

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

Power of Partnership: Polly / 17:35

VO [00:00:01] The Power of Partnership is our podcast under the Freddie Mac Home Starts Here podcast series that focuses on the strong relationships between Freddie Mac and our third party partners. Learn how we're teaming up with these partners to provide you with an efficient end to end experience for conducting business with us.

Cathy Stickelmaier [00:00:19] Hello, I'm Cathy Stickelmaier, Freddie Mac Account Executive covering Secondary Market Advisors as part of our SMA Team, and I'm your host for this episode of The Power of Partnership: The Future of Secondary Marketing Technology. I'm looking forward to a robust discussion with my guests from Polly, one of our valued SMA partners.

I'm joined by Polly founder and Chief Executive Officer Adam Carmel and Chief Operating Officer Jackie Studdert. Our conversation today will include getting to know Polly and its capabilities, how Freddie Mac and Polly partner to bring efficiencies to our mutual clients, and a discussion of technology innovation to support secondary marketing and capital markets in 2023 and beyond.

So welcome, Adam and Jackie, thanks for joining me today.

Adam [00:01:04] Glad to be here. And looking forward to sharing Polly's story and our continued partnership with Freddie Mac to support our mutual customers.

Cathy Stickelmaier [00:01:12] Fantastic. As a former secondary marketing manager myself, I'm personally looking forward to your insights and opinions on where the technology advancements will occur to support secondary marketing activities for both today and tomorrow.

But first, let's start this conversation, Adam, with Polly's origin story and an overview of Polly's capabilities and offerings.

Adam [00:01:32] Polly started in 2019 with the premise that we wanted to build the industry's first vertically integrated cloud native capital markets solution. And that really emanated from all of my years of experience in the mortgage industry dating back to 2007. I'd worked for a few mortgage companies for the first eight years or so of my career and then ended up starting a mortgage company myself. In that time at that mortgage company, around 2015, we were power users of another pricing engine and made the determination that that pricing engine was insufficient in terms of what we were looking to do regarding things like margin management, workflow automation, advanced analytics and so forth. And so we made the determination to build our own proprietary pricing engine in 2015. And then a couple of years later into 17 and 18, I went around to other folks within the industry and I said, Hey, you know, do you find the existing pricing engine companies to be helpful or do you think there is a place where something new can come in and you'd be interested in looking at it? And they basically all said the same thing, which is to say, you know, there really hasn't been anything new in 20 or so years, and certainly we would look at it. So I went to our board at that time and I said, Hey, why don't we look to sell the mortgage company and go build an enterprise software solution within the capital market space? And so that's what we did. As I said, the company started in April of 2019, and we've been hard at work since then, really focused on

our mission, which is to constantly innovate and deliver white glove service for our customer partners. And, you know, since then, we've seen strong growth. We pride ourselves and going out of our way and attempting to exceed expectations for our customer partners and in doing all we possibly can for them. And so we have a couple of products in market today, as I mentioned, a next generation pricing engine and as well on trading exchange. And this the industry's response has been overwhelmingly positive, and we've been really humbled by it. And we take that very seriously internally. In terms of the folks that are using the system, it really ranges from independent mortgage companies, banks, credit unions of all sizes, from top ten lenders to anyone else. And we're really committed to continuing to innovate. And so, for example, right now, about 60% of our team is in the technical org – engineers, product managers, designers and so forth.

Cathy Stickelmaier [00:04:07] That's an excellent overview, Adam. Polly is a newer modern product and pricing engine and whole loan trading technology solution. So Jackie, I'm going to turn to you. Can share with us how Polly assists the prospective or current clients, when they make the move to the Polly platform?

Jackie [00:04:25] We onboard customers using a customer first approach and it's been proven to be seamless, easy and efficient. Our customers and prospects always joke with us and say, How? How do you guys take on 90% of the work when it comes to onboarding? And it's because we know that there is no one size fits all approach to onboarding. We take the time out to evaluate our customers, their tech stacks, be really consultative in identifying how to develop solutions that drive down the cost of origination and increase revenue per loan. We believe that this is what will help our customers come out of the other side of this period really so much stronger and more competitive. We also have created some self-service solutions that make onboarding a lot more easier. One of these is our pipeline migration tool. So doesn't matter what pricing engine you're coming from before you come to Polly, we're able to transfer those loans over to Polly and continue any post-op functionality in our system, eliminating any of the manual needs that you might have to do on those loans. We are always also focused on new integrations, such as our integration with Freddie Mac, product change functionality, and our API suite that we continue to build out.

Cathy Stickelmaier [00:05:39] That's great Jackie. Taking on 90% of the work sounds like a real client satisfier. And Jackie, I'd like to take a moment to ask you to provide some more details on how Polly clients benefit from the integration with Freddie Mac's pricing and committing APIs. I'd like to ask you, would you please describe for our listeners how clients are able to access Freddie Mac cash pricing and conduct best execution analysis, take out commitments with Freddie Mac, do all those things without leaving the Polly platform?

Jackie [00:06:08] Absolutely. The integration between Polly and Freddie Mac via our pricing and committing APIs is critical for our mutual customer secondary marketing efficiencies. The old school of downloading pricing from Freddie Mac's Loan Selling Advisor® platform and then uploading the data to a spreadsheet or platform, it's not only inefficient but also subject to potential errors. So using the API and the automation has really provided our customers, our mutual customers, that competitive edge in the mortgage industry and in all parts of the mortgage lending process. Our lightning fast platform quickly presents loans to Freddie Mac for pricing and allows users a one click committing experience. Every time that they want to sell to Freddie Mac, all they have to do is commit that loan and it automatically will create that commitment on Freddie Mac's website. So you actually never have to go into their site to do the work. Loan level pricing efficiencies within the Polly platform, especially support Freddie Mac's Cash-Released XChange®, and servicing buyers within Cash-Released XChange, provide servicing release premiums based on loan level characteristics.

Cathy Stickelmaier [00:07:20] That's right, Jackie. Freddie Mac's unique Cash-Released XChange really is a great option for lenders seeking a servicing release execution and Polly's platform makes quick and easy work of pricing analysis and committing execution. In addition to the ease of executing Cash-Released exchange loans through Polly's integration with Freddie Mac, lenders also benefit from the automated servicing transfer tool supplied by Freddie Mac.

This tool, called FAST®, which stands for Freddie Automated Servicing Transfer, provides a portal that standardizes the transfer of servicing documents and data to address pain points in the servicing transfer process. And the simple FAST process requires that a seller only upload documents in the FAST tool, then it does the rest of the work of creating files for

the servicing buyer. So this innovative technology creates significant time savings reducing operational costs for our clients and really should be included in a seller's best execution analysis.

So, Adam, I wanted to ask you about what you recommend lenders should consider regarding their technology investments during this current but difficult business environment. I'm certain no one thinks technology innovation is going to halt just because we've experienced a period of significant market movement. But how should lenders approach their secondary marketing technology strategy when they're fighting for every last basis point?

Adam [00:08:45] First, the current environment provides a silver lining. The market currently presents lenders with an opportunity to evaluate their tech stack, amongst other parts of their business. Just to take a step back, the industry over the last 12 or so years has seen the cost of origination per loan to more than double. And the amount of spend within it, for mortgage companies, or banks and credit unions combined, is just a little over 10%. And so there is just a lot of upgrading that becomes possible. And what has been the case in the industry in the past in terms of legacy software solutions, probably hasn't solved how to lower the cost of originating a loan or to maximize, in I'd say a capital markets software solution, the revenue for a loan. And so this is an amazing opportunity for mortgage companies or banks to evaluate their tech stack, their ops process flow, to maximize efficiency revenue and so forth. And when they're doing that as well, the next generation of mortgage bankers, loan officers, underwriters, etc., they are all going to demand the next generation software solution. And so it gives the industry a great opportunity to do things like review the loan product and pricing requirements. It gives the industry a great opportunity to review their lock policies to minimize errors in data entry. It also allows for the industry to ensure all of the available pricing executions, whether it's best efforts or mandatory, or selling into securities or so forth, and being able to evaluate those execution strategies in real time. This is inevitable. Every industry in the world over time undergoes change, and it always evolves. And so as the industry in particular, particularly right now given the headwinds with regards to the market, it's afforded the industry the opportunity to take some time to really evaluate which tech stack is best for them as they think about and plan for the next 5, 10, 20 years operating within this industry.

Cathy Stickelmaier [00:10:59] That's good advice, Adam. And I know lenders often struggle to embrace the expense of technology investments. During my secondary marketing days, I would express the technology expense in basis points - so that the company could more easily communicate the investment as a component of overall hedge costs and relative to total pipeline risk. It's an easier conversation, and for the consumption of that information to really show that this smaller investment in technology resulted in greater revenue results - and mitigation of risk too.

So related to technology investments, Adam and Jackie, I'd like to ask you about your thoughts on where you see secondary marketing technology going over, let's say, the next 12 to 24 months, as well as any particular innovation within the capital market space that intrigues you. Jackie, would you like to go first?

Jackie [00:11:47] Yeah, absolutely. The future of capital markets mortgage technology and related technology dependencies in 2023 and beyond are unbelievable and I'm really excited to see the changes. I think it's going to drive efficiencies, especially taking advantage of that with increased pricing granularity from loans and MSR buyers and really making sure that the changes that are being made not only help from a capital markets side, but also help loan officers and the front end users. Adam, anything you want to add there?

Adam [00:12:20] Sure. Thanks. So in addition, it seems to us that risk modeling, pull-through modeling and other types of modeling could be far more advanced and accurate in terms of being able to understand at a point in time a lender's position and to account for that. And so we think that over the next X number of years, probably sooner than later, just because of the pace of innovation only is accelerating, we'll start to see pricing at the lock all the way through loan sale execution to become far, far more granular, to become way more automated and things to become more predictive rather than reactive. And so we're really, really excited about hopefully playing a part in this, even a small part in this kind of change within the industry. And then, of course, all of this is on the back end, but the real power ultimately is going to come from being able to expose these types of things to the front end. So being able ultimately to convey a more affordable and customized price to the end consumer and being able to enable mortgage companies and banks to do so

instantly. And we're really excited about this. Things like AI and blockchain and other kind of advanced technologies over time certainly probably will play a part in this evolution. Having said that, though, those terms and those words are thrown around quite liberally, and the industry hopefully really is focused on particular use cases and it creating demonstrable ROI.

Cathy Stickelmaier [00:14:05] Very interesting. And as I often say, I'm personally envious because my trading career occurred prior to all these innovations and efficiencies. I would have gladly abandoned the multiple link spreadsheets and cumbersome data upload and download processes for the speed, automation, and accuracy secondary marketing folks have at their fingertips today. I recall a capital markets fintech executive making the declaration that secondary marketing managers must also be technology managers. And really never a truer statement has been made, it seems.

As we wrap up our conversation, thank you Adam and Jackie for your partnership with Freddie Mac and your commitment to our mission of making home possible. Our mutual clients benefit from our collaboration. Adam and Jackie and the folks at Polly, you all helped make doing business with Freddie Mac easier for our lenders.

Jackie [00:14:56] Polly shares Freddie Mac's mission to make lending less costly and pass those savings on to the borrower. We really value our partnership between Polly and Freddie Mac and having that single point of contact at Freddie Mac that specializes in secondary marketing and has experience in pricing, hedging and loan trading accelerates our collaboration together, making this journey even more exciting.

Adam [00:15:19] We really appreciate you having us on the podcast today. We've had a longstanding and deep relationship over the years. In fact, when Polly was just started, when Freddie Mac took a chance on us, it's one of those days that I'll never forget and will forever be grateful. We're excited about all we can do together and our shared missions to ultimately helping our mutual customers and the end consumer. Like I said, we have a lot of really exciting things to announce into the future, particularly in 2023. For the listeners of the podcast, please follow us on LinkedIn or we'd love to hear from you, visit us at polly.io. Thank you. We really appreciate it.

Cathy Stickelmaier [00:16:05] Well, Adam and Jackie, thank you so much for being on the podcast today and for being a valued partner to Freddie Mac. We've learned today that Polly helps secondary teams operate smarter, more efficiently and more profitably, with best-in-class end-to-end technology that is configured for each customer's unique workflows and business needs. And thank you to our listeners for tuning in.

You are Freddie Mac's important partner in our efforts to make home possible for low- and moderate-income families, minority communities and other underserved populations. And as always, we look forward to our continued collaboration. Make sure to look for the next installment of our podcast series soon.

In the meantime, you can learn about Freddie Mac's work with secondary marketing advisors by going to the Single-Family website at sf.freddiemac.com and searching [secondary market advisors or SMA](#). You can also reach the SMA team directly via email at smasupport@freddiemac.com.

Thanks partners, and have a great day.

VO [00:17:11] Thank you for listening to the Power of Partnership podcast under the Freddie Mac Home Starts Here Podcast series. Subscribe to listen to future discussions with Freddie Mac leaders and the partners we work with to bring you the full benefits of our business relationship. Home starts here is available wherever you listen to your podcasts. We appreciate you rating, reviewing and sharing with your network.

