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IN THIS ISSUE

EXCLUSIVE FEATURE

TED TALKS

Ted Tozer helmed Ginnie Mae for nearly a decade and now speaks to *DS News* about the challenges the mortgage industry will face in the future.

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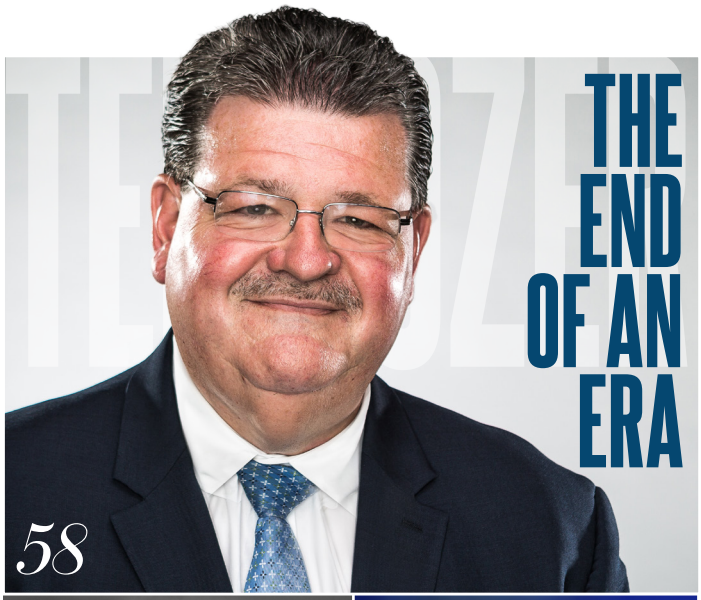

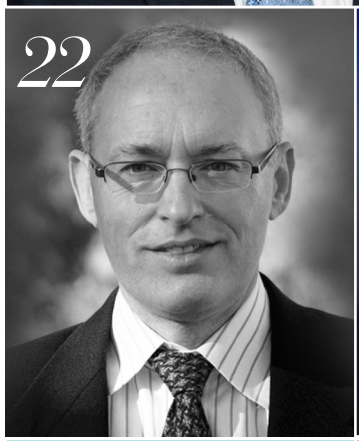

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COVER STORY / ALY J. YALE

THE END OF AN ERA

Seven years might not seem all that long a tenure in the corporate world, but in the land of political appointees, Ted Tozer's near-decade at the helm of Ginnie Mae was a true anomaly.

Tozer was appointed President of Ginnie Mae, the HUD agency that brings capital to government-funded lending programs like FHA, VA, and RHA, by President Barack Obama in 2009 and confirmed by the Senate in early 2010. He stepped down from the office in January—nearly seven full years after he assumed the post.

In a world where most appointees only last one to two years at most, Tozer's tenure was certainly a momentous one—both for its timespan and because of the accomplishments it included, domestic and abroad.

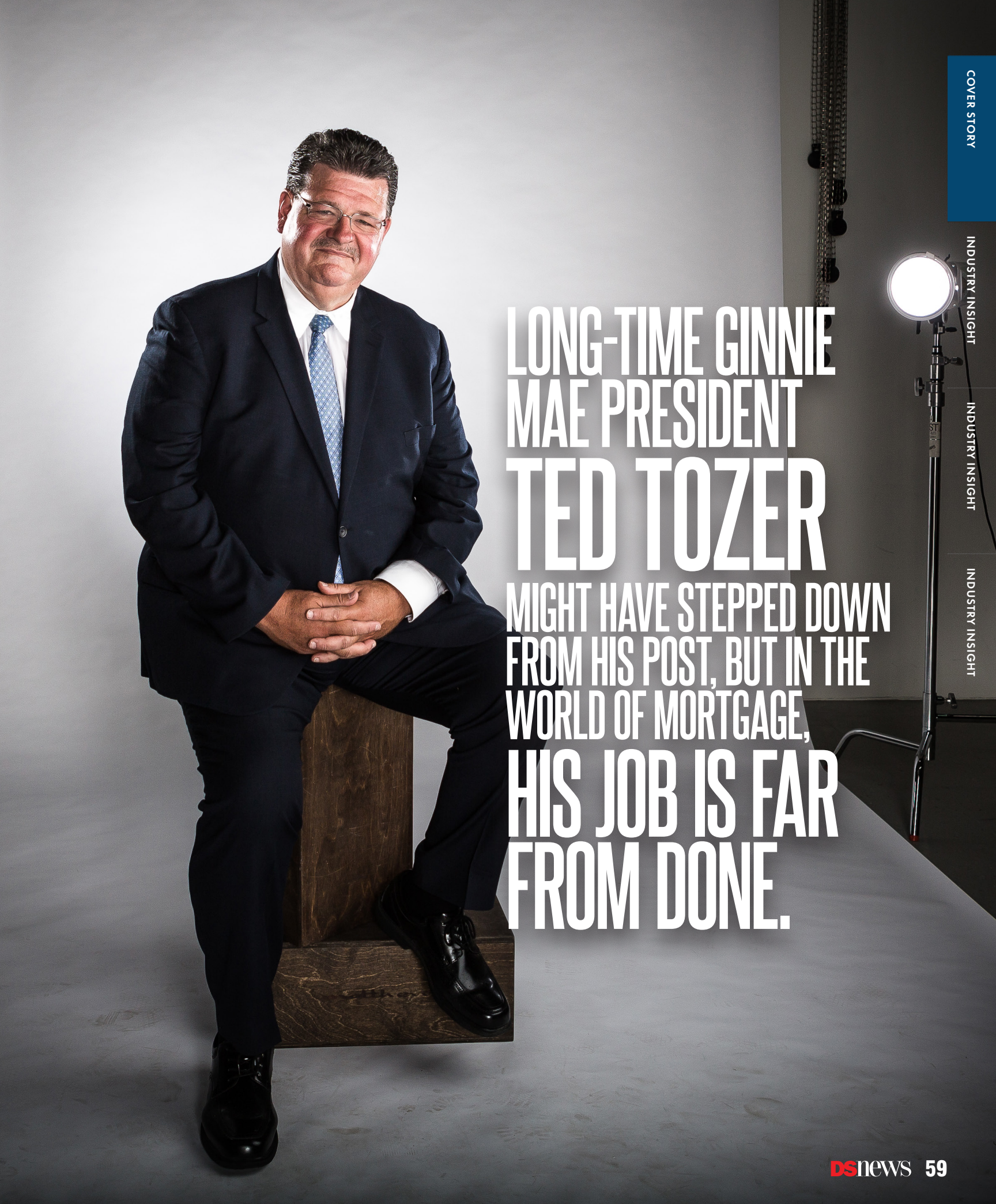
NOT YOUR AVERAGE APPOINTEE

Tozer recognizes his tenure was a rarity, as do his colleagues, friends, and pretty much anyone who's ever come in contact with him—yet they're not surprised in the least.

In fact, Jack Konyk, who worked at Ohio's National City Bank while Tozer was heading up National City Mortgage Company, calls Tozer an "interesting study in terms of governmental positions."

"It was unusual to see anybody stay that long in that kind of a position, but it made perfect sense for Ted because he was the perfect guy for the role," said Konyk, now the Executive Director of Government Affairs at Weiner Brodsky Kider PC. "Ted's the most completely, totally qualified president Ginnie's ever had, because of his in-depth knowledge of the details of its daily operations."

Garry Cipponeri, who got to know Tozer well decades ago through various industry events and organizations while working for CitiMortgage, says Tozer simply wasn't what Washington was used to.



LONG-TIME GINNIE MAE PRESIDENT TED TOZER MIGHT HAVE STEPPED DOWN FROM HIS POST, BUT IN THE WORLD OF MORTGAGE, HIS JOB IS FAR FROM DONE.

"I REALLY WANTED GINNIE MAE STAFF TO GET TO THE POINT WHERE THEY REALIZED THEY COULDN'T BE BULLIED—THAT THEY REALLY HAVE AS MUCH TO OFFER AND THEY HAVE AS MUCH A RIGHT TO BE A PART OF THE DISCUSSION AS ANYBODY ELSE IN THE HOUSING SECTOR."

"They're used to people coming in for one or two years," said Cipponeri, the current CEO of Traderoom Capital. "Ted did not fit that mold. He came in, and he actually wanted to change things. He actually wanted to make things better and equip Ginnie Mae for the future."

Coming off 24 years working as the SVP of Capital Markets for National City Mortgage Company—one of the biggest Ginnie Mae issuers at the time—Tozer certainly came into his role with a plan.

"I did a lot of work with Ginnie Mae back then," Tozer said, "and my whole frustration was it always felt that they had a huge inferiority complex."

So when he was nominated and eventually confirmed to head the agency, Tozer made strengthening Ginnie's place in the market a major focal point.

"I really wanted Ginnie Mae staff to get to the point where they realized they couldn't be bullied—that they really have as much to offer and they have as much a right to be a part of the discussion as anybody else in the housing sector," Tozer said. "They have as much to offer as what Fannie and Freddie do. They shouldn't feel like they're inadequate."

After years of working on the opposite side of the transaction, Tozer knew well the struggles and frustrations issuers faced, so pivoting the agency toward a more customer-centric approach was also on his agenda as president.

"It was important for Ginnie Mae to become more customer oriented," Tozer said. "When I was a Ginnie Mae issuer, dealing with Ginnie Mae was so tough. You'd ask questions, and they'd always refer you back to the manual. Have you read the manual? And the instructions? Just because you're a government agency doesn't mean you should treat your customers poorly."

This type of service—or lack thereof—is common among government agencies, Tozer said, but in the private world, you just don't see that. Realizing this, Tozer set out to transform Ginnie Mae into a more private-like organization.

"My goal was for Ginnie to be more like the private sector," Tozer said. "Think about it. Whether you're a government agency or not, you're providing a service, so you should provide that service."

Ultimately, Tozer said, he feels he was successful in making Ginnie more private in its approach. And that's had an impact on both the agency's relationships with issuers and with the industry at large.

"I think we've done a pretty good job of really getting Ginnie Mae to think in terms of their issuers being customers—to think of the Wall Street firms, the investors, their bonds, and the taxpayers as customers," Tozer said. "By doing that, I think we really changed the dynamic of Ginnie Mae and how it's looked at in the industry."

"ENCYCLOPEDIC KNOWLEDGE"

Though Tozer's tenure and goals for Ginnie certainly set him apart from other agency heads, it was also his deep, deep knowledge of the industry that really helped him make an impact.

Kathy Gibbons, who worked under Tozer at Ginnie Mae, called that knowledge "encyclopedic."

"He's got an encyclopedic knowledge of operations, products, pricing, and the legal, accounting, and performance elements that go into a good mortgage and a bad mortgage," said Gibbons, Ginnie's Senior Policy and Program Development Advisor. "It doesn't matter whether you're talking about documents, appraisals, trading eligibility, investor needs, anything. You can't get micro enough. From the most minute to the largest territory, he knows it extremely well with precision. There isn't really anybody else I know in the industry who has that degree of knowledge, pure knowledge."

It sounds like embellishment but Gibbons' sentiments are shared by many of Tozer's former colleagues.

"It'd be fairly difficult—no matter what side you're on—to challenge Ted on a lot of things, because he has such a large depth of knowledge," Konyk said.

Because of this widespread expertise, Tozer was regularly consulted on larger industry discussions and issues—even ones with other agencies like Fannie Mae and Freddie Mac.

"He was brought into a lot of different things in his tenure at Ginnie Mae because he was considered by some to be the expert on mortgages in the administration," Konyk said.

Tozer even had a hand in fine-tuning HARP, the FHFA program designed to provide refinancing options for near-underwater borrowers, and he helped guide many loss mitigation discussions during the housing crisis.

"He was able to be of use to folks from the Federal Reserve and Treasury who were trying to put together the early loss mitigation efforts and programs," Gibbons said. "He could go in and explain to them exactly why something would or would not work from a legal or business standpoint. I think that the people from Treasury and FHFA and organizations like that, they cannot say enough about how Ted kept them from going down rabbit holes that would have been no use."

LEADING THE CHARGE

Though Tozer's breadth of knowledge was wide, his colleagues maintain that he never acted like he had all the answers, nor did he micromanage their every move. In fact, according to Tozer himself, he knew the least of all his team.

"I strongly believe that everybody who worked for me in the organization knows more of what's going on than I do," Tozer said. "So, to me, my job as a leader is to facilitate staff's ability to be successful—that's at Ginnie Mae or anywhere. And so that's always what I tried to do. I've always tried to give my thoughts but also remember the people that are there on a daily basis. They know what's going on."

Tozer calls this a "bottoms-up" structure, and it's one his employees took notice of.

"He had an ability to be actively involved, know everything, and yet allow his team to do the work," said Mary Kinney, who served as EVP at Ginnie Mae from 2009 to 2016. Kinney worked with Tozer during her entire career at the agency. "He kept an awareness, but he didn't micromanage," she said.

This approach, combined with Tozer's sheer dedication to his job, empowered and motivated all he worked with.

"He had a vision that was very aspirational," Kinney said, "but it was also infectious. We all drank the Ted water, and we realized that we had the opportunity; we had the leadership, and he had our backs."

Even from the outside looking in, Tozer's approach was obviously effective.

"The people at Ginnie loved him, in part because they knew he understood their daily lives," Konyk said. "He resonated with them. He's a listener. He's willing to listen to ideas that seem out of the box and consider whether or not they make any sense."

Though empowering his employees was certainly a goal of his, on a larger scale, Tozer really wanted to expand the agency's workforce during his tenure. Under Tozer's leadership, in-house staff at Ginnie Mae more than doubled—a fact that's likely influenced the agency's continued growth over the last decade.

"He's managed to get government to understand the critical role that they play and the fact that you can't outsource everything," Konyk said. "You really have to build a capable cadre that's big enough and sophisticated enough to manage what you're doing."

THE EVOLUTION OF GINNIE MAE

Over the course of seven years, Tozer spearheaded a full-on evolution at Ginnie Mae, increasing its workforce and portfolio, steering it through the years following the housing crisis, bringing its technology into the 21st century, and now, standing strong as a viable option for GSE reform.

In Tozer's time in office, Ginnie Mae's staff grew from just over 60 employees to upwards of 130, and the agency went from holding about $800 billion in outstanding securities to $1.7 trillion—even exceeding Freddie Mac, according to Kinney. It was a period of long-term growth, and while its budget might not have grown to match, the agency has emerged a stronger, more influential force in the financial services industry, Kinney said.

"We didn't always have the money, but we charged in there and transformed this agency from the sleepy government agency to one of the premier leaders in securitization worldwide," she said.

That transformation was largely due to Tozer's leadership.

"Every once in a while the planets align," Konyk said, "and they did in that case to everybody's benefit, for the benefit of Ginnie, to the benefit of the market in general, to the mortgage industry as a result of it."

One of the biggest industry benefits? Ted put Ginnie Mae on the map—at least internationally.

"He has been a gigantic cheerleader for Ginnie Mae securities internationally," Cipponeri said. "I mean, during the crisis, when a lot of the international investors did not want to invest in U.S. mortgage-backed securities, he was tirelessly out there pitching that, saying 'No, this is fully U.S.-government backed.' He's done a lot of really, really good things."

According to Gibbons, it was Tozer's sheer knowledge and experience that positioned him to do those things.

"An American mortgage market was not a place that investors were interested in putting money," Gibbons said. "You needed somebody who understood how to reassure very nervous people about what was likely to happen, and he had the authority and the background to do that."

It was that same authority and background that helped Tozer right the ship when the waters got rough. Taking the helm at the tail-end of the financial crisis, he had an uphill battle from the beginning. But according to those who were there through it all, he took the challenge in stride—and his leadership provided a much-needed light at the end of the tunnel for American borrowers.

"These were dangerous periods of time, and we had significant decisions to make within the context of no history, no precedent that would be comparable," Gibbons said. "We relied on the ability of Ted to analyze the problems along with us."

Konyk said it was Tozer's leadership that made Ginnie Mae "a rock in the marketplace" and "one of the brightest spots government had" throughout the crisis.

"The industry needed an outlet for their loans and the borrowers in this country needed the ability to get a mortgage," he said. "Ginnie's ability to keep the lending faucet open when a lot of the other sources of mortgage credit constricted significantly was vitally important to not just the industry who serve them, but to the borrowers in this country who wanted to buy or refinance their homes."

Like much of his accomplishments, Tozer downplays his role in Ginnie's near-spotless emergence from the storm.

"We only had 10 to 12 issuers go broke," Tozer said. "It really showed the strength of the Ginnie Mae program."

FORGING AHEAD

As the longest-lasting Ginnie Mae president in history, there's no doubt Tozer made an impact on the agency—and the industry at large. But just because he's left his appointment doesn't mean his job is done. Tozer still has plenty of work to do. Hoping to consult and use his experience and insight for good, Tozer has a number of ideas on how to improve the industry and better serve the American homebuyer.

Most of his concerns? They revolve around the ever-increasing costs getting passed on to the consumer. The Dodd-Frank Act, compliance fines and fees from the Consumer Financial Protection Bureau (CFPB), and the ever-rising costs of defaulting borrowers are all driving up lender expenses—and in the end, there doesn't seem to be a balance between benefit and cost on the consumer side, Tozer said.

"There's not this kind of analysis going on," Tozer said. "Has the borrower gotten their dollar's worth? At the end of the day, we should do an analysis. If a regulation is going to cost $100 a loan, will that consumer get $100 worth of benefit? And if they don't, then you basically shortchange the borrower. I think that's what's missing in the Dodd-Frank discussions. It's this cost-benefit analysis. That's what it ultimately comes down to."

But regulations aren't just increasing costs. Because the Department of Justice and CFPB are focusing on enforcement, doling out hefty incompliance fines and penalties, it's also causing lenders to shrink the credit box.

"It's very difficult to convince capital today to go take a risk on repayment in that sector when they have to risk not only the repayment of their capital, but whether or not the government will spank them for how they deployed it in the first place," Konyk said.

Dodd-Frank, the CFPB, and many of the industry's recent regulatory changes are well meaning, Tozer said, but the question is simple: "Is the medicine going to be more dangerous than the disease itself?"

Cipponeri shared a similar sentiment, saying that even though mortgage rates have been low as of late, they should be much lower—and Dodd-Frank is part of the problem.

"I think the intentions were good, but the execution was punitive. Really, really punitive," he said. "Eighty percent of all the costs and all the pain of Dodd-Frank just gets passed on to the consumer. It's much harder to get a mortgage, and it's much more expensive to get a mortgage than it should be because of Dodd-Frank."

Ultimately, Tozer doesn't think Dodd-Frank or the CFPB should be eliminated—just refocused a bit.

"Sometimes you have these unintended consequences and you have to keep re-evaluating when they occur," he said. "Fine-tune your role to get it to do what you it want to do. I think that's what we've been missing with Dodd-Frank and CFPB."

Tozer also has serious input on the topic of GSE reform—a particularly hot-button issue since President Trump took office in January. Naturally, he favors adopting a more Ginnie Mae-like system over the privatized structures of Fannie Mae and Freddie Mac.

"The Ginnie structure allows lenders to expand the credit box," Tozer said. "On the government lending side, the Ginnie Mae structure has reduced the barriers of entry for new entrants, which allows disruptors to improve the experience for borrowers. In conventional mortgage lending, disruptors have to obtain permission from the middle organizations—Fannie Mae and Freddie Mac—versus in the Ginnie Mae program where there are no middle organizations."

The current structuring of the conventional market is restricting access to credit, Tozer said, as is the overabundance of regulatory fines and fees. These, according to Tozer, are pushing big banks out of the mortgage sector.

According to Tozer, getting these banks back on board is crucial.

"We are going to have a recession," Tozer said. "I don't care what they say. Economics is not up for appeal. We are going to have a recession sometime in the future and it could really test the housing market if the independent mortgage bankers don't have the banks to back them up."

Ever the dedicated public servant, it's obvious Tozer isn't going quietly into the night just yet.

"The market is still going through some growing pains," he said, "so I'd like to give my two cents for whatever it's worth. I really feel strongly about the strength of that housing market and how important it is to the American society. And I want to continue to support and be part of that."