

A PRIMER

By Toni Moss, CEO, AmeriCatalyst LLC and EuroCatalyst BV

Outtakes from my keynote speech delivered at the Cenlar Client Summit in Park City, UT on June 9, 2026

It would be helpful to understand a little bit about my background and experience and what has led me to my thesis about the current state of the U.S. housing ecosystem as of early June, 2026 and why we need to bring the most important leaders together to reimagine our future.

1. MY BACKGROUND AND RELEVANCE

As a young teenager, I was a professional tennis player. Like so many of us who once had a dream and lost it, I blew out my knees at 16 years old and that future disappeared with one wrong step. But from that experience, I learned two really important things: First, that good players were the ones who always got to the ball - but the **great** players were the ones **who**

were able to anticipate in a split second where the ball was going to be. And as you'll see, that anticipatory approach of what happens next really defines the focus of my career.

I started off my career as a corporate and political speechwriter and from there, transitioned into corporate intelligence for what was then the world's largest multinational conglomerate. In the early 1980's, I co-founded a due diligence firm named MAPS, specializing in the analysis and valuation of non-performing loans. We represented Wall Street firms who were buying the waterfall of loan performance and struggling to find special servicers to work them out. This was during the S&L crisis. Our firm ran the "War room" undertaking all of the seller due diligence for the HUD Single Family Loan Sales which were the largest series of non-performing loan sales in history. Because I entered the industry on the forensic side - when things go terribly bad - I've always had a very cautious and forensic approach to the mortgage industry in particular.

1997-2009 | THE PAN-EUROPEAN EXPERIENCE

In 1997, I relocated to Amsterdam when I was hired as the Director of Corporate Development for a subsidiary of Bouwfonds (translated in English as "building funds"), the quasi-governmental Dutch firm that was established just after WWII to rebuild Dutch housing and infrastructure. They had a very advanced mortgage technology platform that was spun out by Rik Douwes to create STATER, Continental Europe's first third party servicer. STATER's capabilities encompassed the world's first completely paperless and digital originator, servicer and funder - in 1998.

Working within STATER, I was responsible for expanding our third-party servicing business model and performing the reconnaissance to determine which countries we would enter in preparation for the launch of the Euro in 2002, and the proposed (Pan European) Single Market for Financial Services. We undertook both Greenfield operations, as well as joint ventures with local market entities. At the time, the European Union comprised twelve countries and later, eighteen. Ultimately, I evaluated the products, processes and practices of 23 countries. Talk about playing Scrabble without the vowels…

APPLYING SCENARIO PLANNING TECHNIQUES TO THE HOUSING ECOSYSTEM

In 1999 and 2000, I learned scenario planning studying with the pioneering Shell Scenario Planning team in London. In the early 1970s, the world was in upheaval due to an oil crisis, driven by severe shortages, soaring prices, and tremendous economic turmoil. Sound familiar? Shell was completely caught off-guard, and in response their planning team set out to understand everything about future demand for fossil fuels by developing very detailed narratives - or scenarios - to explore a wide range of possible future states of the world. These weren't so much predictions as they were structured stories that combined factual analysis

and creative thinking to examine how different Social, Technological, Environmental, Economic and Political dynamics interacted and would play out.

The Shell team began with the idea that global oil production would reach its maximum rate and then decline, as conventional oil sources become depleted - an idea known as "Peak Oil Theory". ***Hang onto this notion of "Peak Oil" because I think that we should consider the extent to which we have reached "Peak Mortgage" when it comes to future demand in our industry.***

In 2001, Bouwfonds (and with it, STATER) was acquired by ABN Amro, and I left to create EuroCatalyst BV, which is an advisory firm based in The Netherlands and specializes in cross-border and new market entry for firms operating across the UK and European housing ecosystem. In applying Shell's scenario techniques to the largest mortgage markets around the world, in 2001 I believed that the combined forces of globalization would cause mortgage markets to implode, and sought to do something about it.

My initial efforts involved lobbying the US Federal Reserve, European Central Bank and World Economic Forum to convince them to bring everyone together in a conference format to head it off. I created a program that compared mortgage market dynamics to each other as well as capital markets and global investor behavior, hoping that they would see the inevitable outcome. Unfortunately, the party, so to speak, was just getting started and virtually everyone I met with thought that it was an interesting thesis, but unlikely to happen.

ESTABLISHING AN ENTIRELY NEW LEVEL OF EXECUTIVE EDUCATION AND COLLABORATION

So in 2002, Shirley Jackson, the brilliant former Editor of the Japan Times, joined me in establishing a very unique invitation-only, peer-to-peer think tank and brought together all of the primary constituents in the housing ecosystem across Europe for the first time. Our theme that year, "Will European Mortgage Markets Survive Globalization?" sounds relatively innocuous, but the question that was being asked was whether the European Union itself would survive globalization, as all mortgage markets are inherently national and vary in form, but not function. And this was our thesis for that event:

1. Mortgage markets are the epicenter of the global economic faultline;
2. The accelerating social, technological, environmental, economic and political forces of globalization will cause mortgage markets to rupture, leading to a global economic crisis;
3. We will never fully "recover" from the implosion, we will only adapt, and
4. The inevitable backlash to globalization (and the mortgage crisis) will lead to nationalism and authoritarianism around the world.

In 2005, we established an additional event called **EuropeServicing** to prepare servicers across Europe for what was coming, and held it from 2005 to 2008. We held it at BAFTA - the British Academy of Film and Television Arts - and themed all of the sessions to famous films.

Each year EUROCATALYST was held in different countries that represented the most significant developments across the EU (Spain, Portugal, Germany, Italy, the UK and the Netherlands). In 2009, we brought the EUROCATALYST event to the U.S. with the theme, “Distressed Servicing”. During the height of the subprime crisis, Jamie Dimon lamented, “We’re ALL subprime lenders now” meaning, everyone was getting unfairly painted with the same brush. Our response was, “Actually, we’re ALL distressed servicers now”...

In 2010, we established AmeriCatalyst, based in Austin, as a sister firm to EuroCatalyst. That same year we launched the annual AMERICATALYST event to continue the narrative of examining and evaluating mortgage markets in the context of globalization. The purpose of the event is to improve the products, processes and practices of the industry, while promoting its balance and long-term sustainability.

Over the years, our event themes and related narratives have proven to be quite prescient and have served as very early indicators of what would happen next. If you look at our program narratives and session descriptions over the past 25 years, we have consistently been three years ahead of the curve.

CURATOR AND CATALYST

So in terms of who I am, and what makes me worth listening to, is this: I’m not just a conference producer, I’m **a curator**. A curator is a content specialist, usually of a gallery, or museum, a library or an archive. In my case, I curate people, concepts, ideas, communities and questions geared toward finding solutions for the long-term health and sustainability of the housing ecosystem. And I’m a catalyst. I put content into action, ask provocative questions, generate new ideas and basically, make things happen among industry leaders. And when I want to make things happen in this industry, or have something important to say - I usually do it through a conference. So typically, **my** voice is only heard at my own events, which is why so many have probably never heard of me.

At AMERICATALYST events, I’m usually the one posing the questions - be it the theme or hosting onstage - because innovation does not come from answers: It comes from the uniqueness of the questions. It comes from the statement of problems, and not their solutions.

Some of the things I talk about next will intrigue you, some of it you may disagree with - and I welcome that disagreement, because truly, I hope that I'm wrong - and some of this may be very frightening and hard to hear. ***But if we talk about these things now, we can actually do something about them and adjust our business models and strategies accordingly***. But please bear in mind, we live in a period where truth is dismissed or negated altogether, accusations tend to be confessions, and honesty is increasingly a risk not worth taking. So please, don't shoot the Messenger…

What I'm writing about is a narrative, or a structured story about how I see the mortgage market evolving now and in the near future. While I would like to write about actual scenarios, they naturally involve politics and drawing conclusions about their consequences. It's the conclusions that I draw that would get me into trouble, but you can certainly draw your own. That said, in this age of AI and robotics, I think that the friction will no longer be between right and left – it is what author Douglas Rushkoff calls, "Team Human" vs. the machines. From that perspective, we have far more that unites us, than divides us.

What I would like to leave you with is a framework for understanding the most important things that directly impact our industry, and truly, they are the most important issues of our lifetime. I'll try to show you their trajectory so that you can anticipate what might happen next and alter your business and portfolio strategies accordingly.

2. THE IMPORTANCE OF THE BIG PICTURE: THE YELLOWSTONE METAPHOR

First I want to talk about why "the big picture" is so important, and here's my favorite example: In the early 1970s, a paleontologist discovered the fossilized remains of 200 prehistoric animals in eastern Nebraska. Their sudden death was due to a volcanic explosion 10 million years earlier. Around that same time, a very similar discovery was made - a thousand miles away in Idaho. The remarkable similarities of the two sites led scientists to search for a "super volcano" that was large enough to cover half of North America with two meters of ash.

In between the thousand miles from Nebraska, to Idaho, the scientists' search led them to Yellowstone National Park in the northwest corner of Wyoming – but they still couldn't find a volcanic crater large enough within the park to cause an explosion of ***that*** magnitude. They knew it was there, and although they spent several years searching every inch of the park, they just couldn't find it.

By coincidence, just at that time, NASA decided to test some new high-altitude cameras by taking photographs of Yellowstone from space. As soon as the lead scientist saw the photos, he realized why he had failed to spot the caldera because virtually ***the entire park*** — 2.2 million acres — ***was*** the caldera. The space images actually showed four overlapping calderas that were 45 miles across and 30 miles wide, encompassing nearly ***all*** of Yellowstone Park.

Yellowstone doesn't just have a super volcano — Yellowstone IS a supervolcano. They couldn't find it because they were literally standing in it. It was all around them.

This is why it is so important to look for and understand the bigger picture, which allows us to see things that we cannot otherwise see when we're too close, or mired in the details. When talking about the mortgage market, we tend to focus so much on very specific metrics like loan volume or interest rates or house prices that we lose sight of the big picture.

The housing market is a very complex, living, intricate and interconnected ecosystem and I would argue that it is impossible to understand it unless you look at the Sociological, Technological, Environmental, Economic and Political forces in which it functions. In scenario planning, it's called STEEP.

That bigger picture and perspective that I refer to is globalization, and in particular, ***hyper***globalization - which is now transforming into something quite different as the world currently attempts to "deglobalize". Here's what I'm referring to:

3. GLOBALIZATION, AND HYPERGLOBALIZATION

The term "globalization" is NOT internationalization. Inter-national means between nations. Globalization encompasses everything, everywhere, all at once. It's not about one dimensional change, but **a set of forces** - as I mentioned, STEEP. It is a widening, deepening and intensifying acceleration of global interconnectedness in all aspects of our lives, and Its most significant feature is **a break with the past**.

Globalization has created a world in which the greatest change of all - is the ***pace*** of change. A world of entirely new, volatile and entirely unpredictable precedents. In fact, a world completely beyond our control and understanding. Right now, we are changing at warp speed, which we humans are not psychologically capable of processing. Just remember this - when things go bad, it happens **extremely fast.** Just look at Covid. Or the political and economic changes of the past year. Or the seemingly sudden ubiquitousness of AI and data centers.

4. THE "AI APOCALYPSE"

Many of you may have noticed that our entire lives are now being permanently reorganized around machine intelligence. Today, AI capabilities are doubling every 3 months. Recently Jack Clark, one of the co-founders of Anthropic, called AI's ability to improve itself "A Rubicon into a nearly impossible-to-forecast future". He thinks that there is a 60% chance it transforms itself completely by 2028. Today, AI requires humans. But very soon, as Dutch historian Rutger Bregman recently wrote, "the flywheel starts spinning itself. If you're not paying attention to AI – you're going to be digitally colonized. And anyone who's not at the table will be on the menu."

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In terms of anticipated job losses, it is impossible to predict because the numbers are all over the place. But it will be unprecedented in our history. Here are some examples:

- The World Economic Forum says that 92 million jobs will be displaced globally
- Goldman Sachs initially said 300 that million jobs affected, and then recently recalibrated it to fewer - I'm assuming they recalibrated so as not to scare the hell out of everyone
- McKinsey says 400 million in the US and 800 million worldwide by 2030

We may not know the number, but know this - what makes AI-related job losses especially worrying for the housing market is the ***type*** of jobs being eliminated: These are not $35,000 a year jobs. They are white-collar positions with significantly higher wages. Their loss will hurt tax revenue and have a much broader impact on the employment market. And unlike COVID-era job losses, there is "no exit ramp". When jobs disappeared during the pandemic, everyone knew they would return. With AI displacement, those jobs are gone permanently. Just imagine the impact of mass job losses on the mortgage market. (Whisper) "Also remember that embedded with AI comes the robot apocalypse." Now you know why I have this orangutan up here with me!

When you look at the capital being spent on "AI data centers", as Bregman points out, it is the largest in recorded history: larger than the interstate highway system; larger than the International Space Station and larger than the moon landing and the Manhattan project combined. Microsoft, Google, Meta and Amazon will spend 3 times as much on AI infrastructure in 2026 than the entire Marshall Plan that rebuilt Europe after WWII. And bear in mind, AI has an absolutely voracious appetite for consuming real estate: Data centers are now competing for the very real estate intended for affordable housing.

As for AI being a bubble, even if half of them go bankrupt, the data centers are here to stay – and the environmental consequences cannot be understated. We are already running out of water in so many areas of this country and these data centers are just getting going. Hopefully we'll find a cost effective way to use sea water – wouldn't that be something, it would solve the problem of sea level rise at the same time!

5. THE CANARY: CLIMATE CHANGE AND THE INSURANCE CRISIS

In early April of 2024, I created a new event called "GOING TO EXTREMES" to bring urgency and industry-wide attention to the implications of climate change on the housing finance market and the emerging insurance crisis due to increasing catastrophic losses faced by the insurers. The event was a follow up to a session at AMERICATALYST 2020: ENTROPY called "FATAL

ABSTRACTION". In that session, I emphasized the fact that insurers would imminently begin withdrawing from high loss markets over the following 3 months but many people simply didn't realize the impact of what I was saying.

While I was happy with the participation at GOING TO EXTREMES overall - there were 350 people primarily from government agencies, insurers, pension funds and other institutional investors, but I was shocked by the complete *lack of interest* by the originators and servicers. That said, there were four who did actively participate: In addition to all government lending entities, there was Freedom Mortgage, Cenlar, PennyMac, CMG and Planet Home Lending. That was it. You can only imagine the conversations that I had with the originators and servicers who did not see the relevance of learning about and understanding a topic of such importance.

THE SENSITIVITIES OF USING THE TERM "CLIMATE CHANGE"

I realize the current sensitivities of using the words, "climate change" and while I truly don't want to offend anybody for the sake of my own dignity, I', using the scientific terminology which is based on overwhelming evidence and fact - ***even if*** a very miniscule number of scientists have been alarmist about it. I swear - you've got Democrats poo-pooing AI and Republicans poo-pooing climate change and we're left with shit all over the place! But it's just silly for me to couch words with terms like "extreme weather" when deep down, we all see what is happening around us and factually, the increasing insurance losses say it all.

How climate change impacts our industry the most is in two areas: first, the challenges of pricing in climate risk - which, for the most part, has not been factored into the underwriting, the house price equation or MSR values - and second, of course, the emerging crisis of rising property and casualty insurance.

Unlike mortgages which are - for the most part federally regulated, insurance is governed at the state level, leading to very diverse market behaviors and pricing from state to state. Homeowner insurance is a critical *risk management tool* that enables the extension of credit. To increase affordability, we have the much revered 30 year mortgage - but we're realizing that the climate surrounding the collateral is not stable 30 years into the future. Insurance contracts are priced annually with a typical duration of one year, which allows for regular repricing reflecting evolving risk conditions within state regulatory constraints. You can easily see the duration mismatch. As a result of this mismatch, are we likely to see changes in the duration of mortgages moving forward?

WHEN YOU REMOVE THE RISK TRANSFER MECHANISM OF INSURANCE, THE SYSTEM BREAKS

Keep in mind, insurance companies don't take on risk - they are a ***risk transfer agent***. When you remove the risk transfer mechanism of insurance, our housing finance system breaks. Currently, a confluence of inflation, climate change and disparate state regulations is driving up premiums and prompting private insurers to exit certain markets to maintain profitability. It is also impacting the ability to afford a home based on insurance costs alone…and this is in places where you can even get homeowner insurance at all. And substantial increases in homeowner policies is seriously impacting existing homeowners and their cost to carry homeownership. I was recently looking at homes in Santa Fe, and was shocked to learn that 40% of the city is uninsurable due to drought and wildfires.

In terms of physics, one of the most visible ways climate change affects us today is by super-charging extreme weather events: and this past year has been no exception: The first six months of 2025 saw record damage from weather and climate disasters - a total of 14 disasters causing over $100 billion in damage. This was the highest number of disasters for the first half of any year since record keeping began in 1980.

That's why we now see that due to extreme losses, insurance companies are pricing climate risk into their premiums and/or exiting high risk markets altogether. This is "THE CANARY".

WE ARE HEADED TOWARD AN UNINSURABLE FUTURE

At AmeriCatalyst's GOING TO EXTREMES event in April of 2024, former California Insurance Commissioner Dave Jones said, "We are headed toward an uninsurable future." He believes that insurance exits will continue to worsen directly due to losses caused by climate change. Fortunately, there are a tremendous amount of private initiatives working toward viable solutions using AI and more precise data. But from a federal government perspective, not only are we no longer even attempting to reduce our impact on the problem, we are aggressively doing the exact opposite. We're literally accelerating and magnifying the problem.

As "big government" retreats from its historic role as the risk manager of last resort over the last two centuries, the burden of insurance coverage and disaster recovery is falling upon individual states that do not have the scale to disburse risk equivalent to the federal level.

In the meantime, State-wide FAIR plans in high risk states are going bankrupt; FEMA is being gutted…and remember, states raise revenue by increasing property or sales taxes. How can states possibly cover the entire burden of natural disasters? Who owns the water rights and what happens when the rivers run dry? Also, bear in mind that high insurance, and no insurance, dramatically reduces home values. For example, the average home in California that receives a non-renewal could instantly lose 12 - 39% of its value. So the longer-term trajectory is toward a world where only the wealthy can afford to be insured, and vast swaths of geography become effectively uninsurable - and therefore unmortgageable - at any price.

6. THE COAL MINE

[SLIDE 2: The Three Body Problem: The Insurer, Homeowner and Lender]

This slide comes with permission from Andy Davidson of Andrew Davidson & Company. Andy is the absolute greatest quant in the housing finance industry. At the GOING TO EXTREMES event in 2024, I asked Andy to lay out the entire system of risk across the mortgage ecosystem to see what happens when you remove one of the prime mechanisms of risk transfer, that being homeowner's insurance. Once that happens, where does that risk inordinately fall? Here's what Andy discovered:

First, the context: Many of you may be familiar with the Netflix Series, "The Three Body Problem". It refers to a problem in physics that is unsolvable. With that backdrop, we have the insurer, the homeowner, and the lender - in what is currently an unsolvable problem. When you extrapolate and multiply, it only gets worse.

Andy put together a hypothetical home with a value of $350,000, a mortgage of $315,000 and replacement costs of $245,000. In this scenario, were there to be a catastrophic loss, the homeowner would default and lose the $35,000 equity in their home. The insurer would lose $36,750 on a 15% claim. But the lender / investor would face a loss given default of **$83,125**.

Each party says "it's not my problem" because they have shielded themselves from other risks. So given the reality of climate change, the current housing finance system no longer works as it has for the past century if you remove the risk transfer mechanism of property and casualty insurance. We need to rethink our entire housing finance system and ask, "What is best for the system as a whole that incorporates the current and long-term reality of climate change?"

In reference to climate change and the insurance crisis, on February 12, 2025, former Federal Reserve Chairman Jerome Powell said, "*If you fast-forward 10 or 15 years, there are going to be regions of the country where you can't get a mortgage.*"

An uninsurable future means an unmortgageable future. The industry can adapt with better tools, public-private partnerships, and smarter, AI-enhanced risk modeling — but the industry cannot price its way out of physics.

7. WE'VE REACHED AN INFLECTION POINT IN THE HOUSING ECOSYSTEM

It would seem that we have reached an inflection point in the housing market overall…and I would argue, this is a structural shift. From a big picture perspective, this is not a temporary fluctuation or cyclical downturn, but a permanent change in the underlying mechanics of the

housing ecosystem. The mortgage market that we have known for the last 75 years was based on a deep and wide middle class with upward income mobility. That middle class is disappearing. Add to it the profound and combined impacts of AI and climate change, and you have to ask if we have already long surpassed "Peak Mortgage".

AN INCREASING AMOUNT OF HOMEOWNERS CANNOT AFFORD THE COST TO CARRY

Homeownership as the "American Dream" is no longer attainable to the majority of Americans because we have a serious affordability crisis that is not explained solely by a lack of supply. Furthermore, a home is no longer an asset for those who cannot afford the cost to carry - it's a liability. People may have a fixed rate mortgage, but they've got an ARM escrow with increasing property taxes, utilities and insurance. And it is that ARM escrow that is hurting so many homeowners - even if they have a large amount of equity in their home.

With regard to the purchasing power of consumers right now, consider the following:

- The traditional homeownership **mobility waterfall is broken**. It's gridlock. We have historically low mobility due to affordability challenges, a serious lack of momentum in the job market and massive upcoming job losses due to AI and robotics.
    - **Earnings:** While average hourly earnings grew by 3.4% over the past year, inflation is at 3.8%. No wonder we're at an **80 year low in consumer sentiment**.
- **Student Loan Debt:** Younger generations are straddled with student loan debt and have very scarce job prospects to pay it off. As Nolan Turner of Carrington points out, 9 million student loans are coming delinquent in August. According to credit models - your FICO may be 740, but if you miss two payments, it is now 570 and you are unlendable. How is all of this going to work?
- **Health Care**: Americans pay more for healthcare than any country on earth — and they're getting less for it every year. Some would argue that hospital consolidation is the real driver of America's healthcare cost crisis and that we're not addressing it. Regardless, almost 24 million people will see their premiums rise, with the expiration of the enhanced tax credits driving a 114% increase in average annual costs. The average deductible across all ACA health plans also increased by 37% since 2025, which is the steepest in history.
- **Auto loan balances** and delinquencies are at an all time high
- **Credit card debt** has reached $1.3 trillion - and delinquencies are at a 15 year high.
- **401K hardship withdrawals** are up 250% over the past 5 years, of which 38% is to pay off credit card debt and 31% is to cover medical expenses.
- **The Household Savings Rate** has deteriorated massively, now standing at 3.6%, which is well below historic norms.
- **Food prices**, which are already at all-time post-Covid highs, are about to skyrocket even further: Farmers lost $28 billion last year, and 15,000 smaller farms were lost to

consolidation. As the war in Iran continues, fertilizer prices are up more than 50%, and 70% of farmers say they cannot afford fertilizer at all. This is going to have a substantial impact on not just food prices, but availability.

- **Gasoline**:According to AAA, gas prices are up almost 40% since the Iran war was launched. As the war drags on, analysts expect it to go even higher.
- **Utility costs** are significantly increasing, and as heat domes continue to occur and AI data centers proliferate, they will increase even more.

And I haven't even talked about FHA loan delinquencies…but speaking of which, all of these factors contribute to servicing and MSR ownership as the "Checkmate" moment.

Because I would argue that the housing market is not going to collapse…perhaps we are already IN collapse - and this is what it looks like. Maybe, like the Yellowstone supervolcano, we can't see it because we are right in the middle of it. We are surrounded by it.

8. UNDER THIS ADMINISTRATION, GOVERNMENT NO LONGER INTENDS TO BE THE RISK MANAGER OF LAST RESORT

Here's a final perspective to consider: According to Harvard Professor David Moss, the expansion of government over the past two centuries occurred because private markets have sometimes failed to adequately manage risk on their own — due to adverse selection, moral hazard, and major externalities. Americans are used to having our government step in when in crisis to act as that risk manager of last resort and our industry in particular has been a big beneficiary of that role. Just look at the post-2007 bailouts and QE.

When I talk about how the greatest change is the ***pace*** of change, since this new administration took over in January one of the changes that I think will impact our industry the most is the fact that we're seeing a government whose stated intent - through Project 2025 and inherent in the many speeches of President Trump - is to shift more risk management responsibility away from the federal level, leaving individuals, states, and local governments to navigate a more complex and uncertain landscape with far greater financial exposure. The current trajectory doesn't eliminate risk — it just reassigns and pushes it downward, from the federal government to states, and from states to cities, to communities and neighborhoods and individuals, precisely where market failures and externalities are most acute.

To better understand what is happening and see for yourself, ask your favorite AI to summarize Project 2025 for you, and then read the chapter on housing. Project 2025 is a blueprint that seeks to fundamentally reshape federal government policies across various sectors, including social safety nets and environmental protection, among other things. Considering the inordinate role of government in our housing market today - and our role in this industry, everyone should at least have some working knowledge of these changes headed our way.

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[SLIDES 3 - 14: Dr. Katharine Hayhoe, A Glimpse of the Future(s)]

The next series of slides are from Katharine Hayhoe, an atmospheric scientist who is on the cutting edge of climate issues and is one of the most respected scientists in the world. The slides show hypothetical, physics-based scenarios of the future as climate rises from 1.5 degrees Celsius, where we are right now, to an unimaginable 4 degrees Celsius if we continue the current trajectory.

This summer will see a record number of wildfires around the world, directly due to extreme drought. Europe, the continent warming the fastest, British Columbia and the Pacific Northwest, Northern Canada and the American West in general are facing unprecedented droughts. Dr. Hayhoe's slides provide a glimpse of our near and long-term future.

9. ARE WE READY FOR WHAT IS COMING?

As an industry, we need to be ready for this. Because as things worsen, servicers will be orchestrating the front lines of not just financial order and stability, but social stability as well. This is not our first rodeo, but THIS time…it's the whole ranch.

Facing reality allows us to activate coping strategies. It allows us to adjust to good news or even bad news—but we cannot reconcile with the ambiguous and the unknown. That said, if your house is in danger of catching fire, the very last thing you should do is disable the alarm. Moving forward, it's really - I mean really up to us. The companies in our industry that will be valuable are the servicers themselves, as well as the constellation of legal, asset disposition, property management and property preservation firms that support their efforts.

With regard to mortgage lending overall, bear in mind, the whole point of borrowing is to gain leverage, right? But when you factor in property taxes and insurance, the borrower is gradually de-levered - **particularly in an environment of house price decline**. Furthermore, as the full weight of risk transfers down from the federal level, to state, to city to community to neighborhood to the homeowner, the risk disproportionately hits the weakest link: The homeowner. They are the most vulnerable to catastrophic risks. Hurricanes. Fire. Flood. Drought. Water shortages. Having a data center built nearby…the things that homeowners can't anticipate, can't control, and even if they can continue to afford property and casualty insurance, can they fully insure against a data center? I'm just asking. Because quite suddenly these data centers are everywhere. It's like some science fiction invasion. And we're only beginning to understand their STEEP implications. As servicers, we need to anticipate. ***We need to know where that ball is going to be.***

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Never forget that servicing is a long-term relationship. Servicing is “Team Human”. And as homeowner conditions worsen moving forward, that humanity will be drawn upon in our default operations the most. How do you operationalize empathy?

In this new AI world, human caring will be the single largest differentiator of any company, much less servicing. Think about that. Servicing…as social work.

The last time I held the annual AmeriCatalyst event was in 2020, and the theme was ENTROPY: Surviving the New Abnormal. At the time, more than a few people were ticked off that I would invoke such a foreboding theme when things were going so well in the industry. Well, the Covid shutdown hit - literally - the following week. I admit - I did not see that one coming. I haven’t held the event since because I lost my phenomenal collaborative partner - Shirley Jackson - to a catastrophic stroke later that year. But in 2027, I’m bringing AmeriCatalyst back for its 25th anniversary with a new theme that I think applies to our entire industry, and everyone in it, including me! The theme is RELEVANCE: Reimagining the American Dream.

I mentioned earlier that the differences between us and the polarity in our country ***really is*** no longer about right against left - it’s about humanity vs. the machines. This is not about our careers or our position in the hierarchy of corporations, it’s about our souls. I am solidly on Team Human!

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