

The Future of Housing Finance

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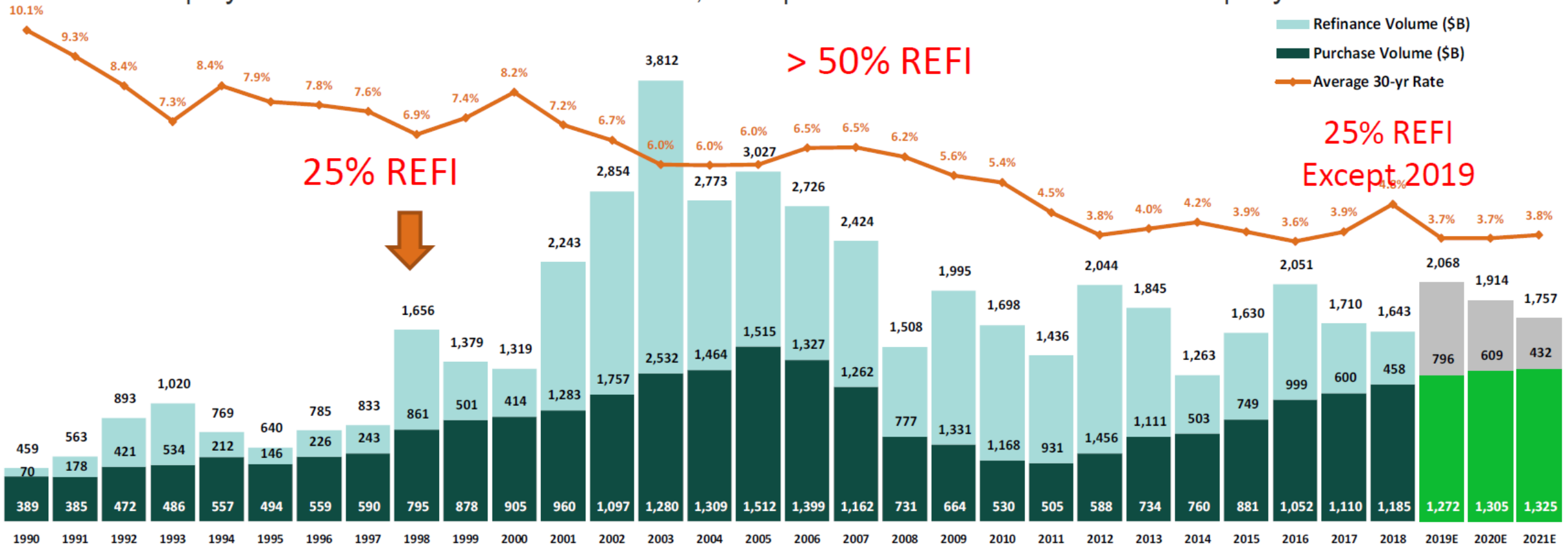
The Future of Housing Finance from an IMB perspective

1. Current Market trends, demographics etc. shaping the future
2. The growth of the IMB
 - share growth
 - broker growth
 - Regulatory concerns
3. The Fed LO Comp effects -shaping the composition of lenders
4. Technology \$\$ - dominant trend in current market landscape
5. The Fintechs are Coming

Originations 1990 to 2019

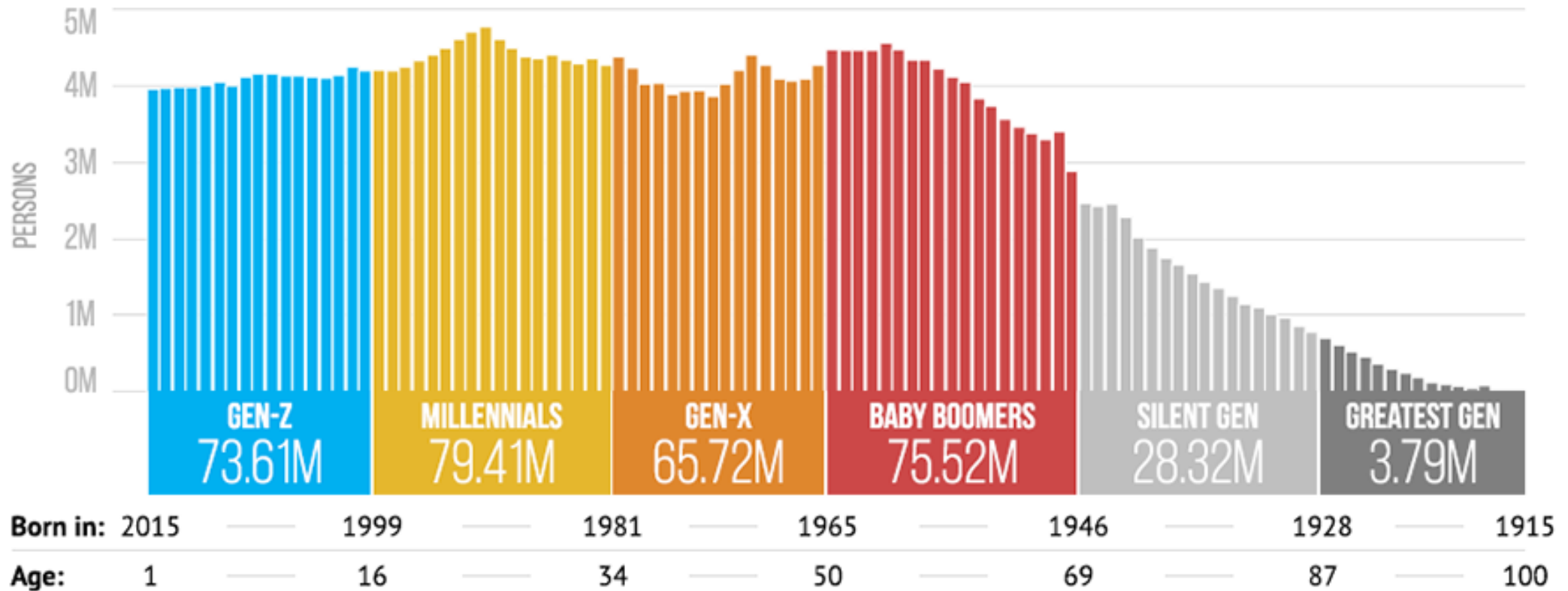
Source: Mortgage Bankers Association - Dec 2019

- Refinance only 25% of market in 2018 – 2019
- Refis drop by 50% from 2016 – 2018 as rates rise, while purchase volume increases ~ 10% per year



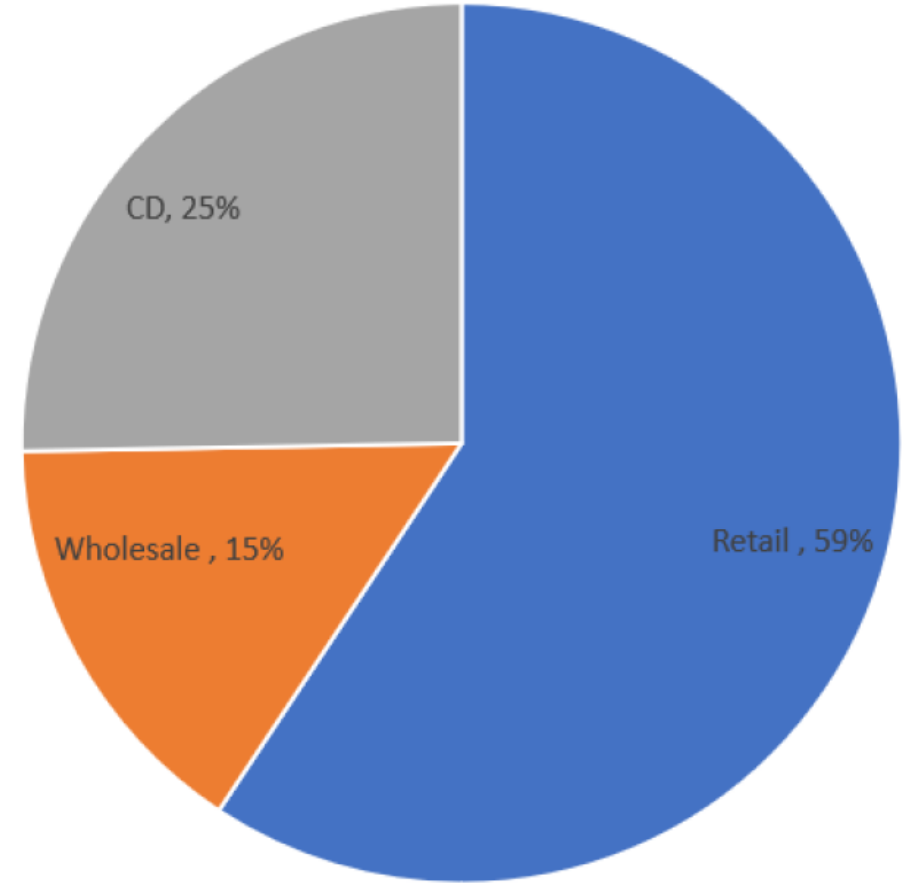
Housing Demand should remain strong for many years

Total US Population by Age and Generation as of December 2015



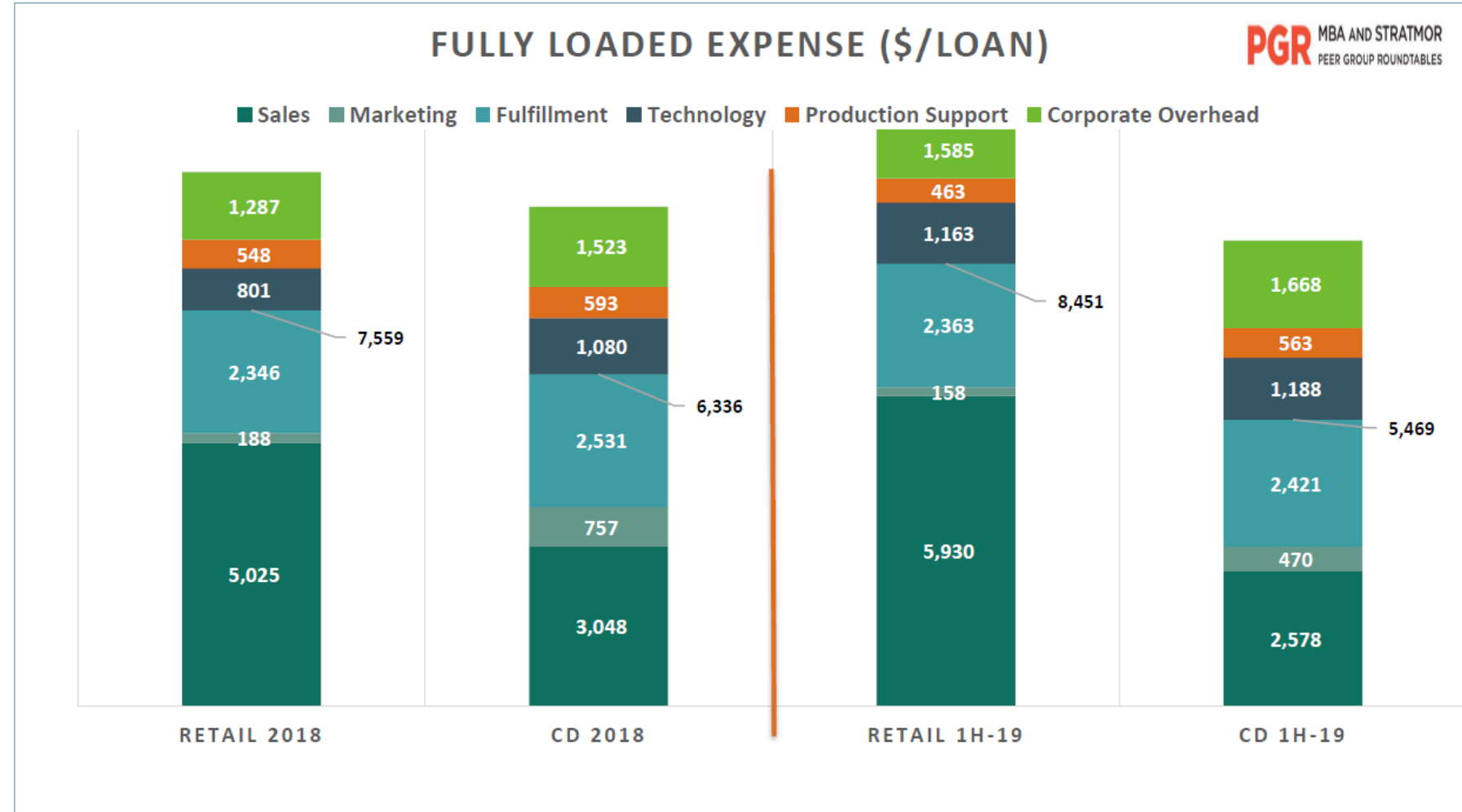
Top Lenders Weighted To Retail Originations

- Data is based on the top 120 lenders who originate nearly 60% of the total market – high representative sample
- Nearly 60% of volume originated through Retail
- CD trails at 20-25% (higher during refinance period)
- Wholesale at 15-20%, but growing



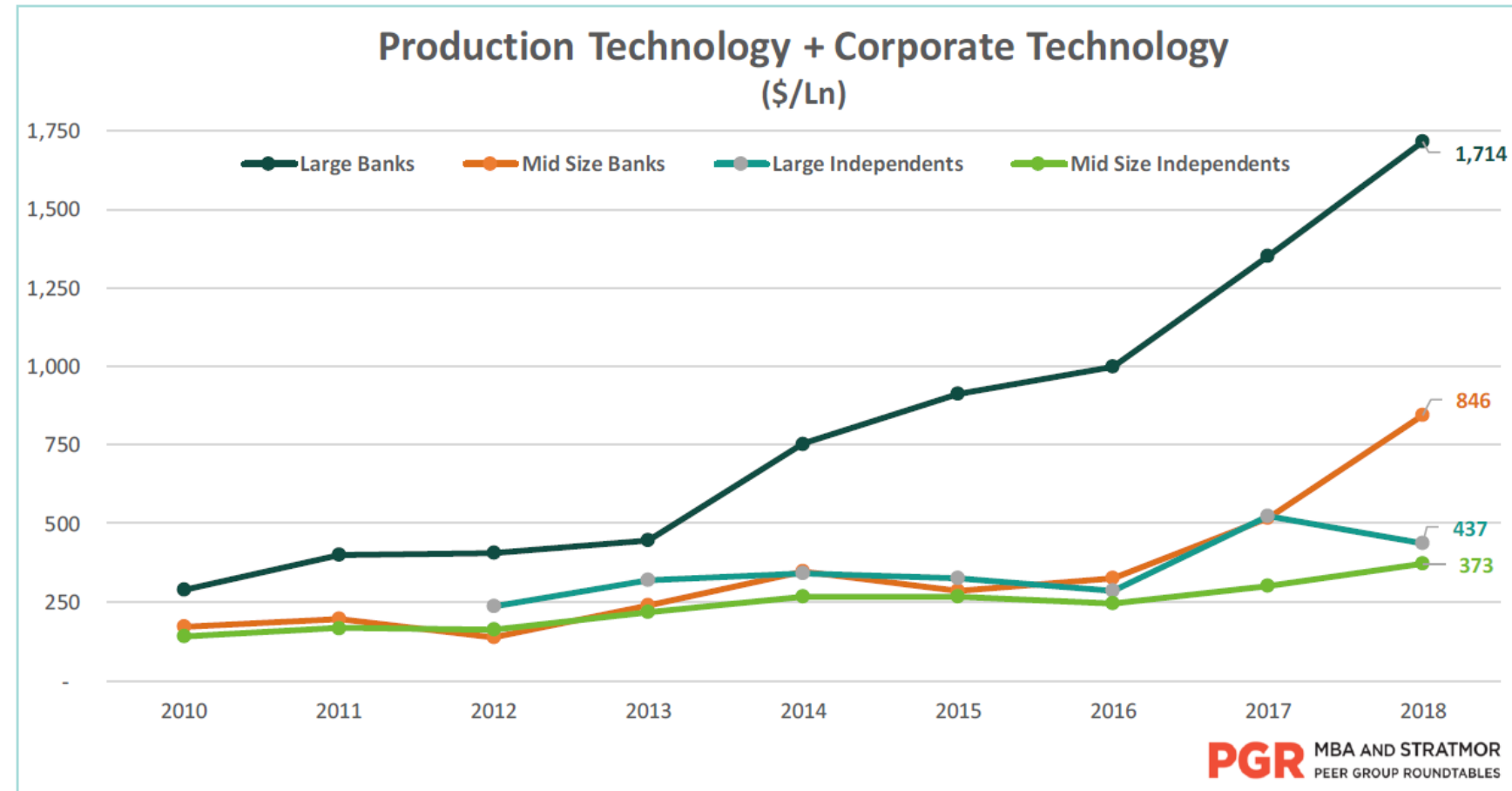
Expense categories for lenders

- Sales expense exceeds \$5,000 per loan on average...
- Fulfillment is approximately \$2,300
- Over \$1,000 per loan tech expense (wow!) with additional \$2,000 in corp admin and support expense

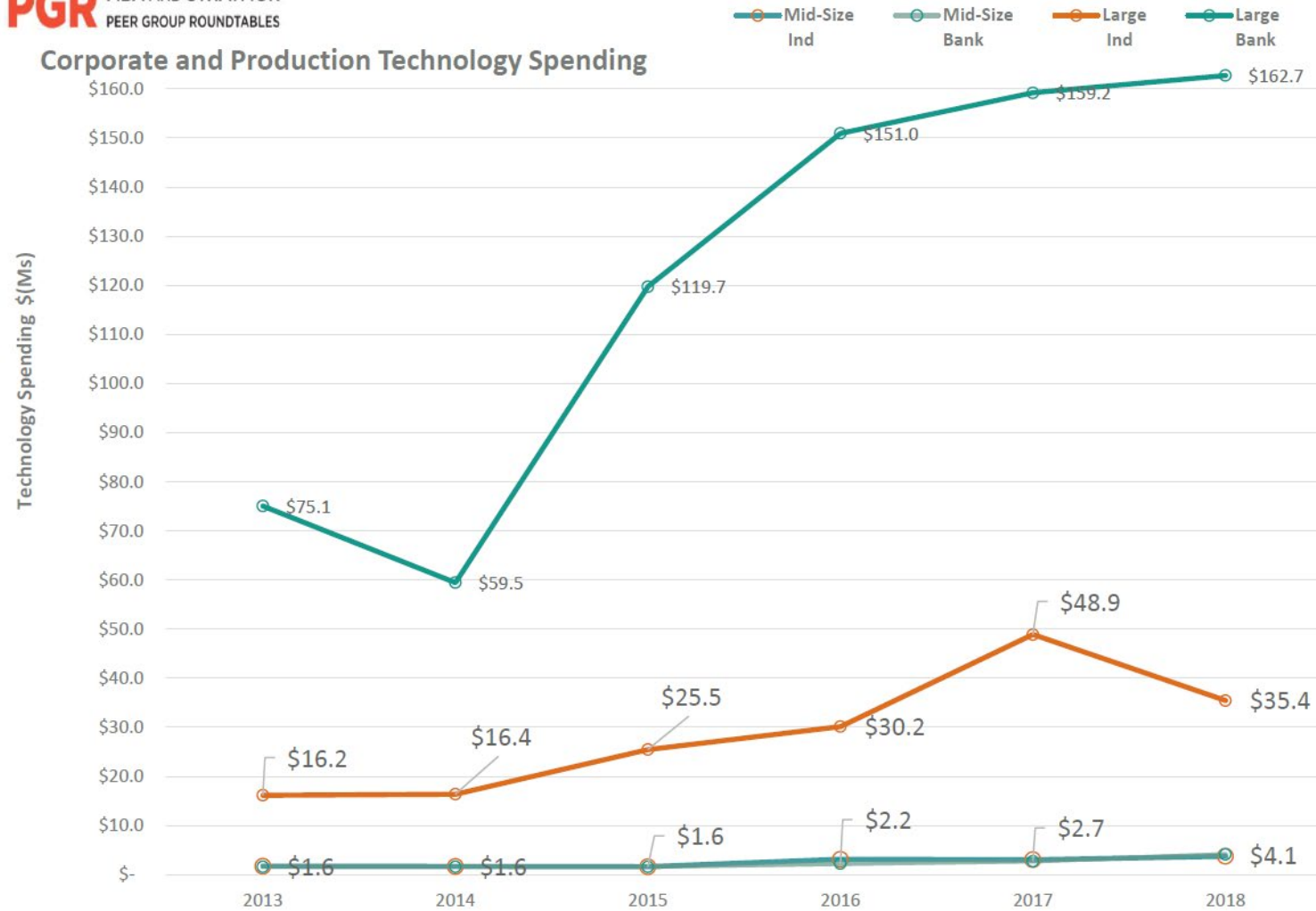


Technology Expense Per Loan Has Gone Up!

- Large banks, who mostly have custom built technology solutions, spend over \$1,500 per loan (Avg Volume of \$35B, and over 150k loans!)
- Large IMB's have risen sharply to over \$800 per unit (up from \$500 in 2017)
- Independent Mortgage Bankers, and Smaller Bank lenders spend an average of ~ \$300 - \$400 per loan
- Mid-size Banks and Large Independents have seen their per loan costs nearly double over the past several years.



Corporate and Production Technology Spending



Smaller IMBs and Bank have small overall budgets

- Roughly \$4M annual budget for small IMB and Banks
- The large IMB;s average over \$30M annual budgets
- And large banks have LARGE budgets (over \$150M)

THE FINTECHS ARE COMING!!



- 2 MAJOR AREAS OF FINTECH



- B2B vs. B2C

- B2B - the Vendor Crowd - **Ellie Mae** (founded in 1997), **Finicity** (1999), **Black Knight** (2008), **FormFree** (2008), **Total Expert** (2012), **Blend** (2012), Lead aggregators, **Simplifile**, **Docutech**, etc.

B2C - digital native consumer-direct banks, lenders, wealth managers, insurance and other finance companies.

* Today, there's a whole new crop of these fintech companies that are also referred to as challenger banks, neobanks or simply startup banks.

*The new crop of consumer-direct fintechs includes players like **Varo** (1 million customers), **Monzo** (3 million), **Chime** (5 million), **MoneyLion** (5.7 million) and **Revolut** (8 million).

*These companies mostly start with a single budgeting, saving, borrowing or investing product, and are now expanding into other banking products since proving their customer acquisition and power

B to C is evolving rapidly

- Closer to housing, **Figure** is another consumer-direct fintech example. It began with home equity lending, and is now expanding into first mortgages and student loans. Figure has already raised \$225 million since founding in 2018, and has a valuation of \$1.2 billion.
- While no company in the original or new crops of consumer-direct fintechs have attained mortgage dominance, SoFi remains active in mortgages, plus Wealthfront and Varo got more vocal about mortgage ambitions in the fourth quarter of 2019.

