The 7th Annual
RESIDENTIAL MORTGAGE
SERVICING RIGHTS FORUM
March 19-20, 2020
New York, NY

Q&A

Questions & Answers With Some of Our Key Speakers

SEE WHAT THE MSR MARKET IS SAYING...
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In anticipation of our 7th Annual Residential Mortgage Servicing Rights Forum, we asked some of our key speakers the below questions which are at the forefront of many industry leaders’ minds today.

1. What kind of changes have you been going on in regards to the change from LIBOR to SOFR?
2. Securitization vs. Excess Servicing vs. Advances- What are the preferences?
3. Interest rates are low again right now. How has this impacted MSR strategy?
4. MSR acquisition- What is your preferred route?
5. How will the Non-QM patch changes impact the MSR market? How about GSE Privatization?
6. How is this year treating you so far?
7. Where are you planning to go on your next vacation?

This is what they had to say...
What kind of changes have you been going on in regards to the change from LIBOR to SOFR?

Eris has been building the SOFR curve, readying for 1) the listing of Eris SOFR swap futures mid-2020, and 2) to change the discounting of Libor swaps in October 2020 from Fed Funds to SOFR.

How is this year treating you so far?

Lots of new end-users have started hedging with CME’s Eris swap futures in 202 and there are many new ones in the pipeline.
What kind of changes have you been going on in regards to the change from LIBOR to SOFR?

Part of my answer is that there are a large number of loose ends...mainly due to the lack of a term SOFR at this point. But for the work I do it doesn’t have a huge impact. The only place where my MSR work would be impacted is in valuing new-production ARMs, which will be issued using LIBOR as the reset index.

Securitization vs. Excess Servicing vs. Advances- What are the preferences?

My opinion is to securitize...I think it’s more liquid and easier to value versus just holding it in portfolio.

Interest rates are low again right now. How has this impacted MSR strategy?

If you don’t hedge, you’d better have great recapture or an indulgent boss.

How will the Non-QM patch changes impact the MSR market? How about GSE Privatization?

Too early to say w/ respect to the patch. GSE privatization? Candidly, I don’t think it can be done short of alchemy. We may be having this conversation in 2040...God willing.

How is this year treating you so far?

Can’t complain. Busy.

Where are you planning to go on your next vacation?

Baltimore, for my son’s wedding.
LEON TATEVOSSIAN  
**Adjunct Professor, Financial Mathematics and Engineering**  
NYU Courant and NYU Tandon

Leon Tatevosian is an adjunct professor in Mathematics in Finance at NYU Courant and in Finance and Risk Engineering at NYU Tandon. From 2009-16 he was a director in Group Risk Management at RBC Capital Markets, where he covered market risk for securitized products in secondary-trading, origination, and proprietary-trading areas. Leon’s experience in the fixed-income capital markets includes positions as trader, quantitative strategist, derivatives modeler, and risk analyst. His product background includes US Treasurys, US agency bonds, interest-rate derivatives, MBSs/ABSs, and credit derivatives. Leon graduated from MIT (SB; mathematics) and was a graduate student in mathematics at Brown University.

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**Q**

**Interest rates are low again right now. How has this impacted MSR strategy?**

The market seems somewhat conflicted on whether prepay has been responding "as expected” during the bond-market rally that commenced in Q4 2018. For the first part of the trend down in yields some analysts suggested that the pick-up in speeds was less-than-anticipated. With yields retracing the lows and a fairly dovish tone to FOMC policy views we could see some changes in relative value across the MBS coupon stack. This could mean that pool attributes will exert an even greater impact on judging value and hedging strategies for IO-like assets … because the signals from the bond market would be moving around. It seems like speeds in January (reported earlier this month) were a bit sluggish, but I’d expect a pickup in February, reflecting the pop we’ve seen in applications.

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**A**

**How will the Non-QM patch changes impact the MSR market?**

The overriding theme is that the market is looking for more depth in prepay histories to better judge the economics of non-QM product, including non-QM servicing streams. Regarding tightening of the non-QM patch, it’s very hard to tell what the impact will be until we see what the CFPB has in mind, and how long they extend the expiration of the patch. Arguably, different QM-qualify rules could modify the composition of the agency market as high-DTI loans fall out of the agency profile. This could lead to some adverse selection: If high-DTI loans are excluded from agency securitization then the overall universe of agency MSRs arguably becomes more refinanceable (adverse selection). But a plausible argument could be made for the opposite effect, since non-QM loans prepay fast. Bottom line is that the market will want to see both historical performance data and more granular loan-level data in portfolios.
### Q & A: Conversations with Rudy Orman

**RUDY ORMAN**
*Director of Correspondent Sales & Product Development, Reliant Bank*

Reliant Bank is a publicly traded $3Bn Nashville, TN based bank. Purchasing Non-QM bank statement loans, Alternative Jumbo, Investor Debt Service and Home Equity Loans. Rudy has over 30 years of mortgage experience which include creating one of the largest subprime conduits for Household Finance. Also helped create a mortgage conduit for Goldman Sachs. Also purchased MSR’s and NPL’s for Carrington, Marathon Asset Management and American Capital Mortgage Investment.

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<tr>
<th>Q</th>
<th>A</th>
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<tbody>
<tr>
<td><strong>What kind of changes have you been going on in regards to the change from LIBOR to SOFR?</strong></td>
<td>Actually not much, more wait and see what the market will accept.</td>
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<tr>
<td><strong>Securitization vs. Excess Servicing vs. Advances- What are the preferences?</strong></td>
<td>Securitization.</td>
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<td><strong>Interest rates are low again right now. How has this impacted MSR strategy?</strong></td>
<td>The rate fluctuation has made us a bearish, too many ups and downs has side-lined us.</td>
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<tr>
<td><strong>MSR acquisition-What is your preferred route?</strong></td>
<td>Organically through our retail channel, then selling immediately</td>
</tr>
<tr>
<td><strong>How will the Non-QM patch changes impact the MSR market? How about GSE Privatization?</strong></td>
<td>Minimally, our Non-QM business is very manual, more art than science, doesn’t equate to GSE flow.</td>
</tr>
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<td><strong>How is this year treating you so far?</strong></td>
<td>Great, really focusing on the NonQM business which is growing and seems unlimited.</td>
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<td><strong>Where are you planning to go on your next vacation?</strong></td>
<td>Vegas Baby.</td>
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For more information, please contact Andy Melvin at amelvin@imn.org or (212) 901-0542 or visit www.imn.org/msreast
Find out more...

The speakers who contributed to this e-book will be joined by Mortgage Servicing Rights Buyers, Sellers and Government representatives and more for 2 days of lively discussion, thoughtful debate and countless networking opportunities at IMN’s 7th Annual Residential Mortgage Servicing Rights Forum. **Click here to view the conference agenda** with the complete list of speakers and sessions which will be discussed.

Conference Venue
Marriott New York Downtown
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For more information, please contact Andy Melvin at amelvin@imn.org or (212) 901-0542 or visit the [event website here](#).