

Understanding Market Opportunities with Advanced Analytics

July 8, 2020

iEMERGENT

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

▪ **Minority Homebuyer Pool**

▪ **Minority HO Rate**



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

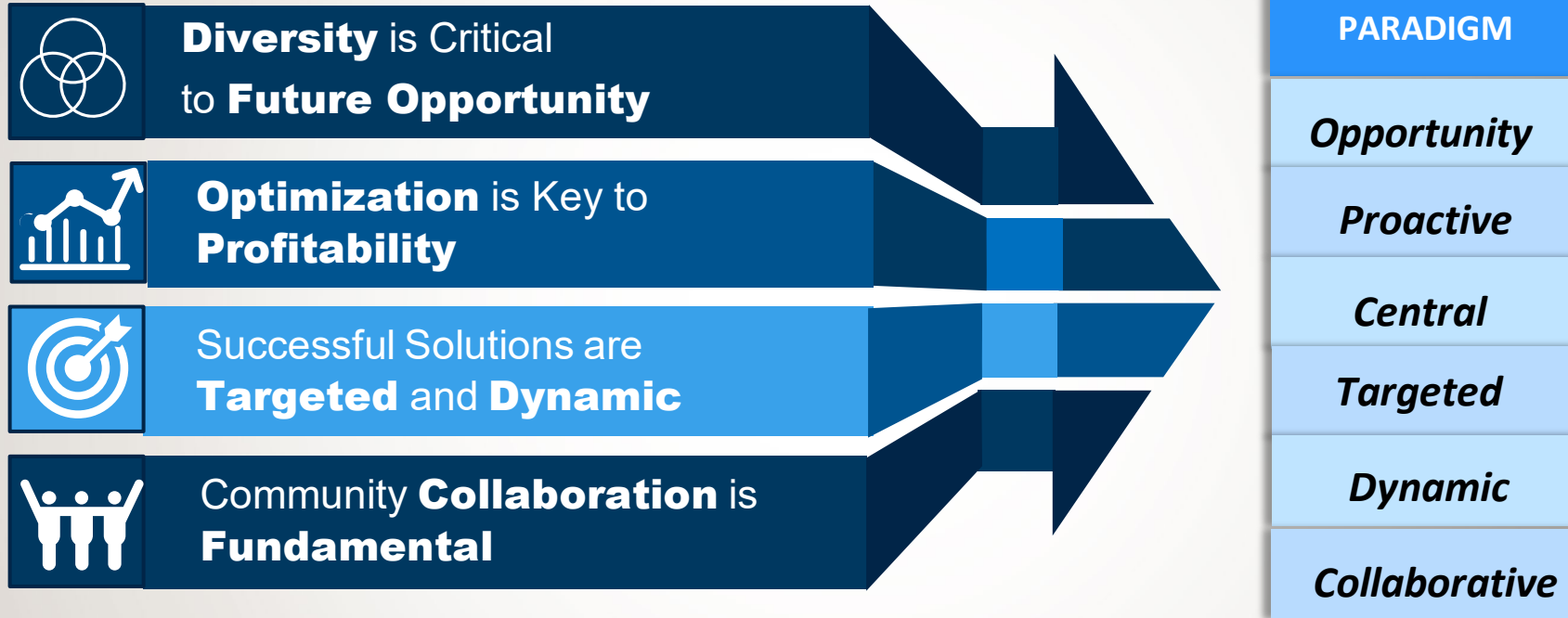
Home Loans in Memphis MSA	Then: 2019	Now: 2020	Status Quo: 2024
Home Loans (#)	17,533	11,511	18,000
Home Loans (\$B)	\$3.5	\$2.32	\$4.07
Avg. Loan Size	\$200,000	\$201,659	\$216,322
% LMI Loans	17.8%	12%	15%
% Asian Loans	3.4%	4.5%	5.7%
% African-Amer. Loans	28.3%	25.1%	22.0%
% Hispanic Loans	3.1%	2.9%	3.7%

Source: iEmergent

Changing the Paradigm

	STATUS QUO	NEW PARADIGM
PRIMARY DRIVER:	<i>Risk</i>	<i>Opportunity</i>
CHANGE APPROACH:	<i>Reactive</i>	<i>Proactive</i>
ROLE OF DIVERSITY:	<i>Peripheral</i>	<i>Central</i>
STRATEGY TYPE:	<i>Generic</i>	<i>Targeted</i>
INFORMATION:	<i>Static</i>	<i>Dynamic</i>
COMMUNICATION:	<i>One-Way</i>	<i>Collaborative</i>

Pillars of the Paradigm: Data to Insight to Action

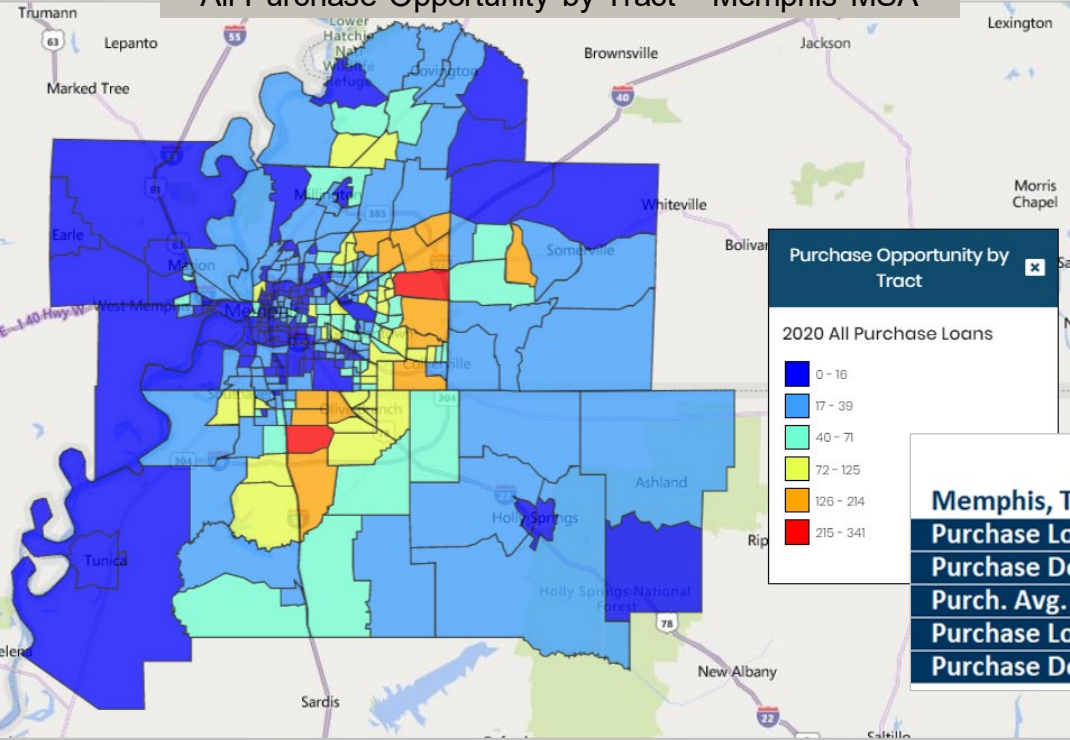


Opportunity-Driven Approach to Increasing Homeownership



Step 1: QUANTIFY - Start with the Big Picture

All Purchase Opportunity by Tract – Memphis MSA



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

To understand how the components fit into the whole

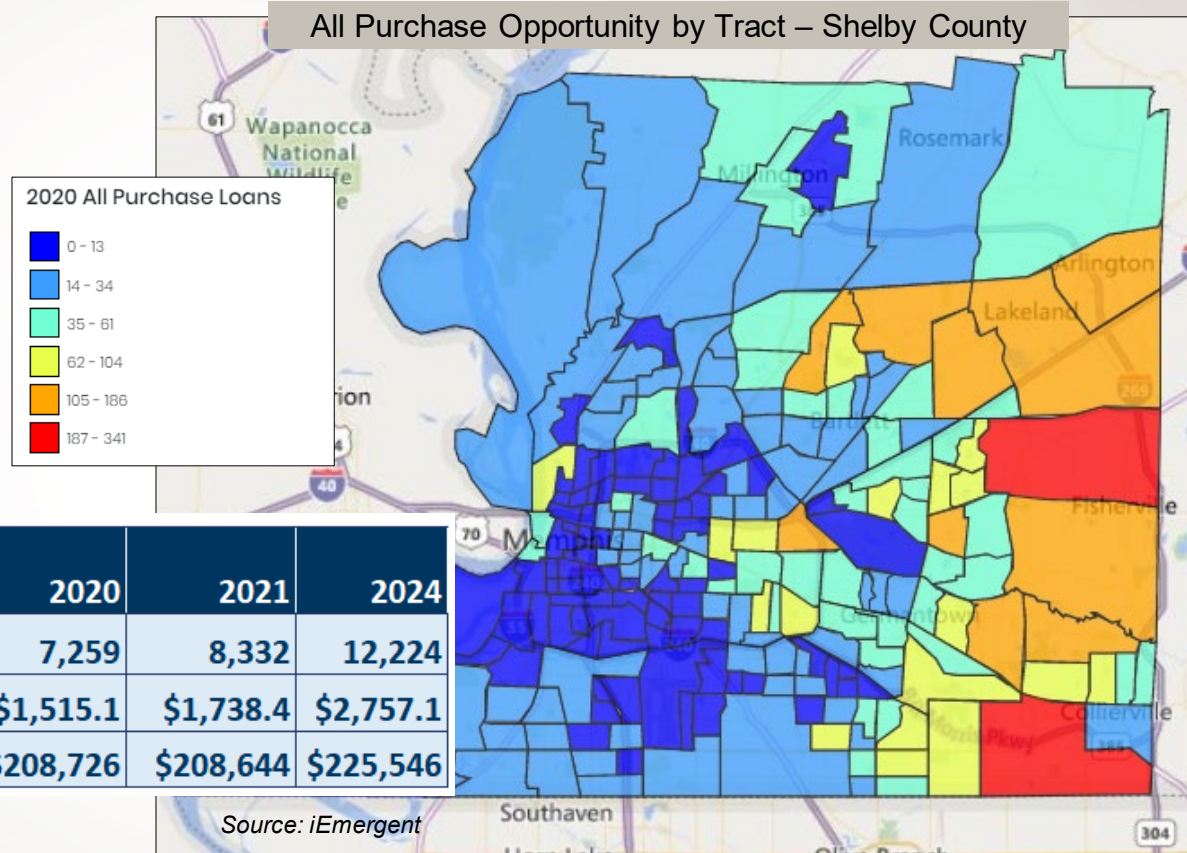
Memphis, TN-MS-AR MSA	2019	2020	2021	2024
Purchase Loans	17,533	11,511	13,113	18,810
Purchase Dollars (\$M)	\$3,506.7	\$2,321.3	\$2,636.2	\$4,069.0
Purch. Avg. Loan Size	\$200,007	\$201,659	\$201,033	\$216,322
Purchase Loan Rank (917 MSAs)	48	47	46	48
Purchase Dollar Rank (917 MSAs)	60	57	57	57

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



Shelby County, TN	2019	2020	2021	2024
Purchase Loans	10,780	7,259	8,332	12,224
Purchase Dollars (\$M)	\$2,210.0	\$1,515.1	\$1,738.4	\$2,757.1
Purch. Avg. Loan Size	\$205,009	\$208,726	\$208,644	\$225,546

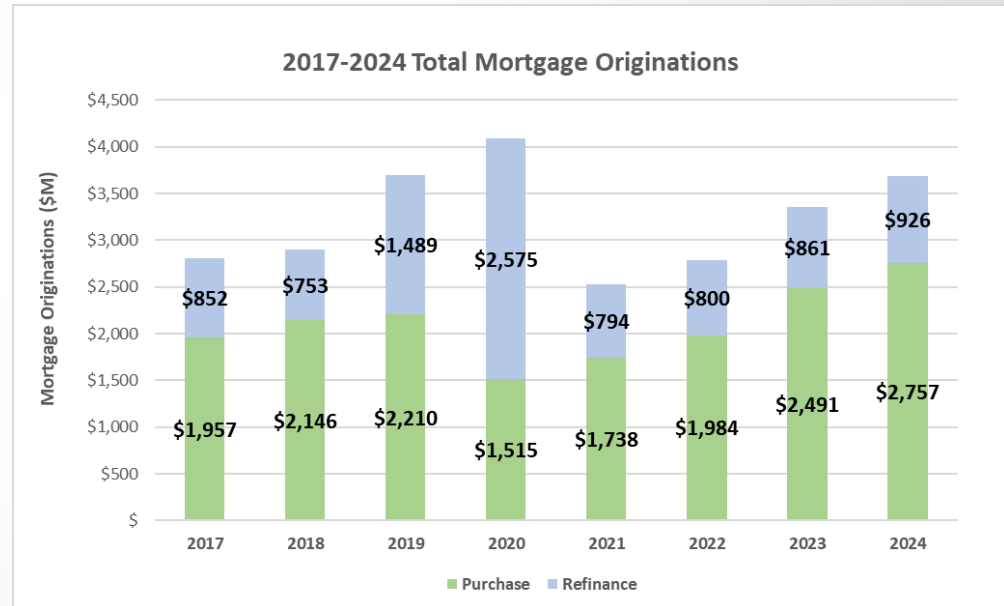
Step 1: QUANTIFY - Start with the Big Picture

Quantify beyond market size

To obtain comprehensive insight that will inform what strategies may succeed

Shelby County, TN	2019	2020	2021	2024
Purchase Loans	10,780	7,259	8,332	12,224
Purchase Dollars (\$M)	\$2,210.0	\$1,515.1	\$1,738.4	\$2,757.1
Purch. Avg. Loan Size	\$205,009	\$208,726	\$208,644	\$225,546

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



Source: iEmergent

Step 1: QUANTIFY - Start with the Big Picture

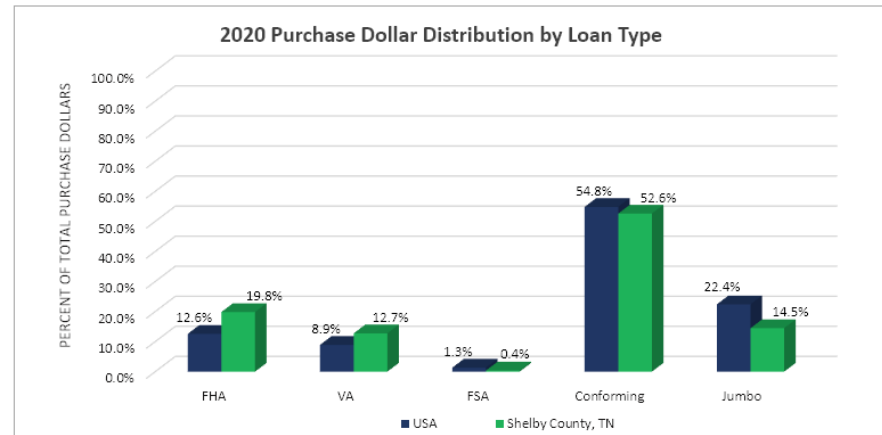
❑ Calculate Market Penetration Rates

- ✓ By product
- ✓ By minority borrower groups
- ✓ By household income

To ensure that your borrower and product mixes match the market's

Shelby County, TN

Loan Type	2020 Purchase Loans	2020 Purchase Dollars (\$M)	Purchase Avg Loan Size	% of Total Dollars
Total CY	7,259	\$1,515.1	\$208,726	100.0%
Conforming	4,741	\$796.9	\$168,092	52.6%
Jumbo	323	\$219.1	\$678,419	14.5%
Government	2,195	\$499.0	\$227,355	32.9%
FHA	1,560	\$300.5	\$192,638	19.8%
VA	604	\$192.9	\$319,407	12.7%
FSA	31	\$5.6	\$180,920	0.4%

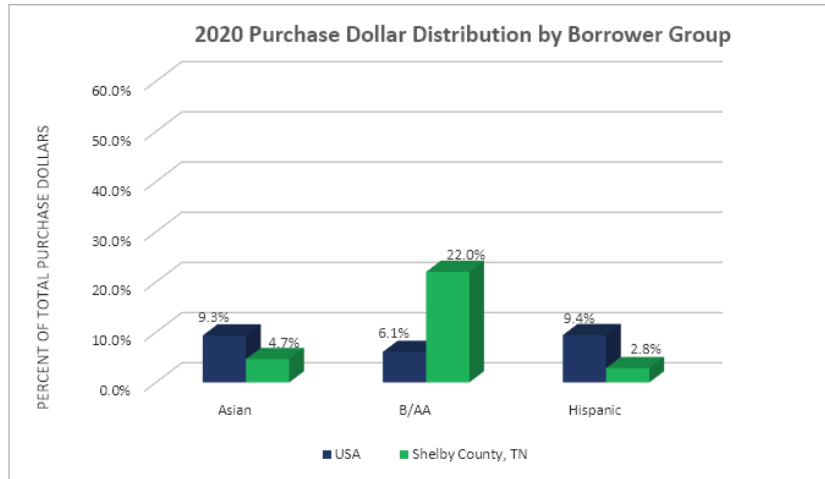


Source: iEmergent

Step 1: QUANTIFY - Start with the Big Picture

Shelby County, TN

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



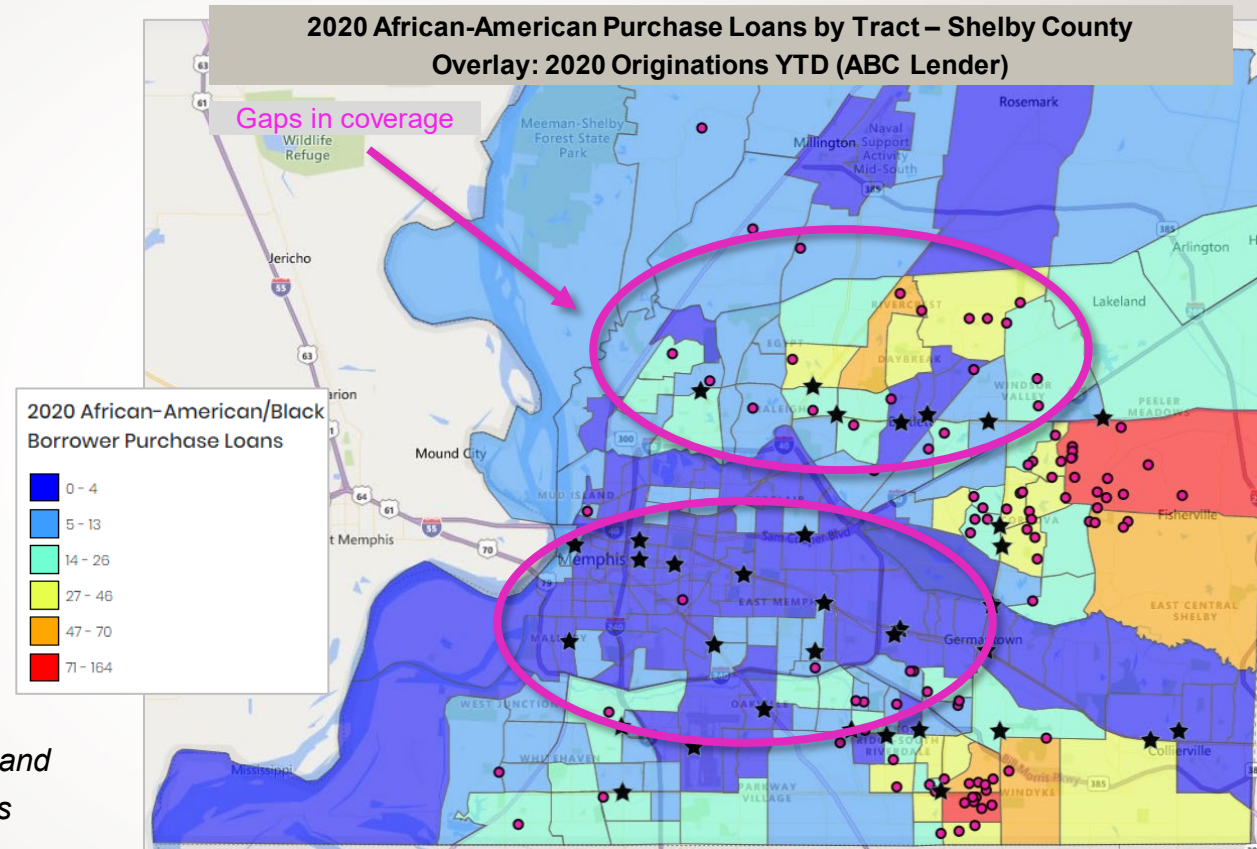
Source: iEmergent

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
 - ✓ Loans officers: How many? Who? Where?
 - ✓ Marketing efforts

To optimize resources – based on priority and opportunity - through strategic and quantified decisions

Step 4: FOCUS Your Resources

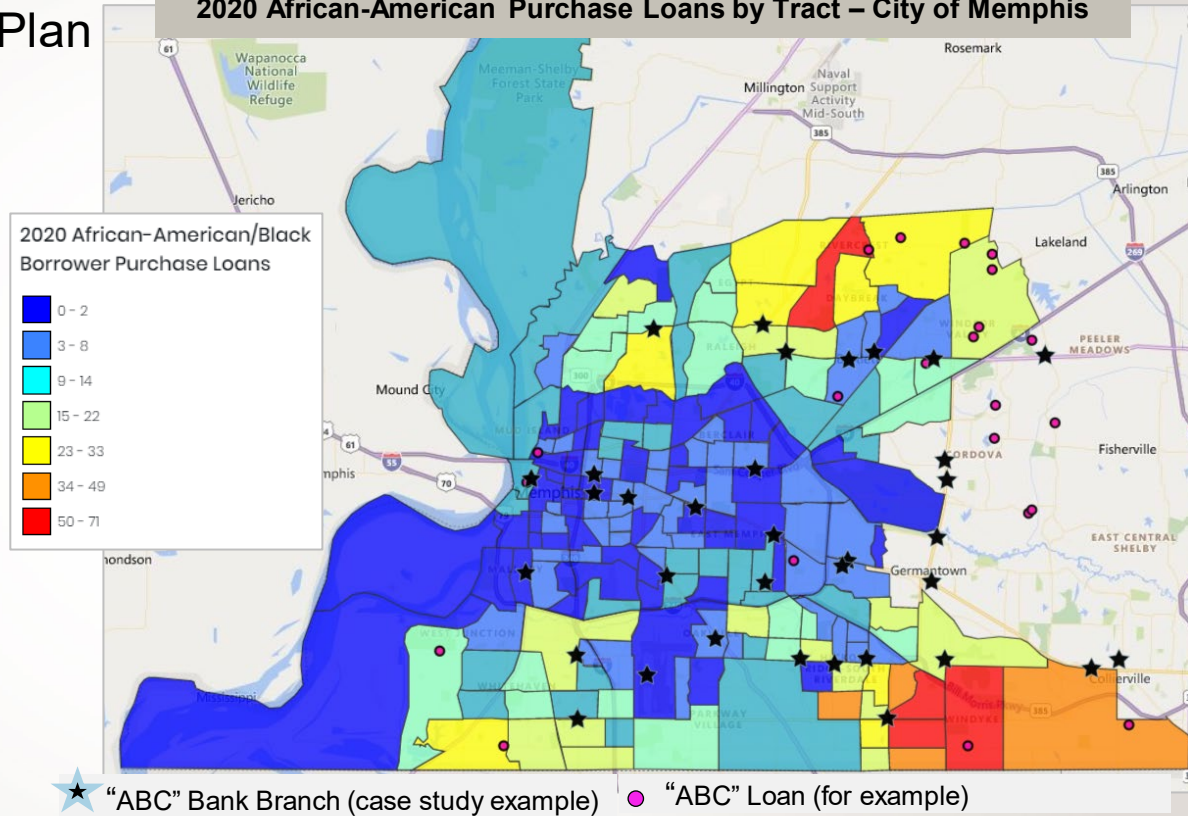
❑ Map Out a Diverse Lending Plan (Literally)

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

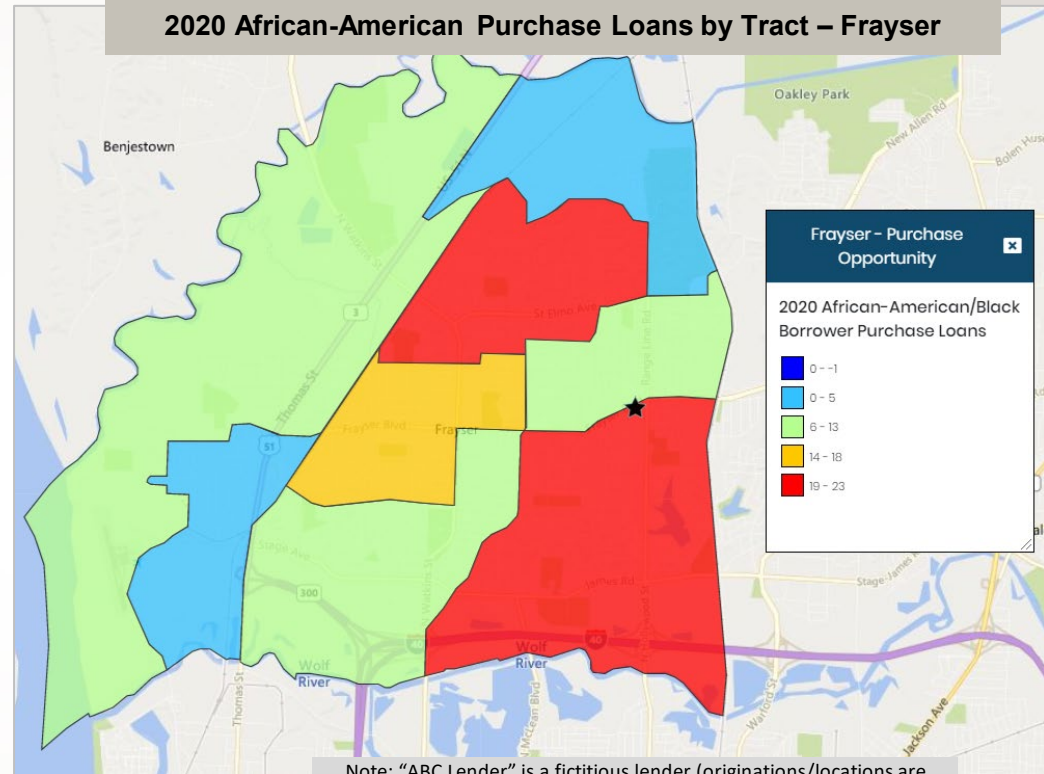
2020 African-American Purchase Loans by Tract – City of Memphis



Step 4: FOCUS Your Resources – Drill Down

BAAZ1: Frayser	Black-AA Pur. Loans	Black-AA Pur. Dollars	Average Loan Size
2019	82	\$5,050,000	\$61,585
2020	68	\$3,460,500	\$51,267
2021	76	\$3,898,700	\$51,265

BAAZ1: Frayser	
Black-AA Households	11,331
Black-AA % of All HH	82%
Black-AA Homeownership Rate	44%
Conf % 2020	77%
FHA % 2020	21%
VA % 2020	2%
Largest Age Group	35-44



Source: iEmergent

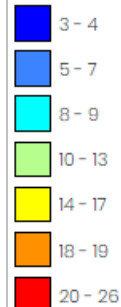
Note: "ABC Lender" is a fictitious lender (originations/locations are purposely aggregated from multiple lenders).

Step 4: FOCUS Your Resources – Drill Down

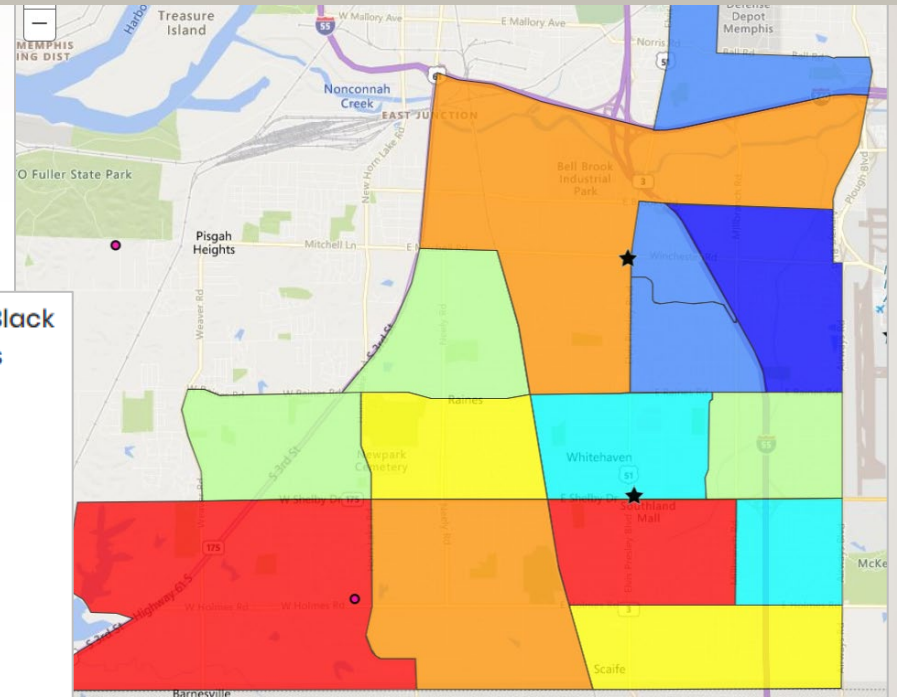
BAAZ3: Whitehaven	Black-AA Pur. Loans	Black-AA Pur. Dollars	Average Loan Size
2019	197	\$21,715,000	\$110,228
2020	140	\$13,524,000	\$96,428
2021	151	\$14,573,650	\$96,642

BAAZ3: 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

2020 African-American/Black Borrower Purchase Loans



2020 African-American Purchase Loans by Tract – Whitehaven



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.


MLS #: 10070565

Address: 4100 Argonno St
City: Memphis
State: TN
Zip: 38127
List Price: \$27,500
Agent Full Name: Duane Kinnard ☆
Agent Email:
Agent Preferred Phone: 901-323-1246
Office Name: Tri Lakota Realty
Standard Status: Active
Days On Market: 21



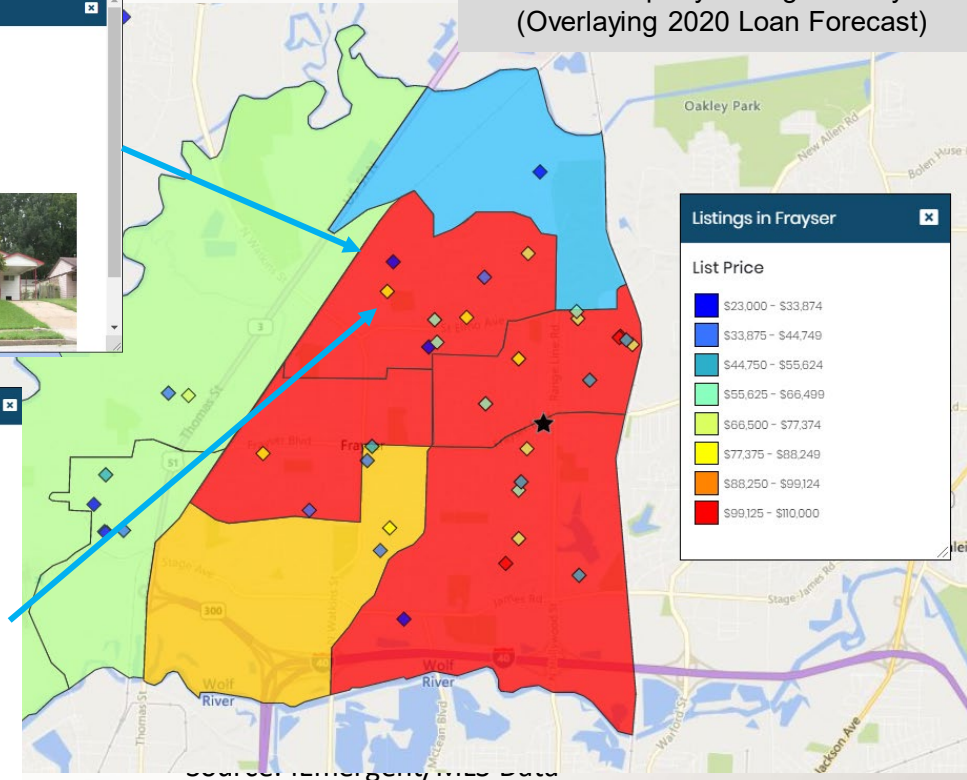
MLS #: 10071065

Address: 4032 Argonno St
City: Memphis
State: TN
Zip: 38127
List Price: \$95,000
Agent Full Name: Laurie Cooper ☆
Agent Email:
Agent Preferred Phone: 901-690-6795
Office Name: Primo Realty & Investments
Standard Status: Active
Days On Market: 13



Source: iEmergent

Current Property Listings in Frayser
(Overlying 2020 Loan Forecast)



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



“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

Source: iEmergent

THANK YOU FOR LISTENING

Additional Questions:

Laird Nossuli

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www.iemergent.com