



## Charting New Paths: The Visionary Duo – Sonu & Shankar

**VO** [00:00:09] Welcome to The Way Home, a Freddie Mac podcast series that explores the latest in mortgage solutions for today's dynamic housing market. Here, housing industry leaders will share insights and actionable strategies that you can put to work today to help make home possible. Let's get ready to dive in and to explore the complexities of the housing market with Freddie Mac.

**Phil Treadwell** [00:00:32] In this episode, guest host Phil Treadwell, founder of Him One Academy and host of the Mortgage Marketing Expert podcast, talks with Sonu Mittal, SVP and Head of Freddie Mac Single Family Acquisitions Division, and Ravi Shankar, SVP and Head of Freddie Mac Single Family Portfolio and Servicing Division, about overcoming market challenges like high costs and rates, the power of partnering with Freddie Mac, as well as important upcoming initiatives for the next year. All right Shankar, Sunil, so, so glad you guys could make it to the Freddie Mac podcast here at MBA annual. How was how was the event been so far for you guys?

**Sonu Mittal** [00:01:06] It's been great. Obviously a ton happening in our industry, and I think it's important for us to make sure that we are spending time with our customers, our seller servicers, and understanding their perspective and continuing to also make sure we validate our roadmap going forward. So it's been a very valuable couple days.

**Phil Treadwell** [00:01:25] That's awesome.

**Ravi Shankar** [00:01:26] Yeah, same here, right? I mean, industry is going through a lot of challenges with interest rates and what's happening in the environment. So it's always good to know what's happening so that we can work with our customers to enable some of the objectives they have.

**Phil Treadwell** [00:01:41] Yeah, absolutely. So this is the second time you've worked for Freddie Mac. Can you tell us about yourself and your two Freddie Mac tours that landed you here as head of Single Family Servicing Portfolio?

**Ravi Shankar** [00:01:51] Sure. So I've predominantly been in the financial services, right? So I spent a long time with Citigroup, then JP Morgan, and then I did my first stint with Freddie Mac. So I worked on the single family, more so I worked on the investment and capital market side. So here I got an opportunity to come back and do Servicing and the Portfolio Management for the Single Family, right? And I found it really cool, so I thought I'd come back.



**Phil Treadwell** [00:02:17] We tend to circle back to those situations a lot of times. Now, Sonu, you spent your career before Freddie Mac in the primary mortgage market, which is obviously very valuable experience for your current position as you work closely with sellers. Tell us more about your background and how you ended up at Freddie.

**Sonu Mittal** [00:02:35] You're absolutely right. The first time being on the GSC side and excited, seven months in excited about what I get to do every single day. I would say most of my experience is all the way from think about sales, operations, capital markets, strategy, analytics, technology, product management, so all those functions mostly on the front end of the mortgage business. And when Freddie Mac talked about this opportunity, I just was amazed by some of the folks I got a chance to meet through the process that they're just extremely talented and looking to bring a perspective of how the primary side can benefit from all the work which Freddie Mac does every single day. So my, not only just looking at the great talent I had a chance to interact with, but also being on the primary side, helping one seller at a time. Whereas in my current role, I'm able to impact the industry hopefully in a more meaningful and a material way horizontally. So excited to be here. And that was a big motivation behind the move.

**Phil Treadwell** [00:03:42] I bet it was. Now tell us about how you two work together and the benefits of having these two divisions. Sonu, I'll have you start and then Shankar, if you'll give your thoughts.

**Sonu Mittal** [00:03:51] Yeah, no, I tell folks all the time I couldn't ask for a better partner in crime. Shankar has been in the industry longer than I have been, and he's a senior to me. I look at it that way. I get to learn from him every day. But at the same time, we have so much opportunities in front of us and we believe just having us both work together every single day is only going to help us deliver more things in a more efficient way. But I feel like we talk at least a couple times a day, if not more, just because I look at we are two sides of the same coin. When we think about serving our customers, which are seller servicers, we want to show up as one Freddie Mac, and that's extremely important to both of us.

**Phil Treadwell** [00:04:32] Yeah, absolutely.

**Ravi Shankar** [00:04:33] Hey, first and foremost, Sonu, you've being very modest. I mean the kind of experience and energy you bring to the role, I mean it really energizes us too. The way you look at it, one is the customer, another from the borrower side of the equation. So we are in the business of making a home possible. So from acquisition side, Sonu spends most of his time thinking about products and how he can add value to the system so that it can enable more borrowers to get those loans. So once those loans are on the book, it's my job to also make sure that the borrowers are able to sustain the homeownership, right? So I'm more focused on tools and products which enables them to sustain. So it's a good partnership that goes on.



**Phil Treadwell** [00:05:23] Yes. No, it sounds like it is.

**Sonu Mittal** [00:05:24] So think about it this way. I help create homeownership and Shankar helps maintain homeownership.

**Phil Treadwell** [00:05:31] Love that. Well, and I think those are the pillars of Freddie Mac, right? Affordable, sustainable, innovative, those types of things are important. And I've been in mortgage banking for 20 years, predominantly on the sales side of things and always known of the GSEs and the things that they provide, mortgage bankers, seller servicers, things of that nature. But in the core fundamental of making home possible, the affordability and the front end of the origination process of actually getting someone into a home a lot of times is what people focus on but the sustainability in terms of servicing and the innovation of how do we reach people from an education standpoint, those are things that Freddie Mac does so well. And you guys individually as well as your teams are a big part of that. So let's talk about the power of partnership and how you guys are partnering with your seller servicers to meet business goals and to help them with theirs.

**Sonu Mittal** [00:06:28] I would say one, it's extremely important that we are visible in any cycle, especially this one, as Shankar mentioned earlier, it's a challenging cycle for the industry given coming out of the post COVID era where the originations were all time high. So we have to continue to be visible. We have to make sure we continue to communicate effectively at all different levels of our seller servicers organizations. And then also we continue to collaborate with them on helping them look at opportunities to be more efficient. To be also think about cost to originate is extremely high, is there opportunities for by leveraging our digital tools, either on the origination side or on the servicing side, that we can make it more efficient? So I just think from my perspective, the partnership is a two-way street and it's important that we continue to be with our seller servicers in any cycle, especially this one.

**Phil Treadwell** [00:07:28] I couldn't agree more.

**Ravi Shankar** [00:07:31] See in another dimension, it's just not our role to keep buying loans or make loans. So one of our big objective is also to keep the mortgage markets very liquid right now. Also, we, from time to time, think of products which enables what our customers want because each of them have a different capital and regulatory framework with all the changes happening, they have product needs. And more importantly, like I said, on the sustainability side of the equation, I mean we got to keep thinking of new products to keep people in their homes when they have some temporary setbacks in their earning stream. So I think it's pretty cool. I mean, the kind of role we had to play working with the customers, we got to think of all these aspects and find the right product and something that they need, which we need to address right from time to time.



**Phil Treadwell** [00:08:24] No, absolutely. And I think that with the current economic conditions being tough and having the challenges that they are, borrowers feel it, mortgage lenders feel it, seller servicers feel it. What are you guys doing with Freddie Mac in terms of providing some relief to that stress and to alleviate that stress?

**Sonu Mittal** [00:08:43] Yeah, I would say in addition to what I just shared earlier, because some of that is equally relevant to this question as well, but I think it's again important to understand the strategy of the seller servicers, so that way we can help guide them in the right direction. And as Shankar mentioned, as we think about our product design choices, our features, how do we make sure that they're actually going to help solve some of the challenges which exist for our seller servicers? So I think that's, from my perspective, that's really what I would just say.

**Ravi Shankar** [00:09:19] On the product side, I mean in the challenging times, I mean we continue to provide a lot of liquidity in mortgages through our cash window for smaller sellers. We recognized that there was a fair amount of challenge in terms of capital as well as liquidity on some of the servicing side of the equation. So we kind of created or relaunched one of our product called XIO, which has provided substantial amount of relief to the borrower. I think on the servicing side, we are working on a multi-year plan totally modernize the way we interact with the servicers in terms of technology. So we are in middle of that journey. Once it's done, it'll kind of provide a lot of new tools with the services, which will make them more cost-efficient and at the same time could enable the borrower outcomes much better.

**Phil Treadwell** [00:10:13] Absolutely. I think that's great. Now you oversee pricing, what Freddie Mac will pay for loans as far as that goes. What are you seeing in these challenging times and really doing to help navigate the market needs?

**Ravi Shankar** [00:10:26] So at any point in time through the cycle, when we are trying to manage the pricing as well as what we buy. So we got to address it from multiple framework. One is we have certain objectives in terms of how much of returns we need to make. There's a capital regime, which we are to follow, which the regulator pronounces. So you've got to have a capital framework, you've got to have a return framework, and we try to optimize the pricing as much as possible trying to manage all these, right? But the core to all that is also a substantial work that gets done on the affordable side of the equation because we recognize that some of those segments are challenged to that extent, the pricing needs to be a little different. So we work on targeted pricing to achieve balance through those objectives. And on pricing of course, one thing which is always underestimated is both the GSCs working with the FHFA created something called a single security or a UMBS four years back. So the power of that security is so good, it trades so much, right? Much better, it trades much better is the pricing that the customer gets, which they can pass on to the borrower. So we pay a lot of attention to how that market functions, what we can to make the pricing even better, how it trades. So there are multiple pieces through which we try to address that.



**Phil Treadwell** [00:11:50] No, I think that's great. And Sonu, high origination costs is a real struggle for lender at times. What does your team do to provide relief and help mitigate that?

**Sonu Mittal** [00:11:59] Great question. When you think about, when I joined earlier this year, one of the things we stood up is a loan product function. And the whole rationale behind standing that group, small group, but with subject matter experts, was mainly to tackle how we are proactively thinking about reducing the cost to originate for the lenders and the borrowers. So that was something which we noticed is that it took a little bit of a backseat in the past that how do we make that more of a proactive function, which we take on at Freddie Mac. And I think the second is we also reorganized our product management and technology, and we are looking at how we can have more frequent releases and continue to make sure we are making the design choices when it comes to our advisor suite, that when the seller servicers are consuming those tools, it's one experience. It's not a series of different experiences. So that way it reduces their cost to implement and cost to integrate as well. So again, thinking it from products perspective, thinking it from income asset collateral standpoint, and thinking it from also technology or which is our tools which we provide to our seller servicers. So again, we are focused on all those dimensions.

**Phil Treadwell** [00:13:20] I think what's interesting is in both of your guys' answers to the similar type of question, it involves innovation, it involves technology, it involves strategy to drive the cost down, which in turn adds to this affordable piece for the end of the day, for the buyer, for the borrower. Now, Sonu, you'd mentioned partnership is a two-way street, and as we head into 2024, what are your guys' top priorities to help expand homeownership and in this theme of partnership, what can seller servicers do to help?

**Sonu Mittal** [00:13:49] Yeah, I would say is first we get to work with a lot of great sellers out there already and they continue to provide us very actionable feedback. So I just want to give them a huge shout-out on that front. But at the same time, I would say is there's four areas, and Shankar touched on this, as we continue to focus on when we think about our overall mission, it's guided by these four priorities, affordability, risk management, so sound risk management, financial management, and then people. And just to quickly maybe give you a quick perspective on this is on the affordability front, how do we make sure we are continuing to focus on creating sustainable homeownership? Sustainable is very critical here because we want to make sure that given where the rates are, given the home price environment, that we are putting folks in the best position to be a sustainable homeowner over time. So we are looking at either when it comes to our credit box, either it comes to our distribution or either it comes to some of our subsidy products, Borrow Smart is something which we launched last year, we continue to make great progress on that. So that's going to be a focus area for us as we continue to move forward. I think beyond that, when you look at the other



areas within, I'll just maybe highlight under risk management, we are thinking about how can we continue to strengthen our operational execution? Especially around quality control, our core annual review process and repurchases because all those areas tend to have a lot more manual processes, and I think there's opportunity for us to reduce back and forth between us and the sellers. So again, just a couple things to highlight on that front.

**Phil Treadwell** [00:15:36] No, I love that.

**Ravi Shankar** [00:15:37] Similar, right? I mean, those are the four core pillars on which the company operates, given who we are, right? Affordability, center of the plate. But given our relevance in the marketplace in size, risk management and financial prudence has to go with that and our people make that happen. So there's a fair amount of focus on making sure we have the right people looking at each of those components.

**Phil Treadwell** [00:16:00] How can seller servicers help participate? Is it adopting different initiatives and products and things at scale? Is it different types of communication? Because Freddie Mac has so much data in some of these places, maybe providing context so that some of these initiatives get put in the right direction. What are some things seller servicers can specifically do to come alongside?

**Sonu Mittal** [00:16:20] I would say, again, I encourage, and that's something the team had already been doing, but I would just encourage the seller servicers to provide us the feedback. Because one thing you can count on, with Shankar and I, is we are listening, we are adjusting and want to make sure that we are doing things in a way that it's not a surprise. That's not our goal. We obviously have to continue to provide liquidity and stability to the marketplace. But I would just say is continue to encourage folks to be proactive in providing feedback to us and not just things which are going well, but things which we could do better because sometimes folks realize somebody else will provide that feedback and sometimes we never end up getting that feedback until we come together for a conference or other things. So I would just say we have consistent touch points with most of our seller services that just encourage them to provide feedback.

**Phil Treadwell** [00:17:16] Love that.

**Ravi Shankar** [00:17:16] Yeah, I think that's a most important piece. I mean, we communicate largely with seller services through programs, communication and technology, and sometimes we could just lose the site, it's designed from our point of view, not the way they want it designed. So any good feedback loop that is there, it helps us to continuously improve. So in fact, last two days I was really very happy because most of the meetings we went to, while me and Sonu will try and start off saying, "Hey, this is what we have done, this is what we are going to do," Mike, who's our president, would intervene and say, "Hey, what can we do better?"



**Phil Treadwell** [00:17:56] No, I love that perspective because at the end of the day, we're talking about partnership being a two-way street, but it's also about the communication. That's how you create a great partnership and tell us what we're doing right, tell us what we're doing wrong so we can improve. Well, I appreciate you guys taking the time. I know you guys have had a big couple of days. Appreciate you being here, and I look forward to catching up again really soon.

**Ravi Shankar** [00:18:18] Hey, thanks, Phil.

**Sonu Mittal** [00:18:18] Thank you.

**VO** [00:18:21] The Way Home is brought to you by Freddie Mac, where we make home possible. For more thought-provoking discussions and expert insights, join us for upcoming episodes by following The Way Home on your favorite podcast platform. Connect with us on LinkedIn @freddiemacsf. You can also sign up for our newsletters by navigating to our subscription center at [sf.freddiemac.com](https://sf.freddiemac.com).