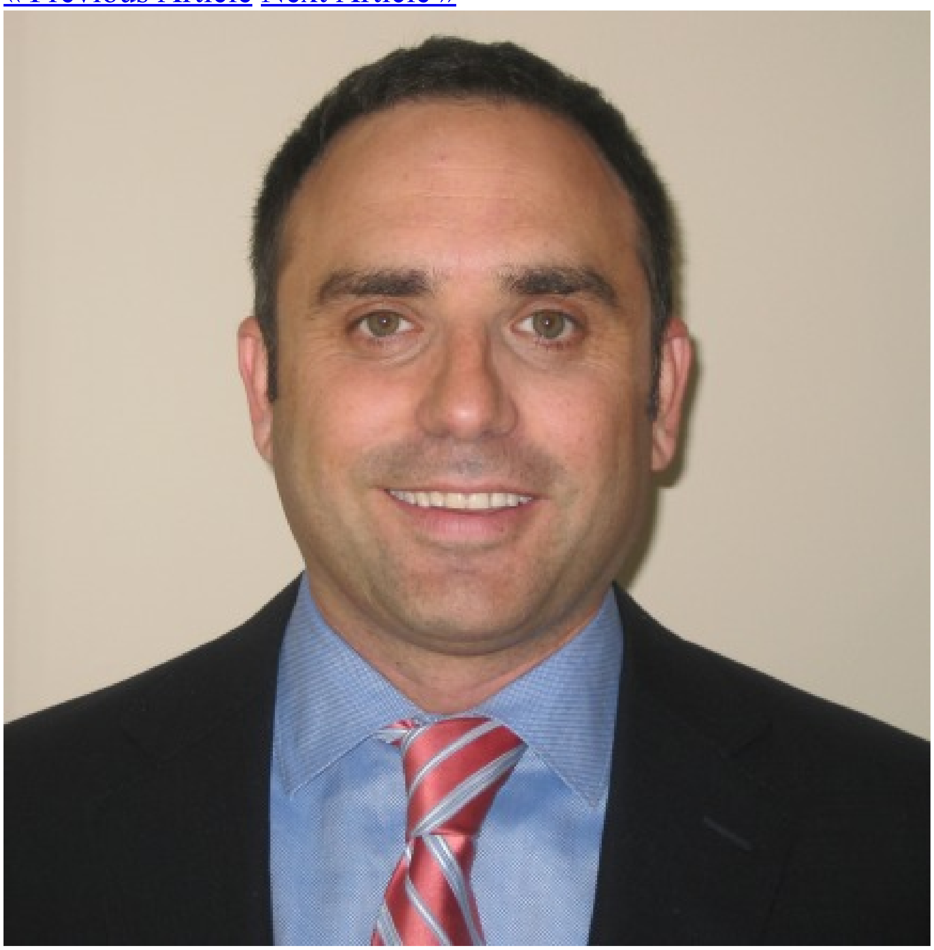

Matthew Ostrander, co-founder and CEO, Parkside Lending LLC, San Francisco

PHIL HALL | 03.16.2015 | SUPERSTAR OF THE WEEK

This week, our spotlight shines on the housing market and the mortgage industry, and the focus of our attention is Matthew Ostrander, one of the most prominent leaders in this field. Ostrander co-founded Parkside Lending in 2004 and steered the company through his industry's most perilous period into a new environment of growth and success.

Q: How would you categorize the current state of the California housing market? And how does California measure up against the rest of the U.S. market?

Matthew Ostrander: I think the California housing Market is getting stronger each quarter leading away from the first quarter of 2009 to present with a few periods/ adjustments along the way. Overall the low interest rates have helped increase housing inflation and bring many underwater borrowers back to positive equity. There seems to be no lack of liquidity for 80% of the borrowers while the other 20% (top & bottom) are finding more choices lately but not as much liquidity as prior to 2008 - yet.

The U.S. housing market on a whole is also enjoying a run lately with lower rates due to external factors, but prior to this period we saw that the tightening of credit and the rise in interest rates could have a dampening effect on the overall housing market and perhaps lead to some exits of industry participants which could further degrade consumer opportunity.

Furthermore, geography plays into the local markets as some areas are coming back sooner than others. Interestingly our belief is that the Dodd-Frank rules have curbed growth in that they have not allowed the normal cyclical expansion of the credit box - read: good and bad - and this, in turn, is perhaps indirectly leading many to want to keep interest rates lower to spur lending. Unfortunately at some point this must come to an end and I am hoping there isn't another bubble waiting to pop due to high rates and tighter than past cycle credit; however, I'm not aware of any bubbles or issues right now.

Q: You have a business history of building companies from start-up to success. Do you see today's mortgage industry as being a welcoming place for entrepreneurs eager to follow your lead in building companies from start-up to success?

Matthew Ostrander: In short, no. Not in the same way it was a decade ago. The entrance fees are much higher (net worth and start-up costs) and the regulatory environment is such that it is difficult for companies to offer young up and coming mortgage banking companies their start.

One example is more restrictive rules regarding “mini-correspondent” - these are your companies of tomorrow and they are finding it harder to get into the industry and grow due to monetary, regulatory and normal market forces. This may not matter now but a decade from now it can have a material effect where the majority of the companies will be old and established with new companies primarily being a recycling of talent from other companies. This then leads to less innovation and thus less for the consumer longer term.

When I entered the industry, I came directly from the entertainment industry, not from another mortgage company, and so many of our ideas were new and fresh not by design per se but because we just came from a other industry altogether. This is a nonstarter today and I‘m concerned this may hamper our industry’s ability to grow.

Q: Where do you see the state of wholesale and correspondent lending in today's industry?

Matthew Ostrander: Parkside Lending thinks that wholesale is gaining back some market share after being reduced significantly post crisis. This is due to many factors amongst which are the ability to have slightly higher margins than correspondent and slightly more flexibility as compared to retail.

Improved liquidity in the secondary markets for mortgage servicing rights (MSRs) has enabled mid-sized mortgage bankers like Parkside to gain market share in the correspondent space while maintaining a disciplined approach to the risk/return profile of the MSR assets we have retained on our balance sheet.

Looking out past this rally, Parkside believes a rise in interest rates will spur more change as companies that are not able to manage the rise in interest rates and its effect on the loan officers, will need to make tough choices. We also see some changes coming to servicing buyers with recent larger servicing aggregators exiting or reducing their footprint. Its inflection points in regulations and/or rates that cause change and therefore opportunity. Our team believes these are coming but we are not sure when due to so much noise in the world economic system.

Whatever the change, I like wholesale for Parkside Lending because the margins and the ability to move through pricing and product inflections are perhaps muted comparative to retail- again situational to the management teams within those companies. Wholesale is a nice segment and many people are seeing value here. Ultimately, though, it comes down to the particular company and their management team and vision thereof. It’s not really the channel it’s how you perform relative to your peers and we see great companies in all three channels and also consumer direct as well. Parkside has veteran management that managed through multiple up and down cycles so hopefully we’ve learned something!

Q: Many people in the mortgage banking industry have expressed concern about bringing new talent to the mortgage world. In your opinion, what can the industry do to recruit the best and brightest of the college classes to become mortgage professionals?

Matthew Ostrander: There are a lot of things we can do but the main one is to get our reputation as an industry back. The mortgage industry seems to choose many of us not the other way around.

Some things that can be done to help bring along change are the following: offering scholarships from trade organizations to join companies and assist with paying tuition in return for a commitment to work at your company for a period of time; more of the professionals in our industry need to contact community colleges and teach introductory courses to our industry; we need to re-think how we market and brand our positions so that we can attract young talented people to the industry; lastly, it's the duty of each great company to create a way to train their talented newcomers and then create incentives for them to stay.

Parkside created Parkside University and we offer a full training program that allows new comers in the industry to learn everything from set-up to secondary marketing. We love bright and young talented people who we can teach the Parkside way.

The mortgage industry a great way to make a living, its different each day, you can help people and make apositive difference in their lives and technology is taking a larger and larger role in our industry. I think the younger generation sees the world through a technological lens but they ironically utilize the technology to stay connected because they possess great empathy and caring for each other. I also see many ethos that are different in the younger generation (some good and some not so good) but the one thing that stands out is that they truly care about people and Parkside likes to hire people who care about others (I think we as an industry need to screen for this all the time) - it's what we do as a company to make a little bit of a difference, to humanize the industry.

Parkside Lending LLC is online at http://www.parksidelending.com.