

Guiding Leaders Through a Shifting Mortgage Landscape

What is happening in the market?

The single-family mortgage market is facing a **paradigm shift** as it heads into 2022. Recent years have been characterized by **low rates, record volumes**, and the **launch of new entrants with significant technology and capital support**. The market in the past 2 years has been the result of an unprecedented response from the Federal Reserve, driving interest rates down in a pandemic to record low levels. The end of the Fed's market support policies and the expected decrease in refinance volumes may cause a **smaller borrower pool, lower margins, increased competition, and unknown equitable compliance requirements**. Conversely, **record home price appreciation (HPA)** may create new opportunities. The course correction of the market and return to "normalcy" will force organizations to address this change with strategic investments of their own.

Trends we're watching



Loan Value

Loans are expected to become more expensive to originate than in the historic boom years of 2020-21



Lending Options

Purchase money borrowers may experience an increased number of lending options



Industry Investments

Operational and technology enhancements are expected to increase to address heightened competition



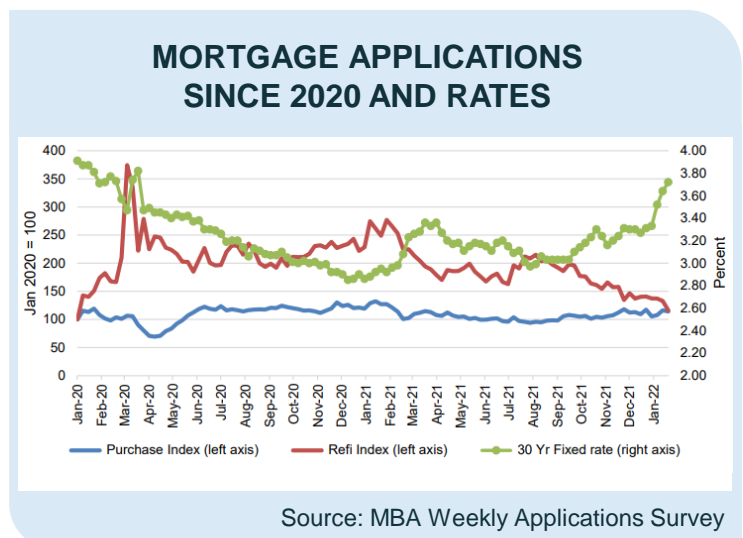
Financial Impacts

Market conditions may fuel margin compression and increased customer acquisition costs

The catalyst of rate change can be attributed to persistent higher levels of inflation combined with the Fed's messaging on contracting overall market liquidity under a tightening monetary policy stance. The MBA chart below outlines the fluctuation of rates over the past 2 years.

- The **30-year fixed rate has increased ~70 bps** over last 6 months
- Refinance applications over the same time period have **decreased ~37%**
- **Purchase volumes should remain steady** as housing supply shores up and demand stays strong

The pace and direction of future rate changes may be influenced by the markets reactions to the rate of change in inflation, growth, and policy actions. In an uncertain and fluctuating market environment, organizations should be prepared to assess the agility of their business models to handle these uncertain and dynamic industry stresses.



Source: MBA Weekly Applications Survey





Challenges to the industry

While the rate changes are a factor to consider, the mortgage organizations will also see pressures from industry changes associated with returning to a pre-pandemic market. The contraction of the industry may cause challenges given these dynamics, presenting an opportunity for industry leaders to reassess their entire organization. Leaders must also consider how to take advantage of potential record HPA resulting from this market.

The multitude of changes may test leaders in the mortgage industry with several aspects of their business model, including technology efficiencies, overhead, redundancies, processes, and more. In order to combat these challenges and offset impact, companies can first review and assess their current end-to-end organizational design and operating model. Investments to make strategic enhancements in these areas will result in long-term efficiency gains. Achieving a dynamic business model without deteriorating margins involves a balance between major cross-cutting initiatives that yield larger results with less risky short-term projects, which result in quick calculated wins.

Questions to consider in this environment

As the industry begins a significant down-cycle, executives should prepare by asking themselves critical questions such as:



What strategic options has the organization assessed and what would be required to implement each?



What products or borrower segments can the organization leverage to compensate for declining volumes?



Does technology efficiently and effectively support the existing business and is it flexible to enable desired change?



Does the organization have a strategy in place that reflects its strategic position in the market?



Is the organization defining its near and long-term objectives and prioritizing investments required to achieve them?



How is the organization managing its costs as refinancing volumes decline?





Reference Point Housing Finance Experts



Bill Beckmann
Senior Advisor to Reference Point – Housing Finance

Bill has 40 years of experience in financial services focused primarily on mortgage banking operations and technology. Previous roles include:

- Senior Advisor at Housing and Urban Development
- CEO of Merscorp Holdings, Inc.
- CEO of CitiMortgage, Inc.
- CEO of The Student Loan Corp
- VP, IBM Internet Division



Dave Stadler
Engagement MD and Mortgage Technology Expert

Dave has over 40 years of experience in Financial Services with a broad background in operations and technology across financial services. Previous positions include:

- Mortgage CIO experience at Freddie Mac and GMAC/ResCap/Ally
- ~20 years at Accenture as a partner focused primarily on mortgage banking and technology



Dave Stevens
Senior Advisor to Reference Point – Housing Finance

Dave is a 38-year veteran of Mortgage Banking. He has led a variety of teams both in the industry and in Washington. Previous positions include:

- President and CEO of MBA
- US Asst. Secretary of Housing, Fed Housing Commissioner at HUD
- President and COO of Long & Foster Real Companies, Inc.
- Head of Single Family at Freddie Mac
- Head of Wholesale Lending Wells Fargo



Jon Baymiller
Engagement MD and Mortgage Operations Expert

Jon has 35+ years of experience in the residential mortgage industry. Previous positions include:

- President & CEO of New York Community Bank Mortgage Banking
- Advisory Board Member of Union Home Mortgage, Inc.
- Executive Vice President at AmTrust Bank
- Executive Vice President at CitiMortgage
- Executive Vice President and COO of Principal Residential Mortgage



Mike McPartland
Engagement MD and Private Banking Mortgage Expert

Mike has 30+ years of experience in financial services with extensive experience leading teams in mergers and transformation initiatives across organizations. Previous roles include:

MD at Citigroup

- Global Head of Residential Real Estate Lending
- North America Head, PB Lending
- US PB Fair Lending Officer

MD at JPMorgan Chase

- US Residential Mortgage Product Head, PB and WM

ABOUT REFERENCE POINT

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