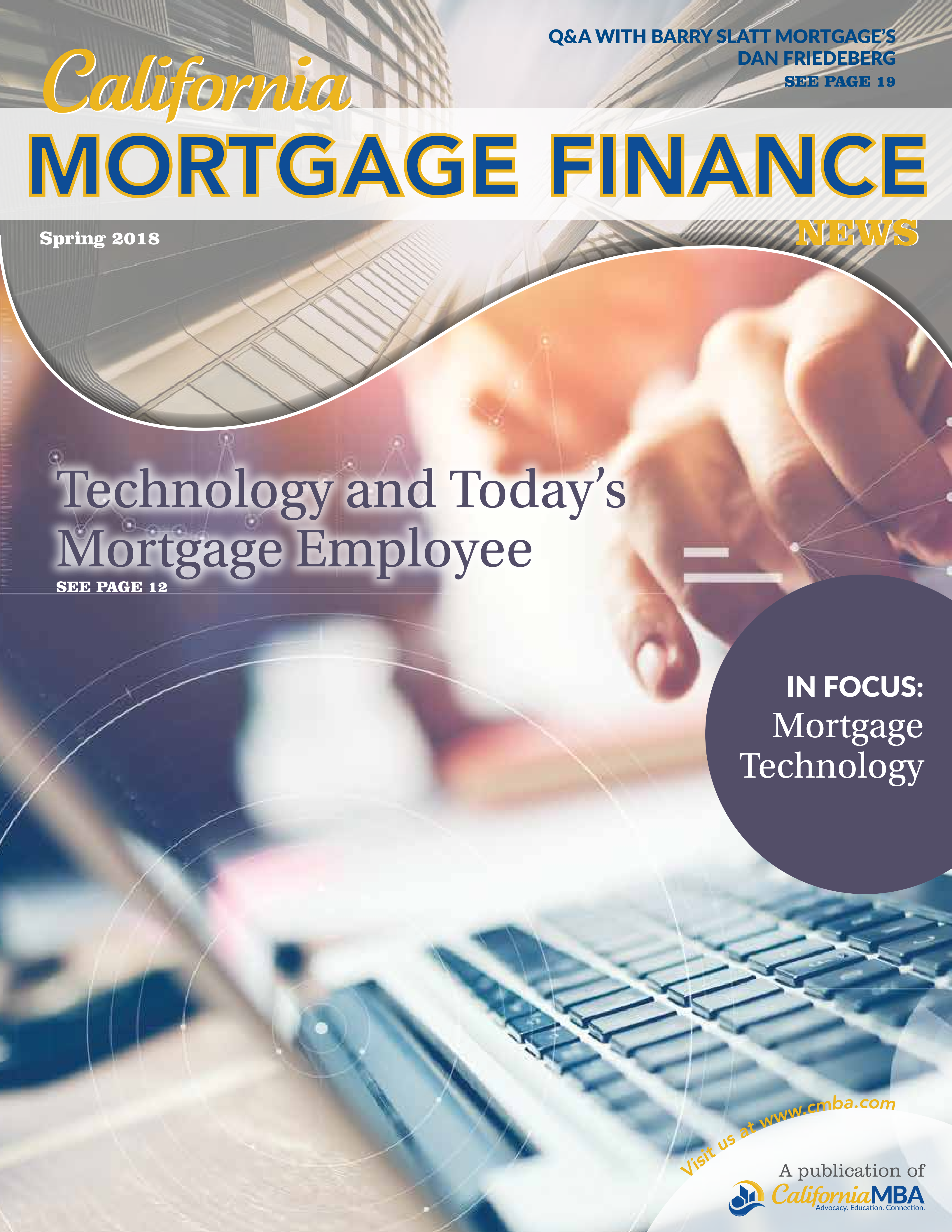

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California
MORTGAGE FINANCE
NEWS

Spring 2018

Technology and Today's Mortgage Employee

SEE PAGE 12

IN FOCUS: Mortgage Technology

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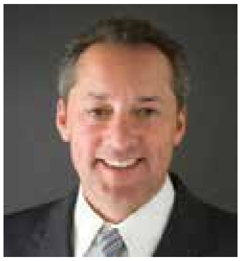

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In This Issue…

SPRING 2018

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Dustin Hobbs

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California MBA
520 Capitol Mall, Suite 440
Sacramento, CA 95814
PHONE: (916) 446-7100
FAX: (916) 446-7105
EMAIL: info@cmba.com
www.CMBA.com

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CHAIRMAN'S CORNER

New Year, New Challenges for California MBA

by
CHARLES W. HALLADAY,
Chairman, California MBA
Senior Managing Director, HFF, LP

As the new begins, American business has quite a bit to be optimistic about. Overall economic indicators from unemployment to stock market value to wage growth seem to be trending in the right direction. Housing and real estate are more of a mixed bag right now – if you're looking to sell a home, ATTOM Data Solutions reports that home seller profits are at a 10-year high; however, buyers are facing affordability challenges, particularly in California (see below for more), and MBA forecasts a significant decrease in residential originations in 2018. Additionally, MBA (and virtually every leading economist) expects interest rates (and mortgage rates) to rise this year. MBA expects mortgage rates to edge near 5% by the end of the year, and cross over that psychologically important barrier mid-way through 2019.

And that's before President Donald Trump's much debated and discussed tax reform has a chance to go into effect. While much of the dialogue surrounding the issue focused on the decrease in the individual tax rate, the real impact will be felt by the drop in the corporate tax rate – from a high of 35% to 21%. As for the results, not only have we seen a number of large corporations promising wage increases, bonuses and more, but consumers will also see a big difference when the lower tax rate is combined with regulatory relief, which we've begun to see, at least from the new leadership at the Consumer Financial Protection Bureau (CFPB). On the commercial/multi-family side of the business increasing rates will be a challenge for lenders; however, strong employment and economic expansion should help industry weather the challenges.

One issue that will continue to be felt in the residential industry this year is ongoing consolidation, as companies take advantage of their market position, or simply have reached a point where the cost of doing business, or the regulatory burdens lead them to the inevitable conclusion that finding a partner makes the most sense for their businesses, employees, and customers.

EXECUTIVE DIRECTOR'S LETTER

What's New in 2018?

by
SUSAN MILAZZO,
Executive Director,
California MBA

We're kicking off 2018 with a renewed focus on creating value for your California MBA membership. The support from our membership allows us, among other things, to maintain the strong advocacy presence we have in our State Capitol, host cutting-edge education conferences with speakers recognized nationally for their industry expertise and a cadre of networking opportunities to keep us all connected! We want to enhance the list of reasons our member companies continue to provide this support with these two opportunities in 2018.

This Spring we will host our Inaugural Chairman's Conference (April 8 – 10 at The Lodge at Torrey Pines). This is an exclusive opportunity for the members of the California MBA to network at the highest levels in an intimate setting! This annual event is designed with the CEO/Company President in mind. You'll be networking with and learning from colleagues in the mortgage industry who face the same challenges you face! Additionally, only one registration (plus one guest) is permitted per company, ensuring an intimate atmosphere.

Participants will be invited to golf with industry colleagues at one of the most amazing courses in the world as well as enjoy site seeing in this exquisite part of our beautiful state! The focus is on building industry relationships so there will be no exhibit hall, no calendar of back-to-back meetings, and no reason that you should not be clearing your calendar to attend! Member companies will be receiving their personal invitations via email.

Our next addition for 2018 is something we've been working on for quite some time! The California MBA has formed a program to allow member companies to apply for discounted employee medical benefits. In today's healthcare market, this expense has risen dramatically in the past several years and its tough for small to mid-size companies to receive competitive quotes for employee medical benefits. This program allows us to pool our resources and compete at levels that have previously only been available to large companies. We're seeing that this program can typically provide a 15-25% annual savings for our members, while significantly improving the benefit plan options and features.

This is an exciting opportunity for our association and our members. Our goal is to help you manage operating expenses and offer high quality employee benefits. If your company is interested in learning more about this program, please contact me (susan@cmba.com) and we'll get you all the information you need!

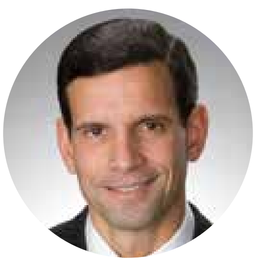
Lastly, we are proud to announce that we have plans underway to be a part of a California based fundraiser for the MBA Opens Doors Foundation. This charity founded by the national MBA uses 100% of monies raised to help families with critically ill children.

...Executive Director's Letter continued on page 27

LEGISLATIVE REPORT

Session Resumes with Several Mortgage-Related Bills Under Consideration

by
PAT ZENZOLA,
California MBA Legislative Counsel, KP Public Affairs



The beginning of the second year of the two-year California legislative session in January also ushers in one of the Capitol's longest-running rituals. Early every January the governor presents a proposed state budget for the fiscal year that will begin in six months. This year's budget proposal was special in that it was Governor Brown's 16th and final of his gubernatorial career, spanning two eight-year terms separated by 28 years. His first budget for the 1975-76 fiscal year was $11.5 billion. His current budget proposal is $190.3 billion, a little more than 16 times his first. This budget proposal is also unique in that the governor wants to add an additional $3.5 billion to the state's rainy-day fund, raising the fund to $13.5 billion and for the first time totaling 10 percent of the state general-fund revenue. Brown's primary reasoning for the historically high rainy day fund is that it is necessary to weather the next recession.

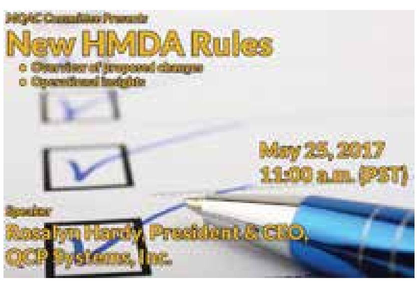
This budget proposal, however, is just the starting point for what is expected to be months of negotiations with legislative leadership before a final budget is passed into law. And there is little doubt that the Legislature, dominated by progressive Democrats, will negotiate to spend more on additional entitlements like expanded healthcare, childcare and poverty reduction programs. In contrast, Republicans who are a minority in both houses of the Legislature, are already taking the position that the budget surplus is proof that California taxes are too high.

A second reason cited for the Governor's cautious budget proposal is the uncertainty California faces about the fiscal impact of the new federal tax law. It caps mortgage interest deductions to interest on mortgage debt up to $750,000 and imposes a $10,000 limit on federal tax deductions for state and local tax payments. State policymakers are concerned that these changes will entice many high-earning Californians to leave the state. This would have a dramatically negative impact on state revenue because state taxes heavily depend on income taxes paid by the wealthiest residents.

The federal tax overhaul has also had an impact on the legislative front in that two state lawmakers have introduced Assembly Constitutional Amendment 22 (ACA 22) to claw back what they describe as a tax windfall benefiting corporations at the expense of working class families. The federal tax plan

...Legislative Report continued on page 28

Did you miss something?



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MEDIA & MARKETING

Media Malpractice 'Reveal'ed in Recent News Stories

by
DUSTIN HOBBS,
Communications Director, California MBA

If you watch news of any kind these days, or surf the wild swells of social media, one phrase seems to crop up again and again—"fake news." While it began as a pejorative aimed by then-candidate Donald Trump at what he determined to be less than accurate reporting, it has now become a catch-all for people on both sides of the political and cultural spectrum to dismiss news that they disagree with, regardless of the facts. In a sense, "fake news" has been used so much it seems to have lost any meaning at all. That said, I wanted to draw your attention to a recent report that is truly an example of media malpractice.

Mid-February brought us the release of an inaccurate, biased, and shamefully slanderous "report" by Reveal (from the Center for Investigative Reporting) and the Associated Press. The report purports to examine instances of legal "redlining" in conventional loans in many cities across the country, including several in California. The "legal" aspect refers to how mortgage companies have applied the Community Reinvestment Act (CRA). The report cites lower mortgage approval rates for Hispanic and African-American borrowers, despite a 99% rate of CRA conformity.

However, despite the wide circulation of the story, it is misleading at best, and is a good example of how cherry-picked facts can lead a reader to a wrong conclusion. The story purposefully excludes FHA lending statistics and data from its analysis (FHA lending accounts for nearly half of mortgage lending to African-Americans and Hispanics), and then notes major racial/ethnic gaps in lending numbers by examining data submitted to the government per the Home Mortgage Disclosure Act (HMDA). As many reading this know, that data is missing several key factors that determine a borrower's creditworthiness, including credit score, DTI, and LTV – which are the predominant reason lenders deny mortgage applications. It's not until paragraph 15 that the authors even cite those factors as important, and then only in alleging that lenders are somehow keeping that information "secret" from the public.

Nonetheless, the authors allege despicable motives to lenders for those racial/ethnic disparities. All of that despite evidence that minority homebuyers are no longer an 'emerging' market, but are the backbone of today and tomorrow's lending landscape.

According to the 2016 State of Hispanic Homeownership Report, authored by the National Association of Hispanic Real Estate Professionals (NAHREP), Hispanic households accounted for nearly three-quarters (74.5%) of net growth in U.S. homeownership in 2016.

...Media & Marketing continued on page 29

COVER STORY

Technology *and* *Today's Mortgage* Employees

by

STACY MOHR,

SVP Capital Markets,

Mountain West Financial, Inc.

There is a lot of talk these days about technology disrupting the residential mortgage industry. It is impossible to go to a conference without there being at least one session about technology. In fact, there are entire conferences with this as the main subject. There is no denying that our industry is undergoing an exciting technology revolution.

This revolution touches all facets of our companies. One facet that may often be overlooked is the human side of technology. More precisely, how is your company using technology to connect with your employees and to support your company's culture? Just as a one-size-fits-all approach does not work with all customers, the same can be said for employees. Is your internal technology strategy attracting employees? Distracting them? Or maybe even driving them away? This area deserves significant attention because it can result in high costs if not done well.

A company's internal technology strategy includes topics such as email, texting, video conferencing, telecommuting, instant messaging, and use of the internet. Let's take a look at a few of these in more detail.

EMAIL

Email is a necessity. However, in some instances, this piece of technology can turn ugly. Have you ever been part of a seemingly unending chain of emails? Have you ever zoned out of an email conversation because you were cc'd on a battle between other parties? Have you ever experienced a misunderstanding because typed communication lacks tone of voice and visual cues? (When is someone going to invent a sarcasm font?)

Senior management should set the standards for when email use is appropriate and when other forms of communication would be better. A written policy is best, but keep in mind that such policies can vary among companies and should be suited to your company's culture. In addition, this is a learned skill and employees will benefit greatly from coaching on how to use email effectively.

...Cover Story continued on page 13

Cover Story continued from page 13...

TELECOMMUTING

The use of telecommuting as a work option has mixed support. Some major companies have moved in this direction, only to reverse course a few years later. Telecommuting has the benefit of increasing your pool of job candidates. However, companies must carefully consider whether this arrangement fits well with the company's culture.

Telecommuting's success varies widely across both job duties and individual employees. Some employees thrive in an environment where they have more control and autonomy over things like temperature, sounds, and workspace. Others find out that working from home is distracting or that they miss the human interactions that occur in the office. Consider, too, how your company handles staff meetings and other activities. How important is it that staff members attend such events in-person? One other item to consider: how does the authorization of telecommuting for certain employees affect the morale of those who remain in the office? Such arrangement may fit your company's culture perfectly, or may contradict some company values.

INSTANT MESSAGING

Another area of mixed success is the use of instant messaging among employees. Is instant messaging a useful tool that increases productivity? Or, is it merely another social distraction? The reality is that both of these are likely to be true for a portion of employees. The important piece is how such uses align with or diverge from your company's culture. One company may be quite structured, where output is priority #1. Such a company is likely to find instant messaging a major distraction and area of frustration. Another company may place a high value on collaboration and communication. The benefits of using instant messaging may far outweigh the social distraction component for that company.

WEB-BASED LENDING

While the topics covered so far are generic and not exactly "new", a newer technology is currently being discussed at many of our organizations. There is a huge focus on offering new technology to borrowers in our industry. It seems that employee acceptance of such technologies is often taken for granted. However, these changes can be drastic and can have an impact on employee engagement. For example, you may have an employee who thrives on verbal interaction with borrowers. How will this employee feel when all interaction now takes place through a computer screen? By having a discussion with staff regarding upcoming changes well in advance, decision makers can factor in any concerns prior to implementation.

Often times it is impossible to know exactly how a new technology will fit in with a company's culture prior to implementing it. It's important to take a look at this on a regular basis. If your company has already implemented technologies such as instant messaging, take a step back and consider how this is fitting with your company's culture. Then, take a step forward and get feedback from those who use the technology. If you don't like what you see or hear, it's never too late to make some changes.

In some cases, a technology (such as email) is necessary, even if we don't like some of the consequences of it. In those instances, consider how you can balance any negatives by increasing other non-technological aspects of your business.

We've touched on a few areas of technology that call for careful consideration. The fact is that the technological aspect is not the only piece that needs to be considered. The human factor, as it relates to an individual company's culture, should be addressed before any technology is added to the mix. Giving careful attention to this aspect will go a long way towards ensuring the success of your technology implementation.

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ROUNDTABLE

Tech and the Mortgage Industry

EDITOR'S NOTE—*This is the latest in a series dealing with the issues facing the real estate finance industry. Each issue we touch on a different topic, asking CMBA's experts for their thoughts on the issue at hand. In this issue of CMFN, we talk to three execs neck-deep in the tech revolution sweeping the industry.* **Linn Cook***, is Director of Sales & Marketing at LendingQB, a SaaS provider of mortgage origination solutions, headquartered in Costa Mesa;* **Brian Kneafsey** *is Head of Client Operations for Blend, a San Francisco-based technology firm; and* **Paul Gigliotti** *is VP of Operations for West Coast Mortgage, located in Sacramento.*

The views and opinions expressed are solely those of the authors.

CALIFORNIA MBA: HOW ARE APIS ARE MAKING IT SIMPLER TO DESIGN AND UTILIZE SOLUTIONS FOR A SHORTCUT TO A GENUINELY 'DIGITAL' MORTGAGE?

Cook: The nature of an API is that it provides a more flexible and powerful method for systems to work seamlessly with each other. This is key because the cost to build and maintain an integration largely determines the feasibility of any integration. The less expensive it is to integrate, the more likely innovative services will be available for lenders to utilize. It terms of the integration itself, APIs enable vendors to do more than just exchange data. Unique functionality can be invoked or accessed through an API, creating more value from an integration and delivering more 'digital' capabilities to the end user.

Kneafsey: APIs—tools for building and defining software interactions—have empowered lenders to leverage the best tools right out of the box. Without APIs, lenders would have to build custom integrations for each tool they wanted to use—a costly and time-consuming process.

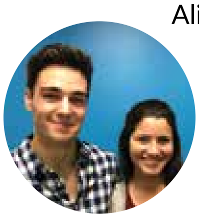
The spread of APIs across industries has led to software created to be pieced into larger products. Today we have an "API economy" of programs that do one action or process extremely well and integrate easily. This has helped lenders streamline complex processes—such as mortgage applications—with platforms like Blend. By making it easier for lenders to adopt powerful point solutions and create tech stacks customized to their needs, APIs have helped make borrower-centric digital mortgages a reality.

Gigliotti: API's have allowed the mortgage industry to automate the communication of data in a more consistent, secure, and timely manner. Anyone who has been through a mortgage transaction knows that the paperwork can feel endless at times. API is

...Roundtable continued on page 30

California MBA Members WHO'S WHO

JOSEPH SCHMITT & SKYLER NASRALLAH



Alight is pleased to announce the continuation of its partnership with Northeastern University (Boston) and its world-renowned Educational Cooperative and Career Development (Co-op) program. The latest Northeastern students to join Alight's mortgage solutions business are Skyler Nasrallah and Joseph Schmitt, both of whom are working on Alight's professional services team, implementing Alight Mortgage Lending at some of the country's top independent mortgage banking firms.

Skyler majors in economics and previously held a Co-op position at State Street Bank in Boston. Joseph is pursuing a bachelor of business administration with a concentration in finance. Prior to Alight, he held a finance analyst Co-op position at The Boston Consulting Group. "We're thrilled to welcome the next generation of professionals to Alight and, as a graduate of Northeastern myself, I can vouch for how utterly invaluable the Co-op experience is—it set me on a path of success that my career has continued to follow right up until today," said Michele McGovern, CEO, Alight, Inc. "And, it's part of our commitment as a company—ensuring that we bring new talent into the industries we serve. Best of all, we learn as much from our Co-op students and interns as they learn from us!"

In addition, Alight is pleased to announce the promotion of Smit Banker to the role of Product Manager for Alight Mortgage Lending. A two-year veteran of Alight, Banker most recently was a professional services consultant responsible for some of Alight's most prominent and sophisticated mortgage banking customers.

Congratulations to our Future Leaders Class of 2018!

Jason Alderton,
MQMR

Jennifer Armstrong,
One Reverse Mortgage

Matt Clegg,
Catalyst Mortgage

Amanda Coffrini,
Sierra Pacific Mortgage

Phil Garcia,
loanDepot

Philip George,
CMG Financial

Josh Gibson,
American Pacific Mortgage

Michael Gonzales,
McCalla Raymer Leibert Pierce, LLC

Jennifer Khouri,
AAA-AMC

Erica Connors-Newberry,
Catalyst Mortgage

Theo Newson,
CBRE, Inc.

Kimberly Shipp,
American Pacific Mortgage

Rekha Siddani,
AmeriHome Mortgage Company

Taylor Sims,
RWM Home Loans

July White,
AmeriHome Mortgage Company

DINOS IORDANOU

Dinos Iordanou, Chairman and Chief Executive Officer of Arch Capital Group Ltd. [NASDAQ: ACGL], will be recognized as the St. John's University School of Risk Management 2017 Insurance Leader of the Year at the organization's 23rd Annual Insurance Leader of the Year Award Dinner on January 17 in New York City.

The award, traditionally awarded to an insurance industry leader for distinguished achievement over a long career or special achievement, recognizes Iordanou's career contributions to the insurance industry, his philanthropic efforts and his work in helping build Arch Capital Group into a $13 billion company.

"I'm truly honored to be receiving this award," said Mr. Iordanou. "I've been fortunate to be connected to phenomenal people over the course of my life and could not have achieved this level of success without their help. I feel that this award is a reflection of what the team at Arch has been able to build, and I accept this award on behalf of our 3,500 employees around the world."

California MBA Members WHO'S WHO

DEBRA JOHNSON

Evergreen Home Loans, a full-service direct home loan lender offering origination, funding and home loan servicing with offices in six Western states, announced that Debra "Debbie" Johnson joined the company's executive team as chief financial officer, executive vice president reporting to President Don Burton.

Johnson brings a strong financial services background to Evergreen, having served in executive positions at Opus Bank, Cascade Bank, and Homestreet Bank. She most recently served as Chief Financial Officer at Northwest Bank. With over 25 years' experience in the financial services industry, her expertise includes strategic planning, financial management, cost analysis, and productivity improvements.

"I've known Debbie for over 20 years and I'm pleased to announce that she will join our Evergreen family as chief financial officer," said Don Burton. "Debbie is a well-known local leader in the mortgage and banking community. I believe her contributions will strengthen our unique culture at Evergreen and our commitment to providing affordable lending solutions for our customers."

EVERGREEN® HOME LOANS NMLS 3182

JOE MCKONE

Land Home Financial Services, Inc. (Land Home), a national mortgage banker, introduced Joe McKone as its new Area Manager for the Bay Area, Southern California, and Nevada.

Mr. McKone, a 20-year veteran in the mortgage industry is charged with continuing the company's successful growth pattern with an emphasis in supporting our loan officers with building strong relationships within our communities.

"Joe has a history of being a strong leader and has the character to retain solid relationships with both our sales people and our customers", says Brad Waite, President & CEO at Land Home. He has an excellent track record of driving production and yielding positive results – something we are very excited to put to use in the Bay Area, Southern California and Nevada regions."

Mr. McKone comes to Land Home from First California Mortgage Company (First CAL) where he was the Executive Vice President responsible for Wholesale, Retail, Consumer Direct, Affinity Sales and their Operation's teams. He has over 15 years of executive level production and operations team management

Land Home FINANCIAL SERVICES, INC.

TODD MCKENNA

Redwood Mortgage Corp. is pleased to announce Todd McKenna has joined the firm as an Account Executive. Todd started in December and will be covering San Francisco and Marin Counties.

McKenna has an M.A. in Economics from University of San Francisco and a B.A. in Applied Mathematics from UCLA. Todd holds Series 7, 63 and 65 Licenses and just recently passed

the Cal BRE Salesperson license exam. Prior to joining RMC he was V.P. of Corporate Sales at IPREO.

He has worked for Oppenheimer & Company as well as JMP Securities in Institutional Equity Sales.

Prior to that Todd was at Coast Federal Bank and Shearson Lehman Mortgage Corp. in San Francisco.

REDWOOD MORTGAGE

If you would like to submit an employee to be recognized in an upcoming issue, email dustin@cmba.com for more information.

FEATURED RESIDENTIAL

Technology in the Mortgage Industry

Resolve to Evolve

by
JOE WELU,
CEO, Total Expert, Inc.

There's a gap in the mortgage industry that's growing wider all the time: It's the difference between companies who are embracing and mastering the use of technology in their businesses and those who are struggling to deal with it. There's no shortage of excuses for failure to incorporate technology, including lack of leadership commitment and resistance; but the perceived difficulties of today will seem miniscule and insignificant in the not-too-distant future. The words of a Greek philosopher who lived 2500 years ago are oddly appropriate now: "The only thing that is constant is change." Companies and producers who want to succeed *today and going forward* should take Heraclitis' famous words to heart and replace the concept of *change* with *evolution*. Change isn't *coming*—it's *here*.

Companies and practitioners in mortgage and real estate who are grappling with technology implementation, usage and return on investment need to realize that cyber-sophistication is accelerating as fast as technology itself. For example, the terms "bitcoin" and "blockchain" are still relatively new to the public; but even as some people are still looking up the words, cyber-currency and decentralized databases are already seeping into mortgage and real estate transactions. An apartment complex in Dubai is offering first-choice units to people who want to pay in bitcoin. Once a buyer decides to go ahead with the purchase, they get a *15-minute* price guarantee. Last fall, a flat in Ukraine became the first property to be sold using a blockchain. What will happen to mortgage companies and originators who have had trouble adopting technology to address marketing, compliance and other pain points within a *known* process when the process itself begins taking place in a completely new dimension? Realizing that the industry is moving toward transacting in an intangible realm can help adjust your perspective on adopting technology to manage traditional business activities that are still familiar *at this point in time*.

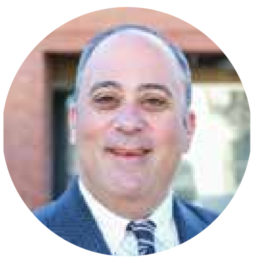
Change—or rather, *evolution*—is no longer a choice in the mortgage industry; but companies have the ability to determine their level of success in dealing with it. At the most basic level, companies and producers need to get control of their systems, tools and practices that manage known, tangible business activities. Do you have that control now or are you somewhere along the path in pursuit of it? Are you *proactive*, *reactive* or *inactive?*

...Featured Residential continued on page 33

FEATURED COMMERCIAL

Dan Friedeberg on Life Insurance Lending

by
DAN FRIEDEBERG,
CEO,
Barry Slatt Mortgage



Barry Slatt Mortgage Vice President, Behzad Boroumand, recently sat down and interviewed CEO Dan Friedeberg to discuss frequently asked questions about Life Insurance Company lending.

The following are excerpts from the 2/27/18 interview:

Q: Boroumand: *Are Life Insurance Companies portfolio lenders?*
A: Friedeberg: Yes. Most Life Insurance Companies lend money from their balance sheet and treat the loans as a long term invested assets. Life Insurance Company lenders generally hold between 5-20% of their assets in commercial mortgages. They may move this allocation up or down depending on factors such as: A) the relative yield that they are receiving on commercial real estate loans versus other investments. B) Perception of exposure to the asset class. C) Perception/ opinion of the Chief Investment Officer.

Q: Boroumand: *Can Life Insurance Companies offer fixed rate loans for longer durations than other types of lenders such as banks?*
A: Friedeberg: Yes. Every Life Insurance Company has different investment needs, but it is common for Life Companies to offer 3,5,7,10,15,20, 25 and sometimes even 30-year fixed rate loans. An Insurance Company's ability to provide different terms is dictated by which product types they sell on the insurance side of their platform.

Q: Boroumand: *Are Life Insurance Companies good multifamily lenders?*
A: Friedeberg: Yes. Life Insurance Companies do like to lend on multifamily properties. They compete well with agency lenders, CMBS lenders, and banks in this space. It is uncommon for agency lenders, CMBS lenders, or banks to compete with Life Companies when it comes to securing fixed rate loans longer than 10 years in duration.

Q: Boroumand: *Do Life Insurance Companies only make low leverage loans?*
A: Friedeberg: No. Every Life Insurance Company has its own profile of risk that it is willing to take on its invested assets. Some Life Companies are only competitive in making low leverage loans, while others are willing to make loans up to 75% of value.

Q: Boroumand: *Do all Life Insurance Company loans have restrictive or long-term prepayment penalties?*
A: Friedeberg: No. Although yield-maintenance prepayment penalties are preferred to retain the long-term investment, many Life Insurance Companies can structure

...Featured Commercial continued on page 34

CBRE Arranges $6.395M for Multifamily Project

CBRE Capital Markets has arranged $6,395,000 for the refinance of 1717 Oxford Street, a 30-unit multifamily project in the San Francisco Bay Area submarket of Berkeley, CA, under Freddie Mac's Small Balance Loan (SBL) program.

Adam Dosskey of CBRE's Wholesale Lending team, utilized the SBL program's five-year hybrid (fixed-to-float) rate to secure the non-recourse loan that provided substantial cash out, a five-year fixed rate, 30-year amortization and one year of interest-only, at a rate near four percent. To improve pricing, the borrower opted for the program's yield maintenance prepayment option.

The mortgage banker for this transaction is a leading crowd-funded real estate investment firm based in San Francisco.

"Not all multifamily projects in college towns have a high concentration of undergraduate students; in this case, the borrower was looking to diversify his lender relationships beyond his bank, and with the undergrad density less than 50 percent at this property, this was a great fit for CBRE's SBL program," said Mr. Dosskey, vice president, CBRE Wholesale Lending.

Greystone Announces $10.1M Deal for Century City Property

GREYSTONE

Greystone, a real estate lending, investment and advisory company, today announced it has provided $10,130,000 in Fannie Mae financing for a multifamily property in Century City, CA. The loan was originated by Matt Stevens of Greystone's San Diego office with Don Salka of First Pacific Financial acting as correspondent on the transaction.

The refinanced property, which contains 33 units, received a 10-year fixed rate Fannie Mae small loan. The stunning Class "A" property is comprised exclusively of one-bedroom / one-bath / office units detailed with high-end appliances and interior finishes. The property also includes charging stations for electric vehicles.

"Greystone's multifamily financing platforms are an ideal solution for mid-sized properties, which can also see additional benefits for characteristics such as green certifications and other details incorporated by owners," said Mr. Stevens. "For a Fannie Mae small loan, the terms are highly competitive on properties of this caliber."

"As a continuation of our valued relationship with Greystone, this execution culminates a successful refinance process for several investment properties," said Mr. Salka. "We appreciate their guidance throughout the financing cycle."

...Continued on page 21

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HFF Closes $288.8M Financing for MIRO Towers in San Jose

Holliday Fenoglio Fowler, L.P. (HFF) announces the $288.8 million construction financing for MIRO, a pair of 28-story luxury apartment towers comprising more than 600 residences and 20,000 square feet of retail and commercial space in San Jose, California.

Due for completion in 2020, MIRO will have a mix of one-, two- and three-bedroom layouts, including 16 penthouses. Residences will have access to over 50,000 square feet of thoughtfully curated top-of-the-line amenities, including a rooftop pool, concierge services, fitness, spa facilities, pet facilities, fire pits and rooftop lounges boasting unparalleled views of the city's skyline. The property's location at 167 E Santa Clara Street in downtown San Jose has a Walk Score® of 96 and is within steps of the future downtown San Jose BART station.

The HFF debt placement team representing the borrower included senior managing director Charles Halladay, director Brandon Roth, and analyst Jason Carlos.

"There was a tremendous amount of enthusiasm from the lending community for this project, which is a testament not only to Bayview Development's best-in-class team, but also to downtown San Jose's bright future as one of the top real estate markets in Silicon Valley," said Roth. "BSRECP III immediately recognized these traits and performed exceptionally-well throughout the process."

Newmark Announces $3.75M in Financing for Three Properties in South Bay Area

Newmark®, the largest independent commercial mortgage banking firm in the U.S., has secured $3.75 million in financing for three separate commercial properties located in the South Bay Area. Eric Von Berg, Principal, along with Tom Dao and Cristian Streeter, Associates, worked on behalf of the two borrowers in arranging the financing through a correspondent life company and a national bank.

555 Price Avenue, Redwood City, CA ($1.5 MM)—Located adjacent to Highway 101 in Redwood City, CA, Newmark arranged $1.5 MM to refinance a remodeled 8,200 sf Class-B office building. Currently, the multitenant office building is 100% occupied, with the owner occupying 38% of the property. Newmark arranged a flexible prepayment, fixed-rate, 10-year term, 25-year amortization non-recourse loan with a national bank.

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California MBA Members

Latest Commercial Deals

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Two Industrial Flex Properties, San Jose, CA ($2.25 MM)—Newmark arranged $2.25 MM in refinancing for two industrial flex properties located in San Jose, CA. Located in the heart of Silicon Valley, both properties are 100% leased and total 26,000 sf. Newmark was able to lock rate at application and arrange two separate 25-year, fully amortizing loans with one of its correspondent insurance company relationships.

"Eric and his team were instrumental in helping us navigate favorable market conditions to refinance our properties with a terrific lender at very attractive terms. Overall we were happy with the entire loan process."
–Harry How, Fornine Investment, LLC.

Have you updated your Membership Directory listing?

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NorthMarq Arranges $57M Deal on San Diego Office Building

Mike Dobbins, senior vice president of NorthMarq Capital's San Diego office, arranged a $57,120,000 construction loan for Watermark II, a Class-A office building comprising 158,000 sq. ft. located in San Diego, California. The loan was structured with a 5-year term, the first three of which are interest-only followed by a 25-year amortization schedule. NorthMarq arranged the financing through its relationship with a regional bank.

"The lender is a local regional bank and provided the most competitive terms. The borrower is an owner-user which previously developed a neighboring Class-A office building they also occupy," noted Dobbins.

Redwood Mortgage Announces $3.2M Deal

Redwood Mortgage recently announced a completed deal for $3.2M crossed to multiple parcels (cash-out). The borrower requested a commercial bridge loan on their retail and office buildings, with cash out to improve one of the commercial properties to ready it for sale.

Redwood Mortgage funded this $3,200,000 cash out loan based upon the collateral, property's income and the borrower's strong financial statement. The LTV was 54%.

If you would like to submit announce your latest commerical deal in an upcoming issue, email dustin@cmba.com for more information.

RESIDENTIAL

Digital Mortgage Enters Phase II of Its Digital Transformation

by

SIMON MOIR,

SVP & General Manager, Digital Mortgage, eOriginal

When the mortgage industry began its digital transformation, the first phase largely focused on improving borrower experience and increasing the quality of data captured during the front-end loan application process. However, as mortgage continues its digital shift, phase two is clearly focused around the electronic closings (eClosing), which provides originators with an expansion of the digital benefits seen in phase one, and additional value centered around greater compliance, operational efficiency and accelerated execution of the asset into the secondary market.

As digital continues to transform mortgage processes, participants in the ecosystem need to develop a clear understanding of the key components, identify agents of change, evaluate the long-term value of technologies, and embrace the importance of scale to drive industry adoption of digital mortgage.

THE COMPONENTS

It's no secret that mortgage involves a variety of parties and steps that make the entire transaction complex. Fortunately, technology has enabled a remarkable transformation in the way homes are purchased. The key components for phase two of digital mortgage are:

eNote: The electronic form of the paper-based negotiable promissory note. The mortgage industry utilizes the SMARTDoc™ format and the MERS® eRegistry as the system of record for identifying the current location and controller of the eNote.

eClose: The parties involved in the transaction come together at either a virtual or physical closing table to sign loan documents. An eClose doesn't necessarily mean all documents must be signed electronically. In fact, for certain loan programs or geographical locations, a hybrid approach may be the only option currently available.

eVault: Once the eNote is created and executed, it needs to be managed correctly. Using an electronic vault, authorized users can perform key actions against the eNote including registration, eDelivery, transfer and life of loan events. Additionally, the eVault is designated as the location for a given note holds the "authoritative copy", or electronic original.

GOVERNMENT-SPONSORED ENTERPRISES CATALYZE CHANGE

The Government-sponsored Enterprises (GSEs) are key agents of change in the mortgage industry's shift to digital processes. Fannie Mae and Freddie Mac define an eMortgage as, "a mortgage loan where the critical loan documentation – specifically the promissory note (eNote) – is created, executed, registered, transferred and ultimately stored

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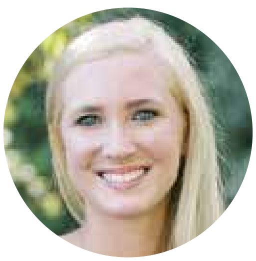
RESIDENTIAL

Digitize or Decay

The Future of Home Lending is Now

by
SARAH HODGES,
National Account Executive, Axacore



Paperwork has long dominated the mortgage lending process, with more than half of all loan applications containing in excess of 500 pages, and a further 20 percent including 1,000 to 2,000 pages[1]. That amount of paper is costly, not only from an environmental standpoint, but also because of labor costs, and its potential to deter would-be applicants.

Attitudes to home buying have changed in recent years and digital technology has been the catalyst. One report suggests that 50 percent of millennials now search for properties on their phones, and among those, 26 percent end up purchasing a home they found that way[2]. This may just be the first step in a long and complex home buying process, but it sets a standard for the steps that follow; today's homebuyers crave the speed, efficiency, and convenience that only digital solutions can offer.

The 2017 Borrower Insights Survey of Homeowners and Renters report released by mortgage automation provider, Ellie Mae, revealed today's homebuyers place a premium on speed and simplicity when applying for a home loan[3]. The research also revealed that one-quarter of homeowners (28 percent) applied for their most recent mortgage using a combination of online and in-person interaction.

Evidently, changes are happening within the industry, but many lenders are still reluctant to incorporate new technology due to the perceived upheaval and high implementation costs. However, in reality the long term gains usually outweigh the short term pains - every step of the mortgage process can be simplified and sped up if lenders are willing to embrace new technologies.

During the loan application process, a secure web portal or mobile application with online document storage makes it easier for both lenders and borrowers to manage the numerous documents required for a mortgage application. Lenders can also incorporate mobile image capture into their portals to allow borrowers to capture and transmit photos of required paper documents, further decreasing the burden on borrowers while increasing lender efficiency.

When it comes to loan approval, lenders must balance speed with risk, and there is a growing body of technology that aims to help lenders automate such processes in a way that increases efficiency and accuracy. Storing digital copies of client documents allows lenders to easily share information with their underwriters - these documents can also be processed through automated rules engines that conduct risk analyses to provide

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COMMERCIAL

The Impact of Technology on Commercial Real Estate Assets

by
JOE DERHAKE,
PE, CEO, Partner Engineering & Science, Inc.

In commercial real estate development, obsolescence and new technology drive consumer behavior and ensuing demand. Return on investment for developers and property owners depends critically on foreshadowing and adjusting to these demographic changes through building design, considering how location, layout and function itself is impacted by imminent revolutions such as driverless cars, ubiquitous e-commerce delivery and commuting hubs. Lenders, in turn, will see an increase in opportunity to finance these new assets while simultaneously mitigating risk due to obsolescence.

As commercial real estate stakeholders look to the future, their primary consideration for asset valuation should be real estate layout, design and location. The most successful commercial buildings of the future will integrate technology seamlessly into optimized function and be located conveniently for transportation, population shifts, delivery and lifestyle.

Presented below are four technology considerations that will have the most impact on building design in the coming decades.

DRIVERLESS CARS

No technology will have more impact on how we use our roadways, public transport, parking lots and gas stations than driverless vehicles. This transportation evolution will fundamentally affect what commercial real estate assets perform well.

Desirability of location is a direct derivative of transportation capabilities. The oldest eastern seaboard cities were established when ports and water transportation were the only option. The advent of rail systems expanded populations to outer cities like Dallas and Denver. But the proliferation of automobile ownership after the Second World War expanded accessibility to outer suburbs and exurbs of distant cities and towns. The driverless car will further revolutionize tolerance for a long daily commute. Being able to eat, sleep or work on the way to the office changes the conventional wisdom of a desirable location, and may drive consumers to choose quality over proximity for the home or office! Interestingly, these forces may counter or slow the continued migration to livable, walkable urban centers.

Driverless cars will also change the role that public transport plays in the design of our cities. In the future, autonomous Uber-like services will serve as (a far more convenient) alternative to trains and buses, which may diminish the appeal of clustered, public-transport-oriented development.

Driverless cars will also create new opportunities for developers and governments

...Technology continued on page 38

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Through their home grant program, this foundation provides mortgage and rental assistance payment grants to parents and guardians caring for a critically ill or injured child, allowing them to take unpaid leave from work without jeopardizing the loss of their homes. Our fundraiser will take place in December 2018 in Orange County. I send a very special thanks to Jered Ede of Hall Huguenin, LLP and Kerry Franich of Severson & Werson. These two individuals will be leading the efforts on this California fundraising effort. If you are interested in participating in the organizational committee for this event, you are invited to contact Jered (jede@hhlawyers.com) or Kerry (kwf@severson.com) directly.

Of course, I invite you to take advantage of all of the other benefits of membership including participating in any one of our organizational committees for our annual conferences, our committees that organize our educational webinars or be a host for one of our regional networking events in 2018.

Remember that membership is by company so all employees of any member company are welcome to be an active part of our programs in 2018.

Wishing you all the best for a successful 2018!

Legislative Report continued from page 28...

reduced federal corporate taxes from 35 percent to 21 percent. In contrast, the ACA would impose a state surcharge of 10 percent on the net income of all corporations over $1 million. Revenue from the new corporate tax would be deposited in a fund intended to benefit lower and middle-income Californians. Constitutional amendments require approval of two-thirds majority of the Legislature and if passed and signed by the governor it would then go to the voters for final approval. These are difficult hurdles, so the chances of success are slim.

We are also seeing early activity on legislation of particular interest to the membership of the CA MBA as described below:

SB 818—HOMEOWNER BILL OF RIGHTS ACT

In the Senate Committee on Insurance, Banking &Financial Institutions.

SB 818 was introduced on January 3rd and would reinstate the provisions of the Homeowner Bill of Rights Act that expired on January 1, 2018. These reinstated provisions impose additional requirements on mortgage servicers that experience more than 175 foreclosures of residential one-to-four real property in California in the previous twelve-month period. The reinstated provisions would apply in perpetuity rather than being subject to a future sunset date. Typically legislation to extend out the date of expiring statutory provisions is introduced prior to the statutory sunset date, so SB 818 is unusual in that it was introduced after the expiration date.

The original legislation implementing the Homeowner Bill of Rights Act was signed into law in 2012 with supporters arguing that the requirements put in place by the Act were necessary to address an unprecedented foreclosure crisis. Since that point in time the Consumer Financial Protect Bureau has implemented and updated national servicing rules that are still in place and apply those requirements uniformly across the country. Foreclosures in California are also at a historically low level and the state is struggling to address the need

...Legislative Report continued on page 29

Legislative Report continued from page 29…

for more affordable housing. Given the national servicing rules in place, the historically low foreclosure rate and the ongoing affordable housing crisis, at the very least the need for this legislation is in question, and the potential negative impact would be to decrease the availability of mortgage financing and to increase housing related costs.

AB 1506—RENT CONTROL & REPEAL OF THE COSTA-HAWKINS RENTAL HOUSING ACT

In the Assembly Housing & Community Development Committee.

AB 1506 died in the Housing and Community Development Committee on January 11th. This bill would have repealed the Costa-Hawkins Rental Housing Act, which prescribes statewide limits on the application of local rent control with regard to certain properties. The CA MBA opposed AB 1506 and worked with a large group of industry segments also who were also opposed. At the hearing the author and supporters of the bill said that there is a rental housing affordability crisis that is hurting blue collar and lower income Californians. They also made it clear that the bill would not put in place state mandated rent controls but would allow for local communities best equipped to review issues surrounding rent control to make the decision on rent control. Industry representatives, including from the CA Apartment Association and the CA Association of Realtors, argued that AB 1506 would result in extreme forms of local rent control and that it would have a devastating impact on the construction of multi-unit affordable housing. There was an extensive committee discussion on the bill and over 1000 members of the public on both sides of the issue showed up for the hearing.

SB 434—MORTGAGE DEBT RELIEF ACT

In Assembly Appropriations Committee.

The CA MBA supports SB 434 because it would extend the state tax relief on forgiveness of mortgage debt for tax years 2014, 2015, and 2016 by conforming California law to the Federal Tax Increase Prevention Act of 2014 and the Protecting Americans from the Tax Hikes Act of 2015. California is currently out of conformity for discharges that occurred in the 2014 tax year or later. California law does not automatically conform to changes to federal tax law so the Legislature must pass legislation to affirmatively conform to federal changes. After a loan modification or short sale of a home, a lender can cancel or forgive thousands of dollars of an individual's mortgage debt and Federal and State income tax laws generally define cancelled debt as a form of income that can be taxed. Without this legislation to exclude cancelled debt, impacted Californians would be punished for seeking foreclosure alternatives by being assessed state taxes on "phantom" income they never received. SB 434 was introduced in 2017, and it continues to be held in the Assembly Appropriation Committee but could still move out of committee in 2018.

Media & Marketing continued from page 11…

While the overall homeownership rate is at a historic low, Hispanic homeownership has increased two years in a row. Additionally, nearly half of all first-time homebuyers are Hispanic. The Urban Institute estimates that by 2030, 56% of new homeownership gains will be by Hispanic households. Suffice to say, in a market that has been highly competitive and is likely to be dominated by purchase activity for the next few years, lenders (particularly in California) will be hard-pressed to ignore or marginalize any subset of credit-worthy borrowers. Not to mention that most lenders operating in California have incredibly diverse staffs to ensure no borrower feels left out.

MBA President and CEO Dave Stevens, CMB, recently released a lengthy and detailed response to the recent stories (go to www.davidhstevensblog.wordpress.com), and it is crucial for industry participants to fully understand the issue, so that if called upon by either customers, press, or friends and neighbors, you can intelligently respond with the facts.

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helping lenders streamline a digital experience, allowing borrowers to utilize online stored documents both to open a new application, and at time of closing. Many of my client, have struggled keeping organized and updated financial documentation. API's not only benefit the borrower, but also help the lender with accurate and secure information. API data allows mortgage lenders to spend more time helping the client than managing documents. Simply put, having client data retrieved from a data source prevents mistakes and increases efficiency. Building on those benefits, the security level is higher with API's because they are encrypted via browser SSL certificates and don't require any emailing of data.

Many of my clients want to scan and email important documents but are concerned with the integrity of the internet. API's eliminate that threat because information is being securely stored and not moving from one location to another. The management and sharing of secure data provides instant results so communication is in real time.

CALIFORNIA MBA: HOW WILL A.I. SOLUTIONS IMPROVE MORTGAGE LENDING FOR BOTH BORROWER AND LENDER IN THE FUTURE?

Kneafsey: AI-driven solutions have the potential to increase both borrower satisfaction and lender efficiency.

In the future, AI will remove even more time and friction from the application experience by making intelligent recommendations, anticipating user needs, and guiding the borrower to a completed application. Borrowers will soon see the delightful impact of AI on tools they use—the result of greater lender efficiency.

Lenders stand to gain from AI by using it to automate rote tasks and freeing their employees to do their most impactful work. More automation means less lag time between customer touchpoints—and consequentially, a more satisfied customer. It also gives loan officers more time to provide a personalized, human experience at scale.

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AI is a complex interaction between user data, external data, and actual intelligence. By creating a platform that encourages borrowers to connect their data, we're preparing ourselves for an AI-led future.

Gigliotti: Artificial intelligence is already improving the mortgage lending experience for both the borrower and the lender through digital automation where data is being stored and analyzed to provide a universally simpler home financing experience. When buyers submit their financial documentation to their mortgage team, it may need to be scanned, stored and emailed. Their mortgage loan professional must work through each one of those documents and steps, from navigating the borrower, to understanding what the documents are that they need to submit, to making sure that they are all securely delivered to the underwriter. All those steps are time consuming for all parties and could also lead to compromising data. AI automation streamlines the entire process for both the lender and the borrower, by providing underwriting a higher level of accuracy. Lenders now have the ability to set up an AI system that acts as an internal auditor, even looking to identify patterns that can help the lender better serve the customer. AI has the ability to identify utilities, rent payments, and other factors that impact a FICO score, but may not impact a borrower's ability to repay a loan. The beneficial opportunities for both borrower and lender through AI are limitless.

Cook: Under the definition of "A.I." as machine learning technology, currently there are not many applications in the mortgage industry other than OCR (optical character recognition) and voice recognition technology. Both of these technologies are really analogues of each other, translating information from one format (visual or audio) into a data format. OCR technology is improving incrementally over time, enabling lenders to simply scan in a document and have it both auto-index the document and auto-scrape data into a system. However, the rise of data services may eventually render OCR technology obsolete since it bypasses the concept of documents altogether. Voice recognition technology seems to be a bit farther off as far as doing really useful things such as take a loan application by speaking into a device instead of a human being. Other than these scenarios, I find it hard to see where true machine learning has a role in mortgage lending, unless it deals with crunching very large sets of data.

CALIFORNIA MBA: WHAT WILL BE THE NEXT BIG BREAKTHROUGH (THAT WE HAVEN'T HEARD ABOUT) IN MORTGAGE TECH?

Gigliotti: We are only at the beginning of the digital mortgage movement and to add to that excitement, artificial intelligence and technology in general, continue to improve as it is linked to more and more data. The next big breakthrough is going to come on the back end of how we navigate the digital transition, making sure security isn't compromised on AI's growth track. Creating a secure solution will always be the number one priority of both the customer and the lender, especially when referring to financial documentation.

Another solution around mortgage lending tech is the ability for borrowers to visit one secure site and be able to view their entire financial history, including bank accounts, past student loans, medical bills, the first car paid off, and even that remodel they are still working on. Creating a user-friendly platform that helps the customer feel safe, in control, and organized is going to change the mortgage lending tech game because when clients understand their financial standing and feel secure, the possibilities are limitless. The combination of having the full snapshot of their financial documentation at their fingertips, along with a great mortgage loan professional to help them understand their home lending transaction, would lead to better educated home owners.

Cook: From our perspective, the next big breakthrough will be a completely modular LOS platform. What this means is creating role-specific extensions of the LOS software in order to create a completely customized environment for each individual that participates in the mortgage lending process. The LOS of the future will have separate ' modules ' for the originator, processor, underwriter, etc. that is tied into a single core database. The

...Roundtable continued on page 32

Roundtable continued from page 31…

reason for doing this is to enhance the workflow for each role such that they can gain additional productivity improvements by specifically placing fields and functions related to their daily tasks in a discreet UI/UX environment. Taking this one step further, each module will have specific APIs that will enable lenders to build their own custom module that matches their specific workflow.

Kneafsey: Platforms like Blend's Mortgage Intelligence are already removing friction, cost, and time from the mortgage application experience. These benefits will increase and scale as lenders continue adding new partners and digital mortgages become ubiquitous.

Lenders such as Legacy Mutual Mortgage have already seen the value of partnering on solutions that set customer expectations. "With Revv, powered by Blend, we're not only set up to provide a great digital experience for our borrowers and maintain our reputation with realtors and builders, but are also set up to win in the long run by working with a technology company that is a true partner and shares our vision for the future," says Dan Diepenhorst, Legacy Mutual's president and CEO.

We're still reimagining what the mortgage experience can be for both borrowers and lenders. We're also envisioning ways to expand our Intelligence platform across lenders' product portfolios. These advances will provide a simpler, more transparent process—and bring an end to loan application headaches.

Pro Tip: Login to the 'Members-Only' site to get exclusive access to recordings of webinars from our MQAC, MTAM, and Legal Issues Committees, plus additional value-driven content!

Featured Residential continued from page 18...

INACTIVE

This approach is self-explanatory in general and it's a poor policy in its literal form; however, in business it can also occasionally masquerade as credible activities. On one hand, a company may review its structure, processes, business and marketing plans in light of potential or actual shifts and decide that they are prepared to weather conditions that may differ from the circumstances under which they originally set them in motion. Inactivity for this reason *could* be a reasonable choice for companies who have been on the forefront of technology implementation and usage *if* they conduct periodic, detailed reviews to consider potentially necessary course corrections. But companies can't assume existing systems, structure and plans will suffice due to the time and expertise that went into establishing them: Inactivity becomes dangerous when it's driven by assumptions, hubris and complacency. Technology isn't a one-time, plug-and-play solution.

REACTIVE

Companies that initially choose the inactive approach frequently switch gears and become reactive. The problem is, a constant state of playing catch-up doesn't grow bottom lines. In today's tech-driven business environment, being reactive may not even be enough for companies to *hold the line*. Reactivity is the business equivalent of purgatory that will determine if you will survive - and for how long. Some companies that find themselves in the pass-through state of reactive mode *may* go on to succeed. But squandering time and resources on fixes for poor choices or delayed action is often as - or more - costly than taking bold steps to implement technology that can morph along with the business climate and ecosystem.

PROACTIVE

What looks like pain initially, ultimately manifests as profit. Companies - and people - avoid proactivity because it involves tough choices, commitment, action, investment and accountability. Brisk market conditions can delude companies into *thinking* that they're proactive because business is good; but reality will set in when the wind shifts and the low-hanging fruit is gone. Proactive companies and practitioners are constantly doing self-checks to ensure they'll be ready when times and market conditions change. Evaluating your framework, processes and systems - and making necessary adjustments - is a recurring task that maintains momentum and prevents backsliding when inevitable curve balls arise.

Business climates and consumer preferences change, and mortgage companies can't assume that the loan process will remain the same - or even similar - as innovation continues to accelerate. Fannie Mae's 2017 National Housing Survey revealed that mobile usage by consumers for at least part of mortgage transactions doubled between the Q115 and Q117; however, another study by the American Bankers Association found that 60% of consumers still prefer to apply for a mortgage in person versus online. Only 17% of respondents said they would rather apply online and another 23% were unsure. Some can interpret these statistics to mean that mortgage professionals will never be fully removed from the process, but they don't provide justification to avoid embracing and adopting technology.

The actions you take will determine the results you get. Most people have heard the saying, "Garbage in, garbage out" - a handy phrase with endless applications. Believed to have originally been coined by IBM programmer George Feuchsel, "Garbage in, garbage out" - or GIGO - is widely used by software developers. It means that regardless of how accurate a program's logic is, the results will be incorrect if the input is invalid. When it comes to technology, what are *you* putting into your business? Companies who have not invested in upgrading and maintaining technology are at risk of losing their best contributors and finding themselves on the wrong side of a growing separation of talent and success. The evolution of the mortgage industry is underway – are you on board, or will you get left behind?

Featured Commercial continued from page 19...

flexible prepayment penalties. There could be some combination of loss of yield calculation and step-down prepayment penalty, but there could be open periods structures as well.

Q: Boroumand: *Do all Life Insurance Companies work through their mortgage banking relationships?*

A: Friedeberg: No. Not all Life Insurance Companies work through correspondent mortgage banking relationships, but a strong mortgage banking company will have many exclusive and semi-exclusive correspondents (servicing) relationships as well as "open market" relationships. A full-service mortgage banking firm can provide certainty of execution by accessing their diverse network of lending relationships.

Digital Mortgage continued from page 23...

electronically."[1]

In addition to accepting eNotes, the GSEs have taken an active role in educating stakeholders in the industry—publishing guides on the delivery of eMortgage loans, fact sheets and Fannie Mae has even produced an eMortgage Calculator, a web-based tool that allows lenders to test various scenarios to show the cost-savings of moving to digital—highlighting that eMortgages reduce risk and provide a better borrower experience.

SUPPORTING THE SMARTDOC™

Fannie Mae and Freddie Mac require eNote delivery in a SMARTDoc format. To start, we first need to understand the SMARTDoc, which is an electronic document that binds together data, signatures, views and audit information and serves as a system of record and archiving for the mortgage loan. Originally, the intent of the SMARTDoc was to provide a standard structure for data mapping to verify the loan information. Unfortunately, the SMARTDoc v1.02 eNote format was outlined as being cumbersome and challenging based on feedback received in a 2016 survey conducted by the GSEs.

To eliminate barriers to adoption, Fannie Mae and Freddie Mac have coordinated with MISMO to define the next generation SMARTDoc v3 format that will utilize a structure similar to the Uniform Closing Dataset (UCD), including an XML file format and an embedded PDF. Released in Q4 of 2017, the GSEs anticipate testing the solution in Q1 of 2018 and seeing industry adoption of the new format beginning in Q2 of 2018. It is worth noting that it will not be required until a date in early 2019.

As a result of Fannie Mae and Freddie Mac pushing the industry to move away from paper, we are seeing originators, warehouse lenders, servicers and sub-servicers voraciously entering the digital mortgage ecosystem.

LOOKING TO THE FUTURE: THE IMPORTANCE OF SCALE

The concept of scale refers to the ability to accommodate growth. There is no question that legacy systems need to be replaced with digital platforms and that adoption is key. However, in today's digital mortgage ecosystem, scalability includes tailoring a solution to the originator and building what is currently possible.

There is no going back on a digital future that will demand systems to evolve and work together to provide information to use in real-time and with complete confidence. It does not always mean trying to get to 100 percent in an ecosystem that is still embracing its new reality.

A perfect example of this concept is Fannie Mae. In 2017, the GSE replaced its homegrown electronic vault with a new eVault platform that is modern, scalable, and able to support a fully digital

Digital Mortgage continued from page 34…

mortgage experience. The new eVault enhancements include up-to-date functionality configuration with MERS, acceptance of the new SMARTDoc v3. format, improved testing mechanisms to support implementations and flexibility to support continually evolving technology.[2]

Incredible operational benefits and accelerated access to capital are achieved using various approaches, such as a hybrid model. Return on investment in technology and operational changes are only realized if implemented in high volume. Today, vendors have carved a path to big electronic volume thanks to alignment of technology, product mix, warehouse, servicing, and investors—and when this is achieved at scale, the true benefits come to fruition. As we look to the future and continued proliferation, a commitment to digital best practices and standards that safeguard participants within the mortgage ecosystem is essential.

THE IMPACT OF DIGITAL: ONLY THE BEGINNING

Originators that have moved away from paper are able to digitally create the promissory note, securely store it as an authoritative copy with delivery to both custodians and the secondary market. This advancement accelerates the time between origination and the replenishment of capital. In addition, bringing the process digital provides accuracy and transparency as well as speed and convenience.

Warehouse lenders are now accelerating their entry into the

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Save the Date!

The California MBA's conference season has kicked off!

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Mortgage Technology &
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August 5-7
San Diego
www.MTGTechServicing.com

21st Annual
Western States
CREF Conference
September 5-7
Las Vegas
www.WSCREF2018.com

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market – driven by a market demand and the benefit of receiving and verifying eNotes in real-time. On the post-closing side, digital processes have a demonstrable effect on loan quality and as a result, improve investor confidence. Technology can be used to verify authenticity of the eNote and provide an avenue for auditability, tracking and transfer.

With increasing pressures for a better borrower experience, increasing scrutiny from regulators, and a substantial return on the investment, it is time to embrace the digital mortgage process.

Additional competitive advantages and operational efficiencies gained by a digital mortgage solution include the ability to manage interactions between parties in the loan process in an auditable manner to reduce originator risk. It also provides visibility, security and auditability to assure proof and verification of the final disposition of documents, and manage the assets as transferable records within the secondary market.

Digital transitions are an undeniable trend and it is critical for mortgage stakeholders to follow suit. For originators, warehouse originators and investors, the ability to electronically deliver funding, increase production volume and increase the velocity of capital is a competitive necessity.

1 http://www.freddiemac.com/singlefamily/images/joint_gse_outreach_survey_findings_on_the_state_of_industry_adoption_final.pdf

2 https://www.fanniemae.com/content/news/emortgage-announcement-august-2017.pdf

Home Lending continued from page 24

conditional decisions. Automated valuation models also help to speed up turnaround on property value estimations, significantly shortening appraisal process.

And when closing, eClosing technology provides a 100 percent paperless process that allows lenders to secure client signatures in a web-based portal, using robust protocols that ensure that documents will hold up in a court of law. eClosing technology is a great way to speed up some aspects of the closing process while simultaneously creating a thorough audit trail.

SECURITY & COMPLIANCE MUST REMAIN A CONSTANT PRIORITY

Lenders have legal and ethical obligations to keep their customers' data secure and out of the hands of bad actors, and various laws and regulations exist to help ensure these requirements are met. However, when it comes to cybersecurity, putting theory into practice is not always easy.

Cyber attacks have reached epidemic proportions, and for another consecutive year, financial services organizations are one of the worst affected industries. According to Verizon's annual Data Breach Investigations Report, a quarter (24 percent) of all breaches in 2017 affected financial organizations, with 471 breaches reported in total[4].

To prevent cybersecurity risks, organizations should develop an information security program to manage risks inherent in the use of technology. These risks, and the need to effectively manage them, exist regardless of any laws or regulations. Failure to manage these risks can have catastrophic consequences, from ruining long-standing customer relationships, to legal penalties.

Lenders also need to stay abreast of regulatory changes, such as Congress' considerations to replace key versions of the Dodd Frank act in the next few years. Being on top of these changes helps lenders to continuously offer the most competitive terms to clients, without unintentionally running afoul of the law or confusing potential borrowers.

Technology is no silver bullet and will never be able to replace the critical human elements of home loan processing, but lenders that streamline the entire lending process by implementing paperless processes will be the ones that come out on top.

1 http://money.cnn.com/2013/12/12/real_estate/mortgage-applications/
2 https://www.nar.realtor/sites/default/files/reports/2017/2017-real-estate-in-a-digital-age-03-10-2017.pdf
3 https://www.businesswire.com/news/home/20170308005198/en/Homeowners-Seeking-High-Tech-Human-Touch-Mortgage-Experience-Ellie
4 http://www.verizonenterprise.com/verizon-insights-lab/dbir/2017/

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to improve obsolete assets. Obsolete urban parking structures and gas stations can be converted into higher value assets through adaptive reuse projects. A more efficient use of roads (since autonomous vehicles can drive more compactly together) could facilitate conversion of some roads into parks or other more useful updated commercial assets.

With driverless cars, developers will no longer be restricted by stringent parking requirements, which will expand. Already, landlords in San Francisco can be exempted from parking regulations by offering tenants Uber vouchers or other transport alternatives! In place of parking, there will probably be a need for ample space around commercial properties for rideshare services to pick up and drop off passengers.

E-COMMERCE AND AUTONOMOUS DELIVERY

E-commerce is rapidly transforming the need for and use of traditional “brick and mortar” stores. Increasingly, actual sales are taking place online, and for many retailers, having a physical store is a necessary marketing expense to provide a place for customers to see, feel or try on products, and to provide strategic exposure for a brand in the right location. The spatial requirements of these “showroom” assets will change accordingly.

Distribution centers are also enormously affected by the evolution of e-commerce. Delivery services keep getting faster—many retailers now offer next- or same-day delivery of online purchases, and Amazon Prime Now can now deliver goods within hours of placing an order. This puts undue pressure on a variety of businesses to compete for fast delivery, making “last mile” logistics an important aspect of commercial building layout and location, particularly for the industrial sector. More abundant, centrally-located distribution centers with storage systems that allow for superfast product sorting might replace major suburban distribution centers. Many of these were built near freeways and train lines only a few years

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ago, but must now adapt to avoid becoming obsolete.

The impact of technology has even infiltrated grocery shopping. Amazon is pushing change in the grocery market with Amazon Pantry and Amazon Fresh, offering its Prime members fast delivery of goods ordered online. This 800-pound gorilla of e-commerce is having a direct impact on the commercial real estate industry as it will need hundreds of strategically located warehouses, (refrigerated) distribution centers and transport networks to support its fast-growing grocery delivery business.

The impact of delivered goods has reverberated across the grocery business. Online ordering and one-hour delivery of groceries is rapidly gaining popularity in major cities around the country, competing with traditional in-store sales for a share in the $700-billion U.S. grocery market. The leader in delivered groceries—Instacart—has just been valued at $3.4 billion. Even a relatively small percentage drop in revenue for the traditional grocery business will have a substantial effect on this industry.

Grocery stores recognize it is in their interest to adjust internal and external layouts to facilitate the most efficient collection and distribution of online orders. While grocery will continue to be a viable model for a very long time to come, physical stores will need to adapt to stay competitive. They may decrease physical footprints, provide some retail space to sub-tenants like banking kiosks, expand these smaller locations for faster and more ubiquitous delivery, or be re-designed to efficiently accommodate grocery delivery, in-store dining or even drive-thru.

SMART CITIES AND SMART BUILDINGS

Smarter buildings are the result of technology that makes it possible to collect huge amounts of data from multiple sources, which can be used to expedite or even automate critical functions and management decisions; resulting in improved efficiencies and reduced down time. Heating and ventilation systems, lighting, distributed power, security, elevators systems, CCTV, communications, parking, utility grid meters, vending machines, water management, landscaping/irrigation, digital signage and voice communications can all be operated and optimized through centralized management systems. This interoperability of building systems leads to better managed, more efficient assets. Owners can optimize ROI by lowering operating costs through efficiency, and improving marketability and value.

Networked physical systems will play an important role on a broader scale by enabling the real-time collection of data related to health, pollution, energy usage, traffic, water usage, and waste disposal. The city of Amsterdam in the Netherlands is an example of a smart city, with a wide array of interconnected systems, products and initiatives, many of which are government-sponsored.

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Among these is Mobypark, an app which allows owners of parking spaces to rent them out to people for a fee (kind of like AirBnB for parking). The city then uses the data generated from this app to determine parking demand and traffic flows. Other city-run initiatives include flexible street lighting which allows municipalities to control the brightness of street lights and pedestrian traffic, and smart traffic management systems, which monitor and broadcast traffic in real time to advise motorists on the fastest routes to take.

Recently the City of Los Angeles announced that it is installing the first city-wide cloud and mobile based lighting control system. Using mobile chip technology embedded into each fixture, the LA Bureau of Street Lighting remotely controls lighting fixtures, and monitors the energy use and status of each light.

CYBERCONNECTIVITY FOR MORE EFFICIENT REAL ESTATE

These commercial real estate developments place enormous pressure on wireless networks, which must also continue to evolve to keep up with ever-growing mobile data performance demands. For example, 5G is the ultra-high-speed and high-capacity successor to 4G networks that are currently widely used, and will be a critical component to enable ongoing innovations and developments in the networked society of the near future.

The transition to smart cities and buildings could have an impact on our built environments. Efficiencies in municipal energy and water management may reduce city costs, which could facilitate reinvestment in the infrastructure. Networked parking meters could be used to optimize urban parking, thereby minimizing the parking requirement for urban real estate, to allow increased building densities. Some cities have even applied IoT principles to waste hauling with "smart" municipal trash cans that signal when they're full, saving a trip to a half empty container.

Smarter, better operated buildings will yield higher returns. Investing in technologies to improve energy efficiency, IT and connected building systems has potential to significantly increase the marketability and value of assets. As smart-building technology continues to evolve, it is crucial for commercial real estate stakeholders to stay ahead of market demands and applications relating to new technologies to ensure their investments accommodate for changing demographics and needs to deliver rather than disrupt returns.

EFFECT ON LENDERS

The advent of these technologies brings lenders risk and opportunity. Most lenders have a hard time underwriting the risk of building obsolescence. These changes often take a while to manifest, but the speed of change is only accelerating. As building owners look to invest in assets to keep up with or even lead changes, there will be opportunities for lenders to provide the capital.

PHOTO GALLERY

Annual California MBA

Legal Issues & Regulatory Compliance Conference

December 4–5, 2018, Irvine, CA

Thanks to our great sponsors who help make the conference a success!

Say thanks for our meal and break sponsors! Thanks to ComplianceEase, Dykema Gossett PLLC, The Wolf Firm, Dorsey & Whitney, Strategic Compliance Partners, and Mayer Brown for their support!

Our conference kicked off with a detailed look at the legislative and regulatory landscape in California and Washington, D.C. From left: Conference Chair Marty Allred, American Pacific Mortgage; Nicole Ehrbar, Quicken Loans; Ray Callahan, Consultant; Pat Zenzola, KP Public Affairs; and Fredrick Levin, BuckleySandler, LLP

Attendees got the latest on relevant caselaw from our litigation panel, featuring (from left): Eric Troutman, Dorsey & Whitney, LLP; Valerie Schratz, Hall Huguenin, LLP; Michael Pfeifer, California MBA General Counsel, Pfeifer & DeLaMora, LLP (now with Kirby & McGuinn APC); Cathy Knecht Robinson, Robinson, Chavez, Gardner & Kincannon APC; and Eric Houser, Houser & Allison, APC.

PHOTO GALLERY

Annual California MBA

Legal Issues & Regulatory Compliance Conference

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Our Servicing Panel (from left): Abe Salen, The Wolf Firm, T. Robert Finlay, Wright, Finlay & Zak, LLP; Maria Moskver, LenderLive; Marian Johnston, Guild Mortgage Company.

This year's luncheon keynote was Scott Wyckoff, General Counsel for the California Department of Business Oversight (DBO). From left: Michael Pfeifer, California MBA General Counsel, Pfeifer & DeLaMora, LLP (now with Kirby & McGuinn APC); Wyckoff; Conference Chair Marty Allred, American Pacific Mortgage.

General counsels unite! Our panel of mortgage industry GCs consisted of (from left): Monika McCarthy, CrossCheck Compliance; Jerry Hager, AmeriHome Mortgage Company; Caitlyn Peskind, Skyline Home Loans; Madison Christian, Golden Empire Mortgage; Lauren Ingersoll, Inspire Home Loans, Inc.; and Ryan Stocking, First Direct Lending.

The conference gave special thanks to our General Counsel, Michael Pfeifer, who had steered the California MBA's Legal Issues Committee for a number of years. Pictured here (left) with Ian Rambarran, Legal Issues Committee Secretary, Klinedinst PC (right).

PHOTO GALLERY

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Our Legal Issues Committee was featured with a special panel focusing on duty of care issues and California's lender licensing laws. From left: Jarlath Curran, Severson & Werson; Lisa Turner, Law Offices of David Epstein; and Steven Sheasby, Integrity Mortgage Licensing.

Few topics stir up as much interest as per diem interest, and our expert panel featured (from left): Michael Pfeifer, California MBA General Counsel, Pfeifer & DeLaMora, LLP (now with Kirby & McGuinn APC); Raymond Snytscheuvel, Paramount Equity Mortgage; Jonathan Jaffe, Mayer Brown, LLP; and Jonas Hoerler, ComplianceEase.

What do you know about HMDA? Ask our expert panel! From left: Nima Vahdat, loanDepot; Leonard Ryan, QuestSoft Corporation; Richard Andreano, Jr., Ballard Spahr; and Angela Kleine, Morrison & Foerster, LLP

Thanks to our great sponsors, including QuestSoft Corporation, a Gold Sponsor!

Our panel focusing on how to operationalize your social media policy. From left: Michael Stallings, Optimal Blue; Pamela Fleckser, Paramount Equity Mortgage; and Janet Twombly, The Compliance Group, Inc.

CALIFORNIA MBA
ROAD TRIP 2018

Building Stronger Relationships

Closing out 2017, Susan met with longtime board member Tup Fisher, of Washington Capital Management, an employee owned investment advisory firm founded in 1977. WCM headquarters are located in Seattle, Washington, with branch offices in Portland, Spokane, Anchorage, Southern California, Northern California and Boston. For more, go to www.wcmadvisors.com or call (415) 543-3400.

Next, Susan met with Tracy Milligan, VP of Ops with One Reverse Mortgage, one of the largest lenders in the reverse mortgage industry, licensed in all 50 states. To find out more, call (888) 663-2345 or go to www.OneReverseMortgage.com.

In the early days of 2018, Susan met with several members, starting with Nicole Ehrbar of Quicken Loans, one of the nation's top residential mortgage lenders. Nicole has been involved in helping plan our annual Western States Mortgage Technology & Servicing Conference for several years, and is this year's conference chair! Additionally, we want to send a special thanks to Nicole and Quicken Loans—our newest President's Council Sponsor! For more about Quicken Loans, go to www.QuickenLoans.com or call (800) 863-4332.

In San Diego, Susan met up with the staff of Marsh & McLennan Agency, one of the nation's leading insurance brokerages, providing comprehensive risk management and employee benefit solutions to organizations of all sizes. The company has helped us create a new benefit for members – the Real Estate Services Trust, or REST, which provides real estate services industry employees unique benefit plan options at affordable rates. If you're interested in finding out more, contact Vince Giacalone at (858) 587-7534, or go to www.mma-west.com/Real-Estate-Trust.

Building Stronger Relationships

Beginning a swing through Southern California, Dustin met in Los Angeles with our MTAM Committee Chairman John Seroka (right), Principal and Brand Strategist with Seroka Brand Development. The company is a leading strategic brand/marketing firm, specializing in working with mortgage industry companies. For more, call (866) 379-0400 or go to www.Seroka.com.

In Orange County, Dustin stopped off at the offices of LendingQB, a software as a service provider of mortgage origination solutions. Special thanks to Linn Cook (right) for his time and support! To find out more about LendingQB, go to www.LendingQB.com or call (888) 285-3912.

Just up the road, Dustin met with Laurie Greene, Senior Account Manager at MGIC, one of the nation's top providers of mortgage insurance. For more, call Laurie at (949) 235-8715 or go to www.MGIC.com.

In Newport Beach, Dustin stopped by to chat with Don and Carrie Nikols, owners of The Nikols Company, an experienced team of institutional commercial and residential real estate lenders. Thanks to Don and Carrie for their support through membership! Find out more at www.NikolsCo.com or call (949) 474-7577.

CALIFORNIA MBA
ROAD TRIP
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Building Stronger Relationships

Just up the street in Newport Beach, Dustin met with the team at Grandbridge Real Estate Capital, one of the nation's largest full-service commercial real estate finance firms. From left: Hunter Curtis, Don Curtis, Taylor Curtis, Ryan Fowler, Dustin Hobbs. For more, call (949) 222-1100 or go to www.Grandbridge.com.

In Costa Mesa, Dustin stopped off to meet the team at AAA-AMC, a leading appraisal management company that recently celebrated their 10th anniversary. From left: Dustin Hobbs, Nada Saifan, Marlene Minite, Wassim Chaker, Jennifer Khouri, Maria Bahena; and Sarah Eskandar. To find out more, go to www.aaa-amc.net or call (949) 576-2590.

Heading to Santa Ana, Dustin met with Jered Ede, a partner with the law firm Hall Huguenin. Jered also serves as the Vice-Chair of the California MBA Legal Issues Committee. Hall & Huguenin is a business litigation law firm that represents commercial, real estate, and individual clients in complex litigation matters, and has several offices in California, as well as Arizona, Texas, and Washington. For more, call the Santa Ana offices at (714) 918-7000, or visit www.hhlawyers.com.

Further south, Dustin stopped in Carlsbad to catch up with Erich Lenz, an associate with Incorvaia & Associates, a law firm with vast experience in the real estate finance industry. Thanks to Ehrich and Joel Incorvaia (not pictured) for their support! To find out more, go to www.incorlaw.com or call (858) 259-2220.

Finally, in the heart of the Inland Empire, Dustin met with the team at Mountain West Financial, a residential mortgage banker, licensed throughout the western U.S., and a longtime member of the California MBA. Photo, from left: Dustin Hobbs; Gary Martell; Laura Martell; Jill Burns; John Cady; and Michael Delehanty. For more, call the Mountain West offices at (888) 793-6470, or go to www.mfwinc.com.

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