

# How NARPM Members can Work with Institutional Investors

Presented By: Ben Bloise & Ryan Lilly



# Introduction

- Goals of Presentation
- Background of Presenters
- Secondary Mortgage Market Overview
- Secondary Mortgage Market Players
- Regulators
- Terms
- New Loss Mitigation Strategies
- How your PM Company can Capitalize



# Goals of Presentation

## Goals:

1. Understand the mortgage industry and how changes in loss mitigation strategies, specially REO-to-Rental and Deed-for-Lease, create opportunity for NARPM Members
2. Expose NARPM members to Mortgage Investment Vendors (potential partners)
3. Discuss ways to capitalize on new loss mitigation programs (how to get more doors!!)



# Background of Presenters

## Ben Bloise



- Ben is a Partner for AMRE Solutions (AMRES), a diversified mortgage default services company, specializing in building trusted relationships to meet the needs of banks, investors, and GSEs. AMRES is a leader in rental valuation and property management, providing AMRES clients a custom rental strategy by utilizing a nationwide network of local, accredited, property managers.
- Prior to AMRE Solutions, Ben was Director of Sales & Marketing for [www.rentbits.com](http://www.rentbits.com), a rental marketing solutions and SaaS system provider for property managers. Ben led the company to the 178th ranking in the 2010 Inc 500 and the number 723rd ranking in the 2011 Inc 5000. Ben also has over 4 years experience in the secondary mortgage market, specifically in transaction management, mortgage due diligence and credit risk management. Ben was a Team Lead for Murrayhill/Clayton, overseeing \$4 billion in RMBS and worked as a Transaction Manager for The Winter Group, managing the securitization of \$1 billion in RMBS. Ben was a key team member in the creation of Edison Mortgage Decisioning Solutions (which is now Allonhill).
- Ben has a B.S. from Colorado State University with a major in business administration and concentration in finance and real estate and a M.B.A. from Regis University.

## Ryan Lilly



- Ryan is a Partner for AMRE Solutions (AMRES), a diversified mortgage default services company, specializing in building trusted relationships to meet the needs of banks, investors, and GSEs. AMRES is a leader in rental valuation and property management, providing AMRES clients a custom rental strategy by utilizing a nationwide network of local, accredited, property managers.
- Prior to AMRE solutions, Ryan was the Vice President of Business and Product development for Integrated Asset Services (IAS), a leading Default Mortgage Services company and has 8 years of experience in mortgage related roles including product design, new service implementation, marketing & sales, master servicing, investor reporting, acquisition diligence, valuation review, credit risk management, and REO disposition. Ryan developed the first conditioned adjusted automated valuation model producing over \$1.5 million in revenue in the first 6 months. Through industry relationships and thought leadership, Ryan has taken a lead role in pioneering component REO offerings for the industry with projected and realized revenues of over \$4 million dollars for 2011.
- Ryan has a B.S. from Colorado State University with a major in business administration and concentration in finance and real estate.

# Secondary Mortgage Market Overview

## Primary Market

- A loan is originated by a local lender, usually on a credit line from a larger lender

## Secondary Market

- Loan is sold off to an investor typically to be included in group of mortgages for sale aka mortgage back security (MBS).

## Typical Process an Investor will follow when buying loans

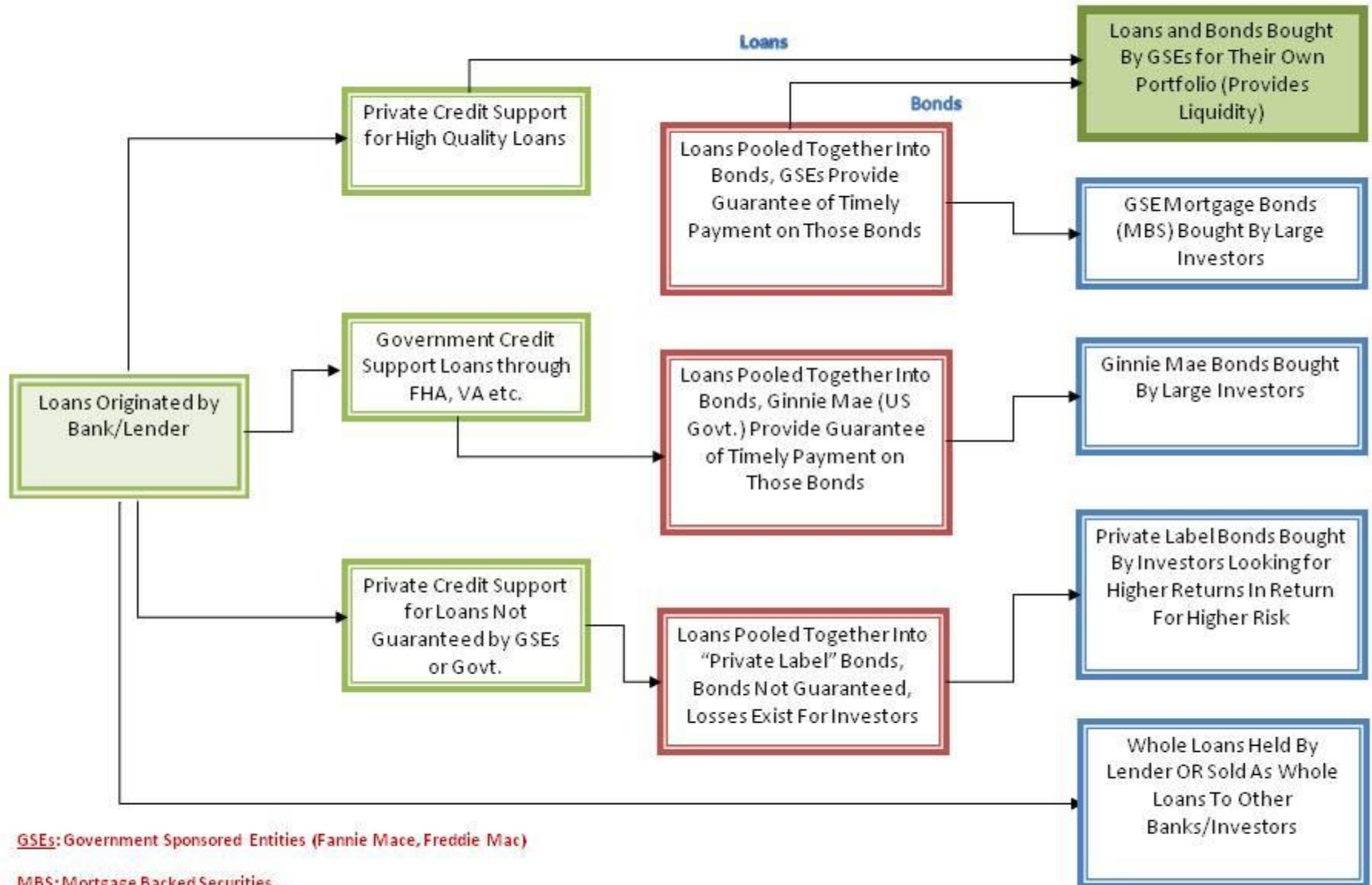
- Order an AVM,
  - If the value passes their thresholds, next
- Order a BPO, Appraisal,
  - Feet on the ground, if the value passes the investors threshold.
- Price Out and Purchase loan
  - Tape cracking
  - Due Diligence
- Investor Strategy
  - Hold these loans and collect payments
  - Package with other loans and sell to investors
- Liquidation Strategy if the Loan goes delinquent
  - Sell the home if REO
  - Loss mitigation techniques if loan is in foreclosure (short sale, cash for keys, deed-in-lieu)
  - Rent?

## How MBS are priced and paid out to investors

- Tranches and waterfalls



# Secondary Mortgage Market



GSEs: Government Sponsored Entities (Fannie Mae, Freddie Mac)

MBS: Mortgage Backed Securities

# Secondary Market Players

Public Investors or Government Sponsored Entities (GSEs)

## ***Fannie Mae***

- is a U.S. Government sponsored corporation that was founded in 1938 for the purpose of establishing a secondary market for mortgages insured by the **Federal Housing Administration (FHA)**. It buys mortgages on the secondary market, pools them, and then sells them as mortgage-backed securities on the open market. As stated earlier, this helps to replenish the supply of lendable money in the primary market.

## ***Ginnie Mae***

- is a wholly owned corporation within the **U.S. Department of Housing and Urban Development (HUD)**. It came into being through a partition of the Federal National Mortgage Association in 1968. Ginnie Mae's main purpose is to provide financial assistance to low- and moderate-income homebuyers by promoting mortgage credit. It also guarantees the timely payment of principal and interest payments on mortgage-backed securities.

## ***Freddie Mac***

- is a corporation chartered by the U.S. Government in 1970 to purchase mortgages and related securities. It then issues bonds and securities backed by those mortgages in secondary markets. Freddie Mac is also regulated by HUD.



# Secondary Market Players

Private Investors

## Banks

- Financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets.
- Connects customers that have capital deficits to customers with capital surpluses.



CHASE 



 citibank<sup>®</sup>

**BANK ONE<sup>®</sup>**



# Secondary Market Players

Private Investors

## Thriffs

- Financial institution that obtains the majority of its funds from the savings of the public.
- Thrift Institutions consist of:
  - Savings and Loan Associations
  - Mutual Savings Banks
  - Credit Unions



# Secondary Market Players

Private Investors

## Hedge Funds

- An investment fund that can undertake a wider range of investment and trading activities than other funds, but which is only open for investment from particular types of investors specified by regulators. These investors are typically institutions, such as pension funds, university endowments and foundations, or high net worth individuals.
- As a class, hedge funds invest in a diverse range of assets, but they most commonly trade liquid securities on public markets. They also employ a wide variety of investment strategies, and make use of techniques such as short selling and leverage.



# Secondary Market Players

## Private Investors

### Pension Funds

- In the United States pension funds include schemes which result in a deferral of income by employees, even if retirement income provision isn't the intent.
- The United States has more than \$9.838 trillion in assets as of March, 2010. The largest 200 pension funds accounted for \$4.540 trillion as of September 2009

### Life Insurance Companies

### Private Investors

### Foreign Entities

### Foreign Governments



# Secondary Market Regulators



## Security and Exchange Commission (SEC)

- responsible for enforcing the federal securities laws and regulating the securities industry, the nation's stock and options exchanges, and other electronic securities markets in the United States



## Board of Governors of the Federal Reserve

- oversees state-chartered banks and trust companies that belong to the Federal Reserve System.



## Federal Deposit Insurance Corporation (FDIC)

- regulates state-chartered banks that do not belong to the Federal Reserve System.



## Office of the Comptroller of the Currency

- regulates banks that have the word "National" in or the letters "N.A." after their names.



## National Credit Union Administration

- regulates federally chartered credit unions

# Secondary Mortgage Market Terms

- Tape cracking
- Due Diligence / Underwriting
- Securitization
- Special Servicers
- Mortgage Insurance (PMI)
- Credit Default Swaps
- Loss Mitigation
- Other Terms?



# Loss Mitigation Strategies

## Cash for Keys

- Offer the borrower cash to leave the house and not destroy or remove anything

## Deed-in-Lieu

- Borrower signs over property to stop foreclosure proceedings and is released from the loan, free and clear

## Loan Modification

- The loan is modified with an interest rate change or principal reduction to a monthly amount the borrower has proven they can afford.

## Short Sale

- The investor oks the borrower to sell the property for market value even if that is less than is owed on the loan. This saves the investor from having to incur forclosure cost

## Foreclosure

- Trustee Sale (Auction)
- Real Estate Owned (REO)
  - Utilize Asset Management companies to liquidate the asset



Rental has never been a loss mitigation strategy....

# New Loss Mitigation Strategies

## Deed-for-Lease

- deed-in-lieu of foreclosure with an agreement to lease the property
- Allows people to stay in their homes
- Limits the surplus of for sale properties, helping to stabilize prices
- Quicker timeline for tenant eviction than a foreclosure sale

KNOWYOUROPTIONS.COM  
by Fannie Mae

[About Fannie Mae](#) | [Fannie Mae Help](#) | [Questions](#) | [En Español](#)

Options to Stay in Your Home

Options to Leave Your Home

Resources

Beware of Scams

Take Action

You are here: Home > Options to Stay in Your Home > Deed-for-Lease

Search

### Options to Stay in Your Home

- Overview
- Refinance
- Repayment Plan
- Forbearance
- Modification
- Deed-for-Lease
- Military Forbearance

 Print page  Share

*"We no longer can afford to own our home, but **we don't want to move.**"*

### Deed-for-Lease Option

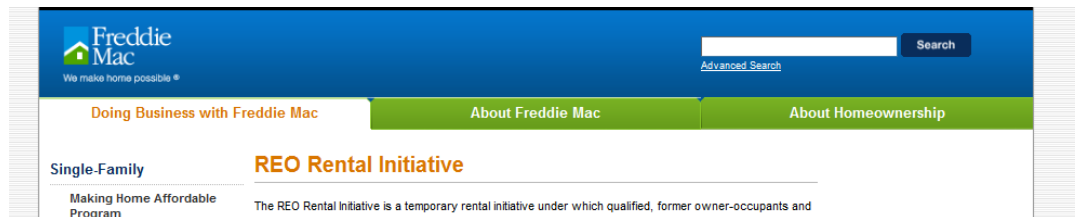
If your situation has become unmanageable, the thought of leaving your home may be overwhelming. You simply can't afford your mortgage payments anymore, but don't want to leave your neighborhood, take your kids out of school or find a new place to live. The Deed-for-Lease option may be a good solution—you can avoid [foreclosure](#) while still being able to remain in your home.



# New Loss Mitigation Strategies

## REO-to-Rental

- Allows investors to hold onto an asset and recoup losses through real estate appreciation
- High demand in the Market for rental properties
- Limits the surplus of for sale properties, helping to stabilize prices and limit losses on upcoming similar REO properties



The next wave of foreclosure is coming!

# How your PM Company can Capitalize

- Partner with third party companies such as AMRE Solutions or Carrington
- Reach out to your local bank
- Find out who is selling REO, HUD assets in your area...potential referrals or partnerships
- Be familiar with legislation
  - Tenant Protection Act
  - Fair Housing
- Add content surrounding the REO-to-Rental and Deed-for-Lease programs on your to your website
- Be on the look out for RFP (request for proposals)
- Network with brokers, local banks and local institutional investors
- Read DSNews.com and HousingWire.com

