National Mortgage News

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Blockchain technology is poised to streamline how loans are managed at every point in their life cycle

THE MORTGAGE INDUSTRY HAS A DATA PROBLEM

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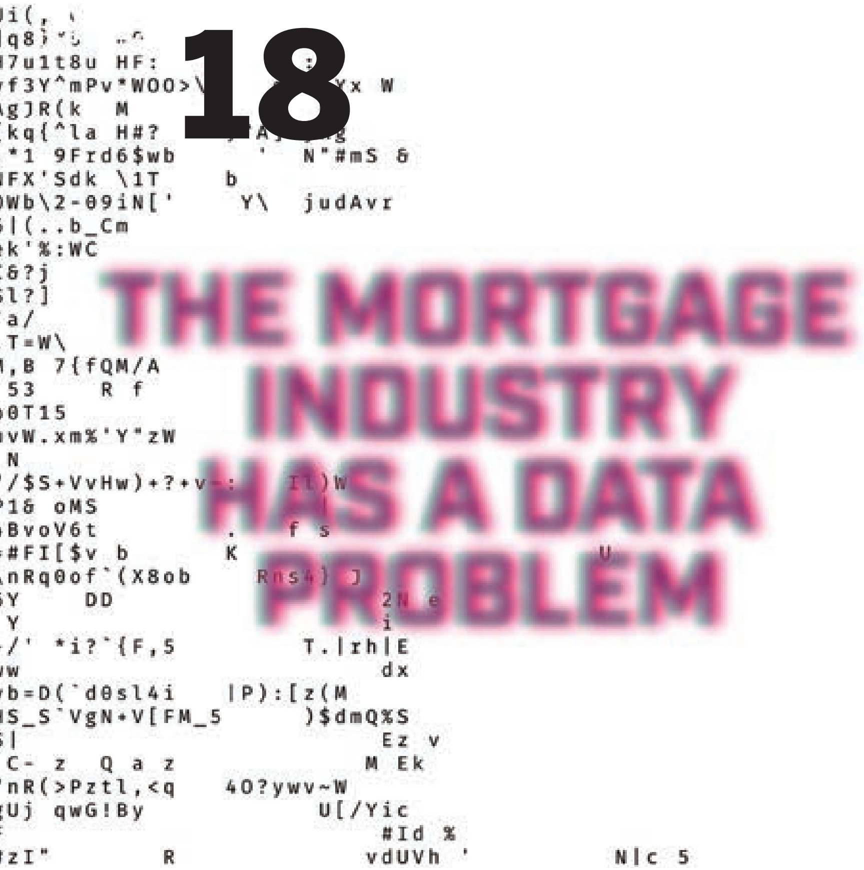

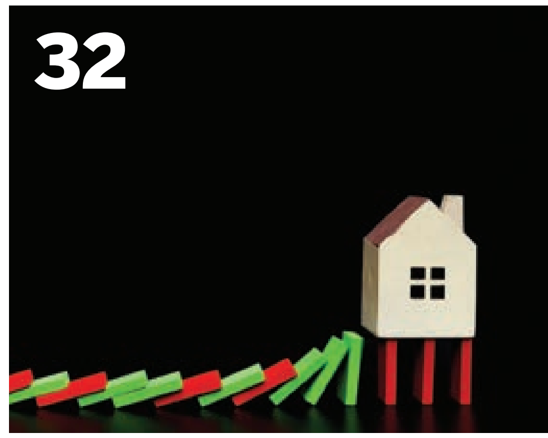

Editor's Note

Austin Kilgore
Editor in Chief

New Tech on the Block

BLOCKCHAIN TECHNOLOGY HAS MADE waves as the platform that underpins transactions for bitcoin and other cryptocurrencies. But the practical applications for blockchains go far beyond digital payments.

This month's cover story explains what makes blockchain technology so unique and explores a number of uses within the mortgage and real estate industries.

For example, because of the way blockchains maintain a complete log of all the changes made to an individual record, the technology is ideal for tracking mortgages and their associated servicing rights as loans progress through payoff and change hands between investors and servicers. Plus, the way records are securely stored on a blockchain improves audit trail functionality and ensures accuracy whenever there are disputes.

Also in this issue, we are pleased to present the 2018 Top Producers. This annual ranking of mortgage loan officer and broker origination volume is now in its 20th year and even better than ever.

This year's program includes a number of new and exciting features designed to provide insights into key industry trends, as well as feature the accomplishments and successes of individual loan officers.

In addition to asking loan officers about their 2017 loan volume, we surveyed these mortgage professionals about their views on recent industry developments, as well as the marketing techniques and business practices that make them successful.

Their insights offer a boots-on-the-ground view of the state of mortgage originations at a critical time for the industry and should prove valuable both to lending executives seeking to recruit and retain top talent, as well as to loan officers of all experience levels.

The results and analysis gleaned from this data will be rolled out online throughout the month of April. The special section in this issue includes the overall ranking of loan officer mortgage volume, but be sure to also check out the regional rankings of loan officers, as well as rankings based on loan product types and other metrics.

And of course, a huge thank-you and congratulations goes out to all the loan officers who participated in this year's survey. We couldn't do this without your support.

If you're attending this month's Mortgage Bankers Association Technology Conference in Detroit, be sure to stop by the National Mortgage News booth and say hello. We'd love to hear from you!

Austin Kilgore

National Mortgage News

Winner of the Polk Award for Financial Reporting

Winner of an ASBPE Editorial Excellence Award

Winner of a NAJA Editorial Award

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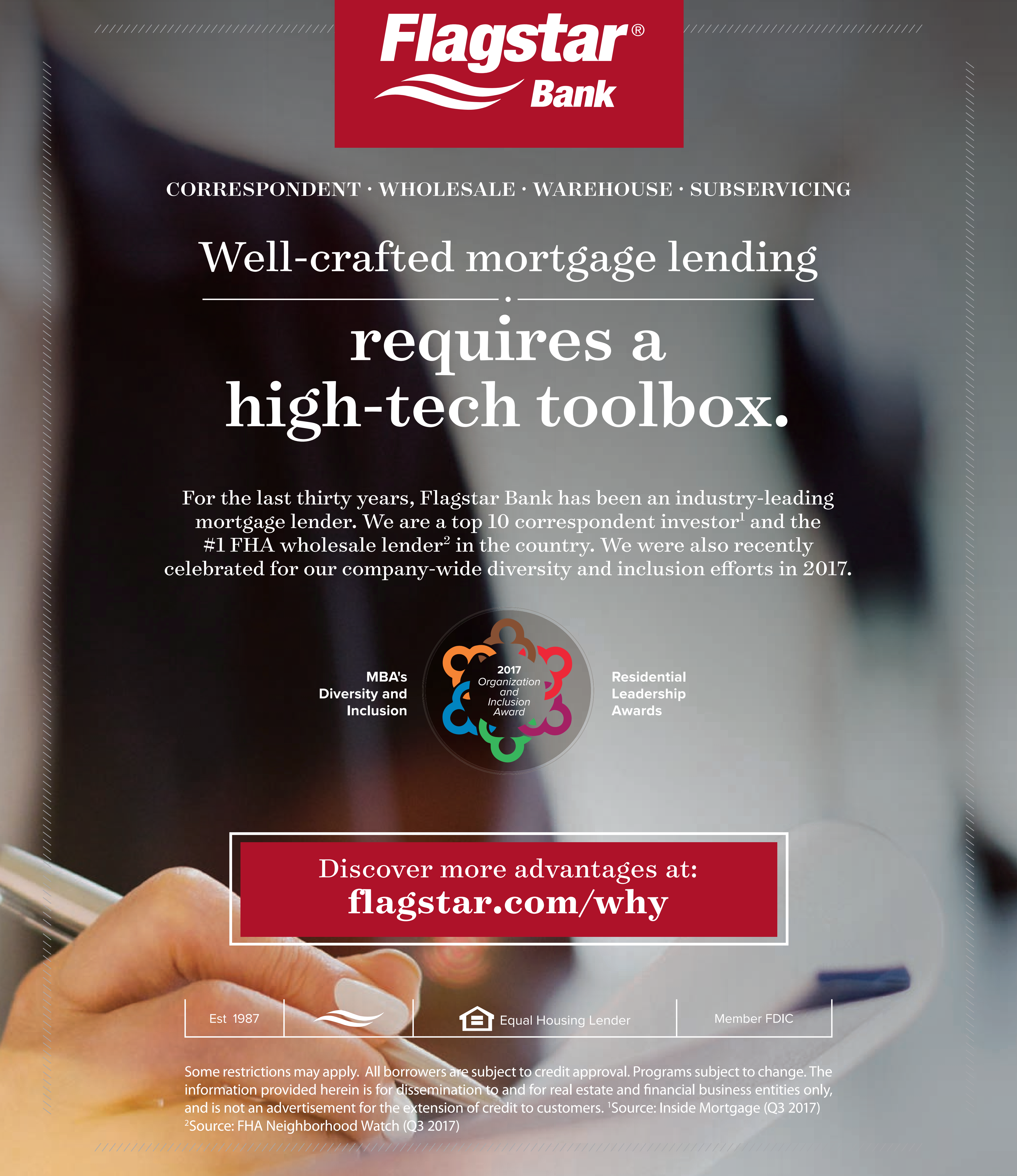

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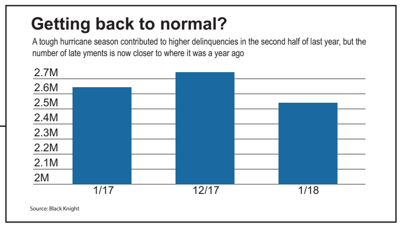
Some restrictions may apply. All borrowers are subject to credit approval. Programs subject to change. The information provided herein is for dissemination to and for real estate and financial business entities only, and is not an advertisement for the extension of credit to customers. [1]Source: Inside Mortgage (Q3 2017)
[2]Source: FHA Neighborhood Watch (Q3 2017)

People are Reading ...

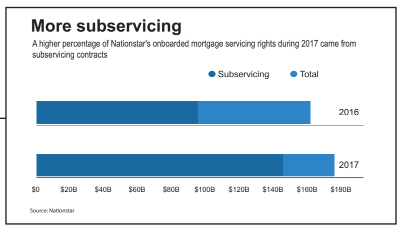


Payments Back on Track After Hurricanes

Delinquencies from Hurricanes Harvey and Irma are starting to subside, even as pre-storm foreclosures that were put on hold resume.

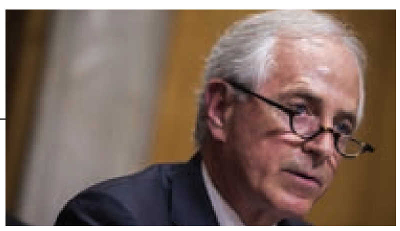
Gloves Off in CFPB Tug of War

The war of words between acting CFPB Director Mick Mulvaney and Sen. Elizabeth Warren, D-Mass., the agency's architect, is escalating.



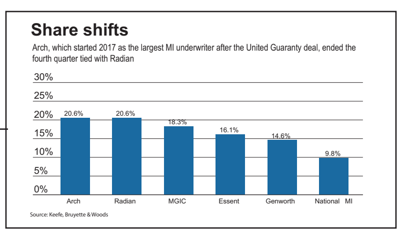
Nationstar Banking on Servicing to Drive Profits

The servicing business drove Nationstar's 4Q profitability and will be a major factor going forward after the company is acquired by WMIH.



Has GSE Reform Hit the Skids?

Despite a legislative push to jump-start housing finance reform, efforts to form consensus over a bill once again are stuck in neutral.



MIs Continue Taking Market Share from FHA

Private mortgage insurance continued to take market share from the FHA in 2017, with both products outpacing the growth in debt outstanding.

People are Talking About ...

Is There a Blockchain in Mortgage Servicing's Future?

rc whalen

There is no practical use for blockchain in the mortgage market. Call us if you find one. The only real world use case for blockchain is ... bitcoin.

Buying a Bay Area Home Now a Struggle for Apple, Google Engineers

Brion McDermott

Who's coming up with 28% and 33% ratios for the housing cost? In Florida the average person is often paying 35% or more for housing.

What Happens to CFPB If Mulvaney Becomes Trump's Chief of Staff?

Peter Hansen

Don't do it Donald. After 7 years of oppression, you placed a person with intelligence and reason in the only federal agency that has accountability to no one.

Upbeat FHA Outlook in Trump Budget Renews Calls for Premium Reduction

Prudent Underwriter

Premium levels should be based on historic default rates and forecasting models but most certainly not one fiscal year's results, or political reasons. Additionally, having only recently met reserve minimums, one cannot consider FHA reserves "strong."

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

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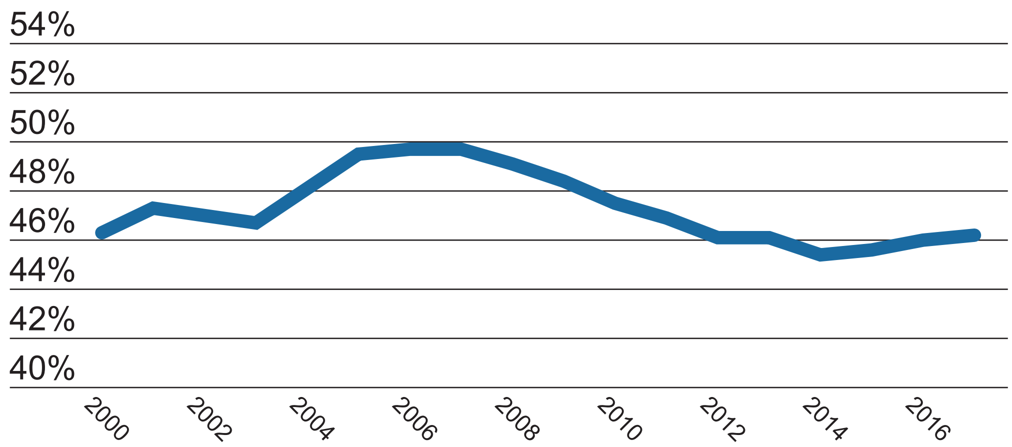
Hispanic Homeownership Undeterred By Immigration, Inventory Frets

The Hispanic homeownership rate grew for the third straight year in 2017 and the number of homeowners in the demographic group is at an all-time high.

BY BRAD FINKELSTEIN

Hispanic homeownership

The Hispanic homeownership rate grew for the third year in a row and now is 3.5 percentage points below the peak



Source: U.S. Census Bureau/NAHREP

DESPITE CONCERNS ABOUT U.S. IMMIgration policy and housing inventory shortages, the Hispanic homeownership rate increased for the third consecutive year in 2017.

The rate increased to 46.2% from 46% in 2016. The high point was 49.7% in both 2006 and 2007, according to a report from the National Association of Hispanic Real Estate Professionals.

In addition, 2017 ended with the highest number of Hispanic homeowners, at 7,472,000 units, up by 167,000 from 7,305,000 units one year ago, which was the previous high. This can be attributed to overall population growth among Hispanics in the U.S. The report cites U.S. Census Bureau data for its findings.

The overall homeownership rate is 63.9% for 2017, up from 63.4% in 2016, according to the report. The 2007 homeownership rate for the general population was 68.1%.

"We see from the report's data the strong enthusiasm for homeownership within the Hispanic community," said NAHREP President Daisy Lopez-Cid in a press release accompanying the report. "With a growing Hispanic population and the highest rate of workforce participation, Hispanics are expected to drive growth in the housing market for decades."

Besides inventory and immigration, natural disasters also were a negative factor that inhibited homeownership growth among Hispanics last year, NAHREP said. But those problems "are short term and solvable," the report said. "The Hispanic segment's influence on U.S. homeownership gains is based on the long-term impact of their combined workforce, economic and aspirational contributions, which are expected to continue to drive homeownership for the foreseeable future."

The U.S. Hispanic population grew by 1.1 million in 2017, and is now at 58.6 million people. But the three states hardest hit by natural disasters last year – California, 15.3 million; Texas, 10.9 million; and Florida, 5.1 million – account for more than half of that total. The Hispanic labor force participation rate is 66.1%, higher than any other racial or ethnic demographic, the report states.

Hispanics accounted for 265,000 new household formations last year, or 28.6% of the total. In 2016, there were 340,000 new Hispanic household formations.

The slight decline in formations could be attributed to that half the Hispanic population resides in high housing cost states, the report said.

Immigration policy has been a drag on Hispanic homeownership since President Trump assumed office. Last June, 52% of Latino, Arab and Asian respondents in a Redfin survey, said the president's immigration policies played a role in reshaping their decision to buy or sell a home.

"The volatility surrounding immigration reform can have an escalating impact on Hispanic consumer appetite to make the long-term financial commitment required for homeownership," the report said.

Meanwhile, the inventory shortage hit the low-end of the housing market the hardest, which has affected affordability. Also cited in the NAHREP report was data from a Fannie Mae survey last fall that found 56% of Hispanic respondents felt it would be difficult to get a home mortgage today, compared with 41% of the general population.

But 81% of the Hispanics surveyed said owning a home was a good long-term investment, similar to the 82% of the general population. NMN

Why Experts Think Amazon HQ2 Will Land in Atlanta or Northern Virginia

BY ELINA TARKAZIKIS

AFTER NARROWING ITS SEARCH TO 20 cities, experts predict Amazon will choose Atlanta or Northern Virginia as its second headquarters, which will have a profound impact on both housing and the economy in and around the chosen city.

Of all remaining cities on Amazon's list, Atlanta and Northern Virginia stood out as top contenders, according to a Zillow survey of 100 housing and economy experts.

Atlanta has the fourth lowest home values and rents among the finalists, making it an attractive option for the roughly 50,000 workers Amazon plans to hire, Zillow said. Northern Virginia, however, which is part of the Washington, D.C., metropolitan area, is among the most expensive cities on the list, but may seem appealing because of its close proximity to policymakers.

As Amazon grew from a startup bookstore to one of the nation's top retailers, home values in Seattle, where the company is based, have nearly doubled while rents have risen by half. Amazon shouldn't take all the blame for the rise in rents, as the company only accounts for one-fifth of the city's rent growth. The company's expansion created an environment that attracted several other businesses to the Seattle region.

Amazon's second headquarters will not only bring thousands of high-paying jobs to its new city, but it has the potential to transform the regional economy, according to Zillow Senior Economist Aaron Terrazas. The company's new location should spur demand for all housing types, from urban apartments to single-family homes.

"Atlanta has the benefit of being one of the most affordable markets in the country, and is undergoing an urban renaissance with new public infrastructure providing attractive opportunities for employers seeking to lure young urbanites. Northern Virginia has its benefits as well, as it's close to a highly educated workforce and a well-developed public transit infrastructure in the D.C. area," Terrazas said in a press release.

Many of the contenders for Amazon's HQ2 have offered tax breaks and other benefits to the company, but the cities should be careful what they wish for, as they could be putting their region at risk.

"The potential economic benefits of hosting Amazon HQ2 are tantalizing, and will tempt the 20 municipalities still in the hunt to dangle significant tax incentives to get a deal done," Terry Loebs, founder of Pulsenomics, said in a press release.

"These cities should be prepared not only to justify their financial inducements, but to carefully weigh the social risks and costs that could accompany their HQ2 commitment."

Housing and economy experts also cited Austin, Texas, Raleigh, N.C., and Denver as possible picks. Respondents cited Los Angeles, New York, Miami and Newark, N.J., as least likely to be chosen. NMN

Loans for Flipping Houses Soar, But Cash Still Reigns Supreme

BY ELINA TARKAZIKIS

HOUSE FLIPPING ACTIVITY IS AT AN 11-year high, prompting lending for these projects to soar 27%, according to Attom Data Solutions.

A total of 207,088 homes were flipped over the course of 2017, which represented 5.9% of all single-family homes and condos sold last year, up from 5.7% in 2016. House flipping loan volume reached $16.1 billion, the highest level since 2007.

Flipped homes originally purchased by an investor with financing made up 34.8% of all houses flipped last year, up from 31.6% in 2016. Though the majority of investors purchased flips with cash last year, the growth in flips financed by investors in 2017 hit a nine-year high.

Though the surge in house flipping of recent years may mimic the flipping frenzy from more than a decade ago, today's home flips are built on a much more solid foundation, according to Daren Blomquist, senior vice president at Attom Data Solutions.

"Flippers are behaving more rationally, as evidenced by average gross flipping returns of 50% over the last three years compared to average gross flipping returns of just 31% between 2004 and 2006 – the last time we saw more than 200,000 home flips in consecutive years," Blomquist said in a press release.

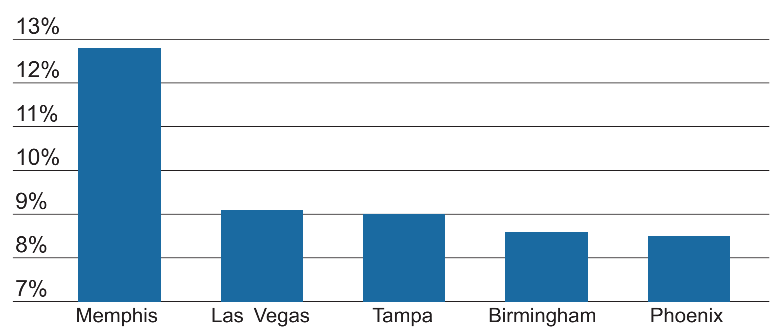
"And while financing for flippers has become more readily available in recent years, 65% of flippers still used cash to buy homes flipped in 2017, nearly the reverse of 2004 to 2006, when 63% of flippers were leveraging financing to buy," he continued.

House flips completed in 2017 yielded an average gross profit of $68,143, which represented an average 49.8% return on investment. This average gross flipping ROI is down from 2016's all-time high of 51.9%, but still the second highest in recorded history.

Cities with the highest home flipping rates in 2017 included Memphis, Tenn., Las Vegas and Tampa, Fla. NMN

Flipping out

In 2017, Memphis, Tenn., had the highest home flipping rate of all cities with at least 1 million people



Source: Attom

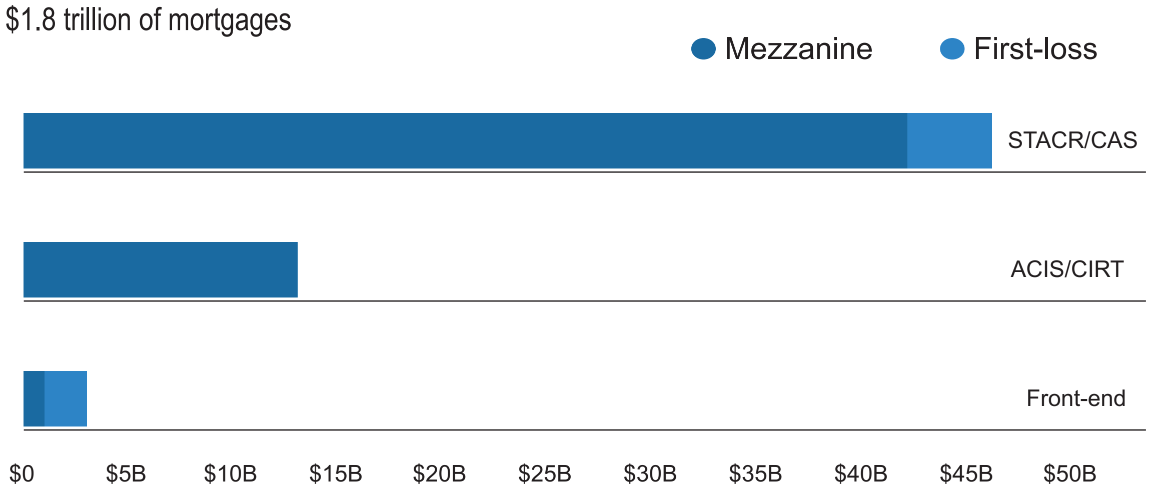
GSE Credit Risk Transfer Programs Are a Housing Reform Model

There are still steps Fannie Mae and Freddie Mac can take to maximize secondary market liquidity and broaden the investor bases.

BY BRAD FINKELSTEIN

GSE risk transfers

Through December 2017, Fannie Mae and Freddie Mac have transferred $62 billion of credit risk on $1.8 trillion of mortgages



Source: Annaly/Federal Reserve Bank of New York

THE SUCCESS OF THE GOVERNMENT-sponsored enterprises' credit risk transfer programs shows that they can be the basis for housing finance reform.

But there are still steps that can be taken to maximize secondary market liquidity and broaden the investor bases, according to a paper co-written by Annaly Capital Management and the Federal Reserve Bank of New York.

The various proposals for housing finance reform generally share two common goals: ensuring that mortgage credit risk is borne by the private sector, and maintaining the current securitization infrastructure as well as the standardization and liquidity of agency mortgage-backed securities markets, said the paper's authors, Annaly's Chief Investment Officer David Finkelstein, its Director of Macro Strategy Andreas Strzodka, and James Vickery, FRBNY's assistant vice president in the research and statistics group. "The credit risk transfer program, now into its fifth year, represents an effective mechanism for achieving these twin goals."

Through December 2017, Fannie Mae and Freddie Mac had transferred $62 billion of the credit risk on $1.8 trillion of mortgages using various structures.

But when it comes to broadening the investor base, the authors argued against the GSEs selling the first-loss piece and catastrophic risk pieces of the risk-sharing securities.

Transferring the first-loss piece is unlikely to lead to any overall net losses for the GSEs after taking into consideration the guarantee fee income earned on the underlying mortgages. It is also of limited benefit from a risk management standpoint and it gives the GSEs skin in the game "which may help attract investors and mitigate moral hazard."

Finally, "some private investors may face high capital costs from holding first-loss tranches," the report said.

Similarly, the GSEs would see little risk management benefit from selling the catastrophic risk piece. What they should concentrate on is what they are currently doing: transferring the mezzanine credit risk associated with their guarantee portfolio, the report said.

Front-end risk transfers could eliminate some of the time lag associated with the current program, but the trade-off is a smaller investor base.

"This more limited investor universe should make for less efficient execution, in turn raising the premium for the credit risk. From a broader financial stability perspective, this approach also implies less system-wide diversification of mortgage credit risk, given that mortgage originators, like the GSEs, are significantly exposed to the housing market and are also often highly leveraged," the report said.

What will broaden the investor base is removing the regulatory uncertainty regarding whether real estate investment trusts and insurers can purchase these assets.

"We note that the CRT programs have not yet been tested by an adverse macroeconomic environment, and we cannot be certain how CRT investor demand and pricing will evolve under such conditions. Careful management of the programs will likely be needed during such an episode. As we discuss, there are also a several outstanding questions about the design of CRT instruments, and how to maximize secondary market liquidity and enhance the breadth of the investor base. The credit risk transfer programs will continue to grow and evolve in response to these considerations," the report said. NMN

FHA Eyeing Further Action on Mortgages with PACE Liens

BY GLEN FEST

SO FAR, THE FEDERAL HOUSING Administration's opposition to financing energy efficiency retrofits through property assessments has focused on mortgage originators. The agency no longer insures mortgages on homes with existing Property Assessed Clean Energy liens.

It has yet to take action when a homeowner with an existing FHA-insured mortgage obtains PACE financing.

Dana Wade, the FHA's acting commissioner and deputy assistant secretary, suggested that this could change. In an address at the recent Structured Finance Industry Group's annual conference in Las Vegas, Wade said the agency is looking into whether "further action" is needed.

"PACE obligations were effectively given prime status over FHA mortgage insurance, [and] such loans were riskier for both taxpayers and borrowers," Wade said. "There do remain concerns over PACE assessments that are placed on FHA loans after endorsement."

In December, the Department of Housing and Urban Development announced that the FHA would no longer insure mortgages with such priority-lien assessments – a policy reversal engineered by HUD Secretary Ben Carson against an Obama-era policy.

DANA WADE
FHA Acting Commissioner

The Dec. 7 change by the FHA only affected new mortgages, but an FHA release stated that Carson and other executives remained "concerned" about PACE liens on outstanding FHA mortgages.

Wade did not outline possible actions the agency might take, but said it will continue to "watch this practice vigilantly to determine whether further action is warranted."

Housing regulators aren't the only detractors.

PACE liens are controversial among lenders, who dislike taking a back seat in terms of payment priority. And many real estate agents feel that homes encumbered by PACE liens can take longer to sell.

That's because the lien does not "travel" with the homeowner; rather, the buyer inherits it. But some homeowners have been compelled to repay PACE liens in order to sell their property.

The FHA's about-face puts it back in line with Freddie Mac and Fannie Mae, which also refuse to underwrite new mortgages with PACE assessments – forcing homebuyers to satisfy the lien through prepayment to obtain a loan compliant with Freddie/Fannie standards.

PACE industry officials have dismissed HUD's decision as largely ineffectual, since the few homeowners taking out low-down-payment FHA mortgages have the equity level to meet PACE underwriting standards.

Renovate America, the leading PACE financing provider in California, stated at the time of HUD's announcement that FHA-sponsored loans were less than 2.7% of its pool of borrowers. NMN

Credit Unions Want to Keep GSEs, But With an Explicit Guarantee

BY BRAD FINKELSTEIN

MOST CREDIT UNIONS SUPPORT THE status quo when it comes to the government-sponsored enterprises because they are a primary outlet to get mortgages off of their balance sheets.

Just under 60% of those surveyed by the National Association of Federally-Insured Credit Unions said they sold loans to Fannie Mae (39%), Freddie Mac (12%) or both (12%).

Those credit unions on average sold 37.1% of their 2017 production to the GSEs, but 22% of the respondents said they sold proportionally more loans to the enterprises prior to the Great Recession.

Among the three scenarios asked about housing finance reform, 71% of those surveyed support keeping the GSEs or creating a similar outlet to sell loans to with the entity having an explicit government guarantee.

About 60% of respondents said they were unsure about a scenario that would eliminate the GSEs and privatize the market, but keep a government guarantee. The remaining respondents were roughly split between supporting and opposing it.

However, over 73% of credit unions were opposed to eliminating the GSEs, privatizing the market and not having an explicit government guarantee.

"Effective housing finance reform that preserves a government guarantee, maintains unfettered access to the secondary market and ensures fair pricing for credit unions based on loan quality, not volume, remains key to ensuring meaningful credit union participation in the housing market," NAFCU said in its February Economic & CU Monitor.

Among other secondary market outlets, 39% sell to the Federal Home Loan Banks, while 11% use credit union service organizations or a wholesale lender and 6% sell to Ginnie Mae or make private placements.

When asked about regulatory reform, around 65% of the respondents said the ability to repay and qualified mortgage standards need to be revised.

During the third quarter, credit unions had 10.8% year-over-year growth in first mortgages and 5.8% year-over-year growth in other forms of real estate lending, the NAFCU study found.

That was the highest third-quarter year-over-year growth in both categories going back five years. NMN

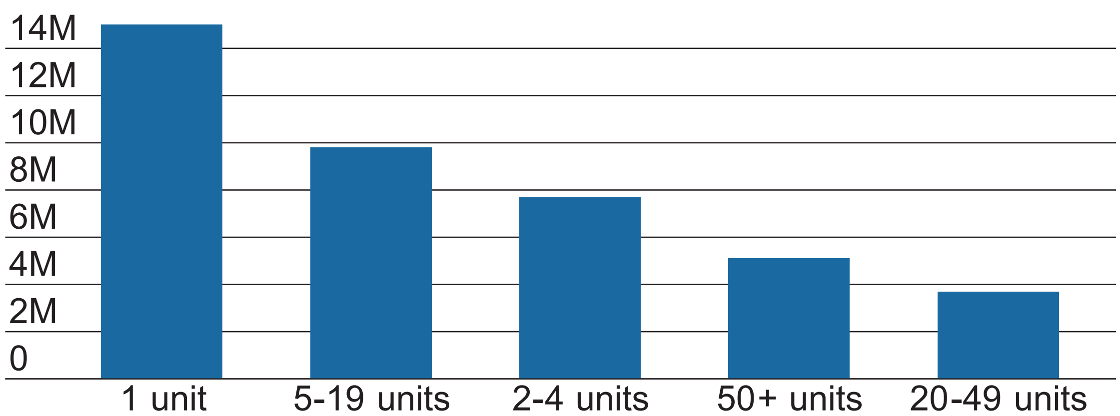
Why ‘Build to Rent’ Is Having Its Moment

With few foreclosed homes left to pick up on the cheap, the biggest landlords are buying, or building, new single-family homes to pad their portfolios.

BY FELIPE OSSA

Credit void

A GSE program along the lines of the financing Fannie and Freddie provide for multifamily housing would help make single-family rental housing more affordable



Source: Amherst Capital estimates based on U.S. Census Bureau surveys

THE RANKS OF RENTERS HAVE SWOLlen since the financial crisis, but there are few foreclosed homes left to pick up on the cheap and rent out. So some of the biggest landlords are buying, or building, new single-family homes to pad their portfolios.

While the initial yields for new construction tend to be lower, these firms have access to cheaper capital than they did when they started out a few years ago; some have raised equity or obtained financing from government-sponsored enterprises. Consolidation has also created experienced property managers with huge economies of scale, another factor making new build more economical.

Though it will be awhile before these new homes show up as collateral for asset-backed issuances, their low maintenance costs and the higher-quality tenants that they attract should tend to reduce the overall risk in the pools.

Strategies vary among institutional landlords. Those hunting yield have kept their focus on older homes with, on average, lower-income tenants. But others have targeted relatively new homes. These include Progress Residential, Tricon American Homes, Invitation Homes and American Homes 4 Rent. And more recently, players have been moving into new build, with American Homes 4 Rent the most vocal about this shift.

“You’re starting to see build-to-rent because they’re able to do it at a price that makes sense to rent it out, which had not been the case before,” said Beth O’Brien, the CEO of Corevest Finance, a shop that provides mortgages to small but professional landlords who generally manage 50 to a few hundred homes. Institutional investors “tend not to be building it themselves but buying from people selling small pools and aggregating them,” O’Brien said.

Bruce McNeilage is one of those people. He’s the CEO of Kinloch Partners, a Southeast-focused real estate firm that buys single-family homes and has a building unit as well.

“Of the top 10 [institutional investors], we’ve sold to a number of them,” McNeilage said. The company is most active in the metropolitan areas of Nashville and Atlanta but also has been ramping up its business in the corridor in South Carolina from Greenville to Spartanburg.

While declining to give names, McNeilage said growing appetite from the large players in the market will help double Kinloch’s revenue this year. “Not only are we selling more; these investors are saying, ‘Hey, when you have the next 50 houses, call us.’ We, in essence, have outstanding orders from three or four of the large companies. Literally, as many houses that we can get them, they’ll buy.”

Dennis Cisterna, CEO of Investability Solutions, a business unit of Altisource Portfolio Solutions – which provides a variety of services to the single-family rental sector – said the firm in late 2017 closed on its first purchase of a portfolio of new builds. Besides AH4R, Tricon and Streetlane are also moving in the direction of new builds, Cisterna added. Progress Residential is also reportedly active in this space.

Neither Tricon nor Progress – both of which regularly tap the securitization market for funding – responded to requests for comment.

While sourcing newer properties from third parties is the most common approach, American Homes 4 Rent has actually started to build its own homes. It appears to be taking it slow, having built 13 homes in the third quarter, according to a transcription of a third-quarter conference call published by Seeking Alpha. Still, this was a fraction of the 111 newly built homes that AH4R acquired through its National Builder program.

On the call, AH4R management projected spending $393 million in the build-to-rent space in 2018, with $261 million going to the National Builder program. The company's total investment in build-to-rent for the third quarter amounted to $27 million.

"Evidencing the tremendous demand for newly constructed rental homes, many of our third-quarter ... development deliveries have been leased and are now cash flowing at estimated yield premiums of 100 basis points over traditional channel acquisitions in comparable markets," AH4R Chief Executive David Singelyn said on the call.

The company did not respond to a request for comment.

Certain geographies naturally lend themselves to new construction because foreclosures are exceedingly low, but there's still heady demand for housing and plenty of space to build it.

"In Arizona, Texas, Georgia and Florida, there are tens of thousands of undeveloped lots that don't make sense being developed as owner-occupied developments," Cisterna said. "A lot of this is due to their location in secondary or tertiary markets of larger metro combined with tight credit markets for mortgages."

Cisterna explained that these "further-out" locations must be more affordable to justify the longer work commutes. The lower home prices attract those who don't have the income or credit to obtain better-situated places.

The internal rate of return necessary for development is too low for firms looking to sell the homes. "[But] as rental communities, the time to lease up ... is much faster – usually three to four times faster – than selling the homes to potential homeowners, so the builder can move through the projects much faster," he added.

An important advantage of newer rentals over older ones is much lower maintenance costs.

"You're getting a high-caliber product," Cisterna said.

And while the tenants for new homes may not have credit as pristine as that of homebuyers, they tend to be higher caliber than those renting older homes.

Investors have found "that the newest tenant is easier to manage," said Gregory Rand, CEO of OwnAmerica, a platform for trading portfolios of single-family rentals.

Of course, the strength of build-to-rent in the single-family rental sector will be shaped by the strength of the rental market in general. And that, in part, hinges on whether people can or want to buy. The homeownership rate took a beating in the aftermath of the financial crisis, falling to 62.9% in the second quarter of 2016 from a peak of 69.2% in the fourth quarter of 2004.

DOUG DUNCAN
Fannie Mae Chief Economist

The number of renters soared over this period thanks to an overhang of student loans and much tighter credit.

But more recently, homeownership appears to be edging back up. The figure for the fourth quarter of 2017 was 64.2%.

Rand, for one, believes that homebuyers will soon be competing with investors for new construction homes "in a big way," even as the investors continue forging relationships with homebuilding companies.

This view is based on the fact that millennials, who have been taking longer than previous generations to get married and settle down, are starting to buy homes in larger numbers. Rand also expects that more confidence around employment should nudge up the homeownership rate.

The new tax law might also strengthen the hand of first-time homeowners, according to Fannie Mae Chief Economist Doug Duncan. By increasing the standard deduction, the law "could allow renters to save more and pay down their debts and potentially become owners sooner," he said in a video interview.

On the flip side, there's a compelling argument to be made that institutional investors have plenty of room to increase market share in single-family rentals. In total, they owned about 200,000 single-family rentals at the end of 2016, about 2% of an estimated nationwide total of 15 million, according to a report issued by Amherst Capital Management in August 2017.

In the multifamily sector, by comparison, institutional investors own over 50% of rentals, suggesting that there is room for the big landlords to grow in the single-family segment.

The overall investment of large investors in single-family rentals as of August of 2017 amounted to $33 billion, dwarfed by the estimated value of $26 trillion for the overall single-family rental market.

"Versus the mom-and-pop landlords, the lower cost of capital has gotten more pronounced," said Sandeep Bordia, head of research and analytics at Amherst. He added that the big institutional investors have other advantages as well stemming from their economies of scale, such as securing bulk discounts on appliances.

Bordia said that there is evidence that in the wake of Hurricane Harvey, the large investor landlords generally repaired homes faster than small landlords because they tended to have insurance even for places outside the traditional flood zone.

To date, few newly constructed homes have been used as collateral for asset-backeds. The rare examples have loans backed by multiple new homes that were included in multiborrower transactions. Six loans originated by CoreVest for Camillo Properties, a homebuilder in Texas, served as collateral for three securitizations issued in 2015 and 2016, at which time the homes were three years old, according to Kroll Bond Rating analyst Akshay Maheshwari.

The Camillo loans initially represented between 13.1% and 15.7% of the total issuance balance for each deal they collateralize. The remainder of loans in each deal are secured by properties that generally have relatively older build-dates. "Most of the Camillo properties were leased at the time each loan was originated," said Daniel Tegen, another Kroll analyst.

Tegen said the large size of the loans and the nature of the underlying properties made then a "unique case" for a multiborrower securitization. Camillo "owns large plots of undeveloped land, so the majority of the homes in a neighborhood may have been constructed by and are owned by" the company, he said.

It's considered unlikely that bridge loans used to build new homes will ever be securitized. "The properties that are in the securitization are stabilized properties," said Kevin Dwyer, an analyst at Morningstar Credit Ratings. To be bundled into a deal they need to be ready to be leased, he said.

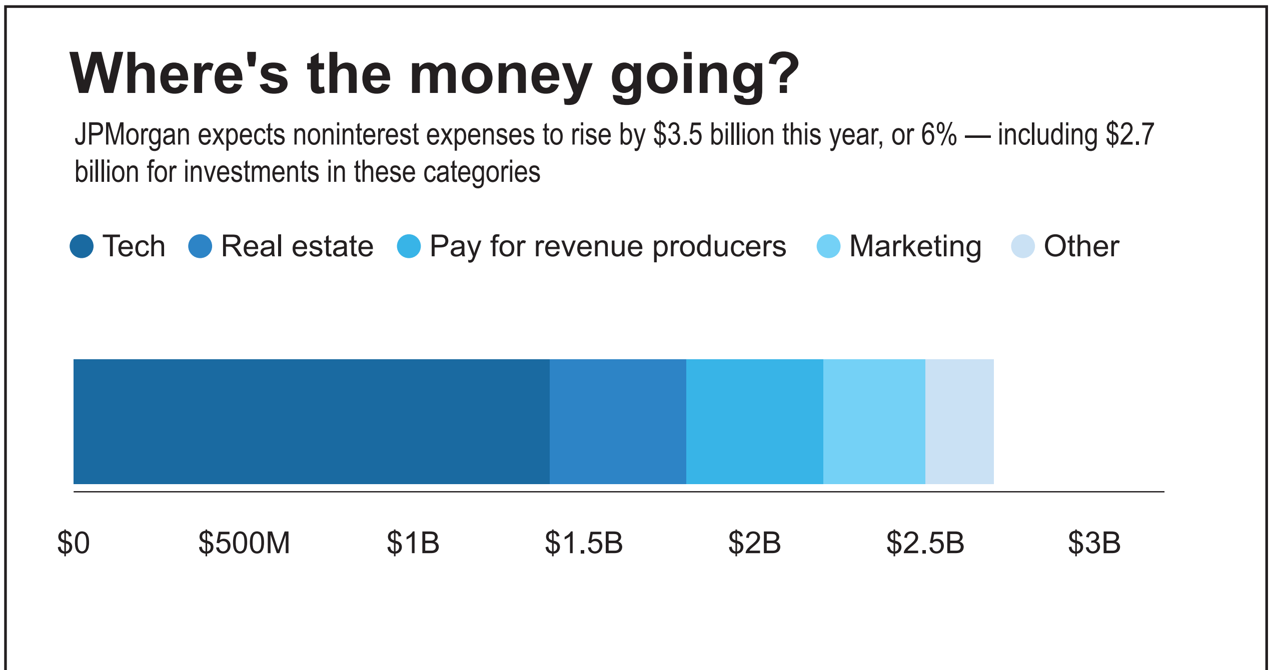
"We do offer bridge products and construction products and sometimes we offer them to build-to-rents," said O'Brien. "But the stuff we're securitizing is only stabilized assets."

In the meantime, the cost of funding for institutional landlords continues to decline. O'Brien noted that yield spreads on Corevest's securitizations – issued under the Colony American Finance name before the company's acquisition by Fortress Investment Group in mid-2017 – have tightened since the first deal in October 2015. NMN

Will JPMorgan's Splashy Tech Investment Pay Off?

The bank will spend an additional $1.4 billion on technology in 2018 to gain share and boost efficiency, executives said.

BY KRISTIN BROUGHTON



Source: JPMorgan investor presentation

YOU CAN'T ACCUSE JPMORGAN CHASE of being bashful. The heft – and, at times, bravado – of the nation's biggest bank by assets was on full display last month during its annual investor day. During several hours of presentations and discussions with analysts, JPMorgan executives laid out the company's plans to expand in the years ahead by hiring hundreds of bankers, building branches and beefing up its digital offerings.

"Retail distribution is like a muscle," Chief Financial Officer Marianne Lake said in discussing the company's recently announced plan to open 400 branches in up to 20 new markets. "You have to exercise it or it goes to waste."

Nonetheless, the New York megabank raised eyebrows when it said it would invest an additional $1.4 billion in technology in 2018 – the driving factor in projections for noninterest expenses to rise 6% in the year ahead.

The tech investment will fund what executives called JPMorgan's "digital everything" model, including new mobile features and back-office uses of the blockchain.

In some sense it is par for the course at a company that has invested heavily in tech for years to differentiate itself in a highly commoditized industry.

But the slew of questions JPMorgan executives faced – namely, will the tech investment actually pay off? – underscores just how strongly it is betting on an uncertain digital world, where costs are high and returns are tough to estimate.

During a Q&A session, CEO Jamie Dimon made a number of references to the tech giant Amazon, praising the online retailer's approach to investing heavily in customer experience and making unexpected moves, such as its entry into the moviemaking business a few years ago. Discussing JPMorgan's investment strategy, Dimon used CEO Jeff Bezos' famous quote: "Your margin is my opportunity."

When an analyst in the audience noted that Amazon for years has sacrificed profits in favor of winning market share, Dimon reiterated that JPMorgan – which has recently produced industry-leading returns – will not let its profitability slip in the years ahead.

"We're not going to lose our financial discipline because we have to make an investment that we have to do or want to do," Dimon said.

According to JPMorgan's financial projections, that won't be an issue in the year ahead.

Lake discussed the financial targets in a whirlwind, 90-minute overview of the company's strategy. The format was a change from previous investor days, when CEOs from JPMorgan's four major business lines discussed their projections for the year ahead.

A mix of loan growth and stubbornly low retail deposit prices is expected to boost profits throughout 2018. Net interest income is expected to rise by 7%, largely due to stronger lending in the consumer and community banking division, which includes credit cards, home lending, business banking and other businesses.

Over the longer term, beyond 2018, the company expects to produce a return on tangible common equity of 17%. That figure stood at 13.6% at the end of 2017.

"Through our scale we have built the best global banking platform for our customers," Lake said.

Notably, during a Q&A session with the business line CEOs, Gordon

Smith – who holds the dual titles of co-president and head of the company's consumer and community banking division – discussed how JPMorgan plans to integrate new technology into its branch expansion.

Adding branches in Boston, Washington and other new markets is expected to drive growth in JPMorgan's mortgage business, according to Smith.

While the JPMorgan consumer bank reaches 61 million households, only 5 million of those households have a mortgage from the company.

"As you know, realty is an exceptionally local business," Smith said.

He added that investments in big data will help the company identify new mortgage customers, while improvements in the company's digital mortgage applications will give the customers the option to complete the process from the comfort of their own homes.

"A customer will build in their own mind, when I'm ready for a mortgage, I'll go check in with Chase," Smith said, describing the company's mix of digital offerings and brick-and-mortar offices. Throughout the day, JPMorgan executives also emphasized the importance of maintaining a mindset of scrappy competitor, despite the company's size, as it competes with upstart digital firms and banks across the industry.

"The things that kill companies: complacency, arrogance, lack of attention to detail," Dimon said. "And bureaucracy, which I think is a deadly disease." NMN

As Construction Lending Rebounds, Tech Investment Follows

BY BRYAN YURCAN

AS CONSTRUCTION LENDING STARTS to make a comeback, many community banks relying on lending to developers and builders are looking to use cutting-edge digital interfaces to help them attract more clients.

"It's important for us to create convenience not only for our clients but for their clients as well [such as subcontractors] and give them quicker and more convenient access to funds," said David Veurink, chief credit officer and head of commercial banking at Chicago-based Countryside Bank.

About 56% of Countryside's total portfolio consists of construction loans; residential construction lending "is a core niche of our commercial bank," Veurink added.

Earlier this year the bank rolled out a digital offering from vendor BankLabs, a division of Radius Group, called +Pay, which automates payments between builders and subcontractors. It speeds the process by eliminating the need for paper with electronic lien waivers and invoices and automating 1099 tax reporting.

"Historically it has been a very paper-oriented process," Veurink said. Subcontractors "have to wait for paper checks, and in a lot of instances entire draws are held up because you have to get the paperwork in order. We feel [this] is a big differentiator for us."

BankLabs is one of several technology companies looking to help banks modernize and streamline the typically manual and paper-based processes of construction lending, including fellow fintech Built Technologies. Large core providers such as Fiserv also offer construction lending software.

Tech investment by banks "has typically been light" in construction lending because of recent history, said Craig Focardi, senior analyst at Celent.

"A lot of community banks and other institutions went out of business or had significant losses as a result of construction lending, causing the withdrawal of many lenders in the market and the underinvestment of technology in this area," he said. "Now, with single-family and multifamily [construction] growing and Fannie and Freddie programs designed to provide financing in the area, more lenders are looking to get back into this niche segment."

Digital tools to help builders pay their subcontractors could help banks stand out in the customer experience, Focardi said.

"Builders are always managing subcontractors and need to pay them on time to keep them on job and get work done; if they don't have ready access to funds then work can potentially slow down," he added. "Offering an automated system for the draw to be taken can help the builder keep their relationship with subcontractors running smoothly."

Around 85% of payments between builders and subcontractors are currently paper-based, says Matt Johnner, president of BankLabs. "There's a lot of digitization around B-to-C payments, but not as much around B-to-B, so we see a real opportunity here," he said.

According to Veurink, offering such digital services "puts us ahead of the curve in how we approach construction lending in the market."

"We are pretty early in the rollout, but so far the customer feedback has been very positive," he said.

Digitizing the construction lending process can also help banks as these companies come under new, younger leadership.

While banks have long sought to attract the millennial retail customer, some construction companies are now run by millennials who want these services, said Lexie Garrison, chief credit officer at Oklahoma City-based Valliance Bank, another community bank with a large focus on construction lending.

"There are those who worked for a larger builder and are now going off on their own, or taking over the reins of a family business, and they're looking for [digital services]. It's something they're used to their whole life and can help a bank stand out when it comes to construction lending." NMN

Construction comeback

Bankers surveyed by the Fed noted an uptick in C&I and CRE loan applications

- 10% moderately stronger demand for construction / land development loans
- 14.5% moderately stronger demand for multifamily residential building loans
- 13% moderately stronger demand for nonresidential construction loans

Source: Federal Reserve senior loan officer opinion survey, Jan. 2018

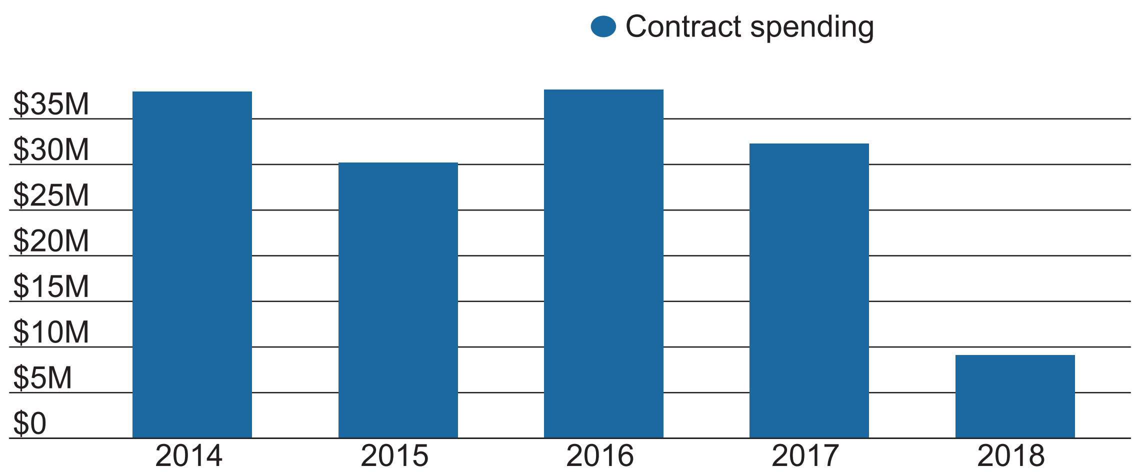
CFPB Has Plenty of Options for Slashing Its Budget

The acting head of the Consumer Financial Protection Bureau has made clear he wants to rein in the bureau's spending, but what exactly he plans to cut is a mystery.

BY KATE BERRY

Not hiring

The CFPB's spending for outside contracting this fiscal year is on pace to be much lower than past years



Source: USASpending.gov

MICK MULVANEY, ACTING HEAD OF the Consumer Financial Protection Bureau, has made clear his desire to slash the agency's budget, but what he plans to cut to meet his spending goals is more of a mystery.

Mulvaney grabbed headlines in January when he requested "zero" in additional funding for the bureau in the second quarter of the fiscal year, choosing to fund the bureau instead with a $145 million reserve account set up by his predecessor, Richard Cordray.

But he has not revealed how much he will request from the Federal Reserve, which funds the CFPB's operations, for the rest of 2018, nor how he aims to fulfill a Trump administration promise of slashing the agency's budget by 30% next year.

"Basically, it comes down to whatever funding request [he makes] for the final two quarters of the fiscal year, but no one knows what that will be, except that there's going to be a reduction in the funding they get," said John Pachkowski, an attorney and senior banking analyst at Wolters Kluwer Legal & Regulatory U.S.

Mulvaney has signaled a pullback in overall funding for the CFPB, including freezing all enforcement actions and ordering an annual independent audit of the CFPB's operations and budget. His second-quarter budget of $145 million marked a 34% drop from the first-quarter budget of $217 million.

In the CFPB's latest strategic plan, Mulvaney said he wanted align the bureau's resources to its mission and "promote budget discipline."

As of last year, the CFPB estimated a $630.4 million budget for fiscal year 2018, which ends Sept. 30, but that estimate was during Cordray's tenure and few think Mulvaney will stick with that amount. He is expected to submit a funding request in April for the third quarter after the CFPB uses up the reserve fund.

Many lawyers applaud the drop in funding because it signals a pullback in enforcement actions against financial firms.

"The spending cuts are going to be consistent with the change in the nature of [the CFPB's] operations that's being implemented by the new regime," said Scott Pearson, a partner at Ballard Spahr. "If the agency can achieve its goals by spending less money, everyone would agree that's a good thing."

The industry's praise of Mulvaney is consistent with criticism during the Cordray years of budgeting at the bureau, which is isolated from the congressional appropriations process that limits other government departments and agencies. That means a CFPB director can essentially request whatever funds it needs from the Fed without scrutiny from other branches.

Since the CFPB was created in 2011, Republicans have wanted to subject the agency's funding to the congressional appropriations process. But politically the issue is a nonstarter because Senate Democrats, including the CFPB's founder, Sen. Elizabeth Warren of Massachusetts, have not been open to changing the CFPB's independent funding.

But that same latitude allow just as much authority for a more conservative director, such as Mulvaney, to slash the agency as he sees fit.

Also director of the Office of Management and Budget, Mulvaney is closely aligned with the White House, which wants to slash the CFPB's funding more than 30% by 2019. A White House budget plan seeks to cap the CF-

PB's funding in 2019 at $485 million, returning the agency to 2015 funding levels.

That mandate means Mulvaney is looking for more places to cut.

While employee compensation and benefits are the bureau's largest expenses, it is unclear whether Mulvaney can reach his budget goals through attrition and layoffs. But some say leaving certain positions unfilled is one way to trim spending.

"The natural rate of attrition coupled with a general hiring freeze, mean [the CFPB's] human capital costs would probably decrease," said Richard Horn, an attorney at Richard Horn Legal in Tucson, Ariz., and a former CFPB special counsel and special adviser.

Another area ripe for the chopping block involves the CFPB's contracts with outside consultants and vendors, lawyers said.

The CFPB spends roughly $200 million a year on contractual services, according to past budgets. For example, it spends more than $30 million a year on outside contracts and vendors, according to USASpending.gov, a website mandated by the Federal Funding Accountability and Transparency Act to give the public access to information on how tax dollars are spent.

"Projects have a cost associated with them, and some of the money could be saved because [the CFPB] may not be doing more discretionary projects," Horn said.

Many of the contracts are for IT, software and technology projects, from large consulting firms including General Dynamics Information Technology, the cybersecurity firm Knowledge Consulting Group, KPMG, McKinsey & Co. and PricewaterhouseCoopers.

The contracts in 2015 ranged in cost from, for example, $148,944 spent for 28 contracts with Graceland University in Independence, Mo. – for computer training – to a $5.7 million contract with Deloitte Consulting.

Some of the CFPB's past contracting work has also come under criticism from conservatives for reasons other than the amount of funding costs. One firm that the CFPB has contracted with, GMMB, an advertising and political consulting firm, has come under attack for supposed ties to progressive political causes. The firm received more than $14 million in contracts in 2016 to advertise the CFPB's outreach to consumers.

Consumer advocates said they have expected Mulvaney would find his own way to defund the agency.

"If you're going to eliminate an agency, the best way to do it is to cut off its funding," said Bruce Marks, president of the Neighborhood Assistance Corp. of America. "He's going to continue to request very little funding." NMN

Why Trump Steel Tariff Won't Hurt Housing

BY BONNIE SINNOCK

THE TRUMP ADMINISTRATION'S NEW tariffs on imported steel and aluminum may raise prices on a variety of consumer and commercial products, but will only put minimal strain on the housing industry.

The 25% tariff on steel and the 10% tariff on aluminum are more likely to be a concern for commercial and multifamily construction than the single-family sector, said Tim Rood, managing director at Situs and chairman of consulting firm The Collingwood Group.

"I think for single-family, imported steel and aluminum are going to contribute a small percentage to the home's cost, but when you talk about multifamily and commercial construction, it's substantially higher," he said.

But while the American Iron and Steel Institute estimates 43% of steel imports go to the construction industry, very little of it is used in residential construction. Steel frames accounted for less than 0.5% of new single-family houses and about 4% of multifamily buildings, according to Census Bureau estimates.

What's more, new multifamily construction accounts for less than 12% of residential construction spending and only 6% of total private construction spending, according to the Census Bureau.

"Is it the end of the world? No. Is it going to have an impact on the margins? Yes," Rood said.

Across all types of commercial construction, steel accounts for 6% to 8% of the cost to construct a building. That percentage can rise to as much as 20% when the costs to install heating, ventilation, and air conditioning are factored in, according to Kathryn Thompson, CEO of Thompson Research Group, an equity research firm specializing in construction and related industries.

But in multifamily buildings, steel accounts for only 1% to 6% of construction costs. The construction industry primarily uses imported steel for building materials like steel studs and ceiling grids, according to a recent Thompson report. The multifamily and office sectors have been driving demand for steel studs, and certain geographic areas, like the West Coast and Florida, use a larger percentage of imported steel than other parts of the country.

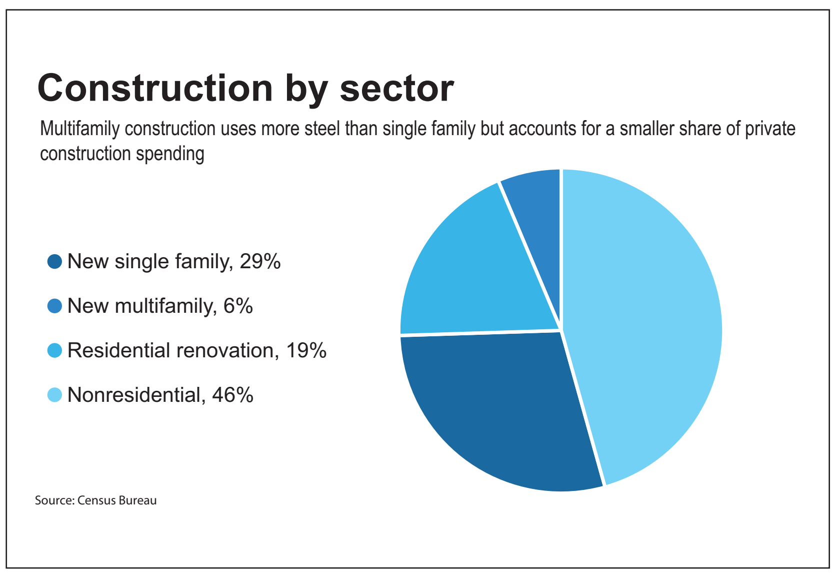
Aluminum usage may vary even more widely. Some projects might use it for window frames but others might use a plastic composite instead.

"It could be really high or not much at all," Thompson said.

While the new tariffs are "probably going to be negligible from a single-family or residential point of view," Rood said, there are other reasons for the housing industry to be concerned.

The tariffs, which were signed last month, aim to protect domestic interests, but critics fear the move could backfire by inflating prices, hurting the economy or upsetting key U.S. trade partners. The tariffs do include exemptions for Canada and Mexico, which account for 16% and 19% of U.S. steel imports, respectively.

So even if residential construction isn't directly affected, higher costs of other products may hurt consumer spending and impede housing affordability at a time when prices are soaring due to low inventory levels. Another reason homebuilders are wary of the new tariffs is the soaring cost of lumber due to a 20% tariff imposed on Canadian imports last year. NMN



This?

DATA DILEMMA

Blockchain technology is poised to streamline how loans are managed at every point in their life cycle

BY ELINA TARKAZIKIS

The mortgage industry has a data problem. Diverse systems and a deluge of new data sources make management and accuracy difficult throughout the mortgage space.

And after a year rife with data breaches, cybersecurity is a top concern, even as lenders and servicers lean on new technologies to create a more seamless and savvy borrower experience.

Blockchain technology offers a streamlined approach to data distribution and its enhanced security features could alleviate many of the issues that plague the industry throughout the mortgage life cycle.

Often misunderstood because of its connection to bitcoin, blockchain technology facilitates cryptocurrency transactions, but stands separate from the digital currency itself.

A blockchain is a decentralized record-keeping platform, or ledger, that is incorruptible, enforces transparency and promotes data integrity. The tool uses a growing list, called blocks, and links and secures them together through cryptography. Transactions on a blockchain ledger are also time-stamped and recorded.

"It's important to understand that it's not just a technology – it is an enabler. It is an approach to a way to free ourselves and be able to do things that we can't do in a traditional sense when you're using it the right way," said Brian Martin, director of technology at Sapient Global Markets.

The mortgage industry may be an ideal candidate for blockchain technology. It is a functionally driven space requiring information to flow down a river of parties. Having all loan documents on a blockchain will help deliver information more quickly and directly, simplifying the distribution of data and requiring less support from intermediaries. This also means leaving less room for error when data switches hands.

There are several potential use cases for blockchain technology across all sectors of the mortgage industry. In origination, lenders will already have borrower information from their lead generation process, eliminating the need to recollect it. In the secondary market, a nationwide blockchain of land records could replace the disparate collage of county records and render the Mortgage Electronic Registration System obsolete. And in servicing, a blockchain could help ensure data accuracy during loan transfers, while also ensuring that the information is secure.

Whether a blockchain is managing bitcoin or mortgages, transactions are more transparent because all changes are recorded in the same place and can be easily tracked. What's more, blockchains are designed to adhere to a set of rules, easing the stress of compliance during a time of regulatory uncertainty for the mortgage industry.

But none of this will happen overnight and many hurdles remain. As of now, blockchains can be slow moving, and wouldn't prove efficient in handling larger-scale transactions. Lack of understanding from the industry also causes hesitance. And while some industry players are actively embracing blockchain technology, a consortium-based approach is required to realize the full potential.

THE MORTGAGE INDUSTRY HAS A DATA PROBLEM

At its core, mortgage lending is all about data, which creates immense potential for blockchains.

"From a data perspective, it is the grand consistency of a distributed ledger that makes blockchain so attractive in the mortgage space," said Martin. "From a user, usability, functional, capability perspective, there's an even bigger side to this – much of the actions and reactions and monitoring and execution of the mortgage life cycle is simply 'if X then Y.' "

Blockchain technology can support a number of core data issues plaguing the mortgage industry, including data integrity, security, distribution and compliance.

During the mortgage process, documents need to circulate to myriad parties, putting the accuracy of the information at risk. Since every file on a blockchain is an original, there's much less room for error when files change hands. Any amendments are timestamped and recorded, presenting all history of a document on the blockchain.

In addition to ensuring information is valid, blockchain tech helps ensure that data is secure. This is especially important after an eventful year for data breaches.

"It's a decentralized ledger, which means that everything on that blockchain is not in one server. It's across a variety of servers; they call them nodes. It's across the world or a vast geographic area, and because of that, it makes it harder for a cyberhack because you need a majority of those decentralized computer nodes to be hacked," explained Debbie Hoffman, CEO and co-founder of Symmetry Blockchain Advisors.

During a climate of uncertainty in regulation, blockchain can also support one of the industry's trickiest segments – compliance.

A blockchain ledger shows records of all transactions, ensures an audit trail without needing to duplicate any steps, can be used as proof of transfer and serves as a record of all actions taken, said Hoffman.

"When you put something on a blockchain, it's immutable," she said. "So if you have an auditor come in and look at it, first of all, they know it hasn't been tampered with, they know that what they're looking at is the original. Number two is, there's less work on the front end of having to get ready for a regulator or an auditor, because it's already there."

Blockchain's ability to embed rules within a blockchain also ensures steps taken during a mortgage process abide by regulatory rules.

The benefits of blockchain technology can be reaped across the origination, secondary market and servicing sectors.

"Blockchain would totally change the way that companies like Fannie Mae and Freddie Mac would manage underwriting," Martin said. "Not the underwriting process – but the technology to drive underwriting."

"It might change some of the process from the technical perspective and the execution perspective, but it won't change the idea that underwriting is about assessing risk. What it will absolutely change is the visibility into data, the consistency of data, and the way that risk can be assessed," he continued.

A blockchain for land records is already underway in Dubai, which should have all land records on a blockchain by 2020, Hoffman said.

"Blockchain would totally change the way that companies like Fannie Mae and Freddie Mac would manage underwriting."

— Brian Martin, Director of Technology, Sapient Global Markets

"There's no question that blockchain could be used right at the beginning of the stage at lead generation, which would really mean either identifying borrowers or identifying homes," Hoffman said.

Lenders collect data even before a loan application is completed. A blockchain can preserve that information upfront for reference throughout the loan life cycle. Similarly, a blockchain could be used in a multiple listing service to track records of property details and how often a home is bought and sold.

Underwriters can also experience a simpler process. Underwriters are decision makers, but their duties to assess risk are often decelerated by verification processes and the need to establish all information is accurate. Blockchain technology can also help hasten document authentication and eliminate the need to double-check data since all the original files are on the blockchain.

But Dubai doesn't have nearly as much developed land as the United States. "In our country, even if we were to start doing a blockchain at the land records, 10 years from now, we'll have a history, but you're still going to need to go back on paper and put all that in – but you can definitely use it at settlement in terms of land records," Hoffman said.

Intercontinental Exchange, parent company of the New York Stock Exchange, acquired a majority stake in Merscorp Holdings in June 2016 with the intention of investing and updating the MERS System, a private loan registry of mortgage and deed of trust lien holders. While the company is investing time in researching and understanding blockchain technology, it is not currently pointing to blockchain as an answer to modernizing the MERS System or the MERS eRegistry, the system of record that tracks the owners of electronic promissory notes.

"We're always talking with our customers about how new technologies could improve their processes and cost structure," said Brendon Weiss, chief operating officer of Merscorp.

"While the potential use of blockchain in mortgage has entered the dialogue, the clearest path, right now, to solving real problems and earning ROI in this space is the long-overdue move from paper to digital. This game-changing innovation is a practical goal that can be adopted under the current legal and market infrastructure," he said.

Harry Gardner, executive vice president of eStrategies at Docutech, expressed hesitance about a blockchain as an equivalent or alternate to the MERS eRegistry.

"The MERS eRegistry is not just the registry to check who owns the note, but also to perform all sorts of other transactions in terms of e-note management and converting them back to paper when necessary – all kinds of things like that. In my mind, that would make a blockchain equivalent more difficult," Gardner said.

Perhaps a more suitable application for blockchain technology is the foreclosure process.

"With blockchain, I think the defaults are going to be so much better," said Jeff Bode, president and CEO of Mid America Mortgage.

Multiple parties need to collaborate to service a delinquent loan. And since blockchain's distributed ledger technology offers total transparency, it can help streamline an already complicated process.

"If you think about during the foreclosure, you've got the servicer, you've got the investor, you've the attorney, and then you have the end consumer," said Shelley Leonard, executive vice president and chief product officer at Black Knight.

"Having one set of rules and requirements that are agreed to is a big part of the distributed ledger benefit or value that creates that standard rule set that all the participants on the ledger agreed to as it goes through the process," she said.

GAINING TRACTION

By 2024, the global blockchain market is expected to be worth $20 billion, according to Transparency Market Research. And the technology has the potential to reduce the infrastructure costs of the world's 10 largest banks by 30%– equating to $8 billion to $12 billion in annual cost savings, according to Accenture and the financial services consulting firm McLagan.

But the mortgage industry historically lags in its technology adoption. And with blockchain technology just starting to make its mark on other industries, it may be a while before it's adopted by lenders and servicers.

Today, nearly every mortgage company has introduced some form of digital mortgage component into its business practice, but this industrywide embrace of digital mortgages has taken decades and is still in its infancy.

About five years ago, it took a big industry player or two to introduce digital mortgage tools before others followed suit. And while that may be what it'll take for the industry to start utilizing blockchain technology, it may not be the most effective game plan.

A consortium-based approach, as opposed to a competitive one where companies pin themselves against each other, is what's required for blockchain to realize its maximum potential.

"It's one of those things, like building an electrical grid," explained Martin. "You have generators that generate, you have users who use it, but in the end, everybody benefits from the fact that you have this power infrastructure – it's like upgrading the grid."

"An industry consortium tackling this problem would turn the technology from being a differentiator at each company, to being a utility for all the companies," he continued.

With the Federal Housing Finance Agency directing much of the work Fannie and Freddie are doing to develop industry utilities like the common securitization platform, it may be in the perfect position to convene those in the industry and drive this change forward.

"In any application for something like blockchain, there is a great need for community coordination and agreement and standardization, so an entity like FHFA would be potentially a significant player there, the CFPB, depending on the application, or even MISMO, in terms of setting forth the data standards," Gardner said, referring to the Consumer Financial Protection Bureau and the Mortgage Industry Standards Maintenance Organization.

While building an industrywide platform may take resources, its cost would be capacity-based and scalable. Blockchain's price tag shouldn't vary much from what it costs a company to invest in any new platform.

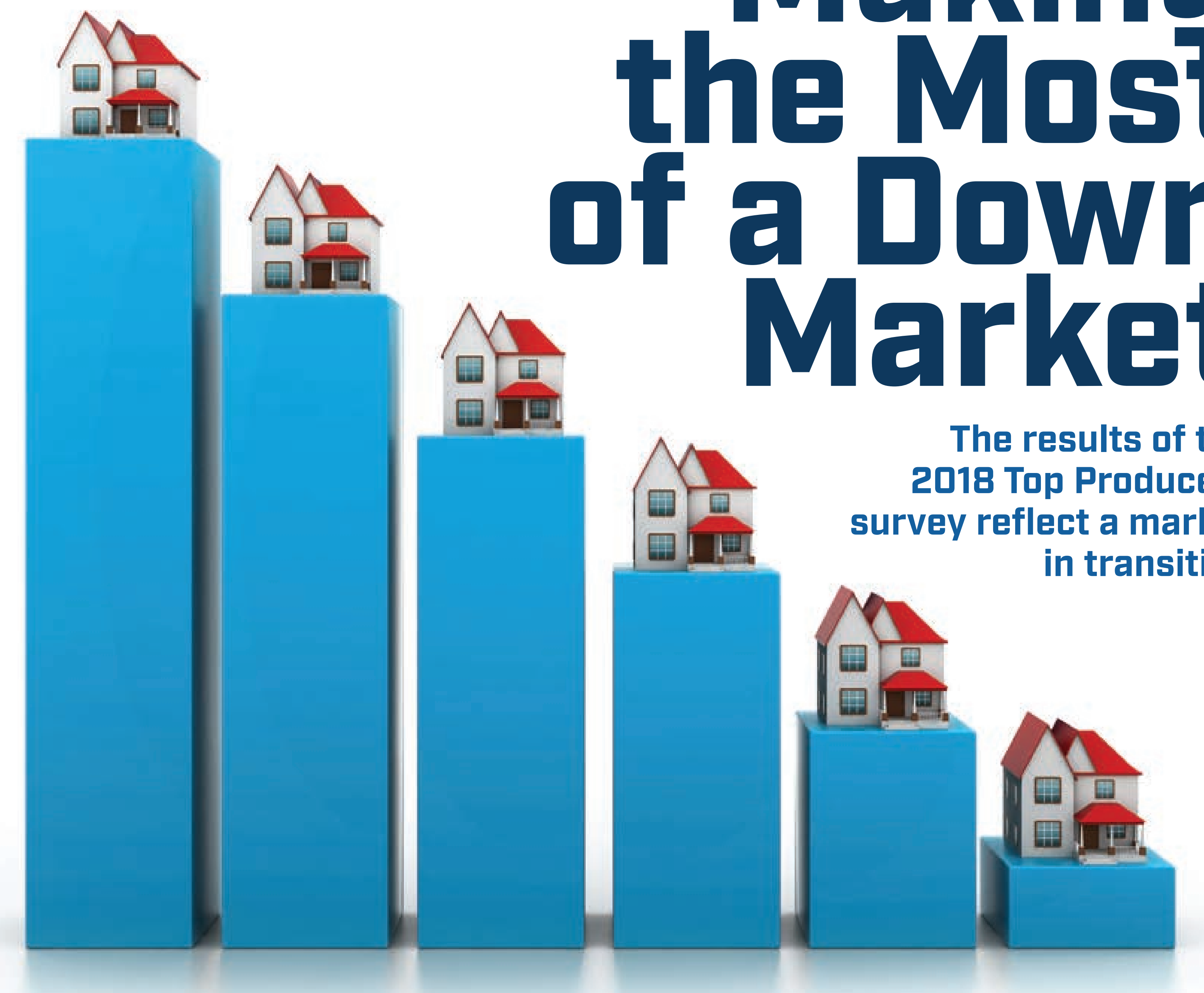
"It squeezes margins out, and if everything's easier to do, it should be cheaper," said Bode.

"If I can have better quality in my process, I'm going to do whatever it takes to have better quality and better service for my customer," he said. "If I can do that, and it costs me less money, that's where I'm going to go." NMN

National Mortgage News | TOP PRODUCERS 2018

Making the Most of a Down Market

The results of the 2018 Top Producers survey reflect a market in transition



MORTGAGE INTEREST RATES BEGAN to rise after the 2016 elections and as that trend continued into 2017, refinance volume fell precipitously. In response, lenders began to put more emphasis on the purchase mortgage market. Unfortunately, while consumer demand for homes showed marked improvement, a severe dearth in available inventory for sale stifled the housing market.

Purchase lending accounted for 65% of overall volume in 2017, up from a 51% share the year before, according to the Mortgage Bankers Association. But volume in the segment grew only 6%, to $1.1 trillion, and the market shift was influenced more by a 40% drop in refinancing.

Overall, the industry's annual origination volume fell 17%, to $1.7 trillion, and the effects of that trend were felt by loan officers throughout the Top Producers Rankings. Still, the highest-ranking Top Producers generated promising results.

This year marks the 20th anniversary of the Top Producers program. The rankings are open to mortgage loan officers and mortgage brokers who work at depository, nonbank and mortgage brokerage firms in the United States. Be sure to visit NationalMortgageNews.com throughout the month of April for more Top Producers content, including additional rankings based on regions and loan product type, as well as data and analysis gleaned from insights the loan officers provided about key market developments, business practices and career priorities. NMN

Top Producers

Rank	Name	Company	Volume	# of Loans
1	Mark Cohen	Cohen Financial Group	$579,577,758	541
2	Shant Banosian	Guaranteed Rate	$457,938,692	1129
3	Anthony Musante	PNC Bank	$282,768,380	307
4	Andrew Marquis	Guaranteed Rate	$278,529,031	646
5	Ben Cohen	Guaranteed Rate	$271,143,617	569
6	Risha Kilaru	Guaranteed Rate	$268,046,607	475
7	Michael Rodriguez	Platinum Capital Mortgage	$249,204,220	517
8	Ramon Walker	Mount Diablo Lending	$243,191,511	610
9	Julie Long	Commonwealth Mortgage	$237,997,029	870
10	Baret Kechian	loanDepot	$226,009,251	503
11	Chris Furie	Insignia Mortgage	$210,302,117	110
12	Damon Germanides	Insignia Mortgage	$204,219,150	102
13	Brian Decker	loanDepot	$203,773,832	583
14	Matt Andre	FBC Mortgage	$194,021,726	784
15	Jason Wiley	Wells Fargo Home Mortgage	$186,113,835	190
16	Sam Sharp	Guaranteed Rate	$181,000,976	587
17	Joe Caltabiano	BeMortgage	$180,324,574	496
18	Christopher Gallo	NJ Lenders	$170,076,264	435
19	Michael Borodinsky	Caliber Home Loans	$169,270,000	522
20	Erik Elsasser	Consumer Direct Mortgage	$164,334,654	627
21	Anthony Larocca	Contour Mortgage	$159,920,000	234
22	Houtan Hormozian	Crestico Funding	$158,529,802	315
23	Craig Stelzer	CrossCountry Mortgage	$157,815,024	518
24	Robby Oakes	Corporate Investors Mortgage Group	$154,945,878	556
25	Nicholas Barta	Security First Financial	$151,036,087	772
26	Shashank Shekhar	Arcus Lending	$150,938,095	293
27	Ryan Grant	Fairway Independent Mortgage	$148,516,043	294
28	John Noldan	Guaranteed Rate	$143,505,220	518
29	Tim Smith	Chemical Bank	$140,208,824	322
30	Quoc Do	EverBank	$139,098,550	209
31	Ryan Shane	Sammamish Mortgage	$136,640,497	405
32	Umar Gebril	Academy Mortgage	$136,076,246	271
33	Steven Grossman	NJ Lenders	$127,780,800	251
34	Sean Fritts	McLean Mortgage	$126,010,080	295
35	Thuan Nguyen	Loan Factory	$124,600,678	345
36	Shimmy Braun	Guaranteed Rate	$124,358,341	359
37	Stephanie Dombrowski	Ent Credit Union	$122,700,949	435
38	Joseph Smith	Guaranteed Rate	$121,889,144	259
39	Sam Rosenblatt	Academy Mortgage	$120,723,584	394
40	David Jaffe	On Q Financial	$119,054,069	257
41	Dianne Crosby	Guaranteed Rate	$117,020,887	190
42	Allyson Kreycik	Guaranteed Rate	$116,701,869	257
43	Matthew Adler	Lake Michigan Credit Union	$115,159,683	491
44	Timothy Taylor	HomeBridge Financial Services	$114,226,999	205
45	Austin Lampson	On Q Financial	$113,606,093	244
46	Michael Deery	Citywide Financial	$112,808,450	257
47	Mark Johnson	HomeBridge Financial Services	$110,043,820	220
48	Lillian Tang	First American International Bank	$109,228,223	304
49	Dan Gjeldum	Guaranteed Rate	$106,104,384	217
50	Beth Lewis	Perl Mortgage	$105,715,466	351

Rank	Name	Company	Volume	# of Loans
51	Christopher Keelin	Family First Funding	$105,220,851	383
52	Hani Ali	Guaranteed Rate	$104,019,140	307
53	James Pope	Wintrust Mortgage	$103,016,367	327
54	Matt Weaver	CrossCountry Mortgage	$101,278,741	401
55	Brian Jessen	Guaranteed Rate	$100,611,686	234
56	Shawn Huss	Chemical Bank	$99,403,660	888
57	Eric Kulbe	Guild Mortgage	$98,700,500	309
58	Jason Evans	loanDepot	$97,916,720	281
59	Reginald Maddox	McLean Mortgage	$96,335,856	222
60	Michele Stanisch	Guaranteed Rate	$96,056,022	166
61	Angela Kakos	First Securities Mortgage	$95,141,103	489
62	Jerry Sundt	V.I.P. Mortgage	$94,875,356	435
63	Justin Bonura	NJ Lenders	$93,154,531	245
64	Chad Trease	PrimeLending	$92,829,687	424
65	Eric Glick	Certainty Home Loans	$92,165,081	431
66	Mike Ward	U of I Community Credit Union	$91,805,877	479
67	Jon Lamkin	Guaranteed Rate	$91,397,000	194
68	Drew Boland	Guaranteed Rate	$89,526,400	236
69	Melissa Bell	McLean Mortgage	$89,525,497	224
70	Adam Slack	Guaranteed Rate	$88,936,732	371
71	J Alex Islas	Cathay Bank	$87,913,000	285
72	Joseph Parisi	Guaranteed Rate	$85,880,232	148
73	Amanda Sessa	SWBC Mortgage	$85,791,458	238
74	Silverio Garcia	Golden Empire Mortgage	$85,524,109	226
75	Rick Elmendorf	Caliber Home Loans	$85,482,536	183
76	Jonathan Marcoline	FBC Mortgage	$85,343,270	317
77	Christopher Smith	Trident Mortgage	$85,176,513	274
78	Claudette Khachatourian	HomeBridge Financial Services	$85,160,298	205
79	Michael Nielsen Jr.	Guaranteed Rate	$84,861,498	228
80	John Pyne	Intercoastal Mortgage Company	$84,477,292	167
81	Kelly Crowther	loanDepot	$83,700,000	220
82	Matt Schwartz	Golden Empire Mortgage	$82,876,118	364
83	Lana Geraghty	On Q Financial	$81,084,862	295
84	Dean Vlamis	Guaranteed Rate	$80,668,655	212
85	Jd Cortese	Guaranteed Rate	$80,472,060	233
86	Michael Osorio	Farmers and Merchants Bank	$80,310,654	131
87	Michael Fornerette	Guild Mortgage	$79,606,873	271
88	Michelle Bobart	Guaranteed Rate	$79,468,104	220
89	Mary Rosella Campion	loanDepot	$78,750,454	193
90	Dan Rock	Guaranteed Rate	$77,574,288	298
91	Christina Trethewey	Guaranteed Rate	$76,213,017	171
92	Michael Durand	Consumer Direct Mortgage	$75,768,140	306
93	Christin Luckman	Guaranteed Rate	$75,161,687	185
94	Terry Heffner	Guild Mortgage	$75,000,000	315
95	Kristi Hardy	Atlantic Coast Mortgage	$74,606,065	213
96	Daniel Rogers	Guaranteed Rate	$74,414,318	420
97	Chris Hutchens	Guaranteed Rate	$73,996,363	266
98	Amber Arwine	Guaranteed Rate	$73,973,781	267
99	Carey Meushaw	Atlantic Coast Mortgage	$73,878,114	147
100	Tish Ashley	Highlands Residential Mortgage	$73,728,069	266

Top Producers

Rank	Name	Company	Volume	# of Loans
101	Jerry Wilson	Finance of America	$73,658,418	200
102	Mark Raskin	PrimeLending	$72,861,436	254
103	Stephen Delagrange	Guaranteed Rate	$72,845,659	228
104	Matt Tierney	Guaranteed Rate	$71,998,033	223
105	Michael Tanionos	Wells Fargo Home Mortgage	$71,331,000	108
106	Dana Meadows	Movement Mortgage	$70,898,751	327
107	Matthew McDevitt	Guaranteed Rate	$69,987,766	276
108	Eric Bryce	Guaranteed Rate	$69,825,586	167
109	Ralph Tancredi, Sr.	ManasquanBank	$69,706,795	184
110	Cory Depass	Benchmark Mortgage	$69,693,908	132
111	Keri Gass	Ent Credit Union	$69,580,806	299
112	Savvas Fetfatsidis	Guaranteed Rate	$69,400,203	188
113	Daniel Delgado	Guaranteed Rate	$69,351,947	301
114	Stuart Crawford	V.I.P. Mortgage	$69,032,643	250
115	David Toaff	First Home Mortgage	$68,744,208	173
116	Joseph Chacko	C2 Financial	$68,647,741	177
117	Debbie Secord	Guild Mortgage	$68,508,810	256
118	Charles Newell	Triumph Mortgage	$68,429,893	216
119	Jennifer Martinez	Guaranteed Rate	$68,321,767	304
120	Tracy Zhao	First American International Bank	$68,223,300	176
121	Chad Bowers	Meridian Bank	$68,000,000	286
122	Joel Bolton	Consumer Direct Mortgage	$67,594,968	268
123	Benjamin Zitting	Bay Equity Home Loans	$67,468,218	288
124	Tammy Saul	Federal Hill Mortgage	$67,059,627	219
125	David Hosterman	Castle & Cooke Mortgage	$66,310,841	238
126	William Murphy	Fairway Independent Mortgage	$66,200,000	278
127	Roderick Davis Jr.	Consumer Direct Mortgage	$66,104,911	267
128	Gina Allman	Ent Credit Union	$65,748,643	302
129	Matt Oliver	Lund Mortgage Team	$65,579,223	288
130	Lance Ray	Guaranteed Rate	$65,554,862	170
131	Paula Bonnafant	Epic Funding	$65,544,521	278
132	Mark Casamassina	NJ Lenders	$65,542,813	213
133	Thomas Jussila	Finance of America	$65,393,493	266
134	Natalie Salins	Movement Mortgage	$64,717,895	143
135	Matthew Paradis	Guaranteed Rate	$64,591,351	289
136	Kevin Marsh	Consumer Direct Mortgage	$64,551,878	244
137	Rob Wishnick	Guaranteed Rate	$64,224,076	192
138	Lisa Holbrook	Ent Credit Union	$64,164,270	327
139	Adam Cornacchio	WSFS Mortgage	$63,264,178	244
140	Jason Griesser	Guaranteed Rate	$62,768,613	222
141	Andrea Wine	McLean Mortgage	$62,584,612	152
142	Jennifer Pitcher	FBC Mortgage	$62,120,934	258
143	David Polarek	Guaranteed Rate	$62,001,072	315
144	Milo Grecian	Golden Empire Mortgage	$61,868,142	131
145	Bob Melone	Radius Financial Group	$61,749,790	191
146	Ryan Barry	NJ Lenders	$61,722,173	162
147	Danielle Young	Guaranteed Rate	$61,491,022	193
148	Michael Regan	Stearns Lending	$61,382,781	133
149	Thomas Bechtel	Ent Credit Union	$61,373,671	293
150	Rich Holsman	Bay Equity Home Loans	$61,340,894	139

Rank	Name	Company	Volume	# of Loans
151	Ronald Mammano	Primary Residential Mortgage	$61,100,000	185
152	Ryan Morgan	Mortgage Corp East	$61,016,671	157
153	Alex Jaffe	First Home Mortgage	$60,712,979	165
154	April Ye Wang	General Mortgage Capital	$60,618,564	87
155	Wendy Thompson	Brighton Bank	$60,422,039	258
156	Mark Pfeiffer	HomeBridge Financial Services	$60,390,337	189
157	Matthew McDuffee	FBC Mortgage	$60,238,886	358
158	Nikitas Kouimanis	Cliffco	$59,750,850	203
159	Larry Justice	McLean Mortgage	$59,623,322	133
160	Brooks Grasso	Fulton Mortgage Company	$59,338,995	195
161	Samir Dedhia	SD Capital Funding	$59,272,124	172
162	Carmine Russo	Guild Mortgage	$59,187,000	369
163	Mindy Ashdown	Academy Mortgage	$59,088,975	264
164	Charles Petruzzi	Consumer Direct Mortgage	$59,065,454	243
165	Leslie Struthers	Guaranteed Rate	$59,016,546	136
166	Mike Metz	Guaranteed Rate	$58,615,176	143
167	Brandy Whitmire	HomeBridge Financial Services	$58,177,446	180
168	Scott Stinson	FBC Mortgage	$57,349,123	263
169	Kelly Zitlow	Cornerstone Home Lending	$57,105,991	232
170	Luke Chamberlin	NJ Lenders	$57,047,029	144
171	Walter Gorman	NJ Lenders	$56,768,027	176
172	Christopher McKinney	S&T Bank	$56,511,702	251
173	Greg Mullan	George Mason Mortgage	$56,410,981	143
174	Chris Schoenthal	HomeBridge Financial Services	$56,372,811	236
175	Edward Quinby	Bay Equity Home Loans	$56,341,124	82
176	Michael Huber	Consumer Direct Mortgage	$56,301,785	222
177	Dave Schell	Guaranteed Rate	$56,237,066	146
178	Adam Dahill	loanDepot	$55,911,259	88
179	Joe Burke	Guaranteed Rate	$55,866,030	166
180	Shirley Stange	Ent Credit Union	$55,859,819	272
181	Joel Schaub	Guaranteed Rate	$55,741,450	166
182	Michael Bischof	Guaranteed Rate	$55,638,366	147
183	Rob Rudd	McLean Mortgage	$55,559,537	108
184	Jennifer Fairfield	Guaranteed Rate	$55,298,765	158
185	Matt Keane	Guaranteed Rate	$55,142,126	128
186	Joe Massey	Castle & Cooke Mortgage	$55,096,298	200
187	Mickey Cogliandro	Guaranteed Rate	$54,985,104	69
188	Chelsea Smith	FBC Mortgage	$54,662,870	164
189	Barb Multari	CrossCountry Mortgage	$54,489,524	235
190	Larry Steinway	Guaranteed Rate	$54,457,158	165
191	Deann Ellis	Primary Residential Mortgage	$54,400,000	303
192	Mike Stein	McLean Mortgage	$54,399,621	124
193	Paula Nirschl Robb	Guild Mortgage	$54,370,952	203
194	Jeff Adams	Certainty Home Loans	$54,324,349	227
195	Sam Batayneh	Guaranteed Rate	$54,037,153	68
196	Richard Carroll	Finance of America	$53,948,233	122
197	Marc Demetriou	Residential Home Funding	$53,435,281	126
198	Aaron Sledd	Triumph Mortgage	$53,028,446	172
199	Randy Ernst	Guaranteed Rate	$52,981,034	179
200	Kyle Gillespie	Guaranteed Rate	$52,636,191	149

Top Producers

Rank	Name	Company	Volume	# of Loans
201	Troy Toureau	McLean Mortgage	$52,542,843	122
202	Mary Greenwood	Ent Credit Union	$52,518,886	236
203	Steven Vella	Bay Equity Home loans	$52,475,500	76
204	Ben Milam	Guaranteed Rate	$52,287,876	215
205	Peter Grabel	Luxury Mortgage	$52,276,082	74
206	Jason Servais	On Q Financial	$52,243,127	233
207	Jonathen Adams	loanDepot	$52,170,267	221
208	Jeremy Johnson	McLean Mortgage	$52,076,072	138
209	Keith Renno	Wintrust Mortgage	$52,000,000	126
210	Kelly Taylor	FBC Mortgage	$51,994,559	244
211	Joshua Jones	loanDepot	$51,755,251	200
212	Jonathan Hallstead	Bay Equity Home Loans	$51,750,988	75
213	Scott Story	First Home Mortgage	$51,645,640	141
214	Tom McMurray	Guaranteed Rate	$51,360,082	108
215	Mandi Feely	Premier Mortgage Resources	$51,196,214	277
216	Heather Millspaugh	Finance of America	$51,107,151	104
217	Ryan Richardson	Guaranteed Rate	$50,797,907	137
218	Michael Picore	Bay Equity Home Loans	$50,530,847	159
219	Kathryn Pedersen	Bay Equity Home Loans	$50,530,475	162
220	Debra Shultz	Guaranteed Rate	$50,307,012	73
221	Austin Reed	Guaranteed Rate	$50,149,013	112
222	Jim Jefferson	Guaranteed Rate	$50,053,028	207
223	Sandy Davis	NJ Lenders	$49,558,787	164
224	Shane Day	LeaderOne Financial	$49,550,000	160
225	Jay Zerquera	FBC Mortgage	$49,479,525	220
226	Melissa Caci	RMS Mortgage	$49,468,936	123
227	Arturo Ivan Pastor	Interlinc	$49,468,736	253
228	Marsha Gandy	Guaranteed Rate	$49,386,136	219
229	Phillip Cannon	Guaranteed Rate	$49,344,211	77
230	Gregory Elliott	Golden Empire Mortgage	$49,289,023	126
231	Richard Alashaian	NJ Lenders	$49,288,910	132
232	Nicholas Utesch	Progressive Financial Services	$49,218,004	281
233	Andrew Greenstein	Guaranteed Rate	$49,193,569	153
234	Jeff Crain	Guaranteed Rate	$49,182,789	203
235	Mark Stec	Wintrust Mortgage	$49,000,000	75
236	Tony Hill	Triumph Mortgage	$48,921,795	163
237	Vick Bedi	SD Capital Funding	$48,910,573	143
238	Dave Caldwell	Guaranteed Rate	$48,841,733	144
239	Jim Blackburn	Guaranteed Rate	$48,726,430	147
240	Rick Parrish	Guaranteed Rate	$48,562,331	177
241	Danesha Spearman	Triumph Mortgage	$48,478,399	157
242	John Thomas	Primary Residential Mortgage	$48,468,638	253
243	Suzi Gradisar	Ent Credit Union	$48,277,614	250
244	Jo Ann Theriault-Fazio	Guaranteed Rate	$48,231,132	181
245	Robert Cooley	Guild Mortgage	$48,150,212	113
246	David Frankel	Guaranteed Rate	$47,777,828	163
247	Lloyd Streisand	loanDepot	$47,686,902	56
248	Sean Park	Resmac	$47,158,418	237
249	Chad Cantrell	Certainty Home Loans	$47,038,689	294
250	Kitty Lee	loanDepot	$46,849,599	75

Rank	Name	Company	Volume	# of Loans
251	Neil Bourdelaise	First Home Mortgage	$46,578,060	137
252	John Fosgate	FBC Mortgage	$46,294,342	193
253	Dawn James	On Q Financial	$46,283,962	136
254	Randy Lipp	Certainty Home Loans	$46,074,064	196
255	Stephen Seidler	HomeBridge Financial Services	$45,794,027	125
256	Matthew Ribbeck	UW Credit Union	$45,718,520	233
257	Gabriel Tuvek	First Home Mortgage	$45,588,122	183
258	Aaron Gordon	Guild Mortgage	$45,460,000	184
259	Michael Trejo	Bridgepoint Funding	$45,370,417	92
260	Steven Maizes	Guaranteed Rate	$45,335,803	37
261	Michelle Bruto Da Costa	HomeBridge Financial Services	$45,089,255	152
262	John Smithee	Brokers R Us	$45,000,000	170
263	Chris Magnotta	Guild Mortgage	$45,000,000	150
264	Brian Berman	Mortgage Atlanta	$44,923,616	160
265	Tony Adkins	Alliance Home Loans	$44,876,365	146
266	Carolyn Flitcroft	First Home Mortgage	$44,765,103	115
267	James Pulsipher	Bay Equity Home Loans	$44,625,771	212
268	Della McDowell	On Q Financial	$44,535,023	244
269	Sean Knudsen	Guaranteed Rate	$44,423,062	158
270	James Moran	First Home Mortgage	$44,413,193	148
271	Anne Borghesani	First Home Mortgage	$44,367,640	156
272	Michelle Castle	Guild Mortgage	$44,337,748	254
273	Ofelia Tellez	Wescom Credit Union	$44,311,000	125
274	Deninne Wier	loanDepot	$44,136,935	127
275	Michael Suffoletto	Guaranteed Rate	$43,928,727	107
276	Debra Ellen Clark	FBC Mortgage	$43,456,495	204
277	Bradley Rasof	Guaranteed Rate	$43,383,545	133
278	Dean Rizzi	Guaranteed Rate	$43,304,033	76
279	Scott Davis	McLean Mortgage	$43,275,306	85
280	Brian Carson	Certainty Home Loans	$43,104,222	277
281	James Nolan	Interlinc	$43,096,552	223
282	Michael Murray	Guaranteed Rate	$43,061,073	148
283	Jeffrey Hawks	Guild Mortgage	$42,951,783	157
284	David Robbins	Golden Lenders	$42,755,003	152
285	Leslie Wish	McLean Mortgage	$42,579,171	93
286	Ron Haddad	Key Mortgage	$42,343,141	149
287	Joel Mahakian	Premium Mortgage	$42,294,051	220
288	John Chavez	V.I.P. Mortgage	$42,252,886	172
289	Rick Richter	Guaranteed Rate	$42,225,833	168
290	Jennifer Beeston	Guaranteed Rate	$42,196,151	114
291	Joseph Metzler	Mortgages Unlimited	$42,106,000	174
292	Matthew Davidson	Ent Credit Union	$41,876,539	202
293	Mike Rafii	Bay Equity Home Loans	$41,525,083	76
294	Roger Brasil	Guaranteed Rate	$41,470,153	86
295	Michael Koran	Primary Residential Mortgage	$41,316,280	68
296	Corey Grace	Guaranteed Rate	$41,275,265	180
297	Patrick Ruffner	Guaranteed Rate	$41,085,777	124
298	Michael Bovaird	NJ Lenders	$41,069,187	84
299	Alejandro Garza	Finance of America	$41,008,630	133
300	John Hunter	Guaranteed Rate	$41,004,410	128

BLOCKCHAIN NOW

BY JOE DOMBROWSKI

From origination to payoff, blockchain technology makes data more reliable and secure to enhance and improve mortgage lending.

BLOCKCHAIN TECHNOLOGY IS NO longer breaking news. The financial services industry has been quick to adopt it in various areas. But mortgage lenders and servicers have been slower to implement this technology to solve lending challenges.

Skepticism about the value of blockchain may be rooted in unease about its connection to bitcoin and other virtual currencies known as cryptocurrencies. The tools in blockchain – its highly advanced security and distributed ledger – are tools that exist today and can be employed to address problems in lending. And it all can be done in traditional U.S. currency. It should also be stated that blockchain is neither a software package nor a platform that can be bought. It is the application of existing technologies in a way that ensures better transparency and improved security. It also boosts the bottom line by reducing necessary manpower and man-hours.

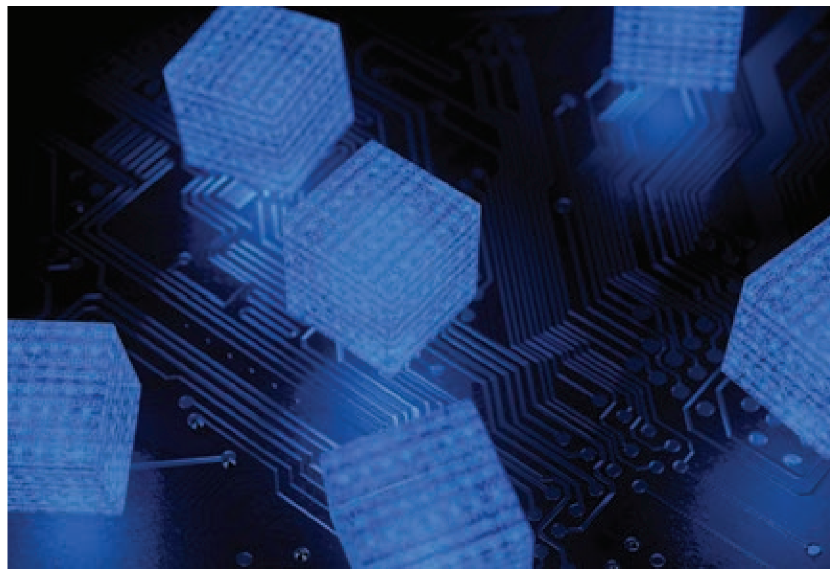
We, in the lending industry, have seen the benefits that can be brought about by automation and standardization of data. We also understand the need for improved transparency and accountability to better adhere to regulatory requirements. Any innovations in lending must also consider the overall cost – both direct and indirect – to all parties involved.

With this in mind, there is a case for mortgage lenders to adopt blockchain tools. The first step begins with looking at problems with some basic understanding of the tools involved. Let's examine some elements of blockchain and how they can be applied to the mortgage industry.

Blockchains provide improved safety and security. Data that may be stored on a loan origination or servicing platform is tagged to a highly secure shared data framework where the records are represented by unique metadata that is algorithmically defined. Loan balance information is represented by a string of 64 calculated characters called a "hash." The hash contains not just the loan balance but other data, such as its source.

The cryptographic approach to hashes creates a verifiable "single source of the truth," meaning an unchangeable digital record is created for every transaction. No sensitive information is ever transmitted in the clear (the data doesn't move) and blockchain ledgers can be full, limited, or private in scope. This means users can share this data with no one, only certain parties with whom a private key is shared or with the public at large.

It's hard to argue against the concepts that support blockchain and all it brings to the table for both lenders and borrowers. Blockchain technology could reduce data security risks by improving the data encryption used to trade information. By using a private or hybrid ledger, it could also reduce all the costs associated with trading data and subsequent checking of that data – and the audit of those checkers would be far easier to manage, too.



What's more, with the right ledger security, users could also address compliance concerns. Even if someone only trades information within their own company, a distributed ledger can streamline operations, increasing productivity by reducing duplication of multistep data transfer processes.

Nearly every lender and servicer has embraced automation to keep costs down, freeing up manpower for tasks that require a human touch. Further cost reduction means that more resources can be devoted to serving the borrower: The savings generated from reducing overall costs to originate and service loans can be passed on to the borrower. From origination to payoff, blockchain can enhance and improve the mortgage lending process.

Joe Dombrowski is director of product management and chief mortgage strategist, lending solutions at Fiserv.

It's hard to argue against the concepts that support blockchain and all it brings to the table for both lenders and borrowers.

RISKY MORTGAGES

BY PATRICIA MCCOY

The Senate reg relief bill carves out protections for smaller banks to offer abusive loans to borrowers under the "qualified mortgage" standard, as long as they hold them in portfolio.

NOW THAT WE'RE AT THE TOP OF the business cycle, it's about time for amnesia to set in about the last financial crisis. Sure enough, that's what's happening with the Senate's latest attempt to roll back key financial reforms.

The Economic Growth, Regulatory Relief, and Consumer Protection Act, by Sen. Mike Crapo, R-Idaho, has made it to the Senate floor and is poised for a vote, with Republican and some Democratic support.

This bill, if enacted, would make a terrible mistake by paving the way for another financial meltdown. When Congress passed the Dodd-Frank Act in 2010, it required lenders to first determine that loan applicants are able to repay before making them home mortgages. Lenders who fail to make this assessment can be liable to borrowers.

Congress did provide lenders with some legal protection by insulating them from ability-to-repay claims by borrowers for loans meeting certain safety requirements set out in Dodd-Frank. These so-called qualified mortgages have important guardrails against a future spike in defaults, including stricter underwriting and safer loan terms. Congress carefully designed these protections to prevent a repeat of some of the biggest lending lapses culminating in the 2008 financial crisis.

The Senate bill waters down these safeguards for banks with total assets of up to $10 billion by permitting them to make unaffordable mortgages, with no liability to borrowers, so long as the banks hold the loans on their books.

If the bill becomes law, Congress will excuse over 97% of U.S. banks from having to verify applicants' income, assets and debts for mortgages they keep on their books. This is a recipe for unmanageable monthly payments for consumers. Further, under the bill, these smaller banks can make toxic balloon loans and adjustable-rate mortgages without ever confirming that the borrowers can afford the higher monthly payments in future years. This raises a serious concern because both of these abuses contributed to the 2008 financial crisis.

The Senate bill poses another, less obvious risk. If smaller banks don't have to play by the same rules as big banks, we face a race to the bottom in lending standards. Smaller banks will lure away business from big banks by offering borrowers loans that appear to be cheap, but are filled with nasty surprises. The result: Smaller banks will load up their balance sheets with risky mortgages to pursue lucrative fees, while ignoring the peril to their solvency.

The bill's sponsors pooh-pooh any problem, saying that banks will not make unsafe loans if they retain those mortgages. But that is a myth. FDIC data reveal that in 2012, banks, both big and small, held a whopping $238 billion in bad home mortgages on their books. Many of those banks were so insolvent that they required taxpayer bailouts to stay afloat.

Similarly, the bill's sponsors blame the Dodd-Frank Act for crimping economic growth and hurting smaller banks. Once again, they are wrong. Since Congress enacted Dodd-Frank, bank revenues and lending have grown, the S&P 500 stock index has more than doubled, wages are rising, home mortgages to minority borrowers are up and full employment is in sight. Since Dodd-Frank became law, smaller banks have enjoyed rising income and loan volumes.

Bottom line, the bill will wreak havoc by allowing small banks to "sell" homeowners loans they cannot afford, triggering defaults and foreclosures. The bill, if passed, will also set off bank failures. In 2008, we saw how that movie turned out and it wasn't pretty. To prevent a repeat of the last crisis, the Senate should reject this bill.

Patricia McCoy is a professor of law at Boston College.

If smaller banks don't have to play by the same rules as big banks, we face a race to the bottom in lending standards.

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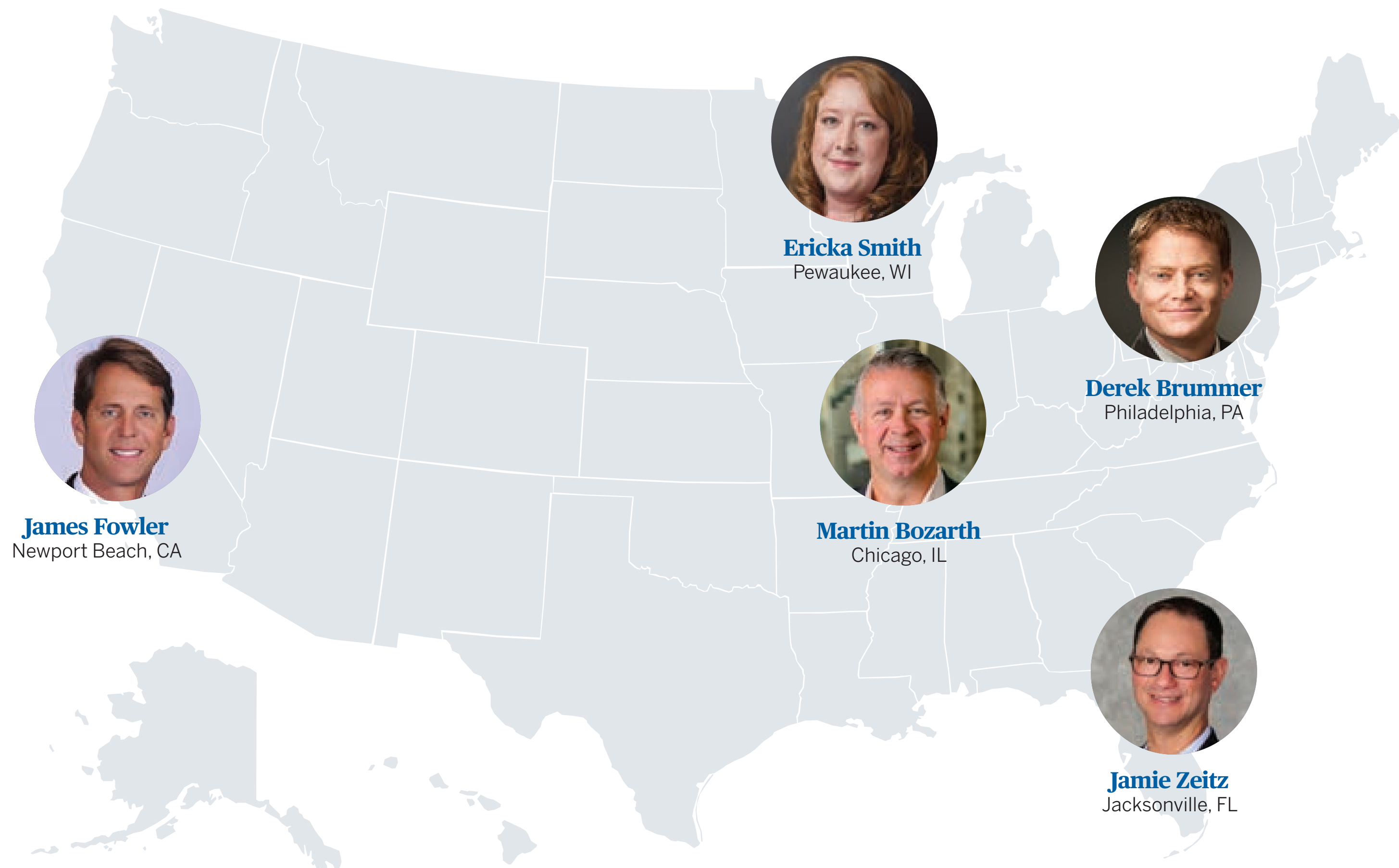


CALIFORNIA

NEWPORT BEACH

Real Estate Capital has named **James Fowler** senior vice president and production co-manager of its Newport Beach, Calif., loan origination team.

He has more than 35 years of experience in the commercial real estate investment banking industry in all aspects of commercial real estate finance and mortgage banking.

Prior to joining Grandbridge, Fowler served as a senior managing director and national co-head of hospitality debt capital markets for HFF.

He also served as a principal and founder of US Realty Capital, a nationwide commercial real estate financial intermediary.

FLORIDA

JACKSONVILLE

HomeBridge Financial Services Inc. has promoted **Jamie Zeitz** to the newly created position of renovation producing area sales manager for the Southeast region.

In his new role, Zeitz will focus on further expanding HomeBridge's renovation business throughout the Southeast, including within his home state of Florida.

Prior to joining HomeBridge in 2012, he was a renovation specialist for Wells Fargo for three years. Before that, he worked with both Homebanc and Bank of America.

ILLINOIS

CHICAGO

Baird & Warner said that **Martin Bozarth** will serve as its new chief financial officer. He returns to Baird & Warner after previously serving in the same position from 2002 to 2007.

Bozarth succeeds **Warren Habib**, who had been operating in a dual role as CFO of Baird & Warner and president of the company's title business.

Bozarth most recently served as CFO for USA Vein Clinics in Northbrook, Ill., and spent the majority of the past 10 years as the COO of Profit Recovery Partners.

PENNSYLVANIA

PHILADELPHIA

Radian Group Inc. has promoted **Derek Brummer** to senior executive vice president, mortgage insurance and risk services.

Brummer joined Radian in 2002 and has served as its chief risk officer since 2013. Prior to that, he was chief risk officer and general counsel for Radian's financial guaranty company.

Prior to joining Radian, Brummer was a corporate associate at Allen & Overy as well as Cravath, Swaine & Moore, both in New York.

Radian Group has also appointed Eric Ray to senior executive vice president, technology and transaction services.

Ray brings to the company more than 30 years of experience in the technology sector and most recently served as general manager, global technology services at IBM Corp. where he was responsible for the IBM North American technology consulting business.

WISCONSIN

PEWAUKEE

Waterstone Mortgage Corp. has promoted **Ericka Smith** to vice president of marketing at its Pewaukee-based corporate office.

Smith has been with Waterstone Mortgage for more than two years, in the role of marketing manager, and has been instrumental in the rollout of many marketing initiatives.

Smith has more than 15 years of marketing experience and serves as president of the board of directors for Habitat for Humanity of Waukesha County, Wis. NMN

10 Cities on the Verge of a Housing Bubble

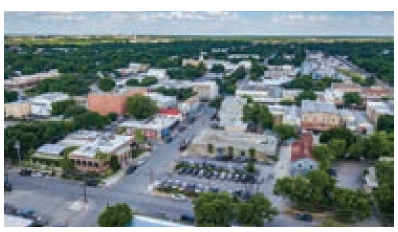
HOME PRICES ARE AT AN ALL-TIME HIGH IN MORE THAN HALF OF 112 metropolitan areas with a population of 200,000, according to Attom Data Solutions. On top of that, most U.S. wages were flat until just recently and mortgage rates are on the rise.

Combined with a gap between incomes and home prices that is historically wide in certain local markets, these pressures on affordability puts certain areas at risk for a housing bubble.

Here's a look at 10 cities where home prices have outpaced wages by the biggest margins and purchasing power is at historic lows.

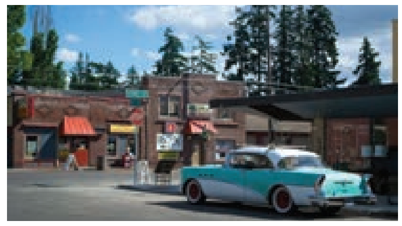
All the counties that follow have an affordability index below 100, meaning they are less affordable now than they have been historically on average; and in each area, more than 60% of average wages are needed to buy a median-priced home.

The ranking only includes counties that had a population of at least 100,000 and at least 100 homes sales during the quarter.

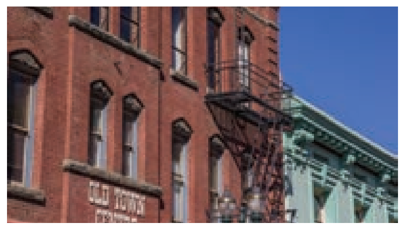


No. 1: San Antonio, Texas (Comal County)
Median sales price: $269,990
Price-wage growth gap: 14.04%
Affordability index: 77

No. 2: Seattle-Tacoma, Wash. (King County)
Median sales price: $557,500
Price-wage growth gap: 11.24%
Affordability index: 95



No. 3: Portland, Ore. (Yamhill County)
Median sales price: $289,900
Price-wage growth gap: 8.05%
Affordability index: 84



No. 4: Sacramento, Calif. (El Dorado County)
Median sales price: $457,500
Price-wage growth gap: 8.03%
Affordability index: 98

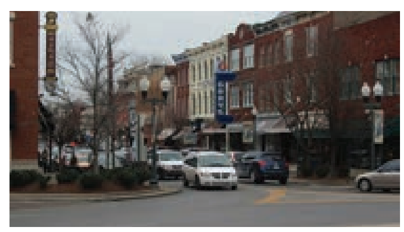
No. 5: Seattle-Tacoma, Wash. (Snohomish County)
Median sales price: $403,000
Price-wage growth gap: 7.05%
Affordability index: 94

No. 6: San Francisco, Calif. (Contra Costa County)
Median sales price: $569,500
Price-wage growth gap: 6.45%
Affordability index: 94

No. 7: Medford, Ore. (Jackson County)
Median sales price: $272,500
Price-wage growth gap: 6.09%
Affordability index: 98

No. 8: New York-Newark, N.Y.-N.J. (Kings County)
Median sales price: $810,000
Price-wage growth gap: 4.73%
Affordability index: 89

No. 9: St. George, Utah (Washington County)
Median sales price: $262,802
Price-wage growth gap: 4.69%
Affordability index: 89



No. 10: Nashville, Tenn. (Williamson County)
Median sales price: $435,000
Price-wage growth gap: 4.11%
Affordability index: 94