# 2016 FIVE STAR GOVERNMENT FORUM – EVENT NOTES

**DATE:** Thursday, March 31, 2016

**LOCATION:** Newseum, Washington, DC

**ATTENDANCE:** 174

**FIELD SERVICE COMPANIES IN ATTENDENCE:** Assurant, Altisource, Guardian, M&M, MSI, Safeguard, VRM, ZVN

**OPENING KEYNOTE: Edward Golding, Principal Deputy Secretary, US Office of Housing & Urban Development**

There key focuses:

1) Strong FHA sustainability
2) Access to credit and affordability
3) Improving FHA

40% of first time home buyers are through the FHA program. FHA has originated for 1/3 of minority home buyers over the past ten years.

The FHA delinquency rate is down from 10% to 6%. Market share is pushing 19-20%, up from 15%.

FHA actually only employs less than 900 people. In contrast the GSE's have 15,000 and two thirds of those are focused on single family.

The current FHA budget has $45 million allocated to technology. The GSE's have at least 10X that for technology.

There is a renewed focus on risk management and their prime servicing focus is on loss mitigation. Also on counseling.

Too many people are being shut out of the market. Currently the GSE accepted FICO score is 750 while the average American is at 690.

**CHANGING OF THE GUARD:**

**Moderator -** Ed Delgado, Five Star

**Panelists -** Tom Heinemann, Manufactured Housing Institute

Jack Konyk, Weiner, Brodsky, Kider, PC

Ed Kramer, MERS

Brian Montgomery, The Collingwood Group

Monte Zaben, Deloitte

The focus was on the effect of the 2016 election on the industry. Konyk started and maintained that the election would not have significant impact but that how the Senate races played out could be important. Sixty of one party is the number needed to kill a filibuster and if neither party attains that number legislation will be more difficult.

From the dynamics of the Presidential electoral process Montgomery cited the "X" factor as being the 31 sitting Governors who have control of a portion of the delegates. He believes the Republicans will experience a brokered convention. Kramer pointed out that the Koch brothers, heavy financial supporters on the Republican side, are targeting contests below the presidential one and that is a telling sign.

Ed Kramer thinks that there is a real possibility, with a Trump victory, that the Republicans could lose the House as the electorate tends to split vote between Congress and the Presidency in Presidential election years.

Montgomery said that both Trump and Cruz have put forth little in the way of housing policy. Clinton is a bit better and Sanders probably has the most robust. Trump is the biggest unknown. Heinemann pointed out that often what a candidate says, and what a President does, are not necessarily the same.

There was general consensus that the one important factor for housing is the expiration of both Richard Cordray and Mel Watts terms in 2018. The next President will control the nominating process, therefore having a major impact.

Ed Kramer believes that the CFPB will wield more influence and be harder to deal with as he sees them crafting policy through enforcement actions. He pointed out, in relation to Cordray's term expiration, that there is currently no Assistant Deputy Director.

Montgomery does not expect any major GSE reform initiatives from this administration as it winds down.

**MEETINGIN THE MIDDLE:**

**Moderator:** Michael Waldron, Bayview Loan Servicing

**Panelists:** Dana Dillard, NationStar

Danielle Johnson-Kutch, US Department of the Treasury

Laurie Maggiano, CFPB

This session was a focus on the efforts of regulators and servicers to find more effective ways to work together. Waldron started by saying he sees this as a glass half full scenario.

Maggiano pointed out that the CFPB is still relatively young and that they do feel the servicer's pain and that the industry as a whole is trying to find the right balance. They are working on a proposed servicing rule to be published later this year and are seeking servicer input.

Johnson-Kutch pointed out that HAMP is winding down with a deadline date of 12/31 but that they will be assessing applications into 2017 that are received prior to that deadline.

Counseling and outreach was cited by Johnson-Kutch with a focus on early intervention. This should also apply to servicing transfers. Dillard cited their efforts to reach out early in the transfer process.

Waldron pointed out that compliance efforts should not stifle creativity.

On the subject of technology Maggiano commented that servicers do have gaps in their systems with an example their finding the requirement for periodic statements is often not met. Her view is that the servicer is handicapped by having a basic MSP system but then have 12-14 additional applications a processor must work in. This does lead to gaps as the processor has to go from system to system. Dillard agreed saying as an industry we struggle with technology while other industries are light years ahead. She cites the CFPB's support for innovation through their Project Catalyst which allows innovators to bring a project to the CFPB and gain a waiver on regulations in order to test. They can receive a "No Action" letter. The main criteria for approval is that the project must have consumer benefits. Within CFPB they have just recently established a Technology Working Group.

The utility of using text messaging to reach borrowers was discussed in light of the fact roughly 40% of the populace no longer uses land lines but with TCPA concerns and whether texting could be utilized.

Maggiano stated that the CFPB is considering rule-making on FDCPA.

**LUNCH KEYNOTE: Theodore W. Tozer, President, Ginnie Mae**

Mr. Tozer focused on an overview of Ginnie Mae citing the following statistics:

$ 1.66 trillion issued in 2015 through 433 approved issuers. In 2008 it was $ 300 million.

In 2010 the issuer population was 82% depository institutions. 2016 YTD 71% are non-depository. In 2011 the top five issuers accounted for 78% of GNMA business. In 2016 the top five only account for 36% of GNMA business. Only one of the top five from 2011 is still in the top five (Wells).

Ginnie Mae has 136 total employees.

**SINGLE FAMILE UPDATE:**

**Presenters:** Joy Chanci, Fannie Mae (substituted for program representative Andrew Bon Salle)

Donna Corley, Freddie Mac

This session was basically a high level overview of Fannie and Freddie.

Ms. Chanci lead by saying they are committed to working together with the industry especially in light of both HAMP and HARP retiring. She noted that HAMP now comprises less than 10% of Fannie Mae modifications. Fannie sees rising rates as increasing temporary borrower issues.

For Freddie, Ms. Corley commented that they are working towards a better housing finance system focusing on three principles. The first is better solutions. This is evidenced by their role out of their new Loan Advisor Suite technology and they are looking at better technology solutions. They want to target low and moderate income families. They are also working on enhancing their scorecard with the goal of rolling out a new one within a year.

The second principle is better support. Here they have instituted dedicated customer care teams as well as enhanced their technology team.

The third and final is better certainty. They have instituted a new dispute resolution process, initially on the selling side and looking at three year rep and warranty relief. They are creating new tools and technology.

**THE ECONOMICS OF HOUSING:**

**Moderator: Rick Sharga, Ten-X**

**Panelists: Sean Becketti, Freddie Mac**

**Amy Crews Cutts, Equifax**

**Doug Duncan, Fannie Mae**

**Nela Richardson, Redfin**

This session focused on the economic outlook for housing.

Ms. Richardson began by citing the inventory of available housing is very low and that there is a disconnect between where the demand is and where the affordable housing is. They saw a 7%

decrease in February sales and the medium sales price is still high. In normal times housing starts month to month are about 1.5 million and we are hovering around 1.2 million. Sellers are hesitant to list because of uncertainty in finding something else. From a survey of their agent network they found that 90% say it is a good time to sell; the highest it's been since 2012. Conversely 35% say it's a good time to buy; the lowest since 2012.

Doug Duncan pointed out that multi-family housing starts are up but only at the "A" level which are the higher priced units. He cites the contradiction of the fat that we are in the fourth largest economic expansion since WWII yet 57% of the people believe that the economy is on the wrong track. This is likely due to the fact that although employment is up, wage growth is not. He suspects, after the most recent Janet Yellen speech that there will likely only be one more rate increase this year. He predicts that rates will end both 2016 and 2017 at about where they ended in 2015.

Becketti from Freddie cites four straight years of housing price increases. HELOC loans are tracking upward. There will be less and less of a refinance market. He sees credit risk transfers to private investors.

Ms. Crews-Cutts says the middle class is being squeezed out of the housing market. The playing field has tilted towards the higher end. She also cited that of the population where a FC history existed and has now dropped off, that only 20% have regained a prime credit rating.

**COMMUNITY CHALLENGES**

**Moderator: JK Huey, Wells Fargo**

**Panelists: Jim DePalma, Senaca Mortgage**

**Rob Grossinger, National Community Stabilization Trust**

**Robert Klein, Chairman, Secure View**

**Gina Metrakas, Rock Ventures**

The overall theme discussed was the need for open and ongoing communication between the three major parties involved in vacant properties and blight prevention. The three are regulators, servicers and advocates. Between Fannie, Freddie and HUD there are still around a million non-performing loans.

Ms. Metrakas focuses on the local issues in Detroit where out of 380,000 total parcels, 80,000 are categorized as blighted.

Fast tracking foreclosures was discussed with Klein pointing to Ohio House Bill 134 that aims to do that and with twelve criteria that can be used to identify vacant and abandoned.