



30 *Top Executives Tell You The Future*

COVER FEATURE

THE INDUSTRY RAISES ITS GAME

A sector-by-sector look at the housing industry from the perspective of those who know it best. We approached a distinguished panel of the leaders in their respective fields and asked a simple question: “What are you forecasting for your line of business in the coming year, and what are the factors that are going to shape your industry?”

Commentary by: Keith C. Hemmer, John Vella, Edmond Buckley, Rob Cooper, Brian T. O'Reilly, Fran Weichsel, Dan Leader, Marc Hinkle, Cristy Ward, Brian Mingham, Eddie Speed, Tom O'Grady, Vincent Spoto, Jeff Puthoff, Dan Clunk, Brian Cullen, Terri Cravens, Jason Nadeau, Tom Hurst, Randy Cecil, Ernie Durbin II, Shawn Murphy, Randy Rempp, Neal Doherty, Thomas Klein, Alan Jaffa, Keith Murry, Janet Eakes, Timothy Stern, Elsa Lewis

PROPERTY RESTORATION

KEITH C. HEMMER
Chief Business
Development Officer,
Alacrity Services



Now that we are approaching the end of 2015, it behooves us to begin looking to the future and contemplate what trends we will see in 2016. We have seen

suggestions that REO is a bubble and that we will continue to see a downward trend in REO and conveyance properties coming to the market, but what does the future really hold? As we saw in the onset of the market decline, the industry can fluctuate with a change in legislation, market conditions or even a natural catastrophe. It might be more accurate to say that we are seeing a decline in the properties originating from the 2008 market decline.

The ripple effect in this trend is that larger institutions appear to be consolidating their vendor networks into a handful of large players. It is these large players that will earn the bulk of the REO and conveyance work going forward. With that said, the marketplace will continue with a competitive nature and therefore top performers will earn a larger pool of work.

With a stronger housing market we will also see a decline in the restoration work order size. People are willing to invest more money into an individual property, as the local market can support those efforts. That means that institutions may contribute fewer dollars to a property in order to fix and flip it. As properties begin to see increasing days on market, the focus will be to get properties "off the books" during this healthier economic period.

With the shortened time frames we will also continue seeing tighter oversight of the restoration process by institutions. They will continue to use technology and seek out emerging technology

EXPERT OPINION

The ripple effect in this trend is that larger institutions appear to be consolidating their vendor networks into a handful of large players.

—KEITH C. HEMMER

to stay informed and aware of the process. This will dial down the need for institutions to have constant physical presences onsite. Technology will force vendor networks to sharpen their skills and maintain tighter controls of their involvement and the overall process.

While the REO and conveyance market lends itself to forecasting, there is still a great deal of unknown that could impact the future. Such is the nature of forecasting—only time will tell.

SERVICING

JOHN VELLA
Chief Revenue Officer,
Altisource



In 2016, the servicing industry will see a continued push by large servicers and the government-sponsored enterprises' (GSE's) to sell non-

performing loans to mitigate mortgage servicing rights (MSR) related issues and risk associated with carrying non-performing assets. The mid-tier and special servicers will be the beneficiaries of these assets and will have to manage the regulatory and asset challenges that come with the portfolios.

Scalability and compliance will be two key priorities for servicers in 2016. While there is general consensus that the coming year will be good for the originations market, there is uncertainty on how strong it will be. Servicers are working hard to be prepared to manage a wide range of volume. In tandem with this, servicers are also committed to compliance. Leading into the new year, we are seeing much more interest in vendors that can provide a consistent, end-to-end experience that is engineered for scalability in each step of the process, and built for compliance that flows throughout the system.

Servicers will be required to evaluate their current technology and vendors as they face increasing scrutiny from investors and regulators. The need for sophisticated vendor management, procurement and vendor oversight will increase their cost to service while occupying resources and budgets. Emphasis will be placed upon servicers to engage with proven vendors who can provide multiple services within a disciplined framework. As default volumes normalize and

decline, some vendors will exit the space or not properly invest in resources, technology and infrastructure, potentially putting the servicer at risk. Procuring vendors who have been proven, tested and have a strong capital base will be a priority for servicers in 2016.

TECHNOLOGY

EDMOND BUCKLEY
President, Aspen Grove
Solutions



Implementing comprehensive vendor management strategies, regulatory challenges and the speed of delivery for technology companies were hot

topics at financial services conferences this year. The status quo does not apply in today's environment, and it certainly won't apply next year as work providers become more demanding and require rapid response. In 2016, regulators and service providers will continue to focus on how the industry hires, manages and processes the work performed by third party vendors.

So what does this mean for future technology? In the coming year, there will be a greater focus on background checks, vendor qualifications, training and whether certain services require certifications or licensing. For example, this might mean integrating work orders with vendor management and proof of service – which is exactly the area of focus for the housing industry from regulators, to business, to consumer. It might also mean a "national" vendor may be required to implement additional technology to effectively manage "regional" and/or "local" vendors by collecting compliance data as well as evidence the services were performed.

Technology will be the key to successfully navigate through these additional requirements. Service providers are looking for technology that is easy to use and quick to implement, given the numerous regulatory requirements and the speed in which the requirements are changing. As such, technology providers will be challenged to complete faster production release cycles and must remain nimble and flexible to meet service provider's fluctuating transaction volumes as well as the ever-changing regulatory environment.

At the same time, technology will have to deliver solutions that are secure and can seamlessly be integrated into other proprietary systems. This is important because service providers are looking for technology that streamlines the steps taken to manage vendor networks and to work within a familiar system that centralizes required data. Technology systems will continue to provide permissions based access allowing service providers to ensure data is both secure and auditable.

While the regulatory environment will continue to influence the industry in 2016, incorporating changes in the vendor management process will include the utilization of responsive and innovative technology systems. To meet evolving business and investor/insurer compliance requirements, service providers will continue to need strong technology platforms that are agile and comprehensive. For the financial services industry, including technology that complements their risk management and compliance strategies just makes sound business sense.

ASSET DISPOSITION

RICK SHARGA
Executive Vice President, Auction.com



Every industry transformation has an inflection point, and we believe that 2016 may be the year when the real estate industry takes its final, inevitable step

towards an online future.

Real estate began to move online with sites offering massive amounts of information. Zillow and Trulia, among others, have succeeded in changing the way homebuyers search for and find properties they're interested in. The shift has been dramatic: the National Association of Realtors reported that 92% of home purchases in 2014 included online property searches. That's a higher number than the percentage of sellers who worked with an agent (90%) or the number of buyers who worked with an agent (88%).

The next step in this online evolution is moving from information to transactions. Auction.com has already been doing online real estate transactions since 2008, conducting eBay-style auctions of residential and commercial real estate (CRE) assets, resulting

in over 200,000 sales, worth more than \$34 billion. The overwhelming majority of those sales have been the disposition of distressed assets, purchased by investors.

But a year ago, we began making the transition from distressed assets to traditional properties in the CRE market. Today, over 50% of the CRE assets we bring to sale are high-quality, non-distressed properties, which are selling at full market value to buyers from around the world. Our recent sale of Manhattan Towers in Los Angeles to a Canadian investment group for \$96 million set a record for online transactions. CRE brokers are working with us to bring their sellers' properties to market as well – we've worked with over 2,500 brokers, and disbursed over \$200 million in brokers' fees. The CRE market, clearly, is embracing the idea of online sales.

And the residential market appears ready to embrace online home sales as well. Over 40% of the people who register for our online auctions are owner/occupants. We've been running a small pilot program, marketing non-distressed homes on a site called Auction.com Select, and the results have been amazing. Almost 90% of the homes we've marketed have sold within three weeks of being listed, at 96% of list price. Two-thirds of the buyers are owner/occupants – traditional homebuyers – who are working with Realtors and using traditional financing to close their deals. We plan to launch a new consumer-facing website early in 2016 to fully leverage the transparency, speed, efficiency and ease-of-use that Internet technology can bring to the real estate industry.

Real estate is moving online in 2016, and we believe that Auction.com is uniquely well positioned to help consumers and real estate professionals move successfully into the brave new online world of real estate.

FIELD SERVICES

ROB COOPER
Managing Director, Assurant Field Asset Services



In 2016, we expect to see servicers and field service providers continue to align with the requirements of regulations – they are here to stay. The cost of compliance

has had a significant impact on all parties involved. There is a high cost of fees and fines that result from failing to comply, but also in expenses related to implementing processes and procedures to reduce the risk of non-compliance. As the industry moves forward in this new environment, companies are focused on finding new ways to improve efficiencies that will allow them to meet requirements and hold down costs. The exposure to financial risk is at the forefront of almost every decision being made by executives in the front office to the service providers in the field.

The paradox is that while servicers and field service providers feel the pressure of trying to find new ways to manage and perform in order to meet the increasing levels of federal, state and local regulations, the vendor costs are increasing as the allowable expenses stay the same, creating compression in the market.

Over time, we believe this will reshape the processes and organizational structures of the field service providers and their networks. Companies who are both innovative in their strategies and financially secure enough to withstand the cost of implementation will likely be the ones who succeed.

Technology, accurate data and failsafe processes are the keys to building an organization that will not only survive but thrive in the next few years. A variety of other factors will impact the industry in 2016, such as reduced inventory, a larger percent of GSE volume, and lack of geographical work density. These market conditions, combined with the exposure to financial risk, are forcing a change in the landscape. The full impact won't be seen for years to come.

We are planning for the future. During the past few years, our company has been focused on building an organization that is positioned to be more than a traditional field service company — we are a strategic partner who helps minimize our clients' exposure to risk.

COMPLIANCE

BRIAN T. O'REILLY
President, The Collingwood Group, LLC



As we approach 2016 and begin to assess how the coming year is likely to unfold for the housing finance industry generally and Collingwood clients specifically,

EXPERT OPINION

The political outlook in this highly polarized pre-election period likely means the industry is in for more of the same inaction that characterized 2015.

—BRIAN T. O'REILLY

we look at the world through three lenses: economic, political and regulatory.

On the economic front, 2016 is likely to be a somewhat tougher year than 2015. As regards total estimated mortgage loan originations, the analysis of both GSE's and the MBA are pretty consistent in their estimates of single family loan originations in the range of \$1.4 trillion. That represents a decrease of about 10% from projected 2015 origination volumes. These total origination estimates generally assume a modest increase in interest rates from current levels, a slight expansion in underwriting credit criteria, continuing improvement in the labor market and consumer confidence and an overall increase in single family housing starts. Perhaps the most significant element in these estimates, however, is the continuing shift to a purchase-centric market. By some estimates, refinances may account for as little as 30% of total originations in 2016. If that estimates holds, refinances as a percentage of total loan originations will be nearly 30% lower than 2015 levels. This will likely result in continuing consolidation among independent mortgage lenders – particularly those that have been slow to adjust to decreasing refinance volumes.

The political outlook in this highly polarized pre-election period likely means the industry is in for more of the same inaction that characterized 2015. An increasingly lame duck administration, a divided Congress, a Republican House under new, largely untested leadership, and an election

year, generally are not conditions that result in significant legislative initiatives. Thus, barring a black swan event, what little legislative action does occur will likely be designed to score political points against the opposition party and not to achieve long-term legislative progress. And for that reason, housing finance – no longer the hot button issue it was during the crisis – likely will not be high on the legislative agenda in 2016.

Given the absence of strong Congressional leadership pushing for regulatory relief, we anticipate little change on the regulatory front in 2016. Thus, the industry will continue to be heavily focused on regulatory compliance, which will remain a significant factor in overall origination costs. The regulatory enforcement environment will also likely remain largely unchanged in 2016 – where the industry can expect that FHA False Claim enforcement actions will continue but with a sharper focus on independent, non-bank mortgage lenders.

HAZARD CLAIMS MANAGEMENT

FRAN WEICHSEL
Director, Client Relations, DIMONT



As the number of loans in default and properties going to foreclosure continue to shrink, vendors offering hazard claims management must either expand

their services or plan for early retirement. Our clients are facing huge challenges in an era where the mantra is, "Doing more with less." This provides a great opportunity to leverage technology and industry knowledge to provide an outsourcing avenue for ancillary services as well as expand the hazard claim process to address parallel lines of business.

Compliance with CFPB and other oversight agencies is top on the list. As a valued partner, it is important that your company understands new regulations as they are released so that you can proactively be addressing these requirements before they become an audit finding. Also, each client interprets these regulations differently, so you should work with your clients to understand how they are managing compliance to ensure you and your clients are working down the same path.

At this point Freddie Mac and Fannie Mae

EXPERT OPINION

Our clients are facing huge challenges in an era where the mantra is, "Doing more with less."

—FRAN WEICHSEL

are in a position to take stock of their servicers' default portfolios and move properties to foreclosure which have been stalled somewhere in the path. 2016 will be a year to clean out this inventory. Deep dives into this population can provide that last chance to mitigate the imminent losses they are facing with these future foreclosures.

As servicing shops and the GSEs shrink their employment numbers, vendors with the knowledge and technology can take on many services which might be as simple as handling communication among the servicer and vendors, providing necessary borrower or GSE notifications, or more complicated processes like loss draft management, FHA MI claims, etc. The list is endless for those vendors with the right resources.

Data is becoming more important than ever. It is imperative that vendors provide access to key data elements, SLA metrics, timelines, etc. Some servicers are requesting automated data feeds into their systems so that they can "slice and dice" the data received. Others want vendors to provide the data either through regular reporting, or through a collaborative data portal.

In short – 2016 will be a year when hazard claims vendors must expand and better integrate into the client's process. Vendors and servicers must work seamlessly, maintaining a higher efficiency and providing more solutions for an industry which is shrinking, both in volume and in resources.

PROPERTY PRESERVATION

DAN LEADER
COO, Guardian Asset Management



We see delinquencies and defaults decreasing in 2016 as the overall number of homes in foreclosure has dropped approximately 36 percent over the past

year. However, the number of “zombie foreclosures” which account for roughly 1.5 million vacant homes may increase the number of REO property assignments in certain markets like New Jersey, Florida, New York, Illinois, Ohio, Pennsylvania, Massachusetts, and Missouri.

Although the overall number of defaults and REO properties will decrease, there will be an increased emphasis on quality of service from the GSE’s, HUD and mortgage servicers. The property preservation industry will continue to be strictly regulated and monitored. FHA may increase the spending limit caps on “overallowables,” however, agencies and servicers will require background checks for all field service workers, geocoded photo documentation and a proof of service mechanism with each service provided. Quality assurance will be at the forefront for all of our lines of business: inspections, property preservation, repairs and hazard claims. FHA claims and over allowable requests will be reviewed closely and will require field service providers to increase both their field and desk audit procedures.

Enhancements to mobile applications will continue to drive efficiencies and service

EXPERT OPINION

Although the overall number of defaults and REO properties will decrease, **there will be an increased emphasis on quality of service from the GSE’s, HUD and mortgage servicers.**

—DAN LEADER

authentication. In the coming months, we will see the use of video and audio to supplement digital photography on high profile or escalated cases.

RESIDENTIAL APPRAISALS

MARC HINKLE
Senior Vice President, MCS Valuations



Although the Truth in Lending/RESPA Integrated Disclosure (TRID) became effective on Oct. 3, 2015, the federal agencies charged with enforcing it have

announced grace periods of varying length. It’s a safe bet, however, that by the time we ring in 2017, the entire mortgage industry – including appraisers and appraisal management companies (AMCs) – will be expected to be in full compliance.

The primary challenge in TRID, from the appraisal standpoint, is the tight timeline on the front end of the transaction. This timeline begins once the lender receives a completed mortgage application. If lenders don’t get the address of the property until the end of the application process, the appraiser would need to quote the appraisal fee without the ability to research the property. Although appraisers rely on their expertise to quote a fee without seeing the property, for some assignments it is impossible to fully grasp the complexity until the appraiser begins his or her work.

Before TRID, appraisal fees could be adjusted without necessarily threatening the closing timeline or risk being penalized by the CFPB. Post-TRID, however, appraisal fees are now subject to zero tolerance. This means that the appraisal fee cannot change from the initial quote unless “changed circumstances” or “borrower requested changes” occur.

If that happens, the lender may absorb the fee increase or charge the consumer. If the consumer is charged the increased amount, the lender must provide a revised “Loan Estimate” within 3 business days of learning of the change. This in turn will lengthen the time before the transaction may close.

To ensure TRID compliance, it is critical that appraisers, AMCs, and lenders establish a robust system of communication and disclosure. Such a system needs to elicit crucial information from consumers, as early in the

transaction as possible, to allow appraisers to quote their fees based on the best possible information.

Granted, consumers may not always be in the best position to supply the information needed to quote an appropriate fee. For example, the consumer may know that he or she has a single family home; however, they may not realize or think to disclose that the single family home is in the middle of a 2-acre farm.

It is incumbent on AMCs and appraisers to ensure that any fees account for as many nuances as possible and significantly reduce the need for AMCs and appraisers to request increased fees.

TITLE

CRISTY WARD
Chief Strategy Officer, Mortgage Connect



In 2015, low interest rates stimulated a strong housing market, while regulatory and compliance changes forced profound operational demands

on service providers and lenders. In 2016, we believe several key factors will most impact the market and consequently play a pivotal role in reshaping the terrain.

First, we forecast rising interest rates combined with increasing home values will support market stabilization. As the market shifts, we can expect to see lenders focus on strategies to fuel retail growth, to capture purchase business and to expand their builder services. Additionally, those who will flourish in the new environment must embrace innovation to meet the demands of growing demographic segments, specifically the next round of first time homebuyers, Millennials. While much has been said about this group of 18 – 34 year olds, one fact remains consistent: at a projected 75.3 million they present a huge swath of homebuyers in the coming years.

Second, we forecast regulation and compliance will continue to be a driving force in 2016. Lenders are beginning to understand the true impact of TRID on their core mortgage operations. For example, the increasing cost of compliance and management of thousands of title and closing agents for those with a distributed retail model will greatly impact

technology and staffing needs. It also provides opportunities for Title and Closing partners to focus on technology and business process support to help minimize such pressures.

Finally, in 2016 we will see renewed focus on the Consumer Experience and the need to develop a highly segmented consumer business model. Solutions, particularly in the technology arena, to enhance communication (i.e. social media, mobile apps etc.) and to make the process simpler and more efficient among different market segments is an imperative in 2016. It also creates opportunities for title and settlement companies to partner with lenders to deliver a unique, customized model for each consumer type. Those who can offer a seamless, innovative experience throughout the process will win.

We feel 2016 provides great opportunities for our industry and we focus on partnering with lenders and servicers to deliver a truly consumer centric experience by incorporating innovative business process and technology tools, a tailored communication platform and by delivering operational excellence to assure our customers have the best execution in the market.

FIELD SERVICES

BRIAN MINGHAM
President, National Real Estate Solutions



The 2016 forecast for the mortgage field services industry is another year of transition. We will experience new regulatory scrutiny, new HUD P&P

guidelines, consolidation, and technology advancements.

The regulations that the financial services sector endures is passed down to their vendors and requires firms to adhere to strict guidelines. These ability to quickly implement changes and get your vendor network trained improves the quality of work performed for clients.

The HUD P&P Guidelines will improve some of the conveyance challenges experienced by servicers and their vendors. The specialized talent needed to perform quality conveyance work for clients is a must have in a "cradle to grave" organization and using it to build a company for the future.

Along with an improving economy comes fewer foreclosures and many firms will find

it necessary to roll up with others to improve efficiencies that large organizations can achieve. You have seen several roll ups in 2015 as well as several exit the space all together and that won't change in the next several years.

Finally, technology is a game changer with regard to customer data security, vendor tracking, GIS, StormTracker, and compliance. This can't be done with an off the shelf technology, so companies are going to have to invest heavily in the development of world class technology. Having a technology partner with the same vision as the executive team and vision for the future will allow the development of a technology that will change the landscape of our business.

In any given year one of these initiatives would keep a management team busy to ensure seamless integration, however with all of these topics being a critical component to the future of our business we need to stay focused, nimble and work to keep vendors trained and compliant. Our company takes this time of year to complete additional vendor training, new refresher courses, meet and debrief with clients on expectations for the next year and have our strategic planning meeting. By taking the time to plan, train, implement and execute, 2016 should allow the best companies continue to grow and thrive.

INVESTING

EDDIE SPEED
Founder, NoteSchool



People often refer to the "crash" of 2008 as a real estate crash. In reality, it was a real estate financing crash. The government put pressure on lenders to

loosen their lending guidelines. The lenders seized the opportunity and became willing partners in the loose lending practices.

The ripple effect of defaulting loans hit Fannie Mae, Freddie Mac and FHA quickly resulting in a knee jerk reaction by the government to this crisis. New laws and regulations were implemented and those had a deep effect on the entire real estate financing industry.

The market repercussions to these changes are playing out today and in turn have created new opportunities.

These new restrictions forced banks and

other lenders to reexamine their approach to the fallout of the financial crisis. The time consuming and expensive costs of foreclosure combined with the crippling new cash reserve requirements made it intolerable to continue with a "business as usual" attitude. A new approach had to be adopted.

The new approach was to simply bundle and sell non-performing mortgaged backed notes. This approach was quicker, easier, more efficient and less expensive. This disposition strategy has worked so well that the "genie is out of the bottle" and banks will not go back to liquidating large numbers of REO's.

The concept of selling non-performing loan pools quickly spread to Fannie Mae, Freddie Mac and FHA throughout 2015. This trend has resulted in what will be a record breaking year for the sale of non-performing loans.

According to industry numbers, there were \$147 Billion of 90-day delinquent loans on single-family homes in December 2014. \$61 Billion of which were on the books of FDIC insured banks while \$86 Billion were on Fannie and Freddie's books.

To date an aggressive sale pattern saw approximately \$11 billion in the non-performing notes sold in 2015. The fact that these sales have dramatically increased reinforces that the process has found its footing.

EXPERT OPINION

And although we do believe the Fed will increase interest rates at some point, **we feel the impact on the real estate markets will be minimal.**

-TOM O'GRADY

As big as this year's sales are, we have a long way to go. The people who understand the current conditions and future implications will do extremely well, those that don't will just be "in the game".

We are extremely excited about 2016 as we anticipate this increasing supply of non-performing loans making their way down stream to the smaller capital investors.

VALUATION

TOM O'GRADY
CEO, Pro Teck Valuation Services



Two factors that will impact the real estate valuation business in 2016 will be the continued recovery of the US housing market and navigating the new

regulatory environment.

As seen over the last several years, the US housing market continues to strengthen. While a year ago thirteen CBSAs were deemed "weak" by our Home Vale Forecast, this month it is down to four. On the flip side, 54 of the CBSAs received our highest ranking of "hot" as compared to only seven a year ago.

Serious defaults have returned to historic levels of 3-4%. With loans originated since 2011 having a default rate lower than 1%, we believe this trend will continue. And although we do believe the Fed will increase interest rates at some point, we feel the impact on the real estate markets will be minimal.

With the housing recovery has come home appreciation, and with that the reemergence of home equity lending. Home owners that were underwater a few years ago are now eligible for home equity loans. We feel this is a market with pent-up demand and will be an area of growth in 2016.

The impact of new regulation will continue to be a challenge in 2016. Many lenders, servicers and investors have struggled with the enormous increase in regulation. When it comes to property valuations – partnering with a national AMC that is on top of changes, working with regulatory agencies and state legislators and able to provide expertise and compliance will be more important than ever. As a bank you might be ready for an audit from a regulatory entity, but is your AMC? Regulators

are diving deeper into the value chain. If you are not sure your AMC could pass an audit, you may want to explore other providers.

Financial institutions have also been looking for products to meet the new regulatory landscape, and valuation companies like Pro Teck continue to work at designing products to provide effective and compliant solutions. It is an exciting, challenging, fast moving and innovative time in our industry. We are up to the challenge and look forward to meeting the needs of our clients in 2016 and beyond.

COMPLIANCE

VINGENT SPOTO
Founding Partner of RRMS Advisors



In today's marketplace, regulatory scrutiny has taken center stage. No longer can mortgage originators, loan servicers and other mortgage

banking service providers take a 'blind-eye' to regulatory practices aimed at protecting consumers. Within the past decade, a large number of consumers have fallen prey to a host of unscrupulous lending, servicing and other mortgage finance administration practices. As a result, a series of regulatory requirements were enacted to help reign-in the 'bad guys' and offer protections to consumers nationwide.

Guidelines enacted by the Consumer Financial Protection Bureau (CFPB) were principally aimed at protecting consumers and have made it more for firms to partake in residential mortgage loan lending, servicing and other administrative practices. As a result, shrinkage has occurred relating to the number of players in the industry. This, together with a significant number of organizational consolidations, has sharply reduced the number of active mortgage banking participants. Further adding to this is the weariness of investors to participate in Residential Mortgage-Backed Securities (RMBS), thereby leading to a significant reduction undertaken by issuers to package, structure and sell RMBS. Hence, today's mortgage finance industry is merely a fraction of what it was less than ten years ago and only the strongest and most committed players remain.

Surviving in today's marketplace is clearly linked to having a strong commitment (both organizationally and financially) to a robust

internal control environment designed to protect consumers. Many mortgage banking firms today have begun to implement formal Management Internal Control (MIC) utilities designed to proactively ensure that key mortgage finance functions are appropriately managed and controlled to ensure proper consumer protection. A strong MIC function is also helping many firms identify and reduce process redundancies, streamline operations and ultimately lower costs. Once outside regulators have dropped in and identified internal control and processing inefficiencies leading to mortgage lending and / or loan servicing practices, the 'cat is out of the bag' so to speak and damages have already occurred to the consumer as well as to the firm's overall marketplace reputation and cost infrastructure.

Beginning to emerge as a critical component of robust MIC functions is the development and implementation of a formal Business Self Testing (BST) Program. Such programs are being designed to monitor compliance with applicable laws and regulations for a host of mortgage banking functions. Business Self Testing is has become the first line of defense in ensuring that mitigating controls are working as intended on an ongoing basis. For 2016 and beyond, mortgage bankers can more effectively weather the storm brought on by increased regulatory scrutiny and compliance requirements by adopting a robust Management Internal Control function with a solid Business Self Testing Program at its core.

TITLE

JEFF PUTHOFF & DAN CLUNK
Attorney at Omega Title Agency



The Default Title Industry is on the cusp of unprecedented opportunity, though it's cloaked as uncertainty.

Uncertainty with the CFPB's role in the marketplace and its "regulation-through-enforcement" approach to TRID compliance will undoubtedly have severe impacts our industry in 2016. In fact, the CFPB's focus is shifting away from mortgage lenders turning instead to service providers,

including title and escrow companies.

CFPB Director Rich Cordray recently criticized the tumultuous rollout of TRID, specifically singling out industry vendors as the problem. The CFPB had high hopes for the new TRID form but, unfortunately, the industry rollout has been far from ideal. The rule was delayed twice, first due to the CFPB's own failure to timely file Congressional notice under federal law delaying the effective date from August 1st to October 1st and then again to October 3rd. Now that TRID is here, however, Cordray accuses vendors of having "performed poorly in getting their work done in a timely manner and unfairly putting many [lenders] on the spot with changes at the last minute or even past the due date."

The exorbitant cost of TRID preparation and compliance alone has already put many title and settlement companies out of business. More will close in the coming year. The CFPB will undoubtedly impose high fines on others. But it's not all doom and gloom; rather, with this growing uncertainty also comes opportunity for those companies who have laid the groundwork in full compliance with the new regulations.

The bold prediction is, of course, that the CFPB may not have a lasting impact at all. Perhaps more so than at any time in its short history, the CFPB's future is uncertain in the face of industry pushback at every step. Current Presidential hopefuls are threatening to reign in the bureau, if not shut it down entirely. Lenders

are appealing CFPB fines rather than quietly settling. The auto industry continues to confront the bureau through Freedom of Information Act requests (which have thus far been denied). Even law firms are challenging the bureau's authority to regulate the practice of law.

One thing is certain, though: The CFPB is here and will greatly affect us all in the coming year. Successful companies will recognize this uncertain time for what it is: opportunity. They will adapt, comply, and reap the benefits of a less crowded marketplace.

PROPERTY PRESERVATION

ALAN JAFFA
CEO, Safeguard
Properties



It is an interesting time for the mortgage field services industry. We continue to be faced with heightened regulations and compliance; however

we also are on the cusp of an evolution within property preservation. New technologies -- like video and geo-location services -- are giving us a unique view into vacant and abandoned properties. We also have made great strides towards uniformity within investor guidelines as we continue to bridge the gap between communities and investors by enhancing services in all stages of default.

Perhaps the most promising new technology for mortgage field services companies is video and its use in the field. Having the ability to report damages and receive bid approvals in real-time is a game changer. And although video will never replace photo documentation, it will be utilized to provide more detailed evidence of damages and issues at properties. National companies, like Safeguard Properties, have been testing the technology's feasibility for some time and plan on releasing applications for their inspector and contractor networks to utilize it day-to-day in the field.

Geo-location technology will continue to serve as a quality control measure for determining the correct property location. Through the use of mobile devices and applications that collect meta data, including the longitude and latitude of photos, field services providers know if a contractor or inspector is in the proper location and can

track that information each time they visit the property. Geo-location technologies also can be utilized to assign urgent or rush orders quickly to contractors working in the field. If activated on their mobile devices, location services can track contractors who then can be notified if an order pops up in their area.

In addition to new technologies, our investors have recently or in the near future will release new property preservation and inspector guidelines that also will make an impact on the industry in 2016. In these new guidelines, the investors are seeking more property details, many of which have already been implemented. The investors' request for more information is evidence of the heightened scrutiny the mortgage servicing industry will continue to face in 2016. It is our hope that these new guidelines help create more uniformity in property preservation and a better end-product for neighborhoods and communities across the country.

What we also anticipate in 2016 is more uniformity between city regulations and investor and client guidelines. This includes raising the property preservation bar in all stages of default. Those residents neighboring vacant and abandoned properties do not know the difference between properties in presale and those in REO. All they see is what can potentially be an eyesore or blight in their community. Many servicers have begun the process of ensuring all properties are serviced

EXPERT OPINION

The bold prediction is, of course, that the CFPB may not have a lasting impact at all.

-JEFF PUTHOFF

EXPERT OPINION

I would rather compete in the current state of the industry—which includes standards, better client communication, technology requirements, and transparency than an environment of favoritism and "us versus them" vendor management.

-BRIAN CULLEN

to fit the neighborhood's standards. This includes completing additional services like repairing gutters and power washing the siding and driveway – issues that may have been potential code violations in the past. It is our responsibility to ensure these properties are reflecting that community standard to continue to eliminate blight across the country. Embracing city and investor guidelines and utilizing new technologies will have positive impacts on the industry in 2016.

VENDOR MANAGEMENT

BRIAN CULLEN
CEO, SingleSource Property Solutions



The competitive landscape for all vendor management companies has changed significantly in the last year and the industry should expect that to

continue in 2016. Industry compliance standards that have been common in areas like Appraisal Management and Title are now being introduced in additional product areas such as Broker Price Opinions and Field Services. The increase in standards has led to a greater importance on initiatives like Best Practices, training, SSAE Compliance, and independent rating agency certifications.

The increase in standards has significantly raised the bar for anyone wanting to participate. Only firms that can offer a wide range of services while meeting those standards will benefit. This factor, along with an exceptionally strong private equity market has introduced a wave of vendor consolidation. In addition to consolidation, there have also been vendor management firms exiting the business shrinking the pool of players.

One of the common practices of the players that remain is a belief that what is in the best interest of our clients and the industry is in the best interest of everyone. More and more, we find ourselves in situations working together for the common good of a mutual client. Technology enhancements and shared platforms have given loan servicers greater control and tracking of metrics, which has brought transparency to performance standards. This increase in transparency is in the best interest of the servicers and they will continue to reap the rewards in the form of improvement

from the vendors that support them.

Audits and compliance have brought with them an increase in the cost of doing business. Vendor management companies need to remind themselves that while some of these costs may have increased, so has the level of partnership with servicers and our other clients, such as hedge funds and mortgage originators. I would rather compete in the current state of the industry – which includes standards, better client communication, technology requirements, and transparency than an environment of favoritism and “us versus them” vendor management.

COMPLIANCE

TERRI CRAVENS
President & CEO, Springboard



The new year will bring ongoing challenges for our industry. Loan servicing organizations have been challenged with increasing

documentation requirements in support of consumer facing activities. We are now over five years into the increased focus and scrutiny of third party service providers for the mortgage servicing industry. During this time, vendor oversight as required by the GSE's, OCC, CFPB and other regulatory bodies has been implemented and with significant improvement made across most areas. We anticipate that the increased scrutiny is going to continue in mortgage servicing, and expand across other areas such as loan origination – an example of this includes the OCC testing for TRID compliance.

The regulators have affirmatively established a position expecting servicing organizations to proactively identify potential risks with their third party providers, verify their compliance with requirements and monitor remediation and corrective actions. Our observations, with regards to the mortgage servicing oversight of third party vendors is, though improvement has been noted (74% reduction in high risk findings and 13% overall improvement in risk scoring), additional concentration is still required. Remediation of moderate and high risk findings has been slow. Frequently,

it has been found that vendor processes and procedures are updated to reflect corrective actions, but execution is not immediate, resulting in repeated risk findings year over year. If mortgage servicers do not ensure that required corrective measures are actually implemented by their third party providers, they may take a hit to their reputation as well as incurring significant fines and penalties. Further, while significant improvement has been noted in the operational controls of the third party providers, there has been a marked deterioration (over 5% decline) in the performance of the service provided. This must quickly be rectified by the vendor community.

Mortgage companies will be called on to review their oversight programs and prove out how they are confirming regulatory compliance of all third party service providers. This will pertain, in many situations, not only to the direct third party provider but also to their sub-vendor. In short, the mortgage company will be required to thoroughly know their vendors – and their vendor's vendor.

TECHNOLOGY

JASON NADEAU
Group President, Mortgage and Title Services, Stewart



The talk of the town today is TRID (TILA-RESPA Integrated Disclosure), or “Know Before You Owe”. We are in the throes of implementation and

all the challenges that entails. At Stewart we believe that setting aside the technical and process upheaval from TRID, this is just a beginning of a change to our industry. The process of getting qualified for a mortgage, moving through the underwriting and closing preparation and finally the closing process is still very antiquated. The borrower of the future is increasingly less and less tolerant of slow, paper-intensive processes. The borrower of the future is used to service like Amazon Prime and similar models where the process involves self-service and delivered to your door in two days.

Before the recent regulatory and industry changes, our industry was beginning to move in this direction. The industry created Automated

Valuation Models, “instant” title searches, automated underwriting technology, eClosings and eNotes. With the economic crash, and the subsequent hyper-litigious and intensely regulated environment the industry shut down or suspended these initiatives. While we can argue that these initiatives may have been fraught with other problems, it was clear that most innovation or attempts at moving the mortgage and closing process into a faster, easier and more innovative model were stifled. We collectively implemented a “back to basics” approach and we collectively reverted to processes and business models from the early 2000’s.

With this background we are forecasting that next year will bring a slow and cautious march back into the future. A future where we begin again to effectively utilize technology and innovative business models to create an experience focused upon the borrower of the future. The millennial generation will most certainly not be tolerant of the current process with the slow, over-documented, over-disclosed and under-innovated approach to moving the borrower from application to closing. While we don’t anticipate any break-thru models to appear next year, we should certainly be on the lookout for outsiders with less skin in the game, less exposure to regulatory risk and shorter memories to emerge in the coming years to try and force innovation into our world.

RESIDENTIAL APPRAISALS

TOM HURST
President, StreetLinks Lender Solutions



In the appraisal industry, 2016 will shine a light on new ways to surpass client expectations and create a more cohesive experience throughout the

mortgage process. While quality will continue to remain paramount, we strongly believe that performance will play a larger role in defining success. We also expect that the borrower experience will be redefined throughout the appraisal component of the mortgage loan cycle. Although the actual appraisal transaction will continue to occur solely between the lender and the appraisal management company, the borrower experience has become much more important. For example, borrowers expect more

responsiveness and scheduling flexibility. A focus on an improved borrower experience is something that AMCs should welcome and encourage. Further, we expect that appraisal providers will begin to leverage technology in new ways to create a customized appraisal experience for each borrower. Creating a seamless, comprehensive and positive experience that keeps all key players in mind will soon be status quo for all vendor partners in the mortgage industry.

We also believe that the upcoming year will continue to prove that the demographics of the appraisal industry, and subsequent origination industries, are changing at a rapid pace. The demand for licensed appraisers with knowledge of the local market is higher than ever. This high-intensity structure is not sustainable, and a shift will soon have to take place in the appraiser industry to meet demand across the nation. The collective industry will have to find creative new ways to engage and leverage their current appraiser panels, with a deliberate effort to attract new talent. A key question facing our industry is how to inspire a new generation of potential appraisers. How can we be more attractive to encourage Gen Xers and Millennials to continue to enter the appraisal space?

PROPERTY PRESERVATION

RANDY CECIL
President, Truly Noble Services



Now 7 years since the last waive of the Mortgage Financial Crisis everyone is concerned and asking “could this happen again”? How will the companies

performing property preservation and REO rehab work make it through? The key word is “adapt.” We have to learn to adapt to an industry that for the most part our property services companies have little control over. If the mortgage lenders and GSE’s continue to sell off their delinquent loans and approve more short sales, loan modifications, and refinances, we have to learn to ride the waves while looking for new avenues for our line of business. True to Darwin’s theory, property service companies who have traditionally

focused on just REO should be quick in bringing flexibility into their operations model.

Technology must continue to be the key factor that will help smaller and regional vendors better match human capital with automation and management of processes. Our decision making process must focus on the need to do more with less. Long term strategists are telling us that utilizing the latest technology solutions is perhaps the easiest way to cut costs by leveraging less manpower and becoming more efficient. Quality vs quantity is a key phrase in trying to sustain market share.

What does it mean to this industry? The next 5 years could likely find us all getting into the inspection, valuations, property management, insurance restoration markets, and certainly back into the retail side. The landscape for property services companies for REO is ever changing. Those who refuse to adapt and grow will be left behind. It can represent a frightening time or be seen for what it is: an opportunity to fine tune our services to better serve our customers. The choice is ours.

EXPERT OPINION

True to Darwin’s theory, Property Service Companies who have traditionally focused on just REO should be quick in bringing flexibility into their operations model.

—RANDY CECIL

VALUATION

ERNE DURBIN II

Chief Valuation Officer, Valuation Vision



According to available sources, the average age of appraisers is somewhere in the mid-50s. Many practicing appraisers are leaving the profession as they

approach retirement and for other economic reasons. The entry path for new appraisers is also steep. Certification now requires a four-year college degree, multiple additional professional courses, thousands of hours of trainee status and culminating exams. The economics are even worse. For several years, trainees earn wages that are substantially subpar compared to other college graduates. The attrition of currently certified appraisers and the lack of new entrants are converging to create a shortage of appraisers in the near future.

Many industry experts are working on solutions to this future shortage of appraisers. While some experts are looking at changes to the entry path, others are developing new alternative valuations that will alter the workflow of existing certified appraisers. These new alternative products will leverage the appraiser's analytical expertise and eliminate time-consuming tasks that can be performed by someone else. Appraisers will spend less time inspecting properties and more time in valuation analysis. This change in the scope of work will allow appraisers to value more properties, providing their expertise from their desk and not the field.

Although these products have been around for several years, alternative valuations will begin to flourish in 2016 and the years forward. For now, origination appraisals will continue to follow the traditional track while these alternative products gain ground in the servicing and default space, as well as home equity lending. Appraisers will begin to embrace these products when they realize that they yield the same or better hourly rate of traditional appraisal products. Veteran appraisers know that they can provide these services under a different scope of work and still be fully compliant with the Uniform Standards of Professional Appraisal Practice

(USPAP). As new appraisers enter the space, these products will be a part of their everyday practice and they will be accustomed to them from the start.

2016 will be a promising year for the appraisal profession. Appraisers will be engaged in a new sector that expands their appraisal practice. As changes to entrance requirements are considered, currently certified appraisers will earn more money with less costs. This evolution in the marketplace will assure that appraisers remain the gold standard in valuation and continue to service the needs of a changing mortgage industry.

TECHNOLOGY

SHAWN MURPHY

Executive Vice President, ValuAmerica



Did you know that 50% of home buyers today (*50% compared to 29% in 2008), say their purchase involves a single source (i.e., one real estate firm or

other company with different divisions, departments or affiliates to handle each part of the transaction) as opposed to involving several disparate sources?

- » Agents Remain Buyers' First & Primary Contacts: Half contact a real estate agent first in the home buying process; and for most, the agent remains the primary contact.
- » Buyers Want Closing Services To Be Affiliated With Their Agents: 72% of buyers prefer the firm providing closing services be affiliated with their real estate agent.

What does this mean heading into 2016? Increased opportunities across all lines of business for companies who are able to present an "OSS" model to the market. The OSS concept is fostering bundled opportunities across the mortgage and real estate industries.

For example, even though REO volume is declining, there are areas to still achieve growth in market share for those that have the ability to offer all services throughout the loan default continuum. Companies that can offer a bundled service offering through a single point of contact to their clients will be viewed as a strategic partner of choice.

Factors that will continue to shape our industry in 2016 and beyond include:

- » Property preservation: City ordinances are becoming more stringent with code enforcements.
- » Property valuation: The continual development and use of automated and technology enabled valuation tools.
- » Technology development: Keeping up with new and changing regulatory landscapes while enabling clients to streamline vendor and other panels.
- » Compliance: Offering the OSS model to assist clients in streamlining vendor management / third-party oversight programs to ensure regulatory compliance.

INSURANCE

RANDY REMPP

President, Van Wagenen Financial Services



We're expecting a busy 2016 as we'll be called upon to provide solutions for a number of challenges our clients face.

Of particular note: HELOC portfolios see several vintage years approaching their end of draw period. At this time many homeowners will find it advantageous to refinance. Unfortunately, home values in many markets have not fully recovered to 2006 levels causing many loans to fall outside current lending guidelines. Resourceful lenders are finding solutions to keep some borrowers from defaulting by refinancing with expanded credit criteria extending the term, and making additional monies available for future draws.

Our industry will continue to manage the regulatory challenges presented by the Consumer Finance Protection Bureau and other state and federal agencies. This will lead to higher compliance costs including more spending on systems and additions to staff. Many lender will look to outsourcing of specialized back office functions. This strategy is becoming prevalent not only among the largest institutions but small and mid-sized lenders are finding it essential to effectively manage the regulatory burden. Our overall projections for 2016:

- » Continued steady improvement of overall

mortgage market.

- » Delays in growth as the industry struggles to adapt to regulatory changes (see above).
- » HELOCs are seen as a great opportunity for growth, but there is significant competition.
- » Insurance defaults have begun to rise from their historic lows.
- » We're seeing a significant increase in insurance losses due to extreme weather throughout the country. These losses are offsetting the lack of a catastrophic event.
- » We will see a greater default in flood insurance from borrowers due to the dramatic rate increases for NFIP policies.
- » We expect to see higher flood claims and weather related losses this winter due to the extra moisture and storms in the heavily populated south and southern California.
- » Continue to see changes in tracking and lender placed relationships due to servicing issues and legal settlements.

Challenges are nothing new to our industry. Necessity being the mother of invention, once again our innovation, resolve, and resourcefulness will move our industry forward and 2016 will be another banner year.

COMPLIANCE

NEAL DOHERTY
Managing Director of
Compliance Solutions,
Walz Group



We expect the regulatory environment to become even tighter next year, with a major contributing factor being enhanced

coordination between state and federal regulators. This will equate to increased scrutiny from both state and federal regulators, more enforcement actions, and the requirement of mortgage servicers to dedicate even more resources to compliance.

One of the major consequences of Dodd-Frank was how it changed the roles of the regulators. Before Dodd-Frank, banks frequently and successfully argued that state laws were preempted by federal law. Dodd-Frank made it harder to assert preemption,

and also granted the state Attorneys General and other state regulators additional authority to bring civil actions to enforce the law. These changes fundamentally increased the importance of the states in the regulatory process, and have led to increased cooperation between federal and state agencies.

A recent and significant example of this increased cooperation occurred on November 4, 2015, when the Federal Trade Commission ("FTC") and state regulators, including the Illinois Attorney General and the Commissioner of the Minnesota Commerce Department, announced a nationwide crackdown on abusive debt collection practices. Involving over 70 law enforcement partners, "Operation Collection Protection" would be the "first coordinated federal-state enforcement initiative targeting deceptive and abusive debt collection practices," according to the FTC.

Illinois Attorney General Lisa Madigan, who is extremely active in consumer protection issues, touted her state's partnership with the FTC as a vital tool in "putting scam operations out of business and protecting consumers from abusive practices by legitimate creditors." Madigan has not been shy about using her new powers granted under Dodd-Frank, and has brought multiple lawsuits against debt collectors and predatory lenders.

Minnesota Commerce Commissioner Mike Rothman added, "By working together in this new federal-state collaboration, we are joining our forces to stop these abusive practices and protect the public." Previously, state regulators such as Rothman may have been limited by the law of their own states because, in many states, the attorney general is the only state official empowered to bring an action for an unfair or deceptive act or practice. Dodd-Frank, however, extended this power such that a variety of state regulators can bring these types of actions.

This recent, FTC-coordinated action builds on a number of past joint enforcement actions starting with the 2012 National Mortgage Settlement involving the country's five largest mortgage servicers. We expect this coordination to increase over the next several years, leading to further public and private enforcement actions, as the federal agencies and state regulators share information and cooperate to achieve common policy goals.

TITLE

THOMAS KLEIN
SVP, National Agency
Division
WFG National Title
Insurance Company



Although we are aware of forecasts suggesting a similar or even slightly decreased origination market for 2016, we believe that the coming year could

also hold a pleasant surprise or two. Although the implementation of the TILA-RESPA Integrated Disclosures rule has caused some disruption, and will likely do so into early 2016, the uncertainty surrounding it will be gone. The biggest chilling factor to face the mortgage industry in 2015 was uncertainty. Uncertainty as to how TRID would be enforced. Uncertainty as to when the rule would actually be implemented. Uncertainty as to what our clients (such as mortgage lenders) would require of their partners to comply with the rule. That uncertainty should now be gone.

Our industry has been mired in a rapidly-changing regulatory environment for a few years now. Overall, the cost of doing business has gone up as we work to adapt to new requirements and constraints. I don't believe that will change. However, given even the slightest bit of consistency, most good

EXPERT OPINION

The real wild card for 2016 will be compliance. What new regulations or laws could insert uncertainty into the industry after TRID?

-THOMAS KLEIN

businesses will find ways to win more business. Unless something of the magnitude of TRID pops up in 2016, I think it will be a good year for the industry on the whole.

There's no doubt that this will be a year in which the purchase transaction rules the residential mortgage market. We don't think it will be a banner year for refinance, but it won't simply go away, either. We're also keeping our eye on the possibility of a surge in HELOC transactions. We believe that the overall economy and the market conditions facing the housing and mortgage industry, in particular, will be similar to those of 2015—perhaps even more stable. If there is a slight increase to the prime interest rate, there may be some very short term concern. But industry participants will quickly realize that rates remain historically low. If anything, a slight increase might encourage a moderate spike in refinance or purchase volume, as those who have been sitting on the fence begin to move before the rate increases further.

The real wild card for 2016 will be compliance. What new regulations or laws could insert uncertainty into the industry after TRID? Even if something similar arises, however, we're confident that those businesses which have come to accept fluctuation and change as "the new normal" will continue to thrive. Flexibility and adaptation will rule the day, and prove to be competitive advantages should the compliance framework change again.

ASSET DISPOSITION

KEITH MURRY
President & CEO, VRM Mortgage Services



I think, as everyone surmises, the coming year will see a continuation of consolidation as we continue to return to pre-crisis inventory levels in the REO space. Firms like VRM Mortgage Services, PCV Murcor and Hightide Settlement Services will continue to evolve to meet the increase in compliance requirements, while striving to maintain service levels and exceed client expectations. It is certainly a balancing act that we will need to continue to refine. We've come a

long way as an industry. The challenges the industry endured as a result of the crisis made us stronger. However, to continue servicing our clients and homebuyers, we have to evolve and invest in our craft.

Going forward, I believe ongoing innovation and new ways to address business challenges is what we will focus on. As an industry, we've have new challenges that require us to approach every situation as an opportunity to grow. I'm excited and look forward to the prospect of discovering new solutions and new ways of doing business. It takes me back to my days as a one man appraisal shop—the excitement of getting up every day trying to outperform and out hustle the next guy. Most importantly, we welcome the opportunity and the satisfaction of doing the job better each day than we did the day before.

COMPLIANCE

JANET EAKES
Business Owner - Financial Services & Mortgage, Sapiens



The ever-changing mortgage market, having managed unprecedented regulatory burden and costs, now faces decreased production levels with rising rates

and slowing refinance activity. This could mean layoffs and reduced resource availability in 2016, just as we begin to feel the real effects of the Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA) Integrated Disclosures (TRID) rule on actual loan closings, begin to assimilate the final Home Mortgage Disclosure Act (HMDA) rule and face the first increase in interest rates in nearly a decade.

The upcoming year will continue to test our ability to proficiently manage operations while incorporating new products and innovations to meet market demands. Mortgage banking has always been complex in nature; however our willingness to harness the advances of technology has lagged behind other industries. Reduced resources will necessitate innovative change in the back office to effectively support continued federal and state regulatory compliance and examination needs, in addition to facing more work-intensive purchase production and ongoing servicing default

EXPERT OPINION

The challenges the industry endured as a result of the crisis made us stronger. However, to continue servicing our clients and homebuyers, we have to evolve and invest in our craft.

—KEITH MURRY

management challenges.

The industry is ready to move from an all-consuming focus on compliance implementation to maintenance, yet operational and compliance risk due to system and data inconsistencies remains a real concern. Transitioning from a defensive risk and compliance position to an offensive focus requires that mortgage stakeholders embrace new developments in change management solutions to ensure speed-to-market, cost controls, as well as ongoing compliance precision and certainty. Investor and regulator guidance will continue as the Government Service Enterprises (GSEs) and Federal Housing Administration (FHA) roll out guideline changes, the Consumer Financial Protection Bureau (CFPB) generates bulletins and agencies such as the Office of the Comptroller of the Currency (OCC) release their TRID requirements. Implementing ongoing industry, regulatory, and competitive requirements with minimal disruption to drive growth and support compliance requires systems that enable business-led change coupled with bullet-proof integrity. Regardless of business model, all mortgage industry stakeholders need this type of approach to technology in order to position for growth while controlling costs and ensuring compliance.

Although the overall feeling amongst my colleagues is that the mortgage industry is finally touching the other side of the financial crisis and approaching recovery, the New Year will continue to present challenges to lenders and servicers alike. With lagging production, investing in much needed enterprise-wide system transformation can complement sales and origination.

EXPERT OPINION

I hope that the mortgage industry will use 2016 to **take a step back and rethink how we communicate** with our customers.

—TIMOTHY STERN

TECHNOLOGY

TIMOTHY STERN
President, VidVerify



After a year's worth of Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA) Integrated Disclosures (TRID)

frenzy, I hope that the mortgage industry will use 2016 to take a step back and rethink how we communicate with our customers. As the industry solidifies compliance, I expect to see a pivot towards embracing innovation in communications to not only bridge gaps in compliance, but also maximize operational capacity.

Despite a laser focus on disclosures and new rulemakings, we still see that the mortgage industry can fall short of the Consumer Financial Protection Bureau's (CFPB) expectations that lenders and servicers truly inform and empower their customers through their communications. As recently as November, the agency published its Supervisory Highlights for fall 2015. The report identified disclosure failings throughout the mortgage process and other areas of the larger financial services arena, from RESPA/TILA disclosures, to loss mitigation and debt collection. We understand that this is still a critical shortcoming in the mortgage service offering, and we expect to see the industry begin to look to technology to modernize the communications process.

Although there are only a handful of providers bringing video solutions to the mortgage space, the role of video communications in the lives of everyday consumers is growing rapidly. Video is

expected to grow from 57 percent of consumer internet traffic to 69 percent over the next year. And already more than half of internet users watch a video online every day. When applied to the mortgage process, this technology offers promising results. For example, the majority of video viewers watch more than 75 percent of a video. That is a vast improvement for the customers who may quickly flip through the pages of a disclosure just to sign on the dotted line without fully understanding the information presented.

In 2016 I expect to see the mortgage industry begin to catch on to the vast offering of technology tools available to them in the vendor marketplace. Once lenders and servicers adopt these kinds of innovative solutions, like video disclosures, they can look past simple compliance and leverage their ability to better communicate with customers to boost business operations.

ASSET DISPOSITION

ELSA LEWIS
Executive Vice President, Williams & Williams Worldwide Real Estate Auction



We believe 2016 will be a year of growth as evidenced by continued stabilization, diversification and increased opportunities as new

markets evolve. Government regulation and oversight will continue to have a major impact in mortgage servicing as servicers and banks continue to implement trades and disposition strategies up the default timeline, i.e., short sales, NPL pool trades, deed-in-lieu confirmations, CWCOT and other government foreclosure auction programs and pre-marketing REO.

2015 has been a very busy year for us in honing these types of solutions for our banks, mortgage servicers, investors, government and other sellers. Providing a time-definite auction solution for occupied properties allows the bank or mortgage servicer to avoid the lengthy timeline of eviction, particularly in certain states. Also conveying properties by quitclaim deed for an

occupied property shifts the costs to the buyer. Many of our buyers are looking specifically to purchase properties with the "hair" in order to leverage and maximize their cash positions.

Banks and servicers are more in tune to the net present value of money and are looking for liquidity in the market, knowing that money is worth more today than six months from now. Also, selling earlier in the process helps sellers avoid headline risk. Short sale auctions provide a time-definite solution before time-definite event occurs. Foreclosure auctions and particularly second chance will continue to gain momentum, attracting new buyers who desire occupied and newly foreclosed properties.

Additionally in 2016, we will continue to assist investors – large, medium and small – to find liquidity in the marketplace at auction. Unlike servicers, investors view their assets as investments rather than liabilities. The large investors will continue to sell pools and individual assets to the medium and small investors (offering financing to enhance the deal). They will also sell continue to sell off assets that don't fit their management box or where they need liquidity for new investments.

Auctions will continue evolving as a

EXPERT OPINION

Many of our buyers are looking specifically to **purchase properties with the "hair" in order to leverage and maximize their cash positions.**

—ELSA LEWIS