

Freddie Mac Single-Family Home Starts Here Podcast Episode Transcript:

Blueprint for Lending Success

Announcer [00:00:01] Welcome to the Freddie Mac Single-Family Home Starts Here podcast, your connection to all the latest industry trends, insights and points of view on the mortgage market from Freddie Mac leaders and other industry experts.

Mike Tsikoudakis [00:00:19] Hello and welcome to Freddie Mac Single-Family's *Home Starts Here* podcast. My name is Mike Tsikoudakis from Freddie Mac and I'm your host. June is National Homeownership Month, and it's a time to celebrate the benefits that homeownership brings to families and communities across the country. Today, we're going to talk with three players in the mortgage ecosystem who are extending the reach of homeownership daily. They'll be providing us with a blueprint for success and ways to navigate current barriers to homeownership. But before I formally introduce our guests, I want to note that congratulations are in order. All our guests today, they are RISE Award winners. The Freddie Mac Home Possible RISE Awards recognizes lenders and loan officers who have made a significant impact on affordable lending. So today, it's my pleasure to introduce Karen Moravus, Branch Sales Manager at Fairway Independent Mortgage Company, Rick Holcomb, president of Mortgage One, and Amanda Methot, Director of Marketing at Lend US. Welcome, everybody. And again, congratulations on your RISE Award win.

Amanda Methot [00:01:22] Thanks. Happy to be here.

Karen Moravus [00:01:24] Great, thanks, Mike.

Rick Holcomb [00:01:25] Thanks, Mike. Appreciate being here.

Mike Tsikoudakis [00:01:27] Excellent. Well, let's get into it. I'm going to set the stage a little bit here. We know we're on the heels of the COVID-19 pandemic. The hope for many is that we begin to normalize back to pre-pandemic life. But we're still grappling with housing affordability challenges, especially for first time homebuyers and particularly for communities of color. A lot of the issues they face include low housing inventory, home prices that are outpacing wages and down payment concerns. I think many challenges to affordable lending often come in the form of misconceptions, whether it's from loan officers about the products or solutions, or consumers about what's available to them. And Karen, I would love to start out with you as you work with housing finance agencies. From your perspective, do you encounter a lot of misconceptions when it comes to affordable loans or other loan down payment products, and how do you mitigate that?

Karen Moravus [00:02:20] Big part of it is education. And when you speak with a customer from the very start, you need to learn about what their circumstances are and what their goals are so that we can start narrowing down all of the options available. A lot of people are still thinking that 20 percent is required for any type of down payment assistance. And they don't even understand that there are a lot of opportunities through the local agencies and state programs that can help them get into a house without having those large sums of money to invest into the purchase. So, I think a lot of it stems from just going through and working with the local agencies and talking through the products, learning more about the customers and sharing with them the various program availabilities in the marketplace.

Mike Tsikoudakis [00:03:14] Rick, from your perspective as a community lender, what are some of those misconceptions that you deal with?

Rick Holcomb [00:03:21] Yeah, so I agree with Karen in that there's a misconception out there that, you know, a large down payment is needed for a mortgage. So, education, educating the consumer and the real estate community, I think, is the most important piece. You mentioned something earlier, Mike, about inventory being an issue. Here in metro Detroit, just like other parts of the country we have an inventory shortage, and it's important to educate the real estate community that these loan programs, whether Home Possible or down payment assistance through our bond programs at MSHDA, these are strong backed loan products that have equal chance of getting, you know, through the system and offers accepted as anybody else. And so many times it's an education process with the realtor showing them that our low-down payment borrower is as strong as any other.

Amanda Methot [00:04:17] I agree, Rick. You know, if the realtors are educated, then they have the ability to convey to a seller when they see a potential buyer come through using a program such as Home Possible or with a low-down payment, that it is still a strong program and that buyer is just as strong as any other.

Karen Moravus [00:04:44] Tagging on to that again, it goes back to education, education, education, but a lot of these referral partners, unfortunately, think there's a misconception out there that these are difficult programs. And it's not that they're difficult. It's not that the borrower is any less qualified. We just have to get creative in some of the financing options that are available to them. And keeping those referral partners educated in what that looks like will certainly help facilitate more opportunity for some of the buyers that need these types of programs.

Mike Tsikoudakis [00:05:17] Excellent. So, I want to kind of shift focus a little bit - last year was challenging. There was higher volume, there were stay at home orders, social distancing restrictions. I wanted to get your perspectives. Were you easily able to maintain a team that was ready and able to work with customers in a remote environment? I guess that's a way to ask what were some of the tools or methods used to do that?

Amanda Methot [00:05:42] Yeah, I mean, we felt it was important to have a strong online application. So, it's something that we've been working on for several years. So, we were ready. And then through what happened in 2020 and stay at home orders, et cetera, we have found a way to make the whole process start to finish. So, we have the neat, closed process now and the docs can go right to the settlement agent and be passed back and forth securely. So, the borrower feels comfortable that all of their documents, et cetera are safe and secure.

Karen Moravus [00:06:20] Yeah technology has really helped facilitate that virtual home buying experience for sure. At Fairway, we worked hard to make sure that we were firing on all cylinders to keep it easy for the home buyers to continue that journey in a way that kept the real estate market moving and really gave the customers that safe environment to pursue whether it was a refinance or just that home buying process.

Rick Holcomb [00:06:43] Yeah, Mike, for Mortgage One located in Michigan, and most of our businesses is in Michigan, we were in a unique situation in that we had strict stay at home orders here. Yet the state of Michigan deemed financial services as essential. So we were one of few industries that were able to come in, stay in the office, and what we did here is we kept the management team intact in office daily, and we pivoted quickly and took our people that weren't comfortable being in the office to work at home. And so we were able to provide the same level of service to the community before, during and after the pandemic.

Mike Tsikoudakis [00:07:18] That's great. I kind of want to follow up a little bit. You know, as more financial services organizations aim to procure and adopt increasingly end-to-end digital processes, is the tech adoption for affordable lending more difficult, is it the same, what's it like for those lenders in that space?

Karen Moravus [00:07:37] Yeah, I think there might be a little bit more handholding in some instances where we might have a need to coach a little bit more through that technology piece. Oftentimes what I find in this spectrum, is that a lot of my home buyers may not have some of the technology that would facilitate going through a loan application. You know they may not have printers at home or they may not have laptops at home. And we've all become so accustomed to using



tablets and smartphones that those pieces of the technology were... aren't necessarily used in all aspects, but they do facilitate and make the process so much easier if you have a Chrome browser, for example. But Fairway has an amazing phone application that gives the buyers the tools to scan documents, view their loan process to see what their stipulations are. So, if we are moving towards smartphones and staying away from some of those computers and printers and go towards e-signing and e-documents and e-disclosures, then I think technology is definitely something that we need to keep in the forefront of, of what we do every day.

Amanda Methot [00:08:57] Yeah, I agree. To echo Karen, it's also about educating and training our loan originators, right, so that if a problem does arise, with their borrower, they can easily turn it around and help them with the process. And we're getting away from fax machines and printers, we don't really need that anymore. And the beauty of a strong application is being able to do that app and scan docs right from your smartphone, which is amazing. And then some of these applications have like a shadowing process. So, if a borrower calls in, they're stuck mid app, the loan originator can go in and see exactly where that borrower is and coach them through where they might be stuck, which is pretty great.

Rick Holcomb [00:09:51] First-time homebuyer probably requires a little bit more handholding. And secondly, just important that the entire industry is going to a digital mortgage for lack of a better description. The mortgages become commoditized to a certain degree. The most important thing as a lender is being a home loan specialist and being the most educated lender that you can be, because that's what will differentiate you from a digital mortgage provider.

Mike Tsikoudakis [00:10:20] That's great. So, we've all seen the impacts of the pandemic, and as we talked about earlier, we're looking to kind of create a framework or a blueprint to some best practices. So, I'm going to throw the question out there, what are some of those best practices that were developed during the pandemic to maintain client engagement and to help drive it forward?

Karen Moravus [00:10:38] Communication. Communication in this business, like all businesses, right, communication is the key to making sure that it's a smooth process from start to finish for all parties. I think ongoing education and we've touched on that a little bit already, but ongoing education to the community through webinars in this COVID world that we've been living in, continued partnership growth with realtors who have expressed interest in ways of showing homeowners that financing options really do exist and that now is still a really, really good time to invest in the real estate market despite the inventory challenges. So, I think we need to stay very communicative and engaged in the community to ensure that this this keeps going in in a positive direction.

Amanda Methot [00:11:27] Yeah, and that's the great thing about lenders like Karen and Rick and the folks that when us is that we are able to have a a personal relationship with these borrowers and we can help them find the right loan program for them. Nowadays, there's so much information at everyone's fingertips and folks, and especially buyers are doing a lot of research we're finding, and they think they know what the right loan program might be for them. But as our loan originators start chatting with them, there might be other options, like a Home Possible that might be a better fit for them and their family in the long run. And that's the difference between lenders like us and just some other lenders that are more of a data driven lending process where you don't really have that that relationship lending experience.

Rick Holcomb [00:12:27] I agree, relationships are where it's at. At Mortgage One we're a primarily purchase shop, even in 2020, when very few lenders close more purchases than refis, we were able to continue to do that. We're back now to our typical 80-20 type of spread. So relationships primarily with a realtor referral basis, is where we've been able to continue to provide same-level service instead of lunch and learns in the offices doing a presentation on Home Possible or appraisal rebuttal or down payment assistance through MSHDA, we just converted those to Zoom, stayed engaged with them and maintaining those relationships and continuing to keep the community educated about what was going on in the lending world was important.

Mike Tsikoudakis [00:13:14] That's great. Switching a little bit to some market insights, I'd like to take a lens approach to this from a community lens or regional lens and HFA lens. Does the low interest rate environment outweigh the hurdles of

low inventory and high price points? And how are some of those macro issues impacting housing stock? I'd love to get your insights on these market level drivers. And I'll start with you, Rick, on the community side.

Rick Holcomb [00:13:38] Yeah, so we think that interest rate environment is less important than the inventory situation. And the reason that is is in metro Detroit, it's still incredibly affordable relative to other parts of the country. So, even though we've experienced 10, 15, 20 percent price increases on homes in the last couple of years, the number of buyers relative to sellers is still at a very, very high number. So, it's not that the consumer's debt to income, is not allowing them to reach this home. It's just the lack of inventory that's our problem. And as I said before, our goal is to educate the real estate community so that they know that these buyers, whether they're using a down payment assistance through that state bond program or FHA or Home Possible, that these are great buyers and offers should be looked at in the same light as a larger down payment.

Mike Tsikoudakis [00:14:34] Thank you. Amanda, you want to take that, the regional viewpoint?

Amanda Methot [00:14:39] Yeah. I mean, we're kind of I see it from all the whole gamut, right. We're all over the United States and, you know, in areas like Ohio and the Carolinas, there's a reasonable amount of inventory. And, you know, it's interesting to travel the country and see just the differentiator between housing prices. Even though they've gone up, they are still different and home affordability is different all over the country. But I think the low interest rate environment does kind of empower the borrower to afford more. So, with these housing prices where they are, they still feel empowered to be able to purchase a home.

Karen Moravus [00:15:32] I think that in a market where the inventory is challenged and low in some markets, Carolinas, we're starting to see it come back a little bit. It's not quite where we want it to be just yet, but we're moving in that direction. And it can be easy for, especially, first time home buyers who've never been through this process before to feel discouraged. So encouraging patience and a positive reinforcement that the rates still remain really low and it might take a little bit longer to make that dream happen, but homeownership is still a great way to go and not to give up because you can not only continue to build personal wealth, but it's definitely a place that we want to see more opportunity open up. So we have to make sure that we're just keeping them focused and on the right track, because I have experienced some frustration with some of the customers because they do make multiple offers and they're coming up against, , hearing the word no more often than they want to hear. But I think it's going in the right direction and keeping them positive is definitely something that we want to stick with and continue to show our real estate partners that they just need to keep on keeping on. Homeownership is still the way to go.

Mike Tsikoudakis [00:16:52] Absolutely. So, we talked a little bit about what's happened over the past year. We're talking about current market conditions. I want to kind of switch and put on or to look into our looking glass here to see what's on the horizon, what's just around the corner that's emerging that our listeners should be thinking about or preparing for, in your opinion.

Karen Moravus [00:17:13] That's the proverbial looking glass, right? What is it, the crystal ball?

Mike Tsikoudakis [00:17:17] That's right.

Karen Moravus [00:17:19] Everyone always ask that question and it's a valid question for sure. I think market shifts are yet to be determined. And the soonest I tell some insurers, I tell somebody that the market is going to improve. It could slip a little bit. As soon as I tell them that it's going to take a downward turn, we're going to see some improvement. So, we try not to give them any specific direction other than to say it's changing, it's an ever changing animal. And something could change in the world tomorrow that impacts our markets here in the states today. And we could see the rate shift and a completely different direction than what we were expecting. So, you know, that's a hard one to answer. I don't know that there's the right answer to give in those instances. I always have a conversation with my customers that we need to look at what their goals are first. And if they're happy with the payment they're looking at, if they're happy with the house that



they find, then they need to pull the trigger today because trying to predict what's going to happen tomorrow could end up putting them in a situation that they didn't want to be in to begin with. It's kind of like I was talking the other day to someone about stock market investment, right. You never know when the perfect time to buy or sell a stock is until that exact moment has come and gone. And we just hope that we are pinpointing that exact time when we when we pull the trigger. I'd be interested to hear what Amanda and Rick have to say on that. But I just think that's a tough one.

Amanda Methot [00:18:54] Yeah, it is a tough one. And I agree that the market ebbs and flows. So, you know, the great thing about first time home buyers is sometimes they are looking maybe not for their forever home, but they're looking for a home that they're going to be in for quite some time. So, it still makes sense and is important that they still buy. And like Karen said, with the stock market, you kind of have to play the game to decide when you're going to sell. But first-time home buyers looking to break into buying a home they're kind of in the driver's seat on how long they're going to stay in that house and what's going to happen in that in that time frame. Like they might not have to sell-in five years, if they stay for 10, 15, they're looking in a good position where the housing market, as I said, will probably ebb and flow. But I don't think that they're going to be in a position where they would be upside down, let's say, if they were to purchase now.

Rick Holcomb [00:20:02] Yeah, well, you guys are extremely lucky because I have my crystal ball right here. This is what I see on the horizon. I see and when I say on the horizon, I'm talking in the next couple of years, not next couple of quarters, but the next couple of years. The way I see it is we're going to continue to see inventory shortages. I think that price appreciation will temper. The rate of appreciation is not sustainable as it is now. We'll see buyers and sellers come more into more into balance instead of, you know, right now with eight buyers for every seller, we'll go to six, we'll go to four and it'll start evening out. I see rates continuing to be decent. You know, we were talking about rates earlier, like low, you know, everyone talks about low interest rates. What is low interest rate? I think five is a low interest rate. Right. Six is a low interest rate compared to ten. So, you know whether we're at three, three and a half, four, I don't know that that makes much of a difference in what's going to happen moving forward. The other thing that's going to happen is you're going to see continued technological advances and lenders who leverage technology become more efficient are going to have an advantage in the marketplace. And then with regard to our first-time homebuyers, which we've talked a lot about, you know, educating them, the community and the real estate community, keeping them educated is going to give the lender an edge. Being a mortgage professional, working with real estate professionals is still, I think, where it's going to be at moving forward.

Mike Tsikoudakis [00:21:40] Thanks, Rick. Karen, any reaction to that, that that bold prediction from Rick?

Karen Moravus [00:21:45] I think it's amazing. I hope he is 100 percent spot on. I'm ready for more balance for sure. And I'm sure our realtors are sitting on the edge of their seats waiting to see the market shift so that it's a good position for both buyers and sellers.

Mike Tsikoudakis [00:22:02] Well, thank you, everybody. That's all the time we have today. Karen, Amanda, Rick, thank you very much for spending some time with us and sharing your thoughts and perspectives. And congratulations again on your RISE Award win.

Rick Holcomb [00:22:13] Thank you for having us.

Karen Moravus [00:22:14] Thank you for having us. It's been great.

Amanda Methot [00:22:16] Thank you.

Mike Tsikoudakis [00:22:18] And thank you all for joining. And thanks to everyone for tuning in today. Please make sure to check out our Single-Family Web site for links to everything that was mentioned in this episode. And we appreciate you subscribing, reading and reviewing this podcast whenever you listen. And don't forget to share this with your networks. Thank you.



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