

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

Rise Award Winners

VO [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.

Michael Tsikoudakis [00:00:13] Hello and welcome. My name is Michael Tsikoudakis from Freddie Mac, and I'm your host. Today we're speaking with three players in the mortgage ecosystem who are raising the bar and extending the reach of homeownership every day. We're going to uncover what drove their success last year and how they keep moving the needle forward in homeownership. Because of their accomplishments in 2021, they are all Rise Award winners. Now in its fifth year, the Home Possible Rise Awards recognizes lenders who excel in making home possible for their clients. They represent the top originators from national to local organizations who are producing and or aggregating the greatest volume of home possible and HFA Advantage Mortgages. The Home Possible Rise awards program is our way of celebrating their success and impressive achievements. So today it's my pleasure to introduce our HFA Advantage winner Erin Watts, Vice President of Product Strategy at Guild Mortgage; our Refinance winner Lloyd Rutherford, Vice President of Product Development at Nation's Lending; and our Greatest Volume winner Kasey Kier, National Community Development Manager at Bell Bank. Welcome, everybody. And again, congratulations on your Rise award win.

Erin Watts [00:01:28] Thank you.

Lloyd Rutherford [00:01:29] Thank you.

Kasey Kier [00:01:30] Thank you.

Michael Tsikoudakis [00:01:30] Sure. So before we get into it, I going to provide some context for our discussion. The pathway to homeownership has been influenced by many things, and these include market shifts, low housing supply, and the lingering financial impacts that borrowers face in a post-COVID-19 environment. These trends present challenges for some borrowers who are trying to make homeownership a reality. So we're here to learn from you, our panelists, how you've stepped up to support clients during these challenging times. So with that, let's just jump right in. Kasey, I'm going to turn to you for our first question. Your Rise Award is based on outstanding performance and loan originations in 2021, which, as we talked about, was a year of change in the housing market. What were some of the things that helped you maintain client engagement and drive business forward?

Kasey Kier [00:02:18] 2021 was a year of historically low interest rates and had incredibly low supply of homes. So a lot of it was really about getting our homebuyers ready and preapproved so that they'd be competitive despite the multiple offers. Also, having enough resources for the down payment really continues to be one of the biggest barriers to homeownership. And making sure that we had access to state housing finance agency and local down payment assistance was really important. We also felt what really helped us maintain that client engagement was being available and accessible at the point of sale. Whether that was to support the buyer, whether that was reaching out to the real estate professional or working with nonprofits that the home buyer may be working with.

Michael Tsikoudakis [00:03:04] Right. And Erin, I'd love to turn to you for this question as well from an HFA Advantage perspective. How did you maintain engagement?

Erin Watts [00:03:11] Sure. I think Kasey hit the nail on the head with staying engaged with your customers. That is the one thing that will move the needle. So for Guild, we're a high touch, high tech company. We utilize technology and our personal touch to foster and expand our business. So our sales team, you know, they're just incredible, no matter our volume, they do a great job of staying engaged with our buyers and partners. Something else that we do is we provide a lot of training. So we do training for the entire company on all of our products, and specific to our HFA programs, we have this really great team that builds out internal resources, checklists, things like that that helps guide our originators and our processors through the process of closing an HFA loan. So, you know, generally the perception of these HFA loans is that they can be difficult, complicated. So what we do is we try our best to create a streamlined process for ease of use. So then ya know if it's easier for the originator, it makes for a quicker close and a happier borrower.

Michael Tsikoudakis [00:04:18] That makes sense. I mean, so it sounds like, you know, constant communication is a key to some of that success from last year. Lloyd any thoughts from your perspective?

Lloyd Rutherford [00:04:26] Oh, I just piggyback off of that. You know, the lending industry continues to suffer from misinformation and myths that prevent borrowers from pursuing their dream of homeownership. So, you know, with all the things that were previously mentioned, you know, I can piggyback right on that. Nations is very focused on sustainable homeownership and trying to make sure that our borrowers and our referral partners, our clients are armed with the right information, the right resources to be able to get to that information. Because, as mentioned before, down payment is still one of the biggest barriers out there. And making sure that the client knows that there are solutions and the value of the home possible program as it relates to the flexibility of funds that can be utilized to be able to be used on a home possible and/or HFA advantage product.

Michael Tsikoudakis [00:05:12] Yeah. Excellent. That makes total sense. ~~So we~~ kind of talk about what what was some of those things that were behind the success, I'm curious to understand, what were some lessons learned? What were some pitfalls that might have changed your approach and how you engaged with clients? And Erin, I'll pass it off to you.

Erin Watts [00:05:29] Well, besides having a crystal ball, you know to see what the need is. So I think that every company can always find room for improvement. You know, I think for us, we try to set ourselves apart by being high technology, high touch, as I mentioned. So we do try to find ways that if a buyer wants to apply online or through the phone or in person, we accommodate that for them. So I think it's really just continuing to find ways to engage with buyers and their needs so we can continue those relationships.

Michael Tsikoudakis [00:06:02] Got it. Got it. Casey, any thoughts? Some lessons learned that might change the way you approach and how you engage with clients?

Kasey Kier [00:06:09] Sure. I think we learned a lot from the pandemic and we just found that there was this big desire and need to really be present and available, whether that was in person, whether that was remotely, just the importance of providing that connection and customer service, taking that extra step, reaching out to the listing agent at the point of sale, really to give them the confidence that the buyers are solid. And as a lender, having the reputation of being consistent and being available if or when the issues arise and really being able to close on time. So just those little extra steps and those extra pieces could really mean the difference between getting an offer accepted or not accepted in such a competitive market where we saw so many offers on one property.

Michael Tsikoudakis [00:07:01] That makes sense. Lloyd, what were some obstacles that you encountered?

Lloyd Rutherford [00:07:05] You know, I think when I reflect back on it, the information previously shared is it's exactly how we feel, what we learned, what we experienced, being prepared. Obviously, it was easy to get caught up in the refinance boom and, you know, trying to keep our originators focused on the real prize at hand, which is getting new homebuyers into their first home and utilizing the product suite that we have, including the home possible program to be able to promote homeownership through that platform.



Michael Tsikoudakis [00:07:34] Well I'll throw this next question out to anyone who wants answer, but what is your favorite feature of the home possible mortgage? And as a second part of that question, what benefits do you see for your clients receiving homeownership education as part of the of the home possible mortgage.

Lloyd Rutherford [00:07:50] So, you know, I will say, you know, it's hard to separate it into one feature because there are so many. But since you guys are asking, I see the reduced MI feature stands out to me primarily because when we talk about affordable housing, that feature has a direct correlation to affordability. I'll sneak another one in here, which you just brought up, which is the homeownership homebuyer education requirements. The knowledge it provides for perspective homebuyer to showcase what to expect as a homeowner and its depth of information to prepare that borrower for the unknown or unexpected has really been a winning success as well when homeownership education is a requirement, depending on the structure of the loan and who's borrowing. But yeah, my favorite is really the reduced MI feature.

Michael Tsikoudakis [00:08:33] That that's great. Kasey, Erin, any thoughts around your favorite feature?

Kasey Kier [00:08:37] Yeah, this is Kasey. I would add that, that you only need 3% down. It still surprises me how many people still think you need 20% down. Also, the ability to pair with down payment assistance resources. And again, the lower mortgage insurance and the waiver of loan level price adjustments to really make that payment more affordable for the homebuyer, really, especially in a market where affordability has been such a challenge.

Michael Tsikoudakis [00:09:06] Right. Great. Erin, any thoughts?

Erin Watts [00:9:08] Well, everyone stole my answer. I was I was going to tack on to the LLPA pricing. I think having that cap on there is really beneficial to the buyer, especially now in this environment as we're seeing interest rates rise, it really helps kind of support a lower payment to the buyer. And for the homeowners of education, from our perspective, education is one of the most important things you can do when you're buying a home and and having that support of, you know, what, what do I do? How do I do this? And then even the post-closing support. A lot of our home buyer education partners offer the post-closing support that once you bought a home, now what do you do? So I think it's just been a really, really helpful resource to our homebuyers in understanding their home purchase.

Michael Tsikoudakis [00:9:59] Right. That makes sense. Switching gears a little bit, new to the RISE program this year was recognition for refinance. So with historically low interest rates last year, many homeowners were able to refinance their loans and save on their monthly mortgage payments. And specifically to Lloyd, who was a winner in this category. How did you respond to this shift?

Lloyd Rutherford [00:10:20] Yeah, you know, we of course, selfishly or whatever you want to call it, took advantage of it immediately. Obviously, whenever there's an interest rate environment that causes what we all just experienced for the last couple of years, it's a win for everybody, including the borrower, the client, right. So I spoke earlier to, you know, the idea of sustainable homeownership, and we understood that the refinance would provide that opportunity to be able to increase the opportunity for sustainability, which is the key to homeownership for long term. It also helps fill wealth gaps, accessing funds from equity to reduce or eliminate the burden of other high cost credit and to simply take advantage of historically low interest rates. We also promoted the refi possible the moment it was available to support the attraction of a wider audience that may have kept themselves out of the refi mix out of uncertainty due to several factors of the refi possible provided solutions for to overcome. So, it was it was a gift to all of us. But we went after our servicing platform to take a look at where we could benefit and offer support, eliminate MI in some cases, like I said, access equity to be able to reduce or otherwise rid themselves of that burden of other high cost credit. So by providing a larger take home pay after their expenses are paid, I think we successfully did what we were trying to accomplish there.

Michael Tsikoudakis [00:11:36] That's great. That's great. I'll turn to Erin, any thoughts on that, on the refinance portion of this? That was a big deal last year and some part of this year. How did you respond to that?

Erin Watts [00:11:47] Well, we were really excited to hear about the refinance products that were rolled out. And so, you know, we definitely made sure that we had those available. We have a quite a large servicing portfolio, and so being able to work with those borrowers and let them know about, you know, the great interest rates that we had over the last couple of years really helped support them and their payment really, really helped us out.

Michael Tsikoudakis [00:12:12] Great. Kasey, any thoughts?

Kasey Kier [00:12:14] No, I agree. I just really appreciate the ability to do the refinances and to really have options for everybody, whether it's through home purchase or through refinance.

Michael Tsikoudakis [00:12:25] Absolutely. Well, great. Well, we're nearing here to our last question. And to close this out today, this is my favorite question, because I think it will provide anyone listening, including borrowers, some helpful information. So moving forward for the rest of the year and into 2023. What are three things that you want every first time homebuyer to know? And I know this is I mean, we were talking about education and understanding down payments and clearing up misconceptions. But beyond that, what are some of those, what are those three things that they should all know? And I'll throw it to Kasey for the first response.

Kasey Kier [00:13:02] The three things that I would want to make sure that every first time home buyer should know is that homeownership is really the greatest way to build generational wealth. Even though homeownership may not necessarily be considered affordable right now, the cost of renting may be even more unaffordable and you're not building equity. The second thing is that the pandemic really caused a lot of uncertainty in people's lives and changed the way that we live and work. We're spending a lot more time at home. Home is your investment. So in addition to wealth building, having a stable home really increases quality of life, family stability, provides health and education benefits. And then finally, with affordable programs like Home Possible and the many different sources of down payment assistance that's out there, homeownership is even more affordable and accessible. So no matter where you are on your homeownership journey, there are nonprofit homeownership advisors, affordable programs, resources and lenders out there that can help them achieve homeownership. And they don't need to do it on their own.

Michael Tsikoudakis [00:14:08] That's great. Lloyd, what are your thoughts?

Lloyd Rutherford [00:14:11] Well, yeah. One of the things I want first time homebuyer know is, again, it's so overwhelming out there with all this misinformation, all this clutter and that, you know, just to make sure that they know that there are solutions for almost every need we're presented with. Right? We have solutions. Ya know, speaking just broadly across all product availability. Right. You know, first time homebuyers, yes, we're propping up the home possible, but we're here to support anybody and everybody that gives us that phone call. So just knowing that there are solutions out there for every need and that we can be there to assist them. And, I like what Kasey said. Affordable housing is kind of taken a little bit of a, you know, hard hit because of the increase in rates, the increase in property values, the inventory challenges. But you know that affordable housing is still a real thing. There are still properties out there. You know, we're focusing, for example, on whether it be green choice or whatever it might be for manufactured housing, Nation's Lending continues to be a leader in that space in manufactured housing. So affordable housing is still a real thing, and I want them to know that. And then to make sure that they're talking to professionals, you know, Kasey listed off a great list of resources, but in a general way, just talking to a professional. Be it a loan originator or a realtor or whomever that is familiar with how to support and assist a first time homebuyer and what's available out there so they can learn more and take away some of that intimidation that can come with all that misinformation out there. Somebody said it earlier that the myth of 20% down. I mean, there is 3% down on that home one or home possible, the first time homebuyer component, that is not required on a home possible, for example. So lots of good stuff out there.

Michael Tsikoudakis [00:15:54] Absolutely. Erin, what are your thoughts?



Erin Watts [00:15:57] Yeah. And just to kind of piggyback off what Lloyd said and Kasey, I completely agree with everything you said. You know, with the ~~the~~ down payment, I think that's kind of the biggest thing to me. If I can get in front of anyone, I start talking about mortgages and products and stuff, you know. To hear friends and family, you know, that want to buy a home and telling me that, you know, I got to put 20% down. You know, that's that's just not the case. So it's really just about the educating and understanding what's available to you. There's programs like Home Possible with 3% down and then every state has a state or local HFA. Once you combine those, it's it can be a game changer and really help support homeownership and kind of what a lot of Lloyd said was getting with a professional. I think that that is so important. If you're if you're talking to a lender and you know, you're just not sure and it just doesn't seem like maybe it's the right fit for you, get a second opinion. I said there are so many products out there to support any buyer situation. So really tell your story and what you need and you will find a product that fits you.

Michael Tsikoudakis [00:17:06] That's great. I'd say so, from listening to everyone's answers, I really I pulled out of there, you know, the importance of building wealth, the importance of awareness around the mortgage solutions that can solve a lot of the problems, importance of maintaining and sustaining affordable housing, the importance of education. I think that's all great, great stuff for our listeners. With that, we've run out of time. I want to thank our panelists for joining us today for a great discussion. We very much appreciate your thoughts and insights on the topics that matter most to borrowers and industry participants. And again, congratulations to everyone on their Rise Award wins. Also, thanks to everyone for tuning in today. Please make sure you check Freddie Mac's Single-Family website for more information regarding our Home Possible Rise award program. We appreciate you for listening in and don't forget to share with your networks. Thank you and have a great day.

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