



March 22, 2020

Andrew Olmem  
Special Assistant to the President for Financial Policy  
National Economic Council, White House  
1650 Pennsylvania Avenue  
Washington, DC 20502

Kathleen Kraninger  
Director  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, D.C. 20552

Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C 20220

Mark Calabria  
Director  
Federal Housing Finance Agency  
400 7 Street SW  
Washington, DC 20024

Jerome Powell  
Chair  
U.S. Federal Reserve  
Constitution Ave NW &, 20th St NW  
Washington, DC 20551

Dr. Ben Carson  
Secretary  
U.S. Department of Housing & Urban Development  
451 7 St SW  
Washington, DC 20410

Ladies and Gentlemen:

We want to convey our support and appreciation to you and other Administration officials who are working diligently to develop a comprehensive set of economic programs and financial facilities to address the national emergency posed by COVID-19. As our various organizations<sup>1</sup> have reported to you and U.S. Department of Treasury, and U.S. Department of Housing and Urban Development officials in previous communications, we have been working to develop a set of recommendations pertaining to homeowners facing challenges paying their mortgage due to this national health emergency.

With this letter, we want to share our thoughts and recommendations arising from this effort. We will divide the discussion into two separate, but important components. These components are distinct – one is universal, intended to apply to all affected consumers in the same way and speed delivery of

<sup>1</sup> **The American Bankers Association (ABA)** is the voice of the nation’s \$18 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard nearly \$14 trillion in deposits, and extend more than \$10 trillion in loans.  
**The Consumer Bankers Association (CBA)** partners with the nation’s leading retail banks to promote sound policy, prepare the next generation of bankers, and finance the dreams of consumers and small businesses.  
**The Consumer Data Industry Association (CDIA)** is the voice of the consumer reporting industry, representing consumer reporting agencies including the nationwide credit bureaus, regional and specialized credit bureaus, background check companies, and others.  
**The Housing Policy Council (HPC)** is a trade association comprised of the leading national mortgage lenders and servicers, mortgage and title insurers, and technology and data companies.  
**The Mortgage Bankers Association (MBA)** is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country.  
**The National Mortgage Servicing Association** is a nonpartisan organization driven by senior executive representation from the nation’s leading mortgage servicing organizations  
**The Structured Finance Association (SFA)** is dedicated to helping the economy grow by safely enabling greater credit access to industry, consumers and investors.  
**U.S. Mortgage Insurers (USMI)** is dedicated to a housing finance system, backed by private capital that enables access to housing finance for borrowers while protecting taxpayers.

relief to consumers, and one is limited, applicable to non-depository mortgage servicers in need of liquidity support.

### **Universal Consumer Support**

The mortgage market issues for consumers in the wake of the pandemic has two elements – challenges posed to existing homeowners and challenges posed to home buyers and those in the process of refinancing their mortgages or completing home purchases.

#### *Existing Homeowners*

It is our objective to quickly and efficiently respond to the growing number of affected households with a uniform program that is simple and streamlined. The mortgage industry is committed to ensuring that households in need receive help immediately through payment forbearance that could extend from ninety days to twelve months. This assistance would be followed by an appropriate loan modification, with programs that allow consumers to simply resume their previous mortgage payments, without additional costs or penalties, as the first and best option for most, but complemented by programs that can provide more substantial payment relief through changes to the rate and term of the mortgages, as necessary, also without additional costs or penalties.

The operational elements of this borrower assistance have received intense input from across all the participating associations. This is critical because it will be essential that borrowers in need of assistance receive it in a consistent manner and on similar terms. Because this is a program that many firms must implement and implement the same way, we have focused not just on overall goals but also on operational details.

Together, we have constructed the attached term sheet (attachment 1), which describes the areas where the industry is seeking:

- additional universal program guidance from the government-sponsored enterprises and government agencies,
- waiver of some policies and practices that that may add unnecessary delay and friction, and
- streamlined approaches to customer notification or documentation to make it as efficient as possible to receive relief.

We are working with each appropriate government agency individually to pursue the requests included in this term sheet. But we emphasize the importance of producing a single model forbearance program that produces the same outcomes for consumers across lending programs.

We also are working with a broad group of mortgage servicers to develop uniform messaging and materials that could be used industry-wide, to ensure that customers know what to do and how to access the services available, should they find themselves unable to stay current on their monthly payments. We also want to be clear that, considering reductions in the number of staff able to field calls as a result of the pandemic, borrowers should only reach out to their servicer if they are in immediate need of assistance. And finally, it is critical that we continue to message that all those who can pay their mortgage, should pay their mortgage.

We cannot emphasize enough the need for a close partnership between industry and the federal government on the messaging surrounding this borrower assistance. For example, a “.gov” website reinforcing the standards and terms of the borrower assistance program would aid consistency in messaging, reinforcing that this assistance is available to those in actual economic distress due to the pandemic and that others should continue to make their mortgage payments, a message that will target critical resources to those in need and bolster consumer confidence in the approach.

### *New Mortgage Applicants*

A month ago, the mortgage industry’s immediate concern was managing the surge in new mortgage applications, especially for refinancing. The second element of the industry response to the pandemic is targeted at the operational difficulties the industry now faces as a result of the broad-based shut-down of both private and public services, including county recorders offices and other critical government functions. Attachment 2 lists key process steps in mortgage origination and closing that have been broadly disrupted. For example, it now is difficult if not impossible for loan originators to communicate with a prospective borrowers’ employer to verify employment status, to complete necessary paperwork with “wet signatures” validated by notaries, and to obtain property appraisals when many professionals are subject to mandatory isolation and telework policies.

Originating loans is an important component of consumer relief that will allow consumers to achieve or maintain homeownership at low interest rates long term. Our associations are currently engaged with various federal departments and agencies, identifying specific process steps disrupted by current conditions and developing appropriate alternatives. In some cases, these will require regulatory waivers or relief, in other cases an openness to alternative approaches.

We intend to continue our engagement with appropriate regulators. Our request of our regulators is to work with us to construct appropriate relief to ensure that mortgage production does not grind to a halt and that lenders are not penalized for demonstrating prudent judgment adapting to these unusual and temporary conditions. Rules are there to protect consumers but cannot be allowed to stifle or halt a consumers’ ability to close mortgage loan applications because of these extraordinary circumstances reflecting a national health emergency.

### **Liquidity for Non-Bank Mortgage Servicers**

This section addresses the need of non-depository mortgage servicers, as our bank members are expressing increasing confidence that they will have sufficient capital reserves and liquidity resources necessary to handle the current stressed environment.

Separate from the consumer-focused elements described in the previous section of this letter, our associations recognize that the stability of our housing finance system depends upon mortgage servicers providing the extraordinary financial support to consumers demanded by these conditions. In this case, the need is not universal, yet the systemic risks of failing to address the need where it exists could bring great harm to borrowers and to housing markets and housing finance.

As background, when a borrower fails to make their monthly mortgage payment, the mortgage servicer must still pay the principal and interest to investors, as well as pay the real estate taxes, homeowners' insurance, and mortgage insurance on their behalf. In the regular course of business, all servicers maintain liquid reserves to cover these advances. Attached to this letter is a short summary of how servicing advances work and sizing the dollar magnitude we could be facing (Attachment 3).

Today, with millions of Americans experiencing a material reduction or elimination of income as the country combats COVID-19, many households will be unable to make their mortgage payments. This will trigger an unprecedented need for borrower forbearance, which will strain and possibly overwhelm some servicers' liquidity reserves, all of which were calculated and set aside for more ordinary times.

The financial stress to servicers will vary but will be most pronounced for non-bank mortgage servicers that are engaged solely in the mortgage business. These servicers have fewer liquidity sources than depositories and they manage their mortgage operations with cash flow generated from the mortgage business, including origination revenue and servicing proceeds, and rely on both equity from private firms and financing from commercial banks. In contrast, insured depository institutions have sources of cash flow from their non-mortgage business lines, substantial reserves of regulatorily-required capital, as well as access to backstop liquidity sources.

Because independent, nondepository mortgage servicers do not have access to the liquidity resources available to banks, they are more vulnerable to the unprecedented level of delinquencies and payment forbearance that will be required. Further, these companies are the dominant providers of mortgages through the FHA and VA programs, which poses an additional challenge. FHA and VA loans are securitized through Ginnie Mae. Unlike the GSEs, Ginnie Mae does not directly reimburse servicers for the advances made to investors nor does Ginnie Mae step into make those payments as the delinquencies persist over a protracted period. Delinquent loans can remain in Ginnie Mae securities, and thus require servicer advances, or servicers may buy them out, which requires even more cash resources, both of which demand a tremendous amount of liquidity. The existing financing vehicles, generally commercial banks and warehouse lenders, employ risk controls and rules concerning the level of delinquencies and overall liquidity profile of a servicer that are intended to contain risk, but that will likely cause additional financial strain during this period of unprecedented economic stress. Further, the FHA and VA market segment represents a larger proportion of low- and moderate-income borrowers, who will likely sustain a more significant economic impact of this emergency.

In sum, the financial stress to the system is highly concentrated - concentrated with independent mortgage companies that do not have access to the existing Federal liquidity facilities, concentrated with the predominant Ginnie Mae issuers who operate without the type of financial backstop offered by the GSEs, and concentrated in the segment of the population that is most likely to be affected economically by this national emergency.

Therefore, for the welfare of those borrowers and for the good of the housing finance system, the market today needs a backstop liquidity source for these independent mortgage servicers. There are at least two federal financing vehicles available today that could be deployed. One is Ginnie Mae's

Pass-Through Assistance authority, which enables the agency to make principal and interest advances to bondholders on behalf of a servicer for some period of time. The other, which has already been deployed in this crisis for other emergency funding needs, is the Federal Reserve's 13(3) authority. Beyond these existing authorities, other options are available, including congressional authorization for these programs or for Treasury to directly finance or guarantee servicer advances as requested by servicers. Beyond these existing policy options, any additional legislative or regulatory measures must be designed to protect the safety and soundness of the financial system, with government agencies acting in concert to respond to this national emergency.

The critical point is the *necessity* of a temporary government backstop liquidity source(s) to fund an unprecedented need for servicer advances. We do not have a specific operational plan for providing this liquidity, in part because the various programs that could be used have very different parameters and requirements. We are prepared to assist in developing detailed plans for how to implement such temporary liquidity support.

It bears repeating that not every servicer may want or need to use this type of temporary liquidity facility – and therefore, the access to such facilities should be voluntary and optional. Yet the entire housing finance system, including borrowers, would benefit from a material reduction in systemic risk that we face, with a portion of the mortgage servicing market constrained by insufficient liquidity resources during this national emergency. That is why all our associations are in favor of this measure.

The information we are providing here we are also providing to other federal departments, agencies, the Congress, and the GSEs. We are ready to discuss any of these items with you and your colleagues. We implore the Administration to ensure engagement and harmonization among government agencies to create an environment that will allow lenders and servicers to meet the needs of consumers in this unprecedented pandemic. We stand at the ready to help in any way that you deem appropriate.

Yours truly,

American Bankers Association  
Consumer Data Industry Association  
Housing Policy Council  
Mortgage Bankers Association  
Structured Finance Association  
The National Mortgage Servicing Association  
US Mortgage Insurers

**ATTACHMENT 1**

**COVID-19 Response – Homeowner Assistance  
Joint Trade Association Recommendation**

**Participating Associations:** ABA, CBA, CDIA, HPC, MBA, NMSA, SFA, USMI

**Core Objectives:**

Relief efforts must be uniform, clear, concise, and easy for servicers and homeowners to understand and implement

- Establish uniform programs and policies across government agencies and the GSEs, so that all affected borrowers are eligible for similar assistance
- Adapt and rely on existing programs and practices used for natural disaster borrower assistance, as appropriate and feasible
- Keep all rules and requirements simple and streamlined, for sake of affected borrowers and companies operating with staffing constraints
- Minimize future program changes, with simple and clear rules and communications

**Key Programmatic Considerations:**

Assistance targeted to affected borrowers in need only, yet streamlined to minimize administrative burden for both customers and servicers facing constraints associated with broad-based social distancing and/or mandatory work-from-home policies.

- National scope - ensure broad access nationwide, given scope of affected population and constrained resources at financial institutions
- Borrower access – require customer contact, but eliminate or limit verification/ documentation requirements because homeowners affected by COVID-19 may have limited ability to compile and/or contact third parties for access to documents in widespread event
- Post-forbearance simplicity – provide customers with as much certainty as possible, by providing clarity regarding the mortgage payment “end-state,” for both short- and long-term forbearance

**Program Proposal:**

<b>Program Terms</b>	<b>Proposal</b>
<b>COVID-19 Hardship – Expansive Nationwide Eligibility</b>	<ul style="list-style-type: none"><li>• National emergency declaration – national scope; no geographical limitation</li><li>• Date of emergency declaration is March 13, 2020</li><li>• COVID-19 hardship encompasses all standard hardships and requires no validation</li></ul>

<b>Borrower / Mortgage Payment Status</b>	<ul style="list-style-type: none"> <li>• Payment forbearance available to all affected borrowers, including those delinquent prior to March 13 declaration date</li> <li>• Extend Mod and Stand-Alone Partial Claim available only to borrowers who are current or less than 90 days delinquent as of March 13 declaration</li> </ul>
<b>Customer Contact/ Communications</b>	<ul style="list-style-type: none"> <li>• Customer contact required – statement of hardship only, no additional validation required</li> <li>• Routine Customer Communications – as part of standard servicing operations or collections activities, a servicer may identify customers eligible for COVID-19 assistance and offer deferred payments/forbearance and/or COVID-19 post-forbearance options</li> <li>• Customer contact may be performed through various means or methods – e.g. phone calls, text messages, emails, web-based or on-line portals; flexibility is preferable given the nature of the national emergency, which calls for expansive approaches to communication, rather than specific requirements for verbal or written customer contact.</li> </ul>
<b>Forbearance</b>	<ul style="list-style-type: none"> <li>• Servicers must provide an initial 90-day payment forbearance, with potential to extend up to 12 months</li> <li>• Payment forbearance protections include suppression or reduction of payments, foreclosure, negative credit reporting, collection calls/letters, late fees</li> <li>• Allow these disaster forbearances to be offered without requiring a formal forbearance agreement</li> </ul>
<b>Post-Forbearance Stabilization/ Modifications</b>	<ul style="list-style-type: none"> <li>• Payment deferral/payment forbearance may be followed by: <ul style="list-style-type: none"> <li>✓ Extend Mod, to bring loan current and add missed payments to the outstanding balance; extend term by missed payments;</li> <li>✓ Cap and Extend Mod, to capitalize arrearages and bring loan current with term extended;</li> <li>✓ Stand-Alone Partial Claim (for FHA and USDA mortgages), to provide borrower with interest-free subordinate lien in amount of the missed payments, due on sale or payoff;</li> <li>✓ Streamlined Mod (Flex Mod), to bring loan current, extend term, and potentially lower interest rate; or</li> <li>✓ Standard loss mitigation review and modification products, to perform more comprehensive evaluation of borrower financial situation, with docs</li> </ul> </li> <li>• Documentation / validation required only for standard / HAMP modifications, but not Extend Mod, Stand-Alone Partial Claim, or Streamlined Mod</li> </ul>

	<ul style="list-style-type: none"> <li>• Extend recordation timeframes for all modifications/partial claims that require recordation;</li> <li>• Ginnie Mae must suspend recordation requirement to allow delivery of modified loans into MBS; replace recordation requirement with alternative, such as commitment to record and consumer attestation to no new/additional liens.</li> </ul>
<b>Trial Periods</b>	<ul style="list-style-type: none"> <li>• For GSE mortgages, no trial period</li> <li>• For government mortgages, trial period (required by Ginnie Mae); for cases where forbearance is less than 60 days, Ginnie should permit the 1<sup>st</sup> 3 months of resumed payments to serve as a trial period</li> </ul>
<b>Credit Reporting</b>	<ul style="list-style-type: none"> <li>• Use natural disaster code so no negative impact</li> </ul>
<b>Late Fees</b>	<ul style="list-style-type: none"> <li>• Waived</li> </ul>
<b>Foreclosures/ Evictions</b>	<ul style="list-style-type: none"> <li>• Suspend all foreclosures / evictions at current stage; do not proceed with initiation or sales</li> <li>• Nationwide foreclosure / eviction moratorium</li> </ul>
<b>Reg X / RESPA Consumer Contact Protocols and ECOA Notification</b>	<ul style="list-style-type: none"> <li>• CFPB should Issue emergency / interim final rule to clarify that servicers will not be liable for regulatory violations if they have made good faith efforts to comply with servicing timelines during periods of declared national emergencies, including but not limited to Sections 1024.34, 1024.35, 1024.39,1024.41 of RESPA and ECOA appraisal requirements for loan modifications</li> </ul>
<b>Property Inspections</b>	<ul style="list-style-type: none"> <li>• Permit use of “no-contact” inspections</li> </ul>
<b>Borrower Occupancy Status</b>	<ul style="list-style-type: none"> <li>• Permit owner-occupant and investor borrowers (expansion from natural disaster relief)</li> </ul>



## ATTACHMENT 2

### Loan Pipeline / Closing / Settlement Issues

March 19, 2020

Categorizing items identified to-date surrounding the current pipeline of purchase money originations and refinances:

1. **Appraisal:** In the current health crisis, homeowners don't want appraisers in their house and the appraisers themselves don't want to be exposed. Waiving appraisals on rate/term refinances would be a helpful step. A hybrid approach using external property review by the appraiser combined with desktop review and inside photos from the real estate agent or seller also may be a partial solution.
2. **Verification of Employment:** If businesses are shut down or everyone is working remotely, how can a lender make telephone contact to confirm employment? And given the fluidness of the situation, how reliable is the employment confirmation by the time of closing? At least with rate/term refinances, can the borrower being current on the loan suffice as was done with HARP?
3. **Closing:** While remote closings would certainly help, and that option should be pursued, it is not likely to make a big near-term impact on closings. Are there other ways we can effectuate a closing that is not face-to-face?
4. **Title Search:** With certain local government offices shut down, title searches may be impossible. What options are available?
5. **Recording:** Closed government offices also preclude recording deeds, titles, etc. until such offices re-open. In a short duration closure, that may not be much of an issue but if the offices remained close for more than a short period of time, what issues are posed and what solutions are out there? How do local-level rules further complicate this?

## ATTACHMENT 3

### **Background**

As policymakers consider forbearance programs and suspension of mortgage payments to help consumers make it through the coming crisis, it is critical that they include a liquidity funding program to ensure that mortgage lenders and servicers are able to deliver that relief and keep the economy functioning.

When borrowers stop making payments on their mortgage, servicers are obligated to step in to advance the payments on their behalf. So, the more consumers we help through forbearance, and the longer this goes on, the greater the strain on the servicers needed to foot the bill.

Without some access to liquidity so that they can cover that cost, nondepository mortgage servicers *will not have enough liquidity to advance these payments at the extraordinary rate that we are going to need*, undermining the relief efforts and requiring yet more government intervention.

This is a cash-flow issue- a matter of making sure that servicers have the money to cover for borrowers while waiting to be reimbursed. If policymakers address it now, as a liquidity issue, it will cost *much less* than if they wait and it becomes a solvency issue.

### **Industry Estimates**

To give one a sense of scale, if 25% of the nation receives forbearance for only 3 months, servicers will have to cover payments of roughly \$36 billion. If they received it for 9 months, then the cost would exceed \$100 billion.

### **Bottom Line**

It is *critical* that policymakers work together to create a vehicle to provide lenders and servicers with access to the liquidity needed for the nation to weather the national emergency resulting from COVID-19.