Understanding Market Opportunities with Advanced Analytics

July 8, 2020

Presented by Laird Nossuli
CEO iEmergent
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Moderators:
Steve O’Connor, Senior Vice President for Affordable Housing Initiatives, MBA
John Paul Shaffer, AICP, Executive Director, BLDG Memphis

Panelist:
Laird Nossuli, CEO, iEmergent
Laird Nossuli

Laird Nossuli is the CEO of iEmergent, a forecasting and advisory firm for the housing finance industry. She leads the company’s overall strategy and the development of iEmergent’s product set, including the Mortgage MarketSmart and DIVERSIFi solutions for lenders. With a combination of professional experience in mortgage strategy and analytics and a background in social work, Laird is uniquely positioned to help iEmergent’s clients better serve diverse and underserved communities. Through her years of experience working with lenders of all sizes and types, Laird has developed iEmergent’s forward-looking, data-driven approach to helping lenders connect with a wide range of homeowners in their markets.
Steve O’Connor

Steve O'Connor is Senior Vice President for Affordable Housing Initiatives at the Mortgage Bankers Association (MBA). He manages MBA's efforts to support the affordable housing policy and business objectives of our members. He is also responsible for outreach to industry groups, consumer organizations, and other key stakeholders.

John Paul Shaffer

John Paul Shaffer, AICP is the executive director of BLDG Memphis – Build. Live. Develop. Grow – supporting the redevelopment of healthy, vibrant, attractive, and economically sustainable Memphis neighborhoods. He first joined the team in 2014 as director of advocacy and engagement, and moved into the role of executive director in April 2017.
Compound Impact of COVID

- Disproportionate **Health Impact** of COVID on Minority and LMI Groups
- Disproportionate **Economic Impact** of COVID on Minority and LMI Groups
2020: At An Opportunity Crossroads

**Status Quo**
- Fewer Originations
- More LO Turnover
- Higher Front-End Loan Acquisition Costs for Lenders
- Inequity in Lending
- Lower Homeownership Rate
- Reduced Quality of Life for Families

**Better Future**
- More Origination Dollars
- LO Retention
- Higher Productivity
- Increased Profitability
- Stronger Partnerships
- Increased Homeownership Rate
- Increased Quality of Life for Communities
## Revisiting: A Tale of Two Futures

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Source: iEmergent
### Changing the Paradigm

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<tr>
<th>PRIMARY DRIVER:</th>
<th>STATUS QUO</th>
<th>NEW PARADIGM</th>
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<tbody>
<tr>
<td>CHANGE APPROACH:</td>
<td>Risk</td>
<td>Opportunity</td>
</tr>
<tr>
<td>ROLE OF DIVERSITY:</td>
<td>Reactive</td>
<td>Proactive</td>
</tr>
<tr>
<td>STRATEGY TYPE:</td>
<td>Peripheral</td>
<td>Central</td>
</tr>
<tr>
<td>INFORMATION:</td>
<td>Generic</td>
<td>Targeted</td>
</tr>
<tr>
<td>COMMUNICATION:</td>
<td>Static</td>
<td>Dynamic</td>
</tr>
<tr>
<td></td>
<td>One-Way</td>
<td>Collaborative</td>
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Pillars of the Paradigm: Data to Insight to Action

- **Diversity** is Critical to **Future Opportunity**
- **Optimization** is Key to **Profitability**
- Successful Solutions are **Targeted** and **Dynamic**
- Community **Collaboration** is **Fundamental**

**NEW PARADIGM**
- Opportunity
- Proactive
- Central
- Targeted
- Dynamic
- Collaborative
Opportunity-Driven Approach to Increasing Homeownership

1. **Quantify**: Start with the Big Picture: Quantify Your Opportunity & Define Your Why
2. **Compare**: Compare Your Position with Your Opportunities
3. **Prioritize**: Set Priorities with Clear Goals: How Fast and How Far
4. **Focus**: Drill Down to Details to Focus Your Resources
5. **Act**: Take Action to Capture Opportunity & Connect

UNITING FOR HOUSING AFFORDABILITY

CONVERGENCE MEMPHIS

MBA
Step 1: QUANTIFY - Start with the Big Picture

☐ Size your market: Quantify Total Opportunity across your market(s)

To understand how the components fit into the whole

Sources: Home Mortgage Disclosure Act (2019), iEmergent (2020-2024)
Step 1: QUANTIFY - Start with the Big Picture

- Quantify the market’s future opportunity

To plan today for where you want to be tomorrow

<table>
<thead>
<tr>
<th>Shelby County, TN</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Loans</td>
<td>10,780</td>
<td>7,259</td>
<td>8,332</td>
<td>12,224</td>
</tr>
<tr>
<td>Purchase Dollars ($M)</td>
<td>2,210.0</td>
<td>1,515.1</td>
<td>1,738.4</td>
<td>2,757.1</td>
</tr>
<tr>
<td>Purch. Avg. Loan Size</td>
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<td>$208,726</td>
<td>$208,644</td>
<td>$225,546</td>
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Source: iEmergent
Step 1: QUANTIFY - Start with the Big Picture

- Quantify beyond market size
  
  To obtain comprehensive insight that will inform what strategies may succeed

<table>
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</thead>
<tbody>
<tr>
<td>PMGR (Purch. Mort. Gen. Rate)</td>
<td>2.03%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MVI - Mtg. Velocity Index</td>
<td>1.15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MOI - Mtg. Opportunity Index</td>
<td>1.06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MVI Rank (All Counties)</td>
<td>263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MOI Rank (All Counties)</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purch. Mtg Density - Loans</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purch. Mtg Density - Dollars ($M)</td>
<td>7.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan-to-Lender Ratio</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lender Concentration Score</td>
<td>29.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top 5 Lender Threshold</td>
<td>4.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020 Refi. Dollar Volume ($M)</td>
<td>2,574.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020 Total Dollar Volume ($M)</td>
<td>4,313.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase % of Total</td>
<td>40.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: iEmergent
Step 1: QUANTIFY - Start with the Big Picture

- Calculate Market Penetration Rates
  - By product
  - By minority borrower groups
  - By household income

To ensure that your borrower and product mixes match the market’s...
Step 1: QUANTIFY - Start with the Big Picture

Shelby County, TN

<table>
<thead>
<tr>
<th>Borrower Group</th>
<th>2020 Purchase Loans</th>
<th>2020 Purchase Dollars (SM)</th>
<th>Purchase Avg Loan Size</th>
<th>% of Total Dollars</th>
<th>% of Total HH</th>
<th>H/O %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CY</td>
<td>7,259</td>
<td>$1,515.1</td>
<td>$208,726</td>
<td>100.0%</td>
<td>100.0%</td>
<td>57.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>379</td>
<td>$70.5</td>
<td>$185,977</td>
<td>4.7%</td>
<td>2.3%</td>
<td>63.1%</td>
</tr>
<tr>
<td>B/A-A</td>
<td>2,301</td>
<td>$333.5</td>
<td>$144,958</td>
<td>22.0%</td>
<td>50.9%</td>
<td>45.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>261</td>
<td>$43.2</td>
<td>$165,423</td>
<td>2.8%</td>
<td>4.0%</td>
<td>37.1%</td>
</tr>
</tbody>
</table>

2020 Purchase Dollar Distribution by Borrower Group

Source: iEmergent
Step 2: COMPARE Opportunity and Position

- Evaluate Your Market Position
  - Minimize the Penetration Gap: MATCH YOUR MARKETS
  - Identify gaps in coverage

To find gaps in coverage and understand your market position across segments

Source: iEmergent
Step 3: PRIORITIZE to Optimize

- Where should you start?
  - Biggest gaps in Penetration Rate
  - Best fit for your strategic direction
- Which markets fit you?
- How much and how quickly do you want/need to grow?

To ensure that objectives are clear and strategic
Step 4: FOCUS Your Resources

- Map your data…Literally
- Create Mortgage Opportunity Zones (MOZs) based on neighborhoods or opportunity pockets
- Drill down to the market details to analyze your:
  - Branch locations
  - Product match
  - Marketing efforts

To optimize resources – based on priority and opportunity - through strategic and quantified decisions
Step 4: FOCUS Your Resources

Map Out a Diverse Lending Plan (Literally)

City of Memphis:

- 1,044 African-American Loans projected in 2020
- $143.2 M African-American Dollars
- 22% of Total Purchase
- Prioritize where to start
  - Right-size resources
  - Dig deeper into your community

Source: iEmergent
Step 4: FOCUS Your Resources – Drill Down

### 2020 African-American Purchase Loans by Tract – Frayser

<table>
<thead>
<tr>
<th>Year</th>
<th>Black-AA Pur. Loans</th>
<th>Black-AA Pur. Dollars</th>
<th>Average Loan Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>82</td>
<td>$5,050,000</td>
<td>$61,585</td>
</tr>
<tr>
<td>2020</td>
<td>68</td>
<td>$3,460,500</td>
<td>$51,267</td>
</tr>
<tr>
<td>2021</td>
<td>76</td>
<td>$3,898,700</td>
<td>$51,265</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>BAAZ1: Frayser</th>
<th>Black-AA Households</th>
<th>Black-AA % of All HH</th>
<th>Black-AA Homeownership Rate</th>
<th>Conf % 2020</th>
<th>FHA % 2020</th>
<th>VA % 2020</th>
<th>Largest Age Group</th>
</tr>
</thead>
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<tr>
<td></td>
<td>11,331</td>
<td>82%</td>
<td>44%</td>
<td>77%</td>
<td>21%</td>
<td>2%</td>
<td>35-44</td>
</tr>
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Note: “ABC Lender” is a fictitious lender (originations/locations are purposely aggregated from multiple lenders). Source: iEmergent
Step 4: FOCUS Your Resources – Drill Down

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<td>2019</td>
<td>197</td>
<td>$21,715,000</td>
<td>$110,228</td>
</tr>
<tr>
<td>2020</td>
<td>140</td>
<td>$13,524,000</td>
<td>$96,428</td>
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<td>2021</td>
<td>151</td>
<td>$14,573,650</td>
<td>$96,642</td>
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2020 African-American Purchase Loans by Tract – Whitehaven

- Black-AA Households: 24,970
- Black-AA % of All HH: 94%
- Black-AA Homeownership Rate: 55%
- Conf % 2020: 71%
- FHA % 2020: 25%
- VA % 2020: 4%
- Largest Age Group: 35-44

Source: iEmergent

Note: “ABC Lender” is a fictitious lender (originations/locations are purposely aggregated from multiple lenders).
Step 5: Take ACTION with Insight

- Connect with Community Partners
  - Crucial Relationship between LOs and Realtors in under-served and minority neighborhoods
- Identify Neighborhood Barriers & Bridges
  - Discuss potential DPA programs
- Follow the Triple E Rule for Sales Strategies: Evidence, Experience & Expertise

To fully leverage the market experience and sales expertise of your team by utilizing evidence (data)
Step 5: Take ACTION with Insight

- Realtor-MLO relationships are crucial to increasing homeownership rate in traditionally under-served neighborhoods.

- MLOs can connect with listing agents; discuss potential DPA programs, review which lender programs/products the property and borrower could qualify for.

Source: iEmergent/MLS Data
Real Results for Lenders and Communities

What We’ve Seen:

• Quantifying Opportunity Provides Business Case/Reason
• Market Insight Leads to Resource Optimization
• Resource Optimization = Maintaining Profitability
• Change is Easier With Guidance On What to Do
A Better Future For Memphis

“And a beautiful world we live in, when it is possible, and when many other such things are possible, and not only possible, but done—done, see you!—under that sky there, every day.” – A Tale of Two Cities

✓ Targeted Strategies by Lenders
✓ Increase in AA Homeownership rate to 50%
✓ $1.7 B Additional Minority Opportunity in Memphis

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Source: iEmergent
A Better Future For You

- More Originations
- Enhanced Partnerships
- Increased Market Share
- Increased Enterprise Share
- Higher Individual LO Productivity
- Greater Collective Productivity
- Greater LO Retention
- Lower Front-End Sales Costs
- Lower Risk

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Source: iEmergent
THANK YOU FOR LISTENING

Additional Questions:

Laird Nossuli
lnossuli@iemergent.com
www.iemergent.com