaborate closely with PlanOmatic's product and business leaders to guide high-stakes decisions pertaining to the company's technology. Prior to joining PlanOmatic, she was a Senior Director of Software Engineering at LogRhythm and has more than 14 years of experience in creating and scaling engineering organizations with a focus on business value through technology, people, operations, and strong product partnerships.

"We are bullish on the SFR industry and anticipate continued economic revenue growth for the sector for the remainder of the year," Corvrigaru added. "With the addition of Toni and our other amazing recent hires, PlanOmatic continues to expand and further position itself as the leading provider of quality photography, floor plans, and 3D to the SFR industry."

LAUREN CIPICCHIO JOINS PRETIUM TO LEAD CENTRAL QUANTITATIVE STRATEGIES

Pretium has announced the addition of **Lauren Cipicchio** as Senior Managing Director, and Head of Central Quantitative Strategies. She will lead the teams focused on designing, developing, and enhancing the analytics and models used to make investment and operating decisions to advance Pretium's investment strategies. In addition, Cipicchio will serve as a member of the firm's Executive Committee.

Cipicchio brings more than a decade of experience in portfolio construction and investment analytics, enabling, and enhancing alpha-generating ideas and strategic asset investments. She joins Pretium from CPP Investments, where she most recently served on The Global Leadership Team as Managing Director, Head of Data and Advanced Analytics. Before that, she spent 10 years at Bridgewater Associates, where she was most recently Head of Investment Engineering.

"Lauren has a proven track record of driving efficiency for investment funds through massive analytical ecosystem shifts, and I am confident that she will make significant contributions to Pretium and our asset investment strategy," said Don Mullen, Founder and CEO of Pretium. "In this new era of technological innovation, the addition of unique and advanced modeling platforms will serve as a competitive differentiator for Pretium and drive value across our ecosystem."

Cipicchio co-founded Bridgewater's Women's Network and served as a founding member of the firm's Diversity Council.

"Joining the Pretium team and adding to its unparalleled level of expertise at a time of tremendous growth is an incredible opportunity," Cipicchio said. "I look forward to contributing to the efforts already underway to expand and enhance the firm's investment offerings."

PLANET RENOVATION CAPITAL HIRES LARRY BRAND

Planet Renovation Capital (PRC), a division of the Planet Family of Companies and provider of commercial financing to real estate flippers and investors, has hired **Larry Brand** as Regional Sales Manager. Brand will focus on recruiting account executives to support the company's expansion into third-party originations (TPO).

With more than 30 years in the mortgage industry, Brand has accumulated expertise in product development, process efficiency improvement, and capital markets.

"PRC has the financial strength to continue funding and to seize volume at a time when others are repricing, tightening guidelines, and pulling back in response to market volatility," said Planet Financial Group CEO and President Michael Dubeck said. "Larry's extensive experience building mortgage channels will enable PRC to scale up its volume in Residential Transition Loans (fix-and-flip), Debt Service Coverage Ratio (DSCR), ground-up construction, and other loan products serving real estate investors, including home flippers and landlords."

Before joining Planet Renovation Capital, Brand held varied roles across the mortgage industry, serving as an SVP of Sales, Director of Retail Production, as well as a former home loan business owner.

"I joined PRC because it has the capital markets expertise to efficiently securitize business purpose loans, the servicing expertise to deliver an outstanding customer experience, and the financing to grow in a challenging market," Brand said. "What gets me up in the morning is helping people and businesses succeed, and that's what PRC enables me to do."

FALCON CAPITAL ADVISORS EXPANDS LEADERSHIP TEAM

Falcon Capital Advisors has hired industry veteran **Walter Allen** as Managing Director, **Natisha Dawson** as its new Director of Finance, and has promoted Ken Yoo to the role of COO.

Allen will be responsible for business development across Falcon's major practice areas: financial institutions, government advisory services, and its eMortgage consulting practice. Allen is a recognized industry veteran and digital business strategy leader with more than 20 years of experience utilizing technology solutions to drive transformational business initiatives in both the government and private sector. Prior to joining Falcon, Allen was the President of HouseAmp, a fintech company where he managed and oversaw all aspects of the operation. Prior to HouseAmp, Allen spent nearly 13 years with data and technology leader CoreLogic, most recently as VP of Government Solutions working directly with federal government clients and agencies. Earlier, he was the VP of Global Capital Markets where he oversaw a team of product specialists and subject matter experts focused on key financial services customers and the Rating Agencies.

Dawson brings more than 20 years of finance and leadership expertise to Falcon. As Director of Finance, she will be responsible for leading all finance and accounting matters in the firm. Prior to joining Falcon, she was the Founder and CFO of The Griffin Way, a firm designed to provide outsourced finance and accounting services to small- and mid-sized businesses. Previously, she held executive financial roles at large, global marketing, public relations, and communications firms.

As COO, Yoo oversees Falcon's daily operational and administrative functions. Yoo's areas of oversight at Falcon include daily operational supervision, strategic planning, M&A planning and integration, IT and physical infrastructure management, and governance/risk/compliance activities. Yoo has more than 25 years of senior leadership experience in banking, housing finance, consulting risk management and regulatory oversight. During his tenure at Falcon Yoo has been responsible for managing teams, relationships and projects for both commercial and government agency clients. Yoo's involvement in those engagements have included initiatives related to program management, asset management, risk management and quality control, data analytics, grant and loan administration, and financial analysis for the housing, financial services, and healthcare industries.

DALLAS VIT NAMED FAY SERVICING'S CIO

Dallas Vit has been named CIO of Fay Servicing. With more than 15 years of experience in the industry, Vit will lead the technology team for the organization, including application development, technology infrastructure, information security, and data management.

"Dallas brings with him a progressive track record in technology solutions coupled with a diverse acumen across capital markets, analytics, asset management, operations, loan servicing, and originations," Fay Servicing's President Kimberly Hare said. "We are thrilled to have Dallas Vit as a part of our team."

Fay Servicing is a mortgage servicer with more than 130,000 residential and commercial customers across the United States.

Most recently, Vit served as the Chief Information Officer for Roosevelt Management Company, a New York–based investment management firm, where he was instrumental in developing and scaling technology and analytical solutions for Rushmore Loan Management Services.

At Fay, Vit will leverage the breadth and depth of his experience to continue to drive the firm's customer-centric and data driven approach to providing mortgage loan solutions to help borrowers across the country.

"It's exciting to join a firm with a solid foundation and such diversity in their business model," Vit said. "This team has a great reputation in the servicing business and their ancillary companies give us great opportunities!"

BRETT MURPHY JOINS WALKER & DUNLOP'S HUD PRODUCTION TEAM

Walker & Dunlop Inc. has expanded its HUD Production team in Chicago with the addition of **Brett Murphy,** who will be responsible for growing the FHA senior housing business, utilizing Walker & Dunlop's platform across HUD, GSE, bridge, and investment sales.

"We are pleased to welcome Brett to the team at Walker & Dunlop," said Dana Wade, Chief Production Officer Walker & Dunlop's FHA Finance team. "His skills and expertise will translate well into his new role, and I believe he will play an important part in our continued growth and ability to maintain the leadership positions that we've earned with Fannie Mae, Freddie Mac, and HUD."

Before joining Walker & Dunlop, Murphy was a Director at Lancaster Pollard, a Lument legacy firm, where he was responsible for originating and leading seniors housing and healthcare transactions, including tax-exempt bond offerings, proprietary lending, HUD/FHA, Fannie Mae, Freddie Mac, and USDA financing programs. Prior to joining Lument in 2013, he worked at Banco Santander and also held positions at Wells Fargo and State Street Bank & Trust.

KAROL VILLAVICENCIO TO MANAGE COMPLIANCE FOR REGCHECK

RegCheck by Asurity Technologies LLC has named mortgage loan compliance veteran **Karol Villavicencio** to its team as Director of RegCheck Product Management and Operations. RegCheck is a Software-as-a-Service (SaaS) solution that enables loan officers and compliance specialists to accelerate loan closings with greater confidence and accuracy. Leveraging the advantages of innovative technology and deep domain expertise, it rapidly identifies root cause compliance failures in loan applications and pinpoints the specific data gaps that need to be addressed throughout the loan

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origination process, accelerating processing timelines, reducing errors, as well as making loans more serviceable and saleable.

Prior to joining RegCheck, Karol served as the VP of Client and Partner Success at SitusAMC, where she was responsible for user support experience including onboarding, product support, integration, and examination support.

"We are excited to have Karol on the team. RegCheck is a best-in-class lending compliance solution for loan officers and compliance specialists," said Luke Wimer, COO at Asurity. "Her knowledge and experience will play a key role in helping us continue to innovate and ensure we are meeting the evolving needs of our clients."

Karol commented, "I am excited to join the RegCheck team. I look forward to applying my experience and passion to help clients be more operationally efficient. I also look forward to working cross-functionally with internal and external stakeholders to continue to drive RegCheck to the next level of innovation for all loan officers and compliance specialists."

SFR VET FRED TUOMI JOINS AVANTSTAY'S BOARD

AvantStay, the premier hospitality platform transforming short-term rentals for the way people travel and invest today, has announced that **Fred Tuomi,** former CEO of Invitation Homes Inc., has joined its board. Tuomi will work with AvantStay to provide leadership and capital market guidance to help the company bring institutional capital to short-term rentals (STRs) as the next disruptive asset class.

"Fred's breadth of experience and impact on real estate & proptech over the last 15 years has been foundational to our industry," said Sean Breuner, CEO and Founder of AvantStay. "His leadership in the institutionalization of SFRs as a true asset class, leading the merger of Invitation Homes and Starwood Waypoint Homes, and direct involvement in multiple businesses that are spearheading the digital transformation of our industry has driven meaningful change in the real estate industry. We are proud that Fred has recognized the value of AvantStay's business model, and his appointment to our board signals the strong future of the short-term rental market."

Tuomi served as CEO, President, and Director of Invitation Homes from 2017-2019. Prior to its merger with Invitation Homes, Tuomi served as CEO and Director of Starwood Waypoint Homes. He also served as Co-President and COO of Colony American Homes, and as EVP and President—Property Management for Equity Residential, one of the nation's largest multifamily REIT, leading the growth of its property management group while helping to pioneer its leading operational platform.

Throughout his career, Tuomi has lent his expertise to numerous real estate industry boards and executive committees, serving on National Rental Home Council, National Multi-Housing Council, California Housing Council, California Apartment Association, Atlanta Apartment Association, the USC Lusk Center for Real Estate, and the Audit and Compensation Committees of Tejon Ranch Company.

LEGAL PROVIDERS

LITIGATOR DAVID G. ROSS JOINS GARRIS HORN

Garris Horn LLP, a boutique, virtual law firm focused on the financial services industry, has named **David G. Ross** Litigation Partner.

Ross, with nearly 25 years of experience, will handle litigation matters related to Garris Horn's traditional practice areas, work on government investigations and enforcement defense, and expand the firm's services into commercial litigation. Ross's litigation experience includes matters arising from the management of partnerships, closely held corporate entities, financial services companies, and real estate joint ventures. He also brings his longstanding franchise, employment law, and business transactional practices to the firm.

"It has long been our desire to add a professional litigator to our team so that we can offer our clients a more affordable option should they need to defend themselves in court or before a regulatory agency," said Richard Horn, Co-Managing Partner of Garris Horn LLP. "Dave is a perfect fit for our firm. He has depth and experience and brings the additional qualities that our firm is known for, including working extremely efficiently and putting the client's needs first. Already in his first weeks at the firm, he has proven to be a tough-as-nails, confident, and extremely intelligent litigator. After many years on the front lines, Dave has decided to join Garris Horn, and we are very pleased."

Ross' transactional practice includes the review and negotiation of asset purchase/buy-sell agreements, franchise agreements, non-compete/non-disclosure contracts, employment-related agreements, and other contracts. He also works as an "Outside General Counsel" who provides day-to-day and as-needed advice to business clients.

Ross is licensed to practice law in the state and federal courts of Maryland; Washington, D.C.; and New Jersey. He served as Chair of the Maryland State Bar Association's Franchise and Distribution Law Committee and as a member of a committee convened by the Maryland Securities Commissioner to examine changes to the administration of the Maryland Franchise Registration and Disclosure Law. Ross is also a member of the Bar Association of Montgomery County, Maryland.

"I couldn't be joining a better firm," Ross said. "I've known and respected Troy Garris for nearly 30 years. I've watched him and Richard Horn assemble a fantastic team for this industry, and I'm proud to now be part of it. My new partners are experts in the complex web of regulatory requirements—what I call the 'science.' I hope to complement that science with the art of litigation."

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—David G. Ross,
Litigation Partner, Garris Horn LLP

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MILLENNIALS SEEKING COST-EFFICIENT ZIP CODES

One of America's most historic regions is its newest homebuying hotspot, with New England ZIP codes representing over half of 2022's top 10 list in the eighth annual Realtor.com Hottest ZIP Codes Report. In these ZIP codes, homes sold in just over 8 days and received nearly four times more buyer views than a typical U.S. listing.

To help buyers better understand if they're shopping in a hot market, Realtor.com now provides "Hot Market Insights" on listings that show how fast homes in that neighborhood are selling and how popular they are compared to other properties in the area and across the country.

A key theme of this year's white-hot ranking is demand from out-of-ZIP home shoppers, driven by factors including relative affordability and convenient travel to big East Coast cities. The 2022 Hottest ZIP Codes in America, in rank order, are:

» 14618 Brighton, New York
» 03062 Nashua, New Hampshire
» 43085 Worthington, Ohio
» 03038 Derry, New Hampshire
» 04062 Windham, Maine
» 18017 Bethlehem, Pennsylvania
» 37604 Johnson City, Tennessee
» 03106 Hooksett, New Hampshire
» 02760 North Attleboro, Massachusetts
» 04210 Auburn, Maine

"With rising inflation and mortgage rates squeezing monthly housing budgets, this year's determined buyers are breathing new life into competition for homes in historic areas like New England," said Danielle Hale, Chief Economist for Realtor.com. "Our 2022 Hottest ZIPs ranking illustrates how many Americans are redefining their priorities to achieve homeownership while building their careers, by trading downtown life for relatively affordable areas with reasonable part-time commutes to big cities. Even as the housing market resets, home shoppers in the competitive Hottest ZIPs may need to take extra measures to win. It all starts with understanding the local market, and buyers can use Realtor.com's Hot Market Insights to arm themselves with knowledge that will be key to success when deciding where, when, and how to make an offer."

With the launch of Realtor.com's "Hot Market Insights" announced, the "neighborhood" section of property listings on Realtor.com will now show homebuyers if they are shopping in a hot market. Home shoppers can click the button to learn more about the local housing market, including how fast homes are selling and how many more views they get compared to others in the area. These insights are updated each month to provide buyers with a timely view of the competition they're likely to face.

Key trends driving homebuying demand in the 2022 Hottest ZIP codes

Many Americans are feeling the strain on their finances due to the whirlwind of economic shifts that have occurred so far in 2022, including mortgage rate hikes. Combined with record-high home prices, rising affordability challenges are forcing many buyers to get creative if they want to beat the competition without breaking their budgets.

Home shoppers are doing just that in the 2022 Hottest ZIP Codes, with nine of the top 10 making the list for the first time in the ranking's eight-year history, including eight northeastern ZIPs making their debut. Six of these newcomers are located in New England, offering buyers a balance of new opportunities with historic charm. On average across the top 10, 13.4% of homes were built before 1939, compared to just 11.6% nationwide.

Affordability challenges drive demand in relatively small ZIP codes offering high-value homes

As a result of rising inflation and higher costs for housing and everyday expenses, homebuyers have set their sights on areas that offer good bang for their buck, making value a key theme among this year's hottest ZIPs. Controlling for home size, the average price per square foot in the top 10 was 8.7% lower than in their surrounding metro areas in June.

Among the ZIPs on this year's list, the average asking price ($432,000) was 4.0% lower than the U.S. median listing price in June ($450,000). At the same time, driven by the rise in demand, home prices across the hottest ZIP codes grew at a faster year-over-year pace (+18.6%) than listing prices nationwide at 16.9%.

The hottest ZIP codes offer buyers more space

As companies are slow to bring employees back into the office, remote and hybrid work arrangements continue to put pressure on relatively affordable markets with spacious homes. The pandemic-fueled shift in working

arrangements has resulted in a reshuffling of living preferences. Some buyers are looking to be a commute away from a high-cost metro, while other buyers are opting for more space in lower-priced areas. On both fronts, buyers looking in the hottest ZIP codes tend to get more space for their money.

Homes in the hottest ZIPs are larger, on average, than in their surrounding metro, resulting in a higher median listing price. Homebuyers shopping in these ZIP codes find larger homes than they would find around the country, with a median square footage of 1,946, which was about 60 square feet larger than the typical home for sale around the country in June. Controlling for home size, the outright or relative affordability of these ZIPs really shines through. Price per square foot was lower than either the surrounding metro or the U.S. average in all of the hottest ZIPs. The price per square foot for homes in the hottest zip codes was 8.7% lower than their surrounding metros in June.

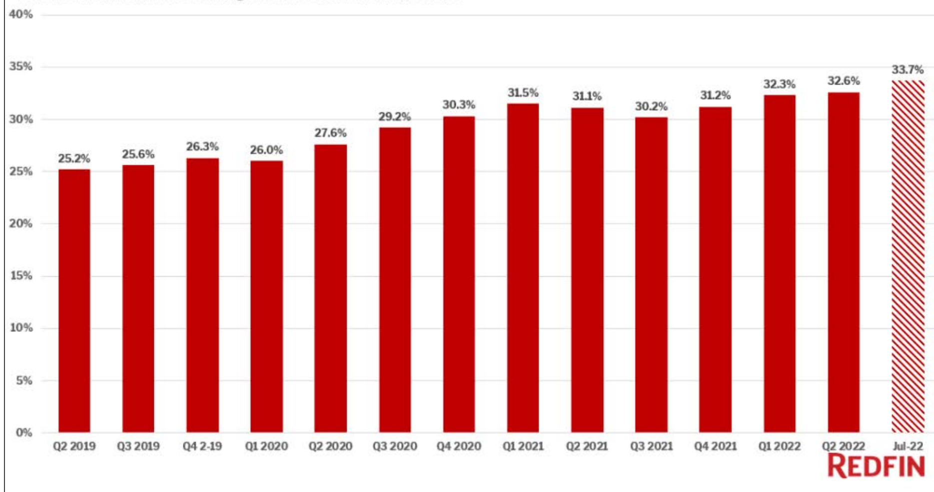
Demand in all of the hottest ZIP codes outpaced U.S. demand. The number of visitors per property on Realtor.com in the top ZIP codes was 3.6 times higher than for the typical U.S. property, on average. Viewers per property in the hottest ZIP codes were 1.6 times as high as their surrounding metro areas.

Aspiring millennial homeowners are financially prepared for success in the hottest ZIP codes

Now aged between 25 and 44 years-old, millennials are a key cohort of aspiring homeowners, whether first-time or repeat buyers. This generation is ready and willing to pursue homebuying opportunities in the hottest ZIP codes, where they have the advantage of strong financial qualifications.

Millennials are entering the top 10 with incomes that are higher than the national averages among those aged 25-34 ($83,782 vs. $70,510 and aged 34-45 ($100,966 vs. $89,365). On average, buyers in the hottest ZIP codes are well-qualified with higher credit scores (742 vs. 728) and larger down payments (15.0% vs. 14.2%) compared to the typical U.S. home shopper.

Millennials' strong financial grip is paying off when it comes to achieving homeownership in the top 10. In fact, some 57% of millennials have successfully become homeowners in these ZIPs on average, than in the U.S. overall at 51.3%.



RECORD NUMBER OF PEOPLE CONSIDERING MIGRATING BETWEEN CITIES

According to Redfin data from 2 million users, the share of homeseekers looking to relocate took a big jump in July amid an environment of rising rates as buyers look to more affordable areas where deals can still be had.

Before the pandemic, roughly 26% of Redfins users searched for properties outside of their listed metropolitan area—in July, that number hit 33.7%, a new record. The proliferation of remote work has given many Americans a newfound freedom that allows them to prioritize not only affordability but things like the weather as well.

According to Redfin, sunny Miami was once again the most popular migration destination in July, the seventh consecutive month in this position. This was followed by Sacramento and San Diego, California, Tampa, Florida, and Las Vegas, Nevada.

"Movement into a few other perennially popular destinations has started to slow, too, even as the overall share of relocators hit a record high," the report said. "Sacramento was the second-most popular destination in July, but there's less movement into the California capital than a year earlier."

"And after many months as one of the three most popular destinations, Phoenix fell to number 6 in July, with a sizable decline in out-of-town homebuyers looking to move there. That's partly because Phoenix home prices rose so much during the pandemic, increasing 20% year over year to $485,000 in June, well above the national median of $428,000."

"We've always had a lot of people from the Bay Area and Los Angeles move to San Diego for a better work-life balance and a beachside lifestyle, and it has picked up since remote work became commonplace," San Diego Redfin Agent Jodie Lee said. "This year, I've also seen quite a few remote workers move in from places like Seattle and North Carolina because they like the sunny weather and outdoor activities in this area. San Diego also has a big military presence, and more service members are relocating here now that the cooling market means they have a better chance of getting an offer with a VA loan accepted."

So where are people migrating from? Data shows that homebuyers are leaving expensive cities on either coast in droves with San Francisco being the most popular outflow center. This was followed by Los Angeles, New York City, Washington D.C., and Boston.

HOME INSURANCE PRICES UP ACROSS THE BOARD, RISING FASTER THAN INFLATION

Based on a Policygenius study of 8,698 active home insurance policies quoted for renewal between May 2021 and May 2022, home insurance prices are rising at a faster rate than inflation, as costs are up nationwide since last year.

According to Policygenius, insurance prices continue to climb in part due to "skyrocketing" inflation and a sizable increase in natural disasters, as premiums are up 12.1% over last year.

During the survey period from May 2021 to May 22, data indicated that 90% of homeowners saw their quoted annual premium increase compared to the previous year, which comes to about $134 per home.

"From May 2021 to May 2022, the price of goods and services increased by 8.6% in the United States—the largest 12-month increase in over 40 years, according to the Bureau of Labor Statistics," the study said. "In the same time period, home insurance costs in all but one of the states we analyzed have either kept pace with or increased faster than inflation, with 13 states seeing an average rate increase over 50% higher than the current inflation rate and 3 states seeing increases more than double the rate of inflation."

State-by-state, Arkansas saw the highest percentage rate increase at 18.5% which roughly equates to $288 more at renewal time, as six companies were approved by state regulators to enact policy hikes of over 10%.

Arkansas was followed by Washington who posted an average of an 18.1% increase. This increase comes after a recent ruling by the state's insurance commissioner that put a hiatus on insurance companies using credit scores to adversely affect rates, which in the short term led to most homeowners reporting higher rates.

"Texas and Colorado also saw steep rate increases over the last 12 months, while Oklahoma had both the highest average annual premium and average premium increase of any stat," the study said. "Homeowners in these areas of the country face the compounding effects of higher rebuild costs in the wake of natural disasters—an occurrence that experts refer to as 'demand surge'—combined with sustained supply-driven inflation."

On the opposite side of the scale, New York had the lowest average premium increase, 8%, which also made it the only state with a rate increase lower than the inflation rate.

HOW IS 'SEASONALITY' IMPACTING FORECLOSURE RATES?

ATTOM Data has released the latest iteration of its Foreclosure Market Report for July 2022 and found that there were a total of 30,358 properties with some form of foreclosure filing against it.

Default notices, scheduled auctions, and bank repossessions are also down 4% month over month, but it is now up 143% since the same period last year.

"While it's encouraging to see both foreclosure starts and completions drop off a bit in July, it's also worth noting that there may be some seasonality impacting the numbers," said Rick Sharga, EVP of Market Intelligence at ATTOM. "In eight of the last 10 years, Q3 foreclosure activity has been lower than the previous quarter, so we might just be seeing a return to a more normal seasonal pattern of delinquencies and defaults."

All-in-all, nationwide, one in every 4,628 dwelling units had a foreclosure filing against it. The highest rates were seen in Delaware (one in every 2,127 units); Illinois (one in 2,334); New Jersey (one in 2,564); Nevada (one in 2,609); and South Carolina (one in 2,976).

However, foreclosure starts increased on a monthly basis in 21 states. Lenders started the foreclosure process on 21,428 properties in July, down 4% from last month but up 226% from the same period last year.

States that saw a monthly increase in foreclosure starts include: Michigan (up 42%); Massachusetts (up 39%); Iowa (up 26%); Wisconsin (up 25%); and Indiana (up 22%).

"It appears that a few states are still catching up on processing foreclosures on loans that were seriously delinquent prior to the pandemic, which accounts for the year-over-year spike in foreclosure starts," Sharga added. "But early-stage delinquencies continue to be lower than normal, so once these older loans have reentered the foreclosure process, it will be interesting to see if foreclosure starts fall off significantly."

Foreclosure completion numbers also decreased by 5% from a month ago as lenders repossessed 3,068 properties through completed foreclosures (REOs) in July 2022, down 5% from last month but up 27% from last year.

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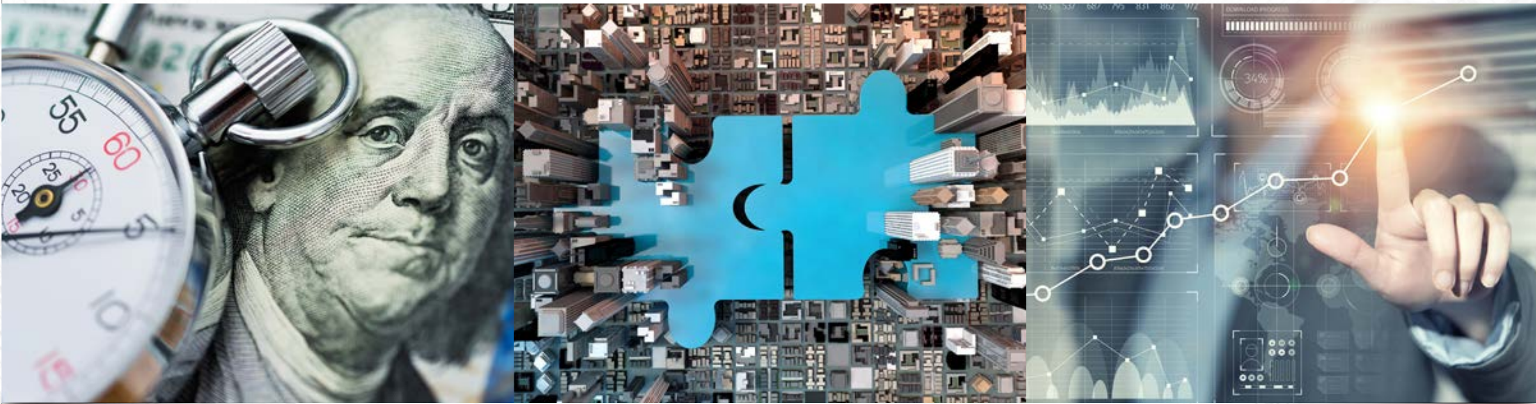

PHH MORTGAGE PURCHASES MSRs FROM FEDERAL HOME LOAN BANK OF INDIANAPOLIS

PHH Mortgage, a subsidiary of Ocwen Financial Corporation, has announced that it has entered into an agreement with Federal Home Loan Bank of Indianapolis to purchase mortgage servicing rights (MSRs) through its Mortgage Purchase Program (MPP).

FHLBank Indianapolis currently has more than 300 depository members and 100 participating financial institutions that originate approximately $2 billion annually who sell loans into MPP to replenish their capital and minimize portfolio risk. PHH has partnered with FHLBank Indianapolis as both a buyer of MSRs and a strategic partner to provide subservicing solutions to members within the FHLBank Indianapolis footprint.

Earlier this year, PHH was recognized for servicing excellence through Freddie Mac's Gold Servicer Honors and Rewards Program (SHARP) Award in the top tier servicing group, Fannie Mae's Servicer Total Achievement and Rewards (STAR) performer recognition for General Servicing, Solution Delivery and Timeline Management, and achieved HUD's Tier-1 servicer ranking.

"We are extremely pleased by FHLBank Indianapolis' decision to expand its co-issue/subservicing program to add PHH as its new strategic partner," said George Henley, EVP and Chief Growth Officer of PHH Mortgage. "This new relationship supports the bank's mission of providing liquidity to its members and to the residential housing market. Partnering with PHH immediately enhances FHLBank Indianapolis' sale execution and serves as a blueprint that can be replicated by other FHLBs and member banks. We look forward to working with FHLBank Indianapolis and its members and the opportunity to provide subservicing and other value-added services in the future."

PHH Mortgage has added $64 billion in new subservicing volume over the past 12 months, and is one of the most active co-issue buyers within the Fannie Mae SMP, Freddie Mac CRX, and Ginnie Mae PIIT co-issue programs.

FANNIE MAE EARNS ENERGY STAR RECOGNITION FOR ENVIRONMENTAL ACHIEVEMENTS

Fannie Mae has earned the 2022 ENERGY STAR Partner of the Year–Sustained Excellence Award from the U.S. Environmental Protection Agency and U.S. Department of Energy. ENERGY STAR recognized Fannie Mae's Multifamily business for the eighth consecutive year and its Single-Family business for the second consecutive year for outstanding efforts to increase adoption of energy-efficiency improvements in housing.

Fannie Mae remains committed to achieving environmental, social, and economic outcomes by financing single-family homes and multifamily properties that meet energy- and water-saving standards. Since becoming an ENERGY STAR partner in 2011, Fannie Mae has pioneered green financing solutions by creating new green financing products and securitizing them as Green Mortgage-Backed Securities (MBS) to meet the needs of property owners and green bond investors.

"Being named a 2022 ENERGY STAR Partner of the Year underscores Fannie Mae's continued efforts to improving the environmental sustainability of the properties we finance, and the communities we serve," said Karyn Sper, Senior Director of the Multifamily Green Financing Business for Fannie Mae. "Since issuing our first green bond in 2012, our Multifamily business has continued to demonstrate a commitment to green innovation while also working to foster more sustainable and affordable rental housing nationwide."

Fannie Mae's 2022 ENERGY STAR recognition for its commitment to environmental sustainability comes on the heels of recently issuing more than $100 billion worth of multifamily green bonds.

"We're honored that Fannie Mae's Single-Family Green Financing efforts played an essential role in the company's 2022 ENERGY STAR recognition," said Arthur Johnson, VP of Capital Markets for Fannie Mae. "We look forward to building on our Single-Family Green MBS accomplishments and further demonstrating our commitment to leading and innovating in green finance."

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

ICE EXTENDS CLIMATE RISK MANAGEMENT OFFERING WITH ACQUISITION OF URGENTEM

Intercontinental Exchange Inc. (ICE), a provider of data, technology, and market infrastructure, has expanded its climate risk offering with the acquisition of Urgentem, a provider of global corporate emissions and climate transition data. Urgentem's data and analytics will enable ICE to quickly expand its climate risk offering to include extended coverage of global public and private companies across new geographies, scenario risk analysis, and stress testing for fund managers and banks.

"With the increased focus on climate change and the transition to a carbon-neutral economy, the investment community requires more transparency into corporate emissions and climate risk," said Elizabeth King, Chief Regulatory Officer and President of Sustainable Finance at ICE. "Urgentem's broad database and sophisticated modelling analytics will quickly expand our offering, and together with ICE's physical climate risk solutions, will provide a full suite of sustainable finance services."

Urgentem provides Scope 1, 2, and 3 greenhouse gas (GHG) emissions data, analytics, and tools for more than 30,000 publicly-listed and privately-held securities. Its data will be used to enhance ICE's growing global sustainable finance offering, which includes a corporate ESG database of more than 10,000 companies, U.S. municipal bond and MBS climate risk services, a suite of global corporate climate indices and the world's leading environmental marketplace where an estimated $1 trillion in notional value equivalent of carbon allowances traded in 2021, equal to over half the world's estimated total annual energy-related emissions footprint.

"As investors navigate the evolving landscape around corporate ESG reporting, data has been a lynchpin for helping benchmark where companies are today, and understanding their transition plans for the years ahead," Urgentem's CEO Girish Narula said. "We're excited to join ICE's team of product developers and data scientists to offer impactful ESG data for the financial community and to provide services that can help manage climate risk and comply with global regulatory requirements."

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Our members typically manage in excess of 100+ transactions each year over ten times the national average for the real estate industry. This high volume combined with decades of experience make our members the strongest and most skilled specialists in our field.

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- Weekly NRBA News webinars for industry updates
- Weekly classes of new skills
- Several live training and education events annually

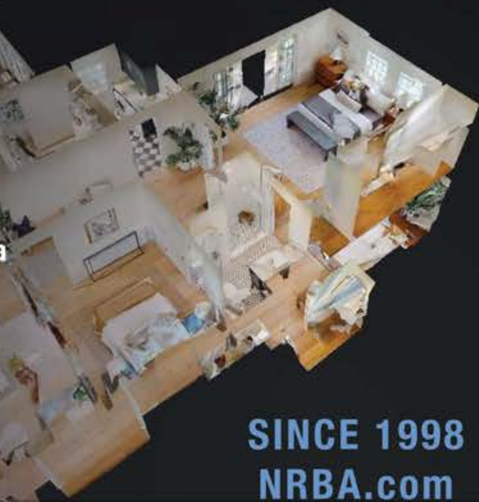
All members use the most current technology and tools including 3D tours and floor plans, video tours and drone footage

INTEGRITY

We are the only organization where our members; who are the most experienced in default industry, help fellow members on a daily basis in their business. With our stringent membership standards and vetting process, we start with only the industry's strongest.

Why Work with NRBA Members?

1. Our members are always the best informed, with the most current market and legal knowledge that they will use to protect you and your assets.
2. Our goal is to continue to be the first to adapt to new changes in the market. We do not fight a market, we make change work for all of us.
3. Our members possess the added skill sets required for managing distressed assets; including strong community outreach, preventing media and legal risk, local code and legal regulation, specialized valuation, and rehabilitation skills, along with relocation assistance that creates and reestablishes homeownership opportunities for all.
4. Our greatest strength is in our members and the cooperative efforts between them. Sharing knowledge and experience with one another as well as being there to assist each other so that no clients assets are serviced at less than 110%.



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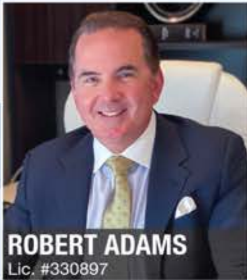

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By: *Phil Britt*

LESSONS LEARNED FROM PANDEMIC SERVICING

Subject matter experts from Mr. Cooper, Richey May, Sagent, and The Basis Point discuss the health of America's $12 trillion mortgage servicing industry, asking, "Are we in a golden age of mortgage servicing?"

Speaking during a recent Five Star webinar entitled "Is 2022-23 Really the Golden Age of Mortgage Servicing?" Seth Sprague, CMB, Director of Consulting Services for Richey May, noted that, traditionally speaking, mortgage servicers fare best in periods like the one we're currently experiencing: eras featuring slow, voluntary prepayments; timely payments; and low levels of delinquencies.

"There's been a lot of effort in this industry on quality of the originations, and we are seeing that in the servicing portfolios that exist today," Sprague added. "The whole trick on servicing cash flows is to have borrowers who are making timely payments, [and to] have an efficient technology stack that intercedes with those customers as they want to be interacted with."

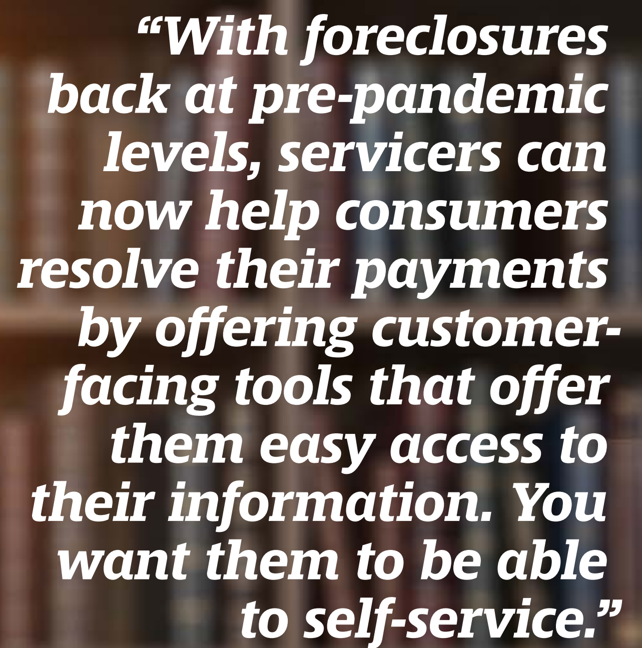
Such a technology stack enables a servicer to keep costs down, revenue high, and—most importantly—advances low, Sprague explained.

But with the originations side of the industry facing headwinds in the form of continued interest-rate increases and the resulting economic slowdown as the Fed attempts to steer around a possible recession, is the back half of 2022 genuinely shaping up to be a servicing "Golden Age?" Joining Sprague to comment on the topic were Jay Jones, EVP of Servicing for Mr. Cooper; Dan Sogorka, President and CEO of Sagent; and Julian Hebron, Founder of The Basis Point, a "a sales & marketing strategy consultancy for banks, lenders, and fintechs."

THE STATE OF THE INDUSTRY

During the height of COVID-19, forbearance numbers spiked as the government intervened to try to help mitigate the impacts of the pandemic and keep as many struggling homeowners in their homes as possible during the global health crisis. As those have begun to wind down and delinquencies and advances have dropped, mortgage servicers are enjoying strong cash flows, according to Sprague.

"Strategy is very important based on your overall business model, and it's important that your strategy aligns with your core competencies, your technology, and what your consumers are telling you," Sprague said.



"With foreclosures back at pre-pandemic levels, servicers can now help consumers resolve their payments by offering customer-facing tools that offer them easy access to their information. You want them to be able to self-service."

—Dan Sogorka, *CEO, Sagent*

By: Phil Britt

> **"Servicing has gotten complex. You need technology that allows you to understand what the rules are, what the options are, and how you move to the next step."**
> —Jay Jones, EVP Servicing, Mr. Cooper

Consumers are demanding more loan transparency today, as well as easy access to their information, said Jay Jones, EVP of Servicing at Mr. Cooper. They expect servicers to perform at a certain level, regardless of what's going on in the environment.

Sagent saw an opportunity to increase focus on consumer needs and expectations, as a way to differentiate the company in a crowded market, said Dan Sogorka, President and CEO of Sagent. "If you do that, you can actually make money as a servicer. This can be a good business for you."

GIVING CONSUMERS WHAT THEY NEED (AND WANT)

With foreclosures back at pre-pandemic levels, servicers can now help consumers resolve their payments by offering customer-facing tools that offer them easy access to their information, Sogorka said. "You want them to be able to self-service."

"We have to listen to our customers," Jones added. They need to be able to indicate when they're having a challenge, while servicers need to understand the borrower's situation.

"We've had default cycles and rising rate environments," Jones said. But there hasn't been this much equity in the market before, meaning borrower behavior may be different than it has been in the past.

If a borrower has had a modification in the last couple of years, it may be difficult to get another one. If they're already at very low rates and have already deferred some principal, it may be time to discuss selling their home, Jones said. "It's really about listening to that consumer, understanding where they are currently in this environment, and then understanding what their options are."

Simply having a few delinquent loans in a judicial foreclosure state or a high-tax-insurance state that happens to be judicial can really have a negative impact on the cash flows, Sprague said. Though servicing values have increased, prepayment speeds have slowed.

It's important to look at the actual cash received from servicing—real cash, real expenses, real advances, Sprague added. "You need to look in more detail at what is the true advance and what could be your advances in the future. Are you ready for that? Do you have enough cash to handle that? What are your contingencies? Understanding that cash implication of servicing is critical."

MARRYING COMPLIANCE WITH CUSTOMER SERVICE

"Servicing has gotten complex," Jones said. "Some of the compliance rules are complex. You need technology that allows you to understand what the rules are, what the options are, and how you move to the next step."

According to Jones, the 2008 market taught servicers some important lessons in handling compliance.

"You have to have a robust system that allows you to manage processes inside of it that are compliant. We are always going to have exceptions, but taking that system and using the data that we have behind it to understand what's going on with the customers, what they qualify for, what they may have already been denied for, and what your next talk step is going to be [is critical]. You need a system that's robust enough to handle all that complexity while you're on the phone with a consumer."

The consumer is expecting and demanding that the servicer have all this information readily available. They may want to know what their options are, to understand what they should do next to make sure they stay in their home, which is what everyone's goal is going to be at the end of the day, Jones explained.

Servicers need to have the right system in place, with the right compliance rules, in order to best service the customer while also protecting the servicer and informing the customers of the next steps in the process, Jones said.

DATA QUALITY

The industry's data quality has improved tremendously. Sprague noted that consumers are now being contacted quickly after a payment is late, rather than seeing that contact occur after day 45 of a delinquency.

"You have to make sure that the servicer is the trusted advisor in this space. I know Mr. Cooper and others are very proactive in trying to get to those borrowers and say, 'We're here to help you.' The industry, to a degree, has overcome some of its past sins. We've got good-quality borrowers, we have good-quality data, and we have better-quality systems than we've had in the past."

Better outcomes lead to lower costs, lower

advances, and better profitability, Sprague noted. "But you need to have that right synchronization across those metrics and that technology stack."

The servicing system needs to handle data properly, Sogorka said, pointing out that the transfer of servicing rights has been problematic in the past. "We're making that better. We're spending a lot of time on the technology, to board the loan effectively to get the right information at the right time, automating that so there's not a lot of human error involved in that and get us away from spreadsheets and Excel."

The industry has largely moved away from siloed origination and servicing businesses, Sogorka added. It should be easy to obtain any product that a financial service firm offers, which wasn't the case in a siloed environment.

The right system and tools are essential, Jones agreed. "The penalties can be significant. Not only are you impacting the customer who you want to refi down on the road, you can have compliance risk and compliance cost."

A GOLDEN AGE?

"If you have the right technology and you can use data to take advantage of your interactions with your consumer, you're going to grow that relationship," Jones said. When you show the consumer that you are concerned about their assets, that you are educating them about the things that they need to do to protect their home, your value is going to continue to go up. Consumers are staying with a servicer for a longer period of time.

It's a challenging business, Sogorka cautioned. The hours are long, and it only takes a couple of mistakes out of thousands to have a huge negative impact on the business.

The uncertainty of cash flows or uncertainty of economic conditions doesn't cause MSR values to continue to go up; rather it's prepayment speeds and higher escrow earnings, Sprague said. "The uncertainty with the current inflation might be causing more uncertainty around the cash flows. It's not always a home run. Elevated delinquencies, or a little bit of elevated servicing costs, could cause MSRs not to be as valuable."

"When you think about the consumer today, the short answer is: it should be the golden age," Jones said. Many consumers are living in homes they love, with low rates, and no desire to move, particularly if they are working from home.

"The challenge you have is all the things that are impacting our customers today outside of the mortgage," Jones added—issues ranging from inflation to lingering COVID-19 challenges and other issues.

"Some of the new customers that we have are going to want more tech than we have today," Jones added. "They're going to have more interaction from the tools that we have to continue to create. So I would say there is a generation, where this will be the golden age for sure. But there are caveats because of so much of the market environment around them—as it continues to change, so will their needs."

Another thing that needs to change is quicker, more transparent information to customers about servicing transfers, Jones says.

Sprague added that there is currently much confusion among consumers about when a transfer actually occurs.

"Outside of our industry, no one has a clue about this stuff," Sogorka said. "We're two-and-a-half years into a journey of fixing the servicing tech stack, and it takes time because there's a lot of platforms and a lot of systems and it's very siloed. The good news is that it's not complex. We don't need an Einstein to come in and try to map out how we're going to do this."

The challenge, Sogorka added, is that for 50 years, all servicers had to do was send out a letter and collect money. Consumers had low expectations. But that changed quickly with new regulations and increasing consumer demand. However, much of the underlying technology that the industry relies on is 50-60 years old. As the industry updates that technology, the process will improve for consumers and servicers.

***Phil Britt** started covering mortgages and other financial services matters for a suburban Chicago newspaper in the mid-1980s before joining* Savings Institutions *magazine in 1992. When the publication moved its offices to Washington, D.C., in 1993, he started his own editorial services room and continued to cover mortgages, other financial services subjects, and technology for a variety of websites and publications.*

> **"We have to make sure servicers are the trusted advisor in this space. We've got good-quality borrowers, good-quality data, and better-quality systems than in the past."**
>
> —**Jay Jones**
> *EVP Servicing, Mr. Cooper*

By: *Tony Carothers*

HOW TO WIN AT CYBERSECURITY: BECOME A 'SNEAKER' CISO

In the world of cybercrimes, the effective execution and deployment of technology, people, and processes are the first steps in building a culture of information security.

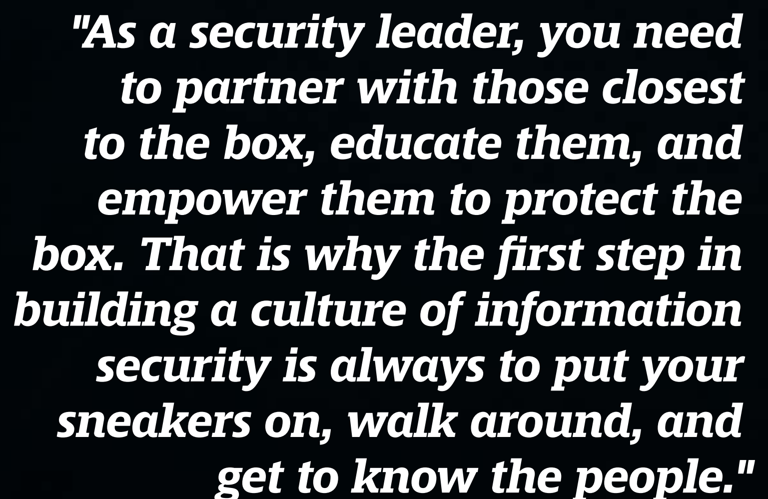
To protect against cybercrime, every organization needs to build a culture of information security. There are three elements related to security: technology, people, and processes. In order to effectively execute this, leaders in this space need to become "Sneaker CISOs." Sneaker CISOs (Chief Information Security Officers) are more focused on people and process than they are on technology.

Too many security professionals today are so deep into the technology that they don't pay enough attention to the people and processes. I was one of them. But technology can't secure technology. That's a lesson I learned the hard way when I started working with public utilities.

Prior to that, I'd been working for government agencies, where all we had to focus on was the operations side. The utility industry was for-profit, and so it also had a business side, where systems were being digitized. At the time I started, the operational side was all analog.

When the operational side started to become digitized, they committed the cardinal sin of connecting their operational technology to their business networks to make their regulatory reporting more efficient. Someone was able to make their way into the operational technology, which is typically not very sophisticated, and began to encrypt the systems that were running it, and shut down a gas pipeline.

If they had consulted a security engineer, safeguards could have been put in place before connecting the systems. There's little technological difference between the Windows 10 used in enterprise systems, and the Windows 10 that the U.S. Air Force uses. The only difference is "people" and "process." That's when I realized that, in the digital world,



"As a security leader, you need to partner with those closest to the box, educate them, and empower them to protect the box. That is why the first step in building a culture of information security is always to put your sneakers on, walk around, and get to know the people."

By: Tony Carothers

"There are always business risks outside of information systems that have to be weighed and balanced when deciding just how to allocate budget and resources. Our job is to educate, inform, and remediate if the organization wants us to. Stay in your lane, and you'll stay sane."

everybody in the organization has a role in security.

As a security leader, you need to partner with those closest to the box, educate them, and empower them to protect the box. That is why the first step in building a culture of information security is always to put your sneakers on, walk around, and get to know the people.

Here's who to meet, what to talk about, and how to build those partnerships:

- **Build relationships with the technology owners:** Understand their roles and processes, and how they're using technology to support these processes. Respect their specialized expertise, and they will come to respect yours.
- **Find individuals who will champion the cause:** When you see things that are being done in a safe and secure manner, find out who is behind those things. Get to know their mindset, approach them, and start working closely with them.
- **Find your naysayers:** In most organizations, there are those who have had bad experiences with information security professionals acting as the "no police." Understand their position and what kind of conversations you need to have to be able to work together.
- **Meet everybody who comes into the organization:** Hold regular group and individual security training as part of the onboarding process. This allows you to get an understanding of people's exposure to security and compliance. For example, someone who has been exposed to HIPAA probably has the right mindset, even if they're joining a new industry.
- **Get to know your information security (infosec) team members:** Explain your position, approach, and successes. Often, these team members came from an embattled culture of infosec versus everybody else. If you can't fathom what a collaborative infosec culture looks like, it's hard to help create one.
- **Become a consultant:** Many infosec professionals come from the government field, where if people don't follow policy, there are penalties. In the enterprise, you can no longer rely on that authoritarian stance toward policy. You have to call out vulnerability, explain the risk, and offer potential solutions. Then ask, "What are your thoughts?"
- **Stay in your lane:** Many security professionals see a vulnerability, and say, "You've got to fix it." If it doesn't get fixed, they cannot let it go. They don't realize they don't get to make those decisions. There are always business risks outside of information systems that have to be weighed and balanced when deciding just how to allocate budget and resources. Our job is to educate, inform, and remediate if the organization wants us to. Stay in your lane, and you'll stay sane.

As a security professional, it's very rewarding to fix a vulnerability, or thwart an attack. It's a big part of why we get into the profession in the first place. But, we must realize that we cannot secure anything within the organization on our own.

True security efforts come through a groundswell of collaborative efforts. It's more rewarding when the lights come on and people begin to understand that they play an active role in these efforts. Attending annual security training, update your passwords, and not clicking on suspicious emails is just the beginning.

Those are broad-based technical vulnerabilities. But everybody has a role that's dependent on their role within the company. If you're in accounts payable (AP), for example, you need to be up on the latest business email compromise scams and have methods in place to spot and defeat them. If you're working with external vendors, you need to be aware of your organization's requirements for how they handle your information.

Our job is to break down the us/them barrier and build those partnerships, because security is a "we" thing. Early in my career, I unwittingly created resistance to security by focusing on rules and technology. Once I changed my approach, most of the barriers I had been encountering disappeared.

Bugs and vulnerabilities can be fixed, but infosec never ends. People, processes, and technology are always changing, as there are updates to technology on a regular basis. Processes are always being evaluated for efficiency and maturity. If you educate and empower the people, the processes can change. The technology can change, but the mindset stays. And that's how you build a culture of cybersecurity.

***Tony Carothers** is the Security Systems Engineer at Corpay, a FLEETCOR company. He has more than 30 years of experience in information security—working in both the public and private sectors.*

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By: *Justin Foster*

REFLECTING THE COMMUNITIES WE SERVE

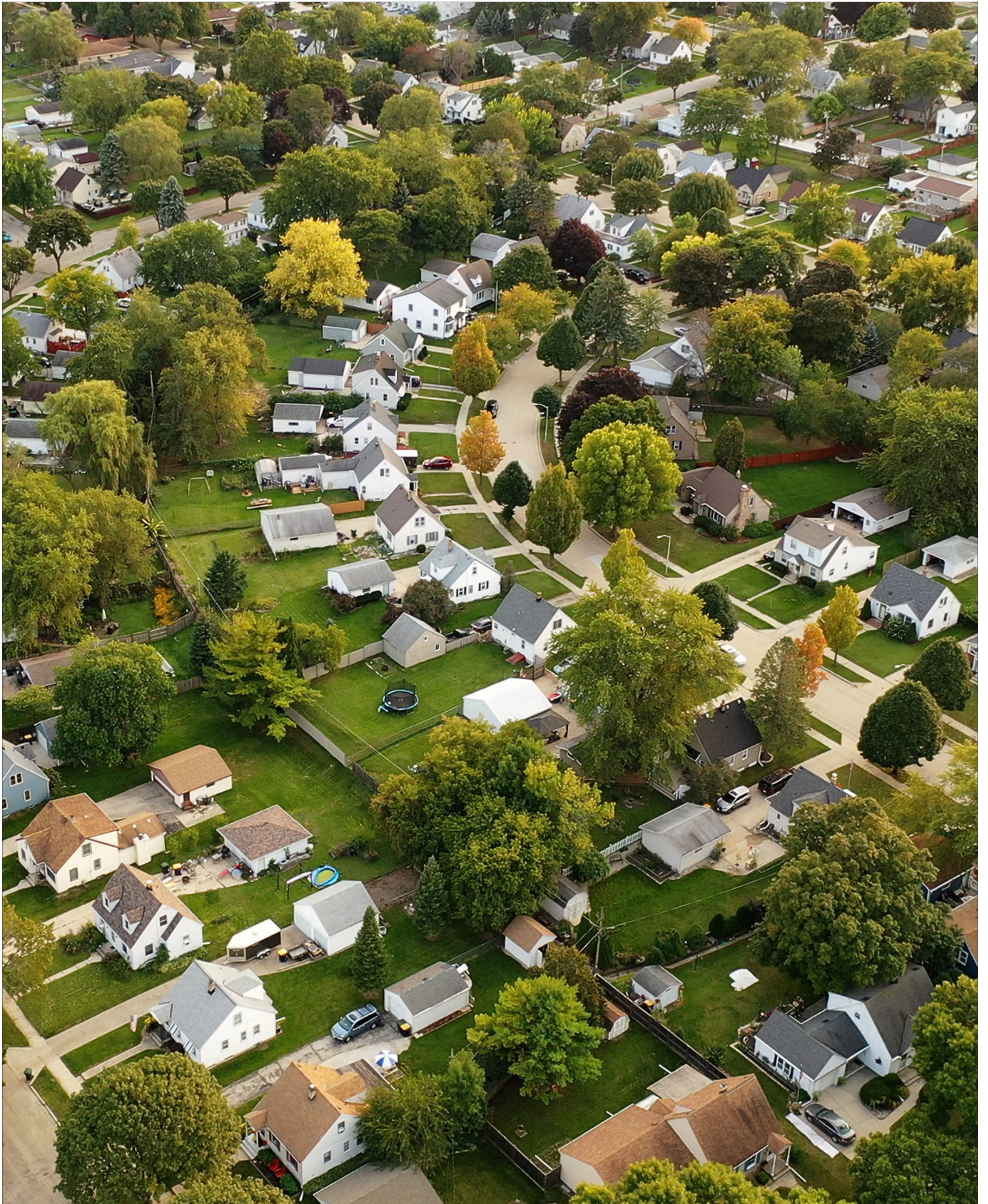
As the industry makes strides to increase homeownership for marginalized individuals, the mortgage finance space must keep pace to meet the needs of this group by enhancing its DEI efforts.

Over the last few years, the housing industry has acknowledged a significant legacy of housing discrimination and has emphasized addressing racial inequities. It is a high priority for the Biden administration—which announced a comprehensive equity action plan through the U.S. Department of Housing & Urban Development (HUD)—to help close the racial homeownership gap. It's encouraging to see the strides the mortgage industry and government are both making to correct the egregious injustices that have led to disproportionately lower rates of homeownership for marginalized people. It is a complex problem that will require systemic change across the entire housing ecosystem to deconstruct deeply-rooted biases and barriers.

Those of us who work in this industry can have a tangible impact on building a better housing system for all by working to make our own organizations more representative, equitable, and inclusive.

There is a severe underrepresentation of diverse talent in the housing industry. According to a study by Fannie Mae, less than 17% of the housing industry workforce is Black and Latino. As an industry, we need a more diverse workforce and leadership that better reflects the population we serve. It's critical that we share best practices and lessons learned, so we can iterate and accelerate the pace of progress together.

In that spirit, below are some of the things our organization has been working on to foster diversity, equity, and inclusion (DEI) within Radian and in the communities we serve. These are meant to serve as conversation-starters, not recommendations or points of pride. Our goal is to encourage you to speak up about the valuable efforts underway at your organizations to further the dialogue and help push our industry and housing system forward.



 By: *Justin Foster*

WHY REPRESENTATION MATTERS

From conversations about Hollywood movie casting to hiring classroom teachers, more attention is being paid to the importance of representation. At its core, the concept of equitable representation is simple: it calls for institutions to mirror the diversity of the communities they serve. When folks see themselves represented in the media, classroom, workplace, etc., it provides a sense of support and validation. Meanwhile, having a workforce that mirrors the community also helps institutions connect with and serve them more effectively. For example, a study by the National Bureau of Economic Research shows that having just one Black teacher not only increases high school graduation rates for Black students but also makes them more likely to enroll in college.

According to the Brookings Institute, the population of the U.S. is approximately 31% Black and Latino, even though, as mentioned earlier, less than 17% of the housing industry workforce is Black and Latino. This is problematic because the industry is not adequately equipped to understand the different expectations, needs, and experiences of its customers. A diverse workforce is a critical check on subjectivity and unconscious bias.

INTERNAL TOOLS FOR CHANGE: PROGRAMS, POLICIES, AND PROCESSES

To help address representational inequities within our organizations, we need to not only recruit diverse talent, but also retain, nurture, and educate our existing talent through intentional DEI efforts. Creating a culture that leverages the background, experiences, and minds of all employees develops a competitive advantage. Radian's DEI program is focused on identifying and eliminating barriers that may prevent the full participation of our employees in every aspect of our company.

Some of our recent DEI accomplishments have included:

» Partnering with Fannie Mae's Future Housing Leaders program to recruit diverse talent into the housing industry
» Enhancing our benefits program and policies, including parental leave and flexible hours, to provide greater flexibility to employees
» Providing progressive benefits for employees who choose to become parents
» Establishing pay transparency practices and a deliberate cadence of identifying and correcting any pay equity issues we find in our organization
» Enhancing our advancement-focused employee development programs, increased funding for employee resource groups to foster equitable treatment, and continue to create a safe and supportive work environment for all our people
» Required unconscious bias training for all employees
» Participating in CEO Action's Days of Understanding, with programming that encourages candid dialogue, explores blind spots, and fosters an even more inclusive workspace
» Achieving recognition in the 2022 Bloomberg Gender Equality Index and Human Rights Campaign Foundation's 2022 Corporate Equality Index

DESIGNING CONTINUED DEI PROGRESS INTO LONG-TERM PLANNING

While one-off programs and initiatives focused on diversity can be valuable on their own, it's also critical that organizations build their commitment to DEI into their long-term organizational planning processes. And although we have built a strong foundation thus far, we know that we need to commit to doing the enduring work necessary to foster lasting and impactful change. To that end, we have developed a multiyear roadmap with aggressive goals to further enrich our DEI programs for years to come.

Highlights from our roadmap for the next couple of years include:

» Launching a skills-based informal and formal mentoring program
» Holding managers individually and collectively accountable for DEI strategies and goals in their specific organization
» Bolstering our diversity sourcing and hiring efforts to build a stronger team that represents our values
» Teaching employees about the concept of allyship in the workplace
» Embedding DEI in our vendor procurement processes

WORKING TO CLOSE THE HOMEOWNERSHIP GAP

Radian has also launched an Affordable Homeownership Initiative, an internal working group of employees tasked with investigating and designing innovative approaches to closing the minority homeownership gap from several angles:

» **Training and education:** Work includes focus groups helping uncover the best ways to educate the public on important housing-related topics and homebuying solutions.
» **Affordability:** Work includes collaborating with the Mortgage Bankers Association (MBA) to launch Convergence Philadelphia, a program focused on building equitable communities, promoting affordable housing, and increasing Black homeownership.
» **Local and national partnerships:** Work includes partnering with local and national organizations in the Philadelphia area to develop a talent pipeline into the industry, fund research, and support valuable learning opportunities for our communities.

We see these efforts as an important way to make an impact and bring our company's values to life outside the walls of our organization. That is the ultimate goal … putting our internal progress to work in service of a more equitable housing system for all. With a consistent, unified effort across the industry, we can champion equitable change and restore the American Dream of homeownership.

Justin Foster is SVP of People Experience for Radian. Justin has experience in managing human resources; talent acquisition; and diversity, equity, and inclusion programs. In his role at Radian, he is responsible for Enterprise People Programs, DEI strategy, and talent development. He holds a B.S. in business management and human resources from West Chester University of

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By: *Joshua Fieldgrove*

ZEROING IN ON SERVICER CONVENIENCE FEES

The CFPB and state regulatory bodies are closely scrutinizing all mortgage-related fees, from the start of a loan to the ongoing servicing of the loan, to ensure compliance with the Fair Debt Collection Practices Act.

On January 26, 2022, the Consumer Financial Protection Bureau (CFPB) launched an initiative to "save Americans billions in junk fees" charged by banks and financial companies. The CFPB requested the public's input, as well as feedback from financial institutions in order to issue guidance and rules to target the most pressing concerns. In addition to long-time targets like overdraft and late fees, the Bureau was also looking at unexpected fees—sometimes labeled as "service charges" or "convenience fees"—that seem too high for a service.

In April, Attorneys General (AGs) from 21 states and Washington, D.C., weighed in on this issue, sending letters to the CFPB requesting the agency to limit servicers from charging convenience fees for using payment methods to pay bills. The AGs argued that convenience fees are unfair and abusive within the context of servicing, because most borrowers cannot select their mortgage servicer, mortgages have a long duration, and convenience fees are not usually authorized by the original loan documents. The AGs believe that borrowers are effectively forced to pay a fee to stay current.

On June 29, 2022, after taking into consideration the requested public's input and input from AGs and institutions, the CFPB issued an advisory opinion affirming that federal law often prohibits debt collectors from charging "pay-to-pay" fees. These charges, commonly described by debt collectors as "convenience fees," are imposed on consumers who want to make a payment in a particular way, such as online or by phone.

"Federal law generally forbids debt collectors from imposing extra fees not authorized by the original loan," CFPB Director Rohit Chopra said. "Today's advisory opinion shows that these fees are often illegal and provides a roadmap on the fees that a debt collector can lawfully collect."

By: **Joshua Fieldgrove**

"The bottom line is that all mortgage-related fees, from the start of a loan to the ongoing servicing of said loan, not just convenience fees, are being closely scrutinized."

—Joshua Fieldgrove, *VP of Servicing Oversight, Clayton*

The advisory opinion interprets the language in Section 808 of the Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from collecting any amount that is not expressly authorized by the underlying agreement or permitted by law. The advisory opinion states the collection of any fee is prohibited unless the fee amount is in the contract or permitted by law. It also states that silence is not authorization, and therefore, the fee can only be collected if it is actually "permitted by law."

SERVICERS CAUGHT IN THE MIDDLE

Since this opinion speaks to the terms of the original mortgage documents and whether or not they authorized the convenience fees, servicers are finding themselves caught in the middle. That's because the language in many of the documents was written at a time when borrowers only mailed payments to a specific location, and no other payment options were available.

Our group at Clayton conducts servicer evaluations on behalf of investors. This year, we began asking questions on the fees each servicer is assessing and collecting in addition to the borrower's monthly mortgage payments. Here are a few preliminary observations:

There are typically no fees for payments that are made through a website.

Many servicers charge and collect a fee when a payment is made while talking to a representative and/or when they make a payment through an Interactive Voice Response (IVR) over the phone (fees range from $5 to $25).

Nontraditional, biweekly payment plans can also generate fees. For example, one servicer charges a $50 setup and $2 draft fee for a biweekly payment set up because it uses a third-party vendor and is forced to pass on the costs.

Another large known servicer indicated that it stopped charging fees in the state of California altogether.

The bottom line is that all mortgage-related fees, from the start of a loan to the ongoing servicing of said loan, not just convenience fees, are being closely scrutinized.

BEST PRACTICES

From an industry best practice standpoint, going forward, financial institutions will need to ensure that all fees—overdraft as well as convenience fees, phone fees, website pay fees, etc.—are clearly disclosed, allowed, and legally fair as prescribed by federal and state law/requirements.

The CFPB's recent leadership changes has led to a crackdown on junk fees, which will likely result in a large drop in fee revenue for mortgage servicers. The CFPB is taking a broader view of all fees including origination and title fees at the start of the mortgage loan process, including convenient payment options for ongoing mortgage payments.

Another thing to pay attention to will be that states may push to make any new agreements unlawful. Following the CFPB's advisory opinion, Maryland's mortgage regulator subsequently issued an advisory putting lenders and servicers on notice of the decision, "Attempts to circumvent this fee restriction by directing consumers to a payment platform associated with the lender or servicer that collects a loan payment fee or requiring consumers to amend their loan documents for the purposes of inserting such fees could also violate Maryland law."

All fees should be reviewed under a risk assessment initiative by the institutions or by a third-party, so the financial institutions are aware of potential risks. Financial institutions may push for updated forms for origination documentation to allow convenience fees, or it will need to have a new form/addendum executed prior to charging convenience fees if it wishes to continue with the fee assessment process.

Moving forward, Clayton's Servicing Oversight Group will begin to test for these convenience fees in our loan-level testing offerings related to payment processing and fee collection. We will also look to continue to validate the processes in place in this area through policy and procedure reviews included in our Operational Assessments. The goal will be to help financial institutions reduce the risk of any enforcement actions related to charging these convenience fees.

Joshua Fieldgrove *is VP of Servicing Oversight for Clayton, a provider of due diligence, underwriting, and risk mitigation solutions for the residential and commercial real estate markets.*

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BEYOND THE BID.

By: *Jacob Williamson*

PROVIDING OPPORTUNITIES FOR HOMEOWNERSHIP

Fannie Mae's REO repair strategy focuses on innovative solutions to help support repair and upkeep of properties.

A booming housing market, stronger underwriting standards, and more effective foreclosure prevention practices have reduced home foreclosure volume in recent years, but when they do happen, Fannie Mae's work is far from over.

In fact, to help save precious affordable housing stock, Fannie Mae is doubling down on its innovative efforts to repair and preserve foreclosed single-family homes and put them back in the hands of owner-occupants, and in many cases, into the hands of first-time homebuyers.

To ensure that a property attracts owner-occupant buyers, we renovate a home by making a wide range of repairs. Cosmetic repairs involve more visual items like fresh paint, new flooring, and upgraded appliances. Some homes need more extensive repairs, such as plumbing, electrical, heating ventilation and air conditioning (HVAC), or other mechanical system updates. When required, we address environmental or health issues, such as lead-based paint, discoloration, and water supply upgrades.

We also believe lower energy costs and quality repairs will help reduce borrower expenses associated with owning a home and support sustainable homeownership. That is why we make "green" repairs that involve the installation of low-flow water efficient plumbing fixtures, energy-efficient appliances, programable thermostats, and LED lighting.

Many of you understand the complexity of undertaking home repairs. Just think about this in the context of your own home. It can be overwhelming to say the least. So, imagine this process applied to an entire group of homes spanning the continental United States and its territories.

Even though our real estate-owned (REO) inventory is a fraction of what it was in the years immediately after the financial crisis over a decade ago, repairing as many properties as we do presents challenges that require innovative solutions. That is why we have streamlined our repair process to ensure repairs

This 1,940 square foot home in Maple Heights, OH, was rehabilitated through Fannie Mae's REO repair strategy. Upgrades are evident throughout the home, including its bathroom and kitchen where new appliances were installed.

Located in Shaverton, PA, this 1,130 square foot property saw a dramatic rehabilitation thanks to Fannie Mae's Real Estate Owned (REO) repair strategy. Upgrades like new flooring and new appliances in the kitchen and bathroom are designed to attract owner-occupant buyers.

are made quickly and efficiently.

To scale this approach over a wide geographic area, Fannie Mae relies on key partnerships with real estate agents, builders, and repair contractors to facilitate repairs and upgrades. We have created efficiencies through technology and process innovations by building repair management processes into third-party platforms.

As an example, our mobile repair scoping application connects real estate agents and general contractors for collaboration in a co-scoping bid process. For those of you who watch fix and flip shows, you may have witnessed co-scoping. This is the process that has a real estate agent and general contractor walk a property together to ensure the repair bid process captures a comprehensive list of needs for the property.

Another example of this innovation is how we utilize an integrated design board deployed through our technology and leveraged during this co-scoping process. This design board shows available color schemes, fixtures, and finishes to create standardized repair results across our REO portfolio regardless of property location. The real estate agent and general contractor even come together after repairs are finished to confirm the initial scope of work is complete and meets our standards.

We are seeing incredible results and benefits of this work. In March 2022, 95% of repaired properties in our REO portfolio were sold to owner-occupant buyers.

Fannie Mae's REO repair strategy ensures that the nation's housing supply is improved, it helps support homeownership, and it contributes to community stabilization. We continue to build on our repair strategy and technology to help create affordable and sustainable homeownership opportunities and will do so for years to come.

Jacob Williamson *is SVP, Single-Family Collateral Risk Management for Fannie Mae, responsible for oversight and management of all end-to-end collateral capabilities, loan quality, and operational risk management for Fannie Mae's Single-Family business.*

By: *Erik Schmitt*

SERVICERS ADAPT TO CHANGING TIMES

COVID-19 presented mortgage servicers with a new challenge, creating and executing new customer solutions, while managing the impact of the pandemic on their own workforce.

Mortgage servicers' ability to help customers impacted by life events and economic factors has consistently improved since 2009 when the U.S. Treasury first released the Home Affordable Modification Program (HAMP). Since that time, the mortgage servicing industry has built on the success of HAMP by enhancing programs to help struggling homeowners avoid foreclosure. Some of these enhancements included streamlined modifications and greater consistency across investors/guarantors. Also, programs for assisting customers impacted by natural disasters (like Hurricanes Harvey and Irma) were further enhanced to provide immediate payment relief in a scalable way.

> **Considering the effectiveness of these solutions, the industry should evaluate adding them to the permanent loss mitigation toolkit for ongoing customer relief options.**

LESSONS FROM THE COVID-19 CORONAVIRUS PANDEMIC

As the world began to experience the effects of the COVID-19 pandemic, mortgage servicers faced a new challenge: simultaneously creating and executing new programs while managing the impacts COVID-19 had on their own operations and workforce. The country experienced a precipitous rise in unemployment, 3.5% in January 2020 to 14.7% April 2020[1], resulting in the need to provide payment relief to approximately 3,800,000[2] customers within the initial two months of the COVID-19 pandemic (March and April of 2020). The forbearance program that ultimately offered relief up to 18 months and provided delinquency resolution by adding missed payments to the end of the loan term was an effective solution and illustrated several key loss mitigation design principles:

» **Consistency:** Investor/insurer coordination is the key driver of success and confidence for both servicers and homeowners. Greater investor/insurer alignment of program offering helped deliver programs at scale with clear messaging to customers.

» **Efficiency, Simplicity, and Scalability:** Simplicity of program design and reduced technical requirements, such as elimination of signed agreements and submission of proof of hardship, allowed relief to be delivered at scale. It also enabled servicers to rapidly offer assistance through multiple channels, including digital, voice recognition, and live agents.

» **Clarity:** Customers in financial distress look for certainty that there will be a path to getting back on their feet. Providing a deferment option at the end of the forbearance period gave customers an exit path that avoided future hardship caused by a required lump sum payment.

MAKING ENHANCEMENTS PERMANENT

The following important enhancements were instrumental in the success of COVID-19 relief programs:

» GSE rate reductions for customers whose loan-to-value (LTV) was less than 80%.

» Streamlined modifications for FHA customers.

» FHA development of a 40-year modification program supported by Ginnie Mae liquidity.

» FHA temporary waiver of outdated face-to-face meeting requirements.

A NEW SET OF CHALLENGES

There are three options available to lower a customer's payments through modification:

» Lowering a customer's interest rate

» Reducing the interest-bearing unpaid principal (through principal forbearance)

» Extending the amortization period

The first two options are constrained in the current environment as a result of increasing rates and elevated levels of housing appreciation.

Interest rates have risen significantly in 2022, with the Freddie Mac Primary Mortgage Market Survey (PMMS)'s 30-year, fixed-rate mortgage rising from 3.22% on January 6, to 5.54% on July 21. Freddie Mac's PMMS is the basis for most industry modification programs.

In many programs, the amount of relief available to customers through a modification that reduces the interest-bearing principal is tied to the LTV ratio. As housing values appreciate, LTV ratios decrease, thus limiting a mortgage servicer's ability to provide principal reduction.

As a result, the industry must now consider new types of programs to provide needed payment relief to customers who have equity (~20%) in their homes, and whose mortgages are at a rate lower than current market rates. Industry stakeholders may consider one or more among the following options:

The industry has made significant strides since the onset of the financial crisis and continues to learn and grow by working to enhance programs and build a robust loss mitigation toolkit. Ongoing evaluation of the economic environment and its effect on current home retention solutions is critical to the continued effort to provide consistent and meaningful assistance to customers.

» Allowing a portion of the principal balance to be included in partial claims/MRAs while re-amortizing the remaining interest-bearing balance and maintaining the customer's current rates. This solution requires GNMA to permit recast within their securities.

» Re-amortizing the mortgage for a period beyond 40 years.

» Providing interest-only options (and no negative amortization) for customers who have a strong equity position, which maintains the ability for customers to remain in their homes with an affordable payment, sell their homes at a time of their choosing, and participate in future equity appreciation[3].

» Reintroducing a step-rate modification feature where the initial rate is lower than the market rate and increases to the market rate over the life of the loan. The HAMP program fixed the initial rate for five years, then step up annually by a maximum of 1% until the market rate was reached.

» Establishing a permanent VA Partial Claim program that aligns with the processing requirements that FHA and USDA have established and avoids the burdensome complexity of VA's COVID-19-only Partial Claim.

__Erik Schmitt__ is Product Executive with JPMorgan Chase & Company, leading product management for Chase's origination and servicing businesses. Previously, Schmitt led a team responsible for the firm's foreclosure prevention and loss mitigation products. In this capacity, he worked closely with investors and regulators to influence the future of foreclosure prevention and customer assistance. He was also responsible for designing and executing the firm's servicing strategy on loan sales and sub-servicing.

1 *U.S. Bureau of Labor Statistics*
2 *McDashTM*
3 *It may be prudent to require a minimum 20% equity for the interest-only option to provide protection against housing price decline. Generally 20% equity would still enable a customer to sell a property even with 10% Housing Price Decline (assuming 10% cost to sell).*

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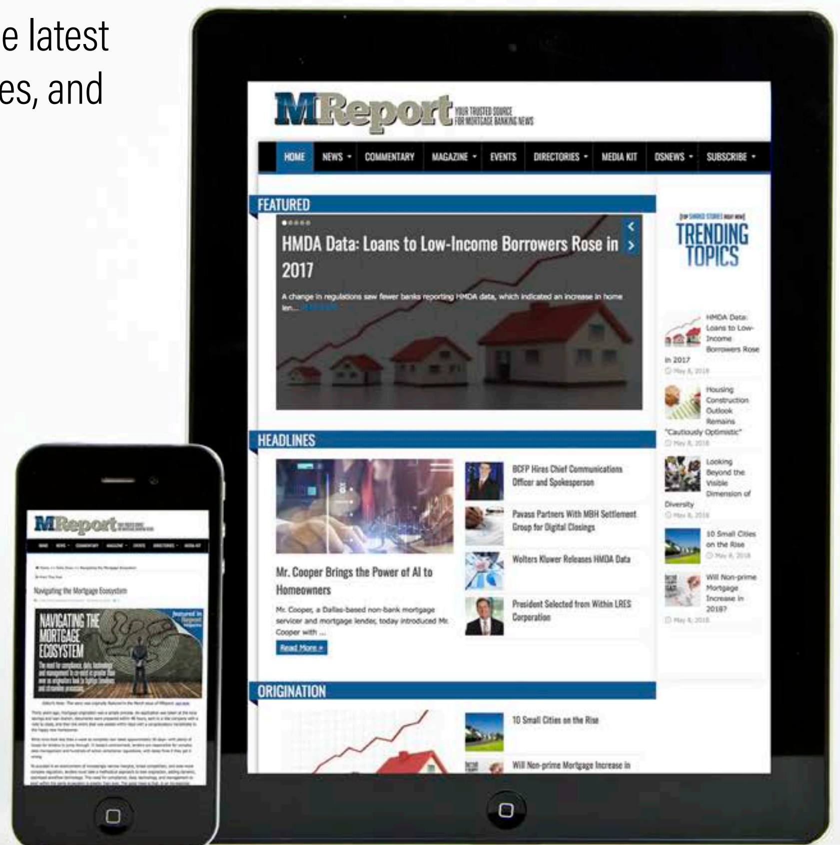

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FHFA AND GINNIE MAE UPDATE SELLER/SERVICER REQUIREMENTS

The Federal Housing Finance Agency (FHFA) and Ginnie Mae have issued an announcement of their updated minimum financial eligibility requirements for seller/servicers and issuers.

Prompted by rapidly changing U.S. housing finance system, these new eligibility requirements reflect Ginnie Mae's and FHFA's shared goals to promote confidence in approved issuers and seller/servicers and improve the safety and soundness of the U.S. mortgage-backed securities (MBS) ecosystem through all economic cycles.

"The robust collaboration of Ginnie Mae President Alanna McCargo and FHFA Director Sandra L. Thompson is a testament to their leadership and shared commitment to sustainable access to credit for American families," U.S. Department of Housing & Urban Development (HUD) Secretary Marcia L. Fudge said. "The action announced today will ensure that we continue to address the needs of underserved communities through easy, equitable, and sustained access to mortgage credit."

Since 2020, FHFA and Ginnie Mae have coordinated their analyses, engaged in stakeholder outreach, and held an April 2022 joint listening session to consider feedback on the impact the revised requirements will have on the mortgage industry. To reduce regulatory burden and provide greater consistency and predictability for seller/servicers and issuers, FHFA and Ginnie Mae worked closely to align their respective standards and implementation timelines to the greatest extent possible. Most of these new requirements are effective on September 30, 2023.

The 2015 Eligibility Requirements became effective December 31, 2015, and have remained in effect with minor modifications. The 2015 Eligibility Requirements established minimum levels of capital and liquidity to be maintained by seller/servicers to service single-family mortgage loans guaranteed or owned by the GSEs.

"The updated eligibility requirements represent an ongoing commitment to the safety and soundness of Fannie Mae and Freddie Mac by strengthening the capacity of seller/servicers to meet the financial responsibilities associated with doing business with the Enterprises," FHFA Director Thompson said. "FHFA and Ginnie Mae's effort to coordinate on financial eligibility requirements provides greater consistency for Enterprise seller/servicers and Ginnie Mae issuers."

Ginnie Mae President McCargo added, "Ensuring that Ginnie Mae issuers can acquire financing during times of stress is critical to preserving access to credit for those borrowers who depend on Ginnie Mae and our insuring agency partners. These enhanced requirements, the product of our historic collaboration with FHFA, will promote the resilience of our issuers and better enable them to operate throughout economic cycles."

The Conference of State Bank Supervisors (CSBS) stated, "As the primary supervisors of nonbank mortgage companies, state financial regulators strongly support greater coordination across all mortgage supervisors and are encouraged by this development. CSBS' 2021 Model State Regulatory Prudential Standards for Nonbank Mortgage Servicers already significantly aligned its financial condition requirements with FHFA's capital and liquidity requirements. Today's announcement brings state and federal areas of supervision closer together. In the coming weeks, we will review our model prudential standards to identify further opportunities for alignment with FHFA and Ginnie Mae. As states move forward with implementing the model prudential standards, better information sharing between FHFA, Ginnie Mae and the states will be critical for determining company adherence to aligned standards."

Of note, the FHFA and Ginnie Mae have extended the implementation timeline to provide mortgage servicers sufficient runway to adjust to these new requirements.

"These requirements play a substantial role in the financial planning and risk management practices of institutions that originate and service GSE- and Ginnie-backed loans," said Bob Broeksmit, CMB, President and CEO of the Mortgage Bankers Association (MBA). "MBA has long acknowledged the importance of ensuring stability and resiliency in the mortgage sector, while also noting the need for any such requirements to be tailored appropriately to the risks presented in the market."

HUD DECLARES $10M IN FUNDING FOR BUILDING GRANTS

The U.S. Department of Housing and Urban Development (HUD) has announced that it will make $10 million available in Rural Capacity Building grants.

The Rural Capacity Building (RCB) program enhances the capacity and ability of rural housing development organizations, Community Development Corporations (CDCs), Community Housing Development Organizations (CHDOs), rural local governments, and Indian tribes to carry out affordable housing and community development activities in rural areas for the benefit of low- and moderate-income families and persons.

"HUD is committed to ensuring that federal resources reach rural Americans," Secretary Marcia L. Fudge said. "Through this opportunity, rural communities can access critical resources for affordable housing and community-led development, improving economic outcomes and quality of life for Americans in rural areas."

RCB provides competitive funding to national organizations with expertise in rural housing and rural community development who work directly to build the capacity of eligible beneficiaries. These national intermediary organizations will support local eligible beneficiaries to spur affordable housing activities and community development in some of America's most underserved rural communities. Through the RCB program, national organizations provide training, technical assistance, and financial support to local beneficiaries, helping them serve hundreds of low-income or low- and moderate-income families and persons in rural areas.

The deadline for submitting applications for FY 21 and FY 22 Rural Capacity Building grants is 11:59 p.m. ET, October 11, 2022.

CFPB PUTS FOCUS ON FINANCIAL COMPANIES' DATA HANDLING

The Consumer Financial Protection Bureau (CFPB) confirmed in a published circular that financial companies may violate federal consumer financial protection law when they fail to safeguard consumer data. The circular provides guidance to consumer protection enforcers, including examples of when firms can be held liable for lax data security protocols.

"Financial firms that cut corners on data security put their customers at risk of identity theft, fraud, and abuse," CFPB Director Rohit Chopra said. "While many nonbank companies and financial technology providers have not been subject to careful oversight over their data security, they risk legal liability when they fail to take common sense steps to protect personal financial data."

The CFPB is increasing its focus on potential misuse and abuse of personal financial data. As part of these efforts, the CFPB circular explains how and when firms may be violating the Consumer Financial Protection Act with respect to data security. Specifically, financial companies are at risk of violating the Consumer Financial Protection Act if they fail to have adequate measures to protect against data security incidents.

Past data security incidents, including the 2017 Equifax data breach, have led to the harvesting of the sensitive personal data of hundreds of millions of Americans. In some cases, these incidents violated the Consumer Financial Protection Act, in addition to other laws. For example, in 2019, the CFPB charged Equifax with violating the Consumer Financial Protection Act to address misconduct related to data security.

The circular also provides examples of widely implemented data security practices. The circular does not suggest that particular security practices are specifically required under the Consumer Financial Protection Act. However, the circular notes some examples where the failure to implement the following data security measures might increase the risk that a firm's conduct triggers liability under the Consumer Financial Protection Act, including:

- **Multi-factor Authentication:** Multi-factor authentication greatly increases the level of difficulty for adversaries to compromise enterprise user accounts, and thus gain access to sensitive customer data. Multi-factor authentication can protect against credential phishing, such as those using the Web Authentication standard supported by web browsers.
- **Adequate Password Management:** Unauthorized use of passwords is a common data security issue, as is the use of default enterprise logins or passwords. Username and password combinations can be sold on the dark web or posted for free on the internet, creating risk of future breaches. For firms that are still using passwords, password management policies and practices allow for ways to monitor for breaches at other entities where employees may be reusing logins and passwords.
- **Timely Software Updates:** Software vendors and creators, including open-source software libraries and projects, often send out patches and other updates to address continuously emerging threats. Upon announcement of these updates to address vulnerabilities, hackers immediately become aware that firms using older versions of software are potential targets to exploit. Protocols to immediately update software and address vulnerabilities once they become publicly known can reduce vulnerabilities.

GSEs TO REQUIRE SERVICERS TO OBTAIN FAIR LENDING DATA

Starting March 1, 2023, the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac will be requiring servicers to "obtain and maintain" fair lending data on their loans. The data that FHFA and the GSEs will need to gather includes the borrowers' age, race ethnicity, gender, and language.

This announcement follows additional documentation requirements announced in May that requires lenders to use a Supplemental Consumer Information Form (SCIF) as part of the application process which will gather information about the borrowers' language preference and any financial counseling they received before home purchase so that lenders can better understand borrower needs during the home buying process.

"The need for collection and maintenance of quality fair lending data is a lesson learned from the foreclosure crisis and COVID-19 response," said Sandra L. Thompson, Director of the FHFA. "Having fair lending data travel with servicing will help servicers do the important work of providing assistance to borrowers in need, helping to further a sustainable and equitable housing finance system."

As per the SCIF, lenders will be required to adopt these changes and reporting requirements for loans with application dates on or after March 1, 2023. Response by borrowers to the preferred language question in the SCIF will remain voluntary.

"As those lenders and financial companies that already collect the language preference of applicants and borrowers know, this information allows lenders to serve their customers better. The collection of applicants' language preference does not violate the Equal Credit Opportunity Act or its implementing regulations," Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra said. "The CFPB is eager to see advances in broader language access to better serve all borrowers."

HUD AWARDS $65 MILLION-PLUS TO SUPPORT EQUITABLE HOUSING

The U.S. Department of Housing & Urban Development (HUD) has announced two separate awards geared toward the common goal of fostering housing equality for all.

HUD has awarded $25 million to 181 public housing agencies (PHAs) experiencing or at risk of experiencing financial shortfalls. Dubbed "Public Housing Operating Fund Shortfall" funding, provided by the Fiscal Year 2022 Consolidated Appropriations Act, HUD's investment will enable PHAs to continue serving residents as they take steps to ensure long-term financial solvency.

"Public housing agencies, like other organizations, have been impacted by financial disruptions from the ongoing COVID-19 pandemic," said Dominque Blom, General Deputy Assistant Secretary for Public and Indian Housing at HUD. "Supporting PHAs in this way is critical to serving HUD-assisted households. These funds stabilize PHAs so that they can meet the needs of residents and taking steps toward long-term financial stability."

PHA awardees facing shortfalls are defined as having less than three months of operating expenses held in reserve. While PHAs of various sizes may have been eligible to receive funding, HUD is concerned with the ability of small and very-small PHAs to generate resources to supplement their public housing program, and therefore prioritized these PHAs in the distribution of funds.

To establish that PHAs that receive shortfall funding take appropriate steps to ensure long-term financial solvency, HUD will undertake the additional monitoring of all PHAs that receive funding under this category. Additionally, HUD has identified and informed the PHAs of recommended actions that they can take to improve their financial performance. PHAs that receive shortfall funding are required to develop a plan identifying action items the PHA can take to improve their financial performance.

HUD has also announced, through its Office of Housing Counseling that it has awarded $41.3 million in grants to support the vital services performed by the nation's housing counselors. The awards include $38.6 million in second-year housing counseling grants to 173 HUD-approved local housing counseling agencies, national and regional organizations, multistate organizations, and state housing finance agencies who were awarded grants under the September 18, 2021, Office of Housing Counseling two-year Comprehensive Notice of Funding Opportunity (NOFO).

HUD-approved housing counseling agencies provide services to address a full range of housing counseling needs, including assisting buyers in evaluating their readiness for a home purchase and navigating through the home buying process, finding affordable rental housing, offering financial literacy training to individuals and families, and providing foreclosure prevention counseling. HUD-approved housing counseling agencies also support emergency preparedness and disaster recovery efforts, assist the homeless in finding transitional housing, and counsel seniors on whether a HECM or other reverse mortgage makes sense for them.

The Office also awarded an additional $2.75 million in second-year funding for six HUD-approved housing counseling agencies that received awards under HUD's November 2, 2021, Office of Housing Counseling Training NOFO.

"Today's awards provide important funding for housing counseling agencies that are performing crucial services for individuals and families across the nation," Assistant Secretary for Housing and Federal

"The U.S. Department of Housing & Urban Development (HUD) has announced two separate awards geared toward the common goal of fostering housing equality for all."

Housing Commissioner Julia Gordon said. "Maintaining and funding a network of quality housing counseling resources through our Office of Housing Counseling is a key piece of achieving HUD's goals to reduce barriers and promote equity in housing."

HUD's funding will continue to support housing counseling services performed by these agencies, including pre-purchase homebuyer counseling, foreclosure prevention counseling, rental eviction prevention counseling, and disaster recovery counseling, among others.

HUD's Deputy Assistant Secretary for Housing Counseling David Berenbaum added, "We are pleased to provide this second year of funding to support HUD-approved Housing Counseling Agencies in fulfilling their many roles, including helping families maintain housing stability as the nation recovers from the pandemic."

The $2.75 million in grants awarded by HUD under the Office of Housing Counseling Training NOFO will support education and training for housing counselors, including training on delivering housing counseling services to seniors seeking reverse mortgages under the Federal Housing Administration's Home Equity Conversion Mortgage (HECM) program, and training to support successful completion of the HUD Housing Counselor Certification exam.

HUD has earmarked $302,500 of these funds to two recipient organizations that will issue training scholarships to students of historically black colleges and universities, tribal colleges and universities, and other minority serving institutions enrolled in a housing counseling workforce development program.

FANNIE MAE ADVOCATES FOR ADDITIONAL DEMOGRAPHIC LOAN DATA

One of Fannie Mae's missions is to facilitate equitable and sustainable access to homeownership and quality affordable rental units across the country which provide a stronger and more efficient housing system for all. But as a major source of mortgage financing in the U.S., the Government Sponsored Enterprise (GSE) needs to be at the cusp of affordable housing as it helps facilitate the flow of capital into the housing market by issuing and guaranteeing mortgage-related securities that are purchased by investors the world over.

But as of late, investors have expressed interest in socially conscious investment options that allocate capital to support affordable housing and access to credit for underserved individuals. But as investors seek additional to guide their investment decisions, this additional data breaches privacy by allowing enough vectors for someone to deduce the identity of even specific borrowers.

"As one of the largest issuers of mortgage-backed securities (MBS) in the United States, Fannie Mae plays a delicate role, one that seeks to support the mortgage consumer, the mortgage investor, and the efficient functioning of the MBS market," said Fannie Mae in a recent blog post. "Balancing investors' desire for information with the need to protect the privacy of the mortgage consumer requires creative solutions that consider both sets of stakeholders."

Knowing this, the GSE is introducing a proposed methodology for single-family social disclosure data. It aims to provide investors with insights into socially oriented lending in new ways designed to help preserve the confidentiality of mortgage consumer's personal information.

A Single-Family Social Index

At the core of the design are three key outcomes we seek to achieve with the Single-Family Social Index (Social Index).

» Prioritize the borrower. A key objective is to work to protect borrower information while seeking to meet the needs of MBS investors.

» Allow investors to identify pools with high concentrations of loans that meet certain social criteria. Underpinning this proposal is the concept that social disclosures should facilitate the identification of MBS pools containing loans made to borrowers meeting certain social criteria such that market participants are empowered to invest in support of these lending activities. While a correlation with loan performance is likely, the proposal contemplates that it is not essential for social disclosures to optimize performance insights. At the same time, we recognize that historical performance analysis is necessary to support investor decision-making.

» Propose a solution for the industry, not just for Fannie Mae. Create a methodology that other Agency and nonAgency residential MBS issuers may desire to adopt, which in turn we hope will drive greater standardization for social investment in residential MBS and amplify the impact of these activities, furthering support for mortgage consumers.

The Social Index is contemplated as a scoring system comprised of three dimensions for which socially minded investors have expressed interest: income, borrower, and property characteristics. We then further define these dimensions using eight objective criteria that reflect Fannie Mae mission-focused activities, the same criteria we use to engage our lender partners to expand homeownership to these individuals in these markets. These eight criteria (Exhibit 1) would be evaluated for each loan pooled in a majority of our Single-Family MBS. Any loan meeting one or more of the eight criteria would be deemed socially oriented for the purpose of this disclosure.

Additionally, each loan would be assigned a score between zero (0) and three (3), reflecting the count of the three dimensions whose criteria are met by that loan. The Social Index is flexible, and the underlying criteria can be adjusted based on market feedback and as the focus of single-family social lending evolves.

To achieve the borrower privacy goals outlined above, neither the loan-level social scores, nor the borrower and geographical attributes used to generate them, would be made publicly available at the loan or pool-level. This mitigates the risk that additional disclosure elements might facilitate increased borrower identification from our disclosures or a combination of our disclosure with other third-party sources and helps avoid exposing this borrower information.

Exhibit 1. Proposed Social Index Dimensions and Criteria

Dimensions	Criteria
Income	Low Income Borrowers
Borrower	Underserved minorities
	First-time homebuyers
Property	Low-Income Areas
	Minority Tract
	High Needs Rural
	Designated Disaster Area
	Manufactured Housing

FHFA FORMS COMMITTEE ON AFFORDABLE, EQUITABLE, AND SUSTAINABLE HOUSING

The Federal Housing Finance Agency (FHFA) has announced plans to establish a Federal Advisory Committee on Affordable, Equitable, and Sustainable Housing to provide advice and input regarding affordable, equitable, and sustainable housing needs, and any regulatory or policy changes that may be necessary or beneficial to address those matters.

The FHFA's newest Committee will also offer input on barriers to access to such housing and long-term sustainability. The Committee's activities will focus on FHFA's regulated entities—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—and their respective roles in providing a reliable source of liquidity and funding to support housing finance in the housing marketplace.

To ensure that varying points of view are represented on the Committee, FHFA will seek members who are engaged in the financing, development, and/or administration of affordable, equitable, and sustainable housing and housing policy, and who have relevant expertise, applicable to the GSEs, or the Federal Home Loan Banks, in at least one of the following areas:

- Fair housing, fair lending, or civil rights
- Single-family lending, servicing, development, mortgages, or capital markets
- Multifamily lending, servicing, development, mortgages, capital markets, or investments
- Consumer, tenant, or community advocacy
- Market technology
- State, local, or tribal government housing policies and programs
- Academic or nonacademic affiliated housing research.

"The formation of an Advisory Committee will better position FHFA to fulfill its strategic goal of supporting access to affordable, equitable, and sustainable housing," FHFA Director Sandra L. Thompson said. "Today's announcement exemplifies our commitment to transparency, ongoing dialogue with stakeholders and the public, and thoughtful policymaking that connects equitable access with safety and soundness."

The Committee's charter will commence 15 days after publication in the Federal Register, and the FHFA will solicit applications and nominations for membership in a subsequent notice in the Federal Register.

FANNIE MAE: POTENTIAL HOMEOWNERS BECOMING INCREASINGLY CONCERNED WITH MARKET

The Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 2.0 points in June to 62.8, its second-lowest reading in a decade, according to their latest report. Surveyed consumers continue to express pessimism about homebuying conditions, with only 17% (down from 20%) of respondents reporting it's a good time to buy a home, while the percentage of consumers who believe it's a "Good Time to Sell" fell from 68% to 67% this month.

As of July, the HPSI has declined every month since March and is now down 13 points since the beginning of the year. The last time the index rose

"The HPSI has declined steadily for much of the year, as higher mortgage rates continue to take a toll on housing affordability," said Doug Duncan, Fannie Mae SVP and Chief Economist. "Unfavorable mortgage rates have been increasingly cited by consumers as a top reason behind the growing perception that it's a bad time to buy, as well as sell, a home. Additionally, consumers appear to be indicating that selling conditions are softening, as the 'Good Time to Sell' component has declined meaningfully over the past two months, and, on net, fewer consumers expect home prices to go up."

"With home price growth slowing, and projected to slow further, we believe consumer reaction to current housing conditions is likely to be increasingly mixed: Some homeowners may opt to list their homes sooner to take advantage of perceived high prices, while some potential homebuyers may choose to postpone their purchase decision believing that home prices may drop," Duncan continued. "Overall, this month's HPSI results appear to confirm our forecast for moderating home sales over the coming year."

Additional findings on the six major components of the HPSI include:

» **Good/Bad Time to Buy:** The percentage of respondents who say it is a good time to buy a home decreased from 20% to 17%, while the percentage who say it is a bad time to buy increased from 75% to 76%. As a result, the net share of those who say it is a good time to buy decreased 4 percentage points month over month.

» **Good/Bad Time to Sell:** The percentage of respondents who say it is a good time to sell a home decreased from 68% to 67%, while the percentage who say it's a bad time to sell increased from 26% to 27%. As a result, the net share of those who say it is a good time to sell decreased 2 percentage points month over month.

» **Home Price Expectations:** The percentage of respondents who say home prices will go up in the next 12 months decreased from 44% to 39%, while the percentage who say home prices will go down increased from 27% to 30%. The share who think home prices will stay the same increased from 23% to 26%. As a result, the net share of Americans who say home prices will go up decreased 8 percentage points month over month.

» **Mortgage Rate Expectations:** The percentage of respondents who say mortgage rates will go down in the next 12 months increased from 5% to 6%, while the percentage who expect mortgage rates to go up remained unchanged at 67%. The share who think mortgage rates will stay the same remained unchanged at 21%. As a result, the net share of Americans who say mortgage rates will go down over the next 12 months increased 1 percentage point month over month.

» **Job Loss Concern:** The percentage of respondents who say they are not concerned about losing their job in the next 12 months remained unchanged at 78%, while the percentage who say they are concerned increased from 21% to 22%. As a result, the net share of Americans who say they are not concerned about losing their job decreased 1 percentage point month over month.

» **Household Income:** The percentage of respondents who say their household income is significantly higher than it was 12 months ago decreased from 25% to 24%, while the percentage who say their household income is significantly lower decreased from 16% to 13%. The percentage who say their household income is about the same increased from 58% to 61%. As a result, the net share of those who say their household income is significantly higher than it was 12 months ago increased 2 percentage points month over month.

HUD GRANTS $41M TO ENHANCE AFFORDABLE HOUSING

The U.S. Department of Housing and Urban Development (HUD) announced that it will make available $41 million for local affordable housing and community development activities that benefit people with low incomes. The funding is being awarded through HUD's Capacity Building for Affordable Housing and Community Development program, also known as Section 4.

"President Biden's top priority is lowering costs for the American people, and at HUD, we are working to increase the supply of affordable housing to ease the burden of housing costs," HUD Secretary Marcia L. Fudge said. "With the funds, communities can scale up their efforts to provide safe, affordable homes for their residents and meet their community development needs."

The Section 4 program enhances the capacity and ability of housing development organizations like Community Development Corporations (CDCs) and Community Housing Development Organizations (CHDOs) to carry out affordable housing and community development activities for the benefit of low- and moderate-income families and persons.

Three national organizations, Enterprise Community Partners, Local Initiatives Support Corporation (LISC), and Habitat for Humanity International, will receive the funds, which are expected to spur nearly $122 million in total investments with the help of 3:1 matching grants.

Additional Information on HUD's Fiscal Year 2021 Section 4 Grantees:

Local Initiatives Support Corporation (LISC) will receive a Section 4 grant award in the amount of $17 million with a 3 to 1 match commitment of $51 million. LISC will use Section 4 funding to build capacity of CDCs to meet the housing and economic development needs of people with low and moderate incomes. LISC will use its funds to address CDC's needs for financial stability, strong leadership and governance, technical know-how and digital infrastructure, and partnership networks.

Enterprise Community Partners will receive a Section 4 grant award in the amount of $15 million with a 3 to 1 match commitment of $45 million. Enterprise's funds will be used to provide capacity building and technical assistance to their partners to address the overarching needs for racial equity in housing, increasing the housing supply, and fostering upward mobility in the communities they serve.

Habitat for Humanity International will receive a Section 4 grant award in the amount of $9 million with a 3 to 1 match of $27 million. Habitat will use its award to increasing CDC staff to bolster internal infrastructure, develop a 3-year plan that aims to advance Black homeownership, and support rural housing organizations, among other capacity-building activities.

Applicant	Amount
Local Initiatives Support Corporation	$17,000,000
Enterprise Community Partners	$15,000,000
Habitat for Humanity International	$9,000,000
Total	$41,000,000

SENATOR WARREN LEADS CHARGE ON MILITARY HOUSING READINESS COUNCIL ACT

United States Senators Elizabeth Warren (D-Mass.) and Thom Tillis (R-N.C.), members of the Senate Armed Services Committee, United States Representatives Sara Jacobs (D-Calif.) and Stephanie Bice (R-Okla.), members of the House Armed Services Committee, and Representatives Tim Ryan (D-Ohio) and Katie Porter (D-Calif.) introduced the Military Housing Readiness Council Act, legislation that would ensure oversight and accountability on safe housing conditions for service members and military families.

The legislation would create a Military Housing Readiness Council comprised of Department of Defense (DoD) officials, service members, military families, and military housing experts to ensure ongoing oversight of deficiencies in privatized military housing. The Council's mandate includes responsibility for full implementation of a tenants' bill of rights, completion of the public complaint database, and public reporting on all its active military housing properties. The bill was included in the Senate's National Defense Authorization Act for Fiscal Year 2023.

"For too long, many of our service members and military families have lived in unsafe privatized military housing with black mold, collapsed roofs, or exposed electrical wires because DoD is falling behind in proper oversight and providing safe housing to these service members," Senator Warren said. "The bipartisan Military Housing Readiness Council Act will create a Council with a strong mandate to conduct oversight of military housing, collect public complaints, and report its work to Congress—ensuring that military families receive the safe housing conditions they deserve."

"I have long been a proponent of safe and accessible housing for all military personnel and military families. I am proud to introduce this bipartisan legislation with my colleagues to establish a Military Housing Readiness Council within the DoD to make recommendations regarding privatized housing and support services and monitor all compliance with current law," Senator Tillis said.

"Our military families sacrifice enough. The least we can do is provide housing to them that's safe and hazard-free," Representative Ryan said. "I'm proud to support the Military Housing Readiness Council Act to provide transparency and oversight over military housing, eliminate neglect and mismanagement, and ensure our service members don't have to worry about their families' housing while they are serving our nation."

"Servicemembers and their families make incredible sacrifices for our country," Representative Porter said. "We should be matching our gratitude for military families with action. Congress has repeatedly passed legislation to improve military housing conditions, but it's clear we need to do more to hold private companies accountable to the law. I'm proud to co-lead this legislation that'll boost oversight and better protect families in private military housing."

Specifically, the Military Housing Readiness Council Act would do the following:

» **Provide Enhanced Oversight**
- Reviews and makes recommendations to the Secretary of Defense regarding policies for privatized military housing, including inspection practices, resident surveys, landlord payment of medical bills for residents of housing units that have not maintained minimum standards of habitability, and access to maintenance work order systems.
- Monitors the Department of Defense's compliance with and implementation of statutory improvements to policies for privatized military housing, including the Military Housing Privatization Initiative Tenant Bill of Rights and the public military housing complaint database.

» **Regularly Engage Stakeholders**
- Draws membership from the Department of Defense, every military service, officer and enlisted service members, spouses of officers and enlisted members, a representative of the International Code Council, a representative of the Institute of Inspection Cleaning and Restoration Certification, and other members to be selected by the chairs and ranking members of the armed services committees.
- Requires the Council to meet no fewer than four times a year.
- Makes additional recommendations to improve collaboration, awareness, and promotion of accurate and timely information about privatized military housing, including accommodations available through the Exceptional Family Member Program.

» **Provide Transparency**
- Requires annual reporting to the Secretary and the congressional defense committees on the Council's activities, including analyses of complaints of tenants of housing units, data received on maintenance response time and completion of maintenance requests, assessments of dispute resolution processes, assessments of housing inspections, and any survey results conducted by the Council.

The Military Housing Readiness Council Act is endorsed by the Military Officers Association of America, the National Military Family Association, and Armed Forces Housing Advocates.

"Establishing a Military Housing Readiness Council will provide servicemembers and military spouses with an opportunity to provide important feedback to Congress and DoD senior leaders," said Lt. Gen. Dana T. Atkins, USAF (Ret), President and CEO of the Military Officers Association of America. "This Council will increase transparency, support accountability of the resolution process instituted by the Tenant Bill of Rights, and report on the impacts and trust in privatized housing."

MODERNIZING THE COMMUNITY REINVESTMENT ACT

The Chairman of the House Financial Services Committee, Maxine Watters, has authored a public letter with the backing of 76 of her Democratic colleagues in the House of Representatives, the Board of Governors of the Federal Reserve, the FDIC, and the Office of the Comptroller of Currency (OCC).

The letter urges federal regulators to "consider carefully" the comments they receive from civil rights and community groups as well as well as other community stakeholders to modernize the Community Reinvestment Act (CRA) and enact new rules to prevent modern-day redlining.

According to the Office of the Comptroller of Currency, the CRA was first enacted in 1977 and encourages certain insured depository institutions to help meet the credit needs of the communities in which they are chartered, including low- to moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of such institutions.

"We are heartened by your agencies' efforts to put forward a new proposal to modernize the CRA, which represents a once in a generation opportunity for federal bank regulators to end redlining and its present-day manifestations. The CRA became law in 1977 and the last time your agencies came together to reform CRA rules was in 1995, nearly three decades ago. Significant changes in the financial marketplace have taken place since that time … [m]any of those changes have contributed to less effective CRA rules," wrote the lawmakers. "We appreciate your agencies' joint efforts to work together to advance a much-needed update to CRA rules. As you work to finalize the rule, we urge you to consider our recommendations as well as those from civil rights groups, consumer advocates, and other affected stakeholders."

The CRA requires federal banking agencies to assess the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods, consistent with the safe and sound operation of such institution, and take such record into account in its evaluation of an application for a deposit facility by such institution.

HUD PLEDGES $15 MILLION TO ASSIST THE ELDERLY

U.S. Department of Housing & Urban Development (HUD) Secretary Marcia L. Fudge has announced that HUD is pledging $15 million to help older Americans age in place through home modifications. The funding opportunity, made available through HUD's Older Adult Home Modification Program (OAHMP), will assist experienced nonprofit organizations, state and local governments, and public housing authorities in undertaking comprehensive programs that make safety and functional home modifications repairs and renovations to meet the needs of low-income elderly homeowners.

"By 2040, it is estimated that 20% of the population will be over 65 years old," said Secretary Fudge. "We must allow our nation's seniors to age-in-place with dignity. This funding will give seniors the flexibility to make changes to their existing homes—changes that will keep them safe and allow them to gracefully adjust to their changing lifestyle. This program is crucial to our work to increase and maintain our nation's housing supply, and it aligns with the Biden-Harris Administration's efforts to treat every person in this country with dignity and respect."

The goal of OAHMP is to enable low-income elderly persons to remain in their homes through low-cost, low barrier, high impact home modifications to reduce older adults' risk of falling, improve general safety, increase accessibility, and to improve their functional abilities in their home. This will enable older adults to remain in their homes, that is, to "age in place," rather than move to nursing homes or other assisted care facilities.

"Everyone deserves to live happy, fulfilled lives in their own homes, including older adults and people living with disabilities," said U.S. Senator Tina Smith "For far too long, we have underinvested in the simple help and support that people need so they can stay in their own homes. That's why I'm thrilled to announce $15 million in funding under the Older Adult Home Modification Program. This funding will help thousands of seniors and people living with disabilities nationwide to safely stay in their homes connected to the neighborhoods they know and love for longer."

The funding opportunity establishes a program model that incorporates two core concepts: first, as people age, their needs change, and they may need adaptations to their physical environment to live safely at home; second, for any intervention to have the highest impact, the individual's personal goals and needs must be a driver in determining the actual intervention. Examples of these home modifications include installation of grab bars, railings, and lever-handled doorknobs and faucets, as well as the installation of adaptive equipment, such as temporary ramp, tub/shower transfer bench, handheld shower head, raised toilet seat, risers for chairs and sofas, and non-slip strips for tub/shower or stairs.

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WHO WE ARE

The Legal League 100 is the premier professional association of financial services law firms in the United States. With member law firms spread out across the U.S., the Legal League 100 is uniquely positioned to drive progress in the mortgage servicing industry.

OUR MISSION

Leadership. Advocacy. Education.

Legal League 100 creates an exclusive expert environment for financial services firms in the mortgage servicing industry to showcase their expertise and to champion the challenges of their clients, providing them with a clear view of the legal landscape and positioning them for new business opportunities and long-term relationships with lenders and service providers.

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REAL ESTATE INVESTORS PURCHASED A RECORD $60.1B IN Q2

A new analysis by Redfin found that real estate investors bought 87,500 U.S. homes in Q2 of 2022, up 11% quarter over quarter and 5.9% year over year. Q2's totals are down from the all-time high of 93,700 recorded in Q3 of 2021, a time that many considered the height of the pandemic-driven homebuying frenzy. Overall, Redfin found that investors are buying more homes than they were before the pandemic, roughly 60,000 homes per quarter in 2019.

The study also found that investor market share has also begun to level off, but remains above pre-pandemic levels, as investors purchased 19.4% of the homes sold in Q2, down slightly from a record 20.1% in Q1 2022, the first drop after nearly two consecutive years of increases.

"The cooldown in the overall housing market motivates some investors and scares others off," Redfin Senior Economist Sheharyar Bokhari said. "Investors are contending with sky-high home prices, just like other buyers. Those who plan to turn homes into rentals are still in the market because high rental payments help offset the cost of the home, and the home will likely grow in value over time. Others are motivated by discounts from home builders looking to sell off extra inventory as individual buyers pull back. But investors in the flipping business have quicker turnaround times, so they're shying away because the prospect of falling home prices means they may lose money when they relist in six months or a year."

In dollar terms, investors purchased a record $60.1 billion worth of real estate in Q2, up from $50.5 billion in Q1, and $54.5 billion year over year.

"Investor purchases probably won't bounce back to 2021 levels, but they'll likely remain more common than before the pandemic because the housing market is stable compared with today's volatile stock market. Those who buy properties as rentals will still cash in, with high demand and vacancies near record lows," Bokhari said. "But investors will be less of a roadblock for regular buyers as the housing-market slowdown reduces competition. Investors and individual buyers who can afford to purchase homes have a leg up because other prospective buyers have been priced out."

In the types of homes that investors pursued in Q2, roughly 35,000 were low-priced homes, down 6% quarter over quarter, and 7.6% year over year. But investors are still buying more low-priced homes than before the pandemic, having bought roughly 30,000 per quarter in 2019.

Investors bought nearly 28,000 mid-priced homes, up 25.3% from a year earlier, but down from 31,000 in Q3 of 2021. But that's nearly double pre-pandemic levels, as investors purchased nearly 15,000 mid-priced homes per quarter in 2019. Investors bought approximately 25,000 high-priced homes, up 8.9% year over year.

- Purchases of single-family homes, the most popular property type found by Redfin among investors, leveled off, but remains well above pre-pandemic levels. Investors purchased nearly 65,000 single-family homes in Q2, up 8.5% year over year—down from the record-high of nearly 70,000 reported in Q3 of 2021.
- Investors bought approximately 14,000 condos, down 4.3% year over year, but up from about 10,000 per quarter before the pandemic.
- Investors purchased nearly 3,500 multi-family properties, down 4.1% year over year, and up from nearly 3,000 per quarter before the pandemic.
- Investors purchased a record 5,300 townhouses, up 10.9% year over year, compared to nearly 3,000 townhouses purchased per quarter before the pandemic.
- Regionally, investors targeted the northern Florida town of Jacksonville, Florida, where investor purchases were up more than 40% year over year in Q2. In Q2, investors purchased 31.9% of the homes sold in Jacksonville, the highest market share of the metros in Redfin's analysis—followed by Atlanta at 31.8% of the homes purchased by investors, Las Vegas at 31.5%, Phoenix at 31.2%, and Miami at 29%.

Providence, Rhode Island was the least popular metro for investors, with investors comprising just 7.3% of the market share, followed by Washington, D.C., at 8.1%; Montgomery County, Pennsylvania, at 8.3%; Seattle at 8.7%; and Warren, Michigan, at 9.5%.

GINNIE MAE MBS PORTFOLIO REACHES $2.25 TRILLION IN JULY

Ginnie Mae's outstanding mortgage-backed securities portfolio grew for the 13th consecutive month in July, hitting $2.252 trillion, up from $2.229 trillion in June and $2.117 trillion one year ago. Growth in the portfolio was fueled by steady new issuance of Ginnie Mae MBS as homeowners found value in the government-backed mortgage market. New MBS issuance for July was $45.5 billion—down $500 million from June—supporting the financing of more than 155,000 single-family homes and rental units.

The July issuance includes $43 billion of Ginnie Mae II MBS and $2.01 billion of Ginnie Mae I MBS, which includes approximately $1.85 billion of loans for multifamily housing.

"As Ginnie Mae celebrates 54 years of being a consistent source of low-cost mortgage liquidity, we continue to see steady growth in our portfolio even in a changing and very dynamic housing market," Ginnie Mae EVP Sam Valverde said.

The decision comes after Ginnie Mae guaranteed more than $46 billion in mortgage-backed securities in June, helping support affordable homeownership and rental unit development for more than 164,000 households. The June issuance brought the Ginnie Mae MBS program balance outstanding to $2.233 trillion.

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SFR MARKET GROWS IN THE FIRST HALF OF 2022

HouseCanary Inc. has released its first National Rental Report, an analysis of the first half of 2021 and first half of 2022, exploring the trends shaping U.S. single-family rental (SFR) market listings, including price and supply shifts across the nation's top metropolitan statistical areas (MSAs).

The Report found that rent prices experienced a double-digit increase, as rents have continued to rise at the fastest pace in decades. At the close of the first half of 2022, the average national rent stood at $2,495.00, a 13.4% increase from the same period in 2021.

By the end of the first half of 2022, rentals were on the market for an average of 21 days, compared to just 20 days at the end of the first half of 2021. Despite this slight increase, continual fluctuation in days on the market paired with the consistent increase in price indicates that while the market might be cooling slightly, demand has not yet subsided across much of the country.

"HouseCanary's new report highlights that throughout the first half of 2022, the rental market seems to remain impervious to a slowdown," said Chris Stroud, Co-Founder and Chief of Research at HouseCanary. "Nationwide single-family detached listings continue to elicit strong demand across the country despite rent prices experiencing a double-digit increase year over year. Our analysis suggests that while coastal regions such as Florida continue to remain popular following the pandemic, renters are beginning to turn their attention towards regions such as the industrial Midwest that offer both sufficient supply and affordability many people are seeking in the current market conditions."

As Stroud mentioned, coastal regions in California and Florida comprised 80% of the 10 highest monthly rents across the country, with the Los Angeles-Long Beach-Anaheim, California, region taking the top spot at an average price of $4,664 per month. On the other end of the spectrum, industrial Midwest states reported some of the lowest median rent prices in the first half of 2022, with Ohio MSAs boasting four of the 10 lowest monthly rents in the country. Other states in the region, including Michigan, Indiana, Illinois, and Wisconsin rounded out the list.

HouseCanary's first National Rental Report tracked listing volume, new listings, and median listing price information for 46 states and 142 individual MSAs. The data represents an aggregation and summary of all SFR listing records in the HouseCanary database, between January 2021 and June 2022.

"Home rentals have become more desirable in recent years as consumers have been priced out of home purchases, are unwilling to take on the financial burden of a mortgage, or are drawn to the flexibility of a rental," said the Report. "However, renters hoping for relief in 2022 have been met with little solace as demand persists, prices for single-family homes have continued to grow and supply remains squeezed."

According to the report, industrial Midwest states have emerged as one of America's most popular SFR markets, with regions including Flint, Michigan, and Fort Wayne, Indiana, attracting significant out-of-state interest from people living in major cities like Chicago, New York, and Atlanta.

Also remaining popular in the SFR marketplace are Southern coastal regions such as Florida and Georgia, two regions that emerged as some of the hottest SFR markets in the United States during the pandemic. These regions, boosted by remote work and sunny weather, attracted those in the SFR market and second home buyers, who now had the ability to work-from-home, eschewing trips to the office for more space in the suburbs.

3D TOURS ON THE RISE IN SFR MARKETPLACE

PlanOmatic, a provider of photos, floor plans, and 3D imagery to the single-family rental (SFR), has announced it increased its number of 3D virtual tours for SFR properties across the country by 243% between the period of January 1-August 11, 2021 and January 1-August 11, 2022, and increased the number of SFR homes it photographed by 124% during that same time frame.

"The use of 3D tours to market SFR properties is exploding, because owners and investors recognize that in a crowded marketplace, a 3D tour can help a home standout to consumers," said Kori Covrigaru, Co-Founder and CEO of PlanOmatic. "We recently conducted a study for one of our SFR clients to determine if there is a return-on-investment when using 3D tours rather than still photography only on property listings. Our study results revealed a 39% reduction in a property's time on the market when a 3D tour was added to a listing. The study also found that 3D tours led to more pre-qualified leads and an increase in unique website visitors."

The study found that 3D tours performed well for SFR rentals for several reasons, as they provide extra visibility, listing sites can provide special icons indicating that the listing includes a 3D tour, and because potential renters can see the entire home by virtually walking through it, they are less likely to pull an application or back out of a lease.

PlanOmatic employs a network of hundreds of contractors across the country equipped with Ricoh Theta Z1 cameras, to ensure SFR investors, owners, and operators receive all orders within two-and-a-half days.

As the SFR market continues to thrive and become even more competitive, as property owners, investors and management firms are taking advantage of 3D virtual tours and professional photography to attract and capture the interest of consumers online, resulting in faster leasing activity.

Zillow, Trulia, and the other major players highlight 3D tours in their listings and map views, making 3D tours stand out among standard visual tours.

According to PlanOmatic, regionally, 3D tours of homes in the Orlando, Florida market experienced a 17,100% year-over-year increase in orders from July 2021-July 2022, while photographic tourns reported a 122% increase in orders from July 2021-July 2022.

Another hot SFR market that saw a spike in the number of 3D tours was the Phoenix, Arizona region, which reported a 4,900% increase in orders from July 2021-July 2022, while photographic tours saw a 128% increase in orders from July 2021-July 2022.

Yet another SFR market that reported a slight rise in 3D tours was the Atlanta, Georgia metro, which saw a 10% increase in orders from July 2021 to July 2022, and reported a 37% increase in orders from July 2021 to July 2022 via traditional photography.

HIGHER SHARE OF VACANT HOMES SIT IN EXPENSIVE TOWNS

A new analysis from a LendingTree study found more than 16 million vacant housing units in the U.S. This figure may seem steep but becomes more reasonable when you consider how many homes nationwide sit empty while they're waiting to be rented or sold or their owners are staying in their primary residence.

While there are plenty of vacant homes in big cities, vacancy rates are often steeper in towns. With that in mind, LendingTree used U.S. Census Bureau 2020 American Community Survey data to analyze vacancy rates in the nation's 50 most expensive micropolitan areas — referred to in this study as "towns" —with populations between 10,000 and 50,000.

More than 320,000 homes across the nation's most expensive towns sit vacant. Of these homes, a bit more than two-thirds are empty because they're only used for seasonal, recreational or occasional use.

Across the nation's 50 most expensive towns, an average of 23.42% of homes are vacant. That translates to 320,346 empty houses.

Breckenridge, Colorado; Vineyard Haven, Massachusetts; and Kill Devil Hills, North Carolina have the highest vacancy rates among the most expensive towns. An average of nearly 60% of all homes in these popular vacation and tourist destinations are vacant. Of those vacant homes, an average of 83.69% are unoccupied because they're only used for seasonal, recreational or occasional use. In other words, vacation homes that go unused for most of the year are the main contributor to the high vacancy rates in these towns.

Juneau, Alaska; Faribault, Minnesota; and Moscow, Idaho have the lowest vacancy rates among the most expensive towns. An average of only 7.54% of homes in these towns are vacant—15.88 percentage points lower than the average vacancy rate of 23.42% across the nation's 50 most expensive towns.

Homes across the country's most expensive towns are most likely to be vacant because they're only used for seasonal, recreational or occasional use. An average of 58.88% of the vacant homes analyzed in our study are empty for that reason.

Towns with higher vacancy rates tend to have more expensive homes than those with lower vacancy rates. Median home values in the 10 towns with the highest vacancy rates are an average of $177,190 more expensive than median home values in the 10 towns with the lowest vacancy rates. While exceptions exist, the main reason for this likely stems from how buyers are often willing to spend top dollar on vacation homes they don't live in year-round.

Towns With the Highest Vacancy Rates

Breckenridge, Colorado

» Total number of housing units: 31,158
» Overall vacancy rate: 62.74%
» Most common reason why homes are vacant: Used for seasonal, recreational or occasional use
» Percentage of homes that are vacant for most common reason: 93.83%
» Median home value: $596,300

Vineyard Haven, Massachusetts

» Total number of housing units: 18,030
» Overall vacancy rate: 61.80%
» Most common reason why homes are vacant: Used for seasonal, recreational or occasional use
» Percentage of homes that are vacant for most common vacancy reason: 96.15%
» Median home value: $794,000

Kill Devil Hills, North Carolina

» Total number of housing units: 35,007
» Overall vacancy rate: 54.78%
» Most common reason why homes are vacant: Used for seasonal, recreational or occasional use
» Percentage of homes that are vacant for most common vacancy reason: 61.10%
» Median home value: $297,200

Towns With the Lowest Vacancy Rates

Juneau, Alaska

» Total number of housing units: 13,792
» Overall vacancy rate: 6.63%
» Most common reason why homes are vacant: Other
» Percentage of homes that are vacant for most common vacancy reason: 37.86%
» Median home value: $355,100

Faribault, Minnesota

» Total number of housing units: 25,161
» Overall vacancy rate: 7.86%
» Most common reason why homes are vacant: Other
» Percentage of homes that are vacant for most common vacancy reason: 42.21%
» Median home value: $232,800

Moscow, Idaho

» Total number of housing units: 17,132
» Overall vacancy rate: 8.14%
» Most common reason why homes are vacant: Other
» Percentage of homes that are vacant for most common vacancy reason: 49.61%
» Median home value: $245,200

An area's vacancy rate alone can't show the popularity of a given housing market or how expensive it's likely to be, however that doesn't mean an area's vacancy rate isn't important or can't shed light on what's happening within a specific market.

High vacancy rates and high home prices can suggest that an area has a strong housing market, but many people live elsewhere for most of the year. This is commonly the case in resort towns like Breckenridge, Colorado. High vacancy rates and low home prices, on the other hand, could mean that a housing market is struggling and there isn't much demand for housing.

If vacancy rates are low and housing prices are high, it could signify that the market is very competitive and that there isn't enough housing supply to satisfy demand. If both vacancy rates and home prices are low, it could mean that demand is high, but sellers are selling their homes for less than what they could have gotten.

Ultimately, understanding vacancy rates is important to understanding the overall housing market. But to appreciate what a vacancy rate means, you must look behind the facade at the reasons why homes are vacant.

SHARE OF SERIOUSLY UNDERWATER MORTGAGES SLIPS BELOW 3%

ATTOM has released its Q2 2022 U.S. Home Equity & Underwater Report, which shows that 48.1% of mortgaged residential properties in the U.S. were considered equity rich in Q2, meaning that the combined estimated amount of loan balances secured by those properties was no more than 50% of their estimated market values.

The portion of mortgaged homes that were equity rich in Q2 of 2022 increased from 44.9% in Q1 of 2022 and from 34.4% in Q2 of 2021. The latest increase, to virtually half of all mortgage payers, marked the ninth straight quarterly rise in the portion of homes in equity-rich territory. The report found that at least half of all mortgage-payers in 18 states were equity-rich in Q2, compared to only three states a year earlier.

The report also shows that just 2.9% of mortgaged homes —or one in 34— were considered seriously underwater in Q2 of 2022, with a combined estimated balance of loans secured by the property of at least 25% more than the property's estimated market value. That was down from 3.2% of all U.S. homes with a mortgage in the prior quarter and 4.1% —or one 24 properties— a year earlier.

"After 124 consecutive months of home price increases, it's no surprise that the percentage of equity rich homes is the highest we've ever seen, and that the percentage of seriously underwater loans is the lowest," said Rick Sharga, Executive VP of Market Intelligence at ATTOM. "While home price appreciation appears to be slowing down due to higher interest rates on mortgage loans, it seems likely that homeowners will continue to build on the record amount of equity they have for the rest of 2022."

Across the country, 49 states saw equity-rich levels increase from Q1 of 2022 to Q2 of 2022, while seriously underwater percentages dipped in 46 states. Year-over-year, equity-rich levels rose in all 50 states and seriously underwater portions dropped in 46 states.

The equity scenario continued improving in the second quarter for homeowners around the U.S., mainly because home values kept soaring. After a flat first quarter, the median single-family home price shot up another 9% quarterly and 15% annually during the Spring of this year to a new high of $346,000. For owners keeping up with mortgage payments, that meant a widening gap between what they owed and what their homes were worth, boosting more home values into equity-rich status.

In addition, down payments for recent buyers have grown from about 5% to 7% over the past couple of years, resulting in new owners starting off with more equity.

In Q2 of 2022, equity continued on a relentless upward path despite significant economic uncertainties connected to home-mortgage rates doubling this year, inflation soaring at 40-year highs, rising fuel costs and other issues. While the chances of even more improvement remain uncertain, there is little immediate sign that equity gains will flatten out, especially as home buyers keep chasing a historically tight supply of properties for sale.

Equity-rich share of mortgages rises most in the South

Seven of the 10 states where the equity-rich share of mortgaged homes increased most from Q1 to Q2 of 2022 were in the southern region of the U.S. The biggest increases were in Wyoming, where the portion of mortgaged homes considered equity-rich rose from 26.1% in Q1 to 33.9% in Q2. Maine followed, (up from 48.5% to 56.3%), succeeded by Florida (up from 53.6% to 60.4%), Mississippi (up from 23.5% to 29.1%), and South Carolina (up from 41.2% to 46.5%).

States where the equity-rich share of mortgaged homes decreased, or went up the least, from Q1 to Q2 of this year were New Jersey (down from 38.6% to 37.9%), Utah (up from 63.6% to 64.3%), Idaho (up from 68.8% to 69.5%), North Dakota (up from 28.6% to 29.5%), and West Virginia (up from 26.9% to 28.4%).

Largest declines in seriously underwater properties spread across Northeast, South, and Midwest

States with the biggest decreases in the percentage of mortgaged homes considered seriously underwater from the first quarter of 2022 to the second quarter of 2022 were spread across the Northeast, South and Midwest. They were led by Mississippi (share of mortgaged homes seriously underwater down from 17% to 8.1%), Wyoming (down from 10% to 7%), Missouri (down from 6.6% to 5.2%), Maine (down from 3.1% to 2.2%), and Connecticut (down from 4% to 3.3%).

The only states where the percentage of seriously underwater homes increased from Q1 to Q2 of this year were Montana (up from 3% to 3.9%), New Jersey (up from 2.9% to 3%) and New York (up from 2.7% to 2.8%).

Top equity-rich counties located in Northeast, South, and West

Among 1,624 counties that had at least 2,500 homes with mortgages in Q2 of 2022, 49 of the top 50 equity-rich locations were in the Northeast, South, and West.

Counties with the highest share of equity-rich properties were:

- Dukes County (Martha's Vineyard), Massachusetts (83.2% equity-rich)
- Chittenden County (Burlington), Vermont (82.3%)
- Gillespie County, Texas (west of Austin) (79.4%)
- Nantucket County, Massachusetts (78.6%)

» Travis County (Austin), Texas (78.6%)

Counties with the smallest share of equity-rich homes in Q2 of 2022 were:

» Geary County (Junction City), Kansas (7% equity rich)
» Vernon Parish, Louisiana (northwest of Lafayette) (9.7%)
» Cumberland County (Fayetteville), North Carolina (12%)
» Acadia Parish, Louisiana (outside Lafayette) (13.2%)
» Greenup County, Kentucky (14%)

The portion of mortgages that were seriously underwater nationwide during Q2 of 2022 declined from Q1 of 2022 in 101—or 95%—of the 107 metro areas with enough data to analyze. Seriously underwater rates decreased year-over-year in 102 of those 107 metros.

More than 90% of homeowners facing foreclosure have at least some equity

Only about 214,800 homeowners were facing possible foreclosure in Q2 of 2022, or just four-tenths of one percent of the 58.2 million outstanding mortgages in the U.S. Of those facing foreclosure, about 195,400 (91%) had at least some equity built up in their homes.

"The fact that over 90% of homeowners in foreclosure have positive equity is good news for borrowers who find themselves in financial distress," said Sharga. "These homeowners have the opportunity to leverage this equity to either secure short-term financing to resolve their delinquencies, or to sell their properties at a profit and avoid a foreclosure auction."

States with the highest percentages of homeowners who were facing foreclosure with equity in their properties in Q2 of 2022 included:

» New Hampshire (99% with equity)
» Oregon (99%)
» Utah (99%)
» Colorado (99%)
» Nevada (99%)

States with the lowest percentages included:

» Louisiana (87% with equity)
» Mississippi (89%)
» Kansas (91%)
» Illinois (92%)
» Maryland (92%)

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ZOMBIE PROPERTY COUNT INCHES UP

The ever present "zombie property" now represents one in just 78 units as the Vacant Property and Zombie Foreclosure from ATTOM Data showed that there were 1,277,162 properties sitting vacant across the country during the third quarter of 2022. This number represents 1.3% of the total number of homes.

In addition, the report found that there were 270,470 residential properties in the country were in some point in the foreclosure process during the third quarter, a number up 4.4% from the second quarter and up 25.5% year over year.

The latest increase marks the fourth straight quarter that the count of pre-foreclosure properties has increased since a nationwide moratorium on lenders pursuing delinquent homeowners, imposed after the coronavirus pandemic hit in 2020, was lifted at the end of July 2021.

Among those pre-foreclosure properties, 7,707 are zombie-foreclosures (pre-foreclosure properties that sit vacant) in the third quarter of 2022, up 1.8% from the prior quarter and 2.2% from a year ago.

"We see two trends heading in opposite directions—the number of vacant properties continues to decline and the number of zombie properties continues to increase, although neither trend appears to be particularly worrisome," said Rick Sharga, Executive Vice President of Market Intelligence at ATTOM. "Vacancy rates should continue to be low as investor and prospective homebuyers compete for limited inventory. And the number of zombie properties should continue to increase slowly as foreclosure activity climbs back from historically low levels due to government intervention."

The level of all homes sitting empty as zombie properties has grown for the second quarter in a row and now is up 3.6% from the one in 13,424 recorded in the first quarter of 2022.

The latest bump-ups in overall and zombie-property counts—while presenting an issue to watch—comes at a time when the relentless U.S. housing market boom has continued into its 11th year despite forces that threaten to slow it down.

Other high-level findings from the third quarter of 2022:

- Among metropolitan statistical areas in the United States with at least 100,000 residential properties and at least 100 properties facing possible foreclosure in the third quarter of 2022, the highest zombie rates are in Wichita, Kansas (11.9% of properties in the foreclosure process are vacant); Peoria, Illinos (10.5%); Cleveland, Ohio (8.9%); Syracuse, New York (8.7%), and South Bend, Indiana (8.2%).
- Aside from Cleveland, the highest zombie-foreclosure rates in major metro areas with at least 500,000 residential properties and at least 100 homes facing foreclosure in the third quarter of 2022 are in Baltimore, Maryland (7.4% of homes in the foreclosure process are vacant); St. Louis, Missouri (5.6%); Pittsburgh, Pennsylvania (5.6%); Tampa, Florida (4.7%), and Indianapolis, Indiana (4.6%).
- Among the roughly 4,200 foreclosed, bank-owned homes in the United States during the third quarter of 2022, 8.2% are vacant. In states with at least 50 bank-owned homes, the largest vacancy rates are in Ohio (14.5% vacant), Pennsylvania (13%), Illinois (12.5%), New York (11%), and Maryland (10.5%).
- The highest zombie-foreclosure rates in U.S. counties with at least 500 properties in the foreclosure process during the third quarter of 2022 are in Broome County (Binghamton), New York (11.4% zombie foreclosures); Cuyahoga County (Cleveland), Ohio (10.1%); Pinellas County (Clearwater), Florida (9.9%); Onondaga County (Syracuse), New York (9.3%), and Oneida County, New York (outside Syracuse) (8.5%).
- Among 425 counties with at least 50,000 residential properties, those with the largest portion of total homes in zombie-foreclosure status during the third quarter of 2022 are Broome County (Binghamton), New York (one of every 647 properties); Cuyahoga County (Cleveland), Ohio (one in 959); Suffolk County (eastern Long Island), New York (one in 1,188); Peoria County, Illinois (one in 1,228) and Oneida County, New York (outside Syracuse) (one in 1,437).

MOVING INTO THE EYE OF THE STORM

According to research from Redfin, homebuyers have paid a premium for high-fire-risk and high-flood-risk homes during the pandemic, as more people have moved into than out of climate-risky areas in recent years, in part because they can often get more bang for their buck and gain better access to nature.

Redfin polled 50 counties, and found the largest percentage of homes facing high fire and flood risk saw their populations increase by an average of 3% and 1.9%, respectively, from 2016-2020 due to positive net migration. In addition, purchases of second homes with high flood, storm and/or heat risk surged roughly 40% over the past two years. Regardless of the increase in migration to climate risky areas, Redfin found that 63% of those who moved during the pandemic believe climate change is or will be an issue in the place they now live.

The median sale price of U.S. homes with high fire risk was $550,500 in April 2022, compared to $431,300 for homes with low fire risk. In other words, the typical home with high fire risk sold for $119,200 (27.6%) more than the typical home with low fire risk—the largest premium in dollar terms since at least 2017.

Fire-prone residences in suburban areas saw a surge in homebuyer demand over the last two years, causing prices to jump, despite evidence that home prices have, in the past, recovered more slowly in fire-prone areas in the wake of disaster.

"From devastating floods in Kentucky and Missouri to deadly fires in California and brutal heat waves across the U.S., it's clear that natural disasters are intensifying. Still, people are moving into risky areas," said Redfin Chief Economist Daryl Fairweather. "When people decide where to live, they consider a whole host of things ahead of climate change, which has potential implications on their safety, home stability, and finances."

The median sale price of homes with high flood risk was $402,010 in Q1 of 2021, compared to $353,783 for homes with low flood risk. That means high-risk homes sold for a record 13.6% premium—up from a premium of 10.1% in Q1 of 2020.

As climate risk grows, the government is taking action to protect homeowners in these high-risk areas, as Rep. Maxine Waters, Chair of the House Committee on Financial Services, recently announced the House passage of "The Wildfire Response and Drought Resiliency Act," which included her bill, HR 8483, "The Wildfire Insurance Coverage Study Act of 2022." HR 8483 requires the Federal Emergency Management Agency (FEMA) and the Government Accountability Office (GAO) to conduct studies assessing the danger that wildfires increasingly pose to communities and how the market for homeowners' insurance is responding to this growing threat.

According to Pacaso, a tech-enabled real estate marketplace, the trend of people buying second homes and investment properties increased 235% since Q1 of 2020—rising 25% alone during Q2 of 2022.

"Overall, luxury real estate exceeded expectations and outperformed the rest of the second home category and the overall real estate market in Q2 2022," said Austin Allison, Pacaso Co-Founder and CEO. "Despite a rising interest rate environment and growing concerns of a recession, it is clear that demand for this type of asset remains strong."

A new scorecard, researched and released by Ceres, found that federal financial regulators are taking numerous and broad steps to tackle the financial risks of climate change, as outlined by the Biden Administration, in a "clear sign" of regulatory process on the issue. The report provides an in-depth analysis of the some 230 actions taken since April 2021 to protect capital markets, financial institutions, and communities from the ill effects of climate risks.

EARLY-STAGE DELINQUENCIES PUSH UP NATIONAL DELINQUENCY RATE

Black Knight Inc. has released a "first look" the latest iteration of its Mortgage Monitor Report for July 2022, which looks at delinquency and foreclosure rates across the United States.

According to Black Knight, the national delinquency rate rose to 2.89% in June. The delinquency rate was 2.84% in June, 2.75% in May, 2.80% in April, and 2.84% in March. This number was driven by a 4% increase in early-stage delinquencies; this number is also 14 basis points higher than the record low recorded by this report set in May 2022.

All-in-all, serious delinquencies, or loans more than 90 past due but not yet in foreclosure, pulled back slightly in July after worsening for the first time in 22 months in June. Seriously delinquent loan numbers have dropped since March from 104,000 to 58,000 in July.

Foreclosure starts also retreated 25% from the previous months for a total of about 17.7k starts, 55% below pre-pandemic level, now equivalent to just 3% of loans 90 days past due.

Though still up from record lows that came from widespread moratoriums and forbearance protections last year, the number of loans in active foreclosure declined slightly by 6k in July.

TOP 5 STATES BY NON-CURRENT PERCENTAGE	BOTTOM 5 STATES BY NON-CURRENT PERCENTAGE	TOP 5 STATES BY 90+ DAYS DELINQUENT PERCENTAGE	TOP 5 STATES BY 6-MONTH CHANGE IN NON-CURRENT PERCENTAGE	BOTTOM 5 STATES BY 6-MONTH CHANGE IN NON-CURRENT PERCENTAGE
MISSISSIPPI: 6.44 %	OREGON: 2.02%	MISSISSIPPI: 2.43%	HAWAII: -27.37%	IOWA: 0.66%
LOUISIANA: 5.75 %	COLORADO: 1.90%	LOUISIANA: 2.08%	VERMONT: -18.56%	KANSAS: -1.16%
OKLAHOMA: 4.89 %	CALIFORNIA: 1.83%	ALABAMA: 1.79%	NEW YORK: -18.14%	OKLAHOMA: -2.75%
ALABAMA: 4.88 %	IDAHO: 1.74%	ALASKA: 1.70%	NEVADA: -17.11%	NORTH DAKOTA: -2.94%
WEST VIRGINIA: 4.74 %	WASHINGTON: 1.71%	MARYLAND: 1.57%	LOUISIANA: -16.39%	ALASKA: -3.83%

Source: Black Knight's Mortgage Monitor Report for July 2022

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