

Securitization and Servicers

Meredith S. Smith



UNC
SCHOOL OF GOVERNMENT

www.sog.unc.edu

1

Session Objectives

1. Identify the key documents and parties to a traditional mortgage loan
2. Understand the bird's eye view of securitization
3. Identify the resulting players entering the foreclosure proceeding

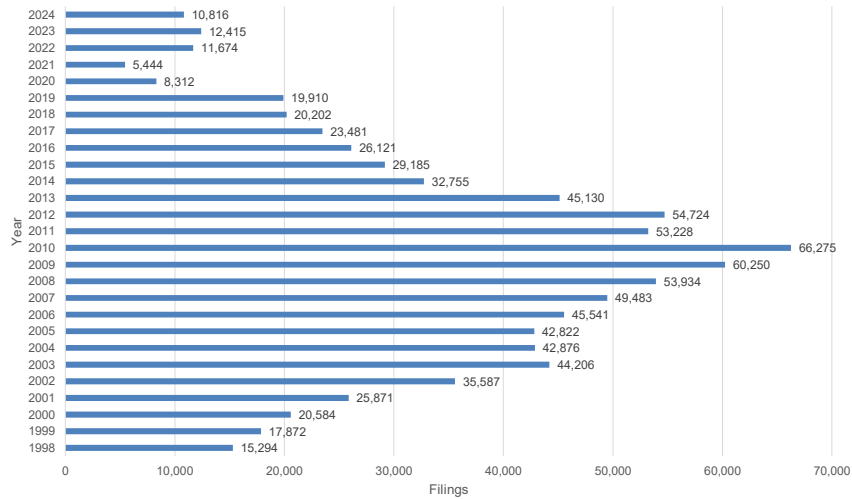


2



UNC
SCHOOL OF GOVERNMENT

North Carolina Foreclosure Filings
(1998 through 2024)



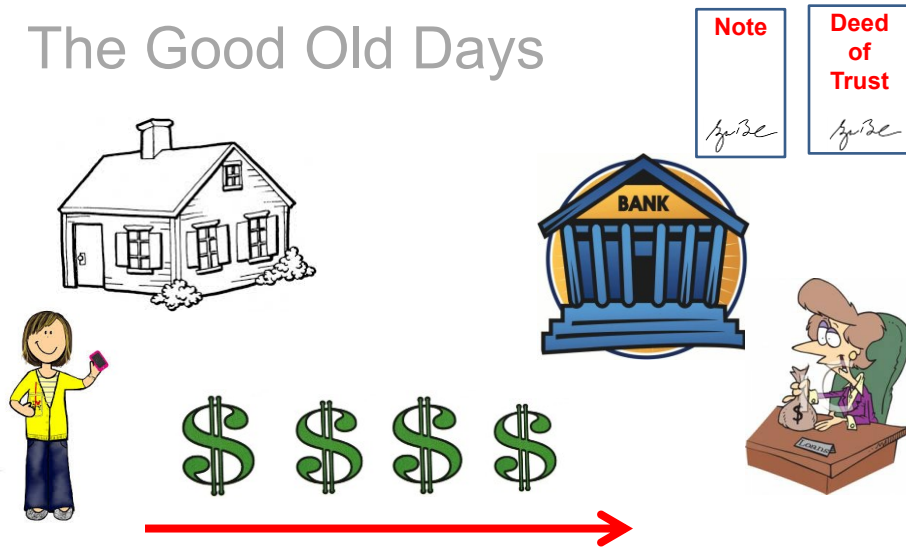
Foreclosure Denials

7/1/23 to 6/30/24

From	To	Compiled	County	Case Type	Issue Code	Issue Text	Case Results DN DENIED
7/1/2023	6/30/2024	7/10/2024	Statewide	SP	FORE	FORECLOSURE	87
7/1/2023	6/30/2024	7/10/2024	GUILFORD	SP	FORE	FORECLOSURE	50
7/1/2023	6/30/2024	7/10/2024	FORSYTH	SP	FORE	FORECLOSURE	24
7/1/2023	6/30/2024	7/10/2024	ONSON	SP	FORF	FORECLOSURE	8



The Good Old Days



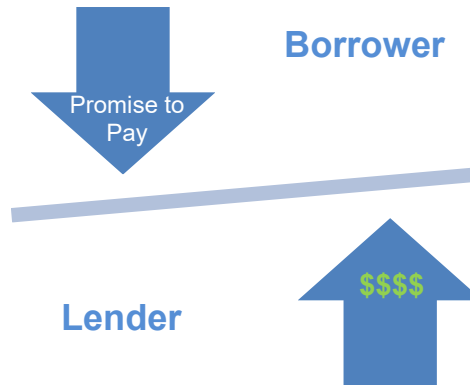
Fundamental Loan Documents

1. Note

2. Deed of Trust

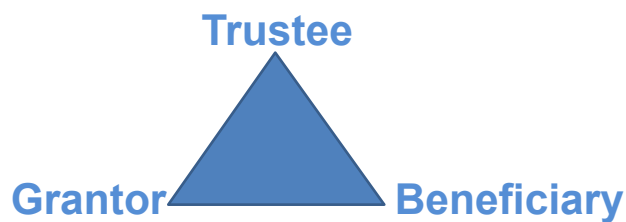


The Note: Two Parties



Deed of Trust – Three Parties

- Owner conveys legal title to trustee for benefit of third party.
- To secure a debt.



Note

1. Maker

- Borrower
- Payor
- Debtor

2. Payee

- Lender
- Creditor
- Holder*

Deed of Trust

1. Grantor

- Trustor
- Mortgagor
- Original homeowner

2. Trustee

- Substitute Trustee

3. Beneficiary

- Lender
- Grantee
- Mortgagee

What's the difference?

Holder vs. Lender

GS 45-21.16(d)(i) – valid debt of which party seeking to foreclose is the holder

Person, entity, estate, trust, partnership, etc.

1. **In possession** of a note
2. Note **payable to** bearer, indorsed in blank, or payable to an identifiable person that is the person in possession.

See G.S. 25-1-201(b)(21).

See, also: creditor or secured creditor as used in Chapter 45

Person or entity that lends money to the borrower.

The original lender is typically considered the originator or original holder of the loan.



Questions

11

The Good Old Days

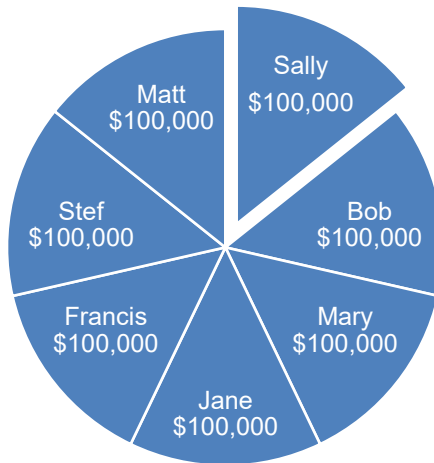
- Slow returns
- No liquidity to lend
- Retained risk of bad loans



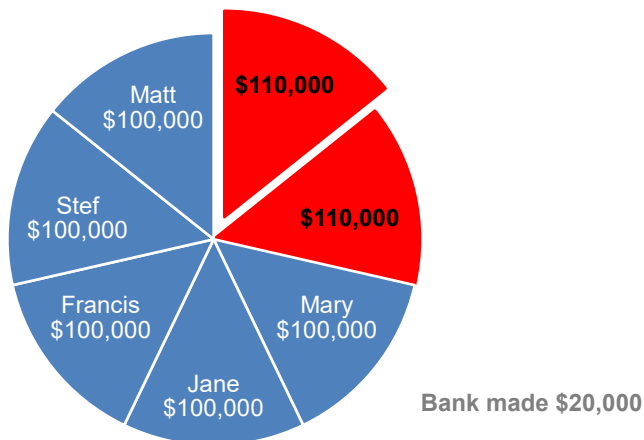
12



Bank Sells Loans



Bank Sell Loans



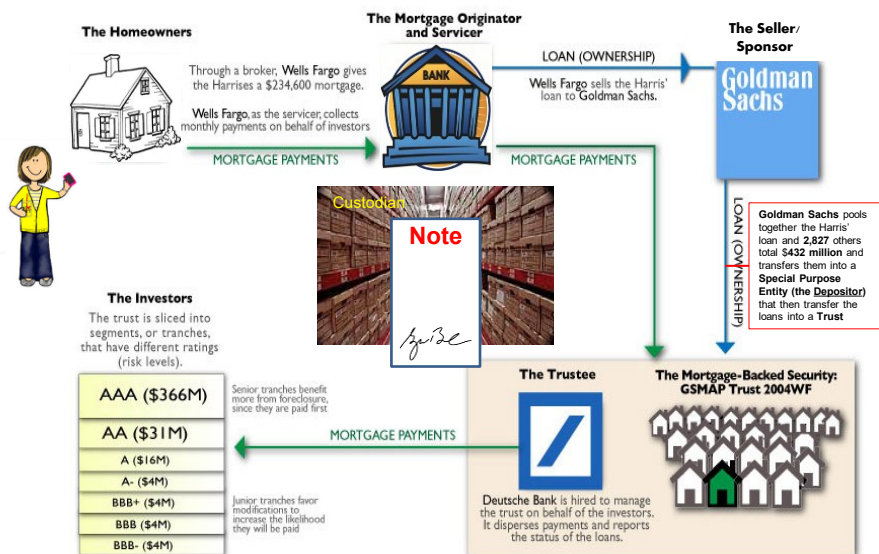
Fannie – Freddie Buy Loans to Expand Housing



Private Companies Buy Loans to Make Money, Meet Investor Demand



15



Source: ProPublica



16



UNC
SCHOOL OF GOVERNMENT

Pooling and Servicing Agreement

- Trustee/Trust
- Issuer + Depositor
- Servicer
- Custodian



WELLS FARGO COMMERCIAL MORTGAGE SECURITIES, INC.,
as Depositor

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Servicer

C-III ASSET MANAGEMENT LLC,
as Special Servicer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Certificate Administrator

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee,

and

PENTALPHA SURVEILLANCE LLC,
as Operating Advisor and Asset Representations Reviewer,

POOLING AND SERVICING AGREEMENT

Dated as of December 1, 2015

Commercial Mortgage Pass-Through Certificates
Series 2015-P2



Trustee → Investor

Administer the trust for the benefit of investors.

- Duties are administrative in nature
 - Maintaining investor records
 - Distributing payments to the investor
 - Making reports to investors
- **XYZ Bank, as trustee** for the ABFC 2005-OPT, ABFC Asset-Backed Certificates, Series 2005-OPT

Servicer → Borrower

Decisions must maximize the return on the investment for the investors.

- Collect payments from the borrower and responds to borrower inquiries
- Maintain loan details
- Oversee property taxes and insurance
- Call a default for non-payment
- Manage foreclosure of the mortgage and maintains the related property
- Modify mortgage terms within limitations outlined by PSA



Business of Residential Servicing

As of March 31, 2017

Q1 2017 (in \$ billion)	Own Mortgages Serviced	+ Third-Party Mortgages	= Total Mortgage Servicing
Wells Fargo	335	1,204	1,539
JPMorgan Chase	264	583	836
Bank of America	258	296	554
U.S. Bancorp	58	234	292
Citibank	71	64	136
Top 5 Total	986	2,381	3,356

Source: Forbes



21

Types of Servicers



Master Servicer

Special Servicer



22



UNC
SCHOOL OF GOVERNMENT

Legal Definition

Receive scheduled periodic payments from a borrower pursuant to the terms of a residential/mortgage loan.

- GS 45-101(1)
- GS 53-244.030(11)(c) (SAFE Act)
- RESPA, 12 US 2605

Custodian

Takes physical possession of the notes

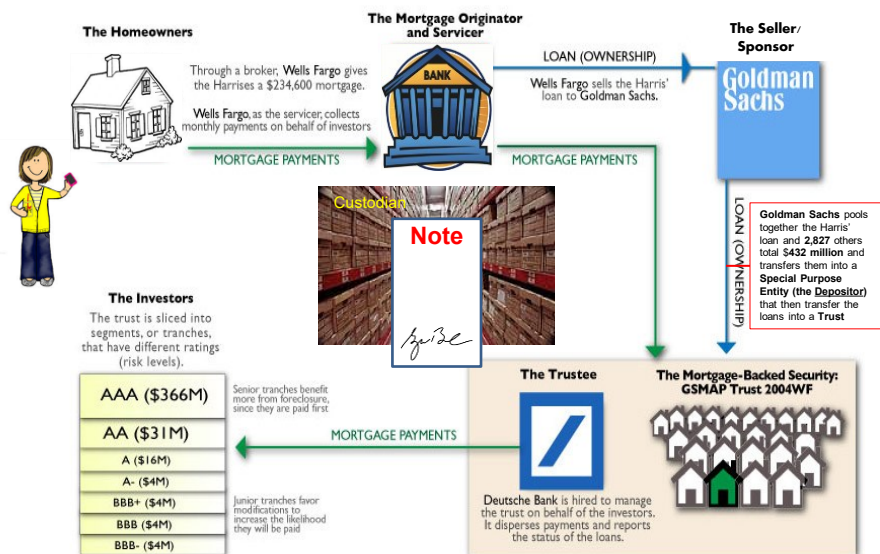
- Typically pursuant to the terms of the PSA

PSA Provision

In connection with such transfer and assignment, the Depositor does hereby deliver to, and deposit with, the **Custodian**, with **copies to the Master Servicer and the Special Servicer**, the following documents or instruments with respect to each Mortgage Loan

(i) (A) the **original Note**, bearing, or accompanied by, all prior or intervening endorsements, **endorsed by the most recent endorsee prior to the Trustee or, if none, by the Originator, without recourse**, either in blank or to the order of the Trustee in the following form: **"Pay to the order of Wilmington Trust, National Association, as Trustee, for the benefit of the Holders of COMM 2015-LC23 Mortgage Trust Commercial Mortgage Pass-Through Certificates, without recourse"**;

(ii) the **original (or a copy thereof certified from the applicable recording office) of the Mortgage** and, if applicable, the originals (or copies thereof certified from the applicable recording office) of any intervening assignments thereof showing a complete chain of assignment....



Source: ProPublica

Things to Keep in Mind...

- Who is appearing/testifying before you?
Who does the attorney represent?
- Servicer: What is evidence of their
authority to act on behalf of the holder?
What authority do they have?
- What are they qualified to testify to?