



ABS East: GSE rental pilot short-lived, but still effective

By **Glen Fest**

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Fannie Mae and Freddie Mac's involvement in the single-family rental market may have been short-lived, but it still had a positive effective, according to Beth O'Brien, CEO of CoreVest.

The pilot financing programs lasted just two years before the Federal Housing Finance Agency announced last month that it was pulling the plug. FHFA Director Mel Watt said the agency had concluded that market for financing larger rental programs is sufficiently liquid without any help from the government-sponsored enterprises.

The FHFA acknowledged that smaller landlords may have limited options for long-term financing, but was unwilling to allow GSE involvement in this segment of the market – at least not yet.

Though CoreVest participated in Freddie's pilot, O'Brien isn't complaining about its demise.

"It [GSE involvement] did actually help the market in that it generated a lot of buzz," she said during a panel at IMN's ABS East Conference Monday.

O'Brien agrees with the FHFA's assessment that the single-family market is functioning pretty efficiently without the involvement of the two GSEs. Case in point: Pricing on \$200 million of bonds Corevest issued through Freddie's pilot in December 2017 (with the GSE guaranteeing 80% of the certificates issued) was not that different from a private-label securitization it had just completed in November.

They were executed "almost on top of each other," she said. "If you look at the bonds the classes are all different and priced differently, but if you add in the G-fees and everything else, from the issuer perspective we were literally within three basis points of each other."

"I think markets were incredibly efficient, more efficient than I was even expecting them to be."

CoreVest , which is controlled by Fortress Investment Group, lends to landlords acquiring or fixing up portfolios of between one and 500 single-family homes. To date, it has securitized \$3.5 billion, 84% of which has gone to single-family rental properties.

Drumming up investor interest wasn't the only benefit to GSE involvement, either.

"Having the GSEs look at the market this closely, doing the research that they did ... they did come out with a lot of standardized documentation," O'Brien said. "The market now has a good feel for what this looks like."

This benefits everyone who lends to landlords. "The more standardization we can see , the better liquidity we're going to have in the bonds and loans. It is its own asset class and deserves to be financed, not just be this kind of hybrid between sometimes at this bank its commercial and sometimes at this bank it's residential."



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properties

Approximately 81.5% of the borrowers in the latest deal have more than one mortgaged property; those with three or more

Voluntary substitution

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Prior credit event

Some 39% of borrowers in COLT 2018-3 have had one or more prior credit events, including foreclosure, bankruptcy, short sale or deed in lieu of foreclosure

- **None: 60.6%**
- **0-2 Years: 9.8%**
- **2-4 Years: 13.5%**
- **More than 4 years: 16.2%**

Source: Fitch Ratings



Variable servicing fees

Flagstar as servicer is due fees that, in aggregate, increase as loan performance worsens and/or loss mitigation activity increases

- **Modification: \$2000**
- **Short sale: \$1500**
- **REO sale: \$1000**
- **Cure 60-day plus delinquency: \$500**
- **Forbearance: \$100**

Source: Kroll Bond Rating Agency

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