

**FORM ADV PART 2A: Firm Brochure**

**Item I- Cover Page**



**Mortgage Industry Advisory Corporation**

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New York, NY 10175  
(212) 233-1250  
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This brochure provides information about the qualifications and business practices of Mortgage Industry Advisory Corporation (“**MIAC**” or the “**Adviser**”). If you have any questions about the contents of this brochure, please contact MIAC’s Chief Compliance Officer (the “**CCO**”), Marilyn Millington, at (212) 233-1250 or [marilyn.millington@miacanalytics.com](mailto:marilyn.millington@miacanalytics.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority. Additional information about MIAC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC does not imply that MIAC or any of its principals or employees possess a particular level of skill or training.

**Item 2 - Material Changes**

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The rules promulgated under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) require the Adviser to identify and discuss any material changes made to its brochure since the last annual update. Since its most recent filing in October 2023, MIAC has no material changes to report.

This brochure should be read in its entirety.

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## Item 4 - Advisory Business

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Mortgage Industry Advisory Corporation (“**MIAC**” or the “**Adviser**”) is a Minnesota corporation incorporated in August 1989 with its principal office in New York, New York. The principal owners of MIAC are Robert Husted and Paul Van Valkenburg.

MIAC’s Secondary Services Group offers non-discretionary investment advisory services through two service offerings: Mortgage Pipeline Hedge Advisory and Mortgage Servicing Rights (MSR) Hedge Advisory services:

### **Pipeline Hedge Advisory Services:**

MIAC provides comprehensive pipeline management and hedge advisory services customized for each client. MIAC specializes in hedging strategies related to newly originated mortgages or mortgage pools that are held by mortgage originators with the intent to sell them into the secondary market. MIAC provides end-to-end pipeline risk management services, advising and assisting clients on optimal hedging strategies to manage risk and position their portfolio for best executions in the secondary market space.

Utilizing MIAC’s MarketShield technology in conjunction with Fallout Analysis, Best Execution Analysis, Option Adjusted Spread Duration Calculation, and other analytical models, MIAC provides daily mark-to-market and pipeline attribute analysis to rebalance the portfolio for optimal hedging strategy within client-defined tolerance.

MIAC’s Secondary Solutions Group provides pipeline hedging advisory services on various types of mortgage loan products including but not limited to conventional, ARMs, and jumbos.

### **MSR Hedge Advisory Services:**

MIAC’s Funding and Hedging Services (“FHS”) Group provides balance sheet risk management services for loans and mortgage servicing rights (“MSRs”). MIAC utilizes best-in-class analytical tools and metrics, both proprietary and externally provided, to assess efficient portfolio funding and hedging strategies for our clients. Funding and hedging strategies may include recommending asset purchases/sales, issuing liabilities or equity, and various rate-based hedging instruments (e.g., Interest Rate Swaps, Swaptions, Treasury Futures, Treasury Future Options, Constant Maturity Mortgage (CMM) Swaps, Rate Lock Futures, Interest Rate Caps/Floors, and Treasury Notes/Bonds.) The FHS Group seeks to advise its clients to achieve the most efficient portfolio profile in consideration of the client’s risk tolerance and preferences.

MIAC’s relationship with its clients (each, a “**Client**”) is governed by a Statement of Work which is part of a Master Service Agreement (each, an “**Agreement**”). MIAC tailors services to its clients based on a Client’s risk tolerance and preferences as outlined in the Agreement.

MIAC does not participate in wrap fee programs.

As of December 31, 2023, MIAC had approximately \$863,624,643 in regulatory assets under management on a non-discretionary basis on behalf of its Clients.

## **Item 5 - Fees and Compensation**

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MIAC utilizes a “fee-based” model only. Pursuant to the Agreements, MIAC charges clients a contractual fee for services rendered. The fee structure is dependent upon several factors, including but not limited to, level of servicing required, (professional services and software licenses) the size of the portfolio being managed, the complexity of the products being managed and other factors that are unique to each individual client’s portfolio.

Pursuant to the Agreements, MIAC directly bills Clients on a monthly basis. MIAC’s compensation is not portfolio (performance) or transaction based. MIAC does not have portfolio-based compensation for its employees.

MIAC does not deduct fees from client assets.

MIAC does not charge clients for ancillary expenses.

MIAC does not require clients to pay any fees in advance.

Neither MIAC nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## **Item 6 – Performance Based Fees and Side-By-Side Management**

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Neither MIAC nor any of its supervised persons accept or manage accounts that are charged performance-based fees.

## **Item 7 - Types of Clients**

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The Adviser’s clients generally consist of regulated depositories, mortgage originators, government entities, federal home loan banks and real estate investment trusts.

While the Adviser does not require any minimum account size requirement for Clients, its current smallest Client currently originates approximately \$5 million of newly originated loans per month. In the Adviser’s experience, prospective clients generally need to have a minimum net worth of \$2 million in order to secure MBS trading accounts with broker-dealers.

## **Item 8 - Method of Analysis, Investment Strategies and Risk of Loss**

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### **RESIDENTIAL PIPELINE HEDGE ADVISORY SERVICE:**

The Adviser provides comprehensive pipeline management and hedge advisory services tailored to meet the needs of its Clients. MIAC’s team of experienced capital markets and risk management professionals uses MIAC MarketShield technology to provide the precision and transparency necessary to reduce hedging risks and improve its Clients’ secondary market execution. This approach utilizes an Option Adjusted Spread Duration calculation and pull through analysis, in conjunction with MIAC’s Best Execution Analysis, which is powerful and concise in combination. The Adviser utilizes MIAC’s term structure SOFR Market Model, which has an industry-leading calibration process to enable highly accurate volatility-based asset pricing to perform our OAS analysis.

The single largest risk factor encountered is the interest rate lock commitments (“**IRL**”) and understanding how they impact the risk profile of Clients. MIAC performs a comprehensive monthly loan fallout and pull-through analysis to optimize pipeline sensitivity measurement and reduce this risk.

Loans are hedged with Forward “TBA” mortgage-backed securities and ultimately delivered into them, via the government-sponsored enterprises (“GSE’s”) or Mortgage Investors. Per a Client’s recommendations/consultation, MIAC establishes strict risk limits.

#### Operational Risks:

1. Changes to a Client’s risk limitations may not be communicated to MIAC timely, resulting in over/under hedging of a Client’s portfolio.
2. Incorrect loan data may result in incorrectly hedged risk.
3. Inaccurate information from market data sources may lead to incorrectly hedged risk.

#### Market Risks:

1. Secondary market whole loan spreads in relation to hedges can change unexpectedly, leading to un-hedged risk and higher holding cost to a Client.
2. Durations of loans and hedges can fluctuate beyond the anticipated range, which may reduce hedge effectiveness.
3. Historical data used for Fallout Analysis may not adequately represent current client pipeline performance.

#### Regulatory Risks:

1. Major changes to government sponsored entity (Ginnie Mae, Fannie Mae, Freddie Mac) charter may impact the hedging options in the new origination and secondary markets.
2. New federal, state banking regulations, as well as accounting regulations, can impact established previously optimal hedging/business strategy.

#### Other Risks:

General Economic and Market Conditions. The success of MIAC’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances.

Compliance with Anti-Money Laundering Requirements. In response to increased regulatory concerns, MIAC may request Clients to provide additional documentation verifying, among other things, Client’s identity, and source of funding. MIAC may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying Clients that the information has been provided. MIAC will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives, or special measures.

No Independent Legal Counsel. Legal counsel for MIAC does not serve as counsel for or represent the interests of Clients, and such counsel disclaims any fiduciary or attorney-client relationship with Clients. The attorneys and certain other experts who perform services for MIAC and related entities and do not represent or perform services for Clients.

Cyber Security Risk. As the use of technology has become more prevalent in the course of business, the Adviser has become more susceptible to operational and financial risks associated with cyber security including, among other things, theft, loss, misuse, improper release, corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to a Client; and compromises or failures to systems, networks, devices and applications relating to the operations of the Adviser and its service providers. Cyber security breaches may involve unauthorized access to digital systems (e.g., through “hacking” or malicious software coding), or may also result from outside attacks such as denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

Cyber-attacks affecting the Adviser may result in financial losses to the Adviser and its Clients; the inability of the Adviser to transact business with its Clients; delays or mistakes in the calculation of reporting items or other materials provided to Clients; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. While measures have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly since the Adviser does not directly control the cyber security measures of its service providers, financial intermediaries and companies in which it invests or with which it does business.

Effects of Health Crises and Other Catastrophic Events. Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, may have an adverse effect on Clients and the Adviser’s operations. Under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended, or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

Artificial Intelligence and Machine Learning The emergence of technological developments in artificial intelligence and machine learning (collectively, “AI”) can pose risks to MIAC and the Clients. MIAC is exposed to the risks of these developing and evolving technologies, including in situations where AI is used by third-party service, data, or information vendors. Use of AI implicates risks resulting from inaccuracies in data input and output or signals, modeling, and information security and related regulatory developments. These risks may subject MIAC to potential litigation (particularly trademark, licensing, terms of use, and copyright claims), conflicts of interest, and/or other legal or operational risks. MIAC’s policies and procedures regarding the use of AI potentially disadvantage MIAC competitively.

## **Item 9 – Disciplinary Information**

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Neither MIAC nor any of its management persons have been involved in any criminal or civil actions in a domestic, foreign, or military court.

Neither MIAC nor any of its management persons have been subject to an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority except as follows:

On September 11, 2023, the SEC Order Instituted an Administrative Proceeding to MIAC for violating the specific registered investment adviser compliance requirements and Code of Ethics provisions of Sections 204A and 206 (4) of the Advisers Act of 1940 and Rules 204A-1 and 206(4)-7.

The remediation is complete, and MIAC is in compliance with the Advisers Act. Charges related to the compliance requirements of the Act, not fraud, and trading controls have always been in place. The Order states that MIAC has not admitted to or denied any of the findings.

Neither MIAC nor any of its management persons have been subject to a proceeding before any self-regulatory organization.

## **Item 10 – Other Financial Industry Activities and Affiliates**

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An affiliate of MIAC, MIAC Capital Markets LLC, is registered as a broker-dealer and is a member of FINRA.

Neither MIAC nor any of its affiliates are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### ***Code of Ethics***

MIAC has adopted a Code of Ethics (the “**Code**”) pursuant to Rule 204A-1 of the Advisers Act that establishes certain standards of conduct and rules for its employees and/or access persons (as applicable). A summary of the Code is provided below. All access persons of MIAC must acknowledge annually that they understand and agree to the terms of the Code.

The Code incorporates the following general principles that all employees are expected to uphold at all times:

- Employees must place the interest of clients first;
- Employees must conduct all personal securities transactions in a manner consistent with the Code and seek to avoid both actual conflicts of interest and the appearance thereof, and;
- Employees may not take advantage of their own positions with MIAC for their own personal benefit.

### ***Personal Trading***

The Code states that access persons are generally not permitted to purchase or sell certain publicly traded securities for their own accounts or accounts that the access person controls or which the access person may be deemed to have beneficial ownership (such as an account of a spouse or minor child) without prior approval. MIAC believes that this prohibition mitigates the most likely conflict of interest that may arise from personal trading activity by generally prohibiting trading in securities that largely comprise the investable universe of MIAC's Clients.

Access persons are permitted to buy and sell private securities (such as investments in hedge fund, private equity funds and private companies) and initial public offerings with prior approval. Access persons are



also permitted to invest in public securities, mutual funds and U.S. and non-U.S. government issued obligations without prior approval. In addition, MIAC permits access persons to maintain accounts that are managed on a discretionary basis by a third party if the access person has no direct or indirect influence or control over the investments for the account.

Exceptions to the personal trading policy are handled on a case-by-case basis.

### ***Gifts and Entertainment, Political Activities and Outside Activities***

The Code provides that gifts and entertainment must be reasonable considering industry best practices and should never be given or received if the purpose is to influence the recipient. MIAC requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires access persons to obtain prior approval before the access person, a spouse or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

### ***Participation or Interest in Client Transactions***

MIAC, its principals, and employees do not purchase or sell any securities for their own accounts to or from Clients.

### ***Additional Considerations***

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities, partners, and personnel in connection with client transactions. MIAC has established written policies and procedures, which contain procedures to monitor and resolve conflicts and will endeavor to resolve conflicts in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

## **Item 12 - Brokerage Practices**

MIAC solely executes trades with a registered broker/dealer based on best execution. In accordance with MIAC's SOC I Type II report, the Adviser documents the cover price on each TBA Bid.

MIAC does not receive research or other products and services other than execution from a broker-dealer or third party in connection with client securities transactions.

MIAC does not consider, in selecting or recommending broker-dealers, whether MIAC or a related person receives client referrals from a broker-dealer or third party.

MIAC does not routinely recommend, request, or require that a client direct MIAC to execute transactions through a specified broker-dealer.

MIAC executes hedges on behalf of its clients through a limited Special Non-Durable Power of Attorney. Trades are not aggregated, as the counterparty relationships are between each individual client and its approved broker-dealer. MIAC does not enter into any trade as counterparty.

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**Item 13 - Review of Accounts**

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MIAC reviews Client accounts twice a day for accurate profit/loss, risk, and data. These reports are reviewed by MIAC's management for accuracy before they are sent to the Client.

MIAC also produces reporting to customers that show how each asset is marked to market, so that the Client may have full oversight. In addition, through MIAC's attribution reports, Clients may evaluate their risk position and the effect of changing interest rates will have on it.

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**Item 14 - Client Referrals and Other Compensation**

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MIAC does not participate in any arrangement whereby a person who is not a Client provides an economic benefit to MIAC for providing investment advice or other advisory services to MIAC's clients.

From time to time, MIAC has referral agreements with other entities, whereby MIAC pays fees for the referral of prospects. This fee structure generally ranges from 1% to 10% of the gross revenue earned after a prospect becomes a client for a term of one year.

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**Item 15 - Custody**

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MIAC does not have custody of client funds or securities and therefore is not required to comply with the requirements of the Rule 206(4)-2 of the Advisers Act ("**Custody Rule**"). While MIAC is typically granted a Special Nondurable Power of Attorney (each, a "**POA**") by its Clients, these POAs only grant MIAC the authority to execute trades to buy and sell certain instruments for Client accounts and not additional authority which might otherwise result in MIAC being deemed to have custody over Client accounts.

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**Item 16 - Investment Discretion**

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While MIAC does not accept discretionary authority to manage securities accounts on behalf of Clients, Clients do typically grant MIAC a POA to execute trades to buy and sell certain instruments for Client accounts for hedging purposes. At the election of a Client, MIAC will include risk limits in the POA which it will adhere to daily in relation to a particular Client account.

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**Item 17 - Voting Client Securities**

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MIAC's investment strategy does not involve the acquisition of public securities with voting authority, so it is unlikely that Clients will be placed in a position of proxy voting authority.

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**Item 18 - Financial Information**

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Registered investment advisers are required in this Item to provide certain financial information or disclosures about the registered investment adviser's financial condition. The Adviser is not aware of any financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Clients and has not been the subject of a bankruptcy proceeding. The Adviser does not require or solicit

prepayment of more than \$1,200 in fees for any Client, six months or more in advance, and therefore has not included a balance sheet.