



Homeownership Financing 201

Current Market Trends and New Innovations



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NCSHA



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Current Market Trends

MRB Investors

MBS Investors

Mortgage Market

New Innovations

Financial

Program

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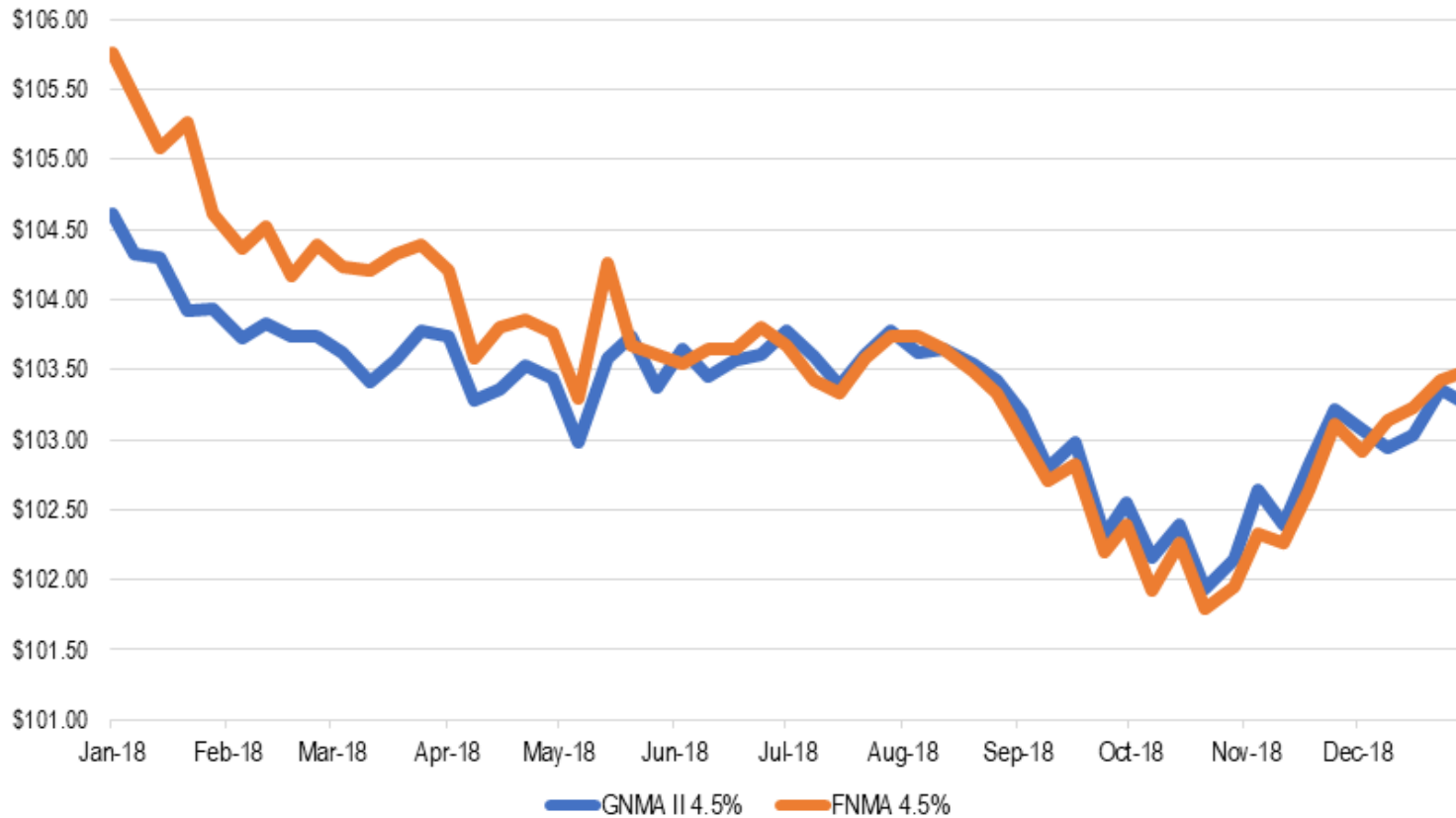


MRB Fixed Rate Investors Trends

- ☛ Institutional buying longer maturities but weaken when rates are below 4%
- ☛ Professional retail is growing in participation
- ☛ Retail demand comes in waves driven by yield
- ☛ Social Purpose hasn't produced lower costs yet
- ☛ Need for Information and predictability growing

TBA Pricing Trends

Fannie and Ginnie 60 Day TBA



MBS Investors Trends



Source: Reuters



MBS Market Trends

(BALANCE) SHEET HAPPENS

August 2008	\$0.9T
January 2015	\$4.5T
December 2018	\$4.0T
December 2019 (est.)	\$3.4T

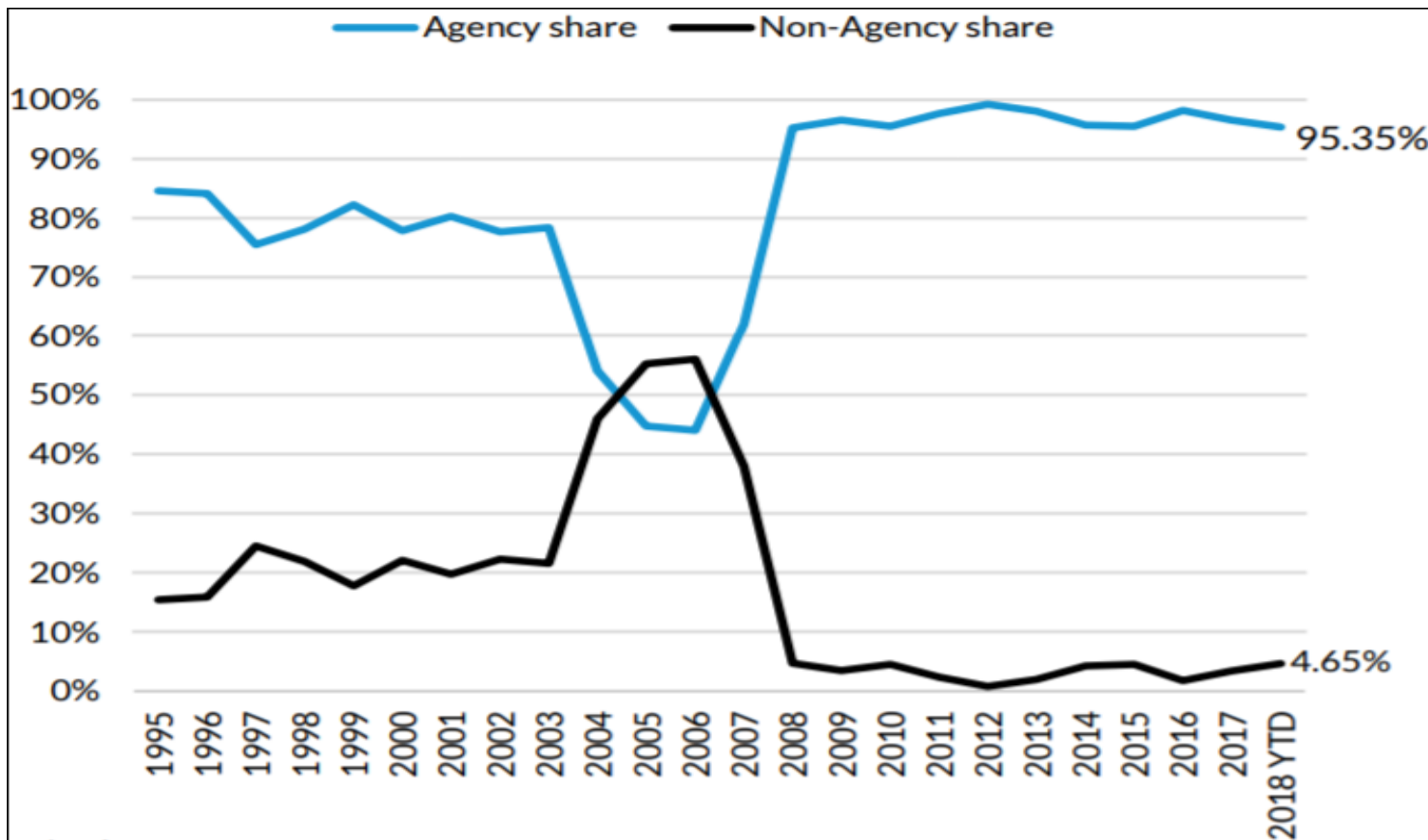


MBS Investors –They Are Buying Cashflow

- Educating MBS Investors on value of 2nd REM
- Payups can result in 1 to 3 pts increase
- Low rates and 2nd mortgage slow prepay
- CMO's are buyers at premium
- Know the value of HFA production –duration of the cash flow



Mortgage Market General Trends

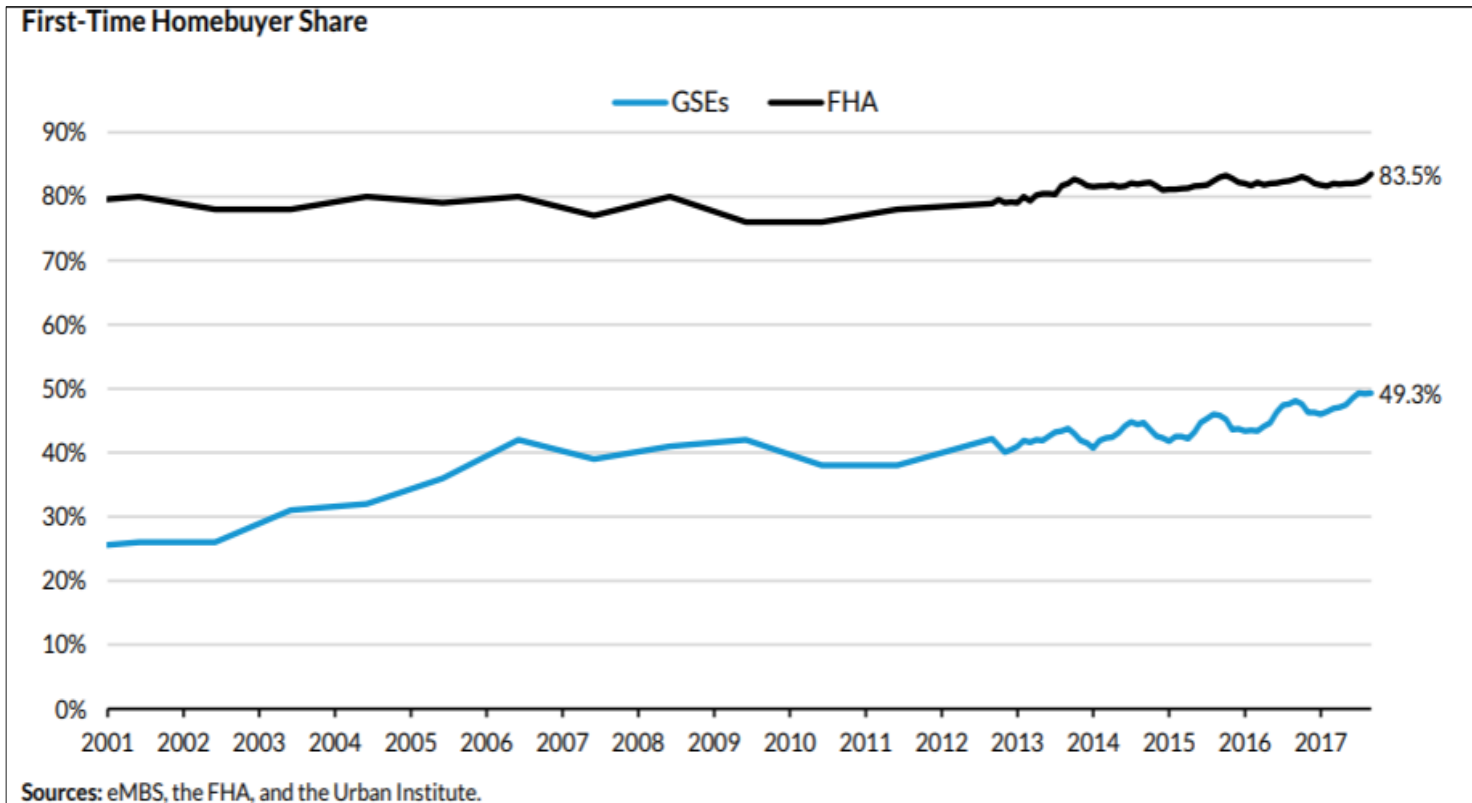


Federalized Mortgage Banking System

- ☛ Functionally all the credit & collateral risks assumed by tax payers
 - ☛ Results– financially weaker delivery system
- ☛ Only value added in the process is delivery
 - ☛ Results- high fees to originating LOs

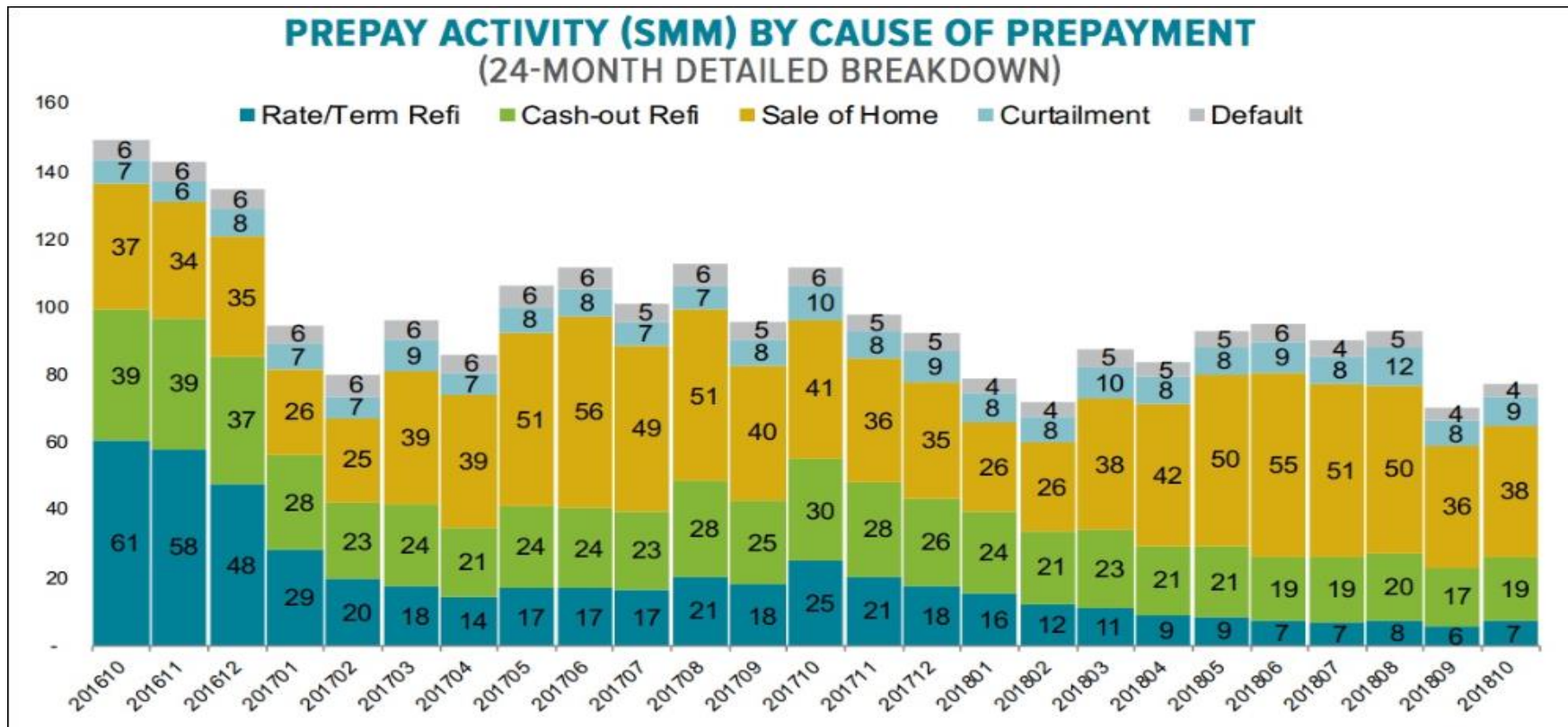


Mortgage Market First Time Buyers





Mortgage Market General Trends

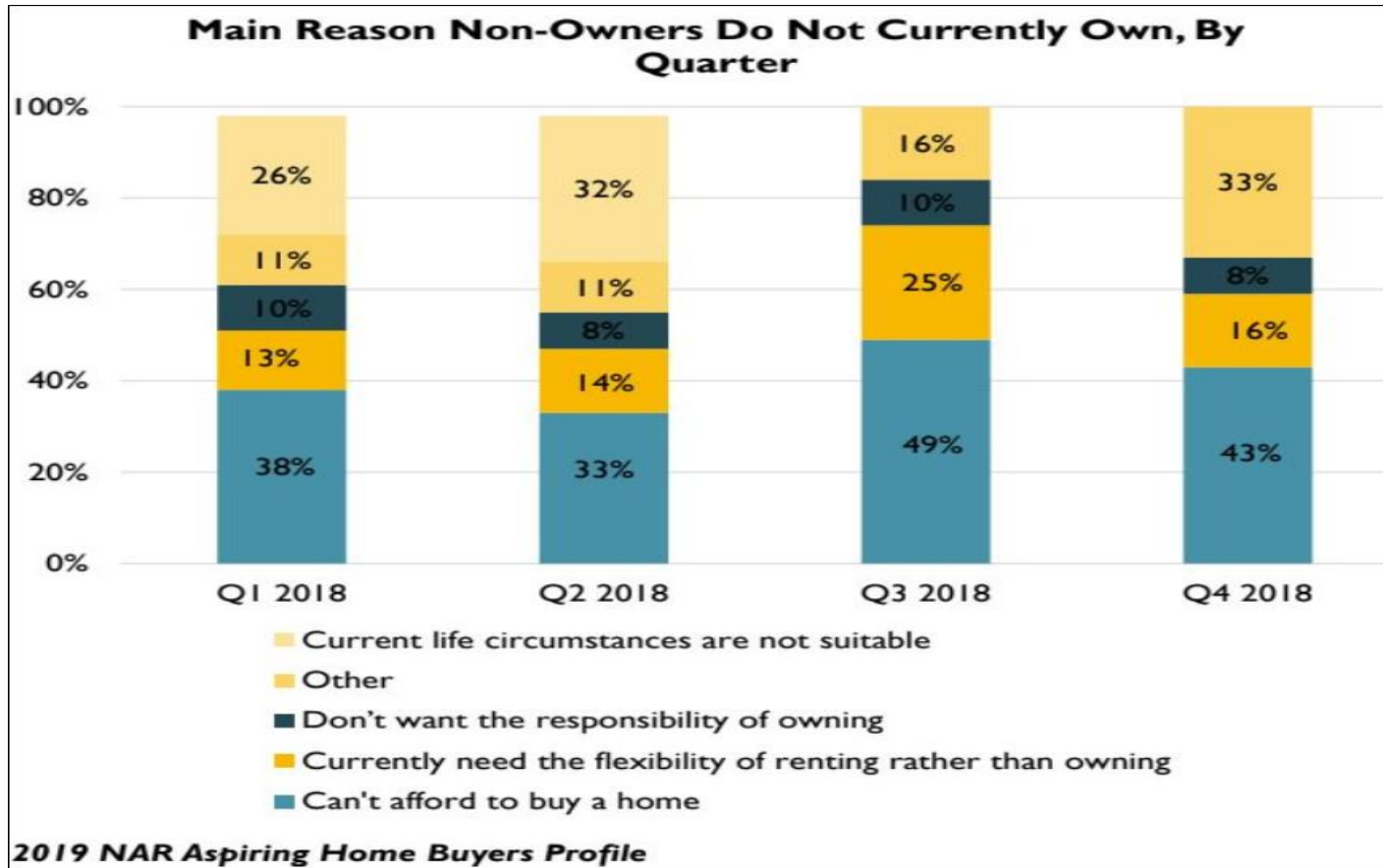


Source: Black Knight





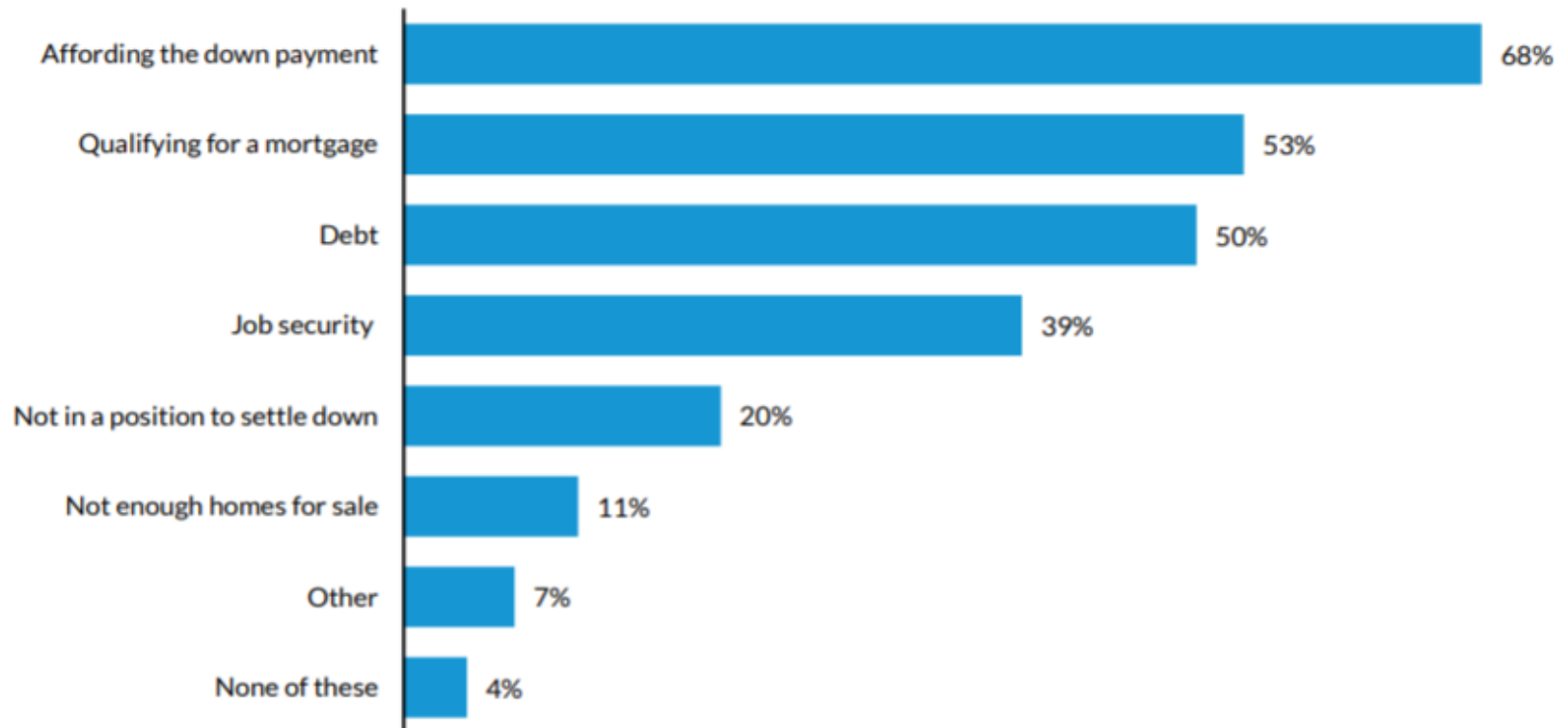
Mortgage Market Trends





Mortgage Market Trends

What Are the Major Barriers to Homeownership?



Sources: 2018 Zillow Housing Aspirations Survey and the Urban Institute.



HFA Program Trends

DPA

DOWN PAYMENT ASSISTANCE IS DRIVING HFA PRODUCTION.

TBA

TBA MARKET ISN'T PAYING FOR PREMIUM LIKE IT ONCE DID AND INEFFICIENT AT HIGHER LEVELS. .

Competition

**ANY GOVERNMENT ENTITY CAN PARTICIPATE
HIGH VOLUME MORTGAGE CUSTOMERS GETTING CONSESSIONS**

Distribution

MASTER SERVICER LIMITATIONS.

Fear of the Docs

LENDERS LIKE SIMPLICITY

Cost to Originate

ARE LENDERS WORTH 2 TO 3%?.



BLENDING INVESTOR TYPES

STRUCTURE

TRADITIONAL MRB ALL FIXED PAC (STRIP OR BACK)

FIXED PASS THROUGH TAXABLE AND NONTAXABLE

TRADITIONAL WITH % VRDN and SWAP w/ PAC

TRADITIONAL WITH % VRDN SWAP

TRADITIONAL WITH % FRN CAP

TRADITIONAL WITH PREMIUM TERMS

TRADITIONAL WITH PREMIUM SERIALS



If the Market Isn't Paying the Real Value of HFA Cash Flows – Use It

- ☛ Separate a portion of the cash flows from the mortgage or the MRB**
- ☛ Use it to monetize 2nd mortgages through securitization**

What is on the Horizon?



- Replacement of FHFA Director- New Direction for GSEs?
- Coming “Clarification” from FHA on DPA



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