



# **Understanding the Secondary Mortgage Market & How It Is Driving Change at the Closing Table**

Presented by:  
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**Understanding the Secondary Mortgage Market  
& How It Is Driving Change at the Closing Table**

<i>MATERIALS</i>	
<b>1</b>	<b>Understanding the Secondary Mortgage Market &amp; How It Is Driving Change at the Closing Table PowerPoint Slides</b>
<b>2</b>	<b>The Florida Bar Certificate of Accreditation for Continuing Legal Education</b>
<b>3</b>	<b>NALA Certificate</b>

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# Understanding the Secondary Mortgage Market & How It Is Driving Change at the Closing Table

Maggie Thumberg  
Sr. Mgr., Continuing Legal  
Education

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## Digital Closings

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## Fully Electronic Closing

- Every document is signed & notarized electronically. No paper is used in transaction.



## Hybrid Closing

- Some, but not all, documents are signed & notarized electronically.
- Which documents are “wet” signed and which are e-signed can be different transaction-to-transaction depending on lender, settlement agent, what documents are being signed & parties.



# The Secondary Mortgage Market



## American Mortgages: A History

Great Depression

**1933** – Home Owners' Loan Corporation established

**1938** – Fannie Mae established

**1932** – Federal Home Loan Bank System established

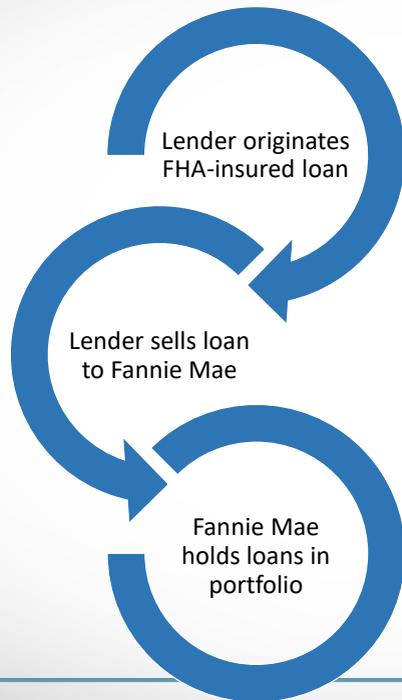
**1934** – Federal Housing Administration established

- Introduction of fully amortizing 30-year mortgages



## Early Secondary Market Approach

- Fannie Mae



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## American Mortgages: A History

**1954 – 1968** –  
Fannie Mae  
transition from  
government  
agency to GSE

**1970** – Freddie  
Mac established

**1968** – Ginnie  
Mae established

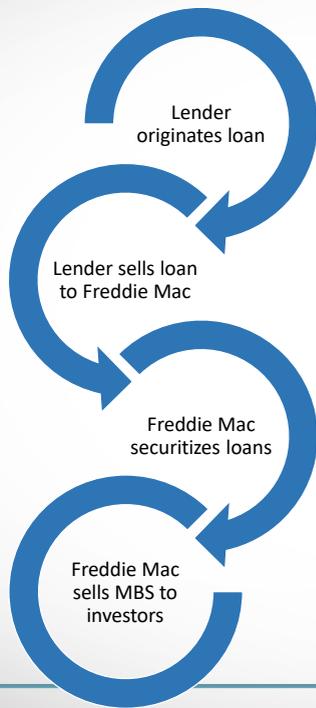
**1970s on...** -  
Growth of  
private label  
MBS market

- **1977** – Bank of America introduces first jumbo MBS

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## Different Secondary Market Approach

- Freddie Mac



## Mortgage Funding Today



## Getting Loans to Market

- Funding the loan at closing
  - Warehouse lines
    - Lines of credit for mortgage originators
    - Mortgages are pre-sold into the secondary market
    - Term of loan – 15 – 30 days



## Getting Loans to Market

- Warehouse Bank to Securitization
  - Mortgages are pooled for securitization by Fannie Mae, Freddie Mac, Ginnie Mae, or private entity
  - Newly-created mortgage backed security is ready for market



## Getting Loans to Market

- Mortgage Backed Securities – Pass Throughs

TBA Market	Specified Pool	Vintages
<ul style="list-style-type: none"><li>• Settlement date set by Securities Industry &amp; Financial Markets Association</li><li>• Sale occurs within 3 months</li><li>• Identity of securities not known until 48 hours before trade day</li><li>• 6 characteristics are known: issuer, maturity, coupon, price, par amount, settlement date</li></ul>	<ul style="list-style-type: none"><li>• Identity of securities known before settlement</li><li>• Can do more due diligence &amp; determine risk factors more easily: geography, credit score, loan size, age of loan, etc.</li><li>• Trade at a premium</li></ul>	<ul style="list-style-type: none"><li>• Specify particular loan origination year, e.g., 2015 30-year fixed</li><li>• More certainty around prepayment characteristics</li><li>• Trade at a premium</li></ul>



## Getting Loans to Market

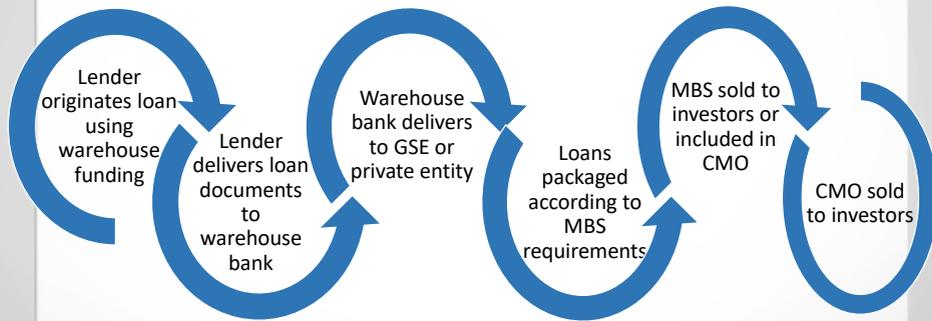
- Collateralized Mortgage Obligations

- Designed to distribute risk of prepayment more evenly & meet payment time tables desired by investors

<b>Tranche A</b> 2 – 3 Years Maturity
<b>Tranche B</b> 5 – 7 Years Maturity
<b>Tranche C</b> 10 – 12 Years Maturity



## Modern Secondary Market Approach



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## Securitization and Digital Closings

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## A Matter of Efficiency

- Time is the enemy! And it starts at origination.
  - Processing times – pre- and post-closing
  - Uniformity of product
  - Reduction in time from closing to securitization
  - Analysis of underlying collateral for risk management and compliance
  - Auditing functions – throughout life-cycle



## A Matter of Efficiency

- Time is the enemy! For settlement agents, too.
  - Reduction in processing times – pre- & post-closing
  - Decreases need for corrective instruments & associated costs
  - Closing & funding are quicker



## Getting Ready

- Designate an in-house “expert”
- Stay informed
- Research
- Budgeting
- Consider file storage, server space & back-up implications
- Start e-recording
- Try an e-signing provider for your documents (disbursement authorization, FIRPTA, ALTA settlement statement, bill of sale, etc.)
- Issue policies at closing





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January 8, 2019

<b>Reference Number:</b>	1900063N
<b>Title:</b>	Understanding Secondary Mortgage Market
<b>Level:</b>	Intermediate
<b>Approval Period:</b>	02/12/2019 - 08/31/2020

### CLE Credits

General 1.0

### Certification Credits

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**PLEASE COMPLETE THE SPACES BELOW AND ATTACH A PROGRAM**

Session Hours	Session Topics (Description and Speakers)	Validation of Attendance
1.0	Understanding the Secondary Mortgage Market	<i>MT</i>
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