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* How would you categorize the state of mortgage banking in 2010?

Bewildered, perplexed, confused and uncertain; midstream.

* This year saw the passage of the Dodd-Frank Act. What impact will this legislation have on the mortgage banking industry?

It will be used as the backdrop to mandate third party audits with respect to the foreclosure-gate issues, not only for consumers but for industry counter-parties. For example, title companies will require greater warranties or indemnity from lenders or originators against foreclosure-gate liability. This will allow product (REOs) to sell, but the fall-out will cost the lender. Also, all industry counter-parties will soon step up and require its positions to be indemnified. In terms of foreclosure-gate, ultimately the foreclosure trustees, its employers, parents, agents, vendors, and the foreclosure attorneys will bear the indemnify burden. *The downstream vendors including the foreclosure bar and its malpractice insurers must take (immediate) heed, or it will bear a significant portion of the losses.*

* GSE reform was put off in 2010, with the promise of its being addressed in 2011. Do you feel this was the right thing to do? * What do you think is going to happen to the GSEs in 2011?

The restructuring of the Fannie and Freddie is critical. Since, we can't agree on what to do as yet, it's better to kick-the-can until we can. The need to revitalize the securitization pie is greater than ever. Prime, Alt A and frankly sub-prime demand is higher than ever (with the fallout of recession). *Late 2009 we started filling the FHA/Ginnie Mae balloon to make up for the unwinding of Fannie Mae/Freddie Mac during its conservatorship life-support. In addition, the other GSE (the 12 community purposed Federal Home Loan Banks) had to pick up some slack as well. Meanwhile, Fannie and Freddie grew fatter on its new covert-off-balance sheet conservatorship gurney with its family Fed and Treasury at its side.*

It is unnatural and against relative charter mandates for FHA/Ginnie and the 12 FHLBs to fulfill the great and actual demand and need. To date we have failed miserably to revitalize securitization. There must be sufficient private label, covered bonds, private and public guarantees, and GSE support in some form to fund mortgage finance. *Now, that may require us to restructure the system again. But, until we (can) actually replenish the anemic securitization pie with a sufficient level of money-flow and private/public guarantees – all of which are specifically attributable to the numerous varying and diverse product needs -- we cannot unplug Fannie and Freddie.*

* What do you predict as the future of private-label market for 2011? * Earlier in 2010, the Redwood Trust securitization announcement was the first private-label RMBS breakthrough since the recession began. But, so far, there have been no additional announcements along those lines. In your opinion, what happened?

Until we can implement a securitization structure or alternative structure that is comprehensive as to its purpose in serving diverse financial product lines – to meet all levels of demand and need – private label will struggle to find its feet. And at this time, *we are only at the very beginning of the process to learn what consumer products will make up the product lines. Outlawing diverse product lines will have a direct and negative effect on the ability to fill-up the securitization pie – they are dependent and connected!*

* Mortgage banking faced a new controversy surrounding the so-called "robo-signing" of foreclosure documents. What impact will this controversy have on the general state of mortgage banking – from both an origination and a servicing viewpoint?

The foreclosure-gate freeze will act as the trigger for a wave of legal challenges. Foreclosure-gate freezes will mandate third party audits consistent with the Dodd-Frank new financial regulations, challenging the foreclosure process for all 50 states. Legally, freezes will create insecurity in marketable title for foreclosed homes, foreclosures in the pipeline, vacant properties, REOS, and property sold within and outside of the state redemption periods.

Title and insurance companies will realize greater uncertainty and liability in want of judicial decisions or counter-party indemnification. The extent, to which defective foreclosures will be vacated causing revival of title back to borrowers, is unknown.

In many cases, return of the home may not be the remedy for the borrower, but the banks, servicers, trusts/REMICS, trustees, foreclosing attorneys, realtors/brokers and property preservation companies may be exposed to damages including injunctive relief, treble and punitive damages. A court could shut down the foreclosure services operations of certain defendants by injunctive order under many varying state and federal laws. These challenges will also reveal grounds for more attacks on the origination of the loans, servicing of the loans, and foreclosure procedures of the loans.

Challenging of the foreclosure process, will trigger challenges to the origination process including attacks on standing, securitization rules, definitions and practices, and electronic registration systems and authority (MERS). This will result in an explosion of (MBS) investor lawsuits for buy back or put back litigation for failed representations and warranties. If borrowers show that the banks/trustees failed to prove that it perfected title to the trust deeds and notes, or failed to prove that it owned the notes, investors will sue for fraud and redress of any losses realized on investments it didn't own. What's coming? Can anyone say: Borrowers sue everyone; Investors Sue the Trusts/Banks (Depositors/Underwriters/Issuers/Securitizers); Trusts sue the Banks/Servicers; Banks/Servicers sue the Foreclosing Attorneys/Vendors?

The bank and financial stocks are falling with the news of foreclosure-gate and foreclosure freezes. Without the leadership in the banking or financial stocks, growth in the economy, earnings or bank lending, will put a drag on a market recovery.

With some 13.4 million homeowners or 28% of homes underwater with negative equity and near-negative equity (CoreLogic 8/2010), and some 7 million homeowners behind on their mortgages (RealtyTrak®), foreclosures will continue at capacity levels. *The recent downward movement or reduction of underwater homes is attributed to the increase in completed "foreclosures."* We must wait to find out if set-asides of wrongful foreclosures will reverse that relationship. In the highest negative equity states such as Nevada (68%), Arizona (50%), Florida (46%), Michigan (38%) and California (33 percent), foreclosure-gate may reveal its greatest impact. Servicers and foreclosing attorneys must pay special attention to this material contingency.

* The industry has also seen continued problems relating to mortgage fraud. Do you believe this problem will be successfully addressed in 2011?

New computerized systems and fraud plug-ins used as pre-checks to any origination, refinance, securitization, modification, bankruptcy or foreclosure, will catch and significantly reduce fraud and contingent liabilities in the system.

* The U.S. economy has been very slow to gain traction for a full recovery. Can the delay in getting back to economic health be blamed, in any way, on the state of the housing markets?

Housing is a key factor in recovery. The economy is not made up of a few industries only; it's made up of all industries that serve full employment, which include consumers, housing and mortgage banking. For example, even if the economy reaches new heights, if it did so without housing, many dependent industries would not recover including building, construction, materials, related manufacturing, etc. In such event, consumer spending will be impaired as to those sectors of the economy. Since consumer spending is the majority driver in our economy, we must find ways to return mortgage banking and housing to full employment. We must remember that about 20% of GDP is related to housing. In 1998, some 50% of all homeowners held 50% of their net worth in home equity. ***Every 1000 homes built create 2,448 jobs, $79.4 million in wages and $42.5 million in federal, state and local tax revenues and fees.*** Twenty percent (20%) of all consumer spending is linked to household wealth. Every $1,000 gain realized from a home sale boosts spending by some $150, compared to $30-50 from stocks. We can add 15.61 million homeowners over the next 14 years (prox. 1.2 million per year). Demand may require 1.7 million new homes and apartments per year, which could pour billions into the tax and wage base. Homeownership creates a backbone of wealth throughout

America like no other financial product to date. The industry must embrace the The American Dream of all consumers. The industry must realize that the consumer is its life-blood. Greater homeownership can help balance the budget.

* Where do you see the U.S. economy heading in 2011?

Continued ups and downs. Slow growth with periods of major set-backs. The strain on the consumer or borrower has not been sufficiently released. We are simply not addressing some critical legal, tax and regulatory issues that would free-up the consumer as we burden her in her quest to deleverage. This lack of sensitivity is harming the prime and Alt A borrower or consumer more than the sub-prime sector. For example, many prime and Alt A borrowers held vacation homes and a few rental or investment properties. With the negative effects of the economy with loss of income and loss of rents, they are realizing great losses in liquidation of those properties, and to add injury to insult, they often have to realize income tax burdens and loss deficiency liabilities. Without income tax or deficiency relief, the initial presidential *policy* position not to bailout such investor has carried through to today, and it will only further slow the recovery. Frankly it's silly and unfair; there are solutions, we just are not addressing the problem comprehensively. *We are losing prime and near prime consumers which only serve to hurt the consumer power and spending base, and directly hurt the mortgage banking and housing base; especially in times when new consumer product regulations are set to forbid certain financial products that these very same people need*. I guess in a few years, after we unnecessarily wipe out great segments of our consumer base, someone will speak up or realize that we could have structured tax, law, and regulations to avoid that, or approve products that serve the varying financial needs of all segments of the consumer base.