



**Mortgage
Bankers
Association of
Metropolitan
Washington**

C **MBA/MW** Connection

SPRING 2008

Great Educational and Networking Events Planned for 2008

A wide variety of educational and networking events have been planned for this year, and more will be added as the year goes on. Please be sure to regularly check our web site www.mbamw.org for detailed event information and registration forms.

May 13

**FHA Lending . . . A Great Alternative
9:30 am - 12:30 pm**

8411 Arlington Blvd, Fairfax, VA

A half-day program taught by Judy Wheatley, CMB, Mortgage Dynamics, Inc. focusing on FHA changes and how FHA lending can benefit you and your customers.

May 15

**Spring Luncheon -- Deflation of Housing
& the Mortgage Bubble**

Noon - 1:30 pm

Clydes of Tysons Corner, VA

A networking luncheon and presentation by Alex Pollock of the American Enterprise Institute.

May 19

**Evening Out at the Ballgame —
Nationals vs Phillies**

7:10 pm game time

New Nationals Stadium

Join MBA/MW's CREF Council at the new National's Stadium for a great evening of baseball and networking.

June tbd

Reverse Mortgage Seminar

9:00 am - noon

Herndon, VA

A half-day program taught by Chris Warner, Wells Fargo Home Mortgage. Details are being finalized.

June 11

CREF Council's Wine Tasting Event

Arlington Arts Center, Arlington, VA

Enjoy a relaxed evening sampling a collection of wines, gourmet cheeses and chocolates while exploring new works of art in the Arlington Arts Center.

June 19

Spring Golf Outing

Shotgun Start: 1:00 pm

PB Dye Golf Course, Ijamsville, MD

An afternoon of golf and networking with your colleagues at a fabulous course.

June 24

Mount Vernon Private Tour and Dinner

**George Washington's Historic Mount
Vernon**

Enjoy seeing a piece of magnificent and historic residential property and one of the oldest and the most productive examples of commercial real estate in the southern United States, followed by an elegant dinner at the Mount Vernon Inn.

July 10

Charity Happy Hour

5:30 pm

Bethesda, MD

Take a break after work and join us for an evening of networking & fun . . . all for a good cause. A \$5 donation will be collected at the door to benefit *Hope and a Home*.

September 16

**CREF Council's Annual Fall Seminar
1:00 pm**

Naval Heritage Center, Washington, DC

A half-day seminar focusing on the current dynamics of the commercial real estate finance industry.

October 2

Fall Golf Outing

Shotgun Start: 1:00 pm

Westfields Golf Course, Clifton, VA

Enjoy an afternoon of golf and networking with your colleagues at this challenging and first-class golf course.

November 14

**Mid-Atlantic Lender/Broker Conference
10:00 am - 4:00 pm**

**Fairview Park Marriott Hotel, Falls
Church, VA**

Featuring over 50 exhibitors serving the residential real estate finance industry. Full day of exceptional educational sessions. The perfect place to connect with industry peers.

**December 9 • Wine & Cheese Holiday
Party • 6:30 pm - 10:30 pm**

**Tickets Lounge in the Fairview Park
Marriott Hotel, Falls Church, VA**

Spend an evening networking with your colleagues at this fun-filled party during the holiday season.

**December 12 • Annual Meeting &
Holiday Luncheon**

11:45 am - 2:00 pm

Mayflower Hotel, Washington, DC

Join your colleagues for the association's annual holiday luncheon.

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Information about upcoming events can be found on our web site at www.mbamw.org

President's Message

by **Malcolm Hollensteiner, CMB**
National City Mortgage Company

"Well the first days are the hardest days don't you worry any more, 'cause when life looks like easy street, there is danger at your door."

-The Grateful Dead- Uncle John's Band

Mortgage banking did look like easy street twelve months ago but danger was at the door as we all soon found out. Now the question facing us today is: what's behind the next door? Regardless of the danger, MBA/MW is more than prepared to help meet our industry's challenges and struggles in the months ahead.

The first quarter of 2008 has been a very active period for MBA/MW on the legislative side while the coming second quarter will be primarily focused on educational and networking opportunities. The Maryland Legislative session has just concluded with a more favorable ending for the industry than initially anticipated. I can not thank enough Mike Sterner of the Maryland Mortgage Bankers Association and our shared lobbyist, Dennis Rasmussen, for their fantastic work in helping to coordinate our successful

efforts this winter in Annapolis. It has been a great learning experience for me and I look forward to enlisting the help of additional MBA/MW members for the 2009 session. Our association is extraordinarily adaptable as evidenced by the cooperation between nationally chartered institutions and state chartered companies. Federally regulated members are exempt from much of the recent state legislation, unlike their locally regulated cousins. Yet, both sides worked together to create a united front.

Another significant accomplishment for MBA/MW was our hosting of the first State of the Union summit with representatives from NVAR and GCAAR at MBA's downtown headquarters. This gathering was well attended by the respective executive boards from the three associations. We've agreed to meet again this summer with the next summit to be hosted by NVAR. A terrific exchange of ideas and concerns was shared by all participants.

Please make sure you attend our premier events this spring. We had a nice turnout at the *Freddie Mac's View of the World* seminar featuring Tim McBride,



Senior Government Affairs Director at Freddie Mac, and our Spring Luncheon features AEI's Alex Pollock. Both are fantastic speakers, and we need all of your support if we want to continue to host industry leaders. I expect to see many of you at these coming events.

Malcolm Hollensteiner, CMB is Vice President/Branch Manager of National City Mortgage Company and MBA/MW's 2008 President.

Make Plans to Attend MBA/MW's Spring Luncheon

*featuring . . . a presentation by AEI's Alex Pollock:
Deflation of Housing and the Mortgage Bubble*

*Thursday, May 15, 2008 • Noon - 1:30 pm
Clydes Tysons Corner, Vienna, VA*

Join your colleagues for lunch and hear Alex Pollock, Resident Fellow at the American Enterprise Institute discuss the deflating housing and mortgage bubble and the inevitable political reaction. Are we nearing the end of the bust? What is next—financially, economically, and politically?

Legislative Activities in Annapolis

by Malcolm Hollensteiner, CMB
MBA/MW President & Chair of the Legislative Committee

The 2008 session of the Maryland General Assembly came to a close at midnight on April 7. MBA/MW lobbyist Dennis Rasmussen, along with a very strong contingent of Maryland Mortgage Bankers Association (MMBA) members, have helped make our presence felt in Annapolis during the 2008 session. We thank Mike Sterner from MMBA for his tremendous dedication to the cause. It has been very helpful that Governor O'Malley and Attorney General Ganzler have encouraged and promoted MBA/MW's participation in the legislative making process this year.

Below is a summary of industry-related final actions of the Legislature.

On April 3, 2008, the following emergency Administration bills were signed by the Governor. Emergency legislation takes effect from the date that the legislation is enacted.

- SB□216/HB□365 (Ch. 1/Ch. 2) change the laws governing recordation and foreclosure of mortgages and deeds of trust. The bills alter the requirements for recordation, notice, service of process, court filings, and cure of defaults. Provisions include lengthening the foreclosure process and providing homeowners with more time and notice before a foreclosure sale and codifying the right to cure, which allows homeowners to stop foreclosure by paying what is owed up until one business day before the sale.

- SB□217/HB□360 (Ch. 3/Ch. 4) create a comprehensive mortgage fraud statute with criminal penalties and authorize the Attorney General, a State's Attorney, and the Commissioner of Financial Regulation

to enforce the statute. The new law also authorizes a private right of action for violations of the statute. Provisions include imposition of fines and imprisonment for violators and authorization for court-ordered restitution and forfeiture and enhanced penalties for cases involving vulnerable adults.

- SB□218/HB□361 (Ch. 5/Ch. 6) alter several provisions of law including prohibiting foreclosure rescue transactions, broadening the scope of the current law, and expanding the enforcement powers of the Commissioner of Financial Regulation. The changes are aimed at providing additional consumer protection for people who are trying to sell their homes because they are in default.

Administration bills, SB□270/HB□363 (Ch. 7/Ch. 8). make several changes in the law governing mortgage lending, including prohibiting prepayment penalties for mortgages, requiring lenders to verify a borrower's ability to repay, authorizing the Commissioner of Financial Regulation to set licensing, examination and investigation fees, and expanding the licensing requirements for mortgage lenders and mortgage originators.

Also passing, HB□645 (passed) amends the Maryland Contract Lien Act to extend the time during which any action to foreclose a lien may be brought, from 3 to 12 years following recordation of the statement of lien.

Failed Legislation

SB□389 (failed) would have directed that in an action to foreclose a mortgage or deed of trust on residential property improved by four or fewer single-family dwelling units, a court may only approve

a trustee commission and attorney's fees that the court finds reasonable after considering the factors enumerated in Rule 1.5 of the Maryland Rules of Professional Conduct. The bill would have prohibited a court from approving a trustee commission exceeding \$500 or attorney's fees exceeding \$800.

SB□535/HB□1398 (both failed) would have prohibited creditors from maintaining suit in a court of the State in an action to foreclose a mortgage of a homeowner, unless the creditor shows to the satisfaction of the court that the mortgage is not a "deceptive subprime mortgage."

SB□688 (failed) would have prohibited the enforcement of a lien or judgment arising from any unpaid water, sewer, or other sanitary system charges, fees, or assessments charged for a property by a tax sale of, an action to foreclose on, or a judicially approved sale of the property.

HB□778 (failed), the Richard Atta Poku Foreclosure Defense Act, would have provided that the right of a record owner to appeal a final judgment of the circuit court may not be conditioned on the posting of a supersedeas bond exceeding a certain amount.

Loretta's Law – Failed Legislation

SB□87 (failed), known as Loretta's Law, would have enacted the Maryland Uniform Power of Attorney Act to establish a clear and comprehensive set of rules governing powers of attorney.

Three Well-Deserving Members Receive Service Awards

MBA/MW's 2007 Outstanding Service Award winners were announced at the January 31 Installation Dinner at Maggianos Restaurant in Washington, DC. MBA/MW's awards program was established in 1998 to recognize and honor individuals who have made exceptional contributions of their time and energy to the profession, the Association, and the community. MBA/MW's 2008 President Malcolm Hollensteiner, CMB, presented an award to the three individuals listed below.



Commercial Outstanding Service Award — Steve Rozga —

Steve Rozga is a Principal and founding member of Gimbert Associates LLC. His responsibilities include operations, lender relations and production of commercial mortgage opportunities.

Steve began his career in real estate finance in 1983 with Principal Mutual Life where he underwrote mortgage and equity investments in some of the Western States before being named a Senior Regional Administrator in charge of mortgage opportunities in the Mid-Atlantic. Prior to joining Gimbert Associates Steve was a Managing Director in the Mortgage Banking and Commercial Finance Group of the H.G. Smithy Company in Fairfax, VA. He



started in the mortgage banking and commercial finance field in 1987, joining the Carey Winston Company as a Senior Vice President in the Commercial Finance Department.

Steve has been active with MBA/MW for many years, serving as Chair of the Commercial Real Estate Finance Council and as member of our Executive Board from 2003 - 2007. In 2006 he served as the association's President. Steve has been actively involved in the association's Charitable Giving Committee for many years. In addition, he has been an active volunteer with Manna, a DC-based housing charity. Steve has served on Manna's Leadership Committee for more than five years.



Residential Outstanding Service Award — Kevin Connelly —

Kevin Connelly is a Producing Branch Manager at BB&T Mortgage. Before joining BB&T he was with Pinnacle Financial in Vienna, VA. Kevin has been in the mortgage banking industry for 27 years. □

Kevin is a past member of MBA/MW's Board of Governors and has taught many VHDA classes for the association over the years. He has also been active on the association's Affordable Housing Committee.

In 2006 Kevin was awarded Affiliate of the Year for the Northern Virginia Association of Realtors and moderated the very successful NVAR Economic Summit in September.

Kevin has been married to his wife Victoria for 26 years and has two children.



Residential Outstanding Service Award — Susan Wallace —

One of our Association's primary goals is to be active in Community Outreach initiatives. MBA/MW is involved with Manna, and Hope and a Home, two DC based charitable organizations that provide services to low income families. For years now, MBA/MW has provided both financial and manpower support to these worthy organizations, and we can all take great pride that our association has involved ourselves over the years in this way.

As is the case with many of MBA/MW's initiatives, we have been very fortunate to have members go above and beyond the call to ensure our success in meeting our goals. Susan Wallace is one such member.

For six years Susan has been a top loan volume producer for Carteret Mortgage. The same professionalism apparent in her career Susan also pours into her volunteer work with us.

For over a year Susan has represented our Association at various volunteer work parties sponsored by both Manna, and Hope and a Home. And for those of you who have attended one of the work sessions, you're aware of the hard work involved and the back pain that generally



comes the next day!

At a work party in 2006 Susan learned of a program that Hope & a Home had initiated that needed a sponsor. This program worked to provide 15 or so families with Thanksgiving Dinners. This included purchasing & delivering complete turkey/thanksgiving dinners for these families. Immediately Susan volunteered, raising the needed funds, recruiting other mortgage bankers to help out, purchasing all the food, arranging it

in huge gift baskets and delivering the baskets to Hope and a Home headquarters! In the Fall 2007 she repeated this volunteerism and delivered another 15 Thanksgiving baskets to Hope and a Home on behalf of MBA/MW.

And when delivering the baskets this past Fall, Susan learned that Hope and a Home also provides holiday gifts to the children of the families involved in this program. Once again she immediately volunteered to help. Susan purchased gifts for the children, assembled them in attractive gift baskets and delivered them to Hope and a Home on behalf of MBA/MW.

It is with great pride and appreciation that Susan Wallace is one of the recipients of MBA/MW's Outstanding Service Award.

*Submitted by Larry Grist
MBA/MW's Chairman of the Board
and Account Executive/Wholesale
Correspondent, HSBC Mortgage Corp.*

Charity Happy Hours Planned in 2008

Take a break after work and join us for an evening of networking & fun . . . all for a good cause. A \$5 donation will be collected at the door to benefit *Hope and a Home*.

May 1 • 5:00 pm
Rio Grande Cafe
Reston Town Center, VA

July 10 • 5:30 pm
Bethesda, MD

September 4 • 5:30 pm
Sterling, VA

October 7 • 5:30 pm
Rockville, MD

November 14
4:30 pm, immediately after
the Mid-Atlantic Lender/Broker
Conference
Falls Church, VA



Susan Wallace (top left) pictured with Larry Grist (top right) along with Hope and a Home Christmas-gift recipients.

Homeowner Assistance: A Mortgage Insurer's Efforts to Keep Families in their Homes

By: Genworth Financial

Adjustable rate mortgages resetting to higher interest rates are a major cause of the rising delinquencies and foreclosures in today's housing market. Foreclosure filings were up 78 percent nationwide last year, and RealtyTrac.com reported over 2.2 million foreclosure filings and default notices. More than one percent of all U.S. households were in some stage of foreclosure, almost double the 2006 rate.

With no relief expected in 2008, the fear of foreclosure now looms for many. It's a costly process that benefits no one, but help is available. At Genworth we're doing everything we can to keep homeowners in their homes.

While buyers shopping for a mortgage don't want to think about the possibility of falling behind on their loan some day, it is a possibility. Over the past year, we've seen how important it is for them to consider security for the future. Knowing that help is available in times of financial difficulty can be a real selling point for buyers weighing home financing options.

Mortgage insurance through Genworth protects your customers should they face a financial hardship, offering expert, no-cost help to keep them in their homes. It has the potential to save your customers thousands of dollars should times get tough.

Our Homeowner Assistance program helped nearly 8,000 financially troubled homeowners avoid foreclosure in 2007, and this year we expect to help even more. A key part of our assistance effort is to proactively engage borrowers facing financial hardship. Under the terms of most of our insurance policies, lenders are required to notify us when a homeowner becomes 45 days delinquent on their mortgage. We reach out at the first sign of trouble, attempting to contact the homeowner by telephone and by mail.

Like most problems, the earlier we are able to intervene with a homeowner

falling behind on payments, the greater the likelihood we can remedy or "cure," their mortgage problem. And the sooner a homeowner responds to our outreach, the more flexible we can be in offering a wide range of workouts and solutions.

Unfortunately, homeowners behind on their mortgage payments too often are afraid of the consequences of defaulting and hesitant to discuss their situation with an expert who can help. Our recently launched online Homeowner Assistance website ([https://
hoa.mortgageinsurance.genworth.com/](https://hoa.mortgageinsurance.genworth.com/)) provides an easy way for those borrowers to make that initial contact and share the information necessary to determine which solution is best for their individual situation.

After submitting information about their monthly income, expenses and assets, homeowners in financial difficulty usually are more receptive to talking about a solution that's right for them when one of our representatives calls. "It felt like a weight was lifted off my shoulders," said Gary, a borrower whose house was saved through the program. Our online calculators enable borrowers like Gary to know ahead of time how we can help sort out their financial commitments.

Five major types of assistance are currently offered: *repayment plan*, *loan modification*, *forbearance agreement*, *short sale* and *deed-in-lieu of foreclosure*. With a *repayment plan*, the borrower makes scheduled payments toward the delinquent amount of a loan in addition to regular payments to bring the borrower's loan current. A *loan modification* changes one or more of the terms of the note and/or mortgage in order to bring the loan current. A *forbearance agreement* allows a borrower to either suspend payments or remit less than the scheduled payment for a specified period of time. A *short sale* enables a homeowner to sell the property before foreclosure, even when the home's market value is less than the total amount

owed. In the case of a *deed-in-lieu of foreclosure*, the homeowner turns over the title of the property to their lender to avoid foreclosure.

A mortgage default or foreclosure significantly harms a credit score. In cases where the borrower is unable to keep the home, our representatives assist in selling the house before foreclosure, minimizing negative credit consequences. Foreclosure is the worst-case scenario for all parties involved in the homeownership process. Through our Homeowner Assistance program, Genworth is reducing the number of foreclosures by helping one borrower at a time, helping homeowners keep the equity they've worked so hard to build. That's something to consider the next time you talk to your customer about financing options.



**REGISTER
NOW**

**MBA/MW's
Spring Golf Outing**

June 19, 2008

**P.B. Dye Golf Course
Ijamsville, MD**

1:00 pm Shotgun Start

*Enjoy an afternoon of
great golf, food and fun!*

Go to www.mbamw.org
for registration details



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Market Slowing? Time to Sharpen The Saw!

MBA's Certified Mortgage Banker Designation can set you apart from the competition!

by Frank Donnelly, CMB, CFP

Vice President/Branch Manager, SunTrust Mortgage, Inc.

Since 1973 the Certified Mortgage Banker (CMB) designation has been the highest professional designation for the real estate finance industry. This designation recognizes professionals based on their professional experience, education and industry involvement. In the Washington DC market we have a large number of Mortgage Bankers with many years of experience and knowledge. They meet the requirements to obtain a CMB but haven't enrolled in the program and passed the assessments. Today's CMB candidates can pursue this designation through either a Residential or a Commercial path.

CMB candidates are required to pass both a written and oral exam. In order to sit for the exam candidates need to have accumulated 150 CMB points.

CMB points can be gained in three categories:

1. experience in the mortgage banking industry
2. educational points
3. through industry involvement.

It's easy to determine how many points

you have already accumulated. Just go to the CampusMBA section of the MBA's website <http://www.mortgagebankers.org> and click "Industry Designations," then "Certified Mortgage Banker," and then "Point Calculator." Experience points are awarded based on the number of years an individual has worked in the industry for both MBA-member and non-member firms.

The education requirements can be met in a number of ways, including undergraduate and graduate degrees, attendance at state and local association education courses, print, online, and classroom courses through MBA, and other educational programs.

Industry involvement points can be gained through participation in state and local MBA committees, attending a conference hosted by a state or local association, or the MBA, or by participating in Habitat for Humanity, the MBA's Future Leader's program and other similar ways.

In the mortgage industry it's easy to live in our own "silo," developing significant knowledge in our specific

niche of the business. The CMB designation broadens an individual's knowledge base by focusing on the secondary mortgage market and securitization, origination and underwriting, loan administration and servicing, legislative issues and ethical issues that affect our industry.

Over the years the method of completing the coursework to obtain the CMB designation has greatly improved through the delivery of learning materials. Advancements in distance learning such as webinars and online course content have made attaining the CMB designation more flexible and less expensive. The networking opportunities, recognition of your achievement by your peers and clients, and obtaining the highest designation in our industry make joining this group of 1,000 CMB-designated industry leaders well worth the effort. Below is a list of CMBs in the Washington metropolitan area.

For additional information about the CMB designation, visit www.mortgagebankers.org or contact Alicia Willey at MBA: 202-557-2700.

CMBs in the Washington Metropolitan Area

Christopher G. Applegate, CMB
Commonwealth United
Arlington, VA

David R. Barkley, CMB
Freddie Mac
McLean, VA

Dan Brendes, CMB
McLean, VA

Robert D. Broeksmit, CMB
B.F. Saul Mortgage Company
Bethesda, MD

Debra A. Casale, CMB
GMAC Residential Funding
Bethesda, MD

Patrick J. Casey, CMB, AMP
SunTrust Mortgage, Inc.
Rockville, MD

Robert Couch, CMB
US Dept of Housing & Urban
Development
Washington, DC

William Cozzens, CMB
Resolution Trust Corporation
Washington, DC

John P. Doan, CMB
Babson Capital Management LLC
Washington, DC

Frank P. Donnelly, Jr., CMB, AMP
SunTrust Mortgage, Inc.
Washington, DC

Robert Alexander Ernst, CMB
Washington, DC

Christine Eldarrat, CMB, AMP
Office of Federal Housing Enterprise
Oversight
Washington, DC

Peter Elmer, CMB
Deloitte
McLean, VA

Michael J. Frenz, CMB
Ginnie Mae
Washington, DC

Timothy Gough, CMB,, AMP
First Republic Mortgage Corporation
Annapolis, MD

C. Jared Hale, CMB
Charter One Mortgage Corporation
Annandale, VA

Kenneth Harrison, CMB
Freddie Mac
McLean, VA

Roger W. Hatch, CMB
Walker & Dunlop
Washington, DC

CMBs in the Washington Metropolitan Area (con't.)

Malcolm B. Hollensteiner, CMB,AMP
National City Mortgage Company
Annandale, VA

Robert W. Hunter, CMB
Shannon, Hunter Advisors
Alexandria, VA

Andrew M. Jezioro, CMB
Freddie Mac
McLean, VA

Charles Johaneck, CMB,AMP
Freddie Mac
McLean, VA

Byron V. Johnson, CMB
Fannie Mae
Washington, DC

Madeline Johnson-Oler, CMB
Triad Guaranty Insurance Corporation
Gaithersburg, MD

Richard K. Juergens, Jr., CMB
Phillips Realty Capital
Bethesda, MD

David M. Kahrnoff, CMB
Deloitte
Washington, DC

Peter Kehoe, CMB
NVR Mortgage Finance, Inc
Reston, VA

Dennis Kieft, CMB
Fannie Mae
Washington, DC

Charles Kirby, CMB
Republic Mortgage Insurance Co.
Fairfax, VA

Carroll P. Kisser, CMB, AMP
Mid-City Financial Corporation
Alexandria, VA

Wendy Koussis, CMB, AMP
Union Mortgage Group
Annandale, VA

Robert Kraft, CMB, AMP
Access National Mortgage Corp
Reston, VA

Warren Lasko, CMB
Housing Advisory Services
Chevy Chase, MD

James F. Maclin, III, CMB
Preferred Mortgage Group, Inc.
Vienna, VA

Thomas E. Mason, CMB,AMP
Resource Mortgage
Rockville, MD

Thomas McKnight, CMB
American Bank FSB
Washington, DC

Marion Mondor, CMB
Chevy Chase Bank
Bethesda, MD

Walter Morris, Jr., CMB
Ernst & Young LLP
Washington, DC

Philip D. Morse, CMB
Wells Fargo Multifamily Capital
McLean, VA

Ed C. Muckerman, CMB
GMAC Residential Funding
Bethesda, MD

Paul H. Mylander, CMB
East Coast Mortgage Company
Chantilly, VA

Shekar Narasimhan, CMB
Beekman Advisors, Inc.
McLean, VA

Elizabeth Neighbor, CMB, AMP
First Home Mortgage Corporation
McLean, VA

Geoffrey A. Oliver, CMB
Hilltop Advisors LLC
McLean, VA

Ware Palmer, CMB
Countrywide Financial Corporation
McLean, VA

Edward W. Perry, CMB, AMP
1st Mariner Bank
Baltimore, MD

Larry F. Pratt, CMB
First Savings Mortgage Corporation
McLean, VA

David W. Pulford, Jr., CMB
Fidelity & Trust Mortgage
Bethesda, MD

J. Walsh Richards, Jr., CMB
Suburban Mortgage Associates Inc
Bethesda, MD

Mark Rohrbaugh, CMB
M.V.P. Mortgage LLC
Ashburn, VA

L. Arnold Schafer, CMB
Weaver Brothers Inc.
Chevy Chase, MD

Charles S. Shaw, Jr., CMB
Phillips Realty Capital
Bethesda, MD

John R. Sieber, Jr., CMB
Phillips Realty Capital
Bethesda, MD

Mark Silva, CMB, CRO, AMP
Freddie Mac
McLean, VA

Diane L. Slack, CMB
Chevy Chase Bank
Bethesda, MD

Jan Sternin, CMB
Mortgage Bankers Association
Washington, DC

Mark Stiles, CMB
AmeriDream, Inc.
Gaithersburg, MD

Griffith J. Straw, CMB
AIG United Guaranty
Fairfax, VA

Andrea Stowers, CMB
Stowers Consulting
Alexandria, VA

H.L. Van Varick, CMB
Freddie Mac
McLean, VA

Oliver Walker, CMB
Walker & Dunlop
Washington, DC

Donald G. West, CMB
Bethesda, MD

Judy Wheatley, CMB, ARU
Mortgage Dynamics Inc.
McLean, VA

Merrill A. Yavinsky, CMB
Walker & Dunlop
Bethesda, MD

Doncella M. Young, CMB
Office of Federal Housing Enterprise
Oversight
Washington, DC

While The News May Sound All Doom and Gloom — the Real Estate Landscape is Ripe with Grand Opportunities.

by Carl Olzawski

Senior Vice President/Manager, Grandbridge Real Estate Capital

We are faced with a recession-like economy, continued reverberations from the subprime meltdown, a dramatic downturn in the residential housing sector and an unprecedented credit crunch.

Throw in presidential election-year jitters and concerns over non-controllable (i.e., energy and commodity prices, construction costs, Fed policies, etc.), and the real estate industry has much to be concerned with — yet do we have little to worry about?

Despite the pessimism, malaise and difficulties experienced by some, many of the supply/demand fundamentals remain strong. Economic growth continues in several select markets including the Washington D.C. metro area which boasts the lowest unemployment rate among the 15 largest job markets according to the Center for Regional Analysis at GMU. Their statistics show our area also has the sixth lowest foreclosure rate among those markets. The D.C. area's growth might actually be hampered by a lack of qualified workers in our high-tech, government-savvy employment environment.

The U.S. economy probably will be — or at least behave as if it is — in a recession throughout 2008. The budget deficit is expected to be \$400 billion in both '08 and '09. While the Federal Reserve will attempt to control inflation and stimulate the economy artificially, national job growth will increase at rates below expectation, and the challenges of a global marketplace and uncertain Middle East situation will test everyone's patience. Cap rates are likely to increase 20 bps to 100 bps and commercial real estate values could decline as much as 8% to 15% or more in many markets. At the same time, low interest rates, an abundance of capital and the declining value of the dollar will keep real estate investment sales activity below 2007 levels. A flight to quality is underway.

Bottom line...real estate companies must focus on the basics: increase occupancies, reduce operating costs and unnecessary overhead costs, improve the quality and speed of their delivery systems, increase productivity and shift to a more knowledge-based, client-centric business model. Expect the bid-ask spreads to widen, yet premium assets will continue to attract plenty of bidders. Those seeking real estate investment opportunities in 2008 will be more selective and risk-averse. Experts expect the current first quarter malaise to dissipate by third quarter and real estate should again attract investor interest. Foreign capital, buoyed by the declining value of the U.S. dollar, should keep U.S. real estate value from drastic declines. However, in any time of uncertainty, a flight to quality occurs. Over the next 12 to 24 months expect a re-pricing of assets in the second and third-tier markets. As an evidence of the flight to quality argument in major markets coupled with the declining value of the dollar, several high profile office buildings in the District have traded recently at record highs.

In 2008, real estate will continue to attract capital as a volatile stock market highlights the relative stability of real estate to produce consistent risk-adjusted returns over time. In 2007, according to Real Capital Analytics, sales of office buildings were \$211b (up 55%); retail properties were \$71b (up 34%); industrial property sales were \$46b (up 7%) and sales of apartment buildings totaled \$98.6b (up 8%). While the first six months of the year will be under the cloud of the subprime meltdown, the credit crisis will ease and capital will remain plentiful. This environment will cause lenders to be more constrained and underwriting will be far more conservative — making it especially important for investors to align themselves with mortgage banking firms that can provide access to a myriad of capital source providers. As one leading capital provider stated, "There is a lot of capital on the sidelines waiting for the right time to re-enter the market...all it will take is for one player to step up, and everyone else will follow."

The multi-family sector will likely be the least affected asset class resulting from the economic downturn caused by the sub-prime chaos, historically high fuel and energy prices, the collapse of the condo conversion market, declining home ownership, and an increase in unemployment. Competition for the renter will ease as the cost of owning a home and increasingly stringent loan requirements will make renting a more attractive option in 2008. Multifamily starts are expected to hover around the 290,000 level. Overall, occupancy should remain around the 94% to 95% level, net absorption is expected to increase by fourth quarter and annual rent growth will likely decline to 2.7% to 3.1% in 2008...before increasing 3% to 3.5% in 2009. The big winners will be in the non-affordable markets, and in "college, knowledge, and coastal" cities — leaving the D.C. area ready for growth.

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