

National Mortgage News

ADVERTISEMENT

RADIAN

CELEBRATING

40
years

of ensuring the
AMERICAN
DREAM

A lot has
changed
since 1977...

See our center spread
to learn more.

www.radian.biz/NMN

MORE DILIGENT.

Today, you have to be more diligent about understanding the risks in your portfolio. That's why you should rely on us — we've proven time and time again we have the expertise and technology to deliver results you can trust. The result: More diligent, due diligence.

877.291.5301
www.clayton.com

DUE DILIGENCE
SURVEILLANCE
ADVISORY SERVICES
ASSET MANAGEMENT
TITLE SERVICES
VALUATIONS
INTERNATIONAL

© 2017 Clayton Holdings LLC. All Rights Reserved

CLAYTON  N[®]

ORIGINATION | p.12 SECONDARY | p.14 SERVICING | p.16 TECHNOLOGY | p.18

National Mortgage News

nationalmortgagenews.com

October 22, 2017 • Volume 42, Issue 3

29 states. 283,000 new jobs. \$50 billion in annual revenue.

What will it take for the mortgage industry to capitalize on this opportunity?

YOUR PARTNER TO NEW HEIGHTS

OUR PROMISE DELIVERED

- **Stability.** And the strength to drive change in the mortgage insurance industry
- **The first** to deliver Ironclad 12-month Rescission Relief Report
- **Sensible Servicing[®]** of life events



24



32



18



36



38

COVER STORY

24 Cash Crop

29 states. 283,000 new jobs.
\$50 billion in annual revenue.
What will it take for the mortgage
industry to capitalize on this
opportunity?

FEATURES

30 What Can Fannie Do For Lenders?

Andrew Bon Salle wants to ease
the burden of loan-level price
adjustments and expand rep and
warrant relief. But even he admits
there are limits to his power

DEPARTMENTS

8 Outlook

Helping lenders and servicers
remain efficient
Sponsor Content From
ARCH | MI

12 Origination

Has the Fed found a better long-
term mortgage product?

14 Secondary

Second FHA tour would be much
different for Montgomery

16 Servicing

Ginnie chief vows tougher scrutiny
of issuers after IG's criticism

18 Technology

Equifax breach fuels digital
mortgage doubts

22 Complication & Regulation

Corker's retirement may change
GSE reform calculus

IN EVERY ISSUE

6 Editor's Note

32 Voices

36 People

38 Screenshots



Austin Kilgore
Editor in Chief

Winner of the Polk Award for Financial Reporting
Winner of an ASBPE Editorial Excellence Award
Winner of a NAJA Editorial Award

One State Street Plaza, 26th Floor
New York, NY 10004
(212) 803-8200 Fax: (212) 843-9600

Editor in Chief: Austin Kilgore

Capital Markets Editor: Bonnie Sinnock

Originations Editor: Bradley Finkelstein

Reporters: Kate Berry, Brian Collins, Elina Tarkazikis

Copy Editor: Glenn McCullom

Senior Art Director: Nick Perkins

VP, Research: Dana Jackson

Group Editorial Director, Banking: Richard Melville

VP, Content Operations and Creative Services:
Paul Vogel

Director of Creative Operations: Michael Chu

Vice President/Group Publisher: Dennis Strong

Sales Manager, West and Southeast Regions:
Kimberlee Baker (212-803-8475)

Sales Manager, Northeast Region:
Brad Bava (212-803-8829)

Senior Marketing Manager: Deborah Vanderlinder
(212-803-8323)

Associate Director of Audience Development:
Matthew Bramble (212-803-8544)

Director of Content Operations: Theresa Harnel

Customer Service:
help@sourcemedia.com; (212) 803-8500

Reprints:
For more information about reprints and licensing content from National Mortgage News, please visit www.SourceMediaReprints.com or contact PARS International Corp. (212) 221-9595.

Reproduction Policy:
No part of this publication may be reproduced or transmitted in any form without the publisher's written permission.

Transactional Reporting Service:
Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by SourceMedia, provided that the appropriate fee is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, U.S.A.



Chief Executive Officer: Douglas J. Manoni

Chief Financial Officer: Michael P. Caruso

Chief Revenue Officer: Marianne Collins

EVP & Chief Content Officer: David Longobardi

Chief Product & Audience Officer: Minna Rhee

Chief Marketing Officer: Matthew Yorke

SVP, Conferences & Events: John DeMauro

SVP, Human Resources: Ying Wong

National Mortgage News (ISSN #1050-3331) is published monthly with an extra issue in October by SourceMedia, Inc., One State Street Plaza, 27th Floor New York, NY 10004, 212-803-8200. Subscription price: \$349 per year in the U.S.; \$389 for all other countries. Change of Address: Notice should include both old and new address, including ZIP code. POSTMASTER: Please send all address changes to *National Mortgage News*/One State Street Plaza, New York, NY 10004. For subscriptions, renewals, address changes and delivery service issues contact our Customer Service department at (212) 803-8500 or email: help@sourcemedia.com. Periodicals postage paid at New York, NY and additional U.S. mailing offices. © 2017 *National Mortgage News* and SourceMedia Inc. All rights reserved.

Blunted Opportunity

WITH THE MORTGAGE BANKERS ASSOCIATION holding its Annual Convention and Expo in Denver this year, it seemed fitting for our cover story to explore the housing finance implications of the legal cannabis industry.

Five years ago, Colorado and Washington became the first states to legalize recreational marijuana use. Since then, six more states have approved similar measures. And 21 other states allow medical marijuana use.

By all accounts, the emerging cannabis industry is booming and other states may implement their own variations of legalization. But for all the shifting attitudes toward the cannabis industry, its businesses and workers face considerable challenges participating in traditional financial services, including mortgages.

As our cover story explains, cannabis industry workers who pay taxes and can document their income through traditional means can't get qualified for mortgages because their wages are derived from activity that's considered illegal on the federal level.

Make no mistake; many of these would-be borrowers meet all the standard qualifications for a mortgage. The only thing holding them back from homeownership is where they work.

At a time when lenders are struggling to replace the refinance volume that's fueled the industry for the past number of years by loosening standards for credit profiles and down payments, it's odd that lenders and their investors haven't found a way to serve consumers who work in the cannabis industry.

Regardless of your stance on the cannabis industry, this is a problem that's not going away and will require a collaborative effort among many industry stakeholders to address. It's my hope that this edition of NMN magazine will help encourage dialogue and debate on this topic in the coming months and years.

If you're attending the MBA Annual in Denver, I hope you'll take a moment to stop by our booth in the exhibit hall and say hello to our team. We're always eager to meet new industry professionals, hear your feedback and learn about the latest trends and developments affecting your business.



Focus on Total eClose™

Total eClose from DocMagic is a single source platform that contains all the components necessary to facilitate a completely paperless digital closing.

Like a trusted partner, Total eClose guides you through each step of the closing process, logs all activities for an irrefutable audit trail and features the industry's most comprehensive Compliance Guarantee.

Start closing loans faster and more efficiently than ever before.

We'll show you how.

eDocument Library

SMARTDoc® eNote

eNotary Technology

MERS® eRegistry

Certified eVault

Investor eDelivery

Helping Lenders & Servicers Remain Efficient



Jim Jumpe
Senior Vice President and
Chief Marketing Officer
Arch MI

Both lenders and servicers realize that increasing efficiency is the surest path to reducing costs and improving profitability. With internal teams stretched thin, more companies are outsourcing business process to trusted third parties. This is not new, as originators and default servicers have always worked with these partners. What is new are the detailed scorecards vendor managers are using to reduce as much friction as possible.

When it comes to frictionless partnerships with lenders and servicers, Arch Mortgage Insurance Company (Arch MI) has emerged as an expert in the field. We caught up with Jim Jumpe, Executive Vice President and Chief Marketing Officer for Arch MI, and asked him about the best ways for lenders and servicers to increase efficiencies today.

Q: How important is the efficiency conversation to the companies you serve?

A: It's vitally important, especially today. But our customers aren't looking to Arch MI as a trusted partner to make them more efficient. They understand efficiency and they have optimized their systems and processes to deliver it.

They want to make sure that we don't introduce friction that will slow them down. As a result, we're sensitive to every touchpoint we have with our clients to ensure that every interaction they have with us, whether it's direct or mediated through their technology during the loan manufacturing or servicing processes, is seamless, simple and satisfactory.

We've built the infrastructure required to deliver this. We also survey our customers to make sure we hit that mark. Their high satisfaction rate is telling us we do.

Q: Does quality come into that conversation?

A: Every time. Our customers' priority is speed, but never at the sacrifice of the quality of risk assessment. Their systems will catch quality and compliance problems and stop the process. It is very costly to lenders to move backward at any stage of the process. We can't have a discussion about efficiency without talking about the quality of underwriting decisions.

Q: What is the key to being a frictionless partner for originators and servicers?

A: For us, it comes down to having the right people and the right technology to deliver exactly what our customers need as soon as they need it.

For the origination process, it all starts with the mortgage insurance (MI) quote. Following our acquisition of

United Guaranty earlier this year, Arch MI is now the only MI company to offer a dynamic, risk-based pricing solution. That's Arch MI RateStar®. It's a very quick and easy way to go beyond the traditional mortgage rate sheet, a more contemporary way to price and qualify their borrower for an MI quote so they can get our most competitive rates.

This gives lenders a huge competitive advantage. Without this innovation, lenders are stuck offering borrowers MI priced along a broad credit profile, lumping them in with every other borrower in broad buckets regardless of their unique situation. We look at about 17 different borrower characteristics and then price every deal more precisely, allowing the lender to reward their borrower for good credit and a responsible financial history. We're willing to participate in that good risk and provide a better price.

When the decision is made to use Arch MI, we offer ArchMIConnect®, our proprietary origination and servicing system. This one convenient technology

delivers the commitment and the certificate of insurance. Our portal makes it easy to import the loan information from a DU® file, to check the status of the certificate and to get help all along the way.

On the servicing side, our commitment continues. We offer the people and the systems to deliver anything the servicer might need, whether filing a claim, paying premiums or checking the status of anything in process. We invest the resources and the training to ensure our people and our systems are the best.

The right technology goes a long way toward fulfilling our promise to help customers stay efficient, but ultimately it's our people that set us apart. Ask anyone who has interacted with someone from Arch MI and they'll tell you that the only thing that matters to us is being the best possible partner to the companies we serve. **NMN**

Go to archmi.com to get started today.

Are you fast enough for the millennial generation?

We are.



Text **PIPELINE** to 313131

To find out more



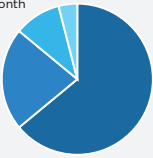
NMLS ID #6606. Licensed by Arizona Department of Financial Institutions license BK-0912376, Department of Business Oversight under the California Residential Mortgage Lending Act License, N.J. Department of Banking and Insurance, Mississippi Department of Banking and Consumer Finance. www.nmlsconsumeraccess.org, Georgia Residential Mortgage Licensee, License # 22564, Illinois Residential Mortgage Licensee, Kansas Licensed Mortgage Company Licensed MC.0025168, Mortgage Lender & Mortgage Broker License MC6606, Ohio Mortgage Broker Act Mortgage Banker Exemption License MBMB.850190.000, Rhode Island Licensed Lender, Texas licensed location 6504 International Pkwy, Ste 1300, Plano, TX 75093, Consumer Loan Company License #CL-6606, 14511 Myford Rd, Ste 100, Tustin CA 92780, Phone (800)450-2010. By texting the above keyword and short code I agree by electronic signature to receive communications from New American Funding by a live agent, artificial or prerecorded voice, and SMS text at my cellular number, dialed manually or by auto dialer; I consent to be contacted even if my phone number appears on a New American Funding Do Not Call List, a State or National Do Not Call Registry, or any other Do Not Contact List. Standard messaging and data rates apply.

People are Reading ...

August closings

The percentage breakdown of closed loans in August held steady for the third consecutive month

- Conventional, 64%
- FHA, 22%
- VA, 10%
- Other, 4%



Source: Ellie Mae

Originations Held Steady Through Summer

Despite an uptick in interest rates, refinance loans held steady in August and closing rates reached a new 2017 high.

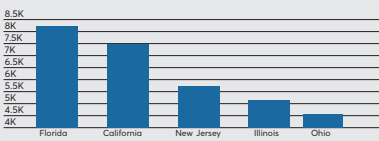


Warren Plans Credit Bureau Reform Bill

Sen. Elizabeth Warren is expanding her probe into the Equifax data breach to regulators and other major credit bureaus.

In default

There were 75,115 properties nationwide with a foreclosure filing in August, up 14% from the previous year



Source: Attom Data Solutions

Foreclosure Increase in August Double the Norm

The rise in foreclosure filings for August over July was more than double the historic increase between these two months.



Florida Bankers Exhale After Irma Strikes

While experts warned about a potential catastrophe, the storm didn't wreak as much havoc as many had feared.

2018: Fewer refis, more new homes

As higher rates continue to erode refi activity, demand for housing will be an even larger influence on mortgage volume

Refi share may shrink to a quarter of the market

Home sales could increase by 2%

New home sales could outpace resales

Home prices could grow by 4.9%

Source: Freddie Mac

Refi Market Share Could Plummet to 1990 Low

The percentage of newly originated loans that are used to refinance an existing mortgage could shrink dramatically in 2018 as rates rise.

People are Talking About ...

California Legislature Passes Bills to Reform PACE Loan Program

A.MAULSBY

PACE is the aluminum siding of the 21st century. Same sales pitch just different delivery mechanism, solar panels instead of insulation.

How a Community Bank Took the Fall For the Financial Crisis

Mr Drysdale123

Government and regulator overreach again. Spitzer did it to support his campaign run. Cordray is doing it to support his run for Ohio governor.

Borrower Experience Is Not the Digital Mortgage Holy Grail

tanderson

Good reality check that the next "shiny object" or buzzword (digital replacing e-mortgage) is not going to fundamentally change a complex process involving many steps and participants.

Fraud Risk Rose on Purchase Market Shift and More Wholesale Loans

Mike C

Good documentation should reduce fraud opportunities but documentation is not as linear an issue as people think. Eight states currently don't require employers to provide pay stubs. That's ridiculous with today's IT capabilities.

Headlines and comments selected by NMN's editors from among the past month's most popular online content.



Follow us on Twitter @NatMortgageNews and join the National Mortgage News groups on LinkedIn, Facebook and Google+



Have your cake and eat it, too

Mortgage insurance has been our bread and butter for 60 years now. But we have always been more than an MI provider for our customers.

Our goal is to help you be successful in your business. We have developed programs to make it easier for you to build technical skills, reach out to real estate agents, network with other mortgage professionals and creatively market yourself.

For all of us in the mortgage industry, our mission has always been to help people buy homes and keep them.

Now that's the icing on the cake!

MGIC
Sixty!
Celebrating
60 Years

[MGIC.com/60](https://www.mgic.com/60)

Has the Fed Found a Better Long-Term Mortgage Product?

Fed economists are suggesting a new mortgage product that would allow home buyers to build equity faster and give banks incentive to profitably hold the loans in portfolio.

BY BRIAN COLLINS

'Fixed-COFI Mortgage' features

Payments comparable to fixed-rate mortgage

No down payment

Borrowers acquire home equity faster

Fewer prepayment options

ECONOMISTS AT THE FEDERAL RESERVE are suggesting an intriguing new alternative to the traditional 30-year fixed mortgage that could be better for consumers, more profitable for banks, and safer for both.

In a recent paper, they proposed a new mortgage product that would allow home buyers to build equity faster than the standard 30-year fixed-rate mortgage with little or no down payment. This mortgage is built around the cost of funds, or COFI, index published by the Federal Home Loan Bank of San Francisco. It reduces the incentive for borrowers to refinance and theoretically makes it profitable for banks to hold these fixed-rate mortgages in portfolio.

"The fixed-COFI mortgage exploits the often-present prepayment-risk wedge between the fixed-rate mortgage rate and the estimated cost of funds index mortgage rate," according to a paper written by Federal Reserve Board senior advisor Wayne Passmore and Alexander von Hafften, a senior research assistant at the Fed.

"In addition, banks can hold a fixed-COFI mortgage profitably, and their credit risk concerns are often mitigated soon after origination because of rapid equity accumulation."

In a falling interest rate environment, the COFI mortgage automatically adjusts so the borrower pays less interest and pays down the

mortgage principal more quickly. Under the product, equity accumulates faster than traditional fixed-rate mortgages and there is less incentive to refinance. However, borrowers still retains the option to refinance.

"We believe that many households may prefer fixed-COFI mortgages to traditional fixed-rate mortgages," according to the Fed paper, particularly in cases where the "spread between the fixed rate mortgage rate and the one-year Treasury yield is relatively high."

They also expect the fixed-COFI mortgage will be a "highly profitable asset for many mortgage lenders." And this mortgage product might

also open the door for more renters to become homeowners.

"We believe that many renting households without savings for a down payment may prefer fixed-COFI mortgages to renting," the paper said.

Industry observers said the idea has merit.

"Reminiscent of other mortgage products that prioritize equity-building, the researchers believe and we agree that their new product advances housing equality because of its easier entry point (no down payment) and more certain path to equity retention," said a Sept. 7 paper by Federal Financial Analytics.

"By choosing the fixed-COFI mortgage, the paper says that borrowers will lose the ability to spend refinancing gains on non-housing items. Instead, when mortgage rates fall, they effectively automatically refinance and pay less interest and more mortgage principal."

Edward Pinto, a resident fellow at the American Enterprise Institute and co-director of AEI's International Center on Housing Risk, said it "is an innovative and well thought out idea."

Historically, there has always been a difference between the COFI index rate and the 30-year fixed mortgage rate, except in a few instances.

"The big plus is the potential for wealth building," Pinto said, since the authors found the average maturity of fixed-COFI mortgages to be 23

years, so long as the borrower did not refinance or extract equity.

But some suggested it might be too different from current products to catch on.

“The fixed-payment COFI mortgage is an intriguing but quite complicated product,” said Glenn Corso, executive director of the Community Mortgage Lenders of America and a former private mortgage insurance executive.

“I think it would take a tremendous amount of borrower education to get consumers comfortable with the product,” he said. And it will take a “great deal of bank and/or in-

vestor education to get lenders comfortable with the product.”

Under the plan, a financial institution essentially guarantees the loan will be paid off in 30 years and the borrower will never pay more than the initial interest rate, which is based on the 30-year fixed mortgage rate.

If the difference, or “wedge,” between the 30-year rate and COFI index rate is 1%, that difference is used to pay down the mortgage faster. However, in a rising interest rate environment, the lender would have to hedge to preserve the borrower’s equity.

The Passmore-von Hafften paper lays out how institutions should hedge against that risk.

However, it’s a complex product, Pinto noted, and there’s question of whether many financial institutions will be interested in offering the fixed-COFI mortgage. There is also a potential hurdle in the difficulty of explaining it to consumers so they can understand it.

Not everyone in the industry, moreover, is enamored by the idea.

Michael Fratantoni, the chief economist of the Mortgage Bankers Association, said the group is very wary of the fixed-COFI mort-

gage product due to restrictions on prepayments.

In one version of the fixed-COFI mortgage, there is no prepayment allowed during the life of the 30-year mortgage. In another version, refinances are only allowed if rates drop by 2% or more, according to MBA.

“In the current regulatory environment, prepayment penalties are severely restricted,” Fratantoni said. “I don’t think either U.S. borrowers or the U.S. regulatory system would permit these products to be widely available. And I don’t think you would see a lot demand or take-up in the market.” **NMN**

More Hurricane Pain: Fewer Homes, Shortage of Construction Workers

BY BRAD FINKELSTEIN

THE NEED TO REBUILD AND REPAIR houses following Hurricanes Harvey and Irma is likely to put a damper on new construction and aggravate the inventory shortage.

The same crews that build new homes are also used to renovate existing ones, said Mark Fleming, chief economist at First American Financial Corp.

After any storm, “there is a material slowdown in the pace of new construction because all of the construction workers are busy repairing the existing homes,” Fleming said. “So the housing stock stops growing as much as it had been but that’s really the only longer-term implication.”

Even before recent the storms, there was a labor shortage in the homebuilding industry.

“This will only serve to exacerbate the existing shortage of supply problem. It’s hard to know at this junction if the magnitude of that exacerbation is significant or not,” said Fleming.

In August, the residential construction industry employed 786,400 peo-

ple, the second most since the housing bust, according to preliminary data from the Bureau of Labor Statistics.

There were 1.4 million employed in residential building at its peak in August 2006. Employment bottomed out at 528,000 in February 2011.

“Labor shortages have been the story of the construction underperformance for the last three years,” said Redfin Chief Economist Nela Richardson. “A lot of those workers will be diverted to rebuilding and repair, not just the homes, but the infrastructure damaged during the storm. So it is a bleak picture from a new construction point of view.”

The storms were responsible for September’s three point drop in the National Association of Home Builders/Wells Fargo Housing Market Index.

“The recent hurricanes have intensified our members’ concerns about the availability of labor and the cost of building materials,” NAHB Chairman Granger MacDonald, a homebuilder and developer from Kerrville, Texas, said in a press release.

From discussions with builders and material dealers, “our takeaway is absolutely across the board labor is the critical, critical pain point that we’re getting a tremendous amount of feedback on,” said Todd Tomalak, the vice president of research at John Burns Real Estate Consulting.

During Hurricane Katrina in 2005, the rebuilding in the Gulfport-Biloxi, Miss., area took eight years. Across the state, wages went up 12% on average per each construction worker, causing a reallocation of the labor force from other parts of the country.

The magnitude of damage in coastal Louisiana and Mississippi was well above what happened in Houston, but there could be a similar effect in Texas and Florida as material costs and labor costs rise in those areas, Tomalak said.

Storm-driven labor shortages are also affecting the building supply companies, he said. There are even shortages being reported for the workers that install electric and natural gas equipment in a new home,

said Jody Kahn, senior vice president of research at John Burns Real Estate Consulting.

“Everything is backed up because the utility crews have gone to the hurricane zone to help with the recovery process,” she said.

Building inspectors and insurance adjusters are being taken from other parts of the country as well, she added.

For existing-home sales in areas affected by a hurricane, there are also short-term price and transaction disruptions.

“As a buyer, my first question is ‘the home I was thinking of buying, has it been damaged? And if it’s been damaged, does that make me want to walk away from the transaction?’” Fleming said.

Sales generally slump while prices rise immediately after a storm. While that seems counterintuitive, usually these storms remove “a sizable portion of inventory and it’s really inventory, not demand, that is driving prices, especially now.” **NMN**

Second FHA Tour Would Be Much Different for Montgomery

Nominated last month as FHA commissioner, Brian Montgomery would lead an agency with a much better delinquency rate, but face new challenges.

BY BRIAN COLLINS

FOR BRIAN MONTGOMERY, HIS SECOND tour of duty at the Federal Housing Administration is likely to be substantially different than his first.

Nominated last month as Federal Housing Administration commissioner, Montgomery served in that role during the George W. Bush administration, when FHA's single-family program was in dire straits and the financial crisis helped bankrupt its mortgage fund.

The situation this time around is much better – the FHA has a 5.02% delinquency rate as of June 30, compared with 18.5% at the end of 2007 – but it is likely to prove challenging in other ways.

For starters, the FHA is under growing pressure to reduce its premiums for its traditional single-family program, a move that could anger the Trump administration's Republican allies in Congress. For another, the agency's reverse mortgage program continues to lose money and is expected to report a loss for its fiscal year 2017, which ends Sept. 30.

"He comes to the job with experience. And he is extremely knowledgeable," said David Stevens, head of the Mortgage Bankers Association and a former FHA commissioner. "So he can hit the ground running."

Though Montgomery was just nominated, he is expected to be approved relatively quickly, given his past experience in the job, and the lack of experience of his would-be

boss, Housing and Urban Development Secretary Ben Carson, a retired neurosurgeon.

Over the past eight years, Montgomery has worked as a consultant and vice chairman of The Collingwood Group in Washington, which serves many of mortgage companies.

"So he will have a much better understanding of where FHA fits in the whole mortgage marketplace," said Brian Chappelle, a co-founder and partner of the consulting firm Potomac Partners.

The most pressing issue facing the FHA is whether it should lower its premiums again if the annual actuarial report, due out in mid-November, shows that the mortgage capital ratio exceeds 2%.

Under the current rate structure, home buyers pay a 1.75% upfront premium and an annual 85 basis point premium. The last reduction in the annual premium was in 2015.

If the report looks good and FHA exceeds its minimum capital ratio, that would "put pressure on the Trump administration to lower the FHA mortgage insurance premium," according to a trade group lobbyist who did not want to be identified.

But Stevens doubts the new administration would act quickly on a premium reduction. And he expects

they will take their time considering how big a role FHA should play in the marketplace.

"Lower premiums would make their role bigger and that may be contrary to where the adminis-

tration believes it should be," Stevens said.

Also, there is "unknown risk to the FHA fund due to the two big hurricanes that just hit. And HUD has a lot of exposure in Puerto Rico," Stevens said.

While the single-family mortgage program is likely to have performed well, the reverse mortgage program, also part of the capital ratio, is struggling. If the capital ratio is below 2%, that would put "pressure on Congress and HUD to separate the reverse mortgage program from the FHA single-family program," the lobbyist said.

Some are already advocating for this switch for the Home Equity Conversion Mortgage program.

"They need to separate the forward book from the performance of HECM book if they want to make a case for lowering FHA premiums for first-time homeowners," said Lynn Fisher, vice president of research and economics at the Mortgage Bankers Association.

HUD approved a premium reduction in the waning days of the

Obama administration, but that was put on hold when President Trump took office. The decision is likely to fall to Montgomery after he is confirmed.

Fisher said it may be a tricky question, because it's hard to know what a premium reduction will do to FHA purchase mortgage activity. "That's because of the shortage of new homes and it's going to take time for that production to meet the current demand," she said.

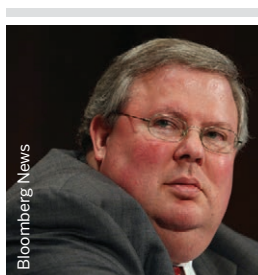
Many observers said the case for a further premium cut is straightforward given the performance of the single-family program and its low delinquency rate.

"The credit quality of FHA-insured single-family loans today is the best in nearly 40 years," Chappelle said.

"Are you going to effectively penalize first-time home buyers because of concerns about FHA's market share or using their premiums to pay for other HUD programs?"

During his first tour as FHA commissioner, Montgomery worked to modernize the single-family loan guarantee program and implemented electronic endorsements so lenders could get mortgage insurance certificates electronically.

Montgomery also streamlined the FHA 203(k) program, which provides financing for homeowners to renovate their homes. These 203(k) loans can also be used to rehabilitate homes after hurricanes and other disasters.



BRIAN MONTGOMERY
Federal Housing Administration

Montgomery is a “real proponent” of the FHA program and he is “well respected by the [HUD] staff,” Chappelle said.

That may give him cover if he endorses a premium reduction.

Republicans in Congress are likely to object to such a move, given concerns about government dominance of the mortgage market. Another premium cut could boost FHA's market share.

Some lawmakers are also worried that another downturn in the housing market may be in the offing, leaving the FHA facing problems when the loans go bad later.

Basil Petrou, managing partner at Federal Financial Analytics, noted that it has been almost 10 years since the housing crisis. “After the long recovery, lenders and the secondary market agencies are loosening their lending standards again,” he said.

The housing market moves in cycles and Montgomery should be “concerned about reducing mortgage insurance premiums at the wrong time,” Petrou said, “which could lead to losses down the road.”

Debt-to-income ratios on FHA loans have been going up and Fannie Mae and Freddie Mac are buying single-family loans from lenders with higher loan-to-value ratios. “Everybody is loosening up now,” Petrou said.

Since the start of the year, 40% of FHA purchase loans have debt-to-income ratios over 45% and more

than a fifth have DTI ratios over 50%.

Adolfo Marzol, a senior housing adviser to Carson,

recently told credit union executives that HUD officials are considering ways to reduce Federal Housing

Administration mortgage premiums or make other changes to help first-time home buyers.

“We are exploring ways to bring more creditworthy borrowers into homeownership,” he said. **NMN**

Don't take our word for it ... here's what brokers are saying about Caliber Wholesale



Here at Caliber Home Loans, Inc., we make time to spend more time assisting our wholesale business partners, no matter how busy the markets may be. If you ever wished it was all about you, relax ... at Caliber Wholesale, it is all about you. (And your clients, of course.)

“Across the board, excellent service, underwriting, funding/closing, and rate.” — Michael A.

“Excellent and quick communication!” — Michael K.

“Because you deliver excellent service.” — Bruce G.

Coming soon ... more of what you're asking for.

Earlier this year we introduced The Ultimate Home Buyer Experience. This high-tech digital mortgage toolkit enabled our business partners to fast-track homebuyers to closing with a lot less paperwork. Now we're working on a mobile app that will help ensure loan pipelines are always flowing - even when you're attending an Open House, closing or client meeting.

If you still haven't discovered why we're the nation's #2 Wholesale Lender, contact us today at nmp@caliberhomeloans.com or visit us at www.caliberwholesale.com



Caliber Home Loans, Inc., 3701 Regent Boulevard, Irving, TX 75063. (NMLS #15622). 1-800-401-6587. Copyright©2017. All Rights Reserved. Equal Housing Lender. For real estate and lending professionals only and not for distribution to consumers. This communication may contain information that is privileged, confidential, legally privileged, and/or exempt from disclosure under applicable law. Distribution to the general public is prohibited. (CORPAD_NMN)

Ginnie Chief Vows Tougher Scrutiny of Issuers After IG's Criticism

Ginnie Mae will more closely examine liquidity at all issuers in response to complaints by the HUD IG that it would be vulnerable to defaults at nonbanks it does business with.

BY BONNIE SINNOCK

That was then, this is now

The volume of mortgage securitizations and composition of issuers Ginnie Mae oversees changed dramatically over time

Nonbank issuer share in 2011: 14%

Nonbank issuer share in 2016: 73%

Total outstanding issuance in 2007: \$427.6 billion

Total outstanding issuance in 2016: \$1.7 trillion

Source: HUD OIG

GINNIE MAE PLEDGED TO VET ISSUERS more thoroughly after a government watchdog criticized its exposure to risks posed by nonbanks.

A report by the Department of Housing and Urban Development's inspector general took Ginnie to task for inadequate management of the growing number of nonbanks among its issuers. But banks and nonbanks alike will be watched more closely, said Michael Bright, the acting president of Ginnie.

"We want more information from the issuers who are our counterparties," Bright said.

Nonbanks, unlike banks, tend to operate monoline mortgage business and rely more on third-party

financing because they lack balance sheets and deposits, and could in some cases "see liquidity dry up faster than a diversified bank," Bright said.

But "banks can go under, too," he said.

"A balance sheet is not a panacea," he said, noting that diversified business lines are not necessarily a cure-all. The various financial services a bank offer could be, for example, concentrated in a region where there are economic concerns.

Bright's comments followed soon after the head of the Mortgage Bankers Association – a trade association that represents many nonbanks – challenged the HUD IG's conclusions.

The report "mischaracterized the role of, and the risks posed by, nonbank issuers," David Stevens, the association's president, said in a written statement.

Though banks have historically been more heavily regulated, today nonbanks are closely supervised by the Consumer Financial Protection Bureau and others, Stevens argued.

Nonbanks are "subject to stronger state and federal regulation than ever before, including robust examinations by both the states and CFPB and better information sharing between regulators at all levels," Stevens said.

Mortgage companies outside the banking industry also filled in a gap

at Ginnie when several bank issuers fled the market during the financial crisis, he said.

While those changes help contain nonbanks' risk, Ginnie could do a better job overseeing the unique liquidity concerns they face as the IG suggested, Bright said.

It has taken many steps to do this, but those efforts were "blunt instruments," and the risk needs to be targeted more precisely, Bright said.

Ginnie – which oversees government-insured mortgage securitization issuers – should determine the maximum default that it could handle for each issuer, as well as better manage nonbank counterparty risk, according to the IG report.

Otherwise Ginnie might be at risk of having to take a U.S. Treasury draw to stay afloat in the event a large-scale issuer default, Ronald Hosking, a regional inspector general, wrote in the Sept. 21 report he authored.

"Ginnie Mae was not prepared for the rapid growth and shift in issuer base, and its staff lacked the skills necessary to immediately respond to increased risks posed by these changes. As a result, Ginnie Mae may not identify problems with issuers in time to prevent default," the report said. "Additionally, it may not be able to properly service loans absorbed in a default and may require additional funds from the United States Treasury to pay investors in the event of a large issuer default."

The many steps Ginnie took to address risk as nonbanks grew

from 14% of its guarantees of single-family securitizations in 2011 to 73% in 2016 were not “timely” or effective enough, according to the report. The principal balance of outstanding issuance Ginnie has to oversee also has grown considerably, from \$427.6 billion in 2007 to \$1.7 trillion in 2016.

“In an internal memorandum, dated March 2017, Ginnie Mae stated that it would be difficult to absorb portfolios greater than 100,000 loans or with high levels of delinquency without impacting servicing standards,” the report said.

Ginnie’s initial written response to the report acknowledged the risk, but also said that the government agency “is not wholly without the ability to manage such a situation,” said Michael Drayne, senior vice president in Ginnie’s Office of Issuer and Portfolio Management.

“The report implies a deficiency on the part of Ginnie Mae that non-depository issuers have grown to the scale they have,” Drayne said. “But that this has occurred is a function of the housing finance system’s adaptation to a variety of factors and policy actions.”

Ginnie is “absolutely aware that we have seen a massive evolution in our issuer base [and] we’ve seen massive growth in our securities,” Bright said. “We are not blind to any of these dynamics. We will be taking additional steps.”

In the past Ginnie has blamed, and the HUD IG has acknowledged, that

a lack of resources plays into challenges the government agency has faced managing nonbank risk,

but Bright is not relying on additional assistance.

If Ginnie got more independence, money and

staff as it has requested in the past, Bright would ensure it made “good use of taxpayer funds;” but he

added: “That said, I’m not asking for more money. We have a job to do. We’re going to do our job.” **NMM**

In this world of record number of defaults, complex loss mitigation solutions and changing government regulations, who can you count on to manage your most valuable assets, your customers?

THERE ARE NOT MANY THINGS IN THIS WORLD YOU CAN COUNT ON

For more than 40 years, Cenlar partners have counted on us for:

- Better default management solutions
- Improved management of regulatory compliance
- Reduced portfolio risk
- Increased flexibility to achieve your strategic objectives
- Superior customer service

Our loan servicing is as dependable as the sun setting in the west.



*The Name You Can Count On
in Loan Servicing.*

Visit us at www.cenlar.com or call **1-888-SUBSERVE** (782-7378) to learn how you can count on Cenlar FSB to manage your loan portfolio.

Equifax Breach Fuels Digital Mortgage Doubts

The extent of data exposed in the Equifax breach raises questions about the risk of fraudsters exploiting online processes to further compromise consumer data.

BY BONNIE SINNOCK AND BRAD FINKELSTEIN

The digital divide

Fraud risks and their costs are greater for digital goods

Fraud costs overall average 1.9% of revenue

Average fraud costs for digital goods firms: 2.5%

The mobile channel in particular has higher risk

Average share of lending done via mobile: 22%

Source: LexisNexis Risk Solutions

DIGITAL MORTGAGES ARE IMPROVING the borrowing experience for consumers, but they may also complicate fraud risks stemming from the Equifax data breach.

“A data breach of this magnitude is not contemplated in the development of a digital mortgage or any mortgage,” said Debbie Hoffman, a consultant who advises lenders on legal and compliance issues. “Because digital is less personal and more systematic, I think the risk could be greater.”

Fraud risk is “marginally” higher for digital mortgages than traditional ones, said Nick Larson, manager of real estate strategy at LexisNexis Risk Solutions.

Digital mortgages won’t likely be the first target for identity thieves using the Social Security numbers, driver’s license numbers and other personally identifiable information stolen from Equifax. Credit cards or retail items that can be purchased online in the short-term with less scrutiny are easier to access.

But identity thieves tend to broaden their reach over time, and they could potentially fake enough borrower data to close a home loan, particularly if the process is compressed and done entirely online. But they would have to clear a number of digital hurdles to pull it off.

“I suppose under the right conditions it is possible, but it’s probably really easy to get caught,” said Dan Cutaia, the founder of digital mortgage startup BeLoan-Ready, adding that he would advise lenders to consult experts for

“If there is anything that indicates this is not a valid consumer we’re dealing with, it will stop the process and tell you that you’ve got to call.”

— Mark Greco, President, 360 Mortgage

more guidance on how much risk they have and what is the best way to manage it.

The mortgage industry has a lot of exposure to Equifax.

Tri-merged credit reports that include Equifax data are generally accessed by all mortgage lenders. Equifax also partners with many influential companies. Equifax, for example, is one of Fannie Mae’s key vendor partners enabling its Day 1 Certainty data verifications, and also partners with Freddie Mac.

“There is no doubt Equifax will have a lot of tough questions from lenders” as a result of the breach, said Garth Graham, a senior partner at industry consulting firm Stratmor Group.

So far Fannie, Freddie, loan origination system provider Ellie Mae and several others that have business partnerships with Equifax have respectively said they find no signs their data has been compromised as a result of the breach, but they are continuing to monitor the situation.

All these players are more frequently automating processes that have been done in person in the

past, such as appraisals done to verify refinances, notarizations, and electronic closings.

These practices may increase fraud risk, but even traditional mortgages originated with human intervention may not be immune to a data breach where a fraudster has access a lot of borrower information.

For example, Cutaia recalls at least one instance during the housing bust where an identity thief used a real driver's license number and a real borrower's name to make a convincing fake ID with his photo on it and showed up at the closing in person with it undetected.

Providers of digital mortgages and related services and technology, as well as traditional lenders, go through many more steps to authenticate borrowers now than they did in the past.

The automated data verifications used in many digital mortgage technologies cut down on human processing time and help reduce data entry errors.

But they also pose new fraud risks that lenders must protect themselves against.

For example, 360 Mortgage Group recently implemented a digital mortgage self-service tool that streamlines the application process by minimizing the amount of information collected from consumers.

While traditional processes require underwriters to use third-party sources to validate data provided by borrowers, 360 Mortgage "inverts" that process by presenting information pulled from data aggregators to the borrower for verification.

So what's to stop a fraudster who has some stolen consumer data from obtaining more data from the digital mortgage application?

For starters, borrowers have to go through a rigorous identity verification process that includes validating whether the borrower's

name matches the name registered to the cell phone number provided on the application.

"If there is anything that indicates that this is not a valid consumer that we're dealing with, it will stop the process and tell you that you've got to call," said 360 Mortgage President Mark Greco.

Once a borrower's identity is validated, the applicant is presented multiple choice questions to verify information such as income and assets that was pulled from third-party sources.

The answer options are presented in ranges, so the actual data point is not revealed to the user until the end of the process when the borrower is asked to sign a form 1003 mortgage application.

The system also asks other detailed questions that the only the borrower is likely to know. "One example is, '10 years ago you bought a car, what color was that car?'" Greco said.

The Austin, Texas-based lender also contracts with third-party data security companies that regularly monitor its systems and test it for vulnerabilities.

These types of safeguards make digital mortgage applications a more difficult target for fraudsters, even if they already have some stolen data about a consumer.

Lenders and technology providers are doing more to authenticate borrowers having battled with their own security breaches and evolution of fraud risks, and that should help manage risks from the Equifax breach, said Ann Fulmer, chief strategy and industry relations officer at FormFree.

While identity thieves got a lot of information from the Equifax breach "there is no one database that has every single piece of information about every single per-

son," so it would take a lot scam artist to construct a fake identity that makes it all the way through multiple layers of identity checks, Fulmer said.

"Credit as always been at the epicenter of mortgage authentications, but that benchmark no longer carries the clout it once did," said Brett Chandler, founder and CEO of FormFree.

In addition to fraud prevention methods developed post-crisis like examining relationships between parties to transactions through analytics to identify potential collusion, automation can analyze whether borrower behavior, devices or locations break usual patterns.

Even if someone used the stolen Equifax information to apply for a mortgage, "there are a lot of things lenders can do through digital means to make things quite hard for fraudsters," said Frank McKenna, the chief fraud strategist at risk management firm PointPredictive.

Because of the size of the breach, the federal government is likely to get involved and put more regulations in areas like data security and privacy. But it will be the lending community's responsibility to implement those new regulations, McKenna said.

There are services that will scan a driver's license to see if it's a forgery. Selfies can also be used to prove identity and digital fingerprint services are available.

Notarize, a company that provides automated notarization of documents online during digital-mortgage closings, uses three-factor authentication that includes quizzing borrowers on information only they should know, photo IDs that go through forensic analysis and video recordings of the closings.

Advanced authentication will likely include additional measures beyond this like "biometric" forms of identification, said Paul Bjerke, vice president, fraud & identity management strategy at LexisNexis.

"It could follow in the footsteps of Apple, which just announced facial recognition on their phones. The innovators will get there," said Hoffman.

Even biometric identifiers could have limitations. Older facial recognition technologies, for example, could be tricked, but newer forms, like the "Face ID" that Apple recently unveiled with its new iPhone, have addressed those concerns.

"With the old format of facial recognition you could put a picture in front of the camera, but with this, you can't," said Terry Kurzynski, senior partner at Halock Security Labs.

The Equifax breach "is going to redefine how we figure out credit for people. The Social Security number and name, we can't count on that right now."

The extra authentication steps and expenditures could be in some ways a setback for digital mortgages, as trust in technology and processing speed contribute to their appeal, but it won't be an insurmountable hurdle.

"I don't think digital should be stopped," said Fulmer. "I just think we need to come up with new factors for authentication."

The industry will likely prove resistant to additional authentication measures at first, in part due to costs and questions about how to prevent stored information from being exposed to potential electronic theft or privacy concerns. But it will be a long-term trend, said Kurzynski.

— Austin Kilgore contributed to this report.



ANN FULMER
FormFree



DAN CUTAIA
BeLoanReady

RADIAN

CELEBRATING

40
years

of ensuring the
**AMERICAN
DREAM**



In 1977, this was a mobile phone.

Over the last 40 years, Radian has led the industry with innovative products and on-the-go solutions. We are dedicated to helping you stay connected and productive – anytime, anywhere.



Industry-leading mobile technology

COMING SOON – the MI industry's first mobile app is new and improved! The Radian Rates app allows you to access calculators, save and retrieve quotes, and send results directly to your borrowers.



World-class training at your fingertips

Radian's virtual training resources can help you stay on top of industry trends and give you a competitive edge with expert insights and technical knowledge.



Resources to easily originate business

Our web-based MI Online® interface, pricing calculators, LOS integrations and One Underwrite® program make it easy to prepare, submit and track your business with Radian.



Programs designed to generate referrals

Leverage innovative partnerships and programs to help advance the conversation, including diverse market expertise and our exclusive MortgageAssure job loss protection.

A lot has changed since Radian was founded in 1977, but our commitment to our customers stands the test of time. **Thank you for helping us make the last 40 years a success.**

Corker's Retirement May Change GSE Reform Calculus

Sen. Bob Corker's departure at the end of next year puts a deadline of sorts on his efforts to unwind and replace Fannie Mae and Freddie Mac.

BY KATE BERRY AND ROB BLACKWELL



SEN. BOB CORKER, R-TENN., A KEY voice in the debate over housing finance reform and one of the Senate Banking Committee's most influential members, announced last month that he will not seek re-election in 2018.

His departure puts a deadline of sorts on his ongoing efforts to unwind and replace Fannie Mae and Freddie Mac, an endeavor he started in earnest four years ago but which so far has failed to gain traction. Corker and Sen. Mark Warner, D-Va., have been the driving force behind a bill to eliminate the government-sponsored enterprises and replace them with private firms backed by a catastrophic government guarantee.

It remains unclear whether Corker can help make that vision a reality in the remaining 15 months he has left in office.

"It puts a deadline on everything he wants done," said Karen Shaw Petrou, managing partner at Federal Financial Analytics, who called him one of the "most knowledgeable" policymakers on the issue.

Jim Parrott, a nonresident fellow at the Urban Institute and former senior adviser at the National Economic Council in the Obama administration, noted that next year is also the last chance for House Financial Services Committee Chairman Jeb Hensarling to significantly shape GSE reform,

because he faces a GOP term limit as the head of the panel.

"With next year Hensarling's last as chairman and Corker's last in the Senate, we may actually see this get more of a push than anyone expected," Parrott said.

Yet it's not clear that there is enough support to pass a bill on a topic as complicated and divisive as this.

"There simply isn't the path to passage in this Congress," said Isaac Boltansky, director of policy research at Compass Point Research & Trading.

Cam Fine, president of the Independent Community Bankers of America, which has clashed with

Corker over GSE reform in the past, said that "aligning all the competing approaches in light of the general paralysis that is gripping Congress will be a heavy lift."

"Certainly, if it doesn't get done by late spring, then it probably won't get done before the election," Fine said. "And then with Corker gone, a key advocate for his approach to reform will be gone."

Still, Corker's vision may outlive his time in the Senate. Senate Banking Committee Chairman Mike Crapo has supported a version of the Corker-Warner bill in the past, and is widely expected to push a similar structure when he unveils a bill. Other allies like Warner will remain in the Senate past 2018.

For his part, Warner lamented Corker's departure, praising him as a policymaker willing to work across the aisle.

"We have worked closely together on a number of budget and banking-related issues, particularly housing finance reform," Warner said in a press release. "No matter the challenge, you can always count on Senator Corker to bring a reasoned, thoughtful approach, and to make decisions based not on partisanship but on what he believes is in the best interests of the American people."

Indeed, that may be the larger impact on Congress as a whole. Corker was a policy wonk, willing to dive into the details of an issue and not give in to knee-jerk partisan reactions. He was a key player

in developing parts of the Dodd-Frank Act of 2010, for example, even though he ultimately voted against it. Corker's work helped inform the Federal Deposit Insurance Corp.'s new powers to take down and unwind a failing banking company.

Moreover, GSE reform is a tricky subject that many lawmakers would just as soon avoid.

"Corker was the kind of guy who wanted to stay late at work and he was a moderate and an ally in working with the Democrats," said Chris Whalen, chairman and founder of Whalen Global Advisors, an advisory firm focused on banks and the mortgage sector.

If Corker leaves without finishing GSE reform, it's unclear if there will be another lawmaker willing to take his place. Certainly, other groups are liable to make a push for their own vision of GSE reform.

For example, the Main Street GSE Reform Coalition wants to end the GSE conservatorship that began in 2008 but enact a minimum amount of reform. The coalition wants to create a capital buffer for Fannie and Freddie and ensure equal access and pricing for small lenders.

Corker "has been very active on the issue but I'm not certain as to what the impact will be on GSE reform," said Glen Corso, executive director of the Community Mortgage Lenders of America, part of the Main Street coalition.

Yet GSE reform cannot be delayed indefinitely. The GSEs are running low on capital and their regula-

tor, the Federal Housing Finance Agency, will have to choose between continuing to sweep the enterprises'

profits into the Treasury Department or allowing them to rebuild capital. If they run out of funds, it would

force Fannie and Freddie to borrow from the Treasury.

"It's only a matter of time before Fannie and Freddie

blow up, because any institution as big as GSEs on zero capital is on life support," Petrou said. **NMN**



GAIN AN EDGE IN APPRAISAL REVIEW

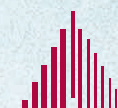
**WITH A REVIEW DESIGNATION FROM THE
APPRAISAL INSTITUTE®**

As an appraisal reviewer, your career is focused on reviewing the work of others. But have you reviewed how to gain a professional edge in your career?

Reviewers who become AI-GRS or AI-RRS Designated members of the Appraisal Institute are well-positioned to benefit from the growing demand for highly-qualified reviewers.

Gain an edge over your competition — pursue an Appraisal Institute General (AI-GRS) or Residential (AI-RRS) Review Designation today.

Find out which designation is right for you:
appraisalinstitute.org/reviewer.



**Appraisal
Institute®**

*Professionals Providing
Real Estate Solutions®*

CASH CROP

29 states. 283,000 new jobs. \$50 billion in annual revenue.
What will it take for the mortgage industry to capitalize on this opportunity?

BY BRAD FINKELSTEIN

There is an emerging industry that employs as many as 230,000 workers and is expected to create over 283,000 new jobs in the next three years. Its businesses have a net worth of \$7.2 billion, with a projected compound annual growth rate of 17%.

Those kinds of numbers would usually prompt financial institutions to go out of their way to establish a market foothold, both to extend credit to companies and establish consumer relationships with employees – particularly when the Bureau of Labor Statistics expects traditional sectors like utilities, agriculture, manufacturing and even the federal government to shed jobs through 2024.

But this budding business is the highly controversial legal cannabis industry that, so far, mortgage lenders and other financial institutions have been reluctant to work with.

Marijuana is legal for recreational use in eight states and the District of Columbia, and for medicinal use in an additional 21 states. But the federal government regulates it as a Schedule I substance (one with a high potential for abuse and no currently accepted medical use), and there is no guarantee that the Department of Justice won't seek to prosecute recreational or medical use providers operating legally under state law.

For mortgage underwriting purposes income legally derived from cannabis businesses cannot be used to qualify a borrower for an FHA-guaranteed loan. Fannie Mae and Freddie Mac, currently under federal conservatorship, have similar policies in their seller guides.

But even lenders that offer less restrictive loans outside of the federal Qualified Mortgage guidelines can't, or won't, serve these borrowers.

Many cannabis business workers come into the industry knowing it's "a lifestyle that is nontraditional. They're not likely going to be able to get a mortgage; I think they just accept that," said Lori Glauser, chief operating officer of Signal Bay Inc., whose EVO Labs subsidiary tests cannabis for safety and efficacy.

It appears that no lender is willing to be the first to try it, out of risk of being made an example by regulators. But as higher interest rates, plummeting refinance volume and housing inventory shortages continue to constrict originations – and the cannabis industry continues to grow in size and legitimacy – taking on this new strain of risk may soon become a more lucrative proposition.



IMAGE: GETTY IMAGES

The legal cannabis industry has two sectors: hemp, which has a number of industrial applications like rope and textiles, and marijuana, whose businesses are largely focused on consumable uses. Each sector has cultivation and manufacturing segments, while the marijuana sector also has a retail segment.

Each dollar spent on retail marijuana resulted in \$2.40 in economic output in Colorado, according to an analysis of the state's legalization law conducted by the Marijuana Policy Group, a Denver-based consulting firm. For the general retail business, including alcohol, the report found that economic output was \$1.88 for each dollar spent.

Marijuana legalization created 18,005 full-time equivalent jobs in Colorado in 2015, of which 12,591 were directly involved with the marijuana business, the report also found.

"Additional employment is also generated when marijuana employees and proprietors spend their income on local housing, food and entertainment," according to the report. "This is called an 'induced employment effect.'"

That category was responsible for 2,518 jobs in 2015.

What's more, these jobs cover "everything from minimum wage ranging up to six figures a year," Glauser said. "The industry hires high-level chemists and technical personnel that can operate sophisticated equipment such as extraction equipment to process certain materials, and they are very highly paid. And, yes, in some cases they are likely getting paid in cash."

As more states are expected to legalize cannabis for recreational and/or medical use and industrial uses for hemp products expand, "the potential opportunities for job creation in cannabis-related sectors remains very strong and will significantly dwarf the numbers that we have here," said John Kagia, execu-

tive vice president of New Frontier Data, a data and analytics firm in Washington, D.C., that specializes in the cannabis industry.

The firm analyzed the national job and economic impact of the cannabis industry by extrapolating from the Marijuana Policy Group's Colorado study. In addition to the projections of 283,000 new jobs and the industry's \$7.2 billion net worth, New Frontier found legal marijuana sales will generate an estimated \$745 million in state tax revenue in 2017.

By 2020, it could grow as high as \$2.3 billion.

HOUSING'S CONTACT HIGH

Colorado and Washington were the first states to legalize the recreational use of cannabis.

Denver is one of the nation's hot housing markets. Home prices in the metro area increased 8.3% in July over the same month last year, ranking eight nationwide according to CoreLogic. Seattle was the leading city with growth of 14.55%.

On a statewide level, Colorado recorded an 8.3% increase; the state with the largest increase was Washington at 12.9%.

Such growth can't be strictly attributed to legalized canna-

bis; Utah, where it is not legal, had 10.8% year-over-year price growth, making it second, while Idaho was third at 9%.

Denver's economy was doing well prior to legalization, said Kagia. But "cannabis has been just one of the contributing factors to the very strong state economic performance over the past few years. It has created very high rents, higher mortgages."

So housing in general "has become a challenge for lower income earners, both in the cannabis industry and outside," said Kagia.

Now that cannabis has been legal in Colorado for several years, "we can see that it has absolutely affected our market," said Kelly Moyer, a real estate broker at Remax Alliance in Bloomfield, Colo. It started on the commercial side, where cannabis businesses increased the demand for warehouse and retail space.

Now, "tons of different companies who want to take up that space and are willing to pay a premium for that," said Moyer, who is also the spokeswoman for the Colorado Association of Realtors.

The dynamic between commercial and residential demand does not operate in a vacuum. When space got rented or purchased by

legal cannabis businesses, it created many new jobs with people moving to Colorado who needed places to live.

"Our supply and demand has really taken a crazy turn in the last five years for lots of reasons, legal marijuana being one of them," Moyer said.

In addition to legal cannabis creating new jobs, Amazon and Google have also added employees in the state and increased competition for housing. Colorado's quality of life is particularly appealing to a lot of people looking to fill those positions.

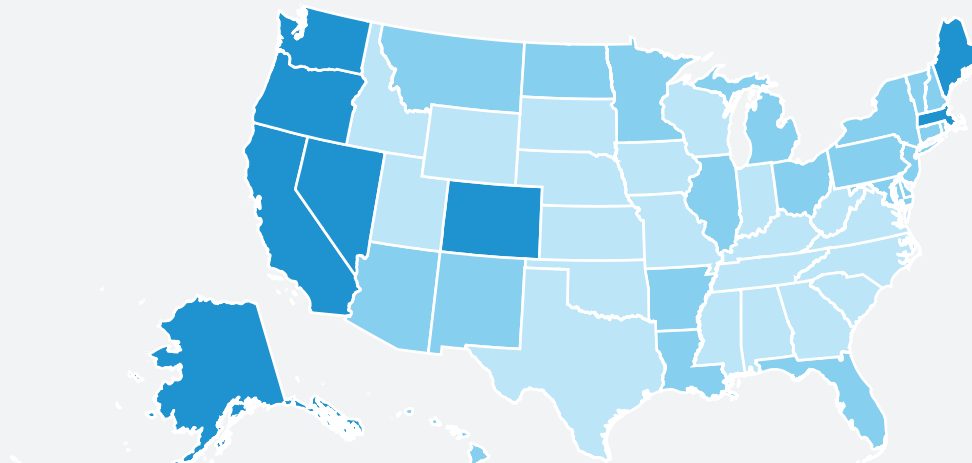
Some of her clients are between 25 and 35 years old are looking to buy a condominium or first home and they might not have been in a position to buy if they didn't have a job in the cannabis business.

"There are a lot of people who are moving here to work in that industry who may not have moved here otherwise. And all of a sudden, we have a significant low supply and high demand issue, which pushes prices up," Moyer said.

And even if they can't get credit or lack the cash to purchase a home, they are competing for rental properties. So rents are rising and people working in more

Marijuana legalization by state

Marijuana is legal for recreational use in eight states and the District of Columbia, and for medicinal use in an additional 21 states



traditional businesses are making the calculation that it is cheaper to buy.

“So those people who are renting and working in the marijuana industry cause the people who are not to go out and buy, which then fuels our housing market,” Moye said.

UNDERWRITING HEAT SCORE

Medical marijuana use was approved in New York State in 2014. Soon after, Michael Barone, the managing partner of Abrams Garfinkel Margolis Bergson’s mortgage compliance practice, began receiving client inquiries about what is permissible when it comes to lending to that industry’s workers.

“Now you have employees – the growers, the retailers, the bookkeeper that works there, the packager – who are getting W-2s that show [they work in the] marijuana field and some of them are having trouble” obtaining credit, Barone said.

The industry’s hyper-sensitivity toward compliance has lenders concerned that trying to qualify cannabis workers for mortgages would amount to an underwriting “heat score” – activity that draws unwanted attention from regulators.

“These banks are not taking chances; they’re not taking risk on a compliance level,” he said, adding there is not enough business in making loans to these workers to take on the additional risk.

The reluctance to lend means “these people are really getting hurt. They need that income to qualify for a loan or to refinance,” Barone said.

Cannabis employers have problems with access to banking services because of the federal prohibition. Approximately 70% of businesses that touch the plant cannot establish a bank account,

according to a December 2015 survey from Marijuana Business Daily, a trade publication for the cannabis industry. Without bank accounts, employers are forced to pay their workers, along with their business expenses such as rent and taxes, in cash.

But that doesn’t mean employees are getting paid under the table. Most of the businesses, even if they are operating in cash, have a payroll management system or use an outsourcer. So the employees are getting paystubs with tax-

“Now that cannabis has been legal in Colorado for several years, we can see that it has absolutely affected our market.”

— Kelly Moye, Real Estate Broker, Remax Alliance

es withheld, along with a W-2 at the end of the year, that lenders could use to document income, said Taylor West, the deputy director of the National Cannabis Industry Association.

But while being paid in cash is not an automatic disqualifier for getting a mortgage, it can be a red flag for underwriters.

Large sums of cash passing through a bank account worry lenders who have to be mindful of anti-money-laundering laws, including compliance with the Bank Secrecy Act. Any cash deposit or multiple deposits over \$10,000 trigger a reporting requirement for banks.

A number of professions involve people who receive much of their income in cash, usually from tips, and they don’t have a problem qualifying for a mortgage. For a cannabis worker who still receives a W-2, “in its essence, how is it any different than other industries where people get paid cash,” said Ann Fulmer, a mortgage fraud expert and chief strategy and industry relations officer at FormFree Holdings, an asset data verification company.

If the applicant is receiving a W-2, that should be good enough for AML and BSA compliance, she continued, because the income is being reported.

On the other hand, “If I was an underwriter and I saw a \$25,000 cash deposit, my antenna would go way up,” Fulmer said. But just because it’s a red flag doesn’t mean an underwriter should automatically deny an applicant. If the income is reported on a W-2 and taxes are being paid, that could be enough to assuage concerns, she said.

Yet, “it’s still illegal on a federal level. They can’t [use] income for underwriting purposes which is derived from

what is considered an illegal activity on the federal level,” said Barone.

COMPLIANCE HAZE

Two federal guarantee programs have no specific bar on the use of income from cannabis businesses.

The regulations for the Veterans Affairs loan guarantee program require lenders to ensure that a borrower has a stable and reliable source of income, said agency spokesman Randal Noller. The U.S. Department of Agriculture Rural Development program does not have a policy regarding loans to people working in the legal cannabis business.

And at least one lender has originated loans for cannabis industry workers and sold them to the government-sponsored enterprises. Evergreen Home Mortgage has sold loans to both Fannie and Freddie where the borrowers are W-2 employees and don’t have an ownership interest in the cannabis business where they work, said Tamra Rieger, executive vice president of loan fulfillment at the Bellevue, Wash., lender. She declined to specify whether these borrowers had additional income sources that

were considered during underwriting or how many of these loans have been originated.



GEARING UP
FOR THE ROAD AHEAD

- » eMortgage Facilitator
- » idsDoc Scalability
- » Service Bandwidth
- » Revised 1003 Compliance
- » Developing New Tools & Technologies
- » Come see us in Denver! Booth 400

IDS
idsDoc.com/more

MORTGAGE DOC PREP FOR YOUR EVER CHANGING NEEDS

When asked specifically about this, Freddie Mac spokeswoman Lisa Tibbitts said in a statement, “The Department of Justice has made it clear that selling marijuana and other related activities violates federal law regardless of state law.” Fannie Mae declined to comment.

If the traditional secondary market won’t consider these workers for loans, the non-qualified mortgage lenders would be a logical alternative. But even these companies are worried about lending to people getting paid in cash.

There is not one jumbo or non-qualified mortgage lender that allows Evergreen Home Loans to use income from a cannabis business to qualify a borrower, said Rieger. “That is where we had the worst trouble.”

She couldn’t find anybody in the scratch-and-dent market willing to work with these borrowers, either.

“Jumbo is the most restrictive out of all the types. What we found in Washington is the credit unions have been the only ones that have been able to help jumbo borrowers because of the way they are regulated by the NCUA.”

The National Credit Union Administration has taken a hands-off approach to working with cannabis businesses and their employees.

“The NCUA’s position is that the decision whether to work with a cannabis-related business is one for the credit union itself. We have advised credit unions of FinCEN’s guidance and that we examine for Bank Secrecy Act and anti-money laundering compliance. We also expect credit unions to analyze and mitigate risk, as we do with any financial service product they provide,” agency spokesman John Fairbanks said in a statement.

A number of credit unions known to work with the cannabis industry declined, or did not respond, to requests for comment.

Jumbo lenders are likely concerned about the risk of an expensive mortgaged property being seized by the Drug Enforcement Administration or the institution being subject to prosecution by the Justice Department, regardless of the laws in the state of Washington, Rieger said.

FHA and jumbo are “the two products we have no ability to provide [people who work in the legal cannabis industry] with a loan. We’d love to be able to help those borrowers,” she said.

Angel Oak Mortgage Services is

“We still have to issue compliant loans based on federal laws, CFPB guidelines and Dodd-Frank; those still apply to non-QM loans.”

— Tom Hutchens, Senior Vice President, Angel Oak

another lender staying away from the cannabis industry. Despite taking additional risk for other types of borrowers in its non-Qualified Mortgage lending, it can’t ignore federal law.

“We still have to issue compliant loans based on federal laws, Consumer Financial Protection Bureau guidelines and Dodd-Frank; those still apply to non-QM loans,” said Tom Hutchens, senior vice president of Atlanta-based Angel Oak.

“The challenge is that there are just so many hurdles that don’t apply to other employees,” he added.

The problem is that federally chartered banks don’t allow deposits from cannabis businesses, and employees must have verifiable information about income and assets.

“If [the information] is not verifiable because of the type of business they are in, then that’s not a loan we’re going to be able to transact,” Hutchens said. “We have to have a documentable ability to repay. Anyone in an all-cash business, do they have a documented ability to repay? Chances are the answer is no, but they could. It’s not an absolute.”

Easing the prohibitions is up to Congress, with at least 23 bills introduced in the current session that would affect the treatment of cannabis, according to The Cannabis website.

There is the Secure and Fair Enforcement (SAFE) Banking Act, introduced in the House by Rep. Ed Perlmutter, D-Colo., and the Senate by Sen. Jeff Merkley, D-Ore. The bills seek “to create protections for depository institutions that provide financial services to cannabis-related businesses.”

On Sept. 8, in the emergency aid package for Hurricane Harvey, Congress extended the Rohrabacher-Blumenauer amendment (first passed in budget legislation in 2014 and formerly known as Rohrabacher-Farr) through Dec. 8. It prohibits the Justice Department from spending funds to interfere with the implementation of state medical marijuana laws.

However, Attorney General Jeff Sessions opposes any attempts to legalize marijuana for any use. In May, Sessions sent a letter to congressional leaders asking them not to include the amendment in any appropriations legislation.

“I believe it would be unwise for Congress to restrict the discretion of the Department to fund particular prosecutions, particularly in the midst of an historic drug epidemic and potentially long-term uptick in violent crime,” the letter said. “The Department must be in a position to use all laws available to combat the transnational drug organizations and dangerous drug traffickers who threaten American lives.”

As long as federal and state policies – and executive branch and legislative branch objectives – remain at odds, there will be no change in the status quo. Lenders’ ability to serve those in the marijuana business remains limited. **NMN**

SUBSCRIBE NOW

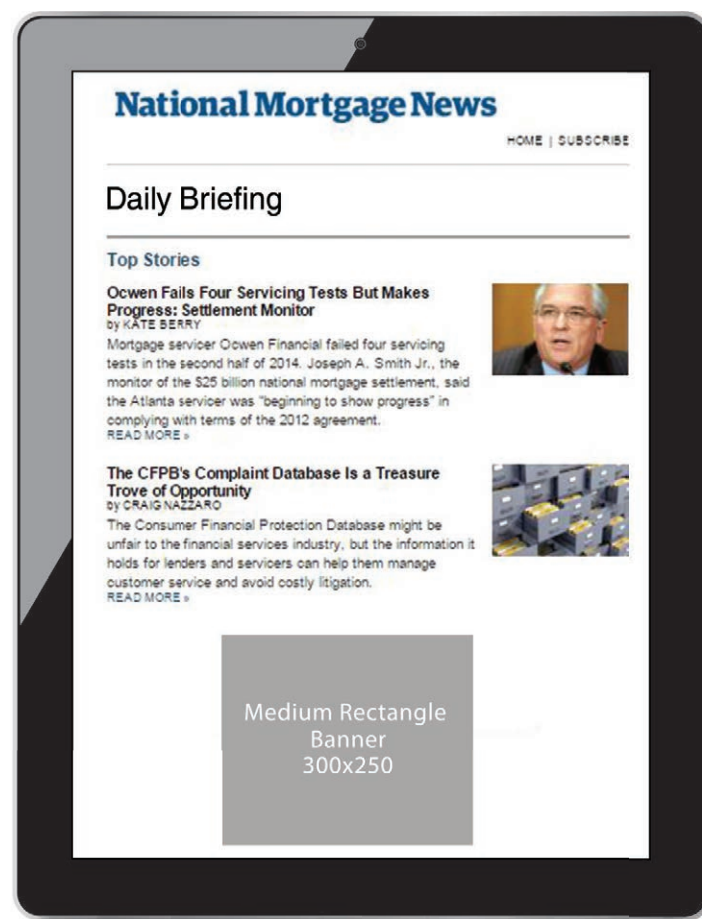
THE DAILY BRIEFING E-NEWSLETTER

NATIONALMORTGAGENEWS.COM/SUBSCRIBE/MAIN.HTML

The Daily Briefing is a free e-mail newsletter that offers our engaged audience a morning roundup of the latest news, analysis, data and opinion spanning the entire mortgage industry.

In addition to Top Stories, **The Daily Briefing** provides you with important industry topics such as:

- **Our award winning editors** offering their perspective on late breaking news.
- **An overview of the latest topics** shaping the mortgage industry, allowing users start discussions with other industry experts.
- **Headlines, features, and opinions** for professionals in the servicing sector of the mortgage industry



GO TO NATIONALMORTGAGENEWS.COM/SUBSCRIBE/MAIN.HTML TO SIGN UP TODAY FOR YOUR **FREE SUBSCRIPTION** TO THE DAILY BRIEFING.

THERE IS NO RISK; UNSUBSCRIBE AT ANY TIME.



What Can Fannie Do For Lenders?

Andrew Bon Salle wants to ease the burden of loan-level price adjustments and expand rep and warrant relief. But even he admits there are limits to his power. BY BONNIE SINNOCK

Andrew Bon Salle, executive vice president of Fannie Mae's single-family business, oversees the policies of the largest buyer of residential mortgages in the U.S.; but there are limits to his power. Bon Salle is focused on overseeing policies designed to help mortgage lenders sell loans to Fannie so it can fulfill its affordable housing mission. Bon Salle knows a lot about what lenders want; but he admits there are practical limits to what he can, or will, do for them.

For example, he can't do too much about loan-level price adjustments. That's in part because LLPAs are controlled by the Federal Housing Finance Agency that serves as the GSEs' conservator and regulator.

"FHFA holds the pen on that," he acknowledged in an interview in New York earlier this year.

That's not to say there no hope that lenders will ever get more a little more relief from the credit adjustments that are added on top of fees they already pay for Fannie to guarantee the credit risk on their loans.

Fannie has, for example, waived some LLPAs for HomeReady low down payment loans; and it is possible it could remove more LLPAs on a limited basis from certain other loans.

Even if Bon Salle could get rid of LLPAs, he doesn't think it would make sense to get rid of them entirely.

"I'm a believer in risk-based pricing," he said.

Even if Fannie did want to shift to make a change, it would be time-consuming, said Bon Salle.

"It would take the industry five to 10 years to adopt a change in how we extend pricing," he said.

There are some limited exceptions, though, in the cross-subsidies Fannie offers to support affordable housing.

While Fannie's not going to completely eliminate the extra fees it charges for loans with higher credit risk, it will eliminate them in some circumstances, and there are many other ways the agency is willing to adjust the policies in its selling guide to make lenders' lives easier.

"There are a whole bunch of things we're looking at," he said.

Fannie has, for example, plans to build on its recent efforts to remove home buying hurdles faced by borrowers who have student debt, as well as those seeking to finance condominiums.

There are limits to how far Fannie can open up its underwriting, but doing something like accommodating cash-out refinances for borrowers with student loans makes sense because it manages risk by decreasing the consumer's debt burden, Bon Salle said.

Making improvements to the underwriting process can take time, he noted. Doing more to improve condominium

lending, for example, won't be something Fannie can do overnight.

"That's a longer-term data-set kind of challenge that we're going to have to work with the industry on," said Bon Salle. "That's not a quick fix. There's not a lot of structured data in that space."

Another change Fannie would consider is an expansion of the relief from representations and warranties it is now able to offer lenders on loan data elements that were tied to a lot of loan repurchases in the past.

When asked if there could be more pieces types of data the GSE could apply the relief to, Bon Salle said, "I'm sure there are, but I'm not sure we have all the answers yet."

"We have already hit the big three," he added. "When you look at the reasons why loans got repurchased, those are income, assets and collateral value. We've covered that."

Finding a way to use data to validate certain conditions lenders must rep and warrant to in underwriting condos, such as the owner-occupancy rate, could be an example of this.

Fannie Mae also continues to look at the possibility of expanding the financing available to borrowers looking to buy manufactured housing as part of the FHFA's Duty to Serve program, which directs the government-sponsored enterprises to fulfill a statutory requirement by focusing on certain underserved markets.


"There are no silver bullets there, but just like HomeReady and the student loan program that we have in the

marketplace now, it's going to be the same process.

"We're looking at what are the challenges for serv-

ing those underserved markets and what can we do in terms of product design and policy changes

to try to help create more affordable options while attaining sustainable homeownership and risk?" **NMN**



Audit

Close


Disclose

Streamlined Disclosures & Docs

+

Continuous Compliance Audits

The Integrated Approach
to **TRID Compliance**



For more details, call 1.866.212.Ease (3273) or visit ComplianceEase.com



DON'T LET QC LAG

BY TERI SUNDH

As lenders embrace the automated processes and data integrations of digital mortgages, they must also rethink their approach to quality control.

IF QUALITY CONTROL ISN'T PART OF your digital mortgage conversion strategy, it should be.

Most lenders agree, at least in theory, that a full-blown e-mortgage is the ultimate desired outcome of going digital. Fannie Mae defines an e-mortgage as “a mortgage loan where the critical loan documentation, specifically the promissory note (e-note), is created electronically, executed electronically, transferred electronically and ultimately stored electronically.”

While QC isn't explicitly included in this definition, it does have a significant role to play in lenders' ability to execute fully digital mortgages. Furthermore, going digital can have a substantial impact on overall loan quality. As such, it is critical for lenders to include QC as part of their larger digital mortgage strategy.

Take prefunding QC, for example. This process usually happens once a loan has been cleared to close. Depending on how quickly the final Closing Disclosure has been issued, the prefunding QC team may only have three days to conduct their review to ensure the loan is error-free and eligible for closing/purchase.

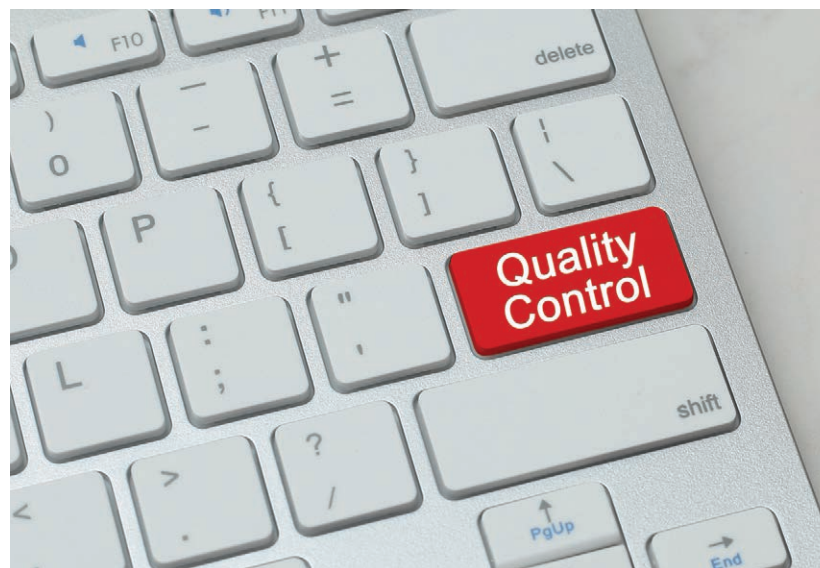
A prefunding QC process, as outlined by Fannie Mae as part of its Loan Quality Initiative, requires lenders to conduct full file reviews of a sample of their loan production and highly encourages them to also conduct targeted sampling on key areas, such as credit, employment, assets, etc. While Fannie Mae's Day 1

Certainty initiative has offered lenders certain buyback assurances in some of these areas, the QC must still conduct a thorough review to ensure there aren't any issues present that would require a redisclosure or expose the lender to repurchase risk.

If the QC department is using manual (think spreadsheet) to conduct this review – or if the QC team must review hard-copy documentation rather than a digital file – this process could take the full three days between CD issuance and closing. Therefore, errors uncovered at the eleventh hour could delay closing by several days while the lender corrects the error and issues a new CD. On the flip side, auditors may feel the pressure to conduct their reviews quickly and, as a result, be less-than-thorough in their reviews, which could potentially allow errors to make their way to the closing table.

On the post-closing side of things, going digital can have a demonstrable effect on loan quality and subsequently improve investor confidence. One of the most frequently occurring loan defects lenders experience is missing documentation. According to Fannie Mae's estimates, 40% to 60% of the repurchase requests it issues are ultimately resolved by submitting missing documentation, and the entity responsible for tracking down those missing documents is usually the post-closing QC department.

When loan documentation is created, executed, transferred and



stored digitally, it is nearly impossible to misplace that documentation, thus exponentially increasing the likelihood of delivering a complete loan file. Furthermore, by essentially eliminating this category of defects, the post-closing QC department can spend less time tracking down paperwork and focus more of its effort on ensuring the correct underwriting decision was made and verifying that other errors uncovered in prefunding have been adequately addressed.

However, that refocusing of effort could be all for naught if manual is also in play in post-closing QC. That's because another critical function of this department is reporting. Today, investors expect timely, detailed reporting, with results broken down across multiple categories, and delivered in an easy-to-read format.

Teri Sundh is CEO of Salt Lake City-based TRK Connection.

On the post-closing side of things, going digital can have a demonstrable effect on loan quality and subsequently improve investor confidence.



DIGITAL DISRUPTION

BY RAJESH BHAT

Technology isn't a magic bullet for success, and just doing mortgages digitally doesn't change how the business fundamentally works.

IT'S 2017 AND MOST RECENT HOME buyers still rank a day at the DMV above their last home closing experience. Everyone, including the financial services industry itself, anticipated that business-to-consumer "fintech" disruptors would singularly redefine how consumers obtain a mortgage, similar to what Silicon Valley did for ride hailing and personal tax filing. Well, we're still waiting.

Meanwhile, the ramping down of Sineo created more buzz than the average mortgage originator shutdown because of its venture backing and Silicon Valley pedigree. There will invariably be talk about the demise (and reprise) of Sineo being the result of the complexity and high cost to build technology to enable an end-to-end online experience. There will also be talk, particularly from established players, of mortgage being a relationship business in which technology has limited space to influence.

Don't believe it. The real takeaway here is that technology is an enabler, not a catalyst itself. As any successful mortgage origination company knows, success is tied to customer acquisition and customer delivery. Just like many traditional originators, Sineo struggled in these areas. Technology isn't a magic bullet for success, and just doing something digitally doesn't change how it fundamentally works.

The change agent is actually the consumer; technology just helps make it happen. Consumers vote

with their thumbs and their feet and the market will respond accordingly. At every opportunity, in every industry, consumers have voted that they want the ability to approach transactions on their own terms, and at their own pace. Banks that know this and offer the consumer options for a different experience are already on the journey.

In fact, the whole industry is already on the journey, coming at it from different directions. OpenDoor and Credit Karma are moving into the mortgage brokerage business, Zillow and Quicken Loans are beginning to facilitate real estate transactions, while behemoth banks are rolling out an entirely online mortgage experience. What do all of these trends have in common? They are moving to the consumer, rather than insisting that the consumer come to them.

It won't be clear for a while as to how it will all play out, but it is safe to say that offerings that put the consumer first will be best positioned to create true transformation in the space. One can also safely posit that as highly regulated as the space is, and – more importantly – as intertwined with the surrounding ecosystem of ancillary stakeholders (real estate, title, settlement, etc.), change will be incremental and experimental. If you're waiting for the overnight Uber-like disruption, you're missing the real change happening all around you.

Finally, in this intertwined ecosystem, it will take a village. Innovative partners focused on addressing



consumer pain points will push the industry forward, such as a true "search and transact" self-service experience for consumers. This general convergence of real estate and mortgage is what consumers want.

Make no mistake – just as legacy on-premise software providers were skeptical about their customers' willingness and resolve to move to the cloud, many lenders, title companies, and real estate agents remain unconvinced about consumers' resolve to control more of their home buying experience, and can be expected to obstruct such progress. But true disruption in this space will not be borne out of fintech's focus on digitization. True disruption is happening right now, and it's rooted in how fintech is helping lenders meet the consumer's desire to self-serve.

Rajesh Bhat is the CEO of Roostify.

As any successful mortgage origination company knows, success is tied to customer acquisition and customer delivery.

MARKETPLACE

COMPLIANCE



Audit
Disclose
Close

Integrated Compliant Closing

ComplianceEase.com

INSURANCE



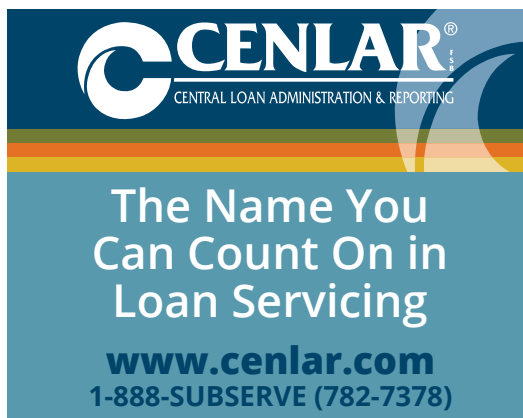
SWBC swbc.com
866.925.4595

LENDER PLACED HAZARD & FLOOD
REO PROTECTION

**FOR MARKETPLACE
RATES AND
INFORMATION CALL
Dominique Gageant
212-803-8882**

**dominique.gageant
@sourcemediacom**

SUBSERVICING



CENLAR
CENTRAL LOAN ADMINISTRATION & REPORTING

The Name You
Can Count On in
Loan Servicing

www.cenlar.com
1-888-SUBSERVE (782-7378)

**THE NATION'S
LEADING
SUBSERVICER**



DOVENMUEHLE
www.dovenmuehle.com / 847.550.7550

Looking to switch
subservicers?

PHH
MORTGAGE

PHH Mortgage Loan Subservicing offers:

- Transactional Transparency
- Regulatory Compliance
- Attentive Service

www.phhmortgage.com/subservicing
(609) 949-4456
brian.head@mortgagefamily.com



SUTHERLAND
MORTGAGE SERVICES, INC.

Customized Mortgage Solutions

Expert and Client-Focused
Component Servicing Solutions

1-800-388-4557 ext. 2812 | NMLS#9891
sgsmortgage@sutherlandglobal.com
www.sutherlandglobal.com/mortgage

for Buyer's Guide

information

contact

Dominique Gageant

212-803-8882

and

**dominique.gageant
@sourcemediacom**

CLASSIFIEDS

REGION MANAGER-RETAIL MID-WEST, S.W., WEST

Very successful midsized Mort. Banker seeking (3) entrepreneurial Region Managers. Must understand net branch management and be willing to grow a region. Excellent compensation, technology and upside.

StraussGroup
Executive Search Consultants

randy@straussgroup.com
716.631.3200

For Classified Rates
and Information
Call

Dominique Gageant

212-803-8882

dominique.gageant@sourcemediacom

**National
Mortgage News**

SUBSCRIBE TODAY

NATIONALMORTGAGENEWS.COM/SUBSCRIBE/MAIN.HTML

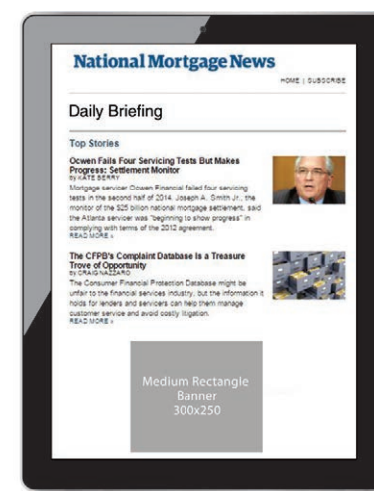
DAILY BRIEFING

The Daily Briefing is a free e-mail newsletter that offers our engaged audience a morning roundup of the latest news, analysis, data and opinion spanning the entire mortgage industry.

In addition to Top Stories, **The Daily Briefing** provides you with important industry topics such as:

- **Our award winning editors** offering their perspective on late breaking news.
- **An overview of the latest topics** shaping the mortgage industry, allowing users start discussions with other industry experts.
- **Headlines, features, and opinions** for professionals in the servicing sector of the mortgage industry

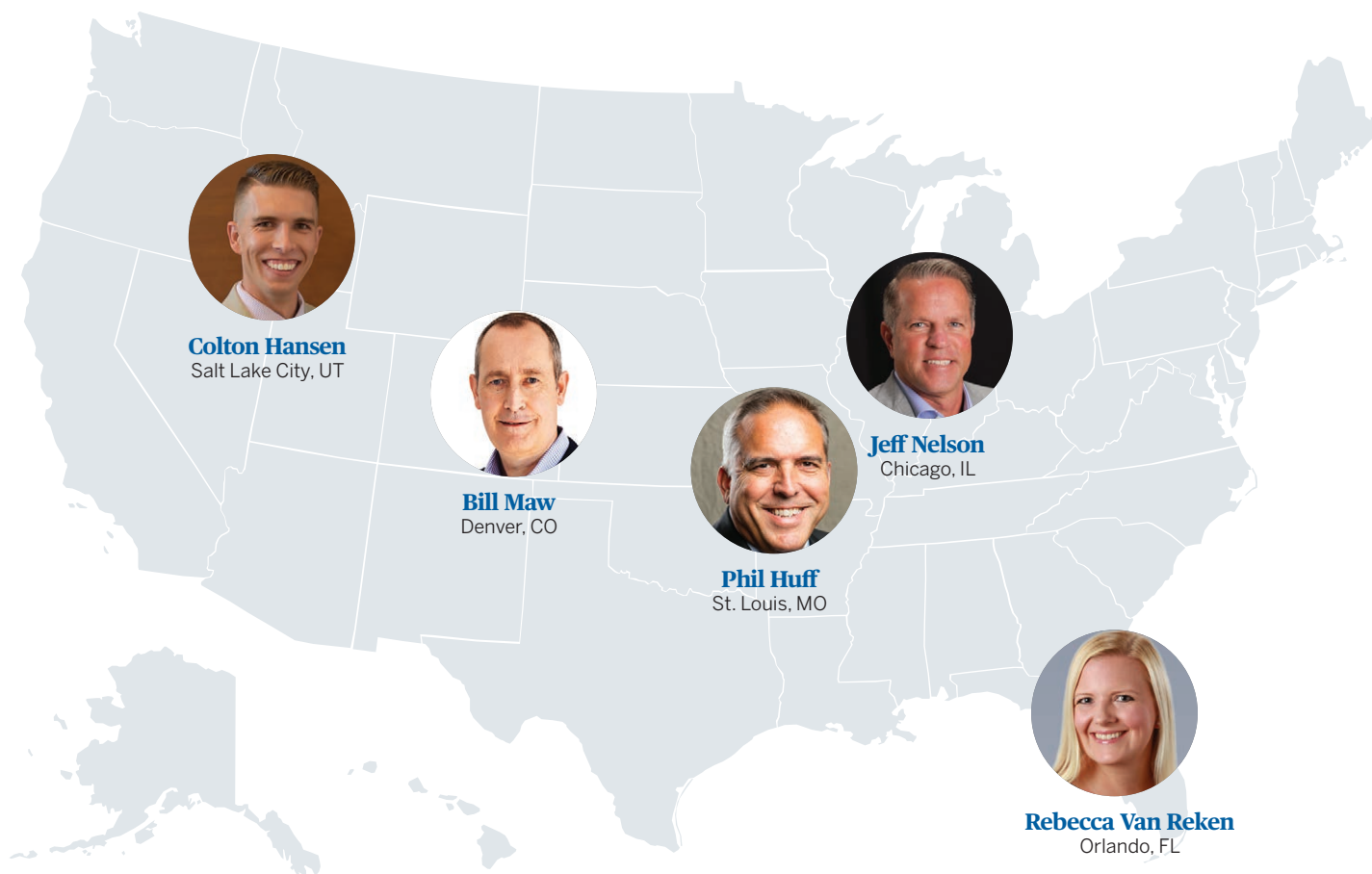
GO TO NATIONALMORTGAGENEWS.COM/SUBSCRIBE/MAIN.HTML TO
SIGN UP TODAY FOR YOUR **FREE SUBSCRIPTION** TO THE DAILY BRIEFING.



THERE IS NO RISK; UNSUBSCRIBE AT ANY TIME.

 **SourceMedia**

/People



COLORADO

DENVER

LenderLive Holdings Inc. said that **Bill Maw** has joined the company as its chief financial officer.

Maw joins LenderLive Holdings with more than two decades of financial experience.

Prior to joining LenderLive, he was the chief financial officer of Liquidnet Holdings Inc. for more than a decade.

Before Liquidnet, Maw held a series of senior finance positions at General Electric including manager of financial planning and analysis at GE Equipment Services, controller and head of the Transaction Advisory Group at GE Capital Aviation Services, and Controller at GE Global Consumer Finance.

FLORIDA

ORLANDO

Holliday Fenoglio Fowler has hired **Rebecca Van Reken** as a managing

director in its Orlando office. She will focus on originating debt and equity placement transactions in the Southeastern United States.

She has more than 15 years of commercial real estate finance and capital markets experience and joins HFF from AIO Capital, where she was an executive vice president.

Prior to that, Van Reken spent nearly 10 years at CapitalSource, the commercial lending division of Pacific Western Bank, where she rose through the ranks from an associate in the real estate lending group to an investment officer.

ILLINOIS

CHICAGO

Guaranteed Rate has named **Jeff Nelson** Southeast division manager.

Nelson will oversee the company's markets in North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama and Arkansas.

With over 20 years of mortgage experience, he joins Guaranteed Rate from Wells Fargo, where he previously acted as regional sales manager.

MISSOURI

ST. LOUIS

Altisource Portfolio Solutions said that **Phil Huff** has joined the company as vice president and head of valuations.

In this role, Huff will be responsible for the growth of Altisource's valuation business including Springhouse, an appraisal management company, where he will serve as president and CEO.

He joins Altisource with over 25 years of experience at financial technology and services companies.

Huff was most recently the president and CEO of Platinum Data Solutions where he was responsible for the company's sale to Mercury Network in 2016.

Prior to Platinum Data Solutions, he was the president and CEO of eLynx, which was later sold to Black Knight Financial Services in 2016.

UTAH

SALT LAKE CITY

TRK Connection, a provider of mortgage quality control services, has promoted **Colton Hansen** to vice president of business development.

In this new role, Hansen will be responsible for leading and executing company objectives for sales and marketing campaigns, implementing new technologies and analyzing new opportunities.

Prior to TRK, he served as manager of vendor relations for Strategic Services Management and worked in a business development capacity for Salt Lake City-based Primary Residential Mortgage Inc. from 2009 to 2012. **NMN**

SETTLEMENT SERVICES KBYO
STREAMLINE PROCESS **SIMPLIFIED WORKFLOWS**
TITLE INSURANCE SMOOTH CLOSING QUALIFIED VALUATIONS
OR SIGNING **PRO REFINANCE** PRIVATE BANK
RISK MITIGATION **ALTA BEST PRACTICES**
SINGLE POINT OF CONTACT **Licensed**
SERVICING INTEGRITY **Appraisers**
SOLUTIONS AUTOMATION **ORIGINATIONS**
DISASTER RECOVERY & BUSINESS CONTINUITY PLANS IN PLACE
NOTARY SERVICES
PROPERTY REPORTS
QUALITY CONTROL
POST-CLOSING ANCILLARY PRODUCTS
TSG
JLP
TRID
1031 EXCHANGE
REO
LAND SURVEYS
CAPITAL MARKETS
CALCULATOR
INNOVATION

WE ARE MORE THAN TITLE

NATIONWIDE ESCROW E&O
PARENT COMPANY
MEMBER OF
FORTUNE 500
DEED IN LIEU
OR ESCROWPRO
QUALITY ASSURANCE
COMMERCIAL SUPPORT
UNSURPASSED FINANCIAL STRENGTH RATINGS IN THE INDUSTRY
PRIVACY
VA DOCUMENT RECORDING SERVICES
AMC
SYSTEMS INTEGRATION
COMMERCIAL COMPETITIVE PRICING
DUE DILIGENCE
HOME EQUITY
CENTRALIZED APPRAISALS
UNDERWRITING
EARNING YOUR TRUST SINCE 1907
REGULATORY SECURITY
COMPLIANCE
LOAN MODIFICATION
ENVIRONMENTAL PRODUCTS
PAVASO

LEARN MORE BY VISITING US AT THE
2017 MBA Annual Convention & Expo
Booth #827

GET MORE

CONNECT.OLDREPUBLICTITLE.COM/MORETHANTITLE

110 YEARS
STRENGTH & STABILITY
FOR OVER A CENTURY
OLD REPUBLIC TITLE

5 Best and Worst Cities for House Flipping ROI

Best & worst cities for house flipping ROI



HERE'S A LOOK AT FIVE CITIES THAT STILL OFFER ROBUST RETURNS AND five markets worth avoiding for return on investment from flipping houses, according to Attom Data Solutions.

Nearly 54,000 houses were flipped during the second quarter of 2017, with investors making an average profit of \$67,516 per property and 48.4% return on investment, according to Attom Data Solutions.

Investment returns on flipped houses have declined nationwide for three straight quarters.

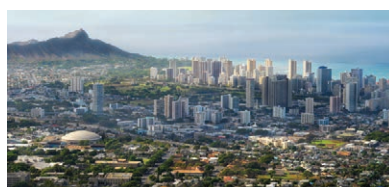
But some cities still have a robust flipping market, while other cities are just worth avoiding.

Here's a look at the five best and five worst cities for house flipping investment returns during the second quarter of 2017.



No. 1 Best: Pittsburgh, Pa.

Original purchase price: \$58,800
Flipped price: \$145,000
Gross profit: \$86,200
ROI: 146.6%



No. 1 Worst: Honolulu

Original purchase price: \$399,000
Flipped price: \$470,000
Gross profit: \$71,000
ROI: 17.8%



No. 2 Best: Baton Rouge, La.

Original purchase price: \$69,000
Flipped price: \$152,000
Gross profit: \$83,000
ROI: 120.3%



No. 2 Worst: Boise, Idaho

Original purchase price: \$187,964
Flipped price: \$232,218
Gross profit: \$44,254
ROI: 23.5%



No. 3 Best: Philadelphia, Pa.

Original purchase price: \$86,000
Flipped price: \$184,000
Gross profit: \$98,000
ROI: 114%



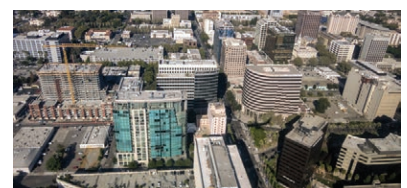
No. 3 Worst: Austin, Texas

Original purchase price: \$266,000
Flipped price: \$335,160
Gross profit: \$69,160
ROI: 26%



No. 4 Best: Harrisburg, Pa.

Original purchase price: \$73,750
Flipped price: \$149,900
Gross profit: \$76,150
ROI: 103.3%



No. 4 Worst: San Jose, Calif.

Original purchase price: \$685,000
Flipped price: \$870,000
Gross profit: \$185,000
ROI: 27%



No. 5 Best: Cleveland, Ohio

Original purchase price: \$55,000
Flipped price: \$111,000
Gross profit: \$56,000
ROI: 101.8%



No. 5 Worst: San Francisco, Calif.

Original purchase price: \$535,000
Flipped price: \$680,000
Gross profit: \$145,000
ROI: 27.1%



Reimagining the Mortgage ExperienceSM Together

FreddieMac.com

LoanBeam.com



WHAT PART OF MORTGAGE SERVICES
DOES THIS CHANGE? **EVERYTHING.**

Complete your digital mortgage experience with EXOS.
Visit us at MBA's Annual Convention & Expo 2017
and experience the digital difference for yourself.

[Learn more at exostechnology.com](http://exostechnology.com)