



**Volunteer
Leadership
Institute - Hawaii**

THE FUTURE OF MORTGAGE LENDING

Dan Mahlum

*Senior Vice President, Director Mortgage Programs
Federal Home Loan Bank of Des Moines*

Learning Objectives

1. Gain an understanding of the key macro trends (US population, household formation, dwelling types, etc.) and related changes in single-family residential lending.
2. Understand residential lending market share trends.....where is the credit union segment heading?
3. Learn the future “keys to success” in residential lending for credit unions.



The Future of Mortgage Lending

Dan Mahlum, Mortgage Programs Director
Voluntary Leadership Institute
January 30, 2025

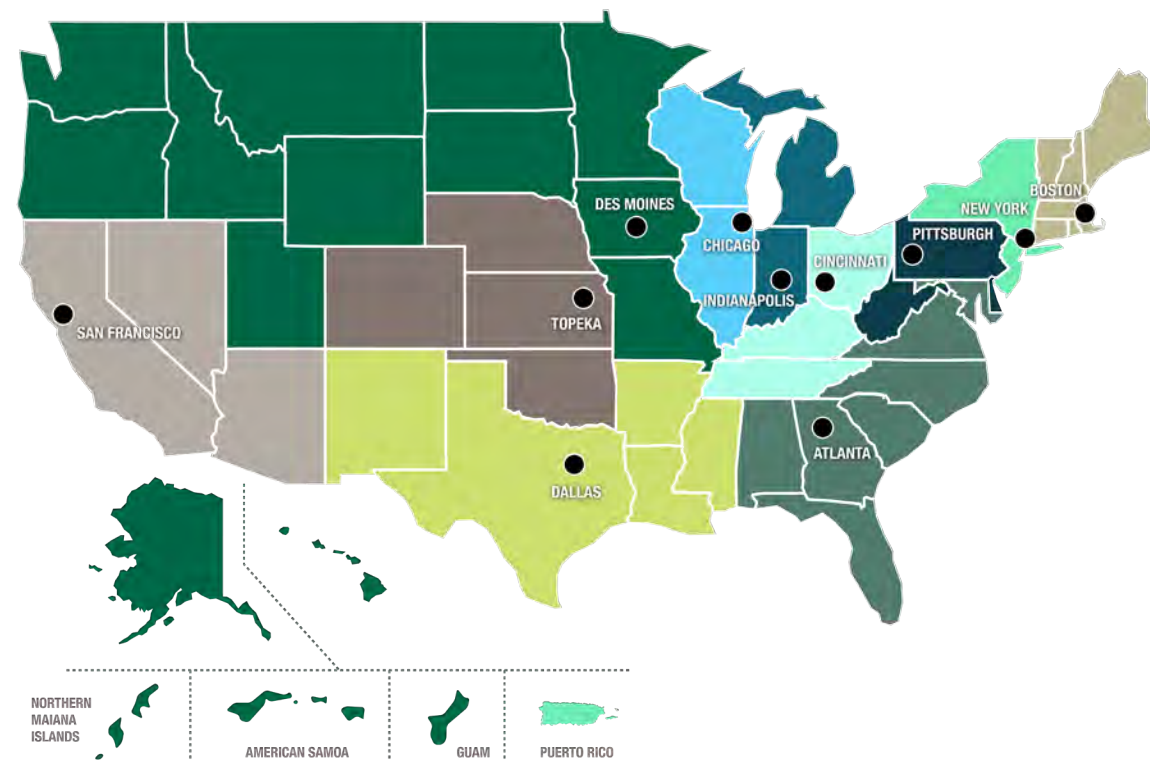
- Federal Home Loan Bank System Overview
- Current Industry Landscape & Future
- Implications and Strategic Considerations for Credit Unions

Federal Home Loan Bank System Overview

FHLBank System

Mission – Provide funding to members and support housing initiatives

- **Profitable Operations**
 - ✓ Net income of \$6.7 billion
- **Abundant Collateral**
 - ✓ \$3.3 trillion dollars of collateral securing credit products:
- **Over 1,600 credit union members!**



\$810 billion
of Advances

\$61 billion of
Mortgages

\$74 billion of
Capital

Data as of December 31, 2023, unless noted differently. Data subject to rounding

FHLB's Contribute to Community Housing



\$319 M

**SUBSIDY
AWARDED**



20,301

**HOUSING
UNITS**



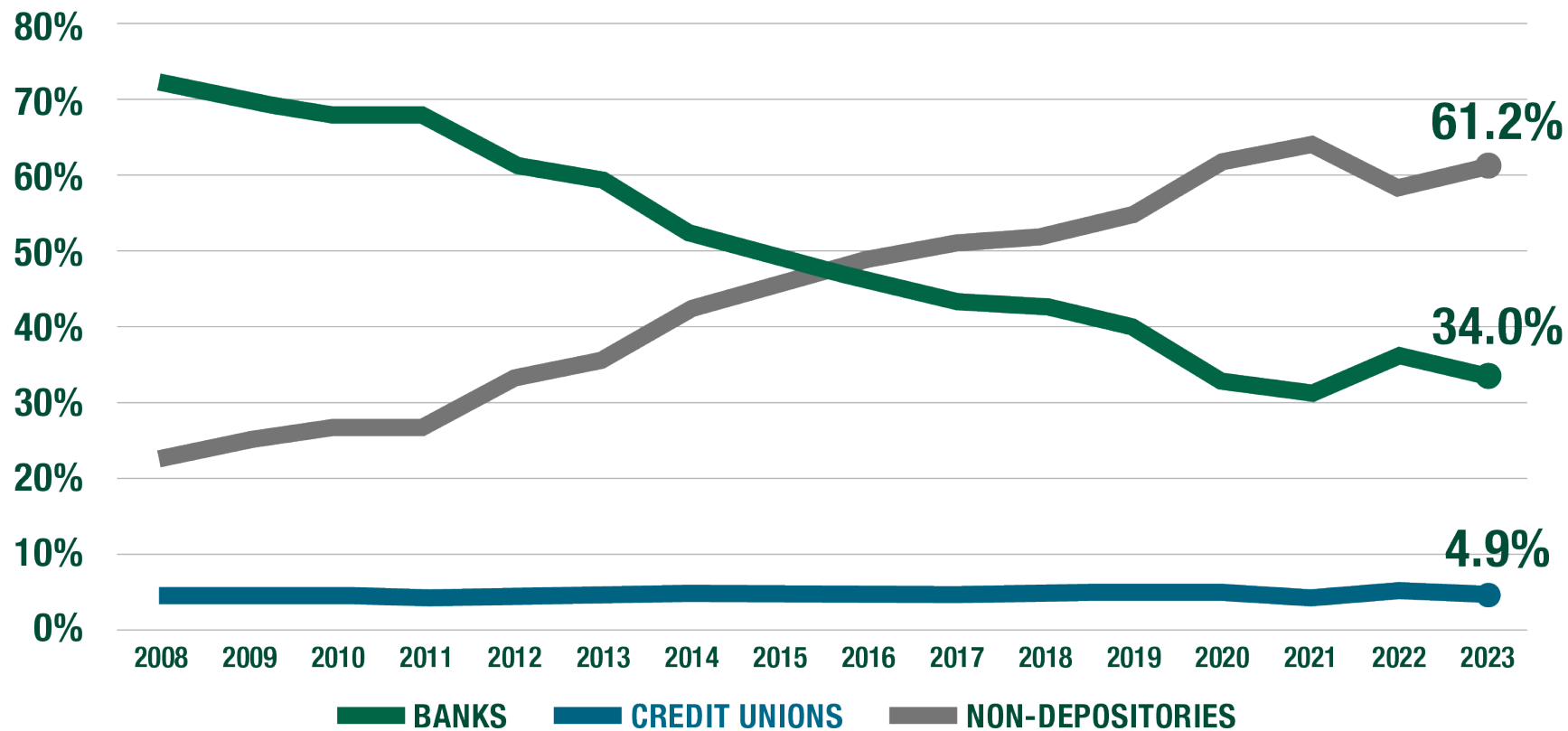
\$15,714

**AVERAGE SUBSIDY
PER UNIT**

Current Industry Landscape

Market share has been changing...

ORIGINATION MARKET SHARE BY INSTITUTION TYPE



Polling Question:

What is your reaction to the shift in the share of volume?

Text "fhlbdm246" to 22333



Polling Question:

How confident are you with your current residential lending strategy?

Text "fhlbdm246" to 22333

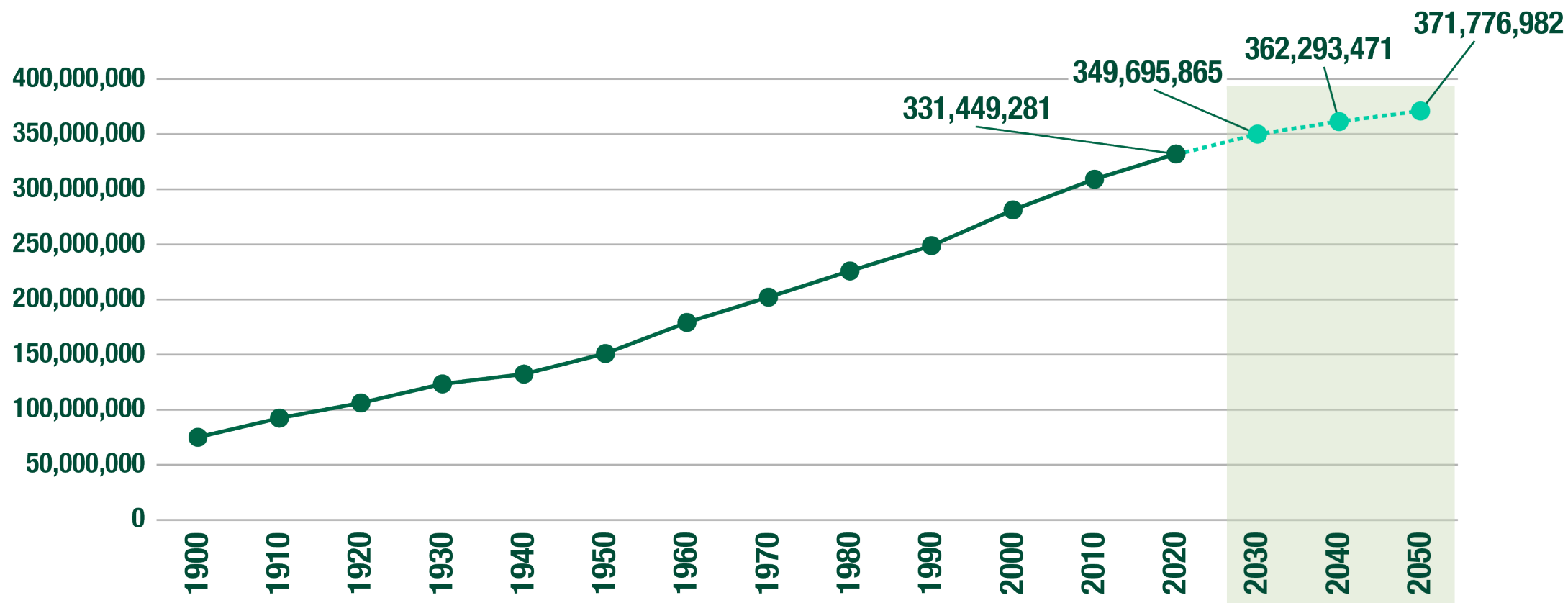


Housing affordability has drastically deteriorated!

Year	Average home sales price	Average household income	Mortgage payment as % of annual income
1980	\$76,400	\$21,020	4.2%
2023	\$513,400	\$70,784	5.2%

U.S. Population Continues to Increase

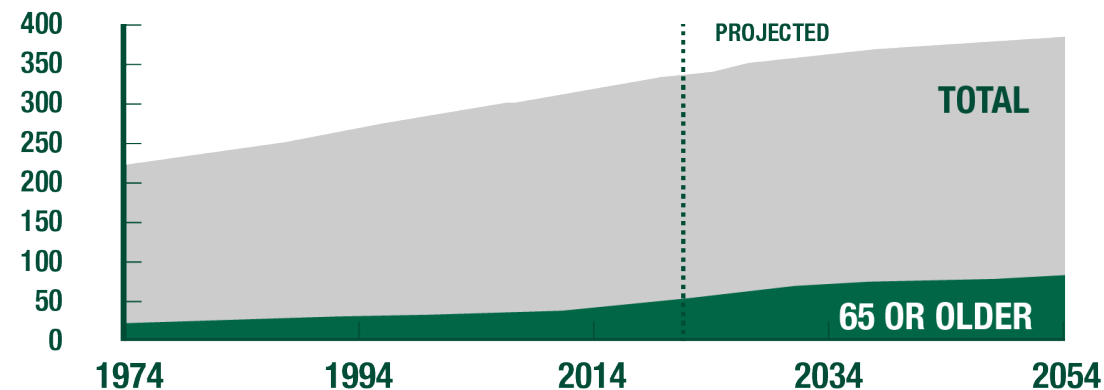
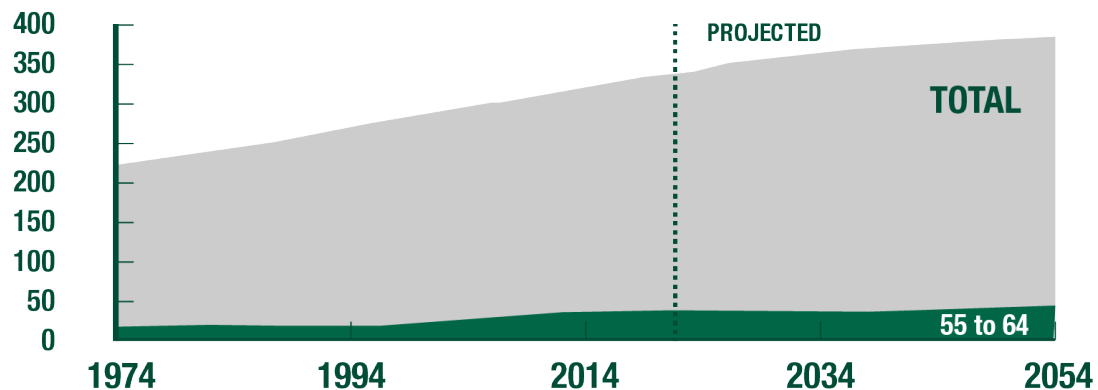
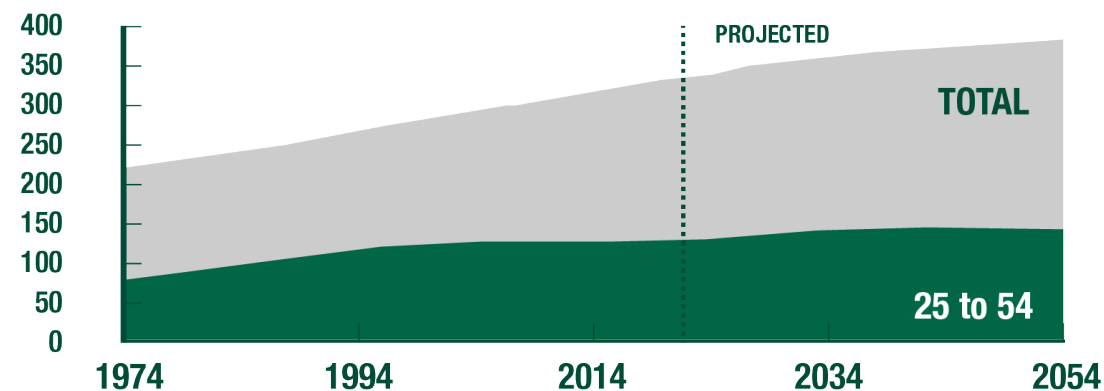
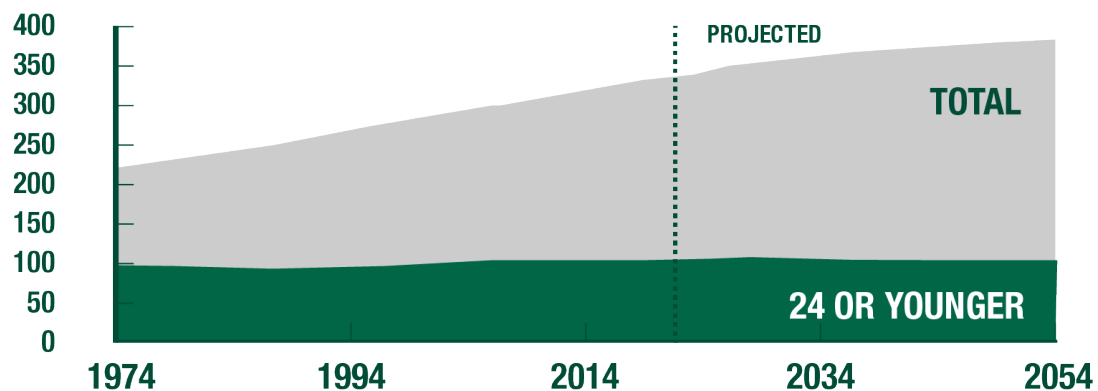
UNITED STATES: HISTORIC CENSUS COUNTS AND PROJECTIONS



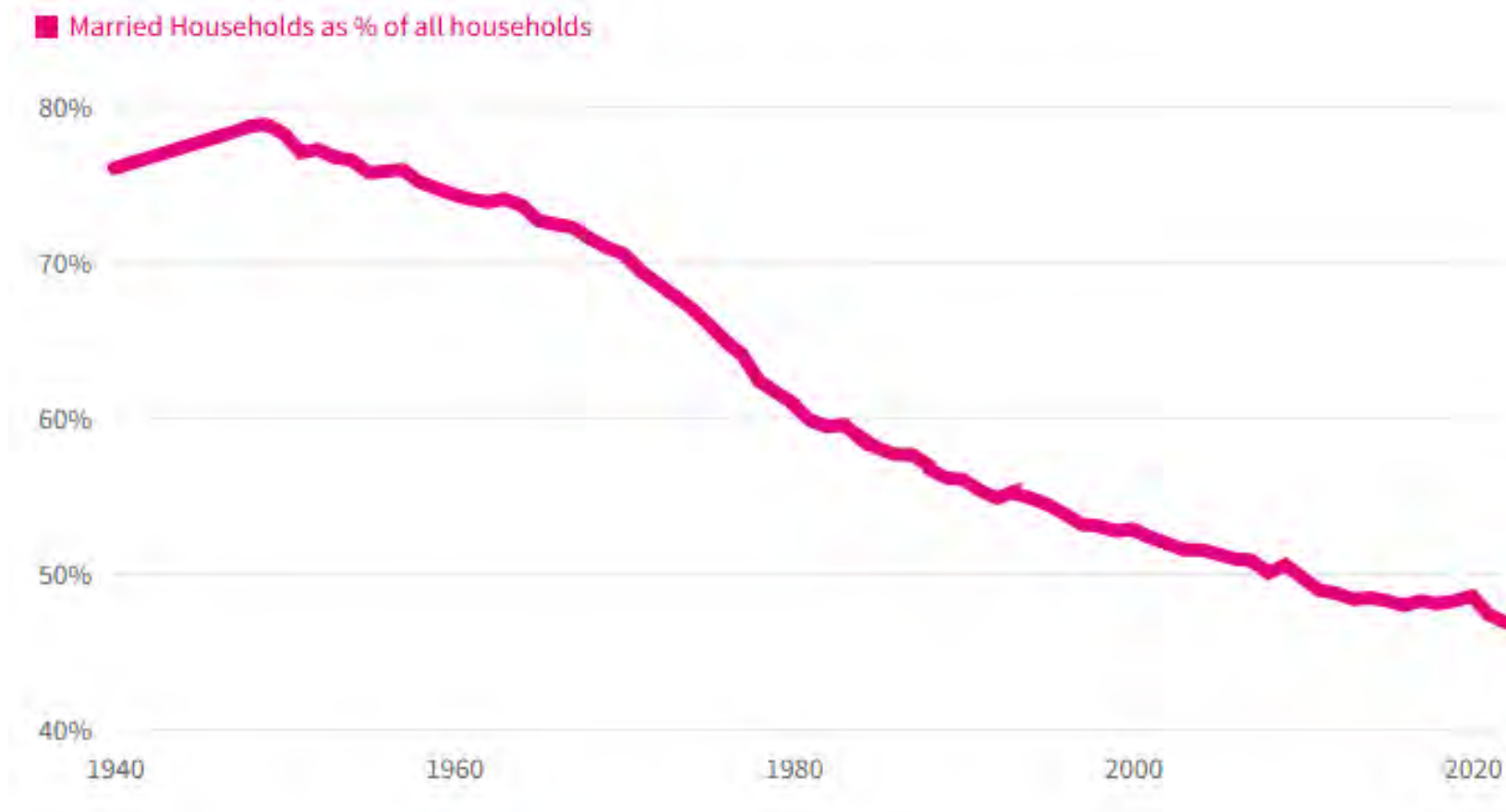
Population Growth by Age

POPULATION, BY AGE GROUP

MILLIONS OF PEOPLE



Household Makeup is Changing...



Sources: **US Census Bureau.** [see more](#) ▼

Types of Dwelling Units are Changing

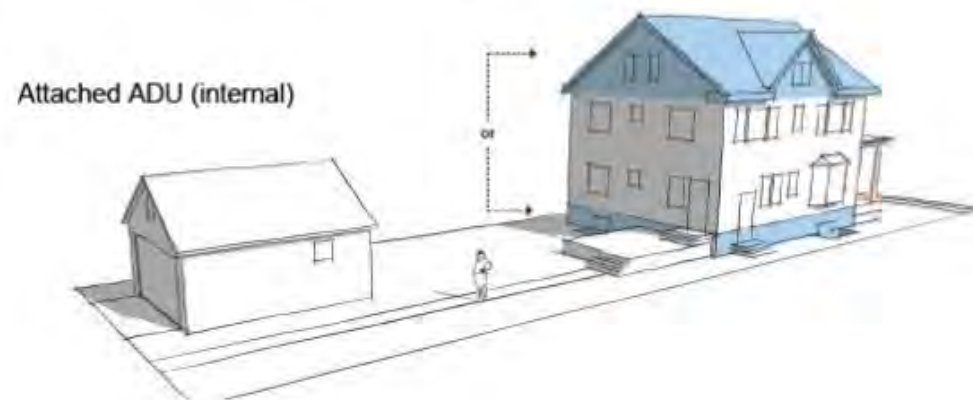
- Micro Units and Co-Living
- Accessory Dwelling Units
- Manufactured Homes
- Tiny/Small Houses (on wheels or foundation)
- Modular Housing
- Community Land Trusts





Examples of Accessory Dwelling Units (ADUs)

ADUs in blue; main residence in white



The future of housing finance looks bright... but different...

Implications for Residential Lending

Polling Question:

Is mortgage a core relationship product?

Text "fhlbdm246" to 22333



Questions to consider...

- If **no**, who do you partner with and how do you provide value to the member?
- If **yes**...
- Origination – full in-house operation or outsourced (partial or full)?
- Servicing – in-house operation, sub-serviced, or service released?
- Balance sheet strategy
- Investor partners

Investor Partner Considerations

- Multiple investors
- Business model
- Innovation
- Consistently competitive presence



Mortgage Partnership Finance

Selling Mortgages

MPF Timeline

1997

First MPF Purchase

1999

First FHLB Des Moines
Purchase

2000-2012

321 Participating
Financial Institutions
(PFIs) and Growing

2015

Merger between FHLB
Seattle and FHLB Des
Moines

2017

FHLB Des Moines
introduces the MPF
Microsite and the newly
formed MPG team

MPF Program: Inception to Date Activity Snapshot

MPF Conventional Loans Funded*:	• 1,442,003
Loans With a Credit Loss:	• 9,359
Total Conventional Loans Funded:	• \$252 billion
Actual Losses Covered by PFIs:	• \$40 million (2 bps)
CE Income Received by PFIs:	• \$1.06 billion (42 bps)

Credit risk sharing has rewarded PFIs for strong performance and high-quality deliveries

MPF Traditional

Shared Risk & Shared Reward



Shared Credit Risk

- Credit Enhancement Obligation



Shared Reward

- Credit Enhancement Fee Income
- Activity Based Stock Dividend

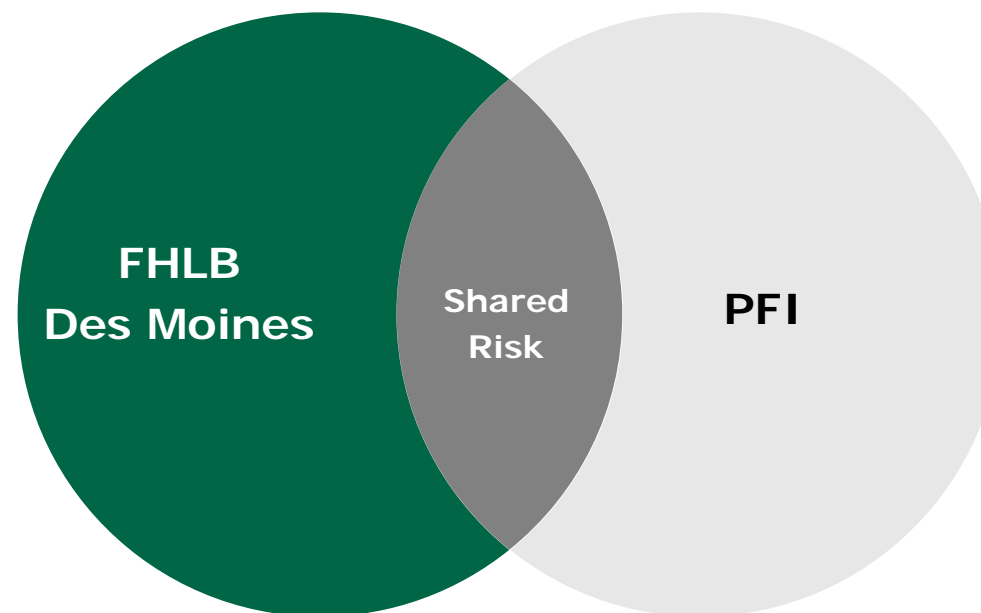


Credit Risk Sharing = Profitability

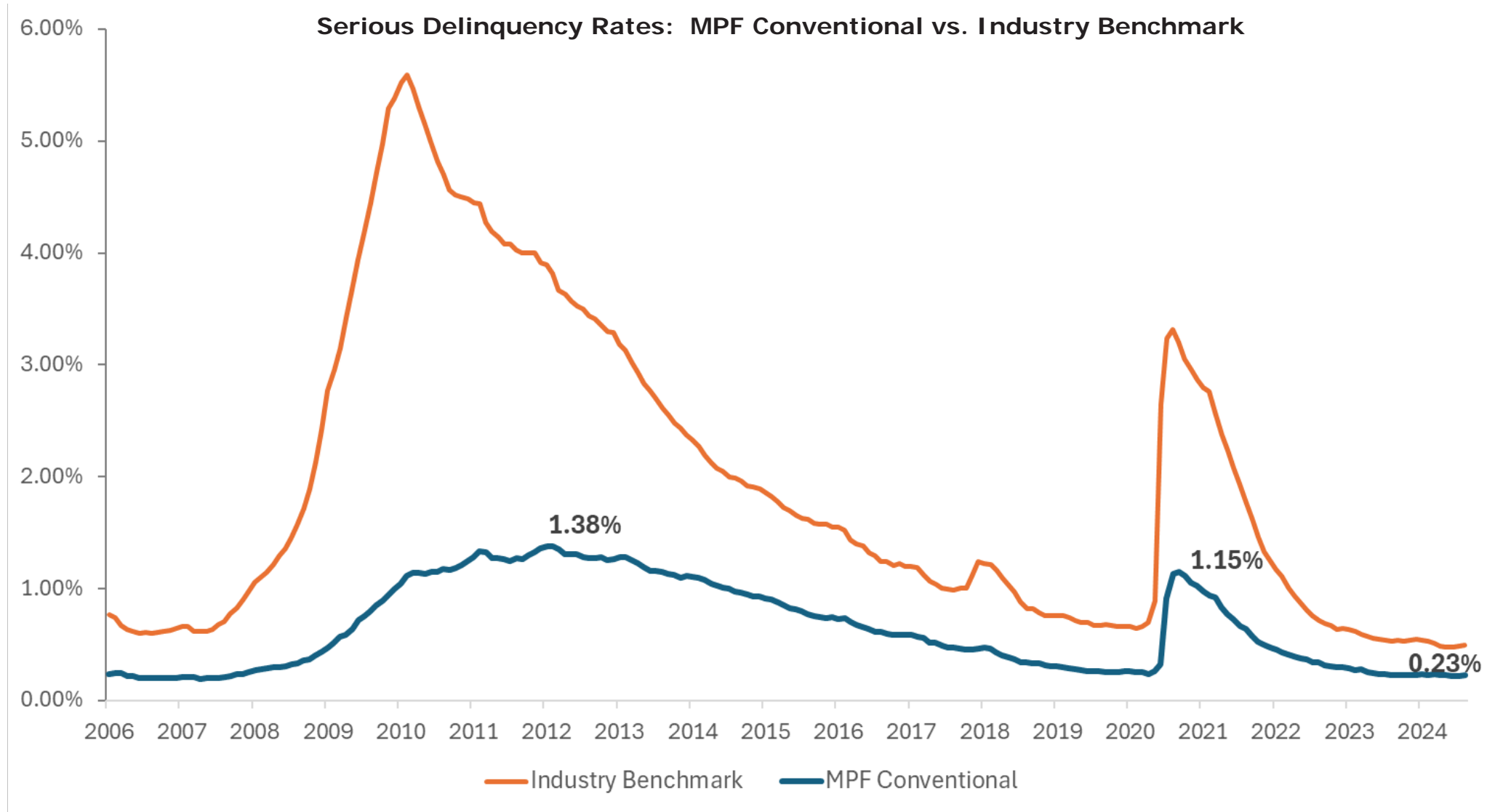
Investor: FHLB Des Moines

No Loan Level Price Adjustments

**Additional Fee Income Stream—
Post Purchase**



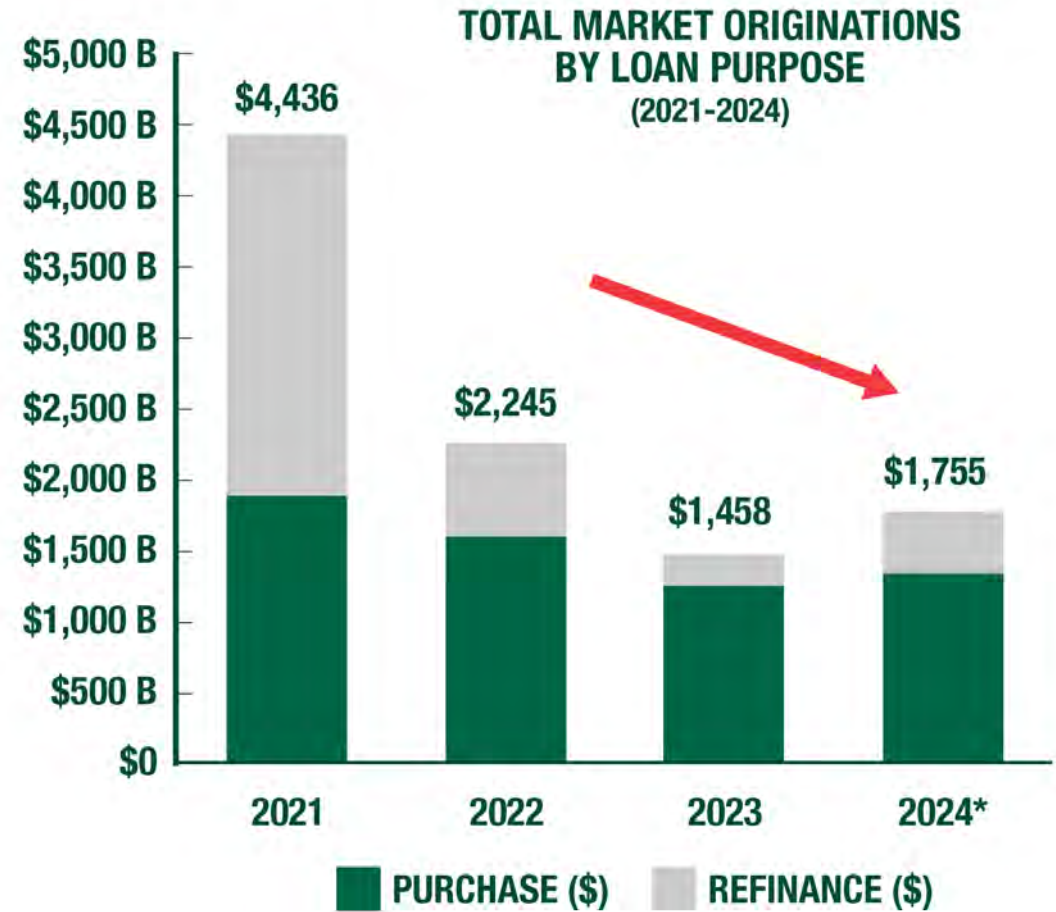
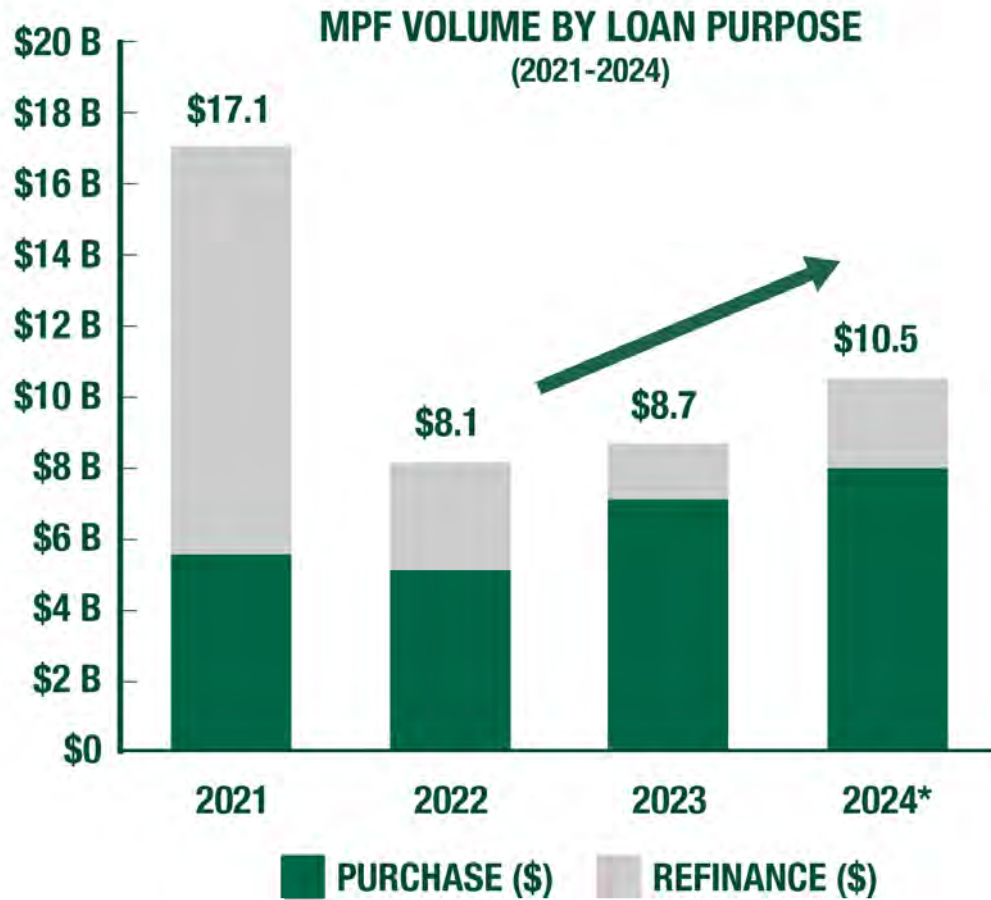
MPF Loan Performance: Consistently Stronger vs. Industry





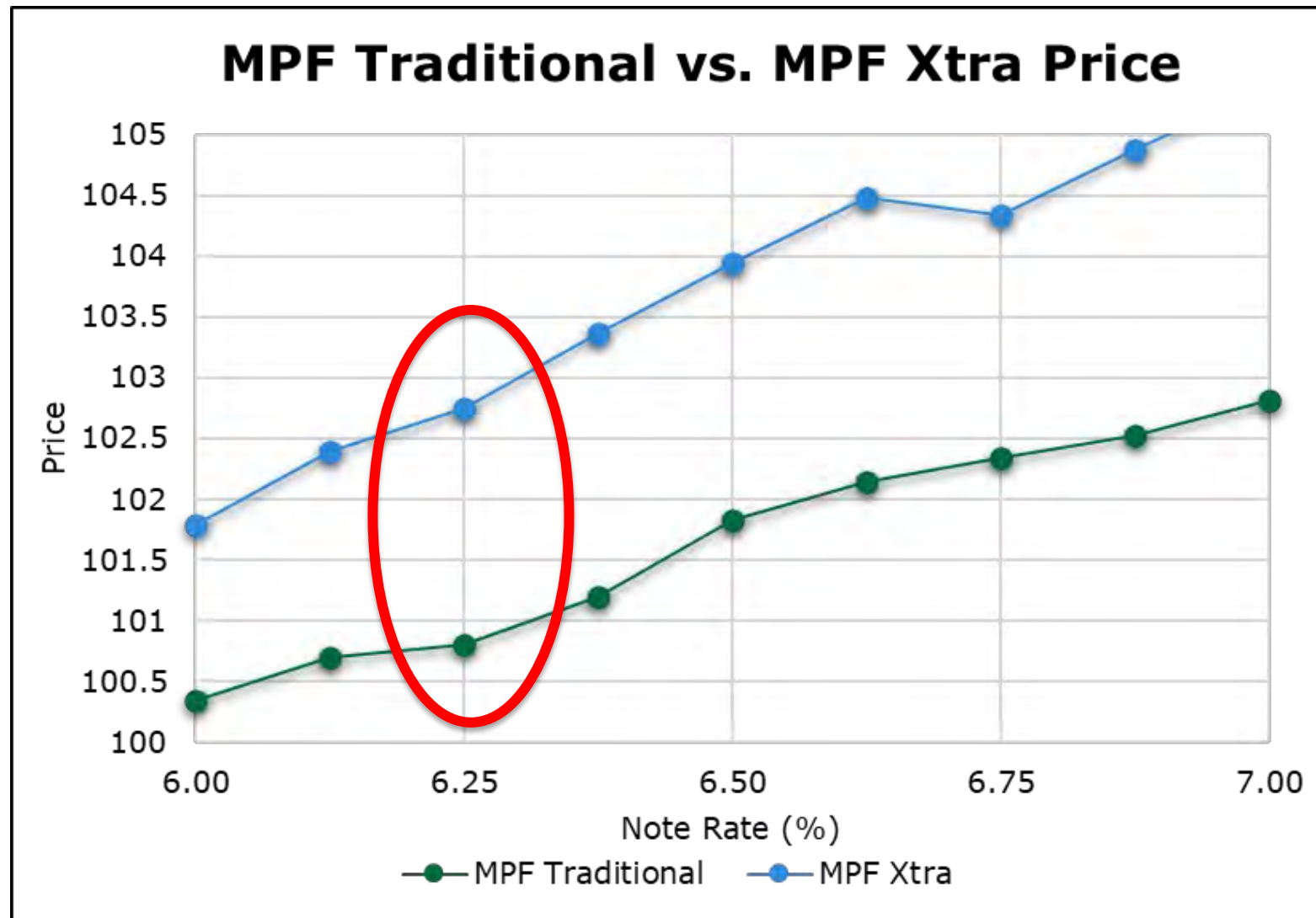
Mortgage Partnership Finance[®] Program Updates

Increase in Program Usage and Market Share Growth

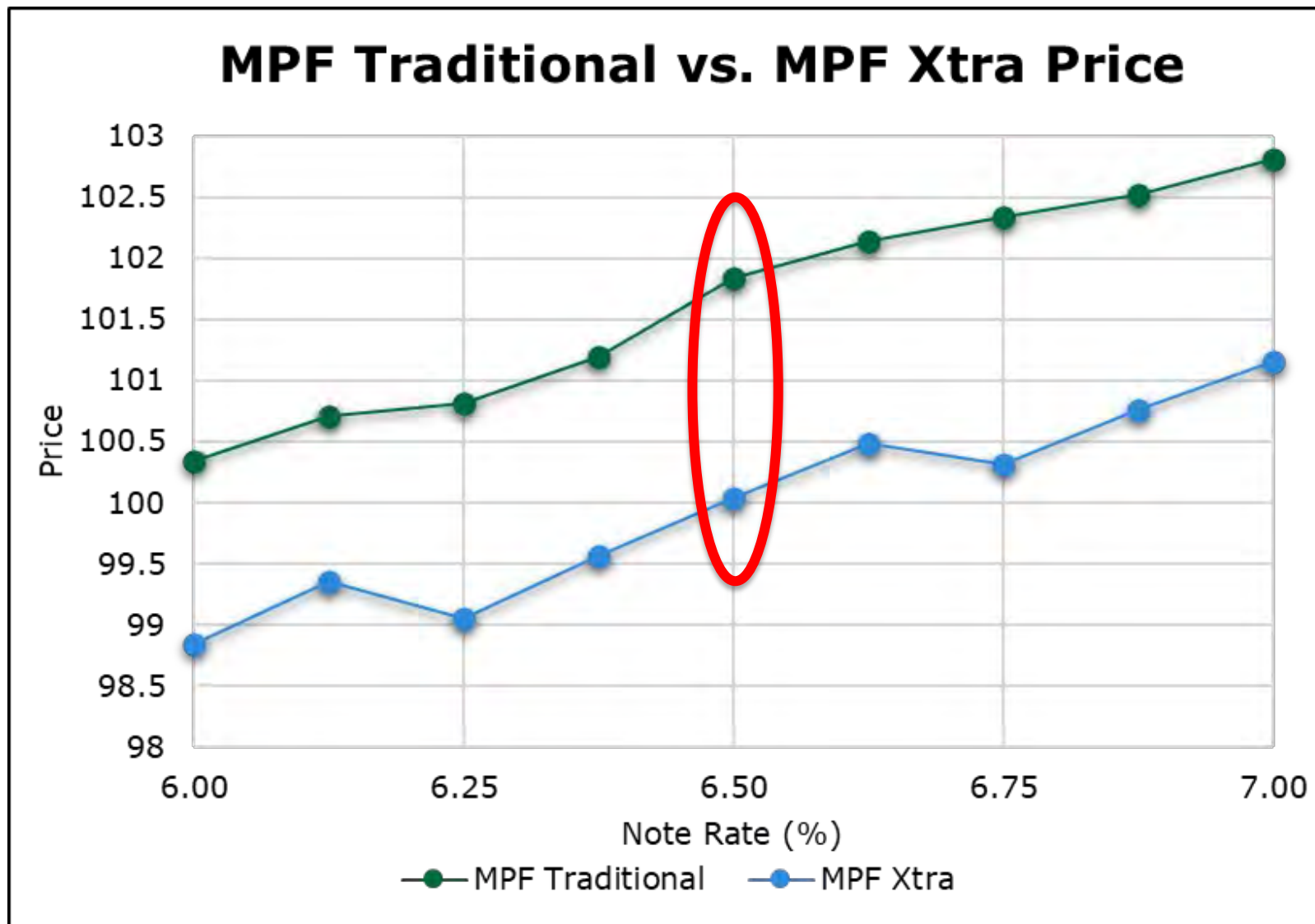


*2024 MPF volume and market figures reflect estimates as of September 2024

Pricing Analysis: Very Low Balance HG* Qualifying



Pricing Analysis: Average Balance Non-HG Qualifying



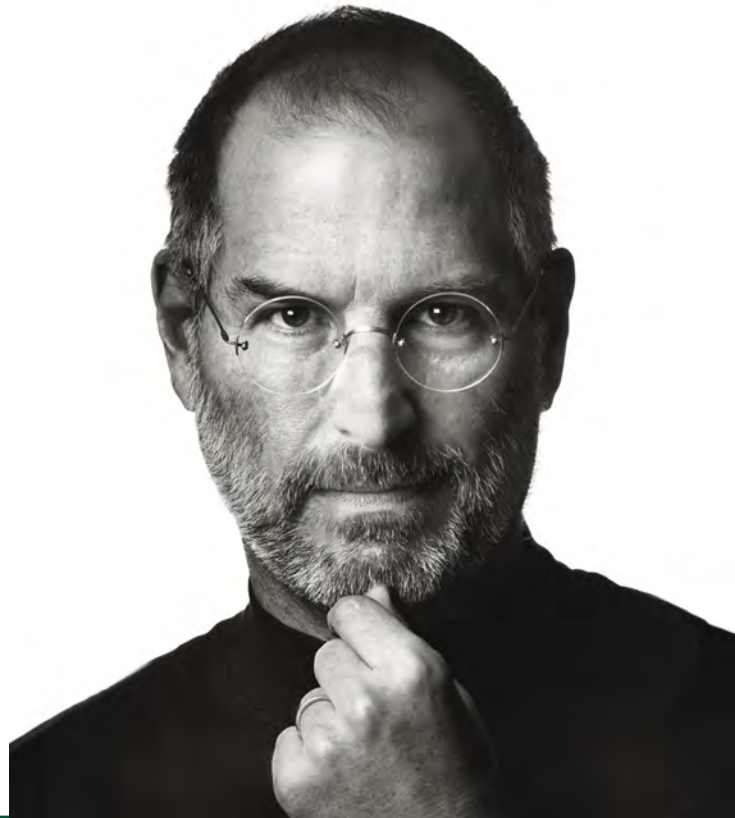


Adaptive Leadership

Adaptive Leadership Defined

Adaptive Leadership is a framework for tackling complex challenges by encouraging flexibility, experimentation and learning.

- Forbes



Mortgage Rate Relief



MRR Slide Stats

- High credit quality
- Lower loan balances
- High percentage of first-time home buyers
- All borrowers benefited from an approximate 19% reduction in housing payment
- An estimated 22% of borrowers would not have qualified without MRR

Maui Wildfire Contribution

- Partnered with our Hawaii financial institution members to donate \$5 million to relief efforts





Questions?

Dan Mahlum, Mortgage Programs Director
Dmahlum@fhlbdm.com